



City of Elizabethton Municipal Golf Course Study

MTAS Staff

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THE UNIVERSITY of TENNESSEE 
MUNICIPAL TECHNICAL ADVISORY SERVICE

In cooperation with the Tennessee Municipal League

City of Elizabethton Municipal Golf Course Study

(conducted by MTAS, December, 2012)

Introduction

Elizabethton City Manager Fred Edens asked The University of Tennessee's Municipal Technical Advisory Service to conduct a study of the City's golf course. The study was initiated due to financial problems at the course which have emerged over the past two years.

The very nature of golf throughout the United States has changed dramatically in recent years, partly as a result of economic challenges, but also as a result of changes in our nation's demographics. The Elizabethton course has been somewhat insulated from these dynamics, but not completely.

The importance of improvements to the operation of an amenity such as the Elizabethton golf function cannot be overstated. By its very nature, the purpose of existing as a "city" is to provide a higher level of service than can be found under other arrangements (which in Tennessee are counties). Amenities such as civic centers, parks and recreation facilities, ball fields, golf courses, hike and bike trails, senior centers, airports, public swimming pools, and so on are central to the very nature of cities, and in fact are what determine a city's character. As one author has recently noted, the "brand" or character of a city is not shaped by what the city says it is, or wants to be, but instead is shaped by its real-life policies and amenities.¹ Thus the importance of facilities such as golf courses, and to their successful operation, is central to the nature of a positive, active, and well-rounded city.

Because golf is primarily played by a particular type of user, it can be subject to a negative perception - that its users are an "elite" group, and use of public dollars to support such is not warranted. In fact, however, the average household income of a golfer in the United States is \$85,960, and this includes all golfers, those using both public and private courses (note: average household income nationwide is \$63,091).² However, the basic function of municipal golf is to make the sport accessible to the broadest range of citizens, those from all income groups. That has traditionally been the most important rationale for municipal golf - to extend the opportunity among all citizens.

Study Background

In order to study the City of Elizabethton golf function data has been collected on every municipal golf operation in the State of Tennessee. In addition, a review of literature has been included in order to understand the current and emerging condition of public golf in the United States.

¹ Holeywell, Ryan. *Making a Name for Yourself: Branding Promises New Attention and Money to Cities – Is There Truth to the Hype?*. Governing. Vol. 26, No. 3, December, 2012. 25.

² The Right Market. Retrieved from www.aithusa.com 12/2012.

Finance My Money: How Much Does the Average American Make?. Retrieved from <http://financemymoney.com/average-american-income-salary-data-per-year-household-income-data-median-wage>. 12/2012.

An in-depth examination has also been conducted of the Elizabethton golf operation itself. This examination has included organizational structure, operations, and finance.

Overview of the City of Elizabethton Golf Function

The City of Elizabethton has owned a municipal golf course since 1936. Over the 76 year life of the course major renovations have occurred twice, in 1973 and again in 1993. The course is an 18-hole facility with both practice putting greens and a driving range. It is considered a premier course and one which is used by players from the upper east Tennessee area and beyond.

A significant investment in the infrastructure of this course has been made over the years by community leaders, the City of Elizabethton, and users of the course itself. It is difficult to measure the value of this investment, but suffice it to say, a golf course such as Elizabethton's could not be built by the City again, as the cost today would be prohibitive.

The course is staffed by both full and part-time employees. Until November of this year, the course Manager served for 9 years. Most employees work long hours during favorable weather and in turn have drastically reduced hours, or are laid-off, during winter months. The course Manager is paid \$36,000 per year and also earns wages from sales of the Pro Shop (usually in the \$10,000 to \$15,000 range). It should here be noted, of the 15 city-owned Tennessee courses responding to a survey conducted as a part of this study, Elizabethton is the only operation which transfers Pro Shop earnings to the Course Manager (one other course allows a contract management firm to keep these revenues). At the Elizabethton course this is done in order to provide additional compensation for the Manager and to provide incentives to develop a quality Pro Shop.

In terms of staff capability, the course has been operated by a superb group of individuals. The quality of the course is second to none. The Course Groundskeeper is a long-time employee who works extraordinary hours, many times utilizing trustee assistance from the Sheriff's office to assist with course maintenance. And the results show, as the course is extremely well kept. Management staffs in the clubhouse also do an excellent job. A golf professional is available for lessons, and the course has supported start-up programs for youth such as the nationwide *First Tee* program.

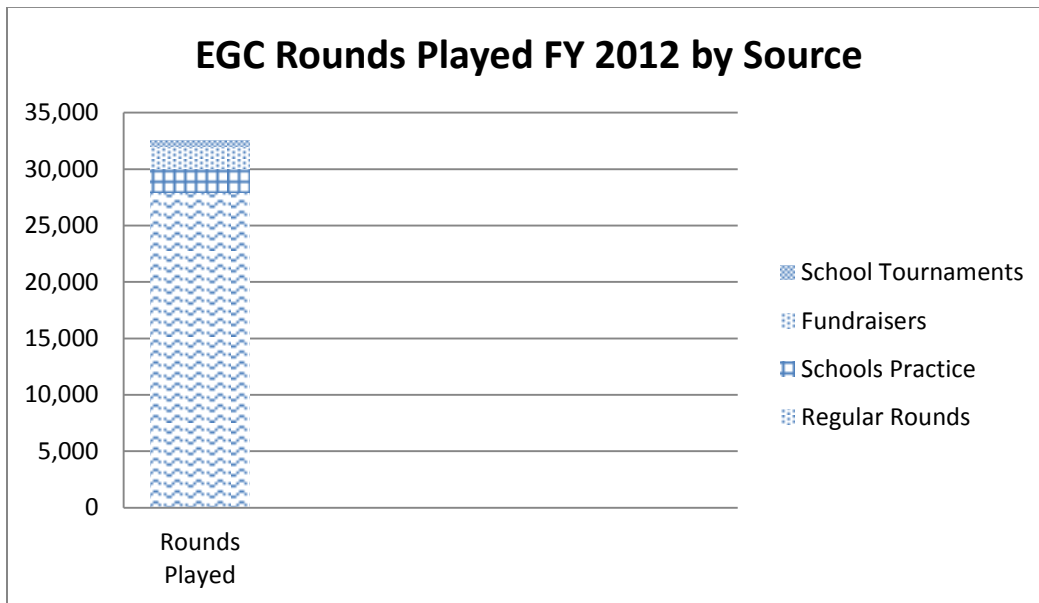
In terms of course quality it is difficult to find reliable, standardized rating comparisons. However, *GolfLink* provides course ratings by actual users. For courses within a 50 mile radius of Elizabethton, both public and private, no course has received higher ratings than the Elizabethton Golf Course (EGC).

The course is home to three high school teams - Happy Valley, Elizabethton, and Hampton. In addition the course is "home" to the Milligan College team. When high school tournaments are held, which is 6-7 times per year, there are between 4 and 5 teams participating.

The EGC generates a significant amount of money in the form of fundraising events for community groups. During the summer of 2012, for example, more than \$146,000 was raised through fundraising tournaments conducted at the Course (a list of these is provided in Appendix A). An additional 6-8 church fundraising events were held during the same period.

The number of rounds played at the course is impossible to calculate with 100% accuracy. That's because players in tournaments such as those mentioned above are not tracked in the Elizabethton Golf Course system. The same is true for the four schools that use the course and the practice rounds and tournaments they conduct. Given that most tournaments have approximately 60 players, and each school tournament involves approximately 4-5 teams with 9 players each, we can estimate an additional 4,636 rounds were played from these sources in FY 2012.

When combined with the 27,887 rounds played which were tracked by the course, we can estimate the total number of rounds played at the *Elizabethton Golf Course* in FY 2012 at 32,523. This data is shown on the graph below.



A survey conducted by the Elizabethton Golf Course in mid-2012 showed that 82% of these golfers are from outside the city limits of Elizabethton.

National Golf Trends

An examination of nationwide golf in the United States, for both public and private courses, paints a changing picture. Arguably the two biggest challenges facing golf courses nationwide are the current economic climate and the changing demographics of golfers. The 2008 recession and its aftermath have affected the golf industry. The cost of maintaining courses has risen, coinciding with cities having to tighten their budgets. For many cities this has meant that a number of facilities, including golf courses, have not received the funds they need to properly operate. Simultaneously, many citizens who previously golfed no longer do so.

The struggling economy has occurred simultaneously with a period during which golf has generally been on the decline. According to the National Golf Foundation (NGF), 2012 started with 15,753 courses in the U.S, down 299 from 2005. In 2011 alone, the number of American courses decreased by 157. The NGF estimates that 25.7 million Americans were considered golfers last year, down 4.3 million from

2005. However, other sources estimate the number of golfers in 2012 at about 29 million, which is about 10% of the U.S. population.³ The amount of golf played has also decreased, resulting in a loss of green fees. The NGF says 463 million rounds were played last year, down from 500 million in 2005 and 518 million in 2000.

The demographics of the typical golfer are also shifting. Baby Boomers took up the sport roughly 30 years ago, kicking off the golf boom of the 1980s that lasted until roughly 2000. Research shows younger generations aren't taking up the sport in the same numbers, and those who are often aren't as dedicated of players. A November 2011 American Express report on the health of the golf industry found that Millennials (those currently in their 20's) account for only 1 percent of total golf spending, whereas Baby Boomers make up 56 percent of the spending on the sport. That said, the report also showed that in almost every quarter since early 2008, Millennials have increased golf spending, while Baby Boomers have decreased golf spending. Research shows that post-Baby Boom generations tend toward being more family-oriented, and are less willing to spend the time that a round of golf requires. Because of this, the industry is working to come up with innovative ways to draw in younger and middle-aged players and make the experience more family-friendly.

Here are some basic demographic statistics from 2012 (numbers are rounded):⁴

- The age group from 18-29 are 5% of golfers.
- The age group from 30-40 are 12% of golfers.
- 22% of golfers are in their 40's.
- 24% are in their 50's.
- 18% are in their 60's.
- 19% are in their 70's.

A look at basic golf demographics in the last decade demonstrates the shift discussed above (statistics are from 1999):⁵

- The age group from 18-29 are 22% of golfers.
- The age group from 30-40 are 25% of golfers.
- Seniors (ages 50 and above) spend more on golf than all other age groups.
- The average age to begin golfing is in the 20's.
- The average player is age 39.
- Only 13.5% of golfers are retired.
- 22% of golfers (5.7 million people) are women.
- 39% of beginning golfers are women (this has risen 9% in the past 10 years).
- The average female golfer is 42 years old with an average household income of \$66,000.

³ Statistic Brain. *Golf Player Demographic Statistics*. Retrieved from <http://www.statisticbrain.com/golf-player-demographic-statistics>. 12/2012.

⁴ Ibid.

⁵ Finkel, Rebecca. *All About the Men Who Play the Game of Golf: A Demographic Walk Down the Fairways*. News: ABC. Retrieved from www.medialifemagazine.com:8080/news1999/aug99/news4830.html.

Public Golf in Tennessee

Scope of Municipal Golf in Tennessee

The data shown below has been generated for this study, and may not be all inclusive. Based on research for this report, however, there appear to be approximately 35 city-owned golf courses in Tennessee. They are as follows:

<u>City</u>	<u>Population</u>	<u>Course Name</u>	<u>Course Size (# holes)</u>
Bristol	26,702	Steele Creek	9
Centerville	3,644	Centerville Municipal	18
Chattanooga	167,674	Brown Acres	18
Chattanooga	167,674	Brainerd	18
Clarksville	132,929	Swan Lake	18
Clarksville	132,929	Mason Rudolph	18
Cleveland	41,285	Waterville	18
Dyersburg	17,145	Dyersburg Municipal	18
Elizabethton	14,176	Elizabethton Golf Course	18
Gallatin	30,278	Long Hollow	18
Gatlinburg	3,944	Gatlinburg Golf Course	18
Harriman	6,350	Emory Golf & Country Club	9
Hendersonville	51,372	Country Hills	18
Hohenwald	3,757	Hohenwald Municipal	9
Jackson	65,211	Bent Tree	18
Johnson City	63,152	Pine Oaks	18
Johnson City	63,152	Buffalo Valley	18
Kingsport	48,205	Cattails	18
Knoxville	178,874	Whittle Springs	18
Knoxville	178,874	Knoxville Municipal	18
Knoxville	178,874	Williams Creek	18
Oak Ridge	29,330	Centennial Golf Course	18
Memphis	646,889	Audubon	18
Memphis	646,889	Davy Crockett	18
Memphis	646,889	Fox Meadows	18
Memphis	646,889	Galloway	18
Memphis	646,889	Pine Hill	18
Murfreesboro	108,755	Old Fort	18
Nashville	601,222	Shelby	18
Nashville	601,222	Ted Rhodes	18
Nashville	601,222	Two Rivers	18
Rockwood	5,562	Rockwood Golf Course	9
Sevierville	14,807	Sevierville Golf Club	27
Smyrna	39,974	Smyrna Golf Course	18
Waynesboro	2,449	Waynesboro Municipal	9

In terms of the number of rounds played at city-owned courses in Tennessee, the following chart depicts this data for 9 of these courses:

City/Course	# Rounds Played FY 2012	# Rounds Played Per 1,000 in Population
Bristol	11,816	.44
Chattanooga (2 courses)	75,289	.23
Clarksville Swan Lake	23,900	.18
Elizabethton	32,523	2.3
Gallatin	45,000	1.5
Hendersonville	22,977	.45
Johnson City (2 courses)	61,000	.48
Murfreesboro	42,920	.39
Smyrna	30,346	.76

By dividing the number of rounds played by a city’s population, we can develop an indicator which illustrates the level of golf activity for the size of the community. Based on this data, as shown in the chart above, the EGC is by far the most active course per 1,000 in population. This verifies that 82% of golfers are from outside the Elizabethton city limits, which also helps verify the economic impact data discussed below. This also confirms that the course is a significant draw for out-of-town visitors, as well as resident golfers.

An interesting dynamic relates to a trend in Tennessee, emerging over the past two years, regarding the number of members and the number of rounds played. In general, of 11 courses examined for this particular data, there has been an average decrease of 2.4% in the number of members over the past two years. However, there has also been an average increase of 8.6% in the number of rounds played. This likely indicates that players are maintaining their flexibility in order to play where and when they desire, rather than committing to one particular course. It may also mean that individual, “pay as you go” play has increased, which is somewhat contrary to the national trend.

However, in the case of the EGC these trends are likely the result of an effort to increase the number of rounds played by offering an incentive program. This program offers a round of golf, cart included, for \$18 during the week and teeing off after 2:00 (currently, the eligible hours for this incentive have been expanded). Former course Manager Steve Howard believes this incentive has raised the number of rounds played but contributed to a decrease in the number of members (who likely believe it is less expensive to utilize the \$18 incentive than to join the course as a member).

Comparative Cost of Municipal Golf

In terms of public versus private cost comparisons, research has shown public golf to be approximately \$10 less expensive per round than what are called “daily courses”, those which are privately owned but open to the public.⁶ The difference in “member only” courses is likely greater yet. This may not seem significant, but the difference in \$20 and \$30-\$50 golf can mean the difference between lower and middle income players utilizing a course when compared to those in higher income brackets. The two

⁶ Rose. M.L. *The Average Cost for a Round of Golf*. In Golfsmith. Retrieved from golftips.golfsmith.com/average-cost-round-golf-20670.html. 2012. 1.

private courses close to the EGC are The “Blackthorn at the Ridges” and the “Johnson City Country Club”. Here is a comparison of pricing with the EGC:

Blackthorn: \$1,500 to join plus \$325 per month with a minimum \$100 per quarter food and beverage requirement.

Johnson City Country Club: \$259 per month with a \$50 per month food and beverage requirement.

EGC: A per round cost (depending on time of play, usually in the \$18-\$32 range). No membership or food and beverage requirements.

This small comparison illustrates perfectly a key purpose of city-owned, public golf. That is, to make the sport accessible, via lower fees, to a broader range of citizens. This is similar in concept to the operation of small, municipal airports, which essentially make local flight possible for a broader range of citizens, or the use of community swimming pools, which offer a lower-cost alternative to private fitness or wellness centers.

The Economic Impact of Golf

A number of studies have looked at the economic impact of golf. Recall that 82% of rounds played at the Elizabethton Golf Course, or approximately 26,000 rounds, are played by non-residents. There is no way to know how far these players have traveled in order to golf in Elizabethton. However, in this regard one study has shown those who travel more than 50 miles spend another \$54 per outing (in addition to golf fees) each time they play.⁷ In addition, ancillary golf spending on things such as lessons, equipment (clubs, balls, bags, tees, gloves, etc.), clothing, books, real estate (homes adjacent to courses are estimated to have an additional value of nearly \$25,000) etc. is enormous, accounting for a near doubling of direct golf-related revenues.⁸

None of this includes the multiplier effect of economic activity, which is generated anytime dollars are spent in a community. Research shows that for each \$1.00 spent locally, \$.40 is transferred to someone else local, who again spends approximately \$.16 locally, which is then again transferred to someone local, who in turn spends approximately \$.06 in the community, and so on to an increasingly diminishing point. Based on these studies it is estimated that for every \$1.00 spent in a community a total of \$1.66 of economic activity occurs.⁹

This being the case if you take the \$575,447 in EGC revenues and multiply this by \$1.66, the net result is a \$955,242 annual economic impact EGC golf is having on the community.

Municipal Golf Course Finances

⁷ SRI International. *The Tennessee Golf Economy: Full Report*. August, 2012. 26.

⁸ Ibid. 28.

⁹ Miller, Wayne P. *Economic Multipliers: How Communities Can Use Them for Planning*. Community and Economic Development. University of Arkansas Division of Agriculture. 2012. 1-2.

This report examined the finances of 14 city-owned courses in Tennessee. Of these, only three have an annual excess of revenues over expenditures. Each of these does so because they do not fund depreciation and only one of these has (or provides funding for) debt service. The revenues, expenditures, and other data pertaining to finances are provided in the chart below:

City/Course	FY 2012 Total Revenues	FY 2012 Total Expenditures	Depreciation Funded?/ Debt Service Included?	Excess or (Deficit)	% Excess or (Deficit) of Revenues vs Expenditures
Bristol	\$230,431	\$218,899	No/No	\$11,532	5%
Chattanooga	\$1,858,154	\$1,959,023	No/No	(\$100,869)	(5%)
Clarksville Mason	\$247,149	\$212,638	No/No	\$34,511	14%
Clarksville Swan Lake	\$629,562	\$88,288	No/No	(\$170,726)	(27%)
Elizabethton	\$575,447	\$579,415	Yes/Yes	(\$3,968)	(1%)
Gallatin	\$749,434	\$986,826	Yes/No	(\$237,392)	(32%)
Hendersonville	\$632,951	\$598,477	No/Yes	\$34,474	5%
Johnson City (2)	\$939,600	\$1,495,600	Yes/Yes	(\$556,000)	(37%)
Murfreesboro	\$1,701,593	\$1,907,966	No/No	(\$206,373)	(12%)
Rockwood	\$125,000	\$185,000	No/No	(\$60,000)	(48%)
Sevierville	\$2,028,796	\$2,446,194	No/No	(\$417,397)	(21%)
Smyrna	\$987,109	\$1,403,697	No/No	(\$416,588)	(42%)
Waynesboro	\$125,180	\$164,241	No/No	(\$39,061)	(31%)

The data on the table above make it clear – public golf does not pay for golf. If all the courses examined above were fully funded, that is, including depreciation and debt service, it is likely that none would operate without a deficit. Similar to nearly all recreational amenities provided by cities, golf is not self-supporting. Elizabethton is the only course close to being fully self-supporting while funding debt service and depreciation.

Structure of the Elizabethton Golf Course Function

The structure of any public service is important to its proper functioning. This is because over time certain structures help produce predictable outcomes. Structures help guide decision-making, and in turn the implementation of decisions. Structure also helps make government, and its systems, accessible to the citizenry. Because the EGC is a city-owned facility, this access is especially important.

The Elizabethton Golf Course is currently operated pursuant to a resolution adopted by the Elizabethton City Council in 1988. The By-Laws of the organization (a copy of which is attached as a reference to this Report) delineate the composition of the Board as follows:

- 8 members elected by the membership of the Course.
- 3 members appointed by the City Council.
- 1 member elected by the Elizabethton Women’s Golf Association.
- The City Parks and Recreation Director.

The somewhat self-perpetuating nature of this Board should here be noted. Of the 13 members, 9 are “elected” from among members of the Course or the Women’s Association. Therefore the City has a minority of only 4 members who can affect operations at the course.

The EGC Board has the following duties as expressed in the By-Laws:

- Employ and contract with a course Manager.
- Fix the compensation of all employees via the budget.
- Elect from among them a Treasurer, who shall be responsible for the accounting of all funds. The Treasurer shall also, along with Chairman (unless the Board designates otherwise), sign all checks and disbursements. The Treasurer shall also submit a monthly financial report to the full Board.
- Approve an annual budget.
- Borrow funds for course operations or improvements, and to pledge security for such borrowing, subject to approval by the City Council.

Two of these duties should be further discussed. First, the duties of the Treasurer, as described in the By-Laws, have been altered in practice, and in fact the Treasurer does not have full responsibility for all accounting and oversight of course finances. In practice these duties are partially passed to the course Manager. Second, the course has continued to borrow funds, and has utilized a line-of-credit from a local bank without prior approval of the City Council.

Elizabethton is the only city-owned course we could find in Tennessee which is structured with an independent board (independent indicates day to day operations overseen by the board, including hiring, setting a budget, borrowing, etc.). Of the 17 city-owned courses we examined in detail, here are their structures:

- 1 is operated by an independent board (Elizabethton).
- 2 are operated under contract with a private management firm.
- 14 are operated as a department of the city.
 - o Of these, 7 have the Director of Golf reporting to the city’s chief administrative officer (the City Manager, City Administrator, or Mayor, depending on the form of government).
 - o Another 7 have the Director of Golf reporting to the city’s Parks and Recreation Director (or similar position).

Functioning as a department of the city appears to be the best arrangement. Contracting with a private firm for operation of the course will likely reduce an already slim financial margin, because the firm must make a profit. The two city-owned courses which are operated by private firms have two distinctions: one is in Hendersonville, a strong-mayor form of government and a populous geographic area. The other is the *Cattails* course in Kingsport, which is operated as part of a larger contract with the *Marriot Corporation*, who is also under contract with the City for operation of the associated Convention Center.

Functioning as a department of the city provides a number of benefits:

- The city’s support functions such as human resources, finance, and general management can be very important to the success of the golf operation.
 - o The absence of these support functions has been detrimental to the operation of the EGC. The course Manager has had to fulfill too many roles, including director of operations, finance manager, human resources manager, etc. In contrast, each department within the Elizabethton city government has a structure providing separate finance, human resources, and general management expertise in support of each function.
- Coordination of operations across departmental lines also provides resources supporting each department, and this would be the case if the EGC were within the City’s structure. For example, the public works department could provide assistance with maintenance of the EGC cart paths, or parking lot. Or, for example, the city Parks and Recreation Director could provide expertise related to fund-raising, advertising, and development of community support for the golf function. In short, placing golf within the city structure will allow the Director of Golf to become part of a team, a team who together can help make the golf function successful.
- The city will better control the operations and functioning of the course. The advisory board can serve in an advisory capacity only, rather than as an operations oversight board.
- The appearance of the golf function as a “specialty” operation serving only a few citizens can be reduced when the function becomes a department of the city.
- Cooperation across departments can be improved. Sharing of equipment, coordination of resources and manpower becomes a possibility rather than a constraint.
- Buy-in among city government leaders is increased when direct responsibility is built into the structure of the course. This also results in increased transparency of operations.

Elizabethton Golf Course Finances

The current EGC finances are a matter of great concern, and are what prompted this study. A review of the past six audits (which the course is required to have) show a declining financial condition. The table below illustrates this, along with projections for the next two years (full spreadsheets with line-item detail are provided in Appendix B):

	Audited						Projected	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues	600,825	598,581	575,052	576,886	543,649	575,479	562,630	565,450
Expenses	599,034	670,219	592,951	576,675	605,576	585,923	594,200	594,700
Net Income (Loss)	1,791	(71,638)	(17,899)	211	(61,927)	(10,444)	(31,570)	(29,250)

Based on this data the following is observed:

- This is the second year in a row the EGC has experienced a net loss, and in fact 4 of the last 6 years have experienced net losses. Losses are projected, in the \$30,000 range, for each of the next two years, unless changes are made.
- Revenues rebounded from the very poor FY 2011, increasing by a little over \$30,000 and putting the course on par with 2009 and 2010 revenue; this increase came mainly from greens fees and outing income (tournaments and various special events).
- Expenses were down in 2012, by about \$21,800 due mainly to a decrease in repairs and maintenance; R&M has been as high as \$155,333 during the past six years, and 2012 was the only one of the six that is under \$100,000.
- The decrease in membership over the last year has been significant. This decrease has played a significant role in the deteriorating finances of the EGC. The past year alone 44 members did not renew their memberships, resulting in a loss of some \$30,000 in membership revenues over the last year (and \$40,000 less since 2007). Some of this has probably been recovered with the “\$18 per hole with cart” incentive, but not nearly enough.
- Cart rentals have declined nearly \$30,000 since 2007. Greens fees are nearly the same today as they were in 2007.

To summarize, it appears that revenue will be down from the 2007 and 2008 levels by about \$35,000 per year. This will be the biggest issue going forward. The attempt to generate new revenues by implementing an “\$18 per round with a cart” strategy has probably contributed to the loss of members. Finally, the course has generated excellent income this past year on “outings”, which are special events and fundraisers.

On the expense side, it should be noted that overall expenses have remained about the same as they were in 2007. A Closer examination shows that fuel expenses have increased approximately 34% since 2007. “Penalties and interest” were \$6,373 in 2012 and \$0 in previous years, reflecting the cost of late payments.

In terms of the current financial condition of the course, the following outstanding bills remain:

<u>Total Outstanding debt to vendors</u>	<u>\$58,250.91</u>
<u>Notes Payable</u>	
Line of Credit Carter County Bank	\$40,000.00
Total Due and Past due Payables	<u>\$98,250.91</u>

Payroll Tax liabilities

2012 2nd Qtr	\$15,304.20
2012 3rd Qtr	\$15,000.00 (est)
2012 4th Qtr	\$15,000.00 (est)

Interest and penalties	\$6,000.00 (est)
Total Federal Taxes due	\$51,304.20 (est)

State Sales Taxes

	\$1,658.00
6/1/2012	\$926.00
3rd Qtr	\$2,000.00 (est)
4th Qtr	\$2,000.00 (est)

Total State Sales Taxes Due	\$6,584.00 (est)
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Tenn Unemployment

3rd Qtr	\$1,200.00 (est)
4th Qtr	\$1,200.00 (est)

Total Unemployment Insurance Due	\$2,400.00 (est)
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Total Payable Due 1/1/2013	\$158,539.11 (est)
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Notes Payable to City Due June 2013	\$30,000.00
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It is possible that some of this could be relieved through early payments of membership dues for FY 2013-14. However, this has occurred with increasing frequency over the past few years, and has in part contributed to the current financial situation. Because this has happened in the past it masks the full extent of the EGC cash-flow problem. Thus Board has not been privy to the true extent of the problem until it has been too late to properly react. The EGC cannot continue to resolve cash flow issues by using future revenue to pay current expenses.

In general, the operations of the EGC have been fairly stable through its history, until the last four or five years. The course has proven that golf is a viable amenity in Elizabethton. The economic situation of the recent past, coupled with a gradual decrease in revenues (about 6% over the past 5 years), and with the loss of a hefty portion of the membership base, have left the course in a difficult financial situation.

It is likely that the course will soon need an influx of cash, somewhere in the \$160,000 range in order to re-establish its footing. An annual subsidy of somewhere in the \$50,000 range will be necessary to keep the operation healthy. This level can and should be reduced as new strategies are implemented.

Elizabethton Golf Course Operations

The deteriorating nature of the EGC infrastructure must be mentioned. The clubhouse recently had a new roof, but other parts of the clubhouse, as well as the cart paths and parking lot, are in need of repair. This deferred maintenance must be addressed.

This report is not meant to be a review of golf course operations. However, during the course of this study a number of areas have been identified which should be considered for improvements. Each will require further study. These are as follows:

- In general, the discounting of golf does not seem to work (i.e. generate adequate revenues). The “One dollar per hole with cart” promotion should therefore probably be curtailed or stopped. This is likely a significant factor contributing to the loss of course members, a loss which has resulted in a net decrease of approximately \$40,000 in income.
- The “cart membership” option should probably be curtailed so that every golfer pays something each time they golf. The cart rental revenue decline of nearly \$30,000 since 2007 must be addressed.
- The fee for storing and using your own cart should be increased to the point of discouraging this use, and thus phasing out the option. Current users should be “grandfathered” in and no new users should be allowed without paying a significant fee. Use of private carts is a monetary loss for the course as well as an increased liability.
- Memberships are essentially a discounting of golf. For this reason they should be closely examined and probably re-structured. Instead of memberships, a system could be utilized which provides for increasing discounts based on the frequency of play. Currently, members account for about 1/3 of the rounds played. This means they use a disproportionate share of course time. In fact, if a member plays only one time every other weekend they will realize a savings on course fees, and many members are playing much more often. Thus the walk-in player is significantly subsidizing many memberships.
 - o The number of memberships, of whatever type the course devises, must be increased to provide a guaranteed revenue foundation.
 - o Membership fees should be increased in order to more realistically match the number of rounds played by members with the cost to operate the course.
 - o The term “membership” should be discontinued, as it implies a “club-like” setting for the course. Instead, a term such as “Annual pass holder” should be used.
 - o The City should consider implementing a differential fee system, with a lower rate for city resident golfers.
- The course should consider use of a “card system” with a card-reader to track usage, allow for pre-payment, etc.
- The course should seriously consider buying the land used for the driving range, or purchase of the land adjacent to it for development as a driving range. The current rental cost of \$2,000 per month would finance such a purchase.
- Course management should conduct a cost/benefit analysis to determine if seasonal closure of the course would be in the City’s best interest. They must answer the question, “Does the course generate enough income during slow months to justify staying open?”

Recommendations:

1. Keep the Elizabethton Municipal Golf Course. An amenity of this magnitude is rare, and if sold or eliminated would never exist in Elizabethton again. It would be cost-prohibitive to build another

in the future. But for today, the investment in infrastructure has already been made. This amenity provides another recreational opportunity for a certain cohort, thereby increasing the likelihood that the fullest range of citizens is afforded recreation in Elizabethton. In addition, the economic impact of this single amenity is enormous. And finally, as mentioned earlier, it is amenities such as this that define what the community is all about.

2. Re-structure the operation as a department of the City with a Manager who reports to the Parks and Recreation Director. Maintain a small “Golf Advisory Board” appointed by the City Council to serve in an advisory capacity only.
 - a. The Advisory Board should assist in the development of a long-term business plan for the course.
3. The golf function should operate as an enterprise fund within the City and a transfer from the General Fund should provide necessary subsidy.
4. Under the structural arrangement in number 1, above, Pro Shop sales should support the course and be reflected in the applicable enterprise fund.
5. Borrowing of funds, in any way, and any pledging of security, should have the prior approval of the City Council. This will not be a concern if the re-structuring recommended in number 1 is implemented.
6. Appoint a small “Golf Task Force” to examine fees and make recommendations regarding the operations of the course. The Task Force should address each of the suggestions offered above in the “Elizabethton Golf Course Operations” section.
7. Develop a 10-year capital improvements program to address infrastructure needs such as the clubhouse, cart path, and parking lot repairs.
8. A variety of new advertising methods should be utilized by the course, including newspaper, radio, and especially social media.
9. Take a proactive approach to becoming more “family-friendly” and bringing a new generation of users to the course.
 - a. Actively support the *First Tee* program.
 - b. Develop strategies such as reduced cost “family evenings”, free or reduced lessons for certain age groups, etc.
 - c. Develop partnerships with the three user high schools to trade use of the course for lessons with younger, entry-level users.
10. Put a stop to activities which are not conducive to a public facility, such as smoking within a certain distance of the clubhouse, use of profanity, and visible gambling.

Appendix A: Partial List of Community Fundraising Groups Summer, 2012

The following community fundraising events, and the amounts raised, were conducted at the Elizabethton Golf Course over the summer of 2012:

<u>Agency</u>	<u>Amount Raised</u>
Tennessee Technology Center	\$3,500
Elizabethton High School Touchdown Club	\$4,000
Appalachian Service Project	\$1,800
Bayless Scholarship Tournament	\$9,000
Elizabethton Little League	\$ 500
Hampton High School Basketball	\$9,000
ETSU Buc Football Foundation	\$2,500
Elizabethton/Carter County Boys & Girls Club	\$14,000
Elizabethton/Carter County Foundation	\$4,800
Elizabethton High School Men's Basketball	\$7,500
East Tennessee Children's Home	\$16,000
Appalachian Christian Camp	\$40,000
Elizabethton Rotary Club	\$12,000
Elizabethton High School Women's Basketball	\$8,000
Elizabethton/Carter County Chamber of Commerce	\$14,000
TOTAL	\$146,600

In addition, approximately 6-8 church groups also held fundraising events during the summer of 2012.

Appendix B: Financial Spreadsheets

Revenues and Expenses

	Audited						Projected	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cart Rentals	74,519	73,770	66,087	59,965	46,679	46,433	46,500	47,000
Green Fees	284,928	291,929	268,821	210,697	239,764	284,646	280,000	280,000
Membership Dues	176,189	175,294	177,317	171,035	167,144	136,572	140,000	140,000
Trail Fees	16,848	15,028	13,682	11,875	13,218	11,138	11,500	11,500
Cart Storage Fees	3,850	3,445	3,150	2,808	2,972	2,250	2,300	2,500
Driving Range Income	18,907	19,246	20,491	20,401	20,531	21,794	21,000	22,000
Lesson Income						1,897	1,500	1,600
Locker and Club Rental	1,220	1,197	1,043	952	1,128	861	1,000	1,000
Restaurant Rent	4,738	4,533	5,197	2,670	4,856	0	0	0
USGA Handicap	1,880	1,480	1,340	900	940	740	800	800
Tournaments	14,675	8,950	16,750	11,800	12,600	20,400	17,500	18,000
Outing Income				35,169	32,945	44,324	37,500	38,000
Other Income	2,321	3,045	1,034	48,524	810	4,392	3,000	3,000
	600,075	597,917	574,912	576,796	543,587	575,447	562,600	565,400
Wages and Benefits	292,980	298,394	276,466	264,487	250,630	273,866	270,000	272,000
Repairs and Maintenance	91,861	155,333	104,230	104,485	120,216	91,168	100,000	100,000
Insurance-General	9,125	9,960	12,149	11,440	10,943	9,230	10,000	11,000
Utilities	29,125	33,796	30,462	31,154	34,523	31,517	32,000	33,000
Fuel Purchases	23,023	28,190	27,203	22,698	34,465	30,918	32,000	33,000
Administrative and General	1,418	1,636	2,995	3,887	678	3,767	2,500	2,800
Handicap Service	1,452	1,276	2,110	1,256	1,562	522	1,000	1,100
Penalties and Interest						6,373	7,000	2,500
Driving Range Expenses	2,969	5,005	2,773	2,520	212	0	1,000	1,500
Club House Expense	3,112	8,132	1,352	2,272	2,883	1,377	2,000	2,000
Rent and Rental Expenses	14,911	14,905	13,500	16,036	15,395	13,500	14,500	15,000
Leases	26,140	28,028	23,935	24,156	26,756	26,756	27,000	27,000
Depreciation	59,435	52,767	59,071	58,853	63,653	64,275	64,000	62,000
Sales and Marketing	5,574	8,221	7,014	3,738	4,410	5,518	5,000	5,000
Professional Services	4,750	5,400	6,400	6,661	6,536	6,778	6,700	6,800
Bank Fees	9,314	10,750	10,693	11,461	12,792	13,850	13,000	13,500
Direct Tournament Expenses	7,769	6,345	7,306	6,554	14,731			
Taxes and Licenses			90	100	815			
	582,958	668,138	587,749	571,758	601,200	579,415	587,700	588,200

Net	17,117	(70,221)	(12,837)	5,038	(57,613)	(3,968)	(25,100)	(22,800)
Interest Income	750	664	140	90	62	32	30	50
Interest Expense	(15,440)	(2,081)	(5,202)	(4,917)	(4,376)	(6,508)	(6,500)	(6,500)
Other:								
Bond Agent Fees	(636)							
	1,791	(71,638)	(17,899)	211	(61,927)	(10,444)	(31,570)	(29,250)
Net Assets, Beginning of year	426,770	428,561	356,924	339,025	339,236	277,309	266,865	235,295
Net Assets, End of year	428,561	356,924	339,025	339,236	277,309	266,865	235,295	206,045

Balance Sheet

	Audited						Projected	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cash	124,987	94,864	62,681	46,660	32,366	42,666	30,000	
Accounts Receivable				924	0	3,500	0	
Inventory	21,034	9,953	10,716	11,495	15,026	13,713	14,000	
Prepaid Expenses	290	291	291	291	291	291	291	
	146,311	105,108	73,688	59,370	47,683	60,170	44,291	0
Net Fixed Assets	742,198	774,623	715,552	663,599	630,601	612,146	600,000	
Total Assets	888,509	879,731	789,240	722,969	678,284	672,316	644,291	0
Accounts Payable	4,351	18,003	12,063	8,522	39,642	30,940	30,000	
Current Notes Payable	19,858	45,399	46,267	47,051	72,869	88,735	70,000	
Current Bonds Payable	48,253	0	0	0	0	0	0	
Capital Leases	23,977	16,159	13,327	1,624	7,881	17,343	17,000	
Other Accrued Expenses	11,005	11,521	13,074	14,364	2,909			
Accrued Payroll taxes						19,556	0	
Sales Tax Payable						2,441	1,500	
Accrued Penalty and Interest						6,373	0	
Accrued Interest	9,055	0	0	0	0	525	0	
Deferred Revenue	125,566	136,886	130,239	119,993	115,188	97,541	92,500	
Total Liabilities	242,065	227,968	214,970	191,554	238,489	263,454	211,000	0

Long-term Bonds Payable	29,766	0	0	0	0	0	0	
Long-term Capital Leases	29,404	13,327	0	3,985	22,161	50,408	33,000	
Long-term Notes Payable	158,713	281,512	235,245	188,194	140,325	91,589	70,000	
	217,883	294,839	235,245	192,179	162,486	141,997	103,000	0
Total Liabilities	459,948	522,807	450,215	383,733	400,975	405,451	314,000	0
Invested in Net Assets (net)	432,227	418,226	420,713	422,744	387,365	364,071	345,000	
Unrestricted Net Assets (deficit)	(3,666)	(61,302)	(81,688)	(83,508)	(110,056)	(97,206)	(14,709)	0