



Village of Bloomingdale

Finance Department

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MEMORANDUM

Date: December 10, 2014

To: Pietro Scalera, Village Administrator

From: Gary L. Szott, Finance Director/Treasurer

Subject: Golf Course Preliminary FY16 Budget and 5-Year Forecast

Issue: In conjunction with the development of the Golf Course Fund (the "Fund") FY16 Budget, the Fund's 5-Year Forecast (the "Forecast") was also updated, the primary objective of which is to review the financial position of the Fund measured from a short-term and long-term perspective. The Village's fiscal policy objective for the Fund is for it to "operate with a target net income from operations of \$200,000, before depreciation."

Analysis: Upon compiling the FY16 Budget and updating the Forecast, the results show that for the most recent five fiscal year period ending April 30, 2015 (FY11 through FY15) the Fund's average annual net income, before depreciation, has been \$31,063. This is \$168,937 or 84% less than the objective. For the next five fiscal year period, FY16 through FY20, the Fund's average annual net loss, before depreciation, is projected to be \$33,178. This is \$166,822 or 83% less than the objective. The graph below illustrates the Fund's annual historical and prospective financial performance, compared to the objective, for FY11 through FY20.

Bloomington Golf Club Financial Performance



December 10, 2014
Pietro Scalera, Village Administrator
Golf Course Preliminary FY16 Budget & 5-Year Forecast

To arrive at the above results and projections, actual, audited financial activity was used and an FY16 preliminary budget was developed by staff with input from Don Helmig, Golf Course Manager. Additionally, the FY17 through FY20 forecasts' were developed using historical performance and applying the following assumptions.

1. **Greens fees** do not change from their current levels, the number of "rounds" of golf played attains the 5-year historical average of 31,073, and the average greens fee per round is \$25.12, which reflects historical activity.
2. **Golf cart rental fees** do not change from their current levels the number of cart rentals attain the 5-year historical average of 26,551, and the average cart rental fee per round of \$13.35, which reflects historical activity.
3. **Operating expenses** will increase 1.00% annually through FY20. Operating expenses have been declining by an annual average of 0.49% over the past five years – FY11 through FY15 – although FY15 reflects a 2% increase due to painting of the clubhouse exterior, parking lot crack filling and sealing and recognizing costs related to internet sales.
4. **Capital outlay** (equipment replacement and acquisition) occur systematically and have been projected and scheduled in a particular fiscal year as a planning tool, to anticipate the outflow of resources. There are four (4) categories or groups of capital outlay. They are: 1) Equipment, 2) Buildings Improvements, 3) Grounds Improvements, and 4) Vehicles. While considered to be comprehensive, additional capital outlay projects may be identified in the future.

The Forecast presents all capital outlays to use cash financing, except for the clubhouse roof replacement in FY15 and the golf cart replacements in FY16. Because of the significant cost of these two projects, it will be best pay for them using some sort of financing mechanism.

Based on information to date, and provided the underlying assumptions and forecasts used to develop this report materialize, the Fund will not achieve its fiscal policy objective in FY15 nor in any of the next five (5) years – FY16 through FY20. The FY16 Budget reflects preliminary amounts and both revenues and expenses will be reviewed by staff, and in coordination with the Golf Course Manager, prior to final budget approval, scheduled for April 27, 2015, so that the FY16 Budget will continue to reflect an operating surplus.

It is projected that "excess" cash balances (i.e. – balances over and above the operating reserve level of 25% of operating expenses and cash financing of capital outlays) will be completely depleted in FY19, and operating reserves will only attain a level of 14% of

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annual operating expenses. Beginning in FY20, the golf course will not be able to continue to operate without financial assistance.

Achieving the fiscal policy objective has been problematic for the Fund primarily due to the economic recession and the popularity decline of golf. The fiscal policy objective measurement benchmark is sometimes mistakenly interpreted to mean that the Fund has lost or is losing money. This is not the case as these two measurement points are not synonymous.

For the past eight fiscal years (FY07 through FY14) the Fund has not achieved the objective. Nonetheless, the Fund has generated positive cash flow from operations in eight of the last ten (FY05 through FY14) fiscal years averaging nearly \$117,000 a year and in three of the last five (FY10 through FY14) fiscal years averaging in excess of \$76,000. This has allowed the Fund to maintain a 25% operating reserve and accumulate a cash balance of \$1.02 million as of April 30, 2014.

Looking forward, it appears that golf as a sport and leisure activity will continue to encounter strong headwinds. This will undoubtedly continue to make it difficult for the Fund to achieve the fiscal policy objective of \$200,000, thus continuing to create the mistaken interpretation that the Fund is losing money. In an effort to address this perception and recognizing the difficult business environment of golf, it is recommended to adjust the Fund's fiscal policy objective to "operate with a target net income from operations of \$100,000, before depreciation." Establishing a realistic objective and achieving it will continue to provide positive cash flow and the ability to maintain reserves.

Recommendation: Staff and golf course management must continue to be cognizant of controlling expenses and developing additional rounds of golf and cart rentals. Continued close scrutiny and control of operating expenses is required and continued marketing of the golf course must be pursued. Further, absent extraordinary circumstances, Golf Course budgets should reflect the fiscal policy objective.

BLOOMINGDALE GOLF CLUB
GOLF COURSE OPERATIONS FUND
5 YEAR FORECAST

Statement of Revenues, Expenses and Available Balances

| | [A] (audited) FYE 4/30/2014 | [B] (budget) FYE 4/30/2015 | [C] (EOY) FYE 4/30/2016 | [E] (budget) FYE 4/30/2016 | [F] (forecast) FYE 4/30/2017 | [G] (forecast) FYE 4/30/2018 | [H] (forecast) FYE 4/30/2019 | [I] (forecast) FYE 4/30/2020 | SOURCE, COMMENTS or ASSUMPTION | |
|--|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|--|
| OPERATING REVENUES | | | | | | | | | | |
| 1 | Greens Fees | 766,546 | 819,000 | 770,815 | 793,000 | 785,000 | 773,000 | 779,000 | 781,000 | 5 yr ave rate/round * ave # of rounds |
| 2 | Cart Rental Fees | 340,153 | 360,000 | 366,350 | 356,000 | 355,000 | 352,000 | 354,000 | 357,000 | 5 yr ave rate/round * ave # of rentals |
| 3 | Perm Tee Time Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 4 | Golf Club Rental Fees | 3,110 | 2,900 | 2,845 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 5 yr average |
| 5 | CDGA Fees | 400 | 400 | 380 | 400 | 400 | 400 | 400 | 400 | 5 yr average |
| 6 | Practice Range Fees | 31,934 | 29,000 | 30,985 | 29,500 | 29,500 | 29,500 | 29,500 | 29,500 | 5 yr average |
| 7 | Incentive Card Fees | 3,545 | 2,500 | 2,770 | 2,890 | 2,890 | 2,890 | 2,890 | 2,890 | 2 yr average |
| 8 | Facility Rental Fees | 115,009 | 119,285 | 119,285 | 123,740 | 128,400 | 133,200 | 138,200 | 143,400 | Pro Shop and Banquet facilities |
| 9 | Contract Reimbursements | 29,563 | 27,870 | 27,870 | 27,870 | 28,150 | 28,430 | 28,710 | 29,000 | |
| 10 | TL Operating Revenues | 1,290,260 | 1,360,955 | 1,321,300 | 1,336,400 | 1,332,340 | 1,322,420 | 1,335,700 | 1,346,190 | |
| OPERATING EXPENSES | | | | | | | | | | |
| 11 | Purchased Services | 897,309 | 918,170 | 934,470 | 962,875 | 972,500 | 982,200 | 992,000 | 1,001,900 | 5 yr ave = -0.49%; +1% assumed |
| 12 | Training & Education | 2,181 | 3,325 | 2,050 | 2,950 | 3,000 | 3,000 | 3,000 | 3,000 | 5 yr ave = -0.49%; +1% assumed |
| 13 | Maintenance | 180,893 | 121,685 | 170,165 | 108,000 | 109,100 | 130,200 | 111,300 | 152,400 | 5 yr ave = -0.49%; +1% assumed |
| 14 | Commodities | 194,689 | 198,675 | 188,530 | 196,315 | 198,300 | 200,300 | 202,300 | 204,300 | 5 yr ave = -0.49%; +1% assumed |
| 15 | Other Charges | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | |
| 16 | TL Operating Expenses | 1,335,072 | 1,301,855 | 1,355,215 | 1,330,140 | 1,342,900 | 1,375,700 | 1,368,600 | 1,421,600 | |
| OPERATING INCOME | | | | | | | | | | |
| 17 | BEFORE DEPRECIATION | (44,812) | 59,100 | (33,915) | 6,260 | (10,560) | (53,280) | (32,900) | (75,410) | FISCAL POLICY OBJECTIVE \$200,000 |
| 18 | Depreciation | 221,625 | 0 | 222,000 | 222,000 | 224,000 | 226,000 | 228,000 | 230,000 | Non-cash expense |
| OPERATING INCOME/(LOSS) | | | | | | | | | | |
| 19 | AFTER DEPRECIATION | (266,437) | 59,100 | (255,915) | (215,740) | (234,560) | (279,280) | (260,900) | (305,410) | |
| NON-OPERATING REVENUE/(EXPENSE) | | | | | | | | | | |
| 20 | Interest Income | 5,344 | 5,000 | 5,490 | 5,000 | 4,500 | 3,700 | 2,600 | 1,500 | 3 yr ave yield is .55%; .50% assumed |
| 21 | Sale/Disposal of Assets | 276 | 1,400 | 1,610 | 52,500 | 250 | 250 | 250 | 250 | Various equipment disposals/sales |
| 22 | Other Income/(Expense) | 6,641 | 250 | 935 | 250 | 250 | 250 | 250 | 250 | Miscellaneous & IRMA surplus |
| 23 | TL Non-Operating Rev/(Exp) | 12,261 | 6,650 | 8,035 | 57,750 | 5,000 | 4,200 | 3,100 | 2,000 | |
| NET INCOME/(LOSS) BEFORE | | | | | | | | | | |
| 24 | TRANSFERS & CAPITAL OUTLAY | (254,176) | 65,750 | (247,880) | (157,990) | (229,560) | (275,080) | (257,800) | (303,410) | |
| 25 | Capital Outlay - | | | | | | | | | |
| 26 | Equipment | 0 | 80,000 | 49,045 | 389,805 | 88,006 | 25,985 | 40,730 | 49,595 | See Detail |
| 27 | Buildings Improvements | 0 | 300,000 | 338,580 | 0 | 25,000 | 25,000 | 25,000 | 25,000 | See Detail |
| 28 | Grounds Improvements | 0 | 22,500 | 0 | 22,500 | 17,500 | 22,500 | 17,500 | 22,500 | See Detail |
| 29 | Vehicles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,345 | See Detail |
| 30 | Total Capital Outlay | 0 | 402,500 | 387,625 | 412,305 | 130,506 | 73,485 | 83,230 | 121,440 | |
| NET CHANGE from OPERATIONS, | | | | | | | | | | |
| 31 | CAPITAL OUTLAY & TRANSFERS | (254,176) | (336,750) | (635,505) | (570,295) | (360,066) | (348,565) | (341,030) | (424,850) | |

BLOOMINGDALE GOLF CLUB
GOLF COURSE OPERATIONS FUND
5 YEAR FORECAST

Statement of Revenues, Expenses and Available Balances

| | [A] (audited) FYE 4/30/2014 | [B] (budget) FYE 4/30/2015 | [C] (EOY FYE 4/30/2016 | [E] (budget) FYE 4/30/2016 | [F] (forecast) FYE 4/30/2017 | [G] (forecast) FYE 4/30/2018 | [H] (forecast) FYE 4/30/2019 | [I] (forecast) FYE 4/30/2020 | SOURCE, COMMENTS or ASSUMPTION | |
|-----------------------------------|--|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|
| SUMMARY OF CASH POSITION - | | | | | | | | | | |
| | Net Change from Operations, Capital | | | | | | | | | |
| 1 | Outlay & Transfers | (254,176) | (336,750) | (635,505) | (570,295) | (360,066) | (348,565) | (341,030) | (424,850) | Annual Net Change - row 31 |
| 2 | Clubhouse roof financing, net | 0 | 0 | 321,650 | (33,860) | (33,860) | (33,860) | (33,860) | (33,860) | |
| 3 | Golf cart financing, net | 0 | 0 | 0 | 300,000 | (60,000) | (60,000) | (60,000) | (60,000) | |
| 4 | Add: Depreciation Expense | 221,625 | 0 | 222,000 | 222,000 | 224,000 | 226,000 | 228,000 | 230,000 | Non-cash expense |
| 5 | Change in Cash & Investments | (32,551) | (336,750) | (91,855) | (82,155) | (229,926) | (216,425) | (206,890) | (288,710) | Net cash flow |
| 6 | Total Cash & Investments - Beginning | 1,028,959 | 1,024,424 | 1,024,424 | 932,569 | 850,414 | 620,488 | 404,063 | 197,173 | |
| 7 | Total Cash & Investments - Ending | 1,024,424 | 687,674 | 932,569 | 850,414 | 620,488 | 404,063 | 197,173 | (91,537) | |
| | Allocation of Ending Cash & Investments | 25% | 25% | 25% | 25% | 25% | 25% | 14% | -6% | Operating Reserve % |
| 8 | Target Operating Reserve | 334,000 | 325,000 | 339,000 | 333,000 | 336,000 | 344,000 | 197,173 | (91,537) | 25% of Operating Expenses |
| 9 | Over/(Under) Target Operating Reserve | 690,424 | 362,674 | 593,569 | 517,414 | 284,488 | 60,063 | 0 | 0 | After reserves & scheduled capital |
| 10 | Total Cash & Investments - Ending | 1,024,424 | 687,674 | 932,569 | 850,414 | 620,488 | 404,063 | 197,173 | (91,537) | |

BLOOMINGDALE GOLF CLUB
GOLF COURSE OPERATIONS FUND
5 YEAR FORECAST
Detail of Equipment

| | [A] (audited) FYE 4/30/2014 | [B] (budget) FYE 4/30/2015 | [C] (EOY) | [E] (budget) FYE 4/30/2016 | [F] (forecast) FYE 4/30/2017 | [G] (forecast) FYE 4/30/2018 | [H] (forecast) FYE 4/30/2019 | [I] (forecast) FYE 4/30/2020 | SOURCE, COMMENTS or ASSUMPTION |
|--------------------------------------|---|-------------------------------------|--------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| EQUIPMENT (FY of Acquisition) | | | | | | | | | |
| 1 | Ford - tractor (FY97) | 0 | 0 | 0 | 14,950 | 0 | 0 | 0 | |
| 2 | Befco - lawnmower/rough mower (FY97) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY21 |
| 3 | Jacobsen - lawn/greens mower (FY97) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY21 |
| 4 | Bern - dualspin grinder (FY97) | 0 | 0 | 0 | 11,750 | 0 | 0 | 0 | |
| 5 | Bern - bed knife grinder (FY97) | 0 | 0 | 0 | 8,288 | 0 | 0 | 0 | |
| 6 | John Deere - utility cart/turf gator (FY97) | 0 | 0 | 0 | 5,268 | 0 | 0 | 0 | |
| 7 | Cushman - utility cart(FY97) | 0 | 0 | 0 | 12,985 | 0 | 0 | 0 | |
| 8 | Fieldworks - topdresser (FY98) | 0 | 0 | 0 | 6,795 | 0 | 0 | 0 | |
| 9 | Greensair - lawn mower (FY98) | 0 | 0 | 0 | 7,970 | 0 | 0 | 0 | |
| 10 | New Holland - skid steer loader (FY99) | 0 | 0 | 0 | 0 | 25,985 | 0 | 0 | |
| 11 | Ryan - pond aerator (FY01) | 0 | 0 | 0 | 0 | 0 | 17,615 | 0 | |
| 12 | Pond aerator (FY01) | 0 | 0 | 0 | 0 | 0 | 23,115 | 0 | |
| 13 | Toro - mower (FY02) | 0 | 0 | 0 | 0 | 0 | 0 | 16,940 | |
| 14 | Multi-Pro - sprayer (FY04) | 0 | 0 | 0 | 0 | 0 | 0 | 23,800 | |
| 15 | New Holland - front end loader (FY05) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY21 |
| 16 | Jacobsen - turfcat (FY06) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY22 |
| 17 | John Deere - fairway mower (FY07) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY23 |
| 18 | John Deere - fairway mower (FY07) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY23 |
| 19 | Lake Street identification sign (FY07) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 20 | John Deere - turf gator (FY08) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY24 |
| 21 | John Deere - turf gator (FY08) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY24 |
| 22 | John Deere - turf gator (FY08) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY24 |
| 23 | John Deere - turf gator (FY08) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY24 |
| 24 | John Deere - hybrid diesel mower (FY09) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY25 |
| 25 | John Deere - hybrid diesel mower (FY09) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY25 |
| 26 | John Deere - turf gator (FY09) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY25 |
| 27 | John Deere - turf gator (FY09) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY25 |
| 28 | John Deere - turf gator (FY09) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY25 |
| 29 | Irrigation System Computer (FY09) | 0 | 0 | 0 | 0 | 0 | 0 | 8,855 | |
| 30 | John Deere - utility cart/turf gator (FY12) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY23 |
| 31 | Golf Carts (FY06) | 0 | 0 | 350,000 | 0 | 0 | 0 | 0 | next in FY25 |
| 32 | Chemical recycling system | 0 | 20,000 | 0 | 20,000 | 0 | 0 | 0 | |
| 33 | Walking greens mowers | 0 | 60,000 | 49,045 | 0 | 0 | 0 | 0 | |
| 34 | Replace Furniture | 0 | 0 | 0 | 20,000 | 0 | 0 | 0 | Veranda & Grill Room |
| 35 | Lightning detection system (FY03) | 0 | 0 | 0 | 19,805 | 0 | 0 | 0 | |
| 36 | Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 37 | Total Equipment | 0 | 80,000 | 49,045 | 389,805 | 88,006 | 25,985 | 40,730 | 49,595 |

**BLOOMINGDALE GOLF CLUB
GOLF COURSE OPERATIONS FUND
5 YEAR FORECAST**

Detail of Buildings Improvements, Grounds Improvements and Vehicles

| | [A] (audited) FYE 4/30/2014 | [B] (budget) FYE 4/30/2015 | [C] (EOY) | [E] (budget) FYE 4/30/2016 | [F] (forecast) FYE 4/30/2017 | [G] (forecast) FYE 4/30/2018 | [H] (forecast) FYE 4/30/2019 | [I] (forecast) FYE 4/30/2020 | SOURCE, COMMENTS or ASSUMPTION |
|-------------------------------|--|-------------------------------------|----------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| BUILDINGS IMPROVEMENTS | | | | | | | | | |
| 1 | Carpet, wallpaper, drapery replacement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY25; included in Maintenance |
| 2 | Clubhouse roof | 0 | 275,000 | 338,580 | 0 | 0 | 0 | 0 | next in FY30 |
| 3 | Various major maintenance | 0 | 25,000 | 0 | 0 | 25,000 | 25,000 | 25,000 | specific projects not yet identified |
| 4 | Total Buildings Improvements | 0 | 300,000 | 338,580 | 0 | 25,000 | 25,000 | 25,000 | |

| | [A] (audited) FYE 4/30/2014 | [B] (budget) FYE 4/30/2015 | [C] (EOY) | [E] (budget) FYE 4/30/2016 | [F] (forecast) FYE 4/30/2017 | [G] (forecast) FYE 4/30/2018 | [H] (forecast) FYE 4/30/2019 | [I] (forecast) FYE 4/30/2020 | SOURCE, COMMENTS or ASSUMPTION |
|-----------------------------|--------------------------------------|-------------------------------------|---------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| GROUNDS IMPROVEMENTS | | | | | | | | | |
| 1 | Drainage | 0 | 15,000 | 0 | 0 | 10,000 | 0 | 10,000 | FY17-FY20 projects not yet identified |
| 2 | Driving range | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 3 | Course | 0 | 0 | 0 | 15,000 | 0 | 15,000 | 0 | FY17-FY20 projects not yet identified |
| 4 | Trees & plantings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | included in Commodities |
| 5 | Sealcoat parking lot | 0 | 0 | 0 | 0 | 0 | 0 | 0 | next in FY18; included Maintenance |
| 6 | Miscellaneous | 0 | 7,500 | 0 | 7,500 | 7,500 | 7,500 | 7,500 | specific projects not yet identified |
| 7 | Total Grounds Improvements | 0 | 22,500 | 0 | 22,500 | 17,500 | 22,500 | 17,500 | 22,500 |

| | [A] (audited) FYE 4/30/2014 | [B] (budget) FYE 4/30/2015 | [C] (EOY) | [E] (budget) FYE 4/30/2016 | [F] (forecast) FYE 4/30/2017 | [G] (forecast) FYE 4/30/2018 | [H] (forecast) FYE 4/30/2019 | [I] (forecast) FYE 4/30/2020 | SOURCE, COMMENTS or ASSUMPTION |
|-----------------|--------------------------------------|-------------------------------------|--------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| VEHICLES | | | | | | | | | |
| 1 | Pick-up Truck | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,345 |
| 2 | Total Vehicles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,345 |