COUNCIL BUDGET STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY
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TO: City Council Members

FROM: Jennifer Bruno, Allison Rowland

DATE: May 12, 2017 at 3:30 PM

RE: **Fiscal Year 2017-18 Golf Fund**

Project Timeline:
Briefing: May 16, 2016
Budget Hearings: May 16, May 23, June 6
Potential Action: June 13 OR 20

ISSUE AT-A-GLANCE

A. FY18 proposed budget overview

The Golf Enterprise Fund continues to experience difficulties in covering operating expenses at the City's six golf courses. In addition, CIP funds generated through the one-dollar-per-round fee will be used to help pay debt service (ESCO) for secondary water installation and irrigation upgrades, meaning that existing capital backlogs will continue to mount. **In the FY18 Mayor's Recommended Budget (MRB), the Golf Fund's FY18 net income is projected to be in deficit, at -$338,895** (see Figure 1, below).

The MRB proposes a number of measures to reduce expenses, most prominently, shifting Rose Park Golf Course (RPGC) from the Golf Enterprise Fund to the general fund, to be operated as "a community anchor that generates revenues to offset a portion of ongoing operating and maintenance costs." Moving RPGC to the general fund effectively would remove a net liability (projected at -$324,000 for FY18) from the Golf Fund, but this amount ultimately would have to be made up elsewhere in the Public Services Department budget. If the Council chooses not to follow the Mayor's recommended shift of RPCG to the general fund, the Golf Fund deficit is projected to reach -$662,895 in FY18.

Figure 1. Mayor's Recommended Golf Budget FY18

	Golf Fund Proposed FY18	RPGC Proposed FY18	Total including RPGC
Total Revenue	6,522,307	737,050	7,259,357
Total Expenses	-6,861,202	-1,061,050	-7,922,252
Net Income	**-338,895**	**-324,000**	**-662,895**

Source: Mayor's Recommended Budget, pages E-75 and B-19.

CITY COUNCIL OF SALT LAKE CITY
451 SOUTH STATE STREET, ROOM 304
P.O. BOX 145476, SALT LAKE CITY, UTAH 84114-5476
COUNCIL.SLCGOV.COM
TEL 801-535-7600 FAX 801-535-7651

In addition to projecting an overall deficit for FY18, the MRB leaves unresolved the operating deficit incurred in FY17, which was projected to reach -$863,248.[1] The Administration has not officially indicated how it plans to address this issue. The two-year total negative income for FY17 and FY18 would amount to -$1,202,143 if RPGC is transferred out of the Golf Fund, and -$1,526,143 if it remains in the Golf Fund. *Staff note: The Administration has changed the way it presents Golf revenue and expense data, so direct comparisons of FY18's proposals to previous years' operations and CIP budgets are not possible.*

In terms of staffing, the Administration proposes to eliminate the position of Golf Director, resulting in ongoing savings of $140,640 per year beginning in FY18. If Rose Park Golf Course is shifted to the general fund, an additional five FTEs would be removed from the Golf Division, and the costs of the salary and benefits for these employees ($541,265 in FY18) would from then on be covered by the general fund.

The overall deficit in this enterprise fund, as reflected in the Mayor's Recommended Budget (MRB), may present conflicts with relevant State law. Staff requested a legal opinion from the City Attorney's Office to help provide guidance on this issue. At the same time, the projected Golf Fund deficit is likely more realistic than past budget proposals, in which revenues have consistently fallen short of projections. A plan for moving to a positive revenue scenario in the future by resolving the issue of short- and long-run Golf Fund deficits is not presented in the MRB, or in other information provided by the Administration to the Council. Depending on Council guidance, staff can work with the Attorney's Office and/or the Administration to come up with options for the Council to consider.

B. Council Policy Principles

A number of Golf Fund policy issues come up with regularity over the years, and significant time is spent discussing these with constituents and with Administrative staff. **Updating or confirming the Council's *Guiding Policy Principles for Changes to the Golf Enterprise Fund* (Attachment C1), which were adopted in 2015, may be helpful in this respect.** This exercise also could aid elected officials from both branches come to a shared view—or at least, identify the specific areas of differing views—so that staff in both branches can more efficiently provide them needed information and engage in less debate over the relevance of particular items.

Recurring differences identified by Council staff include:

1. *Whether the Golf Fund should pay full price for culinary water*. This discussion is affected by State law that limits subsidies to municipal enterprise funds (in the past, the Council has interpreted the law to forbid reduced rates), and by the financial reality that given fixed overall costs for water provision, if some water customers (including those inside the City) receive lower rates, others will be forced to make up the difference.
2. *Whether the Golf Fund should have to pay Administrative costs to the City*. This is related to a larger question, unlikely to be settled in the short run, of whether the City should retain the cost allocation system for enterprise funds and among City departments and divisions.
3. *Whether a request for proposals (RFPs) for any type of Golf Division partnership with the private sector would provide useful information*. The RFP process is slower than gathering information from relevant actors through informal, non-public meetings. However, the City continues to move increasingly toward relying on data for decision making. A balance may need to be struck between the value of gathering oral information quickly, and the credibility of information presented to the Council once it has been submitted to the City in written form through an RFP process.
4. *Whether Golf should be treated like other City recreation in the sense that the cost for provision need not be covered by revenues generated by users*. The traditional rationale for charging recreation fees for some amenities is related to the need for "exclusive" use of recreation facilities, like baseball diamonds

[1] This figure was provided by Public Services Deputy Director Dan Dent in an email to staff on May 9, 2017.

and soccer fields during league play, or park pavilions for parties. Golf has been considered more similar to these exclusive uses than to "non-exclusive" uses like walking on a trail or playing catch on a grassy area, but there may be reasons to re-examine this view.

The Council also may wish to discuss their adopted *Guiding Policy Principles for Changes to the Golf Enterprise Fund* in light of the FY18 MRB, reaffirming or reconsidering these with reference to the current situation. The City has a longstanding general policy of not subsidizing enterprise funds with general tax dollars, and the Council's *Policy Principles* discourage general fund subsidies to the Golf Fund specifically, although in recent years there have been limited exceptions made to this rule.[2] As part of these guiding policy statements, the Council also agreed that City-owned open space should be protected.

While transferring RPGC out of the Golf Fund would reduce the size of the Golf Fund deficit, from a financial perspective it is essentially equivalent to providing a permanent general fund subsidy to Golf, since other general fund items would have to be reduced to cover any future RPGC deficits. On the other hand, it is true that RPGC generates some revenue to help pay for its maintenance as public open space, which is not the case with most other parks and open space areas. ***The question regarding RPGC is whether, as a matter of policy, the Council is prepared to commit to a long-term subsidy for a golf course, and if so, what parameters the Council may want to place on such a subsidy to avoid setting a precedent for other enterprise funds. A related question is whether there are any palatable alternatives to subsidies—whether or not RPGC remains in the Golf Fund.***

Background
As an enterprise fund, the Golf Fund is charged with managing and maintaining the courses within the revenues that it can generate through its operations. The Council has been concerned about the financial sustainability of the Golf Fund since at least 2007 (Attachment C5). Even as early as 2004, deficits began to appear in the Golf Fund, though these problems typically were described as temporary anomalies, rather than longer-term structural issues, and were covered with the Golf Fund's fund balance, which is now $0

In 2014, with then-Mayor Ralph Becker's threat of course closures, the Council adopted a series of policy statements to define their shared view of how the system should serve golfers, as well as the limits of what could be done to change the system (Attachment C1). Later that year, the Council embarked on a process of information gathering and pursued an extensive process to gather ideas from the public. The Council also hired a municipal finance consultant to identify options that could help the Golf Fund maintain financial solvency over the long term. In late 2014 and early 2015, a Council-appointed citizen task force reviewed all the information assembled, including the consultant's report and all of the public's ideas for Council consideration, and provided their recommendations to the Council. The process culminated in the Council's own recommendations to the Administration in February, 2015 (Attachment C2).

KEY BUDGET ISSUES & POLICY QUESTIONS

A. **Long-term financial solvency of the Golf Fund.** The proposed FY18 budget does not move the Golf Fund to a financially sustainable position this year. There are three key areas to consider with regard to long-term financial solvency of the Golf Fund: Coming-Year (FY18) Budget Issues, Past Operations Deficit, and Capital Improvement and Deferred Maintenance.
    1. **Coming-Year (FY18) Budget Issues**. The proposed budget includes a number of transfers and savings initiatives that help reduce the projected FY18 deficit, though as noted earlier, they do not eliminate it entirely.

[2] Council staff will provide a list of such subsidies, for example, the Living Wage Transfer, on May 16.

a. **Transfer of Rose Park Golf Course from Golf Fund.** While transferring RPGC out of the Golf Fund would reduce the size of the Golf Fund deficit, from a financial perspective it is essentially equivalent to providing a permanent general fund subsidy to Golf. Other potential general fund items, likely in the Public Services Department, would have to be reduced to cover any RPCG deficits in the future. On the other hand, it is true that RPGC generates some revenue to help pay for its maintenance as public open space, which is not the case with most other parks and open spaces.
   - ***The Council may wish to consider whether, as a matter of policy, it is prepared to commit to an ongoing subsidy for a "community" golf course.***
   - ***Are there are any palatable alternatives to a subsidy—whether or not RPGC remains in the Golf Fund?***
   - ***Are there parameters that the Council might want to place on such a subsidy, for example, to avoid setting a precedent for other enterprise funds?***

b. **Living Wage Transfer.** The MRB proposes an increase of $106,000 to the general fund subsidy used to raise all Golf employees to a living wage. This is an increase from the $75,000 received by Golf during the last two years. *Note: The transfer does not account for potential salary compression issues against other Golf positions. Compression occurs when one group of employees is given a salary increase that moves them so close to the pay of a supervisor or other higher ranking position that the salary rate for the other position(s) needs to be adjusted. Council staff is not specifically aware of whether this will be an issue in this case.*

c. **Secondary water and other infrastructure projects.** The installation of secondary water projects at Rose Park and Glendale, along with a more efficient irrigation system at Bonneville, have not yet resulted in overall financial benefit for the Golf Fund because of the size of the annual debt payments required. In addition, the conversion has been less than ideal with golf courses experiencing significant problems with the new systems. See #3 below for additional information.

d. **Revenue increases.** The proposed budget does not include initiatives to raise revenue.

2. **Past Operations Deficits.** In an enterprise fund, operations deficits accumulate over time, just as profits would.
   a. The MRB leaves unresolved the operations deficit from FY17, which was projected (as of May 9) to reach -$863,248. The Administration has not officially indicated how it plans to address this issue.
   b. The FY16 operating budget ended the year in slightly positive territory, at $60,677.
   c. FY14 and FY15 operating deficits were settled by selling non-essential golf course property to the general fund and the Public Utilities Fund for $1.37 million.

3. **Capital Improvements and Deferred Maintenance.** Capital needs will continue to mount in the proposed FY18 budget because Golf CIP funding—projected to total $296,500 from the $1-per-round fee—will be dedicated to helping pay the debt service (ESCO) for secondary water infrastructure installation at Glendale and Rose Park, and the new irrigation system at Bonneville.
   a. The FY18 debt service (ESCO) payment of $415,613 will exceed total CIP revenues.
   b. Debt service payments on this ESCO will rise in each of the following years over the 17-year term of the agreement. This ongoing, escalating expense will ultimately reach $677,000 annually for 2032.
      - ***The Council may wish to ask the Administration whether they have a strategy for addressing the debt service in coming years.***
   c. Because the Golf CIP balance is used to pay the ESCO, the fund will not be able to pay for other significant projects.

d. The latest list of Golf capital improvement projects dates from January 2015, and included up to $19.5 million in spending (Attachment C3).

- ***The Council may wish to ask the Administration for an updated deferred capital projects list that reflects the recommendations of the 2017 Golf Fund consultant.***
- ***The Council may wish to ask about the long-term plans for Golf capital improvements, since CIP funds may need to be used to cover debt payments.***
- ***The Council may wish to ask how the projected $1 million FY17 operating revenue shortfall will be addressed***
- ***The Council may wish to ask how the Golf Division plans to make courses competitive with others in the region, given that essentially no funding will be available for capital improvements in the next 17 years.***

B. Other budget items of note

1. **Rose Park Golf Course.** The proposal to shift RPGC from the Golf Enterprise Fund to the general fund is in a preliminary stage of development (see Attachment C4). The MRB notes that the proposal would "need a conceptual and operational plan overhaul." The Administration further observes that this change would be "highly dependent on the future mission and purpose of the property which will be driven by community needs, operational costs, capital funding sources and potential revenues."

Pending further elaboration by the Administration, it is clear that the process of transferring Rose Park to the General Fund would present some challenges in both in analytical and practical terms. Examples of issues to be resolved would include the methods for dividing (or sharing) the oversight and responsibility for decisions related to employees, course and equipment maintenance, on-going daily tasks, infrastructure and equipment investment, and meeting of annual performance goals between Golf Division leadership and Parks and Public Lands (or another area of the Public Services Department).

The MRB does not include funding to provide any amenities that would move the course from exclusively a golf course use to a property that is available to other users. It does not appear that additional staff resources are recommended to develop the multi-use concept. The Public Services Department has had difficulty in managing program shifts of this nature within their existing staff and financial resources. The refinement and expansion of the dog off-leash program is an example of a program that Public Services does not currently have the internal capacity to address. Developing new approaches for the RPGC may be difficult for the Department to absorb without receiving additional funding. In addition, the maintenance funding for City facilities within Public Services has for some time been identified as inadequate to meet the needs already within the Department's General Fund scope.

In response to Council staff questions, the Administration laid out some potential options for RPGC:

"There are multiple options for how Rose Park may be operated in this proposed future environment:

1. Rose Park needs and projects would be part of the General Fund and follow established planning and approval processes for General Fund operating and CIP budgeting. Rose Park needs and projects would not compete for Golf Enterprise funding or resources but with other General Fund initiatives. This could be done within the Golf or Parks Divisions
2. Rose Park would remain in the Golf Enterprise Fund and the General Fund would contribute the needed operating funds for Rose Park as proposed. Rose Park capital needs and projects in part or in full may still need to be funded by the General Fund. Any Golf

Enterprise Fund proceeds not directly related to Rose Park would be used for the other five golf courses. If Rose Park has a positive cash flow, those proceeds would be reinvested in Rose Park only. In addition, if any land sale or associated revenue for Rose Park occurred, those proceeds would be reinvested in Rose Park.

3. Rose Park could be moved from the Golf Division to another General Fund Division, such as Parks and Public Lands. In this option, Rose Park would be separate in all forms from the Golf Division."

- ***Should the Council choose to support the effort to transfer RPGC to the general fund, it may wish to ask the Administration for the following:***
    a. The target date for a transition plan presentation to the Council, for beginning implementation of the transition, and for completion of the transition.
    b. Potential new funding sources for the potential future activities at and around Rose Park Golf Course (listed in Attachment C4). This might include a "scoring" of these potential activities in terms of one-time and ongoing funding needs (capital and maintenance), priority, and time needed for establishing.

2. **Wingpointe Golf Course.** The MRB proposes continuing the $61,781 Wingpointe Maintenance Transfer for another year (this is listed in the Non-Departmental budget, page E-87). For FY17, the Council agreed to fund basic maintenance for one year to give the Administration time to review the viability of reopening the course. Because of a water leak that went undetected for some time, water costs ultimately rose by an additional $75,000, after the Public Services Department worked with Public Utilities to reduce the total amount billed for water from $134,621.
    - ***The Council may wish to ask whether the Administration has adjusted the administrative mechanisms to monitor water billings to allow such problems to be identified before costs become excessive and water is wasted.***

In response to the Council's FY17 legislative intents, the Administration reported the findings of its 2016 review of Wingpointe's viability in a January, 2017, briefing [please see attachments]. As a result of its review, the Administration concluded that Wingpointe was not financially viable unless the Federal Aviation Administration (FAA) was willing to reconsider its 2012 decision regarding the lease payments charged by the Salt Lake City Airport Department, as proposed by the City in a written response to the FAA. The Airport, which owns the Wingpointe property, is bound by this FAA correspondence as a condition of receiving Federal funds, and could face additional sanctions if it does not comply. Mayor Jackie Biskupski formally requested that the FAA re-examine its decision in a letter dated November 29, 2016.

The transmittal for the January briefing included the following cost estimates, which informed the Administration's conclusions:

- Annual Wingpointe property lease at fair market value, as required by the FAA: $2,400,000 [*fair market value is calculated by the City*].
- Upfront investment needed to re-open the course (if the land-lease issue were overcome): $872,000 initially, with an additional $100,000 needed over the following two years.

Without an indication from the FAA that the land-lease issue is open to discussion, the Administration stated that it did not plan to request additional maintenance funding for Wingpointe. According to the Administration at that time, unless an effort to re-open the course began in early 2017 (full operations would begin in August), significant rebuilding expenses would be required to restore greens, infrastructure, turf and irrigation systems.

The Administration has not provided the Council an updated written summary of its efforts to re-open Wingpointe, but has indicated that these efforts are underway. In response to a Council staff question on May 8, 2017, the reply was:

> "A straw proposal has been provided to the FAA. The FAA's response included some continued concerns regarding providing a long-term non-aeronautical use of the land. To this end, continue discussions with the FAA are planned through Utah's Congressional Delegation.
>
> "The Administration is currently working with Congressman Stewart's office to change the FAA's interpretation or actual rules and regulations pertaining to the Wingpointe land. Time is of the essence for this endeavor and the Administration is working as quickly as possible with the Federal Government on this issue. The timeline is between 30 and 180 days.
>
> The Council may ask for a meeting to discuss the recent and current activities related to re-opening Wingpointe and the Administration would be happy to meet and discuss."

- ***Given this new information, the Council may wish to ask for updated estimates of the cost of returning the greens to a playable level.***

- ***The Council also may wish to request an update on the status of Wingpointe plans and the Administration's current timeline for making a decision.***

3. **Glendale Water ESCO Permit Delay.** The secondary water installation at Glendale was not completed in 2016 because of the vendor's permitting difficulties, which meant culinary water continued to be used for the season. In FY17 Budget Amendment #5, the Council approved an additional $170,424 of one-time general fund revenue to pay for this unexpected cost. The Administration then projected that installation would be completed by the beginning of the irrigation season (April or May, 2017), but now expects the delay to last until June. In response to a Council staff question, the Administration indicated:

> "Full estimated secondary water savings is included in the FY18 budget for Glendale. If the secondary water system is not completed at the current projected schedule, which is mid-June, 2017, Glendale water costs will be over budget due to paying for culinary water rates"

- ***The Council may wish to ask whether the vendor will be responsible for reimbursement of any of this additional cost.***

4. **A Golf Fund Revenue Consultant** was funded in FY16 to assist with revenue generation ($80,000). These funds were encumbered in FY16 so that they could be spent in FY17. The Administration retained a consultant, whose report was expected in Spring, 2017.

5. **Golf Director.** The Golf Director position is proposed to be eliminated, saving the division $140,640, on-going.
   - ***The Council may wish to ask whether there are any expected implications of removing this FTE, beyond the budget savings, and whether all of the functions performed by General Fund staff for the Golf Fund will be allocated to the Golf Fund, or will be absorbed by the General Fund.***

6. **Mountain Dell chlorinator**, $70,000. The Golf Division reported: "Currently Mountain Dell Golf Course is paying Public Utilities for spring fed artisanal water. However, this water is not treated by Public Utilities for human consumption. Consequently, the Mountain Golf Course staff has been manually adding chlorination to the drinking water. This chlorinator is being recommended to automate this chlorination process to better protect public health and safety and prevent the potential for human error and reduce City liability."

   In response to a Council staff question, the Public Utilities Department clarified that that the Golf Fund does not pay for Mountain Dell spring water (as opposed to irrigation water from other sources that is also used at that course), and affirmed the overall desirability of the chlorination system: "Mountain Dell Golf Course uses a spring water source for culinary water supply to buildings and fountains. The Golf Course is regulated by the state Division of Drinking Water as a public water supplier. **Public Utilities does not charge the Golf Division for the use of this culinary water.** We do meter it, though because we are required to report the use to the State Engineer for water rights purposes. As an additional benefit, Public Utilities also conducts regular required water quality monitoring, provides expertise for their system, and pays for any laboratory work on the Golf Division's behalf to help them stay in compliance with the Division of Drinking Water regulations. The proposed chlorination system will bring the Golf Division into better compliance with state water supplier regulations, and will also protect the health of their customers by reducing the risk of pathogen/bacteriological contamination in the culinary water at its clubhouse and other culinary water supplied facilities.

- The Public Utilities Department also noted: "Mountain Dell Golf Course diverts water directly from the stream for its irrigation system. They do not pay full culinary rates for the use of the stream for irrigation water. Instead, the long-standing practice has been that Public Utilities charges one-half (50%) of the Tier 2 culinary rate for water from this source [...] Our rate study this year will explore and update secondary water rates given the new and proposed uses of secondary water at Golf and Parks facilities. Any recommendations from this rate study will not affect the FY 18 budget, but will hopefully be incorporated into FY 19 budget."

7. "**IMS Reduction for Rose Park Golf Course**," $80,000. In response to a follow-up questions, Council staff received the following response: "The Golf Division is completing a computer system change for the Point of Sale and Tee Time Reservation system for all courses. This change places these systems 'in the cloud' and eliminates the need for [IMS] servers to support. This is not specific to Rose Park but is a directly related to the General Fund charges to the Golf Division."

   Staff notes that no matter which specialized programs a City unit may use, and whether they are located "in the cloud" or elsewhere, IMS support is typically necessary to assure security, consistency, compatibility across Citywide systems.

   - ***The Council may wish to ask for clarification on this reduction. Does the proposed $80,000 reduction relate only to the use of IMS servers for these two Golf-specific programs? Is IMS continuing to provide any support or service to the Golf Fund, and if so how much is charged to Golf for other IMS functions?***

ADDITIONAL & BACKGROUND INFORMATION

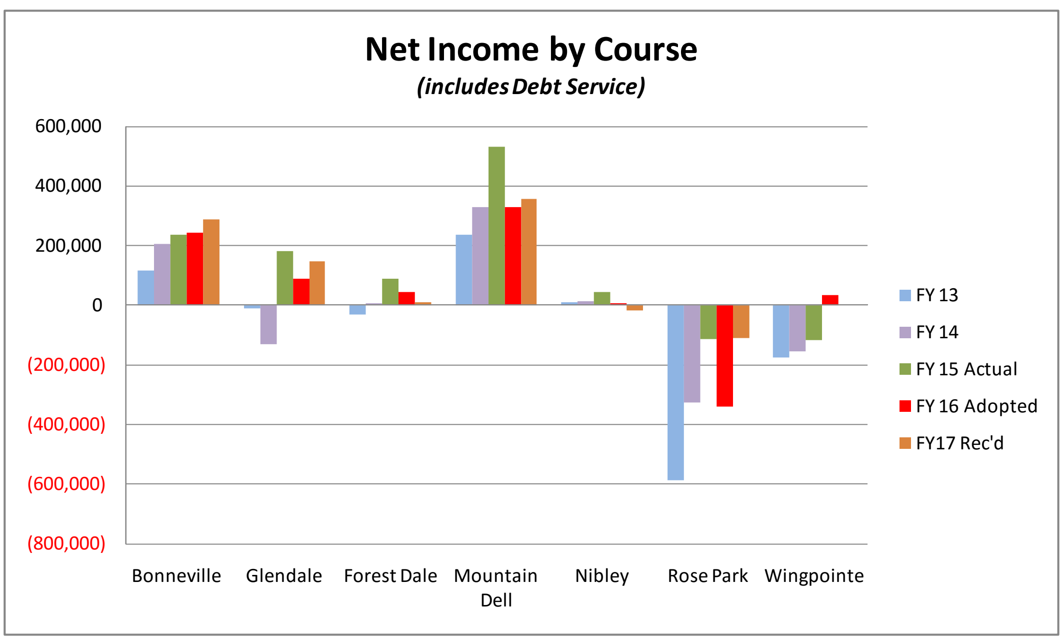
A. ESCO projects update.

Figure 2. Status and payback horizon of current ESCO projects

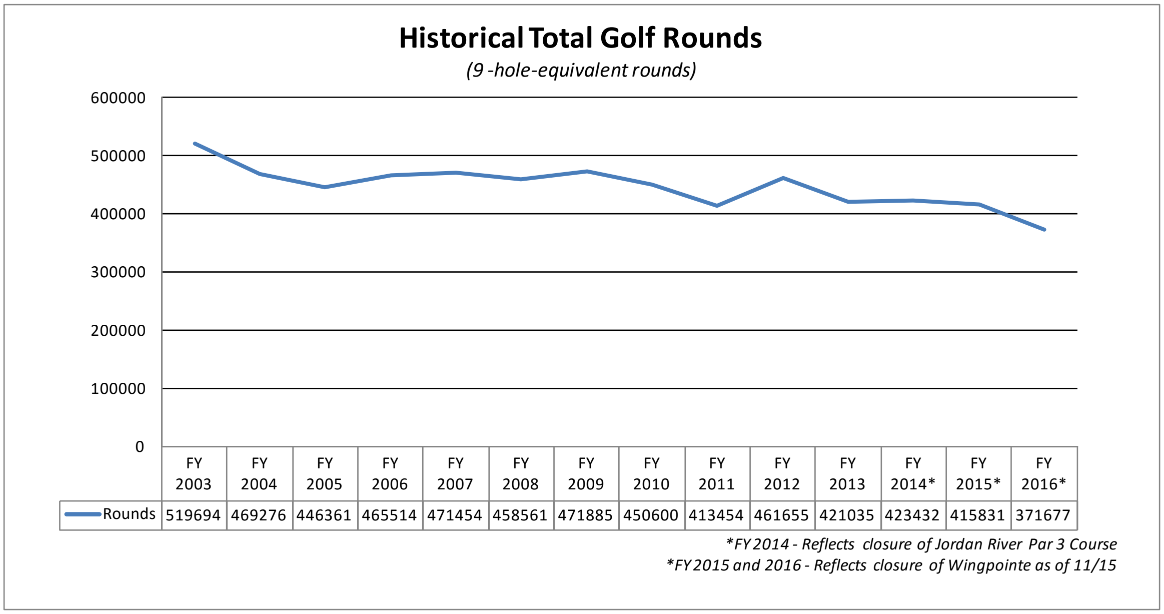
	Status	Present cost	Budgeted (annual) savings	Estimated payback in years (cost/savings)
Bonneville	Irrigation system replacement project is considered 99% complete with final optimization to be completed during the Summer of 2017.	$4,212,398	$91,494	46.00
Glendale	Secondary water project completion is pending canal permit which expected to be received by mid-June, 2017.	$926,942	$170,424	5.44
Rose Park	Secondary water project is 95% complete. Further testing and optimization will take place during summer, 2017.	$1,236,287	$175,251	7.05
Lighting Projects	Complete	$108,694	$12,212	8.90
Total		$6,484,322	$449,381	14.43

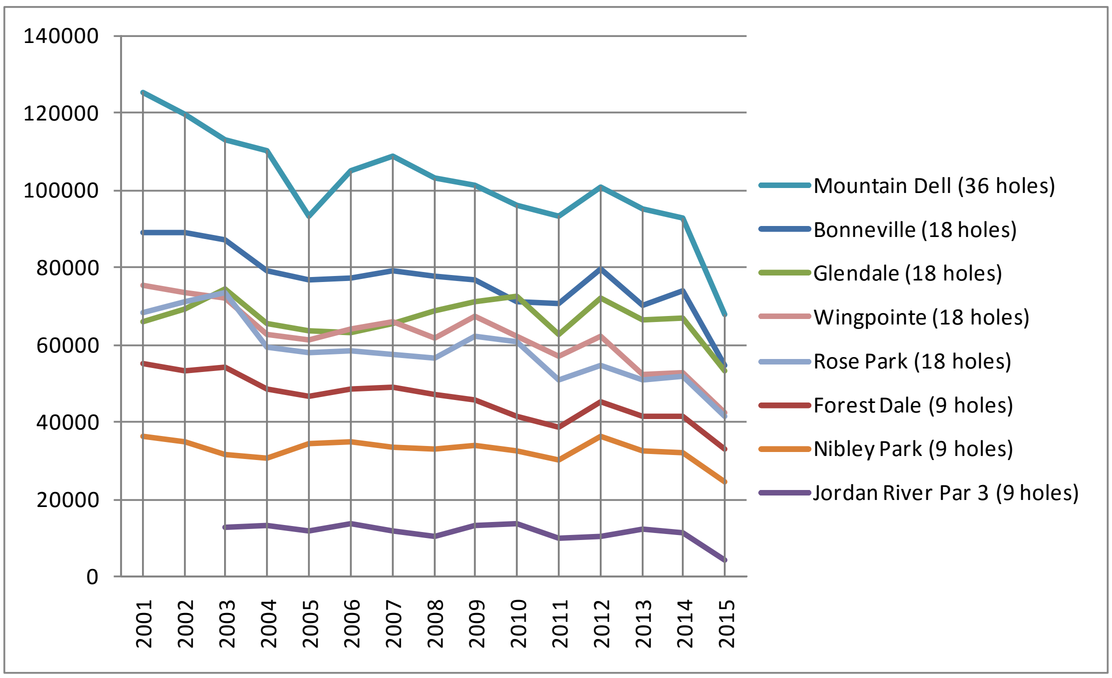
B. **Key Golf Measurements.** The following charts are provided for the Council's reference. Note that they have not been updated, pending availability of comparable data.

Course Profitability



Rounds Played





Profits and Losses by Course

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Prelim	FY15 Budget	10 year total
Mountain Dell	533,349	307,230	358,128	395,898	386,054	484,855	365,357	333,148	340,783	237,009	327,910	466,062	4,535,783
Bonneville	466,478	460,111	414,239	350,119	337,242	269,405	284,402	138,932	295,655	117,809	207,317	183,848	3,525,557
Forest Dale	143,702	159,103	212,425	212,716	186,858	100,316	71,728	29,835	82,562	(29,446)	6,680	13,917	1,190,396
Glendale	(57,675)	(74,718)	(115,427)	(152,255)	(79,033)	123,543	177,396	3,695	108,266	(9,375)	(129,403)	49,435	(155,551)
Nibley	(13,579)	16,386	24,751	(60,760)	(73,236)	(26,130)	(89,766)	(63,843)	79,772	8,851	13,612	16,740	(167,202)
Wingpointe	(61,793)	(86,425)	(23,048)	(118,182)	(129,264)	137,204	29,736	(60,774)	64,689	(176,353)	(154,786)	(110,030)	(689,026)
Jordan River	(84,644)	(87,964)	(90,174)	(80,931)	(87,387)	(76,091)	(61,915)	(80,687)	(70,808)	(83,779)	(71,596)	(81,327)	(957,303)
Rose Park	52,895	62,108	17,602	20,687	(28,743)	(43,398)	875	144,851	(438,633)	(588,122)	(326,425)	(281,027)	(1,407,330)

ATTACHMENTS

- Attachment C1. 2014 Guiding Policy Principles for Changes to the Golf Enterprise Fund
- Attachment C2. 2015 Council Recommendations to the Administration Options to Address Long-Term Golf Fund Issues
- Attachment C3. Revised list of Golf Course Capital Improvement and Deferred Maintenance Projects (updated January 2015)
- Attachment C4. Mayor's Rose Park Golf Course Concept
- Attachment C5. Chronology: Key events relating to Fund Financial Viability
- Attachment C6. January 17, 2017 Wingepointe Update Briefing

SALT LAKE CITY COUNCIL
GUIDING POLICY PRINCIPLES FOR CHANGES TO THE GOLF ENTERPRISE FUND

(adopted August 1, 2014)

1. Make decisions based on the best interest of Salt Lake City residents.
2. The status quo is not financially sustainable.
3. The Golf Fund should be self-sustaining and without general fund subsidy.
4. Making changes to the status quo operation plan improves the Golf Fund's financial position, but does not position it well enough for long-term financial independence, nor would it allow any Capital Improvement needs to be met. This includes measures like:
    - reducing water usage,
    - converting course irrigation systems to secondary water sources,
    - increasing rounds of golf played,
    - raising fees nominally and tweaking other operation expense budgets.
5. All City courses are valuable and serve a distinct clientele and niche in the market. All have the potential to draw more customers as there are no courses that are 100% utilized.
6. The increase in the number of golf courses in the past 25 years relative to the number of golfers makes it difficult to significantly improve the financial position of the Golf Fund.
7. Oversupply puts downward pressure on pricing for all golf courses in the market.
8. It is possible that reducing the number of golf courses may improve the overall financial sustainability of the region's golf market.
9. Neighborhood quality of life is enhanced by adjacent open space, regardless of use, and therefore should be protected.
10. Commercial development on open space should be avoided wherever possible.
11. It is the fiduciary responsibility of the City Council to provide guidance to solve the Golf Fund's long term financial problems.
12. Any re-purposing of golf courses should add value for the neighborhood and its residents, and benefit residents through high quality amenities.
13. All solutions for the Golf Fund's financial issues will be evaluated on a 10-year basis.
14. Individual courses will be evaluated based on the following criteria:
    - rate of change of rounds (growth or decline)
    - revenue per round.
15. Investigate innovative financing and zoning to support economic development and revenue generation adjacent to golf courses.
16. Funds generated through the $1 per round CIP Fee, shall be dedicated to CIP purposes, and not used to balance the operational deficit.

Salt Lake City Council Recommendations to the Administration
Options to Address Long-Term Golf Fund Issues

Motion adopted by the Council on February 23, 2015

1. Transfer Wingpointe Golf Course operations to the Airport immediately and encourage the Airport to continue to operate it as a golf course, an attractive entry way and a potential revenue producer for the Airport's otherwise vacant property.

2. Close Glendale Golf Course and repurpose for other open space uses.

3. Consider legal options to repurpose Nibley Golf Course.

4. Initiate a bond proposal this fall to ask voters to fund comprehensive improvements to regional trails and open space, including transitioning closed golf courses and the former Jordan Par-3 course. Ideally, the bond would be comprehensive enough to provide resources to address a variety of uses, incorporating foothills and integrating trail systems to create a unique park connection system. The Council encourages the Administration to determine uses through a public engagement process throughout the summer.

5. Incorporate secondary water as part of bond for all golf courses and potentially all parks. If a bond is not successful, the general fund would cover the installation costs of secondary water.

6. Allow Glendale and Nibley, if applicable, to remain open for golf until new uses are shovel ready. General Fund would provide any needed subsidy in the interim.

7. Forward two Request for Proposal (RFP) recommendations that the Council look at either/or:

    a. an RFP to manage the entire golf system;
    b. an RFP to hire a game-changer to oversee the Golf Fund;
    c. not issuing an RFP.

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**
Bonneville						
Cart Path - Addition w Range & Short Game Practice Area Improvements plu	(182,800)	(182,800)	-	-	90,000	(92,800)
Clubhouse - U of U partnership	-	-	-	-	-	-
Clubhouse - UGA and Utah PGA partnership	-	-	-	-	-	-
Clubhouse (including banquet space)	(2,680,500)	-	-	-	-	-
Clubhouse Upgrade - NGF Option	-	-	-	-	-	-
Driving Range - WEST TO CONNOR incl fencing	(300,000)	(300,000)	-	-	475,000	175,000
Driving Range & Short Game - FULL DEV	(309,200)	-	-	-	-	-
Entrance Road (relocated)	(254,600)	-	-	-	-	-
Food & Beverage on course (dependent on clubhouse design)	(91,360)	-	-	-	-	-
Maintenance Facility Relocation & improvements	(731,000)	(731,000)	-	-	-	(731,000)
Master Plan	(40,000)	(40,000)	-	-	-	(40,000)
Parking Lot Repair & Improvements (tied to event center)	(250,000)	-	-	-	-	-
Proshop Retrofit - NGF Option	-	-	-	-	-	-
Restrooms on-course (#2/4/11/17, current site)	(91,400)	(91,400)	-	-	90,000	(1,400)
Restrooms on-course (#7, new building)	(91,400)	(91,400)	-	-	90,000	(1,400)
Secondary water project (Pumps, Wells, retaining pond, other)	(2,300,000)	(2,300,000)	-	1,913,624	-	(386,376)
Tee/Green/Bunker Improvements, Perimeter Fencing, etc.	(1,827,600)	-	-	-	-	-
Three New Holes (Dependent on Range Master Plan)	(1,218,400)	-	-	-	-	-
Tree Replacement Plan - NGF Option	-	-	-	-	-	-
Bonneville Total	**(10,368,260)**	**(3,736,600)**	**-**	**1,913,624**	**745,000**	**(1,077,976)**

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**
Forest Dale						
Cart Path - repair and installation	(121,800)	(121,800)	-	-	72,000	(49,800)
Clubhouse Restroom/Pro Shop Counter	(60,900)	(60,900)	-	-	50,000	(10,900)
Entry Improvements - NGF Option	-	-	-	-	-	-
Greens, Bunker rebuild / Upgrade, Drainage Ditches, Lake Shoreline, Tee Adju	(900,000)	(900,000)	-	-	-	(900,000)
HVAC	(100,000)	(100,000)	-	-	-	(100,000)
Irrigation Control Replacement	(121,800)	(121,800)	-	-	-	(121,800)
Lake Bank Stabilization	(91,400)	(91,400)	-	-	-	(91,400)
Maintnc Bldg Imprvmts, Wash Bays, Sand Bins, Fencing	(182,800)	(182,800)	-	-	-	(182,800)
Parking Lot Repair	(100,000)	(100,000)	-	-	-	(100,000)
Piping of Drainage Streams through Fairway Corridors (#4, #5, #7, #9)	(91,400)	(91,400)	-	-	160,000	68,600
Practice Hitting Net	(30,500)	(30,500)	-	-	100,000	69,500
Restroom on course (#4/#6)	(91,400)	(91,400)	-	-	120,000	28,600
Secondary water project (Pumps, Wells, retaining pond, other)	(1,161,267)	(1,161,267)	-	274,323	-	(886,944)
Tree Replacement Plan - NGF Option	-	-	-	-	-	-
Turf Program - NGF Option	-	-	-	-	-	-
Forest Dale Total	**(3,053,267)**	**(3,053,267)**	**-**	**274,323**	**502,000**	**(2,276,944)**

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Glendale						
Banquet Pavilion	(213,200)	(213,200)	42,640	-	324,000	153,440
Cart Path - repair and installation	(182,800)	(182,800)	-	-	144,000	(38,800)
Cart Staging/Patio (NGF item)	-	-	-	-	-	-
Clubhouse Restroom/Pro Shop improvmts (pro shop done)	(30,900)	(30,900)	-	-	-	(30,900)
Clubhouse Upgrade - NGF Option	-	-	-	-	-	-
Course Improvement - NGF Option	-	-	-	-	-	-
Ladies Tee Addition, Bunker Renovation, and Drainage	(121,800)	(121,800)	-	-	63,000	(58,800)
Maintenance Facility Upgrade - NGF Option	-	-	-	-	-	-
Maintnc Bldg imprvmts, Wash Bays, Perimeter Fencing	(182,800)	(182,800)	-	-	-	(182,800)
Master Plan - predicated upon course change	(22,000)	-	-	-	-	-
Parking Lot Repair	(150,000)	(150,000)	-	-	-	(150,000)
Range Fence Repairs	(77,000)	(77,000)	-	-	-	(77,000)
Restroom on-course (#7/#12)	(91,400)	(91,400)	-	-	162,000	70,600
Short Game Practice Area - NGF Option	(100,000)	(100,000)	-	-	81,000	(19,000)
Tree Replacement Plan - NGF Option	-	-	-	-	-	-
Glendale Total	**(1,171,900)**	**(1,149,900)**	**42,640**	**-**	**774,000**	**(333,260)**

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Mountain Dell						
Bunker Work - NGF Option	-	-	-	-	-	-
Canyon Course: Holes 12,14,15 fairway corridor widening	(365,500)	(365,500)	-	-	700,000	334,500
Cart Path - repair and installation	(182,800)	(182,800)	-	-	-	(182,800)
Clubhouse Expansion/Upgrades - NGF Option	-	-	-	-	-	-
Clubhouse Infrastructure Improvements (Boiler, etc.)	(243,700)	(243,700)	-	-	-	(243,700)
Clubhouse Restroom/Pro Shop Counter	(60,900)	(60,900)	-	-	-	(60,900)
Entry, Parking Upgrades, Signage & Parking Repair - NGF Option	(300,000)	-	-	-	-	-
Greens Work - NGF Option	-	-	-	-	-	-
Irrigation Control Replacement	(243,700)	-	-	-	-	-
Irrigation System - Canyon Course ($2,500,000)	(2,500,000)	-	-	-	-	-
Irrigation System - Lake Course ($2,500,000)	(2,500,000)	-	-	-	-	-
Maint Bldg Imprvmts, Wash Bays, Sand Bins,Cart Storage Imprvmts	(731,000)	(731,000)	-	-	-	(731,000)
Major Short Game Area Upgrade (NGF)	-	-	-	-	-	-
Patio Deck Extension, Clubhouse renovation	(293,700)	(293,700)	58,740	-	900,000	665,040
Practice Tee & Range Improvements	(121,800)	(121,800)	-	-	135,000	13,200
Remodeling (bulkheads, new bunkers, tree work) - NGF Option	-	-	-	-	-	-
Retaining walls, level old green on Lake Course #14	(243,700)	(243,700)	-	-	-	(243,700)
Screening (new vegetation planting) - NGF Option	-	-	-	-	-	-
Tee Leveling and Ladies Tee Addition	(304,600)	-	-	-	-	-
Tree Replacement Plan - NGF Option	-	-	-	-	-	-
Turf Reduction Effort - NGF Option	-	-	-	-	-	-
Mountain Dell Total	**(8,091,400)**	**(2,243,100)**	**58,740**	**-**	**1,735,000**	**(449,360)**

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**
Nibley						
Batting Cages ($200,000 estim)	-	-	-	-	-	-
Cart Path - repair and installation	(60,900)	(60,900)	-	-	-	(60,900)
Clubhouse Restroom/Pro Shop Counter/Café Remodel/Covered Patio	(100,900)	(100,900)	-	-	-	(100,900)
Entry Improvements - NGF Option	-	-	-	-	-	-
Golf Academy - training classroom, club fitting, etc.	(200,900)	-	-	-	-	-
Golf Holes Reconfiguration - NGF Option	-	-	-	-	-	-
Greens, Bunkers, Tees - NGF Option	-	-	-	-	-	-
Irrigation System	(1,496,600)	(1,496,600)	-	-	-	(1,496,600)
Lake Bank Stabilization	(91,400)	(91,400)	-	-	-	(91,400)
Lighting for Range (NGF item)	-	-	-	-	-	-
Maintnc Bldg Imprvmts, Wash Bays, Sand Bins	(182,800)	(182,800)	-	-	-	(182,800)
Mini Golf, new Public Putting Green - NGF Option	-	-	-	-	-	-
Miniature Golf Course ($650,000 project not included at this time)	-	-	-	-	-	-
Parking Lot Repair	(100,000)	(100,000)	-	-	-	(100,000)
Perimeter Fencing Improvements, Entry Improvements	(151,800)	(151,800)	-	-	-	(151,800)
Piping of Streams through Fairway Corridors (#2 and #3) - DEPENDENT ON	(30,500)	-	-	-	-	-
Range Tee, Fence, related Improvements	(365,500)	(365,500)	-	-	220,000	(145,500)
Restroom on-course (#3/#7)	(91,400)	(91,400)	-	-	72,000	(19,400)
Secondary water project (Pumps, Wells, retaining pond, other)	(1,268,736)	(1,268,736)	-	231,476	-	(1,037,260)
Short Game Practice Area, additional putting green	(100,900)	(100,900)	-	-	90,000	(10,900)
Tree Replacement Plan - NGF Option	-	-	-	-	-	-
Youth Training Area - NGF Option	-	-	-	-	-	-
Nibley Total	**(4,242,336)**	**(4,010,936)**	**-**	**231,476**	**382,000**	**(3,397,460)**

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**
Rose Park						
Banquet Pavilion ($175,000 estim)	-	-	-	-	-	-
Bunker Renovation, Ladies Tee Addition - back 9	(152,300)	(152,300)	-	-	72,000	(80,300)
Bunker Renovation, Ladies Tee Addition - front 9	(152,300)	(152,300)	-	-	72,000	(80,300)
Cart Path - repair and installation - front 9	(182,800)	(182,800)	-	-	192,000	9,200
Cart Storage Expansion	(152,300)	-	-	-	-	-
Clubhouse Improvements	(152,300)	(152,300)	-	-	144,000	(8,300)
Entry Drive, Parking - NGF Option	-	-	-	-	-	-
Golf Course Improvement - NGF Option	-	-	-	-	-	-
Irrigation System Imprvmts - back 9 (not new system)	(548,300)	(548,300)	-	-	(25,000)	(573,300)
Irrigation System Imprvmts - front 9 (not new system)	(548,300)	(548,300)	-	-	(25,000)	(573,300)
Maintnc Bldg Imprvmts, Wash Bays, Sand Bins	(304,600)	(304,600)	-	-	-	(304,600)
Master Plan - predicated upon course change	(40,000)	(40,000)	-	-	-	(40,000)
Parking Lot Repair	(100,000)	(100,000)	-	-	-	(100,000)
Range Expansion & Short Game Area Improvements	-	-	-	-	-	-
Restroom on course (#14/#16) - back 9	-	-	-	-	-	-
Restroom On-Course (#5/#9) - front 9	(91,400)	-	-	-	-	-
Tree Replacement Plan - NGF Option	-	-	-	-	-	-
Rose Park Total	**(2,424,600)**	**(2,180,900)**	**-**	**-**	**430,000**	**(1,750,900)**

Golf CIP Projects (Without ESCO)
Totals by Course for Selected Courses
Note: Inflationary impact after FY14 not included. See separate projection by year for inflationary addition.

Totals by category for all selected courses	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**

Course	All Construct Costs on list (w/o ESCO)	Construct Cost in 10-Yr plan	Outside Funding (other than financing)	Utility Savings in 10-Yr Plan	Operating Revenues in 10-Yr Plan	Net Cash Impact in 10-Yr Plan
Wingpointe						
All projects removed - Asset preserv	-	-	-	-	-	-
All projects removed - Financial	-	-	-	-	-	-
All projects removed if course closed - Expense reduction	-	-	-	-	-	-
Café Sliding Glass Doors, Wind Breaks for Banquets	(60,900)	(60,900)	-	-	180,000	119,100
Cart Path - repair and installation	(121,800)	(121,800)	-	-	-	(121,800)
Clubhouse Restroom Improvements	(30,500)	(30,500)	-	-	-	(30,500)
Clubhouse Roof and Siding Improvements	(91,400)	(91,400)	-	-	-	(91,400)
Lake Bank Stabilization	(152,300)	(152,300)	-	-	-	(152,300)
Lake fountains	-	-	-	-	-	-
Maintnc Bldg Imprvmts, Wash Bays, Sand Bins	(121,800)	(121,800)	-	-	-	(121,800)
Parking Lot Repair	(100,000)	-	-	-	-	-
Secondary water project (Pumps, Wells, retaining pond, other)	(2,500,000)	(2,500,000)	-	1,290,758	-	(1,209,242)
Shelters on course (#6 and #16)	(30,500)	(30,500)	-	-	-	(30,500)
Wingpointe Total	**(3,209,200)**	**(3,109,200)**	**-**	**1,290,758**	**180,000**	**(1,638,442)**
Grand Total	**(32,560,963)**	**(19,483,903)**	**101,380**	**3,710,181**	**4,748,000**	**(10,924,342)**

JACQUELINE M. BISKUPSKI
Mayor

DEPARTMENT OF PUBLIC SERVICES

Repurposing Rose Park Golf Course from the Golf Enterprise Fund to the General Fund provides maximum opportunity to position the golf course and related property for greater and sustainable community benefit, including preserving highly desirable green space. It further imbeds the golf course as the community anchor supporting a multitude of outdoor community recreational and leisure activities at low or no cost, while at the same time generating significant revenues to offset most of the ongoing operating and maintenance costs. It also will continue to serve as an economic driver for the Northwest District of the City.

The course and property is in need of a conceptual and operational plan and overhaul. The direction of such an initiative is highly dependent on the mission and purpose of the property which will be driven by community needs, operating revenues and costs and capital funding sources. Essentially, the property and related facilities would become a multiple use sports, recreation and education complex.

The table below lists a few initial distinctions between today's current traditional golf operations and what a multipurpose operation in the future may look like:

Rose Park Golf Course (Now)

- Traditional golf
- Driving range
- Golf practice facilities (no fees)
- Golf leagues
- Profit motive
- Limited junior golf programs
- Retail golf merchandising
- Café style food and beverage services

Rose Park Community Golf Course (Future)

- Traditional golf – plus
- Driving range
- Golf practice facilities (no fees)
- Expanded golf leagues and low cost player development
- Low fee(s) community golf and amenities
- Foot golf
- Park golf
- Retail merchandising and rentals for golf, trails, biking, etc.
- Café style food and beverage services
- Multi-use complex and clubhouse
    - Bike rentals, storage (Green Bikes)
    - Trail staging area
    - Trail "watering hole"
- Repurposed maintenance facility land on Redwood Road
    - City facility(s) – Police, Fire, etc.
    - Commercial retail / food
- Integrated trails and river corridor
- Maximum community integration and programs – neighborhood focused
    - Golf, Events, Movie Nights, Banquets, etc.
- Expanded junior golf programs (low, no fee)
- Veterans programs (low, no fee)
- Neighborhood programs and promotions
- Nature and biology education programs
- River access and canoe/raft launch/removal

Please contact Dan Dent, Director Administrative Services at 801 535-6169 for questions.

Attachment C5
Chronology: Key Events Relating to Golf Fund Financial Viability (*May 12, 2016*)

2007	Golf Fund Advisory Board submits letter to Mayor and Council requesting attention to the Golf Funds backlog of financial needs. The letter encourages the sale and commercial development of surplus golf property at the edges of courses, and cites the City's mandate that enterprise funds maintain self-sufficiency. Council Members and staff expressed concern about the proposal, including budget projections and the assumption that property would be sold at the "highest and best" use, which would be counter to City open space goals, master plans, neighborhood compatibility and zoning.
2008	Golf Fund management identifies $20 million in deferred major projects, and re-emphasizes their proposal to address these needs by selling and commercially developing surplus property. Council again expresses the preference to Golf management that open space be maintained and valued as a community asset.
2010	In conjunction with the FY2011 budget proposal, Golf Fund management presents a plan for addressing deferred maintenance needs (see summary here). Again, central to this proposal is the sale and commercial development of surplus property at the highest and best use. Council again expresses concern, and does not accept proposal.
2011	Council adds $1 per 9-hole round to greens fee, effective January 2012, and limits the use of this revenue to CIP projects.
2012	FAA issues initial letter detailing concerns with various non-aeronautical uses on airport property, including Wingpointe.
2013	Following a response from the Administration in February, the final FAA audit resolution is issued in July relating to Wingpointe. The audit mandated that the City take the following corrective actions: 1. Make reasonable efforts to rezone the property to allow for aeronautical uses by 2017; 2. Begin reimbursing the Airport for certain operating costs, effective July 2, 2013; 3. Amend the existing MOU to terminate the lease on December 31, 2017; 4. Begin paying rent to the Airport based on fair market value (FMV) in any new MOU agreed to after December 31, 2017.
2013	The Council funds a study by the National Golf Foundation. The stated purpose of the study (managed by the Administration), is "to help the City determine the capital required to maximize the economic potential of the golf courses and minimize the burden on the City."
2014	April 22: The Council decides to close Jordan Par-3 course in November of that year based on financial statements projecting a significant deficit at that course.
2014	May: A transmittal from the Administration reports that the Golf Fund's operating fund balance has been depleted from numerous years of significant operating deficits.

2014	May-June: the Council Subcommittee considers the issue and recommends a menu of options to the full body
2014	June: The Council's adopted budget for FY2014-2015 includes an ESCO project (debt) totaling $6,141,572 to replace the irrigation system at Bonneville Golf Course and implement secondary water projects at Glendale and Rose Park Golf Courses to reduce culinary water usage.
2014	July 29: The Council decides to raise greens fees by $1 per 9-hole round and limits the number of discounts to one per transaction.
2014	July 29: The Administration requests that the Council conclude any efforts to re-align the business plan of the Golf Fund by February 1, 2015, in order to give the Mayor time to incorporate any new ideas into the FY2016 budget.
2014	July 29: the Council chooses to pursue a multi-faceted public process to ensure all options are investigated. This includes: - Inviting public comment through individual meetings with Council Members, an Open City Hall discussion, and in Council public hearings. - A public call for ideas, which ran from September 1 to November 3. - A Citizens Task Force (members named by the Council) which reviewed ideas submitted via the public call for ideas, studied financial implications of ideas, and issued recommendations in January, 2015. - Specialized consultant's review of Golf Fund issues from the standpoint of municipal finance, with recommendations based on financial experience of other municipalities. - Online Golf Resource Library established to provide a central information resource to the public and City staff for the myriad of documents involved with this topic.
2015	February 24: The Council adopts a motion on recommendations for future Golf Fund solvency.
2015	City Council approves $1.3 million in funding for purchase of a variety of non-essential golf course property from the General Fund and Public Utilities, and intend to preserve these parcels as open space. Land sales to general fund and Public Utilities are used to eliminate operating deficits accumulated in FY2014 and 2015.
2015	Spring: The Council begins discussions on potential GO bond for recreation and receives additional public input.
2015	Fall: Based on public input, the Mayor and Council elected not to pursue a GO bond for recreation.
2016	January: Demand-based pricing structure, approved by the Council in conjunction with the FY 2016 budget, goes into effect.
2016	May: Council discussion of FY 2017 Golf Fund budget proposal.

COUNCIL STAFF REPORT
CITY COUNCIL *of* SALT LAKE CITY

TO: City Council Members

FROM: Allison Rowland
Budget & Policy Analyst

DATE: January 12, 2017

RE: **WINGPOINTE UPDATE, FISCAL YEAR 2017 LEGISLATIVE INTENT**

Item Schedule:
Briefing: January 17, 2017
Set Date:
Public Hearing:
Potential Action:

ISSUE AT-A-GLANCE

As part of its Fiscal Year 2017 Legislative Intents, the Council asked the Administration to report on its review of whether re-opening Wingpointe Golf Course is viable (the course was closed in November, 2015). The Administration appointed a "Wingpointe Advisory Task Force" to undertake this review during 2016. As a result of the findings, the Administration has concluded that Wingpointe is not financially viable unless the Federal Aviation Administration (FAA) is willing to reconsider its 2012 decision regarding the lease payments charged by the Salt Lake City Airport Department. The Airport, which owns the Wingpointe property, is bound by this FAA ruling as a condition of receiving Federal funds, and could face additional sanctions if it does not comply.

The transmittal includes the following cost estimates, which informed the Administration's conclusions:

1. Annual Wingpointe property lease at fair market value, as required by the FAA: $2,400,000.
2. Upfront investment needed to re-open the course (if the land-lease issue were overcome): $872,000 initially, with an additional $100,000 needed over the following two years.

Mayor Biskupski formally requested that the FAA re-examine its decision in a letter dated November 29, 2016 [See pages 38-39 in the Administrative Transmittal]; there has not yet been a response. Without an indication from the FAA that the land-lease issue is open to discussion, the Administration does not plan to request additional maintenance funding for Wingpointe. According to the Administration, unless an effort to re-open the course begins in early 2017 (full operations would begin in August), significant rebuilding expenses would be required to restore greens, infrastructure, turf and irrigation systems.

In case the FAA does agree to alter its decision, the Administration has indicated that it likely would issue a Request for Proposals (RFP) to explore the possibilities for operating the course. The Task Force suggests that a re-opened Wingpointe might generate a net positive cash flow after five to eighteen years, but only if lease costs are excluded.

Goal of the briefing: *Informational only: review the Administration's findings on the viability of re-opening Wingpointe Golf Course.*

POLICY QUESTIONS

1. As part of the FY2017 budget, the Council agreed to provide $61,417 for minimal grounds maintenance through the end of 2016 in case the Administration opts to re-open Wingpointe. The Airport provided additional funding for this purpose. ***Independent of any Administration decisions on Wingpointe's future, does the Council wish to continue funding minimal maintenance in 2017, in case the FAA agrees to amend its finding?***

ADDITIONAL & BACKGROUND INFORMATION

1. As noted in the Administration's transmittal, the City engaged in extensive negotiations with the FAA soon after its 2012 Salt Lake City Airport audit. These resulted in the delay of full market-value lease payments for several years, but the underlying decision to require the lease to reflect the land's fair market value did not change.
2. In January 2014, as part of its review of Golf Fund financial options, the Council's Citizen Golf Task Force concluded that the Golf Fund should "Reduce costs by recognizing the FAA-imposed reality at Wingpointe." They reasoned that removing this course from the Golf Fund would result in immediate operational savings that would benefit the other courses in the SLC Golf system. (See Attachment C1.)
3. In February, 2014, the Council recommended, in part, to transfer Wingpointe Golf Course operations to the Airport immediately and encourage the Airport to continue to operate it as a golf course, an attractive entry way and a potential revenue producer for the Airport's otherwise vacant property. (See Attachment C2.)

ATTACHMENTS

C1. Citizen Golf Task Force Presentation, 2014.

C2. Council Recommendations to the Administration: Options to Address Long-Term Golf Fund Issues.

Salt Lake City Council

Golf Task Force Recommendations

A New Era for SLC Golf

January 20, 2014

Our process

- We reviewed over 60 separate responses submitted by the public to the Council's "Call for Ideas," including five in-depth analyses.
- We agreed on a core set of values to help guide our discussions (*see next slide*).
- We combined the best elements from the public with our own finance and management experience into a comprehensive set of recommendations.
- Together, these would result in ***A New Era for SLC Golf***.

Our values

- **Open space.** Golf courses benefit golfers and non-golfers alike.
- **Conservation** . Our city’s high-desert environment demands responsible water resource management.
- **Neighborhoods.** Salt Lake City’s golf courses are valuable community centerpieces.
- **Diversity in public golf opportunities.** SLC Golf’s strength is its variety, from premier-level to beginner and youth play.
- **Great leadership and a businesslike approach.** The City should embrace innovation and public/ private funding opportunities.

Key recommendations

1. **Leadership**. Establish exceptional, creative and visionary Golf Fund leadership.
2. **Investment**. Prioritize and commit to mission-critical capital investments.
3. **Raise revenue.** Develop new funding sources.
4. **Reduce costs.** Make hard choices that strengthen the system and avoid continued underinvestment in valuable assets.

1. Establish exceptional, creative and visionary leadership.

- At this critical stage, Salt Lake City needs the help of a temporary "game changer." Several nationwide firms specialize in turning around ailing public golf systems by establishing exceptional, creative and visionary leadership.
- **Goal**: Establish a new era in SLC Golf by restructuring finance, management and retail aspects of the public golf system.
- **Contract period**: Three years.
- **Funding source**: The General Fund. This would maximize accountability for improving the Golf Fund's long-term sustainability.

Key focus areas for the “game changer”

- Dynamic pricing to improve course utilization
- Incorporation of technology
- Staffing and management alternatives
- Market research and new opportunities
- Course branding
- Efficiencies in course operations and maintenance

2. Prioritize and commit to mission-critical capital investment.

Mission-critical capital investments include

- Secondary water
- Facilities
- Technology

3. Develop new funding sources, including…

- **City bond** focused on improved water-resource management in all parks and open spaces.
- **Annual General Fund payment** for "public value enhancement" provided by golf courses: property values, view-shed, wildlife habitat, urban heat-island mitigation.
- **Partnerships with the private sector** to fund specific projects or programs.
- **County ZAP application** for a project that integrates additional public recreation with land at and around golf courses.
- "Friends of …" **advocacy and fundraising groups** for each course.
- **Volunteer program** to assist in operational or one-time maintenance needs.
- **Company sponsorships** at key golf course spots (tee boxes, holes, flags, carts).

4. Reduce costs by facing the FAA-imposed reality at Wingpointe

- The fate of Wingpointe was determined by the 2012 FAA requirement that the Golf Fund lease the land from the Airport at market rate (estimated at approximately $600,000 per year).
- The FAA refused to reverse its decision in spite of the City's strong advocacy on Wingpointe's behalf. Unfortunately, this leaves no other option but to close this course sometime in the future.
- The Golf Fund can realize operational savings at this critical juncture by closing this course immediately rather than waiting. The resulting operational savings will help strengthen the City's golf system.
- Note that Wingpointe is not surrounded by any neighborhood so it is not a critical neighborhood centerpiece.

In closing…

- SLC Golf is run with admirable efficiency. Today, though, hard decisions must be made to ensure that these valuable public assets remain sustainable.
- We recommend General Fund subsidies to help achieve long-run financial sustainability for the Golf Fund.
- Visitors are impressed by Salt Lake City’s tremendous amenities. The Golf Task Force believes our courses should be upgraded to be on a par with the other life enhancements offered here.

Salt Lake City Council Recommendations to the Administration
Options to Address Long-Term Golf Fund Issues

Motion adopted by the Council on February 23, 2015

1. Transfer Wingpointe Golf Course operations to the Airport immediately and encourage the Airport to continue to operate it as a golf course, an attractive entry way and a potential revenue producer for the Airport's otherwise vacant property.

2. Close Glendale Golf Course and repurpose for other open space uses.

3. Consider legal options to repurpose Nibley Golf Course.

4. Initiate a bond proposal this fall to ask voters to fund comprehensive improvements to regional trails and open space, including transitioning closed golf courses and the former Jordan Par-3 course. Ideally, the bond would be comprehensive enough to provide resources to address a variety of uses, incorporating foothills and integrating trail systems to create a unique park connection system. The Council encourages the Administration to determine uses through a public engagement process throughout the summer.

5. Incorporate secondary water as part of bond for all golf courses and potentially all parks. If a bond is not successful, the general fund would cover the installation costs of secondary water.

6. Allow Glendale and Nibley, if applicable, to remain open for golf until new uses are shovel ready. General Fund would provide any needed subsidy in the interim.

7. Forward two Request for Proposal (RFP) recommendations that the Council look at either/or:

    a. an RFP to manage the entire golf system;
    b. an RFP to hire a game-changer to oversee the Golf Fund;
    c. not issuing an RFP.

JACKIE BISKUPSKI
MAYOR

DEPARTMENT *of* PUBLIC SERVICES
OFFICE *of the* DIRECTOR

CITY COUNCIL TRANSMITTAL

Patrick W Leary
Patrick Leary, Chief of Staff

Date Received: December 20, 2016
Date sent to Council: December 20, 2016

TO: Salt Lake City Council
James Rogers, Chair

DATE: December 20, 2016

FROM: Lisa Shaffer
Public Services Department

SUBJECT: Wingpointe Update

STAFF CONTACT: Patrick Leary
Chief of Staff
Patrick.leary@slcgov.com

COUNCIL SPONSOR: [Councilmember Name]

DOCUMENT TYPE: Legislative Intent Update

RECOMMENDATION: Update Only

BUDGET IMPACT: NA

BACKGROUND/DISCUSSION:

Issue Origin

This Legislative Intent update is in response to Council Staff email request dated November 14, 2016 for an update on findings regarding the viability of re-opening Wingpointe Golf Course. The Council would like to receive an **update on Wingpointe to be transmitted by mid-December of this year.** As noted in the FY2017 Legislative Intents (see below), this update should include a review of Wingpointe's viability.

1. **Wingpointe Golf Course**. It is the intent of the Council to request that the Administration report the findings of its review of Wingpointe's viability when these become available.

Recent Actions

Since the closure of Wingpointe in the Fall of 2015, the following actions have been completed:

1. Council provided limited funding in FY16 and FY17 for minimum watering and maintenance of Wingpointe.
2. The Golf Division with some assistance from the Airport Authority has been minimally maintaining portions of the course. The primary focus on maintenance has been on Wingpointe Greens and Tees as these are the areas of the course most costly to recover once lost. Maintenance efforts included watering, herbicide and periodic mowing (by the Airport). As of this report, Greens and Tees at Wingpointe are in fair condition (not playable but still alive).
3. The Mayor established a community-based 'Wingpointe Task Force' to research and evaluate the viability and recommend options for re-opening Wingpointe. This Task Force work began in August, 2016 and concluded in October, 2016 with recommendations to the Mayor.
4. Based upon the Task Force work and recommendations, the Mayor sent a letter to the Federal Aviation Administration (FAA), requesting an audience to discuss Wingpointe land-use.

Next Steps

1. Upon Council review of this update information, the Mayor's Office and Golf Director can be available for further discussions with Council Members and/or Council Staff to discuss the Golf Division and Task Force research, analysis, findings, recommendations and current status.
2. The Mayor is awaiting a response from the FAA regarding the letter sent November 29, 2016.

PUBLIC PROCESS:

Beyond the community-based Wingpointe Task Force, no formal public engagement process has been conducted or needed to this point.

ATTACHMENTS:

1. Attachment "A" - Wingpointe Re-open Feasibility
2. Attachment "B" – Wingpointe FAQ Draft – 9-16-16
3. Attachment "C" - Wingpointe Advisory Task Force Recommendation
4. Attachment "D" – Letter to FAA from Mayor Biskupski

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Wingpointe Reopen Feasibility

Community Task Force

09/01/2016

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Task Force Objectives

- Review and assess available information
- Identify any additional needed information / actions
- Develop plan for moving forward
- Make recommendation to Mayor

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Wingpointe History

- Original MOU
- Course Opening
- Historical Financials / Utilization

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Wingpointe Financial History

- Lost money (all in) 4 of last 6 years
- Expenses were basically flat
- Revenues fluctuated with utilization
- Green and Cart fees increased over period
- Word was out about closing for a couple years
- FY16 was partial year

		FY10	FY11	FY12	FY13	FY14	FY15	FY16
Operation		Actual	Actual	Actual	Actual	Actual	Actual	Actual
Wingpointe	Revenue	1,134,014	1,071,610	1,154,919	969,597	967,540	957,675	571,066
	Expense	1,104,278	1,132,384	1,090,230	1,145,950	1,122,326	1,075,393	530,686
	Net Income (loss)	29,736	(60,774)	64,689	(176,353)	(154,786)	(117,717)	40,380

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Wingpointe Historical Performance Band

		FY 10 to FY 16				
Operation		Average	Low / High	High / Low	Avg / Low	Avg / High
Wingpointe	Revenue	1,042,559	957,675	1,154,919	1,042,559	1,042,559
	Expense	1,111,760	1,145,950	1,075,393	1,075,393	1,145,950
	Net Income (loss)	(69,201)	(188,275)	79,526	(32,834)	(103,391)

- Average revenues over 6 year period not enough to cover average expenses
- As status quo operation is basically break even
- High revenue year = $1.154M
- Average operating expense = $1.112M

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Wingpointe Recent Good & Bad Financial Years

- FY12 was best year for revenues
  - Good weather
  - Lower prices
- FY15 was worst year for revenues
  - Higher prices
  - Perception of closing
- Using highest revenues and expenses produces slight profit
  - Doesn't include marketing, pricing, etc. type alternatives

Operation		Low	Year	High	Year
Wingpointe	Revenue	957,675	FY15	1,154,919	FY12
	Expense	1,075,393	FY12	1,145,950	FY15
	Net Income (loss)	(117,717)		8,969	

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Wingpointe Recent Historical Utilization

		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY 10 to FY 16				
Operation		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Low	Year	High	Year	Average
Wingpointe	Rounds Played	62,248	56,818	62,422	52,170	52,884	52,766	32,310	52,170	FY13	62,422	FY12	53,088
	Revenue per Round	18.22	18.86	18.50	18.59	18.30	18.15	17.67	18.15	FY15	18.86	FY11	18.33

- Average 53K (9-hole) rounds per year
- High rounds per year in FY12
- Low rounds per year in FY13
    - New higher pricing implemented
- Steady but declining utilization
- Not shown – rounds in the late 1990's early 2000's averaged around 90K per year

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Issue Background

- FAA Audit
  - Non-aeronautical use
  - Short-term lease
  - Market rate for land
- City Response/Settlement to FAA Audit
- DOA market rate to lease land
- Course closed Fall 2015
- Facilities vacated
- Equipment relocated
- Decision to keep alive to evaluate – Fall 2015
  - Herbicide used on greens – Fall 2015
  - Greens & Tees watered – Summer 2015

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Wingpointe Re-open Financial Feasibility

- Strong opportunity for profitability
  - Cost control
  - Focused marketing
  - Pricing strategy(s)
  - Performance measuring
- Need long-term lease of land
- Need reasonable cost of land
- Need initial investment for equipment and (re)start-up

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Wingpointe – What are the "Minimums"? – Revenue, Operating, Cash Flow

Wingpointe Restart Rough Financial Estimate			
	FY15	Minimum	Year 1
Start-up Expenses			
Clubhouse/Facility Related	$0	$20,000	$50,000
Mainteance Equipment	$0	$500,000	$600,000
Mainteance Materials	$0	$50,000	$100,000
Labor OT	$0	$25,000	$100,000
Cart Related	$0	$2,500	$10,000
Merchandise Related	$0	$2,000	$5,000
Café Related	$0	$2,000	$7,500
Total	**$0**	**$601,500**	**$872,500**
Revenues			
Green Fees	$553,623	$350,000	$600,000
Cart Rental	$177,772	$87,500	$192,500
Driving Range	$31,354	$17,500	$30,000
Other Misc. Rentals	$5,936	$1,600	$4,250
Retail Merchandise	$180,247	$40,000	$40,000
Café	$8,743	$5,000	$5,000
City Funding	$0	$0	$0
DOA Funding	$0	$0	$0
Other Funding	$0	$0	$0
Oerating Loan	$0	$0	$0
Total	**$957,675**	**$501,600**	**$871,750**
Operating Expeneses			
Pro Shop Labor	$207,512	$179,000	$205,850
Pro Shop O&M	$20,471	$7,850	$7,850
Pro Shop Admin & Utilities	$75,529	$54,500	$54,502
Merchandise	$130,520	$28,965	$28,965
Carts	$60,000	$60,000	$60,000
Maintenance Labor	$298,677	$248,000	$272,800
Maintenance O&M	$59,131	$57,800	$59,534
Mainteancee Admin & Utilities	$223,553	$214,400	$220,832
Total	**$1,075,393**	**$850,515**	**$910,333**
Other Expenses			
DOA Fees[4]	$0	$25,080	$43,588
City Fees[4]	$0	$10,032	$17,435
Principal Borrowed[1]	$0	$601,500	$972,500
Interest Charges / Debt Payment[2]	$0	$36,515	$59,037
Total	**$0**	**$71,627**	**$120,059**
Net Cash Flow Without Start-up Costs	**-$117,718**	**-$348,915**	**-$38,583**
Net Cash Flow w/o Loan	-$117,718	-$985,527	-$972,105
Net Cash Flow All Included[3]	-$117,718	-$420,541	-$158,642

- Estimated minimum restart start-up costs is $600K
- Estimated minimum revenue likely from full-state operations is $500K/yr
- Estimated minimum operating expenses for full-state operation is $850K/yr
- Estimated net cash flow from minimum estimates is negative $420K/yr
- None of the above include DOA or additional City charges
- Questions?
  - Is the Economic Development value of Wingpointe greater than $420K/yr?
  - Is there value other value in having a Wingpointe as a community / airport area asset and amenity?

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Wingpointe Pricing Strategy & Utilization Estimates

Key Assumptions & Estimates						
Variable	**Minimum**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Rounds (9 hole walk)	35,000	45,000	47,000	50,000	52,000	55,000
Price/Round	$ 10.00	$ 13.00	$ 14.00	$ 15.00	$ 15.00	$ 16.00
% Cart Rentals	50%	70%	70%	70%	70%	70%
Cart Price / Round	$ 5.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.50
Club Rental Price	$ 5.00	$ 12.00	$ 12.00	$ 15.00	$ 15.00	$ 15.00
Pull Cart Rental Price	$ 2.00	$ 5.00	$ 7.00	$ 7.00	$ 7.00	$ 7.00
Range Buckets	3,500	4,500	4,700	5,000	5,200	5,500
Range Bucket Price	$ 5.00	$ 6.00	$ 6.00	$ 7.00	$ 7.00	$ 7.00
9 Holes Riding	$ 15.00	$ 19.00	$ 20.00	$ 21.00	$ 21.00	$ 22.50
18 Holes Riding	$ 30.00	$ 38.00	$ 40.00	$ 42.00	$ 42.00	$ 45.00

- Conservative estimates overall
- Assumes steady utilization growth over 5 years ultimately roughly equal to average from FY10-FY15
- Growth accomplished by lower initial pricing until course and demand is at steady state
- 5th year price similar to FY15 price and accounts for increased operational costs and expected strong course conditions / market
- Cart pricing is lower overall to encourage cart rentals

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Rough Financial Estimate – No DOA or Additional City Charges - Conservative Revenue Scenario

Wingpointe Restart Rough Financial Estimate						
	FY15	Year 1	Year 2	Year 3	Year 4	Year 5
Start-up Expenses						
Clubhouse/Facility Related	$0	$50,000	$5,000			
Mainteance Equipment	$0	$600,000	$25,000			
Mainteance Materials	$0	$100,000	$25,000	$10,000		
Labor OT	$0	$100,000	$25,000	$10,000		
Cart Related	$0	$10,000				
Merchandise Related	$0	$5,000				
Café Related	$0	$7,500				
Total	**$0**	**$872,500**	**$80,000**	**$20,000**		
Revenues						
Green Fees	$553,623	$585,000	$658,000	$750,000	$780,000	$880,000
Cart Rental	$177,772	$189,000	$197,400	$210,000	$218,400	$250,250
Driving Range	$31,354	$27,000	$28,200	$35,000	$36,400	$38,500
Other Misc. Rentals	$5,936	$4,125	$4,645	$5,500	$5,570	$5,675
Retail Merchandise	$180,247	$40,000	$50,000	$60,000	$65,000	$70,000
Café	$8,743	$5,000	$5,000	$5,000	$5,000	$5,000
City Funding	$0	$0	$0	$0	$0	$0
DOA Funding	$0	$0	$0	$0	$0	$0
Other Funding	$0	$0	$0	$0	$0	$0
Oerating Loan	$0	$0	$0	$0	$0	$0
Total	**$957,675**	**$850,125**	**$943,245**	**$1,065,500**	**$1,110,370**	**$1,249,425**
Operating Expeneses						
Pro Shop Labor	$207,512	$205,850	$226,435	$249,079	$273,986	$301,385
Pro Shop O&M	$20,471	$7,850	$8,086	$8,328	$8,578	$8,835
Pro Shop Admin & Utilities	$75,529	$54,502	$55,320	$56,150	$56,992	$57,847
Merchandise	$130,520	$28,965	$36,206	$43,447	$47,068	$50,688
Carts	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Maintenance Labor	$298,677	$272,800	$286,440	$300,762	$308,281	$315,988
Maintenance O&M	$59,131	$59,534	$61,320	$63,160	$65,054	$67,006
Mainteancee Admin & Utilities	$223,553	$220,832	$227,457	$234,281	$241,309	$248,548
Total	**$1,075,393**	**$910,333**	**$961,263**	**$1,015,205**	**$1,061,268**	**$1,110,298**
Other Expenses						
DOA Fees[4]	$0					
City Fees[4]	$0					
Principal Borrowed[1]	$0	$972,500	$0	$0	$0	$0
Interest Charges / Debt Payment[2]	$0	$59,037	$59,037	$59,037	$59,037	$59,037
Total	**$0**	**$59,037**	**$59,037**	**$59,037**	**$59,037**	**$59,037**
Net Cash Flow Without Start-up Costs	**-$117,718**	**-$60,208**	**-$18,018**	**$50,295**	**$49,102**	**$139,127**
Net Cash Flow w/o Loan	-$117,718	-$932,708	-$98,018	$30,295	$49,102	$139,127
Net Cash Flow All Included[3]	-$117,718	-$119,245	-$77,055	-$8,742	-$9,935	$80,091

[1] New one-time debt to cover anticipated start-up costs possibly covering first five years

[2] Debt payment includes 20 year term and 2% annual interest

[3] Revenues minus operational expeneses, City and DOA charges and debt service

- Without DOA lease or other charges and no restart costs, course would be profitable in year 3 with a break even in year 4
- With restart costs, course would break-even in 15-18 years
- Restart assumes estimated $972K in start-up costs
- Restart assumes aggressive operational expense control and reduced by 15% in first year of operations from FY15 and 6% over first 5-year average from FY15 – 5% average annual increase from Year 1
- Restart assumes average annual revenue growth of roughly 10% from Year 1
- If start-up costs financed over 20 years @ 2%, would have positive cash flow - Year 5

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Rough Financial Estimate –DOA or Additional City Charges Included – Conservative Revenue Scenario

Wingpointe Restart Rough Financial Estimate						
	FY15	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Start-up Expenses						
Clubhouse/Facility Related	$0	$50,000	$5,000			
Mainteance Equipment	$0	$600,000	$25,000			
Mainteance Materials	$0	$100,000	$25,000	$10,000		
Labor OT	$0	$100,000	$25,000	$10,000		
Cart Related	$0	$10,000				
Merchandise Related	$0	$5,000				
Café Related	$0	$7,500				
Total	**$0**	**$872,500**	**$80,000**	**$20,000**		
Revenues						
Green Fees	$553,623	$585,000	$658,000	$750,000	$780,000	$880,000
Cart Rental	$177,772	$189,000	$197,400	$210,000	$218,400	$250,250
Driving Range	$31,354	$27,000	$28,200	$35,000	$36,400	$38,500
Other Misc. Rentals	$5,936	$4,125	$4,645	$5,500	$5,570	$5,675
Retail Merchandise	$180,247	$40,000	$50,000	$60,000	$65,000	$70,000
Café	$8,743	$5,000	$5,000	$5,000	$5,000	$5,000
City Funding	$0	$0	$0	$0	$0	$0
DOA Funding	$0	$0	$0	$0	$0	$0
Other Funding	$0	$0	$0	$0	$0	$0
Oerating Loan	$0	$0	$0	$0	$0	$0
Total	**$957,675**	**$850,125**	**$943,245**	**$1,065,500**	**$1,110,370**	**$1,249,425**
Operating Expeneses						
Pro Shop Labor	$207,512	$205,850	$226,435	$249,079	$273,986	$301,385
Pro Shop O&M	$20,471	$7,850	$8,086	$8,328	$8,578	$8,835
Pro Shop Admin & Utilities	$75,529	$54,502	$55,320	$56,150	$56,992	$57,847
Merchandise	$130,520	$28,965	$36,206	$43,447	$47,068	$50,688
Carts	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Maintenance Labor	$298,677	$272,800	$286,440	$300,762	$308,281	$315,988
Maintenance O&M	$59,131	$59,534	$61,320	$63,160	$65,054	$67,006
Mainteancee Admin & Utilities	$223,553	$220,832	$227,457	$234,281	$241,309	$248,548
Total	**$1,075,393**	**$910,333**	**$961,263**	**$1,015,205**	**$1,061,268**	**$1,110,298**
Other Expenses						
DOA Fees[4]	$0	$42,506	$47,162	$53,275	$55,519	$62,471
City Fees[4]	$0	$17,003	$18,865	$21,310	$22,207	$24,989
Principal Borrowed[1]	$0	$972,500	$0	$0	$0	$0
Interest Charges / Debt Payment[2]	$0	$59,037	$59,037	$59,037	$59,037	$59,037
Total	**$0**	**$118,545**	**$125,064**	**$133,622**	**$136,762**	**$146,496**
Net Cash Flow Without Start-up Costs	**-$117,718**	**-$60,208**	**-$18,018**	**$50,295**	**$49,102**	**$139,127**
Net Cash Flow w/o Loan	-$117,718	-$992,217	-$164,045	-$44,290	-$28,624	$51,668
Net Cash Flow All Included[3]	-$117,718	-$178,753	-$143,082	-$83,327	-$87,661	-$7,369

[1] New one-time debt to cover anticipated start-up costs possibly covering first five years
[2] Debt payment includes 20 year term and 2% annual interest
[3] Revenues minus operational expeneses, City and DOA charges and debt service
[4] Includes 5% of gross revenues back to DOA and 2% to City

- Combining DOA and/or additional City charges, as well as start-up costs, course would not be financially self-sustaining with conservative revenue estimates
- Estimates for DOA charges include 5% of Revenues
- Estimates for City charges include 2% of Revenues

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Rough Financial Estimate – No DOA or Additional City Charges – Aggressive Revenue Scenario

Wingpointe Restart Rough Financial Estimate						
	FY15	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Start-up Expenses						
Clubhouse/Facility Related	$0	$50,000	$5,000			
Mainteance Equipment	$0	$600,000	$25,000			
Mainteance Materials	$0	$100,000	$25,000	$10,000		
Labor OT	$0	$100,000	$25,000	$10,000		
Cart Related	$0	$10,000				
Merchandise Related	$0	$5,000				
Café Related	$0	$7,500				
Total	**$0**	**$872,500**	**$80,000**	**$20,000**		
Revenues						
Green Fees	$553,623	$600,000	$715,000	$840,000	$910,000	$980,000
Cart Rental	$177,772	$192,500	$231,000	$252,000	$273,000	$294,000
Driving Range	$31,354	$30,000	$33,000	$42,000	$45,500	$49,000
Other Misc. Rentals	$5,936	$4,250	$4,925	$5,850	$6,025	$6,200
Retail Merchandise	$180,247	$40,000	$50,000	$60,000	$65,000	$70,000
Café	$8,743	$5,000	$5,000	$5,000	$5,000	$5,000
City Funding	$0	$0	$0	$0	$0	$0
DOA Funding	$0	$0	$0	$0	$0	$0
Other Funding	$0	$0	$0	$0	$0	$0
Oerating Loan	$0	$0	$0	$0	$0	$0
Total	**$957,675**	**$871,750**	**$1,038,925**	**$1,204,850**	**$1,304,525**	**$1,404,200**
Operating Expeneses						
Pro Shop Labor	$207,512	$205,850	$226,435	$249,079	$273,986	$301,385
Pro Shop O&M	$20,471	$7,850	$8,086	$8,328	$8,578	$8,835
Pro Shop Admin & Utilities	$75,529	$54,502	$55,320	$56,150	$56,992	$57,847
Merchandise	$130,520	$28,965	$36,206	$43,447	$47,068	$50,688
Carts	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Maintenance Labor	$298,677	$272,800	$286,440	$300,762	$308,281	$315,988
Maintenance O&M	$59,131	$59,534	$61,320	$63,160	$65,054	$67,006
Mainteancee Admin & Utilities	$223,553	$220,832	$227,457	$234,281	$241,309	$248,548
Total	**$1,075,393**	**$910,333**	**$961,263**	**$1,015,205**	**$1,061,268**	**$1,110,298**
Other Expenses						
DOA Fees[4]	$0					
City Fees[4]	$0					
Principal Borrowed[1]	$0	$972,500	$0	$0	$0	$0
Interest Charges / Debt Payment[2]	$0	$59,037	$59,037	$59,037	$59,037	$59,037
Total	**$0**	**$59,037**	**$59,037**	**$59,037**	**$59,037**	**$59,037**
Net Cash Flow Without Start-up Costs	**-$117,718**	**-$38,583**	**$77,662**	**$189,645**	**$243,257**	**$293,902**
Net Cash Flow w/o Loan	-$117,718	-$911,083	-$2,338	$169,645	$243,257	$293,902
Net Cash Flow All Included[3]	-$117,718	-$97,620	$18,625	$130,608	$184,220	$234,866

[1] New one-time debt to cover anticipated start-up costs possibly covering first five years

[2] Debt payment includes 20 year term and 2% annual interest

[3] Revenues minus operational expeneses, City and DOA charges and debt service

- Aggressive revenue projects based upon higher utilization driven by lower pricing
- 5 year payback with start-up costs
- "Steady state" net cash flow greater than $200K/yr

SALT LAKE CITY GOLF

Rough Financial Estimate –DOA or Additional City Charges Included – Aggressive Revenue Scenario

Wingpointe Restart Rough Financial Estimate

	FY15	Year 1	Year 2	Year 3	Year 4	Year 5
Start-up Expenses						
Clubhouse/Facility Related	$0	$50,000	$5,000			
Mainteance Equipment	$0	$600,000	$25,000			
Mainteance Materials	$0	$100,000	$25,000	$10,000		
Labor OT	$0	$100,000	$25,000	$10,000		
Cart Related	$0	$10,000				
Merchandise Related	$0	$5,000				
Café Related	$0	$7,500				
Total	**$0**	**$872,500**	**$80,000**	**$20,000**		
Revenues						
Green Fees	$553,623	$600,000	$715,000	$840,000	$910,000	$980,000
Cart Rental	$177,772	$192,500	$231,000	$252,000	$273,000	$294,000
Driving Range	$31,354	$30,000	$33,000	$42,000	$45,500	$49,000
Other Misc. Rentals	$5,936	$4,250	$4,925	$5,850	$6,025	$6,200
Retail Merchandise	$180,247	$40,000	$50,000	$60,000	$65,000	$70,000
Café	$8,743	$5,000	$5,000	$5,000	$5,000	$5,000
City Funding	$0	$0	$0	$0	$0	$0
DOA Funding	$0	$0	$0	$0	$0	$0
Other Funding	$0	$0	$0	$0	$0	$0
Oerating Loan	$0	$0	$0	$0	$0	$0
Total	**$957,675**	**$871,750**	**$1,038,925**	**$1,204,850**	**$1,304,525**	**$1,404,200**
Operating Expeneses						
Pro Shop Labor	$207,512	$205,850	$226,435	$249,079	$273,986	$301,385
Pro Shop O&M	$20,471	$7,850	$8,086	$8,328	$8,578	$8,835
Pro Shop Admin & Utilities	$75,529	$54,502	$55,320	$56,150	$56,992	$57,847
Merchandise	$130,520	$28,965	$36,206	$43,447	$47,068	$50,688
Carts	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Maintenance Labor	$298,677	$272,800	$286,440	$300,762	$308,281	$315,988
Maintenance O&M	$59,131	$59,534	$61,320	$63,160	$65,054	$67,006
Mainteancee Admin & Utilities	$223,553	$220,832	$227,457	$234,281	$241,309	$248,548
Total	**$1,075,393**	**$910,333**	**$961,263**	**$1,015,205**	**$1,061,268**	**$1,110,298**
Other Expenses						
DOA Fees[4]	$0	$43,588	$51,946	$60,243	$65,226	$70,210
City Fees[4]	$0	$17,435	$20,779	$24,097	$26,091	$28,084
Principal Borrowed[1]	$0	$972,500	$0	$0	$0	$0
Interest Charges / Debt Payment[2]	$0	$59,037	$59,037	$59,037	$59,037	$59,037
Total	**$0**	**$120,059**	**$131,761**	**$143,376**	**$150,353**	**$157,331**
Net Cash Flow Without Start-up Costs	**-$117,718**	**-$38,583**	**$77,662**	**$189,645**	**$243,257**	**$293,902**
Net Cash Flow w/o Loan	-$117,718	-$972,105	-$75,063	$85,305	$151,940	$195,608
Net Cash Flow All Included[3]	-$117,718	-$158,642	-$54,099	$46,268	$92,903	$136,572

[1] New one-time debt to cover anticipated start-up costs possibly covering first five years
[2] Debt payment includes 20 year term and 2% annual interest
[3] Revenues minus operational expeneses, City and DOA charges and debt service
[4] Includes 5% of gross revenues back to DOA and 2% to City

- Aggressive revenue projects based upon higher utilization driven by lower pricing
- 9 year payback with start-up costs
- "Steady state" net cash flow greater than $100K/yr
- Combining DOA and/or additional City charges, as well as start-up costs, course would be financially self-sustaining with aggressive revenue estimates
- Estimates for DOA charges include 5% of Revenues
- Estimates for City charges include 2% of Revenues

SALT LAKE CITY GOLF

SALT LAKE CITY
GOLF

Wingpointe Golf Course
Frequently Asked Questions
September, 2016

- Why did Wingpointe close?

  In 2012, the FAA completed a compliance review, which is also referred to as an audit, of the Salt Lake City Department of Airports (DOA) to determine if Salt Lake City (City) and the DOA comply with FAA requirements pertaining to the use of airport revenue and property.

  From 1982 to the time of the Compliance Review, the FAA awarded the DOA $350 million in Airport Improvement Program (AIP) funding. In connection with such funding, the City promised and is bound to comply with numerous statutorily-mandated regulations and grant assurances, including Grant Assurance 1, which requires the City to comply with all federal "policies, guidelines, and requirements as they relate to the application, acceptance and use" of AIP grant funds; Grant Assurance 24, the requirement for the Airport to be as self-sustaining as possible, which the FAA interprets to require that the airport receive fair market value for the provision of non-aeronautical facilities and services; and Grant Assurance 25, which prohibits revenue diversion and requires that the DOA use it's airport revenues solely for operating and capital costs of the airport. DOA compliance pertains to FAA Policy and Procedures Concerning the Use of Airport Revenues (Revenue Use Policy), 64 Fed. Reg. 7697 (February 16, 1999).

  The original (1988) MOU between City Parks and DOA for construction and opening of Wingpointe included:

  - **DOA to pay $850,000 for Wingpointe construction.**
  - **DOA to build and maintain landscaping, lighting, and an access road and bridge across the surplus canal, and to remove an existing bridge.**
  - **A 99 year use term with no obligation for City to re-negotiate, reimburse construction contribution, or pay rent to the Airport enterprise fund for the use of the airport property.**
  - **DOA wanted Wingpointe for beautifying the entrance to the airport and establishing green space.**
  - **MOU is subordinate to any future agreements between the City and U.S. Government, including the FAA grant assurances.**

  As a result of the FAA compliance review, the FAA determined it did not agree with the premise of the MOU between the City and DOA, which provided that the DOA may use airport revenue to construct Wingpointe and that the City can use the property rent free. The governing statute, 49 U.S.C. 47107(b), states that an airport sponsor may use revenues for operating and capital costs of the airport or system of airports. The use of airport revenue to construct a golf course does not qualify as an allowable use under this statute.

  The Revenue Use Policy further provides for community use of airport property, provided the property can provide no more than de minimis revenue at the time community use was contemplated. When a golf course can produce more than minimal revenue, its revenue potential must be weighed against other prospective uses. Consequently, the FAA found that Wingpointe

would not qualify, since it generated significant revenues from operations. Thus, the DOA should receive reasonable rent from the City for the use of the property, plus earn a percentage of profits from golf facilities.

The FAA recommended that, in order for the Airport to avoid federal sanctions for violations of federal regulations and grand assurances, the DOA do the following:

- Not enter into long-term MOU's or other agreements where it receives no return. For agreements that have no rent or rent of $1 per year, the term should be month-to-month.
- Invoke subordination clauses to conform to FAA rules and regulations.
- Negotiate reasonable rent for the Wingpointe property and original investment with consideration for constraints of property due to proximity to the runway.
- Provide for periodic renegotiation of rent.
- Ensure Wingpointe property re-zoning from open space use to aeronautical use.
- Although the FAA has authority to require payment of rents during a lookback period of 6 years, the FAA did not require City to repay back rents, due to a possible de minimis property value at the start of the MOU.
- Amend the MOU effective May 1, 2012 (60 days after compliance review report) to include terms consistent with the compliance review recommendations.

After extensive negotiations with the FAA, the City agreed as follows:

- Rezone the Wingpointe property from open space use to aeronautical use by July 3, 2018.
- Amend the original MOU to expire December 31, 2017, instead of June 30, 2087.
- As of July 2, 2013, begin reimbursing DOA for costs associated with providing security, managing wildlife and otherwise ensuring that the use of the property as a golf course does not impair the use of SLC International Airport as an airport. The expected costs for this reimbursement ranges from $55,000 in FY14 to $70,000 in FY17.
- If, as of December 31, 2017, the Wingpointe property is not needed for aeronautical use, the MOU may be extended an additional five years, to December 31, 2022, but only if the City pays the DOA the current appraised fair market value for rent of the golf course land.
- Fair market rent, as of the date of the City's February 4, 2013, response to the FAA, was stated as $155,000, based on a 2012 appraisal that used the current open space zoning status of the property, which amount the City determined it could not pay.
  When the Wingpointe property is rezoned to aeronautical use, the fair market rent will increase. A 2013 appraisal for the lease of 18.37 acres of airport property to Boeing resulted in an annual fair market rental rate of $0.27 per square foot. Using a discount of 25 percent for parcel size difference (the Wingpointe property is 269.83 acres total – MOU states 163.6 acres), the fair market rent for the Wingpointe property, when rezoned, will be approximately $2.4 million per year.
- If the City does not make payments to DOA, it will close the golf course and return it to the DOA.
- DOA's internal auditor will review the cost allocation plan on an annual basis.
- Failure to comply may result in DOA sanctions, including: loss of future and existing grants; withholding approval to impose a passenger facility charge; federal court action; civil penalties.

- City decided to turn Wingpointe over to DOA, which in turn closed the golf course at the end of the 2015 season.

- How was the Wingpointe land originally acquired?

  Airport land has been purchased over many years in a series of small parcel acquisitions. Specifically, land associated with Wingpointe was acquired in the 1970's and paid for by the Federal Aviation Administration by two federal grants, thus, the land is subject to federal grant regulations related to airports.

  The use of the Wingpointe land (269.83 acres) was transferred by the Airport to the City for use as a golf course effective July 1, 1988, per an MOA between the Salt Lake City Airport Authority and Salt Lake City Parks and Recreation. Despite the provisions in the MOA, the land remains subject to federal grant regulations.

- Why was it decided to build a golf course on the land?

  The drivers to build a golf course (Wingpointe) included beautification of the entrance to the Airport, the establishment of green space, and the convenience of the traveling public.

- Who designed Wingpointe?

  Arthur Hills – American golf course designer who has designed more than 180 new golf courses world-wide. Wingpointe is the only Arthur Hills designed course in Utah.

- When did the golf course open?

  Wingpointe opened for play in 1990.

- What was the original agreement with the Airport for the golf course?

  The original agreement included:

  - Start on July 1, 1988
  - End on June 30, 2087
  - Land for golf course, parking, and golf course maintenance building
  - Airport contributing $850,000 toward construction, including:
    - Airport providing landscaping, lighting, building bridge over canal and maintaining an access road to boundary of golf course, removing a bridge
  - Parks to design, construct, maintain and make improvements to course at its sole expense for entire period
  - No Parks requirement to pay rent, reimburse for contributions, or maintain roadways
  - No requirement to reconsider terms of agreement
  - Parks solely responsible for payment of utility bills
  - Parks operate in compliance with nondiscrimination laws and regulations: Title 49, Code of Federal Regulations DOT, Subtitle A, Office of Secretary, Part 21 – Non-discrimination in Federally Assisted Programs for DOT
  - Termination provisions include:
    - Parks

        - **Permanent abandonment of Airport as public airport facility**
        - **Lawful assumption by the U.S. Government of the operation, control, or use of the Airport or substantial parts, which restricts Parks for a period of at least 90 days from operating**
        - **Issuance of injunction restraining use of Airport**
        - **Default of the Airport in the performance of any covenant**
        - **Complete destruction of the golf course improvements and failure to replace improvements within 12 months**
        - **Any other activity beyond the reasonable control of Parks, which substantially restricts use of the golf course premises for 90 days**
    - **Airport**
        - **Subordinate to provisions of any existing or future agreements between City and the U.S. Government and any applicable laws or regulations relative to the operation, security, or maintenance of the Airport, the execution of or compliance with which is, or will be required as a condition precedent to the granting of federal funds for the development of the Airport to the extent that the provisions of any such existing or future agreements are generally required by the U.S. at other civil air carrier airports receiving federal funds and provided that the Airport agrees to give Parks written notice in advance of the execution of such agreements of any provisions which will modify the terms of this MOA.**

- Was the golf course was originally approved by the FAA and, if so, why did the FAA change its position regarding the golf course?

  Wingpointe was approved to operate as a golf course by the FAA in the late 1980's, but even then, was subject to subsequent changes in federal regulations. In the mid-1990's, Congress changed federal aviation regulations (FARs) related to use of airport property and revenue diversion of airport funds. This change resulted in a mandate for airports to charge fair market value for use of airport property for non-aeronautical purposes. The MOU between the Airport and the City for the lease of Wingpointe provided for no rent to be paid, which then violated the change in the federal regulations regarding charges for the use of airport property and revenue diversion.

- Why was the FAA Audit initiated?

  The FAA periodically audits airports throughout the U.S. for compliance with federal regulations. On average, two airports are audited each year. SLC was audited in 1982, and again in 2011, resulting in the findings related to the Wingpointe Golf Course. The City did not invite the FAA's compliance review.

- What is the fair market value of the Wingpointe land?
  $2.2 million, as currently zoned (open space); and approximately $20 million when zoned aeronautical use.

- How was the fair market value determined?
    - **Open space zoning fair market value – The current $2.2 million (zoned open space) value was based upon a 2012 Wingpointe appraisal.**
    - **Aeronautical use zoning fair market value- To determine fair market value based upon aeronautical use zoning, the most recent DOA land purchase of property located directly south of I-80 in 2014, with an appraised ground value of $1.65 per square foot, can be used as a comparable, making the fair market value of the Wingpointe property approximately $20 million.**

- There are golf courses on other airport properties around the country. Do the FAA requirements apply to these courses as well?

  Yes. All golf courses on Airports that are subject to federal grant regulations related to federal funding are subject to the same FAA requirements.

- What are the market lease rates for golf courses on other airport properties around the country?

  The appraisal is specific only to the Wingpointe golf course. Each golf course is appraised in consideration of the details specific to that property. The market lease rates thus would depend on local conditions.

- Why is the Wingpointe land fair market value different than the fair market value of the Mt. Olivet Cemetery land project the City completed ($1,000 per acre)?

  Valuation of real estate is very specific to the individual parcel. Important considerations include items such as location, size, site improvements, zoning, current use, highest and best use of the parcel, etc. Therefore, it would be expected that the golf course and the cemetery would have different valuations.

- Why is the Wingpointe land fair market value higher than the fair market value of the West Jordan City land (Soccer fields) adjacent to the West Jordan Airport currently being leased at $1 per year?

  As noted above, each tract of land is independently appraised. It would be surprising if the golf course and the soccer fields, in different cities, with different highest and best uses, etc., would be appraised at the same market value.

- How does the market value for Wingpointe differ from the value of land sold to UTA for the TRAX line that runs adjacent to golf course to the Airport?

  The land sold to UTA appraised with a higher fair market value per acre. As previously stated, each tract of land's value is dependent on a number of factors and there are significant differences between the UTA parcels and the golf course.

- When will the Wingpointe land be re-zoned from open space use to aeronautical use?

  By December 31, 2022

- Does the airport have plans for the Wingpointe land?

Not at this time. That decision will be made after a study has been completed to determine the highest and best use of the property, in accordance with FAA regulations and approved by the FAA, which approval is required for any construction on airport property.

- Is there an Airport Layout Plan in the Airport Master Plan showing the Wingpointe property?

  Yes.

- What will it cost the airport to maintain the property without a golf course?

  The costs to maintain the property depend on the use of the property. Currently, costs for security patrols, wildlife mitigation, mowing, etc. can be between $50,000 - $100,000 per year.

- Was Wingpointe profitable as a golf course?

  Wingpointe was profitable 3 of 7 years from FY10 to FY16.

  The highest profit was $64,689 in FY12 and the biggest loss was -$154,786 in FY14.

  Wingpointe averaged 53,088 9-hole rounds of golf per year from FY10 to FY16.

  Wingpointe has a capacity for 110,000 9-hole rounds of golf per year.

  Wingpointe averaged $1,042,559 in revenue from FY10 thru FY15 (it's last full year of operation)

  Wingpointe averaged $1,111,760 in expenses from FY10 thru FY15

  [NOTE: the above figures do not include payment of rent to the airport]

- Why is the golf course still being watered now that it is closed?

  Wingpointe greens and tee boxes are being watered minimally and maintained during the 2016 season to keep grass alive and wildlife from damaging greens. This is being done as a stop-gap measure while a final decision is being evaluated whether to keep the course closed or re-open. The costs to re-open the course would be much greater if greens and tee boxes were let go completely and needed to be rebuilt.

- What would the costs be to re-open Wingpointe?

  A rough estimate to re-open Wingpointe is $1 million in start-up costs, which includes making needed repairs to the clubhouse; purchasing maintenance equipment that was distributed to other SLC golf courses; re-stocking clubhouse and maintenance tools, supplies and materials; refurbishing kitchen and dining equipment; purchasing golf carts; purchasing sand, seed, and other grounds supplies; incurring temporary heavy water usage costs to regrow turf; and labor associated with start-up activities.

  Minimum ongoing operating costs are estimated to be roughly $910,000 to $1.1 million over the first 3 to 5 full years of operations.

- Could Wingpointe be a financially self-sustaining golf course in the future?

  A rough estimate for future revenues at Wingpointe ranges from $850,000 to $1.4 million per year over the first 3 to 5 full years of operations.

  Combined with the rough estimate of operating expenses (not including land lease), debt service related to re-opening expenses (roughly a $60,000 annual expense) and ongoing operating and maintenance expenses, Wingpointe could reasonably generate a net positive cash flow ranging from $75,000 and $234,000 per year, and a simple payback of re-opening costs as soon as year 5 (high revenue scenario) to year 18 (conservative revenue scenario).

  However, this estimate does not include any land lease expenses, which are estimated to be $2.4 million per year, based upon land being rezoned to aeronautical use.

  Consequently, including land lease expenses, Wingpointe cannot be a financially self-sustaining golf operation.

- How long would it take to re-open Wingpointe?

  If minimal watering and maintenance is continued through the fall of 2016, and full re-start efforts deployed beginning in 2017, Wingpointe could be fully operational by August 2017.

  Beyond the fall of 2016, it may not make sense to continue minimal maintenance of Wingpointe, since it likely would not be enough to prevent significant rebuilding expenses associated with greens, complexes, turf, wildlife damage, and irrigation systems.

- If Wingpointe is not re-opened, can some existing course facilities be removed and used for other Salt Lake City Golf operations, such as sprinkler heads, controllers, weather stations, bridges?

  Personal property (as opposed to real property) that was purchased with golf funds, which includes such items as rolling stock, furniture, and inventory, is not Airport property and may be removed by Golf. Most, if not all, of such property was removed at the end of the 2015 season for use at other Salt Lake City Golf operations.

  Any items that are permanently affixed as appurtenances to the property, however, have become part of the real property and Golf would need to leave the items in place or provide a replacement acceptable to the Airport for any items removed. For example, specialty putting green turf could be removed by Golf and replaced by other ground cover that satisfies the Airport's needs.

Wingpointe Advisory Task Force
Members Listed Below
October 7, 2016

Mayor Jackie Biskupski
Salt Lake City Corporation
451 South State Street
Salt Lake City, UT 84114

Dear Mayor Jackie Biskupski:

The members of the Wingpointe Advisory Task Force appreciate the opportunity to serve our community and Salt Lake City Corporation to evaluate ideas, possibilities and the viability for re-opening the Wingpointe Golf Course. Over the course of more than 45 days, the Task Force has met in-person as a group twice (for more than 4 hours), had several individual in-person and phone meetings and had numerous individual and group e-mail information sharing communications regarding Wingpointe. Through these meetings we have researched and digested much information regarding the history of Wingpointe, as well as evaluated at a high-level the prospects and opportunities for re-opening and operating the golf course in the future.

Our conclusions as a Task Force include:

A. Consistent with its original purpose and design, Wingpointe is a valuable community amenity, preserves open space, is a top-tier golf course design with corresponding course conditions available at reasonable rates to the general public, and is a significant and attractive gateway to the Salt Lake International Airport consistent with the multi-million dollar re-development of the Airport. To this end, reasonable efforts should be made to re-open the golf course and preserve it for future generations.
B. Wingpointe can be profitably operated with a focused profit-centric business model that is responsive to the market. At the time of closing Wingpointe was near break-even financially even though it was only utilized at just over 50% capacity. In addition, many private entities have verbally expressed interest in either buying or operating Wingpointe as a profitable business venture.
C. Because Wingpointe closed in 2015 and divested of equipment and in some instances left in disrepair, to re-open the course and get it operational again, a significant financial investment must be made of approximately one million dollars. It is believed by the Task Force that with the correct land lease structure, this investment would be attractive for both public and private entities.
D. Wingpointe was and could be an even stronger economic driver for the western side of the City, this includes contributing significant sales tax revenues, as well as economic development for needed nearby hotels and convention space.
E. The primary obstacle to re-opening Wingpointe is a course operator having a long-term and low- or no-cost land use arrangement with the SLC Department of Airports. The Airport appears to be hampered with its ability to conclude such an arrangement for fear of losing FAA funding due to a 2012 FAA Audit and subsequent City acceptance that restricts the land use to aeronautical use or non-aeronautical use with market lease rates and a short-term lease term.

With these conclusions as a basis, the Task Force recommends the following courses of action:

1. Discuss situation and opportunity with City Council to gain insight, support and/or to inform as to actions and recommendations of the Task Force.
2. Establish schedules and deadlines for actions and decisions to enable a final conclusion before the end of the year to prevent unnecessary costs to maintain the golf course in 2016 without corresponding revenue generation.
3. Send a letter to the FAA on the Mayor's letterhead requesting the FAA to open discussions with the City to reexamine the 2012 audit and subsequent application of FAA policies and procedures for the SLC Airport regarding the use of the Wingpointe land. **A draft letter for consideration is included with this recommendation.**
4. Pending a non or negative FAA response or as an option before sending a letter to the FAA:
    a. Engage Utah's congressional delegation (Hatch/Chaffetz) to inquire and/or apply pressure to the FAA to respond, possibly:
        i. Letting the FAA know that a letter is forthcoming from the SLC Mayor and a their desire to have this letter considered expeditiously;
        ii. Explain if and/or why the SLC Airport may be being treated differently than other airports around the country;
        iii. Why the Wingpointe land cannot continue indefinitely as a golf course operation without restrictive land-use conditions given the land has no other apparent viable uses.
5. Pending a positive or favorable FAA response:
    a. Open discussions with FAA to secure a long-term low- or no-cost land use agreement with DOA and FAA approval, justifying by:
        i. Community amenity provision in FAA rules;
        ii. Part of Airport redevelopment.
    b. Release an RFP for private and/or public partnership proposals to re-open and operate the golf course beginning in 2017.

Please let us know if you would like to discuss the details of the Task Force's work, conclusions and/or recommendations.

Thank you again for the opportunity to serve.

Sincerely,

Wingpointe Advisory Task Force

Des Barker	Kelepi Finau	Pat Shae
Mike Bailey	Dave Owen	James Roberts
Sandy Bererige	Lisa Imamura	Nate Salazar
Dan Dent	Louis Miller	Dave Spatafore
Fred Ferguson	Thomas Wright	Doug Vilven

JACQUELINE M. BISKUPSKI
Mayor

OFFICE OF THE MAYOR

The Honorable Eduardo A. Angeles
Associate Administrator for Airports
Federal Aviation Administration
800 Independence Ave., SW
Washington, D.C. 20591

November 29, 2016

Dear Mr. Angeles,

I was elected the 35th Mayor of Salt Lake City, Utah on November 3rd, 2015. As you may appreciate there are many functions of local government that continue regardless of election results. However, in the 2015 municipal election my campaign was distinguished from that of the two term incumbent by a focus and commitment to engagement of our youth, seniors and many other community members in outdoor recreation, sports and the overall enjoyment and preservation of open spaces.

Through a process culminated after 2015 election, the previous City Administration (Administration) chose to close one of Salt Lake City's premiere golf courses – Wingpointe Golf Course, designed by legendary golf course architect Arthur Hills. The closure of Wingpointe was the former Administration's response to a February 21, 2012 limited audit of the Salt Lake International Airport. I have been told that this audit was initiated by the Federal Aviation Administration (FAA). This audit was resolved through a series of letters between the previous Administration and the FAA which outlined recommended actions for the City by the FAA.

Wingpointe is located on property owned by Salt Lake City and administered by the Salt Lake City International Airport Authority. The airport property includes 7,800 acres of land, of which Wingpointe occupies a total of approximately 280 acres with 168 acres of actual golf course operations. Importantly, nearly all Wingpointe acreage is directly under the flight path of two of the airport's three runways, and occupies wetland space recognized by the Army Corp of Engineers. In addition, because of its location, history and physical characteristics, the 280 acres is not needed, nor conducive to aeronautical or other commercial purposes.

My staff and subsequently a volunteer Community Advisory Task Force comprised of key business and community stakeholders have carefully considered the closure of this golf course and the associated correspondence between the previous Administration and the FAA. In addition, members of the Task Force have visited with Senator Orrin Hatch and Representative Jason Chaffetz regarding this issue. Both lawmakers have expressed an active interest in assisting the City with finding a cost effective and reasonable solution to preserving Wingpointe, a community amenity.

Based upon our assessment, we believe the conclusions reached by the previous Administration and the FAA are not in the long-term best interest of the citizens of Salt Lake City or the State of Utah and do not accurately reflect the priorities of our City, nor our community. As such, we respectfully ask that your agency work with us to reconsider the disposition of the Wingpointe Golf Course land. We believe that with your cooperation we can reach an accommodation consistent with the priorities of our City, our airport operations and that meet the requirements of FAA policies and procedures.

We believe that a partnership and cooperation between the Federal government and local/county/state governments has never been more important. A joint effort to reconsider the remedies resulting from the 2012 audit could provide a dynamic model for how governmental entities working together can achieve good and lasting results for our citizens.

I would appreciate opening dialogue with you and/or your key staff members at the FAA to reexamine the 2012 audit and the subsequent action taken by the previous City Administration. I am confident we can reach an accord which will serve both the Salt Lake City International Airport operations and the residents of Salt Lake City well, by preserving this valuable community amenity for today's generation and future generations to come.

I look forward to our hearing back from you at your earliest convenience to open discussions.

Sincerely,

Jacqueline M. Biskupski

Jackie Biskupski
Mayor
Salt Lake City Corporation
Salt Lake City, Utah

General Fund Subsidies to the Golf Enterprise Fund*

15-May-17

Fiscal Year		Purpose	Amount
2016	Budget	Living wage subsidy to Golf Division employees	$75,000
2016	BA #5	Wingpointe basic maintenance, Jan-June 2016	$36,850
2017	Budget	Living wage subsidy to Golf Division employees	$75,000
2017	Budget	Wingpointe basic maintenance, July 2016-June 2017	$61,781
2017	Budget	Risk Management transfer	$26,361
TOTAL		***Approved subsidies, FY16 and FY17***	***$274,992***
2018 MRB	Budget	Living wage subsidy to Golf Division employees	$181,000
2018 MRB	Budget	Wingpointe basic maintenance, July 2017-June 2018	$61,781
TOTAL		***Proposed subsidies FY18****	***$242,781***

** In FY15, Budget Amendment #1, the Golf Fund sold "slivers" of unneeded property to other City units (CIP, Stormwater and Sewer Funds) to eliminate the operating deficits accumulated in FY14 and 15. This sale amounted to $1,372,798, of which $975,218 was from the general fund. In strict terms, this was not a subsidy (grant) since property was exchanged for the funds provided. However, the intent of this purchase was to resolve the Golf Fund's operating deficits while maintaining the properties as open space, and it would not likely have occurred if these deficits had not existed.*

*** Another proposed FY18 item (IMS - General Fund Costs for Rose Park Golf Course, $80,000) may represent an additional general fund subsidy to the Golf Fund. The Golf Fund indicated that this item is a systemwide change, not specific to Rose Park only. Council staff is attempting to confirm additional details with the Administration.*