

Agendum
Oakland University
Board of Trustees Formal Session
October 18, 2024

**GOLF AND LEARNING CENTER OPERATING BUDGET FOR
CALENDAR YEAR ENDING DECEMBER 31, 2025**

A Recommendation

1. **Division and Department:** Intercollegiate Athletics, Golf & Learning Center
2. **Introduction:** The operating budget for the Golf & Learning Center (G&LC) is presented annually to the Board of Trustees (Board) for approval. Attached is a description of the G&LC (Attachment A), which outlines the previously approved business plan; the 2025 G&LC Budget Assumptions (Attachment B); the Registration and Golf Fees 2025 (Attachment C); the Oakland University (University) G&LC Proposed Budget – All Funds, 2025 (Attachment D) and the G&LC Proposed Major Capital Expenditures 2025 (Attachment E).
3. **Previous Board Action:** On December 4, 2023, the Board approved the CY2024 budget for the G&LC.
4. **Budget Implications:** The G&LC is an auxiliary operation and is self-supporting. Under the 2025 proposed budget, there is a positive operating revenue; however, a projected reduction to the existing \$5,738,156 G&LC fund balance of \$2,115,000 due to proposed major capital expenditures (See Attachment E).
5. **Educational Implications:** The G&LC is used by the Men's and Women's Intercollegiate Golf Teams. OUCares utilizes the G&LC Golf Range facilities for their programs.
6. **Personnel Implications:** The proposed budget includes salary and wage adjustments per University authorization and staffing changes as required by the G&LC.
7. **University Reviews/Approvals:** The G&LC Operating Budget was prepared by the Business Manager of the G&LC and reviewed by the Financial Performance Review Committee, Budget and Financial Planning Office, Senior Vice President for Finance and Administration, Athletic Director, and the President.
8. **Recommendation:**
RESOLVED, that the Board of Trustees approves the Oakland University Golf and Learning Center budget for the calendar year ending December 31, 2025, with budgeted operating expenditures of \$5,803,835 and proposed major capital improvement expenditures of \$2,115,000; and, be it further


RESOLVED, that any expenditure level in excess of the approved amount that is not funded by a direct revenue increase must have the prior approval of the President or his/her designee and those amounts shall be reported on a periodic basis to the Board of Trustees.

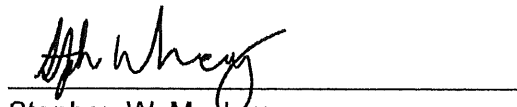
Golf and Learning Center Operating Budget
for Calendar Year Ending December 31, 2025
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9. **Attachments:**


- A. G&LC Description of Program
- B. G&LC 2025 Budget Assumptions
- C. G&LC Registration & Golf Fees 2025
- D. G&LC Proposed Budget – All Funds, 2025
- E. G&LC Proposed Major Capital Expenditures, 2025

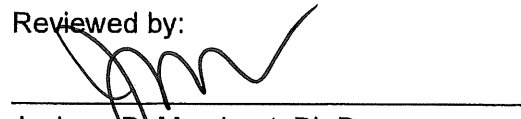
Submitted to the President
on October 9, 2024 by:


Steven C. Waterfield
Director of Athletics


Stephen W. Mackey
Senior Vice President for Finance and
Administration and Treasurer to the
Board of Trustees

Recommended on 10/15, 2024
To the Board of Trustees for Approval by:


Ora Hirsch Pescovitz, M.D.
President

Reviewed by:

Joshua D. Merchant, Ph.D.
Chief of Staff and
Secretary to the Board of Trustees

Golf and Learning Center

Description of Program

The Oakland University Golf and Learning Center (G&LC) was originally conceived in 1975 as a recreation amenity for the University community through the generous contributions of Mr. and Mrs. Katke and Mr. and Mrs. Cousins. The Katke-Cousins course opened on May 1, 1977 and it quickly took on a broader role in the community, serving also as a major vehicle to attract Oakland University (University) donors, and, through golf outings, local corporate support for the University and its educational programs. In 1999, construction of a second course began, which was added to further enhance this successful University program. Mr. and Mrs. Sharf made possible the R & S Sharf golf course which opened for play on August 25, 2000. The 36-hole golf course facility, along with The Pat Moran short game area and Berton London Learning Center practice range, has continued to grow and develop with the addition of the Steve Sharf Clubhouse in 2012. In 2021, an outdoor patio expansion to the Steve Sharf Clubhouse increased the seating capacity by 125. A new banquet facility was opened in 2014. The clubhouse and banquet buildings have increased the community interest in Oakland with a continued increase in special events and meeting requests. Additionally, OU golf team facilities were added to the property and funded by Mr. and Mrs. Tooman. The Katke-Cousins course was home to the Michigan Open in 2024. It is the only university golf course chosen for play in the past 25 years.

The G&LC is located on the University's east campus. The property is maintained by its own professional staff, including administrative and grounds employees specially trained to operate and maintain a first-rate golf facility. Recently, the complex has registered approximately 42,000 annual rounds of golf, comprised of student, faculty, staff, and alumni; as well as registered golfers from the community, and a number of corporate and charitable golf outings. The G&LC is a self-sustaining auxiliary entity within the University.

The G&LC serves an important role by providing an entry point for developing community and University relationships. The G&LC's long-range plan is to continue to maintain first-rate championship golf courses that provide all University constituencies with a pleasant recreational experience. The G&LC goal is to also sustain a high-quality image while representing Oakland University as an outstanding educational institution.

Key Performance Indicators

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Rounds of Golf	49,556	42,559	42,719*
Golf-Registrations – Full status	924	823	815*
G&LC Fund Balance	\$4,621,481	\$5,821,994	\$5,738,156*

*Estimate

Golf and Learning Center

2024 Explanation of Major Changes

Golf has continued to provide an outlet for families to enjoy outdoor activities together, contributing to a high demand for registrations, outings and events. To provide optimal experiences for golfers, the annual registration limit was set at 800 full status affiliates for 2024. Spouse and child enrollments of 15 are treated as secondary full status, bringing the combined full and secondary status registration totals to 815. Using prior years as a benchmark, we are projected to have over 42,000 rounds of golf this year, generating an additional \$109,000 over the budgeted operating revenue.

A forecasted increase in Retail Sales, based on benchmarking sales through July compared to prior years, contributes to an anticipated 7% increase in profit margin over budgeted.

Investment income is up due to a conservative budget forecast for CY24.

Compensation variances can be attributed to the Director position that was left unfilled during 2024. The department was also without an Accounting Clerk for 2 months, which contributed to the lower than anticipated total compensation expense.

Supplies and Services expenses exceeded budget due to inflationary price increases, as well as an increase in contract feeding/catering expenses of approximately \$50,000. The largest factor impacting the variance was a higher income tax liability than budgeted – the combined result of better than anticipated business income and project delay expenses that could have mitigated those taxes.

A positive variance in Repairs and Maintenance was the result of negotiating discounted chemicals and fertilizers with the vendors, and the termination of our rental agreement with Top Tracer in July, which saved us \$2,300 a month in equipment rental costs.

Capital expenditures were re-prioritized. The cart path repairs have been postponed, and several equipment purchases have been pushed out to FY2025. CY2024 Major Capital Expenditures included:

Business Office Boiler Replacement	63,955
Grounds/ Course Equipment	130,399
Rain Shelter Budget Increase	35,000
Bunker Restoration Project	700,000
New Golf Cart Fleet	<u>825,704</u>
Estimated Total CY2024 Capital Exp.	\$1,755,058

Golf and Learning Center

2025 Budget Assumptions

Budgeted revenues anticipate the continued success of the current G&LC business plan that was presented in 2018 and updated and approved by the Oakland University Board of Trustees (Board) annually. Golf industry trends continue to experience a higher number of golfers, as well as participation and frequency rates. The game of golf provides a safe, outdoor recreation and has brought families out to enjoy an activity together. The G&LC continues to be successful attracting new golfers, with a focus on the younger generation. Our objective is to maintain the current registration limit of 800 affiliates. A waitlist has been established which exceeds normal annual attrition. For 2025, registration and greens fees will remain unchanged, while cart fees will increase by \$2 across the board to supplement the cost of purchasing the new fleet.

Projections for 2025 golf rounds and net revenue for the G&LC were made after review of historical data and benchmarking with previous years, and we anticipate 40,000 golf rounds at fees shown in Attachment C. For CY2025 the G&LC has created an incentive program to increase the amount of platinum affiliates. With the anticipated increase of platinum affiliates from 12 to 20 and the increase in cart fees, we are budgeting an incremental operating income of \$100,000, as compared to the CY2024 budget. Based on CY2024 sales, we are also budgeting for increased pro shop sales revenue of \$175,000, increasing the CY2025 budget vs CY2024. This revenue budget reflects a conservative approach toward weather conditions as well as projected inflationary increases in labor, supplies and services, and utilities. An increase in Compensation is the result of increased personnel needs to support growth in operations as outlined below.

Beginning CY2025, we will no longer be contracting the Rick Smith Golf Academy. Instead, we will offer lessons in house with our PGA professional and Director of Instruction, a new position which we anticipate to fill in 2025. We anticipate moving instruction in-house which will improve our profit margin, while eliminating fees paid to the academy. In addition to the monthly fees paid to the academy, we also were paying a commission of 85% for each lesson sold. For 2024, this commission amount was \$66,558 through July.

The Golf and Learning Center has no plans to fill the Director position. Our General Manager, Nick Pumford will serve as the head of the department. The increase in compensation from the CY2024 can be attributed to several factors. There are two new positions, Director of Instruction, and Assistant PGA Professional which have combined salary and benefits of \$78,657 for CY2025. In order to attract and retain top talent, the department has increased the salary for the PGA Professional position. Including fringe and benefits, this increase accounts for an additional \$19,297 over CY2024. The anticipated Michigan minimum wage increase to \$12.40 from \$10.33 accounts for an increase of approximately \$26,391 in salary, fringe and benefits for our hourly Pro Shop, bag drop, and starter staff, using CY2024 hours as a baseline.

ATTACHMENT B
(Continued)

Capital Expenditures include an additional \$1M necessary for the reshaping and restoration of the course bunkers. This is in addition to the \$700,000 that was transferred to the project fund in 2024 and is the result of changes to the scope of the project. The planned new maintenance building will serve as storage for the golf course maintenance team and will incorporate new fuel tanks, which is a capital project postponed from CY24.

The 2025 budget results in an anticipated fund balance at December 31, 2025 of \$4,287,994.

Golf and Learning Center

REGISTRATION AND GOLF FEES 2025

Golf Registration Options:

BRONZE	\$1,875
STERLING	\$1,750
SILVER	\$2,500
GOLD (all-inclusive personal golf fees)	\$5,900
PLATINUM (all-inclusive personal golf fees, personal golf car fees and practice range fees)	\$9,100

	<u>WEEKDAY</u>		<u>WEEKEND/HOLIDAY</u>	
	9 Holes	18 Holes	9 Holes	18 Holes
KATKE-COUSINS GOLF COURSE				
Students, Full Time	\$13.00	\$14.00	\$14.00	\$20.00
Students, Part Time	\$19.00	\$25.00	\$21.00	\$28.00
Student's Family, Faculty/Staff and Family	\$33.00	\$40.00	\$38.00	\$45.00
BRONZE/SILVER/STERLING	\$33.00	\$40.00	\$38.00	\$45.00
Guests	\$60.00	\$75.00	\$65.00	\$83.00
Golf Car (per golfer)	\$24.00	\$37.00	\$24.00	\$37.00

	<u>WEEKDAY</u>		<u>WEEKEND/HOLIDAY</u>	
	9 Holes	18 Holes	9 Holes	18 Holes
R & S SHARF GOLF COURSE				
SILVER/STERLING and Student/Faculty/Staff and Family (includes golf car)		\$83.00		\$88.
Guests of PLATINUM/GOLD/SILVER/Student/ (includes golf car)		\$110.00		\$115.00
Guests – nonaffiliate (includes golf car)		\$130.00		\$135.00
Golf Car for GOLD affiliates		\$37.00		\$37.00

Oakland University
Ancillary Activities Operating Budget
Golf and Learning Center
Proposed Budget - All Funds
Calendar 2025

	2023 ACTUAL	CY2024 BUDGET	CY2024 ESTIMATED ACTUAL	CY2025 PROPOSED BUDGET
<u>Revenue:</u>				
Operating Revenue	\$ 6,056,838	\$ 5,565,878	\$ 5,727,045	\$ 5,665,878
Retail Sales	434,163	405,000	580,223	579,900
OU Purchased Services	12,645	12,849	12,849	15,395
Gifts and Grants	10,775	7,500	11,194	7,500
Investment Income	265,146	15,000	366,701	200,000
Total Revenue	<u>\$ 6,779,567</u>	<u>\$ 6,006,227</u>	<u>\$ 6,698,012</u>	<u>\$ 6,468,673</u>
<u>Expenditures:</u>				
Compensation	\$ 1,961,685	\$ 2,427,833	\$ 2,229,183	\$ 2,783,727
Supplies and Services	1,140,897	1,250,463	1,406,986	1,425,425
Repairs and Maintenance	510,846	724,500	528,750	682,000
Cost of Retail Sales	375,210	338,750	444,590	485,000
Equipment	21,684	78,108	66,941	15,000
Insurance	12,362	13,633	13,633	17,324
Utilities	136,379	162,000	132,718	167,000
Debt Service	-	-	-	-
Overhead charged by OU	196,767	203,991	203,991	228,359
Other Transfers	(10,626)	-	-	-
Total Expenditures	<u>\$ 4,345,204</u>	<u>\$ 5,199,278</u>	<u>\$ 5,026,791</u>	<u>\$ 5,803,835</u>
Net Income	<u>\$ 2,434,363</u>	<u>\$ 806,949</u>	<u>\$ 1,671,220</u>	<u>\$ 664,838</u>
<u>University Support:</u>				
Project A	\$ -	\$ -	\$ -	\$ -
Total University Support	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Income with Univers	<u>\$ 2,434,363</u>	<u>\$ 806,949</u>	<u>\$ 1,671,220</u>	<u>\$ 664,838</u>
<u>Ending Balances prior to Major Cap. Expenditures:</u>				
Restricted Fund Balance *	\$ 9,932	\$ 10,563	\$ 10,563	\$ 10,563
Unrestricted Fund Balance	7,045,911	6,618,380	7,482,651	6,392,431
Less: Major Capital Expendit	1,233,849	2,307,551	1,755,058	2,115,000
Total Ending Fund Balan	<u>\$ 5,821,994</u>	<u>\$ 4,321,392</u>	<u>\$ 5,738,156</u>	<u>\$ 4,287,994</u>
London Annuity			<u>\$ 10,563</u>	
Restricted Fund Balance *			<u>\$ 10,563</u>	

Oakland University
Golf and Learning Center
Proposed Major Capital Expenditures
Calendar 2025

Attachment E

<u>Item Description</u>	<u>Estimated Cost</u>
<u>Grounds:</u>	
Katke Bunker Improvements	1,000,000
Auxiliary Putting Green Katke	30,000
Tree, limb and debris removal	45,000
Golf Course Phragmite Spraying	10,000
<u>Building Projects:</u>	
New Maintenance Building	800,000
Pro Shop Shelving Upgrade	75,000
Pro Shop Office Expansion	25,000
Drink Station Upgrades	25,000
Katke Building Roof	60,000
<u>Equipment:</u>	
New Range Ball Dispenser	15,000
Rain Hoods for Cart Fleet	30,000
Total	\$ 2,115,000