

OVERVIEW OF GOLF COURSE OPERATION Management Alternatives
Falmouth Country Club
July 28, 2014

Self-Managed is a term used to describe a golf operation that is owner operated. The owners does not rely on professional management or third party companies, but instead all decisions and employees are in house, or in this case town employees. This occurs when the municipality wants total control and flexibility with the operation. It allows a town to use town employees, set pricing, establish policies and procedures and make capital improvements. Most of the other town owned golf courses on the Cape are under government control, or are self-managed. Municipalities often view the golf course as an amenity to the town, ability to control land for open space, out-door recreation and as an enhancement to the community and specifically the neighborhood in which it is located.

However, often times the course becomes a burden on the town. They are often poorly operated and inefficient because employees lack the expertise or resources. Funds are often co-mingled with the general fund so there is often less accountability and changes in personnel hurt the consistency of the product being offered. It is often hard to analyze the true profitability of the operation because certain functions might be difficult to allocate, like snow removal, or garbage pick-up. Since these are town functions, they are often done by town employees and not expensed directly to the golf course. This makes reporting less reliable. Because the course is not being run with profit in mind, decisions are often made based on popular decisions instead of prudent business decisions, especially when it comes to personnel.

For the town to self-manage Falmouth CC they would need to recruit and hire staff, appropriate funds of roughly \$1 million, establish an operating budget, procure goods and services and consult industry experts.

This requires a high level of oversight and human resources and for that reason it carries the high level of risk. Under our review of the financial statements and by using market tested expenses, we feel the net income with proper supervision could yield the town as much as \$500,000 a year from the golf operation. This is of course before debt service or bond repayment. This also assumes a highly run operation, which is less likely with "municipal employees", therefore potentially jeopardizing the income stream and net cash flow. It is not likely that town employees could operate the facility as efficiently or competently as a trained golf professional, therefore the premium in earnings is unlikely.

- Jeffrey R. Dugas, MAI, SGA
Wellspeak Dugas & Kane
GOLF ADVISORY GROUP

OVERVIEW OF GOLF COURSE OPERATION Management Alternatives
Falmouth Country Club
July 28, 2014

Self - Management Actions Needed



1 year (minimum) lease extension with BCG if willing

Seek Additional Consulting Assistance

Town Meeting Appropriation of \$900,000 - \$1,200,000 Golf Operating Budget

Town Meeting Appropriation of \$600,000 for annual debt service

Develop Operating Budget & Staffing Plan

- Create Town Job Descriptions
- Determine and Identify Certain Contract Services
 - o Food and Beverage?
 - o Driving Range?
 - o Golf Professional?
 - o Other

Develop Specifications for Goods and Services

Procure Good and Services

Recruit and Hire Staffing/Contracts

Oversight: High Level of Town Management, Human Resources and Finance Team oversight & participation

Capital/Facility Improvements: By Town

Anticipated Annual Revenue: could yield as much as \$500,000 before debt service is paid

Municipal Financial Risk: High

OVERVIEW OF GOLF COURSE OPERATION Management Alternatives
Falmouth Country Club
July 28, 2014

Management Agreement is when a golf course is professionally management by either a golf company or an individual. There are third party companies that specialize in operating golf courses for municipalities. They do this for a fee, generally a fixed monthly fee and often with an incentive based premium for performance. These fees generally run between \$6,500 and \$10,000 a month, or around \$100,000 a year. For this, the company will generally provide accounting and reporting on regular intervals. They provide golf course expertise and often additional resources like agronomy. In theory, the town could benefit from using a management company, they would get more of the upside in a highly profitable operation. These agreements tend to provide more flexibility to the town, and more control, however they would require some oversight. The town would work with the golf company to establish budgets, hiring procedures, operating policy, while balancing the motives of a for-profit operator.

The town is creating a partnership of sorts, however the management company is generally more concerned with its base fee and less by the incentive component, therefore in some cases, profitability can be sacrificed. There also tends to be more volatility in the cash flow, as the market moves up and down with economic cycles. And, town resources, oversight, budgeting and planning is still required by the town, yet this work is being done in conjunction with a professional third party.

This option has moderate levels of risk, along with moderate levels of oversight. There are no more guarantees of the income stream. The town would still be required to procure goods and services, appropriate funds of around \$1 million annually for operations and planned capital. In addition, the town would have to draft an RFP, evaluate and award the contract. The town would likely earn about \$400,000 net, or \$500,000 less a management fee of \$100,000.

- Jeffrey R. Dugas, MAI, SGA
Wellspeak Dugas & Kane
GOLF ADVISORY GROUP

**OVERVIEW OF GOLF COURSE OPERATION Management Alternatives
Falmouth Country Club
July 28, 2014**

MANAGEMENT AGREEMENT ACTIONS NEEDED



- 1 year lease extension with BCG if willing
- Town Meeting Appropriation of \$900,000 - \$1,200,000 for Management Contract
- Town Meeting Appropriation of \$600,000 for Annual Debt Service
- Develop Detailed Specifications for (as determined) with consulting assistance
 - Greens Conditions
 - Greens Height, Mowing Sched., etc.
 - Annual Maintenance Plan
 - Capital Planning
 - Food and Beverage Operations
 - Driving Range Operations
 - Customer Service Expectations
 - Other
- Draft and Issue IFB or RFP
- Evaluate Proposals & Award Contract

Oversight: Moderate to High Level of Town Management and Finance Team oversight to ensure specifications are followed

Capital/Facility Improvements: By Town
Anticipated Annual Revenue: about \$400,000 net or \$500,000 less estimated \$100,000 Management Fee before debt service is paid
Municipal Financial Risk: Moderate - High

OVERVIEW OF GOLF COURSE OPERATION Management Alternatives
Falmouth Country Club
July 28, 2014

Lease Agreement is when an owner would enter into a binding lease agreement with a third party, such as a professional golf company or individual. This is much like other commercial lease agreements; the contract outlines the expectations of the parties involved, namely the lease term, periodic payments, maintenance standards, and the recovery or payment of certain expenses.

This option provides the least amount of control, but the most security and least amount of oversight. This option also limits the upside potential of the cash flow, but buffers against downward trends. While incentives are often included in percentage rents, expense savings are typically not considered. The town would benefit from professional management; the facility would operate as a stand-alone entity and be subject to less political pressures and decision making.

The town would have to establish an RFP, evaluate offers, market the property to the industry in order to yield the highest potential offer. This option is deemed the lowest risk, most stable and requires the least amount of oversight by the town. Based upon our review of the financial history and market tested expense, we feel an operator could pay the town roughly \$400,000 in rent, prior to making capital improvements.

- Jeffrey R. Dugas, MAI, SGA
Wellspeak Dugas & Kane
GOLF ADVISORY GROUP

**OVERVIEW OF GOLF COURSE OPERATION Management Alternatives
Falmouth Country Club
July 28, 2014**

LEASE MANAGEMENT AGREEMENT ACTIONS NEEDED



Draft and Issue RFP

Evaluate Proposals & Award Contract

Town Meeting Appropriation \$600,000 for annual debt service

Identify Funding Source for Certain Capital Improvements
Irrigation System
Club House –Food & Beverage Improvements
Future Entry Drive and Parking Lot Repair

Oversight: Moderate Level of Town Management and Finance Team

Capital/Facility Improvements: Shared
Anticipated Annual Revenue: roughly \$400,000 before debt service is paid
Municipal Financial Risk: Low/Moderate