

2018 Duluth Golf Business and Facility Alternatives Development and Assessment Process

Background: The City of Duluth golf program, Duluth Golf, is on a financially unsustainable path with \$2.2 million in accumulated losses backed by the General Fund, projected continuing losses in the range of \$100,000-to-\$200,000 per year, and a minimum of \$12 million in increasingly time-sensitive deferred maintenance with no acceptable capital financing of that magnitude readily available. The financial difficulty is fueled by a local and national imbalance in golf supply and demand with a dramatic increase in the number of holes in the years leading up to 2006 followed by a dramatic drop in golf participation. Over the last 12 years, the City has commissioned independent studies and implemented many of the recommendations of those studies but net income is still several hundred thousand dollars a year below what is necessary to cover annual operating expenses and finance borrowing to restore golf infrastructure. The surest way to restore Duluth Golf to financial sustainability is to close and sell a portion of our golf facilities so as to smooth the path to financially sustainable renovation and operation of the remaining holes. The Parks Commission and the City of Duluth administration believe that such a momentous decision should be made with more meaningful community engagement than the City has facilitated to date. Golfers strongly agree. A group of 60 golfers have recently convened to form a 501(c)3, Friends of Duluth Golf, intended to represent golfers in a presumed planning process.

Planning Process Goals:

The City of Duluth will:

1. Conduct a business and facility alternatives development and assessment process for Duluth Golf in the first half of 2018 with the aim of advising the Administration how the City can best provide quality, reasonably affordable, public golf in Duluth on a financially sustainable basis, including financing for debt payments and infrastructure renovation.
2. Design the planning process so as to meaningfully engage a broad swath of the community, including but not limited to golfers and provide guidance that draws on relevant data, best practices, expertise, and analysis including analysis of the potential for partial closure and sale of some Duluth Golf assets.
3. Guide the planning process toward real financial sustainability in part by establishing plan requirements that the planning process will take as givens and the final plan must support.

Estimated Planning Process Timeline: February – July, 2018

Planning Process Structure: The Parks and Recreation Manager will convene and facilitate two groups that will jointly help to develop and assess alternatives and craft recommendations to the Administration:

1. A Citizen Task Force (CTF) comprised of Parks Commissioners, citizen representatives, including but not limited to golfers, and relevant City leaders.
2. A Technical Advisory Group comprised of internal and external subject matter experts whose expertise is necessary to produce a plan that will provide quality, reasonably affordable, public golf in Duluth on a financially sustainable basis

The groups will be charged with developing and assessing one or more business and facility options that may vary with regard to how many holes the City will retain and renew and how many holes it will close and potentially sell.

Pending discussions with the Citizen Task Force, the City may contract a golf industry consultant to provide the following services:

1. Summary evaluation of current business operations drawing heavily from existing reports.
2. Assistance with development of Duluth Golf business and facility options.
3. Modeling of the financial results of each option against a City-defined standard of financial sustainability. Products would include capital cost estimates, capital borrowing requirements, projected net income, and the likelihood and magnitude of financial risk to the City of Duluth.

Consultant candidates may include JJ Keegan, Matt Galvin, and Billy Casper Golf.

Two distinct products will be delivered to the Administration for review:

1. An alternatives development and assessment report. The CTF will seek to reach agreement that the report is substantially sound and accurate.
2. Advisory recommendations. The CTF will strive to reach agreement on recommendations. If agreement on recommendations proves to be impossible, the City administration and Friends of Duluth Golf may endorse different alternatives.

Planning Process Requirements: The City of Duluth will guide the planning process toward real financial sustainability in part by establishing the following requirements that the alternatives development and assessment process will take as givens and any recommendations must support.

1. The final report must provide one or more options that fulfill the goal of providing quality, reasonably affordable, public golf in Duluth on a financially sustainable basis, including financing for debt payments and infrastructure renovation.
2. For the purposes of this alternatives development and assessment process, it shall be assumed that golf revenue shall pay for all operating expenses and capital investment. Golf revenue may or may not include proceeds of potential golf asset sales.
3. The planning process must closely examine how closure and/or sale of all or portions of either course might help achieve financial sustainability for the remainder of the operation.
4. It will be assumed that, if the City decides in the future to sell all or a portion of either golf course, the City will:
 - A. Seek to negotiate a sale price that is no less than the appraised market value.
 - B. Seek to reinvest as much of the sale proceeds as possible in improvements to golf facilities the City intends to retain.

Potential Planning Process Participants:

Project Leadership	Citizen Task Force- CTF		Technical Advisory Group - TAG	
	Internal Members	Community Members	Internal Advisors	External Advisors
Parks Mgr	Property & Facilities	3 Golfers TBD	Property & Facilities	Billy Casper Golf
	Parks & Recreation	4 Parks and Rec Commissioner(s) TBD	Parks & Recreation	Golf industry consultant
	Planning	1 City Councilor	Planning	
	Finance	1-2 Citizens Who Are Not Duluth Golfers	Business Development	
			City Attorney	

Planning Process Timeline:

Timeframe	Objectives	Contributors
February	<p>PROJECT INITIATION</p> <ul style="list-style-type: none"> • Assemble Citizen Task Force • Review planning requirements and process parameters • Develop Work Plan (inclusive of goals, objectives, roles, engagement, schedules, and other expectations) • Obtain all existing golf operations reports and community plans; review existing status, conditions, and operational model. • Establish collaborative goal setting 	Parks & Rec Leadership CTF
March - May	<p>PRELIMINARY ANALYSIS & RESEARCH</p> <ul style="list-style-type: none"> • Periodic meetings with stakeholders • Review of exiting material, suggestion/evaluation high-level (i.e. Golf operations, maintenance, marketing, alternate activities (compatible with existing golf operations), • Benchmark study of 5 regionally located municipal golf providers (rates, play rates, rate of government subsidization, etc.) • Community feedback (survey or online engagement platform) • Scrutinize issues discovered during public engagement and categorize for analysis. • Summary of initial data review, relevant policies, data points, emerging SUG/Community needs/interests, and issues • Conceptualization and compatibility of innovative solutions. • Pathfinder workshop (1 full day meeting with CTF & TAG representatives) • Feasibility, cost, revenue projections (TAG review & Feedback) 	Parks & Rec Leadership CTF TAG
June	<p>TECHNICAL ANALYSIS</p> <ul style="list-style-type: none"> • Conceptual Implementation Strategy • Preliminary Recommendations 	Parks & Rec Leadership CTF TAG
July	<p>PROJECT CLOSEOUT</p> <ul style="list-style-type: none"> • Final Report 	