

Agendum
Oakland University
Board of Trustees Formal Session
December 10, 2018

GOLF AND LEARNING CENTER OPERATING BUDGET FOR
CALENDAR YEAR ENDING DECEMBER 31, 2019

A Recommendation

1. Division and Department: Operations and Finance, Golf & Learning Center
2. Introduction: The operating budget for the Golf & Learning Center (G&LC) is presented annually to the Board of Trustees (Board) for approval. Attached is a description of the G&LC (Attachment A), which outlines the previously approved business plan; the 2019 G&LC Budget Assumptions (Attachment B); the Registration and Golf Fees 2019 (Attachment C); the Oakland University (University) G&LC Proposed Budget – All Funds, 2019 (Attachment D) and the G&LC Proposed Major Capital Expenditures 2019 (Attachment E).
3. Previous Board Action: On December 11, 2017, the Board approved the 2018 budget for the G&LC.
4. Budget Implications: The G&LC is an auxiliary operation and is self-supporting. Under the 2019 proposed budget, there is a projected decrease to the G&LC fund balance of \$388,119 due to \$500,000 budgeted for the Galloway Creek Project-Hole 17 Renovation.
5. Educational Implications: The G&LC is used by the Men's and Women's Intercollegiate Golf Teams.
6. Personnel Implications: The proposed budget includes salary and wage adjustments per University authorization and staffing changes as required by the G&LC.
7. University Reviews/Approvals: The G&LC Operating Budget was prepared by the Director of the G&LC and reviewed by the Financial Performance Review Committee, Budget and Financial Planning Office, Vice President for Finance and Administration, Chief Operating Officer, and the President.
8. Recommendation:
RESOLVED, that the Board of Trustees approves the Oakland University Golf and Learning Center budget for the calendar year ending December 31, 2019, with budgeted operating expenditures of \$3,865,317 and capital improvement expenditures of \$677,000; and, be it further

RESOLVED, that any expenditure level in excess of the approved amount that is not funded by a direct revenue increase must have the prior approval of the President or his/her designee and those amounts shall be reported on a periodic basis to the Board of Trustees.

Golf and Learning Center Operating
Budget for Calendar Year Ending
December 31, 2019
Oakland University
Board of Trustees Formal Session
December 10, 2018
Page 2

9. Attachments:

- A. G&LC Description of Program
- B. G&LC 2019 Budget Assumptions
- C. G&LC Registration & Golf Fees 2019
- D. G&LC Proposed Budget – All Funds, 2019
- E. G&LC Proposed Major Capital Expenditures, 2019

Submitted to the President
on DEC. 7, 2018 by

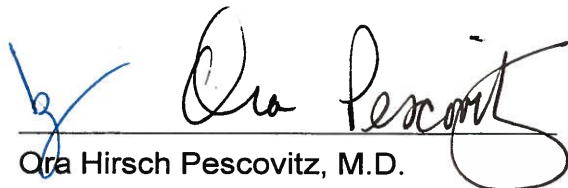


John W. Beaghan
Vice President for Finance and
Administration and Treasurer to the Board
of Trustees



Scott G. Kunselman
Chief Operating Officer

Recommended on 12/7, 2018
To the Board of Trustees for Approval by



Ora Hirsch Pescovitz, M.D.
President

Golf and Learning Center

Description of Program

The Oakland University Golf and Learning Center (G&LC) was originally conceived in 1975 as a recreation amenity for the University community through the generous contributions of Mr. and Mrs. Katke and Mr. and Mrs. Cousins. The Katke-Cousins course opened on May 1, 1977 and it quickly took on a broader role in the community, serving also as a major vehicle to attract Oakland University (University) donors, and, through golf outings, local corporate support for the University and its educational programs. In 1999, construction of a second course began, which was added to further enhance this successful University program. Mr. and Mrs. Sharf made possible the R & S Sharf golf course which opened for play on August 25, 2000. The 36-hole golf course facility, along with a short game and learning center practice range, has continued to grow and develop with the addition of the Steve Sharf clubhouse in 2012 and the new banquet facility, which has the capability of hosting events for up to 250 guests. Also, beginning in 2013, the Rick Smith Golf Academy was added to provide top quality golf instruction. The facility continues to attract student, faculty and staff golfers, along with a broad spectrum of community minded individuals who support Oakland. The new clubhouse and banquet buildings have increased the community interest in Oakland with a continued increase in special events and meeting requests. Additionally, new OU golf team facilities were added and funded by Mr. and Mrs. Tooman, and are also located on the property.

The G&LC is located on the University's east campus. The property is maintained by its own professional staff, including administrative and grounds employees specially trained to operate and maintain a first-rate golf facility. Recently, the complex has registered approximately 31,000 annual rounds of golf. Golf rounds are comprised of student, faculty, staff, alumni, as well as registered golfers from the community, and a number of corporate and charitable golf outings. The G&LC is a self-sustaining auxiliary entity within the University. Its buildings and facilities include a clubhouse, banquet building, two maintenance buildings, one on-course food service building, a golf range learning center, a golf car storage garage, and several ancillary environmentally required structures for storage and equipment washing.

The G&LC serves an important role by providing an entry point for developing community and University relationships. The G&LC's long-range plan is to continue to maintain first-rate championship golf courses that provide all University constituencies with a pleasant recreational experience. And sustain a high-quality image while representing Oakland University as an outstanding educational institution.

Key Performance Indicators

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Rounds of Golf	35,285	33,212	31,057*
Golf-Registrations – full status	658	623	600
G&LC Fund Balance	\$812,720	\$1,704,324	\$1,895,995*

*Estimate

Golf and Learning Center

2018 Explanation of Major Changes

Decline in registrations is an industry trend. The reduction in registrations also contributed to the decline in Operating Revenue. Other affected areas included a drop in rounds, golf car rentals, as well as range fees. These were influenced essentially as a result of experiencing one of the worst reported spring and fall weather conditions for golf.

Retail Sales increased as a result of marketing specifically to our affiliates; offering pricing to service their needs at a lower price than they could obtain elsewhere while still making a profit.

A decrease in Compensation was primarily due to vacancies and seasonal positions.

Supplies and Services increased due to unforeseen expenses from the January 3, 2018 Sharf Clubhouse flood. It has been necessary for G&LC to increase expenditures for 2018 to sustain customer value and quality for Oakland University and the golf course brand. Such expenditures included installing a new synthetic range tee surface.

A decline in Equipment was as a result of delaying several smaller purchases.

The rise in Insurance was result of unexpected payments of the University's insurance deductible caused by a flood that occurred in the Sharf Clubhouse on January 2018.

Major Capital expenditures in the 2018 budget included \$400,000 for golf course improvement in coordination with the Galloway Creek Project. Due to the project status, the GLC incurred no expenses in 2018. The project cost is deferred to 2019. Other Major Capital expenditures included \$100,000 for two rough mowers, which actual costs were \$103,760.

Golf and Learning Center

2019 Budget Assumptions

Budgeted revenues are projected based on the continued success of the current G&LC business plan that was presented in 2006 and updated and approved by the Oakland University Board of Trustees (Board) annually. Golf industry trends are experiencing a decline, and the G&LC's current affiliate's average age continues to rise. Plans are being developed to attract new golfers, with a focus on the younger generation. Registration, golf and golf car fees for 2019 remain unchanged from 2018. Golf registration options include Bronze affiliates with an option to renew (\$1,100 with access to Katke-Cousins (KC)). The new Sterling program, for recent graduates, (\$1,400 with access to KC and R & S Sharf, Silver program (\$1,850 with access to KC and R & S Sharf)), Gold program (\$4,500 for unlimited personal golf fees on both courses), and a Platinum level (\$6,250 for unlimited personal golf fees on both courses, and includes personal golf car fees and personal use of the practice range). Plans are to maintain the current G&LC marketing strategy for retail sales resulting in an increase in sales, as well as providing a service to affiliates. The G&LC continues to be financially stable and is positioned nicely within the surrounding region's golf market.

Projections for 2019 golf rounds and revenue for the G&LC were made after review of historical data and with consideration of regional industry data. The revenue budget anticipates 33,000 golf rounds at fees shown in Attachment C. This assumes a conservative approach toward weather conditions (which impact revenue) and registrations (within a "flat" golf industry marketplace).

Major Capital expenditures include:

Galloway Creek Project-Hole 17 Renovation	500,000
Upgrade Irrigation Pump Station Drive/Computer	100,000
Maintenance Road Bridge/Dam Repair	<u>77,000</u>
Total Capital Expenditures	\$677,000

The 2019 budget produces an anticipated fund balance at December 31, 2019 of \$1,507,876.

OAKLAND UNIVERSITY
GOLF & LEARNING CENTER
REGISTRATION AND GOLF FEES 2019

Golf Registration Options:

BRONZE	\$1,100
STERLING	\$1,400
SILVER	\$1,850
GOLD (all-inclusive personal golf fees)	\$4,500
PLATINUM (all-inclusive personal golf fees, personal golf car fees and practice range fees)	\$6,250

KATKE-COUSINS GOLF COURSE	<u>WEEKDAY</u>		<u>WEEKEND/HOLIDAY</u>	
	9 Holes	18 Holes	9 Holes	18 Holes
Students, Full Time	\$13.00	\$14.00	\$14.00	\$20.00
Students, Part Time	\$19.00	\$25.00	\$21.00	\$28.00
Student's Family, Faculty/Staff and Family	\$30.00	\$37.00	\$35.00	\$42.00
BRONZE/SILVER/STERLING	\$30.00	\$37.00	\$35.00	\$42.00
Guests	\$65.00	\$65.00	\$70.00	\$70.00
Golf Car (per golfer)	\$20.00	\$30.00	\$20.00	\$30.00

R & S SHARF GOLF COURSE	<u>WEEKDAY</u>	<u>WEEKEND/HOLIDAY</u>
SILVER/STERLING and Student/Faculty/Staff and Family (includes golf car)	\$75.00	\$80.00
Guests of PLATINUM/GOLD/SILVER/Student/ (includes golf car)	\$95.00	\$100.00
Guests – nonaffiliate (includes golf car)	\$125.00	\$130.00
Golf Car for GOLD affiliates	\$30.00	\$30.00

ATTACHMENT D

Oakland University
Ancillary Activities Operating Budget
Golf and Learning Center
Proposed Budget - All Funds Calendar 2019

	2018 BUDGET	2018 ESTIMATED	2019 PROPOSED BUDGET
<u>Revenue:</u>			
Operating Revenue	\$ 3,631,200	\$ 3,500,858	\$ 3,621,194
Retail Sales	340,000	458,142	450,000
OU Purchased Services	76,004	76,004	35,004
Gifts and Grants	10,000	7,125	10,000
Investment Income	30,000	55,793	38,000
Total Revenue	\$ 4,087,204	\$ 4,097,922	\$ 4,154,198
<u>Expenditures:</u>			
Compensation	\$ 1,713,402	\$ 1,625,672	\$ 1,680,389
Supplies and Services	865,258	907,717	884,000
Repairs and Maintenance	386,000	406,002	380,260
Cost of Retail Sales	315,000	381,608	405,000
Equipment	175,000	85,621	228,700
Insurance	17,000	113,000	14,500
Utilities	110,000	127,005	115,200
Debt Service	-	-	-
Overhead charged by OU	141,304	141,304	157,268
Other Transfers	-	14,562	-
Total Expenditures	\$ 3,722,964	\$ 3,802,491	\$ 3,865,317
Net Income	\$ 364,240	\$ 295,431	\$ 288,881
<u>University Support:</u>			
Project A	\$ -	\$ -	\$ -
Project B	-	-	-
Total University Support	\$ -	\$ -	\$ -
Net Income with University Support	\$ 364,240	\$ 295,431	\$ 288,881
<u>Ending Balances prior to Major Cap. Expenditures:</u>			
Restricted Fund Balance *	\$ 8,713	\$ 8,713	\$ 8,713
Unrestricted Fund Balance	2,059,851	1,991,042	2,176,163
Less: Major Capital Expenditures	608,000	103,760	677,000
Total Ending Fund Balance	\$ 1,460,564	\$ 1,895,995	\$ 1,507,876
London Annuity		\$ 8,713	
Restricted Fund Balance *		<u>\$ 8,713</u>	

Oakland University
Golf and Learning Center
Proposed Major Capital
Expenditures Calendar
2019

<u>Item Description</u>	<u>Estimated Cost</u>
Galloway Creek Project-Hole 17 Renovation	\$ 500,000
Upgrade Irrigation Pump Station Drive and Computer	100,000
Maintenance Road Bridge/Dam Repair	77,000
CY2019 Total	<u><u>\$ 677,000</u></u>