

Review of the City of Bloomington's Golf Program

Prepared for
The City of Bloomington

Presented by
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National Golf Foundation

- Founded 1936
- Golf industry research
- Custom golf facility research and consulting
- Industry leader for municipal golf consulting
- Independence - not advocate for any position other than Bloomington golf success

Purpose of Operations Review

- Provide independent review in consideration of NGF experience and industry best practices
- City goal - maximize economic potential of golf
- Analyze the present physical condition of both golf courses and clubhouses, area market, and direct competition
- Big Picture – facility improvements, alternative operating structure, site alteration considerations and enhanced marketing

Consultant Activities

- Facility tours
- City and golf course staff meetings
- Review of market
- Review of operation practices
- Analysis of historical operating data
- Written report of findings & recommendations
- City Council workshop

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General Impressions / Key Issues

- Both Dwan and Hyland Greens have the basic design features and location to be successful public golf facilities.
- Elements of Bloomington golf facilities are deteriorating and will need new investment to keep the facilities at a high level of condition and functionality
- The basic operational structure and staffing in place for Bloomington golf appears appropriate.
- NGF did not see any form of privatization as clearly leading to improved performance because:
 - You have an experienced, veteran staff with community ties
 - Management contract will cost \$80,000 to \$100,000
 - Concessions just don't work
 - A lease is intriguing, but **only if lease partner brings capital**

General Impressions / Key Issues (contd.)

- Dwan GC is essentially a fixed public golf operation
- Most activity is derived from a market of resident golfers who are active in one (or more) of the many leagues and clubs that frequent the facility
- The fee structure does not offer enough variance, and as a result both Dwan and Hyland Greens can be too expensive in this market for what they are offering at certain times
- Hyland Greens is especially expensive for juniors

General Impressions / Key Issues (contd.)

- Bloomington golf courses would benefit greatly from enhancements in technology. Modern point-of-sale (POS) systems allow features that directly correlate with economic success:
 - Customer tracking
 - Marketing enhancements
 - Email programs
 - Loyalty programs
 - Integration with online portals
 - Better record –keeping
- Bloomington golf courses are not capable of generating enough income to cover both on-site expenses ***and*** internal overhead and capital projects without continued General Fund (taxpayer) support

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Recent Performance

- Rounds activity declined by 11.9% from 2011 to 2015, with recovery in 2016
- Low average revenue per round - \$24.04, lower than other local comparable facilities
- Internal, Inter-departmental Charge - Bloomington has the highest of the Cities that data could be obtained.
- \$1.74 million in total on-site operating revenue in 2015.
- \$1.84 million in total operating expenses in 2015
- Revenues are not sufficient to cover all on-site expenses, let alone cover inter-departmental charges or capital for future improvement.

Golf Market Overview

- External market not favorable – Golf has not grown and there are a large number of golf courses
- Golf has suffered from recent recession, but interest in the sport remains high.
- Beginner interest in 2015 was an all-time high (over 3.5MM)
- NGF reviewed local muni golf market and found:
 - Operating expense per hole is lowest in Bloomington
 - Other munis about to undergo improvement (Inver Grove Heights and Edina)
 - Minneapolis and St Paul golf no longer enterprise funds

Golf Market Overview – Local

- High golf participation rates that are 50 – 60% higher than the U.S. benchmark
- Dwan and Hyland Greens are the only public golf courses in Bloomington. Ratio analysis shows a comparatively low supply in the local Bloomington area, but closer to oversupply in the broader Twin-Cities metro region
- Changes to other muni courses could be opportunity for Dwan – especially during period when Braemar is closed (open 2018)
- Competitive pressures place constraints on golf fees – most all public golf in this market is below \$60 w/Cart
- Dwan not a good value at \$48 on weekdays for par-68
- Hyland Greens is unique in the market, with only Braemar offering similar amenities

Municipal Golf Trends (2013 NGF Survey; N=250)

- 53% Enterprise Fund; 30% General Fund
- 60% self-operate (13% mgmt. contract; 8% lease)
- 1/3 of Enterprise Funds had negative fund balance
- 1/3 of all facilities had debt (average = \$3.7 MM)
- 70% deferring capital improvements
- 50% have reduced FT staffing
- Average annual transfers (e.g., allocated overhead, charges for services provided) from Golf Enterprise Fund to General Fund were \$120,000 per 18-holes

NGF Major Recommendations to Bloomington

- Move Hyland Greens GC out of the Golf Enterprise Fund and place it in the General Fund.
- Consider modifying the inter-departmental charges
- Enhance technology
- Enhance marketing
- Adjust pricing to broaden the fee structure and include new rates for weekday/ weekend, twilight and juniors
- Renew focus on player development
- Commit to physical enhancements

Physical Enhancement Recommendations

- The NGF identified approximately \$554,000 in capital improvements to the golf courses.
- Upgrade the Dwan GC clubhouse to modify the existing space, add a larger pro shop and improve restrooms (\$200,000).
- Expand the size (length and depth) of the driving range at Hyland Greens, and add lights to the range for night use (if allowable by local guidelines (\$189,000).
- Enhance technology (\$40,000 - \$20,000 each course)

Site Modifications

- The east side of Hyland Greens along Normandale Blvd. could be removed from golf for an alternate use without disrupting Hyland Greens
- Any proceeds should be used to make capital improvements at the courses
- NGF advises against expansion of Dwan GC – due to project expense and a likely low return on investment
- Clubhouses:
 - Dwan can be upgraded in place
 - Hyland Greens likely need to be replaced entirely

Financial Outlook & Conclusion

- If operated in the same basic structure that exists at the club today with some upgrades as recommended by NGF
 - Golf operations could grow enough to generate \$2.0 million in revenue on 65,000 total rounds (starts) by 2019
 - An increase of about 14% over 2015 total rounds, and would still not be enough to cover all defined golf enterprise obligations (including inter-departmental and capital) under the current golf enterprise structure
 - Dwan GC as a single entity would be able to cover all its obligations (including inter-departmental and capital) under this scenario
- Facility upgrades will be necessary to generate the revenue needed in later years to sustain basic “day-to-day” operations

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NGF Summary

- Good quality and are very popular in Bloomington
- Well managed and maintained
- In need of new investment in facilities (improved clubhouse at Dwan and enhanced practice amenities at Hyland Greens)
- Hyland Greens GC should be supported by the City and maintained as a community recreation amenity dedicated to developing new golfers, especially juniors.
- Enhance marketing, especially related to technology (internet, email, social, etc.) and direct selling (tournaments, hotel, non-golf food & beverage)
- Maximize the use of land assets at Hyland Greens GC to allow for new (non-golf) uses of property, with proceeds going to improve the City's golf facilities

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