

**GOLF AND LEARNING CENTER OPERATING BUDGET FOR
FISCAL YEAR ENDING DECEMBER 31, 2009**

1. **Division and Department:** Finance and Administration, 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 2009 G&LC budget summary (Attachment B); the Registration and Golf Fees 2009 (Attachment C); and the Oakland University (University) G&LC Proposed Budget – All Funds, Fiscal Year 2009 (Attachment D).
3. **Previous Board Action:** On November 7, 2007, the Board approved the Fiscal Year 2008 budget for the G&LC.
4. **Budget Implications:** The G&LC is an auxiliary operation and is self-supporting. Under the proposed budget and fees, there is a projected operating deficit due to a major plant renewal project that will replace the original, 32 year old, irrigation system and bunker sand on Katke-Cousins Golf Course. Using generally accepted accounting principles, the irrigation project will be expensed in 2009 but will be paid, interest free, over four years as described in Attachment B. This creates a fund balance deficit, however, the G&LC maintains a strong cash balance.
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, staffing changes as required for the G&LC, as well as payment of the General Fund Administrative Fee.
7. **University Reviews/Approvals:** The G&LC Operating Budget was reviewed by the Financial Performance Review Committee, the Budget and Financial Planning Office, the Vice President for Finance and Administration and the President.
8. **Board Action to be Requested:** At the November 5, 2008 Formal Session the Board will be asked to approve the Golf & Learning Center Operating Budget for the fiscal year ending December 31, 2009.
9. **Attachments:**
 - A. G&LC Description of Program
 - B. G&LC 2009 Budget Summary
 - C. G&LC Registration & Golf Fees 2009
 - D. Oakland University G&LC Proposed Budget – All Funds, Fiscal Year 2009

**Submitted by Vice President for Finance and Administration
and Treasurer John W. Beaghan:**

(Please Initial)

Reviewed by Secretary Victor A. Zambardi:

(Please Initial)

Reviewed by President Gary D. Russi:

(Please Initial)

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 students, faculty and staff. 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) President's Club 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. The R & S Sharf course opened for play on August 25, 2000. Beginning with the 2006 golf season, the G&LC successfully implemented a new business plan focused on expanding the customer base, discontinuing the prior President's Club model.

The G&LC is located on the University's east campus. It is a 36-hole golf property with two championship courses. The property is maintained by its own professional staff including administrative and grounds employees specially trained to operate and maintain a first-rate facility. Recently, the complex has registered between 31,000 and 34,000 annual rounds of golf. Golf rounds are comprised of student, faculty, staff, alumni, and registered golfers from the community. The G&LC is a self-sustaining auxiliary entity within the University. Its buildings and facilities include a clubhouse, two maintenance buildings, two food service buildings, 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 collaborations. 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>2006</u>	<u>2007</u>	<u>2008</u> ⁽¹⁾
Rounds of golf	31,897	34,317	33,703
Golf Registrations	670	751	713
G&LC Fund balance	\$562,374	\$691,860	\$693,329

(1) Projected Year End includes \$ 49,068 restricted Fund Balance.

Golf and Learning Center

2009 Budget Summary

Budgeted revenues are projected based on the continued success of the current G&LC business plan that was approved in 2006 by the Oakland University Board of Trustees (Board). The 2009 budget is derived assuming the same rate structure as 2008. There are no rate increases proposed in 2009. Golf registration options include Bronze (\$750 with access to Katke-Cousins (KC)), Silver (\$1,500 with access to KC and R & S Sharf) and Gold (\$3,950 for all-inclusive golf on both courses). The G&LC is financially stable and is positioned nicely within the surrounding region's golf market.

Projections for 2009 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 the attached fee schedule. This assumes a conservative approach toward weather conditions (which impact revenue) and registrations (within a "flat" golf industry marketplace).

The G&LC expense budget assumes appropriate compensation, utility, insurance and University overhead increases. Supplies and service costs are budgeted for a 1% increase.

The irrigation system in place on the Katke-Cousins course is the original system installed in 1975 & 1976 prior to the course opening. It is a single row system and has out lasted its estimated 20-year life. A new irrigation system has been designed and is proposed in this budget. The recommended changes allow for more efficient water use and expanded course coverage for fairway, immediate adjacent rough areas, greens and tees and their immediate surrounding areas. The project has been bid at a cost of \$1,056,550 based upon a design by Toro Irrigation Company. The intention is to have this design reviewed by an irrigation consultant/engineer for any design improvements and cost reductions. This project will be funded through the Golf Course operations and reserves. Marc Dutton Irrigation, Inc., the low bidder, has proposed a payment schedule that would allow the Golf Course to make payments through operating revenues in years 2009 (\$500,000), 2010 (\$200,000), 2011 (\$200,000) and 2012 (\$156,550).

The bunker replacement project would provide new bunker sand into existing Katke-Cousins' 47 bunkers through a project that extracts the current sand, which is 15 years old, rocky and compacted, and converts the sand to an exact match of quality and sand type as what is currently on the R&S Sharf course. The project is expected to cost \$224,000 to be completed over two fiscal years, 50% in the Fall 2009 and 50% in the Spring 2010.

The 2009 budget produces an anticipated decrease to the G&LC fund balance of \$959,050 and a fund balance deficit at December 31, 2009 of \$265,721. This deficit is created by the accounting requirement that 100% of the irrigation replacement project be recognized in 2009 when the work will be completed. On a "cash flow" basis the Golf Course remains stable and by the end of 2012 will have a projected fund balance back up to \$500,000.

OAKLAND UNIVERSITY GOLF & LEARNING CENTER REGISTRATION AND GOLF FEES 2009

Golf Registration Options:

BRONZE	\$ 750
SILVER	\$ 1,500
GOLD (all-inclusive golf)	\$ 3,950

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	\$28.00	\$35.00	\$32.00	\$40.00
BRONZE/SILVER	\$28.00	\$35.00	\$32.00	\$40.00
Guests	\$60.00	\$60.00	\$65.00	\$65.00
Golf Car (per golfer)	\$12.50	\$20.00	\$12.50	\$20.00

R & S SHARF GOLF COURSE	<u>WEEKDAY</u>	<u>WEEKEND/HOLIDAY</u>
	SILVER and Student/Faculty/Staff and Family (includes golf car)	\$65.00
Guests of GOLD/SILVER /Student/Faculty/Staff (includes golf car)	\$90.00	\$95.00
Guests - non affiliate (includes golf car)	\$125.00	\$130.00
Golf Car for GOLD members	\$20.00	\$20.00

**Oakland University
Golf & Learning Center
Proposed Budget - All Funds
Fiscal Year 2009**

	FY 08 BUDGET	FY08 ESTIMATED ACTUAL	FY 09 BUDGET
REVENUE:			
Operating Revenue	\$ 2,818,406	\$ 3,013,976	\$ 2,959,527
Retail Sales	219,500	268,576	271,500
Student Fees	-	-	-
Gifts and Grants	60,000	56,420	60,000
Investment Income	19,400	14,871	15,400
Total Revenue	\$ 3,117,306	\$ 3,353,843	\$ 3,306,427
EXPENDITURES:			
Compensation	\$ 1,528,272	\$ 1,488,197	\$ 1,591,357
Supplies and Services	543,550	542,695	548,800
Annuity Payments	7,400	7,400	7,400
Repairs and Maintenance	336,900	346,982	325,000
Cost of Retail Sales	147,000	197,328	196,000
Equipment	169,920	156,450	153,220
Insurance	65,000	62,336	65,000
Utilities	86,300	71,899	91,150
University Overhead	110,627	110,627	119,000
Total Expenditures	\$ 2,994,969	\$ 2,983,914	\$ 3,096,927
NET OPERATING REVENUES OVER (UNDER) EXPENDITURES	\$ 122,337	\$ 369,929	\$ 209,500
TRANSFERS OUT (IN):			
General Fund Budget Support	\$ -	\$ -	\$ -
Major Capital Expenditures:	-	-	-
Remodel Katke-Cousins Hole #2	-	260,000	-
Debt service accrual - Golf Car purchase/lease	-	36,000	-
Other Transfers	8,933	8,933	-
Total Transfers	\$ 8,933	\$ 304,933	\$ -
NET REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS BEFORE DEFERRED PLANT RENEWAL PROJECTS	\$ 113,404	\$ 64,996	\$ 209,500
Deferred Plant Renewal Projects			
Deferred Plant Renewal Project	\$ 110,000	\$ -	\$ -
Irrigation System Replacement - Katke-Cousins			1,056,550
Bunker-Sand Replacement - Katke Cousins			112,000
Irrigation Pond Dredging	-	63,527	-
Total Deferred Plant Renewal Projects	\$ 110,000	\$ 63,527	\$ 1,168,550
NET REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	\$ 3,404	\$ 1,469	\$ (959,050)
FUND BALANCES JANUARY 1:			
Unrestricted Fund Balances	\$ 642,792	\$ 642,792	\$ 644,261
Restricted Fund Balances	49,068	49,068	49,068
TOTAL FUND BALANCES JANUARY 1	\$ 691,860	\$ 691,860	\$ 693,329
FUND BALANCES DECEMBER 31:			
Unrestricted Fund Balances	\$ 646,196	\$ 644,261	\$ (314,789)
Restricted Fund Balances	49,068	49,068	49,068
TOTAL FUND BALANCES DECEMBER 31	\$ 695,264	\$ 693,329	\$ (265,721)

Note: The irrigation replacement project proposed will be 100% recognized in 2009 but the cash flow will actually be \$500,000 in 2009, \$200,000 in 2010, \$200,000 in 2011 and the final payment of \$156,550 in 2012.

The bunker sand replacement project cost is projected at \$224,000 and will be completed 50% in 2009 and 50% in 2010.