We Trust

By Mark Leslie

Some question whether municipalities should be operating golf facilities, while others argue that municipal golf is a necessary component for the game.

Government-run golf courses may be about as popular as death and taxes among the private operators who are forced to compete with them, but they are just as inevitable. And, in these tough times, they may even outperform comparable facilities.

The question is, so what's fair on the fairways?

Some industry insiders, especially owners of public courses, question whether municipalities should be operating golf facilities while struggling with shrinking budgets and escalating costs. Others, though, argue that municipal golf is every bit as viable as its public and private counterparts and is a necessary component for the growth of the game.

Municipal golf has been around for a long time, says National Golf Foundation (NGF) President and CEO Joe Beditz, and it plays an important role in the overall mix of supply in the United States. Municipal courses fill a need for millions of less-affluent golfers who enjoy not only the game, but its affordability through a government-owned venue. Eliminate that price point afforded at these facilities and those players will cease to play, Beditz says.

"If you removed that price point and took all of the munis out of business, do you think the public courses would lower their fees? No," he says. "And that would reduce the demand for golf. Therefore, overall rounds played and consumption in golf would decline."

Despite the recent economic downturn and subsequent slow recovery, Mark Woodward, CGCS, CEO of the Golf Course Superintendents Association of America (GCSAA) believes it is a prime time for municipal courses to stay in the business. And Woodward is no stranger to municipal operations. He worked for the city of Mesa, Ariz., for 31 years and at the famed Torrey Pines in San Diego for three years.

"Municipal golf provides an avenue for people to begin the game, whether they are juniors, ladies or just beginning golfers," Woodward says. "We want more golfers to get into the game, so I would hope municipalities hang in there and try to operate their golf courses as much like a business as they can and yet provide affordable, accessible golf for the vast majority of people who want to begin the game."

Ted Horton, CGCS, of Ted Horton Consulting of Canyon Lake, Calif., says municipal courses are probably the only large open spaces within communities that pay for themselves.

"I don't know of any park lands, any football fields, any baseball diamonds that can pay their way," says the former vice president of resource management at Pebble Beach for nine years and the interim general manager at Torrey Pines for the year leading up to the U.S. Open there in 2005. "Golf can."

Horton adds: "The competitive advantage of a municipal course is that they probably don't have to pay the same real-estate taxes and the same taxes on their income that a private daily-fee golf course pays. But, clearly, there is a need for it in the golf hierarchy."

While the argument that municipal operations have an unfair competitive advantage resonates with a contingent of people in the golf industry, Woodward doesn't see it as a


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> **"Municipalities running at deficits are looking for ways to close that budget gap. And that includes the privatization of a lot of different kinds of operations, including golf."**
>
> — Mike Hughes, executive director, National Golf Course Owners Association

major issue, adding there's room for everyone, municipal and private sectors alike.

Horton agrees, adding the only competitive advantage he sees is that government-run courses don't have to pay the same real estate and income taxes as their public and private daily-fee brethren do. "Clearly, there is a need for (municipal facilities) in the golf hierarchy," he says. "Somebody has to support the relatively inexpensive the golf course that is maintained to a lower standard so that people can learn the game and develop a love for the game and grow to the level of course at which he or she is most comfortable."

THE ECONOMICS OF IT ALL

"I'm not making any money, but I'm not costing the taxpayers anything, either," says Dennis Lyon, CGCS, who operates the seven-course golf division for the city of Aurora, Colo. "As long as we don't cost the taxpayers anything, there's not a big issue. Once a public course starts costing general-fund money, and they're subsidizing golf courses and not hiring policemen or buying fire engines, then that's a big problem."

In the face of the country's economic malaise, municipal courses are subject to most of the same challenges as privately owned facilities. And, as Richard Singer of NGF Consulting in Jupiter, Fla., puts it, "All golf – as in all politics – is local."

According to NGF figures for 2007-2009, across America 141.5 18-hole-equivalent daily-fee courses were built, compared to 15 municipal tracks and 79 private clubs.

During the same period, 305 public, 22 municipal and another 40 private facilities closed. Total for the three-year period: 234.5 openings and 367 closures.

The net loss of municipal facilities: seven.

So whether the debate focuses on buying, selling or outsourcing management, it's all going on with municipal courses, Singer says.

"Every instance is unique in how it has been set up, what kind of market they're serving, what kind of fees they're charging, what amenities they have, what expense situation is in place," he says.

On the positive end for municipal operations, surveys show a lot of drop-down effect on the demand side. "People who used to play golf at higher-fee courses are dropping down to lower-fee facilities, and that often is municipal golf," Singer says. "So, in some cases, they're doing a little better on the revenue side."

Also, Beditz points out that the 1960s golf-construction boom was in public golf – much of it government-owned. The reason municipal golf is so affordable is all the courses built in the 1960s no longer have debt to pay off. In contrast, he says the new courses built with the high-end client in mind and to cash in on the mythical boom are now facing the same difficulties as their daily-fee counterparts.

Meanwhile, more communities are farming out management of their municipal courses.

The trend, says Mike Hughes, executive director of the National Golf Course Owners Association (NGCOA), is for cash-strapped municipalities to leasing out to private operators. This trend has accelerated since the economic downturn. "Municipalities running at deficits are looking for ways to close that budget gap," he says. "And that includes the privatization of a lot of different kinds of operations, including golf.

"Nobody's done a quantitative analysis," he adds. "But intuitively people know private operators are generally more efficient and can at least staunch the losses they are experiencing."

The industry is seeing a move toward some type of outsourcing, privatization-type arrangements, agrees NGF Consulting's Singer. "Obviously the cost structure and future liabilities with regard to health care and union arrangements and all these things on the expense side definitely impact municipal golf," he says. "A lot are opting toward full-service agreements, bringing in a management company to run the entire operation, either for a fee from the municipality to the company or the other way around, with a lease where the company pays the municipality for the right to operate the course. You also see shorter-term, specific agreements that involve F&B, pro shop, that type of thing."

The pendulum swings back and forth, Singer says. "Twenty years ago that was the craze," he says. "Then in the 1990s and this last decade it seemed to swing back the other way, with municipalities self-operating. Now they're swinging back in the opposite direction."

There are positive and negative aspects in hiring management companies to run a golf facility, Woodward says. For instance, facilities that are run by a management company have a "different spin," he says.

"The city loses some control," he says. "But, all in all, they can structure the agreement so that the city maintains control of the fee structure to provide the affordable golf it wants for its residents.

"Plus, a management company can come in with resources to fix up the course and make it competitive from a conditioning standpoint," he adds. "A lot of municipalities shop out the

PRO/CON

Government-owned golf provides the playing fields for the masses

By Dennis Lyon

The argument against government-owned golf courses is usually based on an opinion that golf is an "inappropriate activity" for government or that government courses compete "unfairly" against private sector daily-fee operators.

According to recent information from the NGF, there are 15,945 golf courses in the U.S. Of these courses, 11,643 (73 percent) are open to the public. There are currently 2,458 government-owned courses in the U.S. This number represents 15 percent of all courses and 21 percent of all public courses. The first 18-hole municipal golf course in the United States opened in 1895 in Van Cortland Park, in New York City. Van Courtland Golf Course remains in operation today.


Lyon

Based on the long history and number of government-owned courses, this category of golf is woven into the fabric of golf in this country and is an important segment of the game. Government-owned golf provides the "playing fields for the masses." It is also the "point of entry" for a great many players. I submit that keeping golf accessible – to as many people as possible – is a very good thing?

Government is motivated to go into the golf business for many reasons. The most common reasons are to serve its citizens and provide a healthy recreational activity.

Additional reasons may include promoting a community's image, partnering with developers to increase property values, efficiently utilizing and preserving open space, generating revenue to support other community programs and promoting tourism. The bottom line is: Government's primary mission is to improve the quality of life of its citizens. I cannot think of a more appropriate vehicle for government in supporting this mission than accessible, affordable, quality golf.

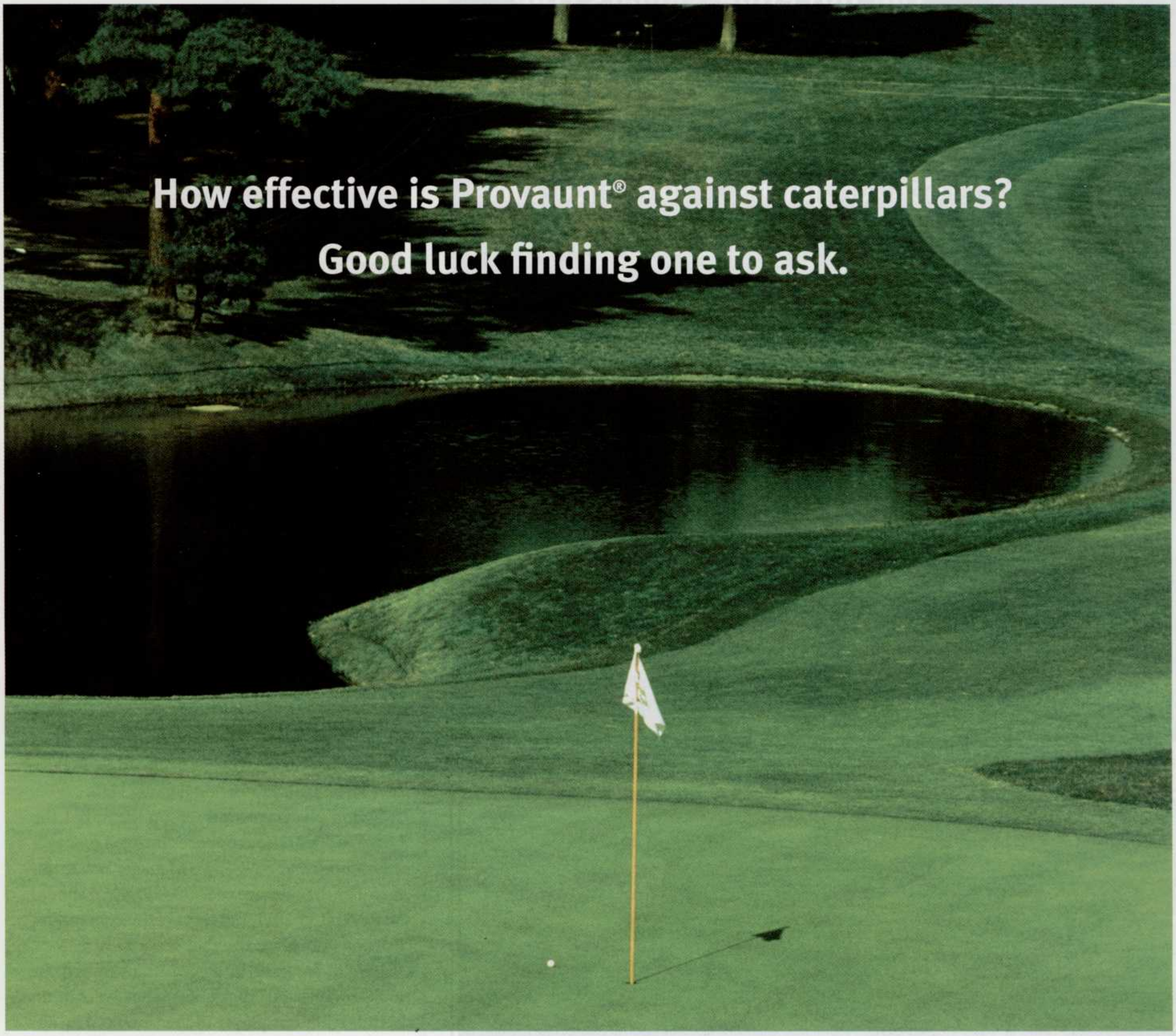
The other argument against government golf is "unfair competition" with the private sector. In my opinion, unfair competition occurs only when an entity utilizes predatory business practices to intentionally damage or drive the competition out of business. I submit when it comes to competition between golf courses, regardless of ownership, there are no level playing fields. Some government-owned courses do not pay property taxes; most privately owned courses do. Some government-owned courses have to deal with labor unions; most privately owned public courses do not.

In my case, Aurora Golf does not pay property taxes. However, a daily-fee course in our market pays $10 per acre foot for water. One of my courses pays $960 per acre foot for water. Another daily-fee course in our market is owned by a homeowner's association (HOA). This course was given to the HOA debt free and uses dues to offset operating costs.

My golf operation is a separate enterprise business and receives no financial support from the city. Our operation also has very high debt service payments. I am sure many daily-fee course owners can cite similar situations where government-owned courses have an advantage. I submit these are not examples of "unfair competition." They simply reflect the challenges and business environment all golf managers operate in every day. As stated previously, "There are no level playing fields."

In summary, government-owned golf is deservedly here to stay and every owner or manager operates in his unique business environment. The courses that will survive and prosper, regardless of ownership, are the ones with strong management, superior customer service, great course conditions and the ability to maximize the value of the golf experience.

Dennis Lyon, CGCS, is a former president of GCSAA and has managed the city of Aurora, Colo., golf program for the past 37 years.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> **"I'm not making any money, but I'm not costing the taxpayers anything, either."**
>
> — Dennis Lyon, CGCS, who operates the seven-course golf division for Aurora, Colo.

pro shop and food-and-beverage, but maintain control of the maintenance, fee structures and policies. That model can work."

FROM PENNSYLVANIA TO COLORADO

In some cases, like the Township of East Hempfield, Pa., management companies are eschewed even while officials seek advice on golf course operations.

In 1989, East Hempfield bought a previously private facility for the open space and to protect a major underground aquifer. Four Seasons Golf Course hosted 45,000 rounds a year in its heyday, but that figure has declined to 35,000, says Head Golf Professional Craig Hall.

"I don't have a sound reason for it, but the board of supervisors opposes hiring a management company," says Town Manager Bob Krimmel. The debt service of $600,000 a year should be paid off in 2011, but he says the course isn't earning enough to pay that service.

"We're bringing in a consultant to help us look under some rocks, see what we can do better, what our player niche is, who they are and what we can do to encourage more of it," Krimmel says.

Meanwhile, Gypsum, Colo., a town of 6,200 bought Cotton Ranch Golf Course last December, not for the open space or even to provide municipal golf in particular. Gypsum bought the $7.5-million, Pete Dye-designed track for a mere $2.5 million to protect home values. According to Town Manager Jeff Shroll, the bank that owned the property did not intend to reopen the course.

"From our perspective, if that course failed, housing would plummet and our overall tax base with it," he says. "Plus, we could put it in our quiver of recreational opportunities."

The public, Shroll says, has shown overwhelming support. "They're not happy with the feds over their ridiculous bailouts, so we were nervous," he says. "But this has no comparison with what the federal government is doing. Most people are smart enough to know it was a


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good move, protecting the town tax base and their neighbors."

Helping calm any storm is the $49 fees, which includes a golf cart. "All other places around here are $30 to $150 higher than us," Shroll says. "We think our model will attract a lot of people."

Municipal courses may be doing better, but Singer says you have to look at it from the revenue and the expense sides. "On the revenue side, yes, some of them are doing better, although not all," he says. "On the expense side, particularly with the self-operating munis, it is much more difficult for them to cut costs than the private sector. So the net may not be any better for the public sector."

So how are municipal courses' finances comparing to their daily-fee compatriots? "I've heard of golf courses that have gone under and been turned into condos," says Wooward, "but not any municipal structure." **GCI**

Mark Leslie is a freelance writer based in Monmouth, Maine.

PRO/CON

A cautionary tale

By Charlie Birney

As those who know me can surely attest, I've always felt passionately about this topic and about why I believe municipalities should stay out of the golf course business.

From my experience, those who oppose the growth of government-supported golf, or worse, voice their opinions on this subject, are dismissed by many both inside and outside of our industry as not supporting the growth of the game.

This couldn't be further from the truth.

Birney

Now, I could easily launch into an extended treatise on the perils associated with supporting government golf. But I fear that for many of you reading this it's a tired argument that may do more to encourage you to turn the page than to consider the ramifications I, and many other pretty smart people in this great profession, believe government-supported golf will have on the long-term sustainability of our industry.

At its base level the argument against is a very simple one: Don't support the growth of government in the golf business because ultimately everyone loses. Why? Well, I believe the support of this argument needs to have more legs to it than the same old "small business owner opposes government competition in the private sector" story. It hasn't worked and only turns people off to the big-picture issues.

Ultimately, this is the classic "Death of a Thousand Cuts" and it's a battle that will only be won if we are all understand that our businesses are truly at stake. We need to look our elected officials in the eye, especially those in county government, and tell them this is a failing business model.

Yes, it's easier said than done. So humor me for a moment and consider this cautionary tale.

Our company, along with 16 other state groups and associations, opposed the growth of government golf in Maryland by the Maryland Economic Development Corp. (MEDCO), a quasi-governmental institution which exists to promote economic growth. At the time they had four major golf projects underway – resorts, a conference center and, of course, a 36-hole course which supported someone else's housing development.

It just didn't seem to make sense.

The case was simple: MEDCO was supposed to do stuff in the state's economically depressed areas. More importantly, these were to be development projects that the private sector did not want to do themselves. Well, MEDCO was not operating in an economically depressed area of the state for this golf project. And the private sector had tried to build the project, but MEDCO beat them on financing. I actually had testimony from two individuals who couldn't get zero-interest bond financing like MEDCO.

MEDCO forged ahead and we accused them of acting outside the limits of their founding charter. So in response to our claim they passed legislation to take away any limits whatsoever. Now MEDCO can open a shoe store in downtown Baltimore if they so choose.

We appealed everything we could, but the golf course got built and every day it eats away at our corporate-outing business. In a nutshell, here is the moral to my little story: The golf course was managed poorly and the county had to buy back a $17-million bond package.

I wish I could say there was a happy ending in this story, but you won't find one because this isn't a fairy tale. It's reality, and in my opinion, it's typical of what happens when government intervenes in the golf industry, and why municipalities have no place running local golf courses.

To borrow from the Kingston Trio and Charlie on the MTA – "Citizens – This could happen to you!"

Charlie Birney is the former president of the National Golf Course Owners Association and managing director of The Brick Companies.

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WHY IS PAR USUALLY 72?

I am back with another one of those interesting discussions I had on the floor of the Golf Industry Show in San Diego. I was asked, "Why is par 72 standard?" My answer? "No one really knows."

But I know that most developers demand par-72 courses, and most golfers think something other than par 72, with four par 3s and par 5s, and distance balanced between nines, is somehow inferior.

As a golf course architect, I would expect most sites to yield better courses with other pars, or unbalanced nines. I tend to judge courses after I play them, but average (and perhaps cash strapped) golfers actively judge a course as worth their cash before their round, and 7,000 yards (even if the back tees are just a rumor to 97 percent of golfers) and par 72 are still all too important "factoids" to them.

Pre-1900 courses were likely to sport pars from 69 to 73. I've never known exactly why "consensus" declared par 72 best, although it's not hard to speculate.

Succumbing to pressure, most golf course architects design to par 72 to avoid inevitable criticism. Industry consultant John Wait of Sirius Golf Advisors believes that in this day of Internet marketing, when potential customers get their first impression of your course from the yardage and photos on your website, par and yardage figures that meet golfers' expectations is even more of a marketing must, so there may be some powerful trends in place to keep par 72 the unofficial standard.

It wasn't always so standard. Pre-1900 courses were likely to sport pars from 69 to 73. I've never known exactly why "consensus" declared par 72 best, although it's not hard to speculate. As the business of golf matured, pros liked balanced nines to allow nine-hole rounds, tournaments and starts off 1 and 10 tees to give golfers similar experiences.

The par 4 is probably the best expression of golf strategy and should be the predominant hole type. The tee shot determines the chance of success on the approach shot, depending on whether it is in rough, hazard or fairway, and even if it's on the "better" side of the fairway. The approach shot determines if your score will be birdie, par, or bogey. If early golf courses were built on featureless ground, or with better earthmoving technology, golf courses might have featured all par-4 holes. But, whether to fit the land, or create variety, par-3 and par-5 holes were built and became accepted as part of the mix.

But, as golf evolves, there may be strong reasons to change the traditional mix and reduce par. First, most par-5 holes have second shots that are inherently less interesting, without the option to reach the green in two shots. How many times should we offer a great chance to beat par? Once per nine seems enough.

The USGA and many older courses have actually been solidifying this concept for years, with many fine older courses currently playing to par 70 or 71 as a result of converting their shorter par-5 holes to par-4s. With golf shots getting longer, we can easily restore or protect the value of par with a little "scorecard magic" by dropping two strokes with the magic of the pen. The par-5 holes that remain should be shorter, rather than longer so that most are reachable in two.

Other new conditions suggest reducing par, too. As construction costs rise, and regulatory limits on turf acreage and water usage increase, the pressure to build on less land rises, too. The simplest way to reduce acres and budgets is to eliminate a few par-5 holes, and maybe add in another par-3 hole as well for par of 70 or 69.

I have a hunch that when new course construction picks up again, many golf course architects will be proposing par-70 courses for just these reasons. Someone should start the drumbeat for reduced par as golf moves forward. Whoops, someone just did. **GCI**