

GOLF DEPARTMENT/GOLF COMMISSION ANNUAL REPORT - 2009

The Captains Golf Course continues to be a profitable and valuable asset for the Town of Brewster. By way of history, below is a summary of the Town's investment in the Captains Golf Course:

- 1985 - \$2.2M bond issue for the total cost of land acquisition, course and building construction, and equipment costs for original 18-hole Captains Golf Course.
- 1999 – \$9.87M bond issue for the total cost of land acquisition, course and building construction, and equipment costs for the 18-hole expansion.
- 2006 - \$800,000 bond issue for an irrigation system upgrade for the “original” golf course. \$200,000 was paid from golf course monies that were reserved for capital improvements for a total project cost of \$1,000,000.
- 2008 - \$300,000 golf course renovation project financed from Town free cash, to be paid back over a five to seven year period from future golf course revenues.

The Town's investment in the Captains Golf Course is broken down as follows:

• Bond Issues	\$12,870,000
• Cash Outlay	<u>\$ 300,000</u>
TOTAL TOWN INVESTMENT	\$13,170,000

The Captains Golf Course Profit Before Debt Service represents the Town's Return on Investment. These funds have always been adequate to service the debt incurred to build Captains, with a surplus left over to fund capital improvements, retain funds for future capital projects, or contribute to the Town's General Fund. The surplus remaining after debt service and capital improvements is what has commonly been referred to as the “Net Return to the Town”, and over the history of our operations has totaled \$6,409,283. These funds were available to the Town to support other non-golf projects or departments.

The percentage Return on Investment (“Profit Before Debt Service” divided by the Total Town Investment) over the 24-year history of golf operations has ranged from a low of 6% to a high of 35%, with an average of 18%. In the nine years since the golf course expansion, the Annual Return on Investment has averaged 11%.

FY 2009 Recap

In FY 2009, we experienced one of the worst economic recessions in decades, historically poor weather conditions, and very high fuel and energy costs. As a result, our revenues suffered a significant decline. Even so, the golf operation generated a “Profit Before Debt Service” of \$1,042,048, resulting in an FY 2009 Annual Return on Investment of 8% and a Net Return to the Town of \$4,170.

Expenses. Over the past 10 years, the Golf Department has reduced part-time seasonal labor from 22.1 thousand hours to 18.3 thousand hours. We have also reduced one full-time year round position to a seasonal position. However, Town-wide union negotiated wage increases resulted in an increase in our Wages line item for Fiscal Year 2009 of \$48,143 as compared to FY 2008.

We have also paid close attention to our operating costs over the years. Many of these are directly related to the cost of fossil fuels and as such, holding the line on operating costs has been and continues to be a challenge. Over the last 9 years (since the expansion), we have been able to keep these costs somewhat under control through careful management. Our Operating Expenses have increased by just \$35,706, or 4.6%, over this 9-year period. The FY 2009 Operating Expenses of \$804,413 represented a decrease of \$6,687 as compared to the FY 2008 Operating Expenses of \$811,100. As with all businesses, the cost of health insurance has had a significant impact on our bottom line. Our FY 2009 health insurance costs of \$168,642 were up about \$37,000 from FY 2008 and over the last ten years, this line item has increased over \$100,000 for the Golf Department.

The Golf Department and the Golf Commission agree that it would be an unacceptable situation, if the Captains Golf Course's "Profit Before Debt Service" were not adequate to service its debt. In addition, it is our goal that the monies retained in our Capital Reserve Fund plus surpluses generated after debt service will be adequate to fund all of our future capital improvements and still allow a Net Return to the Town to support other Town projects and departments. However, due to the current economic climate which is forecast to continue for at least the next year or two, it will be difficult for the golf operation to generate a surplus over the next couple of years.

Should the situation continue with respect to declining membership revenues and significant increases in non-discretionary expenses such as contract wages, the Town may be forced to consider the true cost of the affordable recreation being offered to Brewster residents. Membership rates may need to be less subsidized; or more tee times offered to daily fee players; or labor contracts may need to be renegotiated.

Other Considerations

What must not be lost in this analysis is that the Town owns a very valuable asset in the Captains Golf Course, which continues to gain equity through appreciation and as the debt is paid down from golf operation revenues. It is estimated that the current value of the Captains Golf Course is in the 15 – 20 million dollar range. At the close of FY 2009, the principal owed on the total golf course debt was \$7.43M and is scheduled to be retired in 2020. It must be understood that it will be necessary to continue to reinvest in the golf course as we move forward to maintain its value as a revenue generating entity.

Additionally, there are many valuable benefits of the Captains Golf Course to the Town of Brewster that are not easily quantified, but cannot be understated. These include: the positive draw for the Brewster real estate market and business community; the availability of affordable recreation provided to Brewster residents; the support provided to charitable endeavors; the employment opportunities provided to area residents that support local businesses; as well as being a good steward of the land and reducing development. Over the years, the Captains Golf Course has been an active supporter of fundraising efforts associated with the Lower Cape Outreach Council, Brewster Elementary Schools, Nauset Regional Schools, Brewster Police Relief Association, Brewster Ladies Library, Cape Cod Regional Technical High School, Cape Cod Hospital, and many more. Over the past nine years the charitable events held at the Captains Golf Course have netted over \$1.4M for their respective organizations.

The past success of the Captains Golf Course is a direct result of the cooperation that the Golf Department and Golf Commission receive from the Board of Selectmen, all Town departments, and various Town Committees and Boards. We are confident and hopeful that this spirit of cooperation will continue to ensure the continued success of the Captains Golf Course for many years to come.

We would like to remember our friend Stoughton "Stote" Ellsworth for his dedication to the Town of Brewster and the Captains Golf Course. Stote passed away in January 2010 and will be sadly missed by us all.

Respectfully submitted,
Mark T. O'Brien
Director of Operations

Brewster Golf Commission,
Bob Weiss, Chairman
Josephine O'Connell
Kamey Ovia
Cindy Bingham
Rob Harris
Jeff Odell

Below are some statistics for the period January 1, 2009 through December 31, 2009:

Annual Fee Pass holders:		Rounds Played:	
Resident Pass Holders	856	Annual Fee Pass Holders	36,890
Charter Non-Res. Pass Holders	12	Daily Fee Players	<u>38,943</u>
Non-Resident Passholders	180		
Resident Junior Pass Holders	<u>46</u>	Total Rounds Played	75,833
Total Pass Holders	1,094		

Below is a recap of the Captains Golf Course financial performance for FY 2009:

Revenues:	Annual Fee Player Fees	\$ 808,975	
	Green Fees	\$1,758,866	
	Cart Revenue	\$ 588,037	
	Pull Carts	\$ 10,992	
	Restaurant Rent	\$ 46,669	
	Driving Range	\$ 120,088	
	Pro Shop Gross Sales	\$ 359,389	
	Interest Earned	\$ 22,500	
	Miscellaneous	<u>(\$ 8,460)</u>	
	Total Revenues		\$3,707,056
Expenses:	Wages	\$1,132,275	
	Fringe Benefits	\$ 349,875	
	Operating Expenses	\$ 704,844	
	Property and Liability Insurance	\$ 53,742	
	Riding Cart Lease	\$ 99,569	
	Pro Shop Purchases	\$ 219,341	
	Debt Service Interest	\$ 353,065	
	Town Hall Indirect Cost	<u>\$ 105,361</u>	
	Total Expenses		\$3,018,072
Net Income			\$ 688,984
Cash Flow:	Less Debt Service Principal		(\$ 540,000)
	Less Capital Improvements		(\$ 266,000)
	Plus Funds transferred from previously reserved golf revenues		<u>\$ 121,186</u>
NET RETURN TO THE TOWN			\$ 4,170