



**City of Toledo**  
**Finance Department**

Thomas Skrobola, Finance Director

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Date: June 13, 2019

To: Katy Crosby, Chief of Staff

Subject: 2019 Golf Fund – Proposed Budget Amendment

Attached is legislation to amend the FY 2019 Budget for the Golf Fund. It is recommended that the City Council adopt the proposed legislation.

The FY 2019 Budget for the Golf Fund was adopted by the City Council based on estimates of project and transition costs made in the 4<sup>th</sup> Quarter of 2018. At that time, Golf courses were being operated under a lease-hold arrangement; the lease model for Golf courses had for many years shielded the City from financial losses and had also provided substantial annual revenues to the City's General Fund.

The City solicited proposals for the management of Golf courses beginning in 2019. Vendors proposed a Golf Management approach, rather than a lease. Under the Golf Management approach, the City would pay bills for labor, commodities, and other needs, and the City would assume the risk of financial losses. Further, the Golf Manager would be paid a Management Fee by the City, as well as a percentage of revenues.

In January 2019, the City Council authorized the City to award the contract for Golf Management to Davey Golf, and Davey took control in March 2019. The City had already paid the previous owner \$150,000 for equipment that had been presented as functional. Unfortunately, very little of the equipment that the City paid for functioned, the facilities were in very substandard condition, and the courses were in bad shape.

The situation has been complicated by near record rainfalls this spring, which has depressed golf play everywhere, but which has created standing water in many places on the City's three courses, especially Ottawa Park. The courses have been hit very hard, and are being recovered at this time by Davey Golf staff using new equipment authorized by the City Council.

Public Services staff have worked with Davey Golf to provide an updated Budget for FY 2019. The original "pro-forma" estimates provided by Davey Golf in April 2019 projected net losses of \$578,000. This updated Budget projects losses of \$809,000; the negative difference of \$231,000 is almost entirely in lower estimated revenues, due to delays in opening the courses.

The Golf Fund began 2019 with roughly \$270,000 in resources. In order to cover the estimated Golf Fund deficit in 2019, and to ensure that the Golf Fund has reserves in 2020, the General Fund would be estimated to provide the Golf Fund with a one-time loan of \$700,000. This would leave the Golf Fund with \$160,000, sufficient to fund several weeks of operations and/or significant equipment failure.

The loan would be paid back over 15 years at a nominal interest rate by the Golf Fund, at an estimated annual amount of \$65,000 per year. The loan would not impact the General Fund balance, since the General Fund will record a receivable from the Golf Fund for future loan payments.

City staff will be working on a daily basis with Davey Golf to monitor revenues and expenses, course conditions, cash management issues, and to assist with promoting the City's golf courses as an integral component of the City's recreational offerings. The financial goal is to ensure that the loan to the Golf Fund is a one-time event, and that the General Fund does not subsidize golf.

Sincerely,

Thomas C. Skrobola  
Finance Director