



## City of Harrisonburg, Virginia

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Kurt D. Hodgen  
City Manager

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### MEMORANDUM

TO: Harrisonburg City Council

FROM: Kurt D. Hodgen, City Manager

DATE: April 7, 2011

RE: REPORT ON IMPLEMENTATION OF GOLF COURSE STUDY  
COMMITTEE RECOMMENDATIONS

#### **Introduction:**

The "Golf Course Study Committee", a group of Harrisonburg residents that was appointed by Council in the Fall of 2010, presented its recommendations to City Council at the January 25, 2011 meeting. The report was broken down into five categories, some of which overlapped. The predominant categories included: Existing Facilities, Marketing Efforts, and Operation and Maintenance Practices. Given the consensus of Council that certain operational changes and investments need to be made in order to help Heritage Oaks become profitable, staff was directed to prepare a report outlining how the Committee's recommendations could be implemented. In preparing this report, staff sent out a survey to 20 "comparable" municipalities who operate golf courses in Virginia and received nine responses. Those responses represented 15 different courses (one locality owned seven courses).

It should be noted that staff does not believe it is advisable for the City to attempt to implement all of the recommendations of the study committee in a single fiscal year and, as such, in the sections below, suggestions are made regarding the timing for putting certain recommendations into action.

#### **Existing Facilities:**

- a. **Food and Beverage Service** - Of the survey respondents, only one reported net positive revenues from providing "enhanced" food and beverage service (meaning positive net revenues from the service alone, NOT from overall golf revenues). Typical menus for those courses providing service consisted mainly of hamburgers,

hotdogs, French fries, breakfast sandwiches, barbeque, dinner entrees, sandwiches and snacks. Five of the fifteen did not serve alcohol. Courses served from 2 to 8 different types of beer, both canned and draft. Only one course contracted out their food service. One respondent, the Town of Blacksburg serves only snacks, soft drinks, and water (similar to Heritage Oaks' present setup). Unfortunately, none of the respondents provided any statistical evidence that indicated whether or not having the "enhanced" food and beverage services had a positive effect on rounds played, but anecdotally they presume that there is a positive effect. Heritage Oaks' staff has confirmed the loss of some tournament play as a result of not having enhanced service, particularly not allowing alcohol on the course, but there is no way of determining how many individual rounds may have been lost due to not allowing alcohol, or how many may be lost if alcohol is allowed.

Associated with the provision of food and beverage service at Heritage Oaks would be the requirement for an ABC license to sell beer and wine. A license to sell both is \$300.00 annually. There are application and public notification requirements associated with the issuance of a license. In addition, there is a requirement to have minimum monthly food sales of \$2000, of which \$1000 must be in the form of meals with entrees (a Hamburger with French fries qualifies as an entrée according to ABC regulations).

Only one of the courses responding to the survey indicated that they contract out their food and beverage service. A non-Country club contract operation may be less appealing to vendors given the potential for significant variance in customers due to bad weather days during the "regular" golf season, as well as the winter months. A Country Club typically has minimum food purchase requirements and other, non-golf related meetings and events that keep people coming in at lunch time. Heritage Oaks' location on the western limits of the City makes it a little bit remote for a non-golfer, "regular lunch crowd". However, in the interest of exploration all options, **prior to implementation of enhanced food and beverage service, the City will explore both contracting and in-house options.**

A building addition will be required in order to provide enhanced food and beverage service. It will take several months for a building addition to be complete and usable, assuming a near-July 1, 2011 start of construction. As such, we will be approaching the time of the year where play begins to decline due to weather conditions. It would make little sense to incur the expenses of enhanced food and beverage service at that time. During the time between construction completion and the "spring season", there would be opportunity for the city to make some improvements to the level of existing food service at relatively little cost other than supplies. In addition, new space would be available for groups to use or simply relax indoors after a round of golf. Individual groups could apply for special-event beer and wine licenses until the City is ready to obtain the permanent ABC license, should there be events for which beer and wine is desired. **It is recommended that for fiscal year 2011-12, we not consider starting the enhanced food and beverage service until the spring (likely April 2012) at the earliest.**

- b. **Building Expansion** - The existing clubhouse facility at Heritage Oaks is not large enough to accommodate enhanced food and beverage service and as noted above,

would thus require a building addition. Per our survey results, food service areas ranged in size from 700 to 1,400 square feet. Parks and Rec staff has received preliminary cost estimates on additions of 1,142 and 1,300 square feet, in the amounts of \$165,590.00, and \$188,500.00 respectively. Covered patio space could be provided with either option at an additional price. Estimates were also provided for possible restroom/locker room expansions. **Staff recommends that the City proceed with this addition and that it be constructed on the east side of the clubhouse. Alternate bids should be solicited for the covered patio space and the restroom/locker room expansions.** The existing cart storage area should remain in its present use. This will save the expense of having to build both a new cart storage area and then renovating the existing cart for food service.

Staff did consider the viability of short-term food service alternatives and while outdoor space may be available, the money that would be spent on a temporary solution may be better invested in the permanent one. The addition of permanent space, even if the food and beverage services were discontinued, would at least provide useful indoor meeting/gathering space for after-play or after-tournament activities, or just plain winding down.

### **Marketing Efforts:**

It is obvious that for Heritage Oaks to become profitable, more rounds of golf need to be played. The recommendations made in the sections above should make the course a more attractive place to play and will likely have a positive effect on the number of rounds played, but it will be difficult to statistically quantify how much those things alone will affect play.

On the other hand, it cannot be ignored that the current trend nationwide is that less golf is being played overall. Unfortunately, at about the time Heritage Oaks was opened, rounds of golf being played in the U.S. began to decline, including a nation-wide decline of about 3.6% in calendar year 2010, according to the World Golf Foundation. The good news is that Heritage Oaks has seen an overall increase in rounds played annually since it opened; it simply isn't yet at a level that makes it profitable.

While the Study Committee has recommended that a full-time Program Manager/Marketing Director position be created at Heritage Oaks, staff believes that current trends in rounds played cannot be ignored and that such a position should not be created at this time. **Staff recommends a more conservative approach, at least in the next fiscal year, combining the efforts of existing course staff (specifically the General Manager), Parks & Recreation Administration, and the City's Tourism and Visitor Services Office. This can be revisited the following year or in subsequent years.** Utilizing existing funds and resources of both Parks & Recreation and Tourism and Visitor Services, and perhaps some supplemental funding, new or enhanced marketing approaches can be tested while overall rounds played trends can continue to be monitored. It should be noted that none of the golf courses who responded to our survey have a Marketing Director dedicated solely to their course.

## **Operation and Maintenance Issues:**

- a. **Clubhouse reduction in expenses** - The Committee recommended a 10% reduction in pro shop expenses, including reducing the merchandise for resale inventory. The proposed budget actually reduces inventory expenses by 23.5% (\$20,000.00). Excluding the capital expenses associated with construction of a clubhouse expansion, the pro shop proposed budget for FY 12 is 4.3% lower overall than the current year. However, it should be noted that the 4.3% reduction will be quickly negated if we charge a portion of the Assistant Director of Recreation's salary to the Clubhouse (which is appropriate given his recommended role as "General Manager" of the Course).

Finally, if in FY 11-12 we begin enhanced food and beverage service, there may be significant new expenses for staffing and for food and beverage supplies, depending upon whether this is handled "in house" or via contracting.

- b. **Staffing** – As implied in section "a" (immediately above), and in the "Marketing Efforts" section of the report, city staff concede that under the current organizational structure in place at Heritage Oaks, course play and overall revenue have not reached the levels expected as per the marketing studies that were completed prior to construction of the course. However, play has increased gradually over the time that Heritage Oaks has been in operation, in spite of the decline in the overall economy of the last several years which has seen numerous courses lose rounds. [NOTE: Heritage Oaks did see a slight decline in rounds in FY 09-10, when 3.5 months of play were lost due to severe weather]

While we have limited control over external influences on Heritage Oaks, and those are the influences that will have the most impact on rounds played, we do have control over the internal influences, which can also affect rounds played although to a lesser extent. As such, at this time **staff is recommending partial implementation of the personnel-related recommendations of the Study Committee. The Assistant Parks and Recreation Director will be designated as the General Manager of Heritage Oaks** and assume "bottom line responsibility for course operations. The plan is that he will initially spend around three hours per day (15 per week) in his capacity as General Manager. He will retain his duties as Assistant Director of Parks & Recreation as well, although some of his duties in that capacity will need to be assigned to others. The hours will be subject to change based upon determined need. The General Manager will be responsible for implementing an enhanced customer service training program for all paid and volunteer staff.

As noted in the "Marketing" section of this report, **year one enhanced marketing efforts will be handled jointly between Heritage Oaks and the City's Tourism and Visitors Services division.** Overall results will determine if and when it is appropriate to move toward a full-time marketing position.

**Course "Ranger" positions will be converted to all volunteer positions.** This will save between \$3,500 - \$5,000 per year.

- c. **Enhanced Food and Beverage Service - Staff recommends that we not start the enhanced food and beverage service until the spring (likely April 2012) at the earliest.** As noted above, it will take several months for the building addition to be complete and usable. There will still be opportunity for the city to improve upon existing food service at relatively little cost other than supplies, and space will be available for groups to use between construction completion and actual start-up of enhanced food and beverage service. In addition we can allow groups to individually apply for special-event beer and wine licenses until we are ready to obtain the permanent ABC license. A supplemental appropriation will be requested of City Council for April through the end of fiscal year 2012 for the implementation of full, enhanced food and beverage service.
- d. **Wind curtain for Pavilion –** Adequate information on the cost, delivery and installation time, etc., was not available at the time of this report. Depending upon the information received, this item could potentially be installed during the current fiscal year via unused capital projects funds in the Parks and Recreation budget.
- e. **Water issues –** Relative to the issues of raising the dam and solving the “lower” pond issue (at the 14<sup>th</sup> hole), while staff agrees with the Committee on both matters, **this work is not recommended in year one of implementing committee recommendations.** Improvements of this nature are specialized work and will require detailed engineering work to develop the appropriate scope of work, design specifications and cost estimates. Funds for the necessary engineering work could be included in the FY 11-12 budget.

A second water issue, that of supply (for irrigation purposes), was noted by the Committee. A suggestion was made to consider the nearby Frazier Quarry as a potential source of water. This is an issue the City has been exploring since 2008 and unfortunately it has been determined that the time of the year that the City needs the water does not coincide with when the quarry can make it available. If the quarry were to ever cease operations, it could become a more viable alternative.

- f. **Landscaping –** This is another item that would add to the overall cost of operations at Heritage Oaks, unless provided for by volunteer groups, and the impact of additional landscaping on our ability to attract more rounds is questionable. Staff research has determined cost estimates of \$26.60/square foot/year for typical annual flowers [\$239.40/square yard/year and \$16.63/square foot/year (\$149.67/square yard/year)] for typical flowering shrub beds. **A number of community groups have been identified and will be contacted regarding their interest in “adopt a hole” or other area of the course with the hopes of beginning a program during fiscal year 2011-12. It is not otherwise recommended that the City commit additional O & M dollars to enhance landscaping.**

Additional issues that must be considered relative to landscaping include the ability to obtain long-term commitments for timely maintenance from any groups adopting a hole or area of the course and the effects of the deer population on any additional plantings and landscaping.

- g. Maintenance** - Labor costs for a municipally-run course are going to be higher than a private course given the difference in applicable labor laws and other practices and policies. One of our continuing challenges is maintaining a level of staffing that is adequate in the growing season, but reduced during the winter. We currently manage that uneven demand for labor by providing for part-time seasonal employees and by allowing full-time employees to take accumulated compensatory time in December. It should also be considered that our labor requirements are specifically determined by tasks required to maintain the golf course. Whenever staffing is reduced, tasks related to course conditioning suffer directly. The bottom line is that while it may be possible to reduce the labor costs for golf maintenance, the negative impact may not be worth the savings realized and may result in less desirable course conditions.
- h. Cooperative purchasing agreements** - We have for several years maintained a materials contract with numerous suppliers and they bid competitively for our business. As an agency of the government we can and do take advantage of other acceptable, competitive bid contracts for products, (Fairfax County, for example). It is important to note that we have a different grassing plan than other courses in the area (bent grass vs. rye or bluegrass) and use a different cadre of products for maintenance. **Being one of the few bent grass golf courses in the area, there is little in the way of cooperative purchasing that would benefit us.**
- i. Lease v. purchase of maintenance equipment** - Heritage Oaks Golf Course Maintenance currently maintains a fleet of specialized golf course maintenance equipment with a replacement value of over one million dollars. The equipment fleet is largely complete for the current needs but it is aging and phased replacement has not kept pace due to budget constraints. There is a broad consensus that precision reel mowing equipment should be replaced at 2500-3000 hours of usage or at five years of age, whichever comes first. The reason for the five year replacement is due to aging of hydraulic pumps and lines that can fail without warning and cause extensive damage to fine turf areas – as was experienced on #1 green in the spring of 2010. Most of the Heritage Oaks equipment is the original equipment that was purchased when the golf course was completed and is now a full ten years in age. Replacement costs for equipment is an estimated \$310,000. None of the equipment is currently leased. It should be noted that equipment that has long service life or infrequent usage (tractors and implements, for instance) is not cost effective to lease per industry experts. **Staff will continue to explore lease versus purchase options for appropriate equipment when authorized to proceed with replacements.**
- j. Rates and Fees** – The Study Committee agreed that Heritage Oaks’ rates and fees are appropriate and competitive, but recommended that there be consideration of periodic “special” rates to attract players during low-play times. The current offering of special rates is as follows:

- 1) **Early Bird** – Heritage Oaks implemented this program in 2009 and has seen very little response from the public;
- 2) **Aeration Specials** – Rather than discounting our rates when we aerate, we now “value add” by maintaining our regular rates and offering a dozen golf balls with each regular 18 hole round with cart. This has increased our gross and net revenue, compared to when we discounted, and has created more of a “buzz” with customers. This special is offered during the week of and week after aerification to the golf course;
- 3) **MGA/LGA/SGA** – During these times, we offer our League members a discounted rate to play. This special is only offered to them on the day of their league play;
- 4) **Lung Card/VSGA Card** - Since the first year of operation, we have offered plays on the Lung Card, VSGA Card, and Tee Time Golf Pass. We currently offer 3 plays on each and the fee is \$25/player with each of these passes;
- 5) **Virginia Golf Trail** - This will be new in 2011. The “Trail” is a vehicle for “one-stop shopping” in which golfers can book tee times at a minimum of two golf courses on the Trail. For example, a group that is traveling from Pennsylvania and is looking to play in the Shenandoah Valley can go to the Trail website and book their rounds of golf, their hotel room(s), activities, and explore restaurant / food options (and receive coupon vouchers). The cost per round to play our golf course is \$35/golfer and we receive 100% of that fee; and
- 6) **GOLFNOW.COM** – Offered through The Golf Channel and is now being offered in the Valley. This allows golfers to book their tee times online through Golfnow.com. Golfers can go to this website (which is advertised HEAVILY on The Golf Channel) and look up various golf courses. If they are interested in playing in the Shenandoah Valley, they will see Heritage Oaks listed as one of the courses. A few tee times will be listed on the website for the desired date of play and golfers may book their tee time(s). The golfer pays us upon arrival so we receive 100% of those fees, with one exception. We must give one tee time (the tee time of our choice, and it can be during a slow time) to Golfnow.com. This time will be one of the many (or few if we choose) that is available on the site. This will help to drive at least some additional business to our golf course at no real out of pocket expense.

Various other specials including discounted rates have been offered from time to time, but overall, we have found that they did not positively impact the number of rounds played or revenues received.

We are continuing to look at other possibilities for this year to help drive additional play – A member-guest mini-tournament, 4 for 3 or 4 for 2 greens fee with cart (on

either a Monday or Tuesday most likely); a Par 3 day with designated prizes (dozen balls, or shirt, etc.) per hole.

Last year, we combined efforts with Lakeview and Spotswood to introduce the Valley Open, a 54-hole event in which each course would host 18 holes of the overall event. This was a huge success and has helped to promote each of our courses and golf as a whole in the valley. This year, we are taking part in the Valley Cup, a six-golf course event that is played monthly at the different facilities, again promoting our courses and golf in the valley.

### **Conclusion:**

The work of the Study Committee was quite useful to staff both in terms of providing many helpful suggestions and in giving cause to staff to step back and take a fresh look at what is done, how it is done, and why it done at the Course. Most, if not all of the recommendations, could be implemented to an extent, and would be positive in nature. They certainly give the Course something to aspire to as overall conditions improve. The following items summarize staff recommendations by fiscal year:

### **Fiscal Year 2011-12:**

- Explore both contracting and in-house food and beverage service options and if vetted, provide enhanced food and beverage service in the spring (likely April 2012, at the earliest).
- Construct an addition on the east side of the clubhouse. Solicit alternate bids for the covered patio space and the restroom/locker room expansions.
- Combine marketing efforts of existing course staff (specifically the General Manager), Parks & Recreation Administration, and the City's Tourism and Visitor Services Office. This can be revisited the following year or in subsequent years to determine if dedicated staff at the golf course is needed.
- Designate the Assistant Parks and Recreation Director as the General Manager of Heritage Oaks.
- Convert Course "Ranger" positions to volunteer positions.
- Issue and receive Engineering Report to raise the dam and solve the "lower" pond issue (at the 14th hole).
- Initiate an "adopt a hole" program (or other area of the course).
- Continue to explore lease versus purchase options for appropriate equipment when authorized to proceed with replacements.
- Continue to look at other possibilities to help drive additional play.

### **Subsequent Fiscal Years:**

- Raise the dam and solve the “lower” pond issue (at the 14th hole) based on detailed engineering work including the scope of work, design specifications and cost estimates.
- Convert, by natural attrition, one or two full-time Journeyman positions to part-time.
- Continue to look at other possibilities to help drive additional play.

The realities of the current environment cannot be overlooked – golf play is down nationally - and while Heritage Oaks has for the most part gone against the trend and seen increases in play, those increases have been gradual and likely will continue that way for the next year or two. The Study Committee report also predicted slow but sure increases before seeing a higher rate of play at about 2014, and as such, staff is recommending a gradual implementation of the Committee’s recommendations. We believe such an implementation process will give us a better opportunity to make changes, measure their level of success, adapt and modify where necessary, and proceed with the next appropriate course of action.

We look forward to further guidance and direction from City Council.