

**Agendum
Oakland University
Board of Trustees
Formal Meeting
December 1, 2004**

**APPROVAL OF GOLF AND LEARNING CENTER
OPERATING BUDGETS FOR FISCAL YEARS ENDING
DECEMBER 31, 2005, 2006, AND 2007**

A Recommendation

Introduction

The operating budget for the Golf and Learning Center is presented to the Board of Trustees for approval annually. Attached are the proposed budgets for the Golf and Learning Center for fiscal years ending December 31, 2005, 2006, and 2007. Recommended fees for the Katke-Cousins and R&S Sharf golf courses are being presented at this time for consideration.

The Golf and Learning Center budgets for 2005, 2006, and 2007 project revenues of \$2,609,502, \$2,806,000, and \$2,903,000, respectively, and anticipate operating expenditures of \$2,560,600, \$2,705,749, and \$2,797,377 respectively and major capital expenditures budgeted at \$46,100, \$50,000 and \$75,000 respectively.

The 2005, 2006, and 2007 budgets incorporate a transfer of funds to the University's general fund to cover administrative overhead costs in the amounts of \$86,379, \$88,970, and \$91,639, respectively.

A fee increase is proposed for the cart fee for the Katke-Cousins course and an increase to greens fees on both courses. The proposed fee changes are included in the budget.

Recommendation

WHEREAS, the fiscal year for the Oakland University Golf and Learning Center is January 1 through December 31; and

WHEREAS, the University administration believes it is prudent to establish a three-year budget to appropriately and separately monitor the budget of the Oakland University Golf and Learning Center; now, therefore, be it

RESOLVED, that the Board of Trustees approves the Oakland University Golf and Learning Center Budget for the year ending December 31, 2005, with budgeted operating expenditures of \$2,560,600 and capital improvement expenditures of \$46,100, and tentatively approves the budgets for the years ending December 31, 2006 and 2007, with budgeted operating expenditures of \$2,705,749 and \$2,797,377,

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Page 2**

respectively, and capital improvement expenditures of \$50,000 and \$75,000, respectively; 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 designee and those amounts shall be reported on a periodic basis to the Board of Trustees.

Attachment

- A. Golf and Learning Center Proposed 2005, 2006 and 2007 Budgets

Submitted to the President
on _____, 2004 by

William M. Rogers
Golf and Managing Director

Recommended on _____, 2004
to the Board of Trustees for Approval

Gary D. Russi
President

ATTACHMENT A

Oakland University

Golf and Learning Center

Proposed 2005, 2006, and 2007 Budgets

GOLF AND LEARNING CENTER

Description of Program

The Oakland University Golf and Learning Center was originally conceived in 1975 as a recreation amenity for students, faculty and staff, by visionary Foundation Director, Marvin Katke. Mr. Katke and his wife Maize contributed the funds to construct the course, along with Harold and Mable Cousins. The Katke-Cousins course opened 9 holes in September 1976 and on May 1, 1977 the completed 18 holes were open for play. The attraction of the new recreational golf facility quickly took on a broader role in the community; serving also as a major facility and program to attract Oakland University President's Club donors, and, through golf outings, attract local corporate support for the University and its educational programs. The Katke-Cousins course became so popular it was fully utilized, and in 1999 construction began for a second course, which was added to further enhance this successful University outreach program. Again, a visionary Foundation Director, Stephan Sharf along with wife Rita contributed the necessary funds, and the R & S Sharf course opened for play on August 25, 2000.

The complex is located on the University's east campus. It is a 36-hole golf property with two championship courses, a state of the art Golf and Learning Center and is defined by approximately 550 acres. The property is maintained by its own professional staff including administrative and grounds employees specially trained to operate and maintain a first-rate facility. Annually the complex has registered between 27,000 and 33,000 rounds of golf, and with the addition of the second course is expected to grow to 40,000 rounds of golf in the future. Golf rounds are comprised of student, faculty, staff, alumni, and President's Club donors from the University community. The Golf and Learning Center 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 Oakland University Golf and Learning Center serves a vital role by providing an entry point for developing community and University collaborations. The department's long-range plan is to continue to maintain recognized 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>2002</u>	<u>2003</u>	<u>2004</u>
Access Fees	\$284,525	\$335,750	\$325,250
President Club Registrations	594	578	550
Rounds of golf	27,881	28,132	27,768 (1)
Capital improvement expenditures	\$ 69,498	\$ 27,102	\$ 59,844 (2)

(1) Projected year end rounds

(2) Golf Course net cost

GOLF AND LEARNING CENTER

2005 Budget Summary

The region's economic condition, coupled with a very cold, wet and rainy 2004 golf season, again challenged efforts to maximize the revenue at the Golf and Learning Center. Regional golf industry data suggests that within the East-North Central area of the United States, golf properties experienced as much as an 18.1% decline in rounds played for the 2002 golf season, in 2003 a 4.4% decline was reported and with the "much above normal" precipitation recorded in 2004 a decline of 4.8% was reported at the end of the 2nd quarter. Even though the season got off to a good start, the golf course department was not able to recover from the rainy and cold May through August months. Registrations were down 28 when compared to 2003. Ryder Cup Week generated well needed revenues to the Golf and Learning Center. The increased activity generated 1,128 golf rounds and \$163,250 in gross revenues during the Ryder Cup Week.

In fiscal year 2004, major capital expenditures included the replacement of the clubhouse roof at a departmental cost of \$47,415. Also, following a May flood waters incident, the construction of a temporary bridge for Katke-Cousins was necessary, and the construction of a new bridge is expected in the spring of 2005. The bridge loss was insured. Finally, as an investment to assure proper pedestrian flow for the Ryder Cup events, a new brick golf car turn-around at the golf range was constructed at a cost of \$11,429.

The R & S Sharf golf course revenue budget anticipates 10,414 golf rounds at fees shown in the attached fee schedule; this is a conservative approach with a 0% increase in round count over the 2004 projected round count. The 2005 budget reflects a \$5.00 per round increase to the greens fees for the R&S Sharf course.

The Katke-Cousins golf course budget anticipates an increase in golf round count, which is the result of a new business strategy to increase customer base by allowing alumni, donors, friends of Oakland University, and community members access to the course for a \$500 annual registration fee. The 2005 budget is based on recruiting 200 new users of the Katke-Cousins course and range facility. The focus of this new business plan is to build a larger customer base while gaining a larger prospective pool of potential donors for cultivation purposes. The decline in President's Club members and national trends in the decline of golf rounds played per person has made this change in strategy necessary. The 2005 goal is to increase awareness of Oakland University and the President's Club by allowing alumni and community members access to golf on the Katke-Cousins course. Considering this goal, the revenue budget anticipates 20,209 golf rounds at fees shown in the attached fee schedule; this is a 16.45% increase in round count over the projected 2004 (est. to be 17,354). The 2005 budget reflects an increase in cart fees and greens fees on the Katke-Cousins course. The Katke-Cousins golf car fee is to be increased \$5.00 per person or \$2.50 on a 9-hole golf car. The greens fee is to be increased \$2.00 per round for members or \$1.00 per 9-hole round. The guest rate will be increased \$5.00 per round. These fee increases are needed to continue to provide the quality equipment and course conditions that are expected by Oakland's golf constituency. The last green fee price adjustment was in 2002, and the most recent golf car fee increase was in 1998.

Overall, fiscal year 2005 operating revenues of \$2,609,502 are projected to grow 14.84% or \$337,166 over fiscal year 2004 projected results. This increase in revenues reflects the change in the Monday golf outing business plan, the proposed fee increases to green fees and golf car fees, as well as the addition of 200 new alumni and community Katke-Cousins members.

The 2005 operating expenditures of \$2,560,600 are projected to grow 9.69% or \$226,207 over fiscal year 2004 projected levels. The Katke-Cousins course renovation caused by the bridge replacement project, rental costs for Shotwell Gustafson Pavilion and kitchen equipment needs are a change in business practice required for continued successful Monday golf outing business. Repair and maintenance of the aging Katke-Cousins irrigation system, the purchase of a fairway aerifier machine, and the addition of an Assistant Grounds Superintendent, along with promotional costs necessary to achieve increased Katke-Cousins membership, make up the bulk of the expense increase.

The major capital expenditures reflected in the 2005 budget in the amount of \$46,100 are expected to be expended when the new business plan and strategy for growth along with the associated proposed revenues appear to be attainable.