



City of Rockville

MEMORANDUM

September 17, 2010

TO: Scott Ullery, City Manager

FROM: Burt Hall, Director of Recreation and Parks

SUBJECT: Municipal Golf Business – Profit Centers

Staff is researching information on the relative value of the different, standard profit centers at municipal golf courses. This memo reports information provided by Billy Casper Golf (BCG), which manages more than 100 municipal courses in the U.S., including a large number in the mid-Atlantic. I spoke with BCG's Business Development Manager Rob Waldron.

- For most of BCG's municipal courses, the primary profit centers are greens fees and cart rentals. Sales of memberships and multiple play passes, and the driving range are common secondary profit centers.
- More minor profit centers include food and beverage and pro shop sales, although both of these are vitally important to the overall success of the facility and to customer satisfaction. As is the case at RedGate, based on information received from the Head Pro, Mr. Waldron stated that both of these operations have high associated costs of operations, and slim profit margins accordingly.
- For food and beverage sales, Mr. Waldron stated a 10-15% profit margin represents very good performance. For a typical municipal course hosting 40,000 rounds per year, BCG's goal is to gross an *average* of \$3 - \$5 dollars per round in food and beverage sales, generating annual gross sales in the range of \$120,000 to \$200,000. A 10-15% margin would yield net annual profits of between \$12,000 and \$30,000. Some courses that have a banquet hall or pavilion that can host large groups for outings, social events etc. accrue higher gross sales, and larger profits.
- For most courses, the instructional program also falls into the category of a minor profit center. A quality lesson program is important to the golfers and to the overall success of the facility but does not generate significant income in relation to the primary and secondary profit centers. BCG generally splits the lesson fee 25-75 with the instructors; the Mont. Co. Revenue Authority splits the lesson fees either 30-70 or 40-60. The additional personal income for the assistant pros aids in offsetting lower base salaries.
- At RedGate the full-time teaching pro averages 2,000 lessons per year and other assistants teach approximately 300 additional lessons. At an average rate of \$40 per lesson, using MCRA's average 35-65 split, this would generate net income for the City of \$32,200. This would represent just slightly more than 3% of RedGate's overall revenues, which would be of course helpful, but would not add substantially to the overall profitability of the course.
- Driving ranges, particularly lighted ones, can generate substantial net income reaching well into six figures, and have relatively low cost of operation. A lot depends on hours of operation, location and the quality of the practice and teaching facilities.