Tucson looks at ways to stop city golf from losing more than $1M per year

By Patrick McNamara | Posted: Friday, August 24, 2012 10:00 am

With more than 40 golf courses in the metropolitan area, Tucson has long been considered a national capital of golf.

But the abundance of golf courses belies the suffering of the industry generally and the looming troubles with the City of Tucson's municipal golf operations.

Tucson City Golf, a division of the Parks and Recreation Department, has been losing money on a large scale for several years. In fiscal 2011, the city's golf course fund ran a $1.2 million deficit, requiring a subsidy from other city funds to make up the difference.

Over several years, the city golf fund has accrued nearly $7 million in subsidies, which accounting officials call interfund balances.

The city operates golf as an enterprise fund that is supposed to be self-sustaining. The growing annual losses have sparked a debate among elected officials and city management as how best to address the issue.

"The status quo is unacceptable," said City Councilwoman Regina Romero.

Romero brought the issue of golf revenues to the table in April. Since then, the council has begun look for ways to make golf operations truly self-sustaining, to pay off the accumulated debt and develop a five-year plan for city golf's future.

"I want to be as fiscally prudent as possible," Romero said. "As I see it, nothing is off the table."

The troubles with city golf appear to have started around 2002. That year nearly 300,000 rounds of golf were played on the five city courses. In 2011, the number of rounds dropped to 193,000.

A decline in revenues followed. In fiscal 2007, city golf brought in more than $9.7 million in revenue. By fiscal 2011, that had fallen to slightly more than $7 million.

Despite the falling revenue, Tucson City Parks and Recreation Director Fred Gray said the division has been able to cut costs to alleviate the losses. The department has reduced its budget from roughly $11 million in fiscal 2008 to about $6.5 million this year.

"We've been aggressive in controlling costs, we can't control how many people play," Gray said.

A subcommittee of the city's greens committee was assembled earlier this year to study the options. The group has been meeting twice monthly through the summer to parse the issue and come up with a recommendation for the city council.

Subcommittee chairman Jeff Farkas said one issue has been discussed at length — marketing as a way to attract more golfers.

“That is one of my central focuses,” Farkas said.

He said city golf has an annual budget of less than $30,000 for marketing the city’s five courses.

That’s a sparse budget for marketing, according to Ben Blake, executive vice president of business development at KemperSports, an Illinois-based golf management company that manages 35 municipal golf courses across the country.

Blake said it’s not unusual for KemperSports to spend more than $50,000 a year on marketing for just one course.

But it’s not just traditional advertising, Blake said. Courses are now using social media as a way to attract players.

Marketing alone, however, isn’t likely to fix the ongoing financial issues Tucson City Golf faces.

“Even if we add another 75,000 rounds of golf, it still doesn’t solve the structural problems,” Romero said.

Other options for the subcommittee include changing the operating structure of city golf.

Other communities across the country have privatized golf operations. This has generally two forms — a standard service-provider agreement whereby a municipality pays a management company to run golf operations or a long-term lease agreement, which a management company assumes all the costs and associated financial risks and receives greater autonomy to set fees and other policies.

Blake said the first alternative is what’s used most often but he said a lease agreement holds benefits for a municipality that a service provider agreement doesn’t. For instance, leases will generally require the service provider to invest a specified amount in capital improvements.

“In that case, the management company assumes all the risk,” Blake said.

In either agreement, though, Blake said a management company like KemperSports brings to the table the expertise of running multiple courses across the country.

Other cities have gone to a nonprofit model for course management. Often called the Baltimore model after the city where it originated, the municipal golf operations are run by a semi-autonomous nonprofit group.

Although at this point no option has been ruled out for Tucson City Golf, neither of the alternative management structures would guarantee solvency.

“I wouldn’t say privatization is the instant answer,” said City Councilman Paul Cunningham.

The nonprofit model has struggled in many places it has been adopted due to the waning popularity of golf.

It’s also the case that golf nonprofits haven’t been freed of political machinations, as evidenced by frequent squabbles over funding and controling Baltimore Municipal Golf.

Private courses haven't been spared from the loss of interest in golf as numerous courses have closed or fallen into insolvency.

In the Tucson region, financial issues plagued the Vistoso Golf Club for years. Forty-Niner Country Club also suffered and at one points was cut off from water service for not paying its bills until it was sold this summer for about $500,000, a fraction of the more than $3 million sales price the former owners paid a decade ago.

Gray noted that two other private courses in Southern Arizona have recently closed, Santa Rita Golf Course in Corona de Tucson and San Ignacio in Green Valley. San Ignacio's website says the course is scheduled to reopen in the fall following maintenance work.

Aside from golf, it's also possible the city might discuss alternative uses for underperforming courses. Both El Rio, 1400 W. Speedway, and Fred Enke, 8251 E. Irvington Road, are performing below expectations which has led to some talk of converting them to parks.

"Based on water usage, parks are cheaper to run and benefit more people," Romero said, adding that wants to ensure golf does not drain city resources away from other programs.

"It's not an attack on golf, I don't want to dismantle golf," she said.

The subcommittee's findings likely will be a study session item at a city council meeting in October or November.

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