



Municipal Golf Operations in Minnesota

Teeing Off
on Taxpayers

★
**FREEDOM
FOUNDATION
OF MINNESOTA**
★

INTRODUCTION

Minnesota may be the official “State of Hockey”, but given that we boast 500+ golf courses and the highest rate of golfers per capita in the nation, it could just as easily assume the title “State of Golf.” In fact, Minnesota has the fifth most golf courses per capita in the country.

Among the hundreds of Minnesota golf courses are just over 100 municipal courses owned by approximately 70 cities across the state—roughly one in five courses. Many cities got into the golf business at the same time as designer courses and communities went up all over the country in the late 1980s and 1990s.

Yet the popularity of the game has declined steadily in the last decade or so, leading to fewer rounds, fewer green fees, and subpar financial results at many city-run links. In 2007, the most recent year for which comprehensive data are available, Minnesota’s municipal golf enterprise funds combined for approximately two million dollars in operating losses. The problems of these struggling municipal courses are compounded by declining revenues at all levels of government and reductions in Local Government Aid.

“In an increasingly tight golf market, it’s critical we’re focused on our plan,” wrote Troy Malo, golf director for the City of Becker, in their recent city newsletter. “We risk losing customers to the course down the road, and there are plenty to choose from.”

While many community courses scramble to make the cut, the negative trend led the southern Minnesota city of Renville to get out of the golf game altogether. Between 2003-2007, Stoney Creek Golf Course’s operating losses amounted to nearly \$100 per resident per year, with significant annual debt service obligations on top of that. Unable to make the 9-hole track cash flow, the city sold it to a local business owner for \$622,500, preserving what many view as a valuable asset to the community.

“We didn’t run it like a business and that’s where we got in trouble,” said Paul McLaughlin, Renville city administrator. “The new owners are expanding it and running it in a whole different manner.”

Minnesota has abundant golf opportunities with or without government-run courses. By competing with private enterprise, and doing so at a distinct advantage, city governments hurt small business. And since government need not turn a profit, it can set artificially low prices, forcing residents to cover the losses. Simply stated, government-run golf is a bad deal for Minnesota businesses and taxpayers.

THE TRUE COST OF GOVERNMENT GOLF COURSES

All city-owned courses, including the very few that are profitable, have significant “hidden” costs not accounted for in either operating or net income.

First, in order to acquire property, fund construction or renovation of course facilities, and purchase equipment, most cities issue capital bonds which taxpayers pay off over a period of years or decades. Many of the cities included in this report not only lose tens or hundreds of thousands of dollars on operations each year, but also make significant debt service payments to retire their golf course bonds.

The public also incurs a significant “opportunity cost” by using substantial tracts of desirable land for a seasonal sporting activity engaged in by a relatively small percentage of residents for no more than five months each year. Many municipal golf courses occupy valuable real

estate that could serve much broader purposes, within the public or private sector, with substantially less risk to taxpayers.

ABOUT THIS REPORT

Municipal golf operations included in this report have reported poor operating income year after year. For the purposes of this report, FFM analyzed five years of City Enterprise Fund financial data. Enterprise Funds are government operations that rely largely on user fees or service charges for revenue. While golf courses clearly fall under that category, some cities choose not to designate their golf courses as Enterprise Funds. The Office of the State Auditor, charged with overseeing local units of government, has advised cities to be more diligent in appropriately classifying funds. This report does not include cities without a designated golf Enterprise Fund.

SUMMARY: TOP 10 MUNICIPAL GOLF (MONEY) HOLES IN MINNESOTA

#1) City of Moorhead – The Meadows and Village Green

#2) City of Buffalo – Wild Marsh Golf Course

#3) City of Chaska – Chaska Par 30 and Chaska Town Course

#4) City of Anoka – Greenhaven Golf Course

#5) City of Becker – Pebble Creek Golf Club

#6) City of Virginia – Virginia Golf Course

#7) City of Little Falls – Little Falls Country Club

#8) City of New Prague – New Prague Golf Club

#9) City of La Crescent – Pine Tree Golf Course

#10) City of Janesville – Prairie Ridge Golf Course

“Out of the Rough” Award: City of Renville

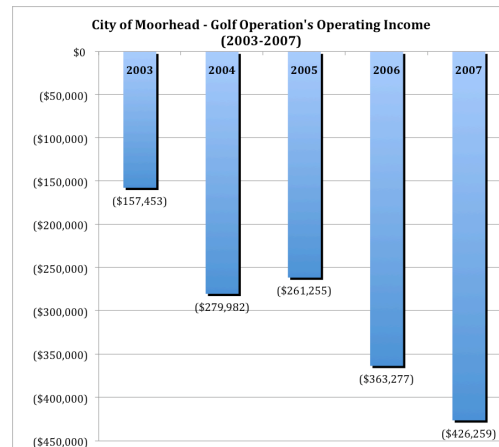
The Freedom Foundation of Minnesota is an independent, non-profit 501(c)3 educational and research organization that advocates the principles of individual freedom, personal responsibility, economic freedom, and limited government. Founded in 2006, we hope to create a better and more vibrant future for every Minnesotan by helping shape sound public policy. We tackle issues important to every Minnesotan and provide real-time, proven research and policy alternatives to help further the debate among leaders in government, the media, and the citizenry.

TOP 10 MUNICIPAL GOLF (MONEY) HOLES IN MINNESOTA

#1) CITY OF MOORHEAD – THE MEADOWS AND VILLAGE GREEN

The City of Moorhead owns two 18-hole municipal golf courses, The Meadows and Village Green. The courses currently host an average of 28,000 rounds annually according to the city's 2009 budget. Unfortunately, that's not nearly enough to make the golf department a self-supporting operation.

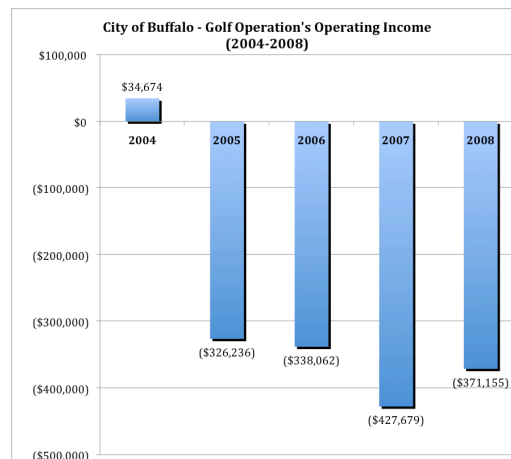
The city has not turned an operational profit in more than five years, yet golf spending accounts for 2.8% of Moorhead's 2009 annual operating budget, more than their Information Technology and Library budgets combined.



CITY OF MOORHEAD - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
35,329	\$7,138,054	2	5+	\$8.09	\$1,488,226	12

#2) CITY OF BUFFALO – WILD MARSH GOLF COURSE

The City of Buffalo purchased Wild Marsh Golf Club in May 2004. And while it turned a small operating profit that first year, it's been deep in the red ever since. In 2008, the course was budgeted to bring in \$1.68 million in total revenue. Actual revenue was closer to \$1.02 million, 39% under budget. And while it may be tempting to blame the slow golf season on a bad economy, Buffalo's golf woes pre-date the current recession. Each year since 2005, the city has been forced to transfer funds intended for other programs to pay off golf course debt. In an effort to staunch the bleeding, Buffalo city leaders have decided to increase fees and spend more on marketing.

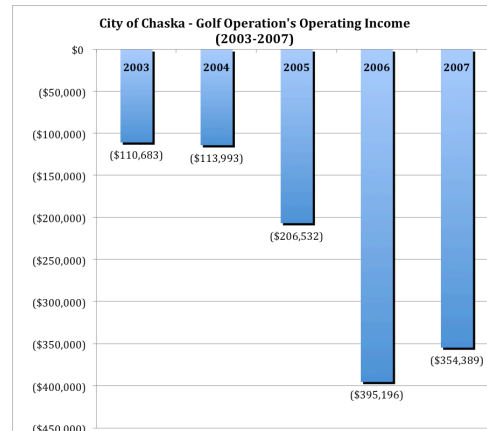


CITY OF BUFFALO - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of Municipal Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2004-2008)	# of Golf Courses Within 20 Miles
14,058	\$584,522	1	4	\$20.32	\$1,428,458	31

#3) CITY OF CHASKA – CHASKA PAR 30 AND CHASKA TOWN COURSE

The City of Chaska is home to the venerable Hazeltine National Golf Club, which will host the PGA Championship later this year. But Hazeltine isn't the only golf game in town. Chaska is also home to two lesser draws, the Chaska Par 30 and Chaska Town Course, municipal-owned courses that lost almost \$1.2 million between 2003-2007.

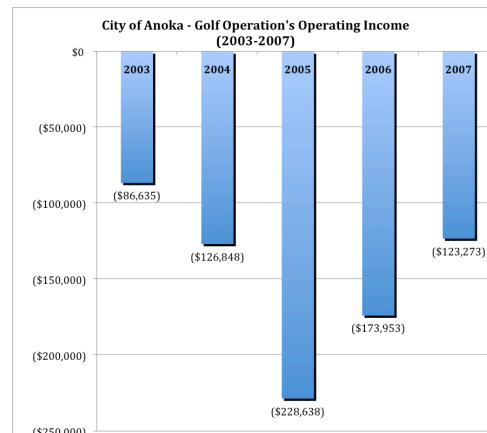
CITY OF CHASKA - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
23,947	\$74,533	2	5+	\$9.86	\$1,180,793	63



#4) CITY OF ANOKA – GREENHAVEN GOLF COURSE

The City of Anoka's municipal golf course couldn't be more aptly named: Greenhaven. Unfortunately for the 17,000 Anoka residents, the 18-hole course is a haven for the green that comes out of their wallets. From 2003-2007, Greenhaven lost \$739,347, and the course had a projected loss of \$158,251 in 2008.

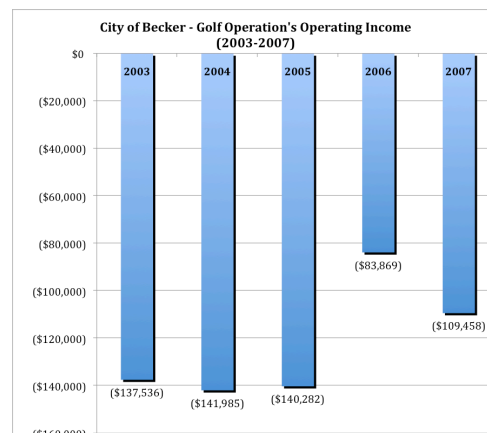
CITY OF ANOKA - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
17,261	\$671,441	1	5	\$8.57	\$739,347	63



#5) CITY OF BECKER – PEBBLE CREEK GOLF CLUB

The city of Becker built the 27-hole Pebble Creek Golf Club in the midst of the golf rush of the late 1980's and 1990's. The 27 competing golf courses in a 20-mile radius have led to an ever-increasing financial handicap for taxpayers. As the course's own golf director has acknowledged, "We risk losing customers to the course down the road, and there are plenty to choose from." Pebble Creek's 2003-2007 losses average over \$100,000 annually, but you'd never know it by the city's purchase of 84 new golf carts for \$215,114 in 2008. Fore!

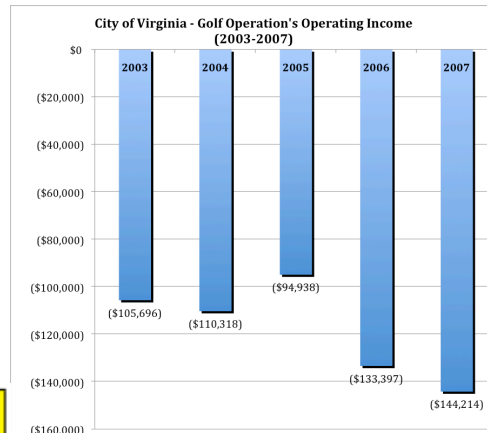
CITY OF BECKER - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
4,093	\$12,315	1	5+	\$29.96	\$613,130	27



#6) CITY OF VIRGINIA – VIRGINIA GOLF COURSE

The City of Virginia's website still asks potential golfers to "check back soon for the 2006 Golf Course Schedule of Events!" The site also features other outdated items, including the 2006 maintenance schedule and 2004 golf rates. Unfortunately, the city's habit of losing money on the Virginia Golf Course is not a thing of the past. The Iron Range city racked up \$588,563 in losses between 2003-2007, par for the course for a city that seems intent on throwing good money after bad.

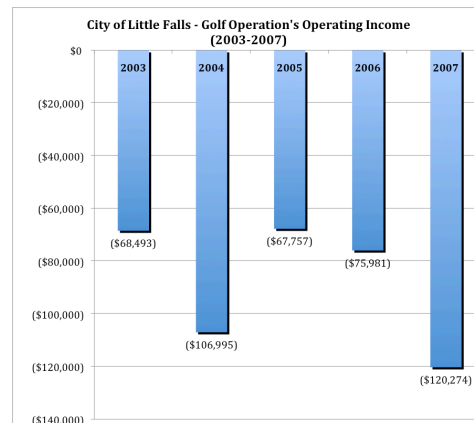
CITY OF VIRGINIA - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
8,509	\$3,846,642	1	5+	\$13.83	\$588,563	5



#7) CITY OF LITTLE FALLS – LITTLE FALLS COUNTRY CLUB

The Little Falls Country Club is another perennial muni money hole. The course lost \$439,500 between 2003-2007. For a city with just over 8,100 residents, that's a difficult loss to absorb, but thanks to about \$2 million annually in Local Government Aid, all state taxpayers are helping to foot the bill.

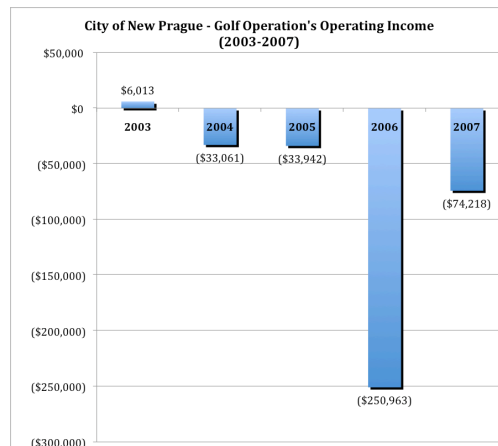
CITY OF LITTLE FALLS - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
8,133	\$2,020,180	1	5+	\$10.81	\$439,500	2



#8) CITY OF NEW PRAGUE – NEW PRAGUE GOLF CLUB

After turning a very modest profit in 2003, the New Prague Golf Club has become a black hole for taxpayer money, losing as much as \$250,000 in a single year. With more than 20 other golf courses within easy driving distance, it's hard to see the need for this municipal money hole.

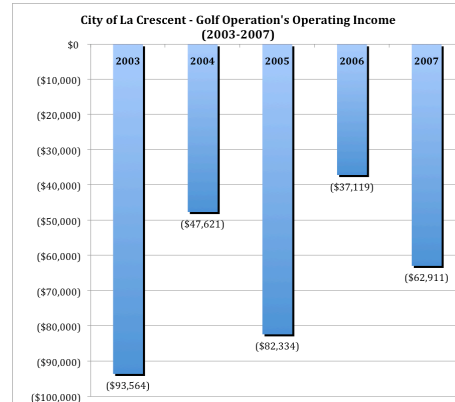
CITY OF NEW PRAGUE - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
6,994	\$571,447	1	4	\$11.04	\$386,171	21



#9) CITY OF LA CRESCENT – PINE TREE GOLF COURSE

Pine Tree Golf Course in La Crescent offers some of the lowest green fees around: \$9 for 18 holes for juniors with a paid adult or 50 cents per hole. Unfortunately, taxpayers are in the hole as well, due to \$323,549 in operating losses over five years. That's quite a bite out of the municipal budget for a city that's known as the Apple Capital of Minnesota.

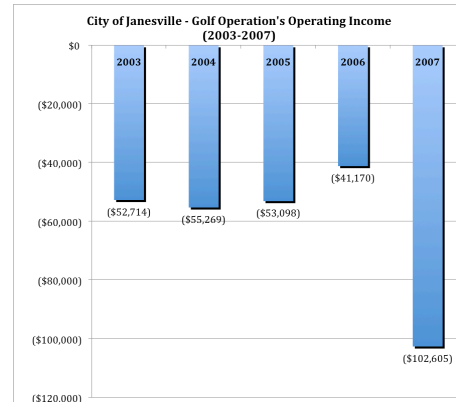
CITY OF LA CRESCENT - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
5,157	\$465,312	1	5+	\$12.55	\$323,549	14



#10) CITY OF JANESVILLE – PRAIRIE RIDGE GOLF COURSE

Prairie Ridge Golf Course in Janesville is on a losing streak with no end in sight. The 9-hole southern Minnesota municipal track took a \$300,000 divot out of the city budget from 2003-2007. That gives golfers and non-golfers alike less green to work with, given the annual golf subsidy of roughly \$27.50 per capita for each of the city's 2,200 residents.

CITY OF JANESVILLE - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
2,213	\$621,571	1	5+	\$27.55	\$304,856	2



"OUT OF THE ROUGH" AWARD: CITY OF RENVILLE

The "Out of the Rough" Award goes to the City of Renville, which sold Stoney Creek Golf Course following nearly \$600,000 in losses from 2003-2007. Before selling to a local business owner, the city of 1,200 teed up nearly \$100 per capita annually to keep the sprinklers running. "We didn't run it like a business and that's where we got in trouble," said Paul McLaughlin, Renville city administrator. "The new owners are expanding it and running it in a whole different manner." But more importantly, Renville taxpayers are no longer on the hook, paying for their neighbors' recreation.

CITY OF RENVILLE - Municipal Golf Scorecard						
Population (2007 estimate)	2008 Local Government Aid	# of City-Owned Golf Courses	Consecutive Years of Golf \$ Losses	Average Annual Per Capita "Golf Subsidy"	Golf Losses (2003-2007)	# of Golf Courses Within 20 Miles
1,229	\$400,076	1	5+	\$96.71	\$594,286	4

