

City of Portland Golf Program

May 1995



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON
OFFICE OF CITY AUDITOR

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May 30, 1995

TO: Vera Katz, Mayor
Earl Blumenauer, Commissioner
Charlie Hales, Commissioner
Gretchen Kafoury, Commissioner
Mike Lindberg, Commissioner
Charles Jordan, Director of Parks and Recreation

SUBJECT: Audit of the City Golf Program

Attached is Audit Report #193 on the City of Portland's golf program. The audit was conducted in accordance with our FY 1994-95 audit schedule, and a summary of results is provided at the beginning of the report.

Because of the golf program's current financial problems and the need for immediate action by Council, the final draft of our report was distributed to all members of Council and others involved with the golf program. We summarized the results of our findings at Council's informal on the City golf program on May 23. We previously received input on a working draft of our report from Commissioner Hales' office, the Bureau of Parks and Recreation, the Office of Finance and Administration, and the City Attorney's office.

There appears to be consensus on necessary actions to address the golf program's financial needs. Written responses from Commissioner Hales and Parks Director Charles Jordan are attached to our report and indicate general agreement with our recommendations. As with other audits, we ask for a written status on the actions taken six months following the issuance of this report.

We appreciate the cooperation we received from the Bureau of Parks and Recreation, golf course concessionaires, and others with whom we worked in conducting this audit.

Barbara Clark
Barbara Clark, CPA
Portland City Auditor

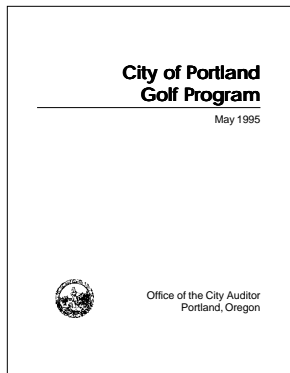
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A Report by the Audit Services Division
Report #193

Office of the City Auditor
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Production/Design

This report was produced in-house using desktop publishing software on IBM and compatible personal computers, and a Postscript laser printer. Aldus Pagemaker 5.0 for Windows was used to produce the finished product. Tables were created manually using Pagemaker, while Wordperfect 5.1, ABC SnapGraphics, Harvard Graphics and Quattro Pro 4.0 were used to enter text, produce graphs/figures, and produce flowcharts.

Desktop Publishing: Robert Cowan

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Summary

The City of Portland operates one of the best municipal golf programs in the country. City-owned courses are highly rated by national golf organizations and golf customers are very satisfied with course conditions and services. The five 18-hole courses managed and operated by the Bureau of Parks and Recreation have offered high quality golf at a reasonable price.

Our comprehensive review of the City's golf program also identified opportunities to improve financial management, control course maintenance costs, and strengthen program management. The following sections highlight our most important findings and recommendations.

Fee Increases Hurt Financial Condition of Golf Program

Play at City courses declined significantly over the past year. Rounds played during the last six months of 1994 were down 16 percent from the year before. The primary cause of this decline has been rapid increases in golf fees adopted by City Council over the past year. In particular, golfers who do not reside in the City, about half of all customers, now pay greens fees that are 12 percent higher than the average of other public courses in the region, and 40% more than a year ago. Many customers were angered by the nonresident fee and reduced their play at City courses.

The drop in play has seriously affected the financial condition of the golf program. The fund's bank account is overdrawn, and a year-end deficit is likely in the Golf Fund. In addition, the program may have difficulty paying principal and interest on outstanding revenue bonds and maintaining sufficient reserves required by the bond agreements.

Continued financial problems will affect the quality of the City's golf program. The Bureau has curtailed course maintenance and capital improvement projects this year. Reduced maintenance and fewer improvements in the future will affect the condition of courses and the value of the asset. Failure to comply with bond agreements could tarnish the City's image in credit markets.

**More Efficient Course
Maintenance is
Possible**

The City of Portland appears to spend more to maintain its courses than the average of other municipal courses around the country. In addition, operating expenditures per hole have increased faster than inflation over the past five years. Although more spending may be needed to operate Portland's high quality golf program, we believe quality can be maintained at a lower cost if the Bureau of Parks and Recreation achieved efficiencies in the following ways:

- Increase the use of annual supply contracts that provide discounted prices on frequently purchased items such as fertilizer, sand, tools, and equipment.
- Provide more supervision and control over equipment and supply purchases by course maintenance staff.

- Improve equipment management to safeguard assets, control repair costs, and reduce unnecessary purchases.
- Seek changes in labor agreement contracts that cause higher costs for unskilled and early shift work.

In addition, the Bureau has not done a good job of planning and controlling capital improvements at the City's golf courses. Improvements at two courses have far exceeded original plans and cost estimates, while high priority projects at the other courses have not been completed. The Bureau has assigned support staff to the golf program to help address this problem.

**Opportunities to
Strengthen Program
Management**

The Bureau could take a number of actions to strengthen its management of the City golf program. Specifically, we believe the Bureau should strongly consider (1) putting all City courses on a single computer-aided tee time reservation and management information system, (2) more frequent and rigorous monitoring of concessionaire operations to ensure compliance with the provisions of City contracts, (3) obtaining an independent mediator to help resolve ongoing disagreements between the Bureau and the private operator of the Progress Downs golf course, and (4) clarifying structure, responsibilities, and performance expectations of golf program management.

Recommendations To help Council and the Bureau of Parks and Recreation improve the management of the City golf program, we make a number of specific recommendations in chapter 5 of this report. In brief, we recommend:

- City Council establish a policy that ensures golf revenues are used first for ongoing operational and financial requirements before they are used for other purposes.
- The Bureau pursue ways to provide quality golf course maintenance at a lower cost.
- The Bureau develop better methods for evaluating, controlling, and overseeing the City golf program.

Chapter 1 Introduction

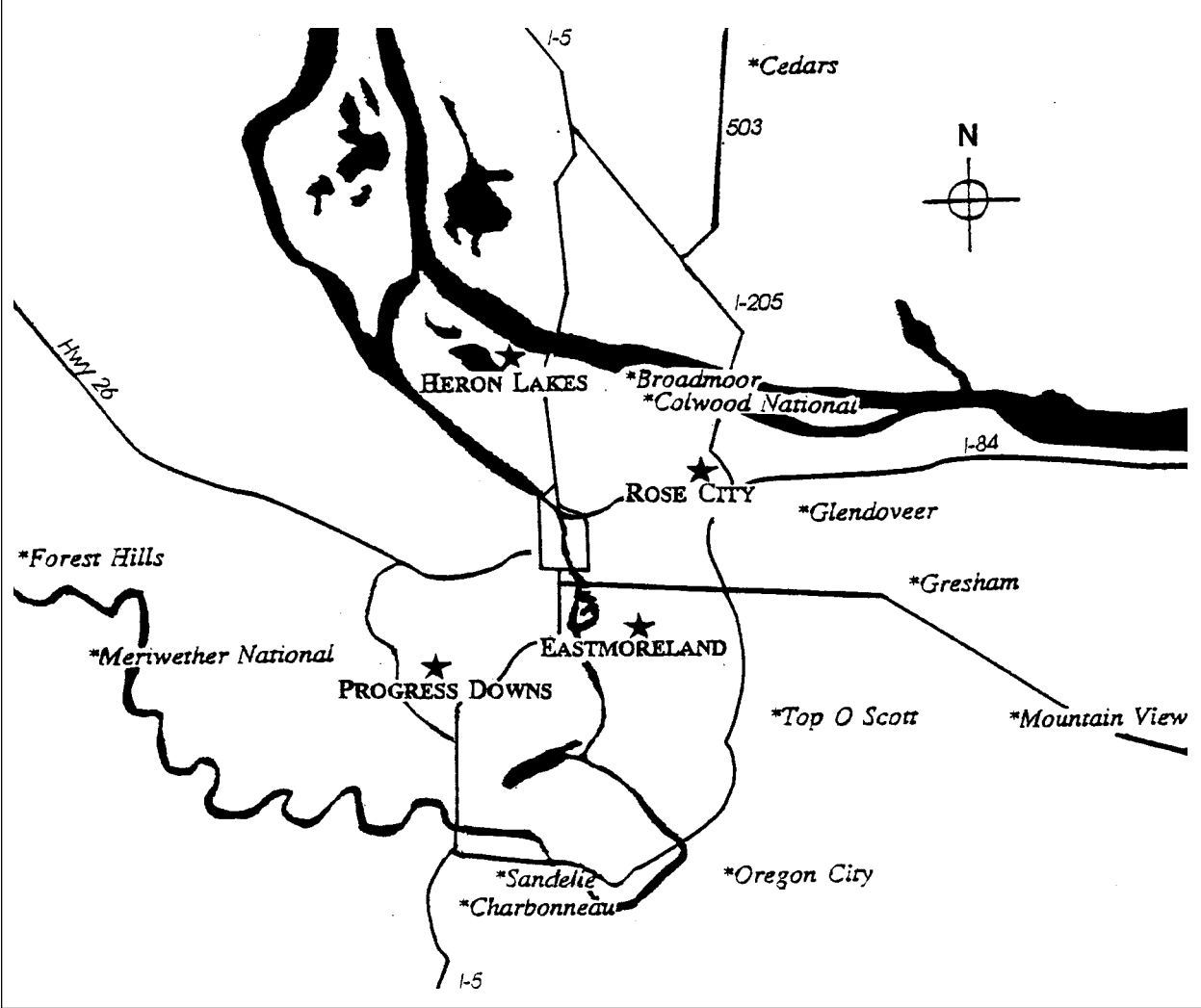
This is the Audit Services Division's first comprehensive audit of the City of Portland golf program. In 1984, we audited the Bureau of Parks and Recreation concessionaire contracts, which included a review of the adequacy of cash controls over golf concessions.

This audit was included in the City Auditor's FY 1994-95 audit schedule. We conducted our work in accordance with generally accepted government auditing standards and limited our review to those areas specified in the objectives, scope, and methodology section of the report.

City Golf Program The City of Portland operates a self-supporting golf program which includes five 18-hole courses at four locations around the City (see map on following page.) The courses include Eastmoreland, Rose City, Heron Lakes, and Progress Downs. Heron Lakes has two 18-hole courses – the Green Back and the recently completed Great Blue. A brief comparison of the courses is provided in Table 1.

Figure 1

Map of City-Owned Golf Courses and Other Public Courses in the Portland Region



NOTE: Public courses (in italics) in this map are 18-hole public courses which we included in our survey of greens fees.

Table 1 Comparison of the City's Golf Courses (FY 1993-94)

| | Number of Holes | Driving Range? | 9-Hole Rounds Played | Gross Receipts * |
|----------------------------------------------------|-----------------|----------------|----------------------|------------------|
| Eastmoreland 2425 SE Bybee Blvd. | 18 | Yes | 136,446 | \$2.5 million |
| Rose City 2200 NE 71st Ave. | 18 | No | 125,041 | \$1.3 million |
| Heron Lakes 3500 N. Victory Blvd. | 36 | Yes | 228,534 | \$3.4 million |
| Progress Downs 8200 SW Scholls Ferry Rd. | 18 | Yes | 135,552 | \$4.5 million |

SOURCE: Bureau of Parks and Recreation financial records.

* All course receipts, including both City and concessionaire earnings.

The mission of the City's golf program is to provide "...a high quality public golf program on a self-supporting basis". Golf course operation and maintenance is directed at providing playing facilities of the highest possible quality consistent with a fee structure that ensures wide public access. Emphasis is placed on ensuring access to youth, low-income, and minorities.

Clubhouse services are intended to provide services to the public which are both friendly and fair. The City intends to address the existing needs of the golfing public and the future requirements in the Portland area.

**Golf Course
Operations**

All of the City’s golf courses are maintained by City maintenance crews and equipment. Each course has one maintenance supervisor and 4 to 5 greenskeepers. Seasonal labor is used during the busy golf season to help with peak maintenance workload.

Clubhouse operations, including scheduling of golf play, driving range, cart rental, merchandise sales, food and beverage services, and related services are provided by concessionaires under contract with the City. Concession contracts at Eastmoreland, Rose City, and Heron Lakes are currently re-bid every five years.

Progress Downs is unique because it is operated under a lease agreement. In 1972, the City entered into a 50-year lease of the golf course with Par-4, Inc. The terms of the lease required Par-4, Inc., to construct the clubhouse, driving range, and parking facilities. In 1985, controlling interest in Par-4, Inc. was sold and in 1988 the corporation was renamed Double Eagle Golf, Inc. Clubhouse and other structures are the responsibility of the tenant until the lease expires in 2022, when the City gains ownership. Compensation and other terms of the agreement have been amended from time to time, most recently in 1995.

The concession and lease contracts establish varying rates of compensation for services by the concessionaires, as shown in Table 2.

Table 2 Compensation Provisions of Concessionaire Contracts (April 1995)

| | Eastmoreland | Rose City | Heron Lakes | Progress Downs |
|------------------------------------|--------------|-----------|-------------|----------------|
| City Pays Concessionaire * | | | | |
| Fixed Fee | \$0 | \$60,000 | \$150,000 | \$70,000 |
| Greens Fees | 10% | 5% | 9% | 10% |
| Driving Range | 50% | 0 | 0 | 0 |
| Concessionaire Pays City ** | | | | |
| Food/Beverages | 4% | 3% | 5% | 2% |
| Beer/Wine | 6% | 5% | 5% | 2% |
| Driving Range | n/a | n/a | 20% | 18% |
| Merchandise | 2.5% | 2.5% | 2.5% | 2.5% |
| Carts (per 9-holes) | \$2 | \$2 | \$2 | \$2 |
| Other | 10% | 7% | 2.5% | 2% |

SOURCE: City Concessionaire and Lease Agreements

* Greens fee payments

Rose City: Maximum \$60,000

Heron Lakes: Only excess over fixed fee, up to \$150,000

Progress Downs: Only excess over fixed fee, up to \$70,000

** Minimum payments

Rose City: \$20,500

Heron Lakes: \$40,000 in first two years, \$43,000 in last three years

Organization, Management, and Funding

The City golf program operates out of an enterprise fund, entitled the Golf Operating Fund (Golf Fund), and is supported by revenues generated at the courses. The program is managed by staff within the Bureau of Parks and Recreation. The Bureau's Enterprise Manager negotiates con-

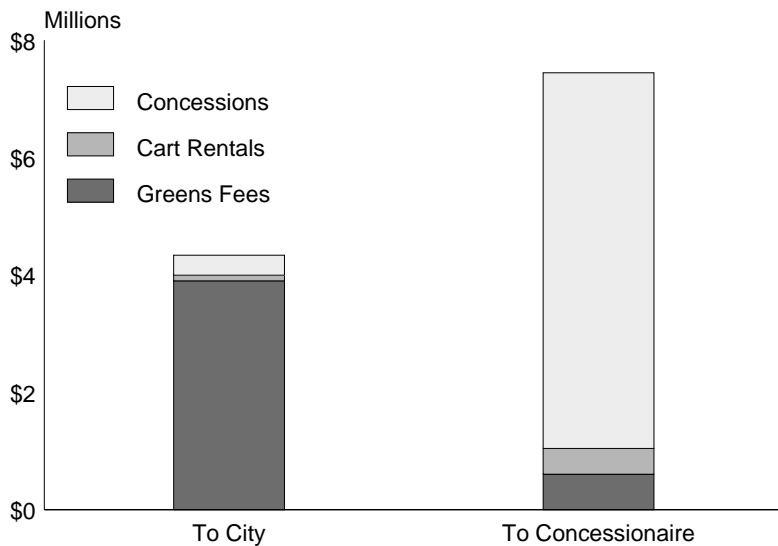
cessionaire contracts while the City Golf Manager oversees day-to-day activities of concessionaires and City maintenance crews.

Accounting, landscape architecture, and other support staff within the Bureau of Parks provide additional support. The cost of these support staff from the General Fund is reimbursed by the Golf Fund. In addition, a volunteer Golf Advisory Committee provides public/user input to the City in its management of the golf program.

The operating budget for the City golf program is \$3.7 million in FY 1994-95. In addition, \$850,000 is budgeted for capital improvements. There are 28.5 full-time positions in the Golf budget, including the Enterprise Manager, the Golf Manager, a half-time secretary, and 26 maintenance staff.

Golf Course Revenues

A total of \$12.1 million in revenues were generated by the City's golf courses during FY 1993-94. About \$7.4 million of this total was retained by course concessionaires while \$4.3 million went to the City's Golf Fund. In addition, \$317,000 in revenues were raised for youth recreation programs. Greens fees comprised 90% (\$3.9 million) of revenues going to the Golf Fund, while concessions and cart rentals generated the remaining \$437,000 (10%). Concessionaires earned most of their revenues – \$6.4 million (86%) – from the sale of merchandise, food and beverage, and other concessions. The remaining \$1.0 million (14%) of revenues going to concessionaires came from greens fees and cart rentals. (See Figure 2)

Figure 2 City Golf Revenues, FY1993-94

SOURCE: Bureau of Parks and Recreation financial records and IBIS.

Table 3 shows the current fees (greens fees) charged for playing golf at the City's courses. The distinction between City residents and nonresidents began last July when the City Council adopted a \$2.00 per nine-hole surcharge for nonresidents. The revenues generated from this surcharge and two other surcharges adopted by Council (\$.50 in 1991 and \$.75 in 1994) do not accrue to the Golf Fund, but are dedicated to the support of youth recreation and public school programs.

Table 3 City of Portland Greens Fees * (April 1995)

| | City Resident | Non-Resident |
|--------------------|---------------|--------------|
| Weekday - 9 holes | \$ 8.00 | \$ 10.00 |
| Weekday - 18 holes | 15.00 | 19.00 |
| Weekend - 9 holes | 9.00 | 11.00 |
| Weekend - 18 holes | 17.00 | 21.00 |
| Senior - 9 holes | 5.75 | 7.75 |
| Junior - 9 holes | 3.00 | 3.00 |

SOURCE: Portland City Code

* Excluding Heron Lakes Great Blue course, which has higher fees.

Expansion and Improvement of Courses

With the growing popularity and demand for golf in the late 1980s, the City made several major improvements to its golf courses. In 1990 the City completed building a new clubhouse at Eastmoreland and in 1992 completed construction of the last nine holes at the Heron Lakes Great Blue course. Eastmoreland and Heron Lakes are highly rated courses which have hosted such prestigious tournaments as the Northwest Open and the U.S. Public Links Championship.

In addition to the new clubhouse, a new maintenance facility and expanded customer parking are currently being completed at Eastmoreland. Rose City and Eastmoreland have had tee, sandtrap, and other improvements completed in recent years.

**Audit Objectives,
Scope, and
Methodology**

This was a comprehensive audit of the City's golf program. Our first objective was to assess the financial condition of the program. We collected and analyzed 10 years of financial and statistical data, such as revenue and expenditure information, and rounds played. We evaluated the impact of the recent surcharges on rounds played, revenues earned, and golfer satisfaction.

Our second objective was to assess the quality of the City's golf courses and golfer satisfaction with course conditions and clubhouse services. We conducted a two-week, on-site survey of golfers at the City's courses last fall. A total of 747 surveys were completed, in which golfers were asked to rate course conditions, quality of play, clubhouse services, and fees charged for golf and related services. In addition, we reviewed the results of studies conducted by the United States Golf Association's Turf Advisory Services in fall 1993, of course conditions at each City course.

We also conducted a survey of seven other municipal golf programs – Spokane and Seattle, Washington; Sacramento and San Francisco, California; Denver, Colorado; Phoenix, Arizona; and Indianapolis, Indiana. We obtained comparative information on funding and management structures, course maintenance, greens fees, rounds played, and related matters. Appendix F contains a summary of our survey results.

We obtained information from several professional golf organizations, including the National Golf Foundation, the Golf Superintendents of America, the Oregon Golf Association, and *Golf Digest*. We obtained ratings on golf courses

throughout the United States from *Golf Digest* and comparative statistics on municipal courses from the National Golf Foundation's *Operations & Maintenance Survey Report - Municipal Edition* and the Golf Superintendents of America's *Maintenance Budgets and Equipment Inventories*.

Another objective of the audit was to assess efficiency of maintenance operations and identify opportunities for improved management. We analyzed material purchase practices at the different courses. We compared the cost and staffing levels of the City's golf maintenance with those of other municipal golf courses. We also analyzed historical capital improvement planning and expenditures at each of the City's courses.

We also reviewed concessionaire contracts and internal controls over cash handling and reporting at all courses to determine accuracy and compliance with contract provisions. We initiated a review of the Parks Bureau's process for selecting course concessionaires; however, we were unable to complete our analysis in time for the issuance of this report, and will issue a separate report at a later date.

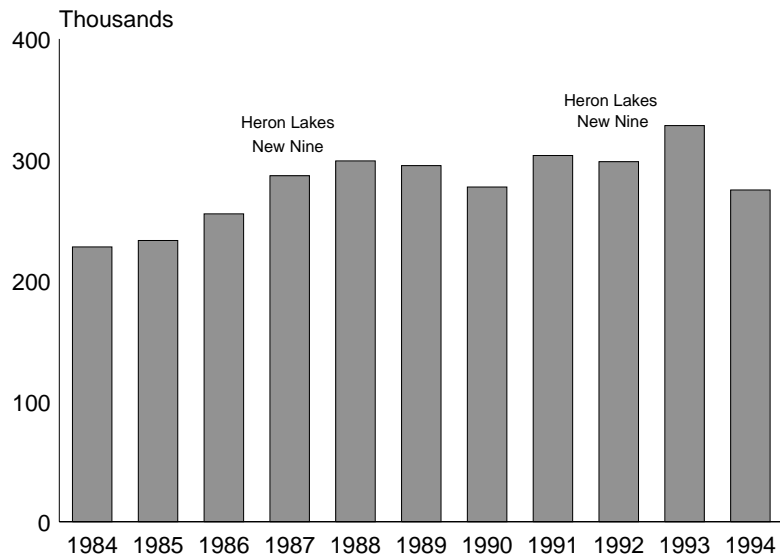
Chapter 2 Drop in Play has Weakened Financial Condition of City Golf Program

The City's golf courses have experienced a significant drop in play and revenue during the past year. The beginning of the drop coincided with the City's adoption of the non-resident surcharge in July 1994. The drop in play has reduced revenues and will likely result in a fund deficit for FY 1994-95. Continued financial problems will affect the quality of the City's golf courses.

Drop in Play As shown in Figure 3, there were 275,000 nine-hole rounds played during the six-month period ending December 1994, compared to 328,000 rounds during the same period the year before, a drop of 53,000 rounds (-16%). The 275,000 rounds played were the lowest since 1986, a time when the City had 18 fewer holes. In addition, the number of rounds played from January through March, 1995, continued to show a decline in play.

The primary cause for the decline in play has been the magnitude and nature of greens fee increases during the past year. The City made incremental increases – \$.50 per nine holes about every two years – in greens fees during the 1980's. These increases were needed to keep pace with inflation and pay for capital improvements at the courses.

Figure 3 Nine-Hole Rounds Played at City Courses, July through December 1984-1994

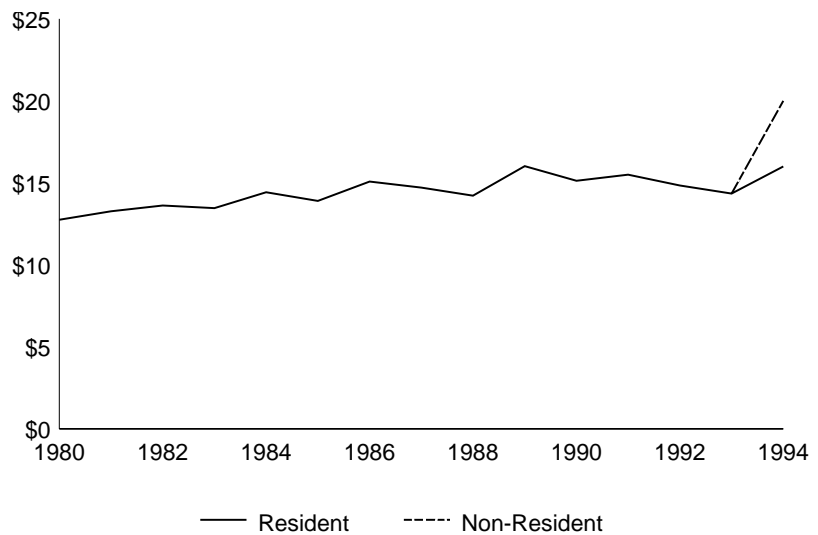


SOURCE: Parks Bureau records.

In 1991 City Council added a \$.50 surcharge to greens fees to help fund services for youth. In February 1994 the Council approved a \$.50 per nine-hole increase for capital improvement projects and authorized an additional \$.50 increase per nine holes each January for the next three years. An additional \$.75 surcharge per nine holes for youth and school programs was added by ordinance in June 1994 (Council also reduced the inflation/CIP fee by \$.25). Finally, in July 1994, the Council adopted a \$2.00 surcharge per nine holes on nonresident golfers despite Parks Bureau concerns about potential revenue losses.

As shown in Figure 4, greens fees have increased slightly faster than inflation over the past 14 years, but jumped dramatically during the past year, especially for nonresidents. A nonresident now pays \$21 per 18-hole round on a weekend compared to \$15 a year ago – a 40 percent increase.

Figure 4 Greens Fee Increases Adjusted for Inflation, 1980-1994



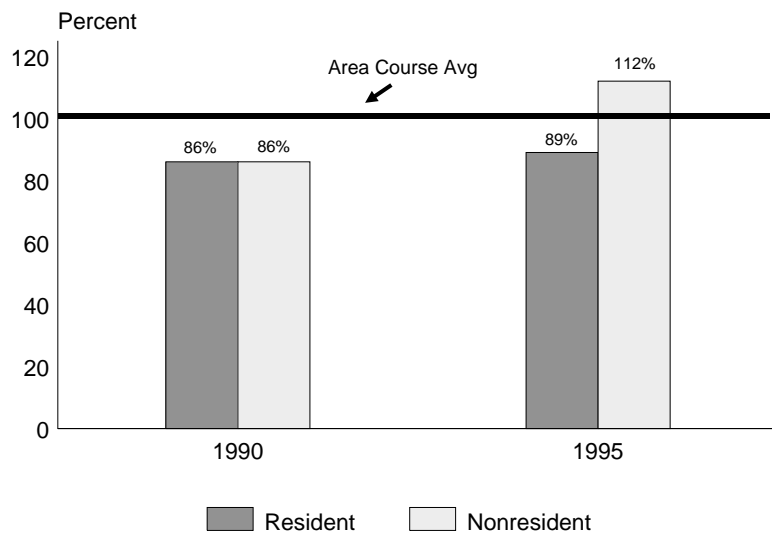
SOURCE: Portland City Code.

NOTE: Adjusted to 1994 dollars.

The hike in fees over the past year has eroded the City's competitive price advantage over other public courses in the Portland area. Although golfers who are City residents still pay less to golf at City courses than other courses open

to the public, nonresidents pay 12 percent more at City courses than at other public courses. Since nonresidents have historically comprised an estimated 50-60 percent of golfers at City courses, many golfers can now play golf for less at other courses. Figure 5 compares City resident and nonresident greens fees to those at other public courses in 1990 and 1995.

Figure 5 City of Portland Greens Fees as Percent of Other Public Courses, 1990 and 1995 *



* Average summer weekend rate for 18 holes at City of Portland and 12 other public courses.

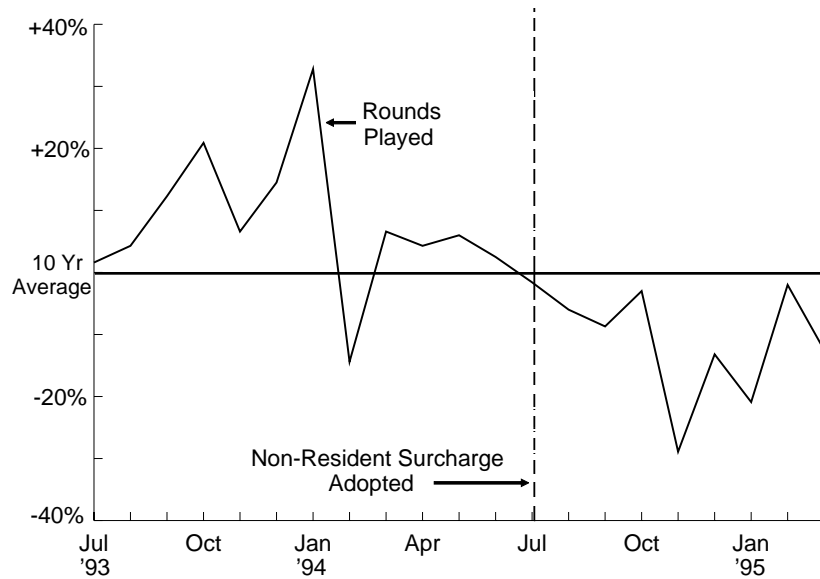
SOURCE: Portland City Code, *Economic and Financial Feasibility of Expanding and Improving City of Portland Golf Courses* published by Raymond J. Bartlett in 1991, and Auditor survey of public courses.

While the rapid rise in greens fees likely reduced demand for play at City courses, our review indicates customer dissatisfaction with the nonresident surcharge played a major role in the decline in play. Our random survey of 747 golfers at City courses last September and October resulted in over 200 separate written comments expressing dissatisfaction with the nonresident surcharge. In general, golfers expressed anger and stated that nonresidents should not be treated differently than residents. (See Appendix B for a summary of written comments by survey respondents.)

Further evidence of dissatisfaction with the nonresident surcharge can be seen in the level of play before and after implementation of the surcharge. As shown in Figure 6, in eleven of the twelve months preceding adoption of the nonresident surcharge, play exceeded the 10-year average for each month. Since July, however, monthly play dropped and each month since then has been below the 10-year average.

Our review also indicates that neither weather nor increased competition from new area courses appears to have contributed significantly to the drop in play since July 1994. Based on our analysis of weather conditions and rounds played over the prior six years, we would have expected 20,000 to 30,000 more rounds during July through December, 1994, than were actually played. In the prime golf months of July, August, and September, weather was much better than average in 1994, but fewer rounds were played. In October, higher rain than average may have affected golf play. In November and December weather was generally about average, but play remained below

Figure 6 Monthly Rounds Played as a Percent of Average, Before and After Adoption of Nonresident Surcharge



NOTE: Excludes Heron Lakes which added nine holes in 1987 and another nine in 1992.

SOURCE: Parks Bureau records.

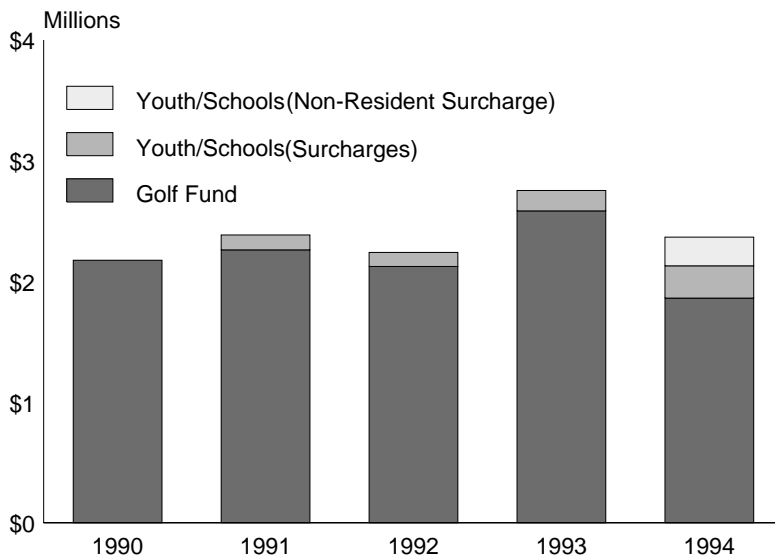
average. Appendix G provides detail on the rainfall, temperature and rounds played over a seven year period in the months of July through December.

We were told by a representative of the Oregon Golf Association, course concessionaires, members of the City’s Golf Advisory Committee, and officials at other public courses that the nonresident fee angered many golfers and caused some to stop playing golf at City courses. We were also told by concessionaires that a number of planned tournaments at City courses were cancelled because of the nonresident surcharge. Five of the six officials from other public courses whom we interviewed told us that play increased at their courses during 1994. None attributed their increased play to new marketing strategies.

Serious Impact on Financial Condition of Golf Program

With the drop in play at City courses, the golf program suffered a corresponding drop in revenues. Adjusted for inflation, golf revenues during July through December, 1994, were \$1.9 million, or 14 percent less than the \$2.2 million during the same period in 1990. In addition, with the adoption of the greens fee surcharges, a growing proportion of City golf revenues are going to non-golf programs. (See Figure 7) In 1990, 100 percent of City golf revenues were available for golf purposes, but in 1994 only 79 percent of City revenues were available for golf purposes. Revenues available per golf hole were \$27,000 in 1990, but only \$21,000 in 1994.

Figure 7 City Golf Revenues, July through December 1990-1994



SOURCE: City accounting system (IBIS).

As a result, the Golf Fund has received far less than was estimated and is projected to end the year with a fund deficit. Table 4 shows revenues, expenditures, operating income/loss, and beginning and year-end fund balance of the Golf Fund for FY 1994-95. The Fund was expected to receive over \$4.9 million in revenues and end the year with a fund balance of slightly more than \$200,000. As of April 5, 1995, (three-fourths through the fiscal year) only \$2.5 million in revenues had been received while expenditures, including encumbrances, totaled \$4.4 million. While additional revenues will come in as the weather improves, current projections indicate the Fund will end the year with a \$265,000 deficit.

Table 4 Golf Fund Revenues, Expenditures, and Fund Balances, FY 1994-95

| | Adopted Budget 7/1/94 | Actual 4/5/95 | Projected 6/30/95 |
|--------------------------------|--------------------------|---------------------|----------------------|
| Revenues | \$ 4,958,210 | \$ 2,514,812 | \$ 4,003,510 |
| Operating Expenditures | (3,810,734) | (2,932,055) | (3,748,237) |
| Operating Income (Loss) * | 1,147,476 | (417,243) | 255,273 |
| Beginning Fund Balance | 1,228,622 | 1,127,322 | 1,127,322 |
| Transfers to Golf Debt Service | (298,000) | (230,000) | (293,000) |
| Capital Outlay Expenditures | (1,868,800) | (1,196,838) | (1,354,361) |
| Ending Fund Balance (Deficit) | <u>\$ 209,298</u> | <u>(\$716,759)</u> | <u>(\$264,766)</u> |

SOURCE: City accounting system (IBIS), Parks Bureau staff, and auditor analysis.

* Operating income (loss) = Revenues - Expenditures & Encumbrances.

NOTE: It should be noted that the financial projections based on prior operating results may not be reliable. Our analysis disclosed that revenues and expenses were not always recorded in the correct fiscal period. Additionally, some capital outlay expenditures were recorded as operating expenses rather than as additions to fixed assets.

Viewed as a business enterprise, the golf program is in serious financial trouble. Our review of the Golf Fund's financial statements indicates the Fund is insolvent. The Fund began the year with over \$1.4 million cash in the bank; however, it was all used to pay liabilities and fund capital outlay expenditures during the year. As of April 5, 1995, the Fund's bank account was overdrawn by \$446,400 and current receivables amounted to only \$2,883 – not enough to cover the overdraft or other current liabilities of \$83,611. The Bureau has obtained permission from the Corps of Engineers to delay \$130,000 of a \$180,000 payment until September 1995. Even with this action, current projections will still leave the Fund with a negative \$250,000 bank balance at year end.

The Golf Fund does not currently have enough cash to pay its existing obligations, and if it had not already “borrowed” money from other funds, it would in fact be bankrupt and out of business today.

The decline in revenues this past year has also cast doubt on the ability of the golf program to continue to make principal and interest payments on its revenue bonds since the money to make debt service payments comes from Golf Fund net income. Specifically, the 1991 bond covenants require the City to set fees sufficient to provide net revenues to the Golf Fund equal to at least 1.25 times the annual debt service on the bonds. As of June 30, the debt coverage ratio exceeded 1.25 in each of the past four years. However, we estimate that as of June 30, 1995, the Golf Fund will be \$116,000 short of the amount needed to meet the required debt coverage ratio. (See Table 5.)

**Table 5 Golf Fund Debt Coverage Ratio
(FY 1990-91 through FY 1994-95)**

| Fiscal Year | Debt Coverage Ratio |
|-------------------------------------|----------------------------|
| 1990-91 | 8.98 |
| 1991-92 | 8.40 |
| 1992-93 | 2.01 |
| 1993-94 | 1.65 |
| 1994-95 <i>(projected year-end)</i> | .87 |
| Required Ratio | 1.25 |

SOURCE: City Auditor analysis, and revenue bond covenant.

The revenue bond covenant also requires that a Reserve Account of \$229,500 be maintained in the Golf Revenue Bond Redemption Fund. Since the Golf Fund currently has no money to transfer to this fund, we analyzed the Bond Redemption Fund to determine whether there was sufficient cash to make the bond interest payment due May 1 and still maintain the required balance in the Reserve Account. As of April 5, 1995, the Fund had enough money to make the interest payment, but the Reserve Account would have dropped below the required level. On April 30, 1995, the Bureau transferred another \$48,000 from the Golf Fund (increasing the bank overdraft to this fund) to keep the Reserve Account at the minimum level.

**Actions Needed to
Strengthen Financial
Condition of Golf
Program**

The City Council and the Bureau of Parks and Recreation need to take immediate action to increase play at City golf courses and improve the financial condition of the golf program. Both short and long term efforts are needed. Lack of action could result in a decline in the quality of the City's golf courses, a drop in asset value, and its capability to produce revenue. Moreover, without deliberate action to improve compliance with bond covenants, the City could have difficulty marketing future golf revenue bonds, and its image may be tarnished in credit markets.

The Bureau of Parks and Recreation has a number of plans to restore fund solvency. These plans include a short-term loan to the Golf Fund, delays in capital improvement spending, and curtailment of all but essential maintenance expenditures. In addition, the Bureau has developed a number of marketing and operational strategies to encourage more play at City courses. We support any reasonable efforts to increase play, raise revenue, control costs, and improve the Golf Fund's year-end financial position.

The City, however, needs to make a more fundamental change in its policy regarding the use of golf revenues. Specifically, City Council should ensure that the golf program's operational and financial obligations are satisfied before using golf revenues for non-golf purposes. We believe the golf program is capable of producing "profits" which could be used for other purposes, but only when it is managed in a business-like fashion. As in any business, revenues are tied to customer perceptions of value and fairness. Rapid price increases and differential rates not

tied to variable benefits can reduce demand and adversely affect the economic viability of the enterprise.

We believe the City's golf program should be managed, as it has in the past, as a self-supporting municipal enterprise. No general tax revenue should be used to support operations. Income raised by golf fees and concessionaire sales should support on-going financial requirements. Income raised beyond needs could then be used by City Council for other purposes. However, the program cannot produce funding for other beneficial purposes unless it is financially healthy.

Chapter 3 Maintain Course Quality at Lower Cost

The City of Portland operates high quality golf courses. The design and condition of courses, and overall services provided at the courses have been rated highly by national organizations, golf publications, and Portland area golfers. *Golf Digest* placed the City's Eastmoreland course in the top 25 public courses in the nation, and the United States Golf Association (USGA) rated the Heron Lakes courses as two of the best municipal courses in the western United States. Our own survey of golfers showed a high degree of satisfaction with course conditions and services.

The cost to maintain the City's courses appears to be slightly higher than average compared to other municipal courses in the United States. Although higher maintenance expenditures may be necessary to sustain good quality courses, our review of labor, materials, and equipment costs revealed opportunities to improve efficiency and controls in several areas. Also, the Parks Bureau could do a better job of planning capital improvement projects. Over the past ten years, the Bureau spent over \$9 million on improvements at the City's courses. However, the scope and cost of some projects escalated far beyond original plans, while some high priority projects were never started or completed.

**Golf Digest Awards
and Course Ratings**

Golf Digest's Places to Play, 1994-95 edition, contains comparative data on over 1,700 courses -- both public and private -- throughout the country. Included in that comparative information is a standardized rating of each course, completed by thousands of *Golf Digest* subscribers. As shown in Appendix C, Heron Lakes and Eastmoreland courses are rated between "very good" and "outstanding", and moreover, received generally positive comments about their condition and layout. In a 1990 issue of *Golf Digest*, editors placed Eastmoreland in the top 25 public courses in the country, while Heron Lakes made the top 75.

In *Places to Play*, Rose City is rated between "good" and "very good", but no comments on the course are included. Progress Downs is rated the lowest of the City's courses, between "barely golf" and "good". In addition, comments on Progress Downs include "average public course", "maintenance could be better", and "chronic slow play."

In addition to high ratings given to Eastmoreland and Heron Lakes, *Golf Digest* awarded the City with one of five Junior Golf Development Program Awards in 1994 for its sponsorship of youth golf programs. The Eagle Program and LPGA Junior Golf Program provide employment and free golf instruction opportunities to minority and low-income youth. In addition, since 1979 the City's golf program has provided professional golf instruction to middle school students in Portland Public Schools.

**USGA Turf Advisory
Service Studies**

The USGA provides a Turf Advisory Service which, for a fee, inspects and evaluates the condition of golf courses. The Turf Advisory Service, at the request of the Portland Parks Bureau, inspected all of the City's courses in the fall of 1993. We have summarized the comments and recommendations made by the Service in Appendix D.

Eastmoreland

The Turf Advisory Service commended improvements at Eastmoreland, including the construction of bunkers, ongoing replacement of equipment, and the plan for a new maintenance facility. The report stated that the course was inundated with misplaced trees and that the highest priority for the course should be the development of a long-range tree plan. The report made several other recommendations, including: rolling and aerating greens, overseeding fairways, and the purchase of new maintenance equipment--power aerifier, core pulverizer, and overseeding equipment.

Rose City

The report commended Rose City for the quality and condition of its greens, greens surrounds, and tees, and made recommendations for further improving their maintenance. Fairways could be improved by upgrading equipment and staff size, and the report suggested staff use 5-gang mowers instead of 9-gang mowers. The report stated that a tree plan should be established and that deepening of the lakes should be included in the course's long-range plan.

Heron Lakes

The Turf Advisory Service commended Heron Lakes for its outstanding architecture, excellent putting surfaces, and participation in the New York Audubon Cooperative Sanctuary Program. The report stated, “When comparing the two courses at Heron Lakes with other municipal golf courses in the western United States, there are none that are better.” The report made some suggestions for further improving maintenance, including overseeding, increased aeration, purchase of upgraded equipment, and improved marshaling. The report indicated speed of play could be improved by reversing the front and back nines on the Great Blue course, which has been accomplished.

Progress Downs

The Turf Advisory Service described Progress Downs as an above average course and very safe. However, it also reported, “Progress Downs has the greatest potential for improvement and the greatest fundamental problems due to a poor irrigation system, poor water quality, and initial construction.” All greens should be rebuilt to USGA specifications and tees--the weakest area of the course – should be expanded and rebuilt. A long range plan should be developed which includes a redesign of the back nine, rebuilding of greens, redesign of bunkers, expansion and rebuilding of tees, improved drainage, upgrading of the irrigation system, fairway mounding and bunkers, upgrading of the maintenance facilities, and a tree planting plan.

To improve heavily worn areas at Progress Downs, the report recommended marshals be renamed “course assistance personnel” and be instructed to enforce cart traffic policy and to educate golfers. Spray paint lines could also

be used to reduce wear. While fairways were in very good condition, they could be further improved through regular overseeding, increased aeration and fertilization, and use of 5-gang mowers. In addition, the report recommended purchase of a tractor mounted blower and ongoing replacement of green mowers and utility vehicles.

Results of Golfer Satisfaction Survey

Our survey of City golf customers indicates golfers are generally happy with the condition of courses, as well as with the services provided by concessionaires. Greens fees, and the nonresident surcharge in particular, is an area in which customers were unhappy, as discussed in Chapter 2. Following are the highlights from our golfer survey. For a complete display of satisfaction ratings for each question and each course, please refer to Appendix A. (Note: The scale used to assess degree of satisfaction was: 5.00 = very good; 4.00 = good; 3.00 = neither; 2.00 = bad; and 1.00 = very bad).

Reservations

Golfers were satisfied with the fairness of the City's reservation policies (4.12 rating) and with the ease of the reservation system (4.04 rating). Golfers were less satisfied with the availability of tee times (3.53 rating), but were still moderately happy. Eastmoreland received the lowest rating (3.14) on the availability of tee times.

Course Conditions

Golfers were generally satisfied with overall course conditions (3.63 rating). Tees (3.70), greens (3.67), and fairways (3.67) received the highest ratings. Progress Downs re-

ceived a lower rating (3.32) for overall course condition than the other courses, and received particularly low ratings on the condition of sand traps (2.65) and restrooms (2.99). The area receiving the lowest rating in course conditions was restrooms, which received a citywide score of 3.16. The Heron Lakes Great Blue course received the lowest rating (3.22) on the condition of greens. The Great Blue greens were damaged last year as a result of an experiment by the City to convert them to bent grass.

Starters, Marshals, and Speed of Play

Performance of starters (4.13) and marshals (3.61) received high ratings at all courses, but speed of play was given a lower rating of 3.13.

Professional and Clubhouse Services

Golfers at all courses were very satisfied with the courtesy of the head professional (4.12 rating), quality of lessons (4.13 rating), assortment of merchandise (3.91 rating), and food and beverage service (3.70 rating). Progress Downs received the highest rating in each of these categories (4.39, 4.32, 4.25, and 4.06, respectively). Cleanliness of clubhouse was rated very high at Eastmoreland (4.20) and Progress Downs (4.13).

Availability of Parking

Golfers were generally satisfied with availability of parking (3.42 rating). Eastmoreland, however, received a rating of 3.01 for parking. The shortage of parking at Eastmoreland will soon be addressed by the City's construction of expanded parking on the site of the old maintenance shops, which were recently replaced.

Fees

Golfers rated greens fees lowest (2.87 rating) of any survey category. Golfers at Progress Downs were the most unhappy with greens fees (2.39 rating). There was general satisfaction with driving range fees (3.47 rating), while motorized carts fees received a somewhat lower rating (3.22).

Written Comments

Our survey instrument provided a space for golfers to add written comments. It is evident from the written comments and oral remarks made to audit staff who administered the survey, that golfers were very unhappy with the nonresident surcharge. By far the most respondents (over 200) expressed dissatisfaction with the nonresident surcharge. The second most repeated comment (27) was that course conditions could be improved. Fifteen of these 27 comments were made about Progress Downs.

Fourteen respondents stated that services of the head professional and staff could be improved. Thirteen respondents said the course was nice and in good overall condition. Thirteen also said that the reservation system and policies could be improved. Appendix B contains a summary of the written comments by survey respondents.

Opportunities to Reduce Course Maintenance Costs

The City's golf courses may have higher maintenance costs compared to other municipal courses around the country. We reviewed two recent surveys of municipal courses prepared by the National Golf Foundation (NGF) in 1993 and the Center for Golf Course Management (CGCM) in 1994. As shown in Table 6, the City's total maintenance cost was

18 percent higher than the CGCM average, but comparable to the middle range of the NGF survey. The City's maintenance payroll cost was also 66 percent higher than the CGCM average and 10 percent higher than the middle range of the NGF survey.

Table 6 Average Maintenance Costs of 18-Hole Municipal Courses in the U.S.

| | | Maintenance Payroll | Total Maint. Costs |
|----------------|---------------|---------------------|--------------------|
| NGF Survey * | <i>low</i> | \$ 119,000 | \$ 165,000 |
| | <i>middle</i> | 354,000 | 492,000 |
| | <i>high</i> | 589,000 | 817,000 |
| CGCM Survey ** | | | |
| | <i>(Mean)</i> | 202,100 | 459,000 |
| Portland | | | |
| | <i>(Mean)</i> | 334,600 | 542,800 |

* Low = bottom 25%, high = top 5%
 ** May include some courses smaller and larger than 18-hole.

SOURCE: City of Portland accounting records (IBIS) and surveys by the National Golf Foundation and the Center for Golf Course Management.

One reason Portland’s courses may have higher costs is that the City chooses to operate a higher quality golf program, which requires more work to maintain greens, fairways, tees, sand traps, and other landscape features. However, based on our review of records, visits to the courses, and interviews with course superintendents, we believe there may be several opportunities to reduce maintenance costs.

Total golf operating expenses per hole have increased 25 percent over the past five years (after adjusting for inflation), from approximately \$34,000 per hole in FY 1989–

90 to \$42,000 per hole in FY 1993-94. This is due primarily to increasing personnel costs and transfers to the Parks Bureau for construction work and administrative support.

Increase Use of Annual Supply Contracts

Maintenance staff at each course are not consistently using annual supply contracts established by the City's Purchasing office. These contracts are awarded to vendors offering the lowest per unit cost. We found staff at most courses buy from a variety of vendors and may miss opportunities to obtain discounted prices. Some items we identified as not being consistently purchased on annual contracts include fertilizers, barkdust, sand, hand tools, and equipment parts.

Reduce and Control Use of Limited Purchase Orders (LPOs)

Staff at each City course use LPOs to buy needed supplies and materials. While this is allowable and practiced throughout the City for convenience, the courses may miss savings that are available through standardized items and volume purchasing. Moreover, it appears golf program management could do more to monitor and review LPO purchases to verify that each purchase, including its price, is reasonable and legitimate. Recent abuse of LPOs by employees in another City bureau points to a need to strengthen controls over their use in the golf program.

Improve Management of Equipment and Fixed Assets

City records of equipment and other assets assigned to each golf course are incomplete and/or inaccurate. In addition, the Bureau of Parks does not maintain a complete record of capital items at the courses. As a result, it is difficult to verify the existence of assets at courses, to

compare equipment levels to those of other golf courses, and to determine if courses have too little or too much equipment. Also, we could not evaluate the reasonableness of General Services maintenance and replacement charges because General Services does not maintain historical records for individual pieces of equipment at each course. In addition, we found that personal computers purchased for each course during FY 1993-94 were not being used by all supervisors to prepare inventory records, budgeting, or other record keeping.

Pursue Labor Cost Efficiencies

The current labor contract requires extra pay for workers that start shifts before 6:00 a.m. and prohibits employing temporary seasonals before March and after September. These provisions cost the City more money because (1) summer golf maintenance work requires workers to begin work before 6:00 a.m. so that green and fairway mowing does not interfere with play, and (2) higher cost greenskeeper positions must be used to perform low skill labor jobs such as leaf raking and collection during the Fall. The City would need to negotiate revisions to existing labor contracts in order to change these provisions.

In addition to the specific opportunities listed above, a comparison of the maintenance cost of each City course suggests there may be additional opportunities for savings. Our review shows that while personnel expenditures are largely comparable at each course, Rose City spends considerably more on external services, operating materials and services, and internal services, than the other courses (see Table 7). A thorough review and evaluation of spend-

Table 7 Maintenance Expenditures at City Golf Courses (FY 1993-94)

| | Eastmoreland | Rose City | Heron Lakes * | Progress Downs |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Personnel | \$ 353,756 | \$ 354,659 | \$ 309,543 | \$ 345,641 |
| External Services | 24,281 | 39,052 | 21,454 | 26,508 |
| Materials & Services | 84,099 | 110,678 | 76,840 | 54,018 |
| Internal Services | 50,363 | 83,221 | 31,333 | 52,946 |
| Total | \$ 512,499 | \$ 587,610 | \$ 439,170 | \$ 479,113 |

* Heron Lakes has two 18-hole courses and figures represent half of the total costs at Heron Lakes.

SOURCE: Bureau of Parks and Recreation expense detail reports, Golf Operating Fund, IBIS.

ing patterns may reveal areas where material and supply costs at Rose City could be reduced.

Another option for comparing course maintenance costs may be to compare in-house costs to those of private maintenance companies. The Bureau of Parks considered this option in 1994 and performed a preliminary assessment of the feasibility of competitively bidding course maintenance. The Bureau concluded at the time that the risks of poor performance by a private contractor outweighed the benefits of lower costs. Golf managers believe that the success of the City golf program is due largely to high quality course maintenance that could not be assured if responsibility was transferred to a private company.

We agree that the risk of poor performance by a private maintenance company is real. A representative from the Oregon Golf Association told us that maintenance staff must be very familiar with a course's irrigation system, or serious damage to the course could occur. We were told of an instance in which a course was closed for a year to make repairs due to inadequate maintenance by a contractor.

However, we believe a more thorough analysis of this and other barriers is needed so that the Bureau can systematically evaluate the potential benefits of competitively bidding course maintenance. A more complete evaluation may point to ways to mitigate or remove barriers so that golf maintenance could achieve efficiencies available through competitive bidding.

**Better Capital
Improvement
Planning Needed**

Over the past ten years, the Parks Bureau has made significant efforts to improve and upgrade golf course facilities. During this period, the Bureau spent over \$9 million on a number of projects, including a new clubhouse at Eastmoreland and a new 18-hole course at Heron Lakes (see Table 8).

However, our review of capital expenditure records indicates the Bureau has not managed its capital improvement program well. For example, the Eastmoreland clubhouse cost \$1.8 million – nearly four times the original \$500,000 cost estimate. The Bureau also spent over \$2.9 million to complete the second nine of the Heron Lakes Great Blue course, \$1.4 million more than originally planned. More details on budgets and expenditures are included in Appendix E.

**Table 8 Summary of Capital Improvements at City Courses
(FY 1985-86 through FY 1994-95*)**

| | | | Expenditures |
|----------------------------|----|---------------------|---------------------|
| Eastmoreland | | | |
| Reconstruct tees | \$ | 55,482 | |
| New clubhouse | | 1,815,718 | |
| New maint. bldg. | | 813,274 | |
| New restroom ** | | 0 | |
| Parking expansion | | 71,997 | |
| Sand replacement/other | | 99,469 | |
| <i>Total</i> | | 2,855,940 | 31% |
| Rose City | | | |
| Cart paths | | 53,363 | |
| Clubhouse ** | | 0 | |
| Reconstruct tees | | 185,558 | |
| Maint. bldg. improv. | | 13,682 | |
| Other | | 140,415 | |
| <i>Total</i> | | 393,018 | 4% |
| Heron Lakes | | | |
| New 9-hole additions | | 4,202,239 | |
| Maint. bldg./paving/other | | 722,981 | |
| Dike repair | | 5,356 | |
| Clubhouse | | 136,513 | |
| Cart paths | | 399,745 | |
| New restroom ** | | 0 | |
| Other | | 77,409 | |
| <i>Total</i> | | 5,544,243 | 61% |
| Progress Downs | | | |
| 9-hole addition | | 7,140 | |
| Course remodel | | 283,248 | |
| Other | | 30,999 | |
| <i>Total</i> | | 321,387 | 4% |
| TOTAL (All courses) | | \$ 9,114,588 | 100% |

SOURCE: Park Bureau records.

* FY 1994-95 expenditures through accounting period 9.

** Projects budgeted, but not started.

Since 1990, the Bureau and outside golf consultants have identified capital improvement needs at both Progress Downs and Rose City. In addition, the City's lease agreement with the Progress Downs tenant states the City will make improvements to the course "...as rapidly as funds become available." Furthermore, the 1991 golf revenue bond offering stated that \$1 million would be spent on the construction of new holes at Progress Downs.

However, little has been spent at either Rose City or Progress Downs. As shown in Table 8, Rose City and Progress Downs each received only 4 percent of capital improvement spending over the past ten years, while the other two courses received 92 percent. Golf managers indicate that priority was given to Eastmoreland and Heron Lakes because of the potential for higher financial returns at these courses. The planned redesign of the Progress Downs golf course this year has also been delayed because the downturn in golf revenues has eliminated reserves set aside to fund the project.

In addition, we found in our review many examples of errors and inconsistencies in the capital planning and budget documents prepared by the Bureau. The Parks Bureau recognized problems in its capital improvement program and assigned a landscape planner in 1993 to help establish better management systems.

Chapter 4 Other Opportunities to Improve Management of Golf Program

The City of Portland's golf program has been highly successful. The City's courses are popular, well maintained, and highly regarded. However, there are several areas in which the Bureau of Parks could improve its management of the program to increase the efficiency and quality of services. We believe the Bureau should: (1) put all the City's courses on a single computer-aided reservation and management information system; (2) better monitor concessionaire operations; (3) resolve ongoing disagreements with the Progress Downs tenant; and (4) clarify golf program management roles and responsibilities.

Problems with Computer-Aided Reservation Services

Computer-aided golf reservation systems is a new technology which offers many opportunities to enhance the quality and efficiency of golf course management. Based on our visit to the offices of two Portland companies and our review of brochures and sample reports, we believe computer-aided reservation technology offers many benefits to the City's golf program, including: (1) more accurate, timely, and efficient scheduling of play; (2) more revenues for City courses by filling open times at all five courses; (3) management reports on golf play, no-shows, tournament bookings,

revenues, costs, and other data; and (4) strengthened controls over cash and inventories through point of sale accounting services.

However, the City is not realizing the full benefits of this technology because the Bureau chose to assign tee time reservation responsibilities to concessionaires. Consequently, a single system for all City courses is not in place; instead, one automated system provides services for Eastmoreland, Rose City, and Heron Lakes, and another provides services for Progress Downs. As a result, golfers cannot be referred to all City courses with one phone call. In addition, neither system currently provides complete management information to the City nor provides on-line point of sale control features that would allow daily monitoring of greens fees and concession sales.

Furthermore, the Parks Bureau did not follow good purchasing practices when it selected one of the tee time reservation systems, Tee Time, Inc. (Tee Time). In August 1993, the Bureau entered into an agreement with Tee Time to develop and provide an automated tee time reservation system for three courses. The agreement stipulated that the City would pay no fee for this service but that Tee Time would earn income from the sale of advertising that would be displayed on video monitors at each course.

However, after several months of operation, the Bureau agreed to pay Tee Time \$3,000 per month for management reports on reservation call volume, no-shows, and tournament bookings. Although purchases are generally subject to informal bid or price competition, Tee Time was selected sole source and the existing contract was neither amended nor approved by the Commissioner-in-Charge.

In February 1995, after more than \$28,000 was paid to Tee Time for management reports, the Parks Bureau terminated its original contract with Tee Time and asked the concessionaires at Eastmoreland, Rose City, and Heron Lakes to enter into separate contracts with Tee Time for automated reservation services. In addition, the Bureau signed a new four year agreement with Tee Time for management reports, again at a cost of \$3,000 a month, or \$144,000 over the life of the contract. This time an ordinance and contract were developed by the Bureau and approved by City Council on March 1, 1995. The Bureau again did not obtain competitive bids for this purchase but rather invoked Code Section 5.68.020 which allows sole source purchases when an emergency exists or it is known that only one party is available to provide the service or expertise.

We believe the Bureau of Parks has missed an opportunity to develop a more effective automated reservation and management information system that serves all City courses and provides financial control capabilities. The Bureau's decision to ask concessionaires to establish separate contracts with Tee Time further diffused reservation services at City courses and limited City control over concessionaire operations. In addition, the new contracts between Tee Time and the concessionaires include a confidentiality provision which prohibits sharing contract terms with third parties, and no language was included to permit the City to access and audit the contracts. As a result, we could not review the contracts.

Moreover, two concessionaires we talked to are unhappy with services because Tee Time has advertised on

the reservation line for courses and companies that compete with City courses and concessionaire services. We believe the Bureau should seek to renegotiate existing contracts in order to establish a single provider for automated tee time reservation and management information services for all City courses.

**Better Monitoring of
Concessionaire
Operations**

In order to determine if concessionaires were complying with the provisions of their contracts with the City, we visited each course and reviewed (1) accounting and record keeping systems, (2) internal controls, and (3) accuracy of payments made to the City for merchandise, restaurant, and other sales. In general, we found that the operators at each course had good accounting systems in place and the internal controls were adequate to protect cash and other assets. In addition, we tested one day's transactions at each course and found that revenue summaries and reports were accurate, and the City was receiving an appropriate share of sales revenue in accordance with the various contracts in place.

However, our discussions with golf program managers and accounting staff indicate that periodic, on-site reviews of internal controls and cash handling procedures are not conducted. In addition, we found Parks Bureau staff misinterpreted a provision in its agreement with Double Eagle (the Progress Downs tenant) which resulted in an under-reporting of the City's share of restaurant sales by the concessionaire for the past four years. We calculate the City should have received approximately \$120,000 more in rent.

We believe that better monitoring of concessionaire contracts and activities is needed to make sure internal controls are in place and to avoid errors in payments to the City.

**Resolve
Disagreements with
Progress Downs
Tenant**

Over the past several years, the Parks Bureau and Double Eagle have had a poor working relationship. Disagreements culminated with Double Eagle suing the City in 1992, claiming that it had not been treated fairly in its bid to win the concessionaire contract at the Heron Lakes golf course. The City in turn counter-sued Double Eagle, claiming that it had violated the terms of its lease agreement by compensating starters and marshals with free golf without City permission. In the counter-suit, Double Eagle claimed that the City could not claim breach of contract because the City had also violated the lease agreement by failing to upgrade and improve the course.

The court ruled in favor of the City in regard to the fairness of the Heron Lakes concessionaire selection, but a jury denied the City's countersuit and, as a result, could not claim breach of contract by Double Eagle. Double Eagle appealed the selection ruling and the City appealed the breach of contract decision. In late April 1995, the Oregon Court of Appeals upheld both the Heron Lakes selection process and the breach of contract rulings.

During our audit, we observed and were told of the ongoing disputes between the Parks Bureau and Double Eagle. For example, the City ordered Double Eagle to remove video poker machines because it violated anti-gambling provisions in the lease agreement (the machines were later

approved). Double Eagle also claimed that our audit was instigated as a form of harassment because of the suit. In addition, the City Golf Manager rarely visits Progress Downs because of the poor relationship with the tenant, and City maintenance staff complained to us about strained relations with the tenant. The tenant also complained to us about unfair treatment he has received from the City.

In our view, the ongoing dispute between the City and Double Eagle affects the efficient and effective management of the Progress Downs golf course. The parties are working at cross purposes, which is not in the best interest of the customers of the facility, the golfers. Considerable legal costs and administrative time could be saved if the parties could reach a settlement of their disputes. According to Parks management, an independent mediation was attempted but was not successful.

**Improve Management
Structure of Golf
Program**

We have identified several examples of inadequate management and decision-making by City golf program managers:

- lack of on-site reviews of the financial activities of course concessionaires;
- inaccurate recording of program revenues and expenditures;
- limited control over increasing course maintenance costs;
- lack of record-keeping and control of equipment and supply purchases;

- failure to prepare multi-year financial plans which project revenue flow and financial requirements, and form the basis for fee setting;
- inadequate planning and control over capital improvement projects; and
- inability to develop a single tee time reservation and management information system.

It also appears that the two managers with direct administrative responsibility over the golf program – the Enterprise Manager and the City Golf Manager – have overlapping responsibilities, which have resulted in inefficiency and considerable conflict. The Enterprise Manager has three managers reporting to him – the Tennis Manager, the PIR Manager, and the Golf Manager. The Golf Manager has four course superintendents reporting to him. These narrow spans of control may indicate an unnecessary layer of management.

In addition, the Parks Bureau support staff who have been assigned to assist the golf program are not dedicated full-time to the program. Both the landscape architect and the accountant who were assigned to the golf program approximately two years ago will soon be reassigned to help administer the \$58 million Parks System Improvement Program. As a result, continuity in the administration of the golf program may be negatively affected.

We believe the Bureau should consider reducing the number of managers who oversee the program, and develop clear responsibilities, objectives, and performance expectations for the manager. We also believe the Bureau should establish a permanent administrative services position

within the Golf Fund – dedicated entirely to the golf program – to provide more continuous and rigorous monitoring of the program’s financial activities.

Chapter 5 Recommendations

The Portland City Council and the Bureau of Parks and Recreation should take a number of steps to improve financial management, control maintenance costs, and better manage the golf program.

- 1. City Council should adopt a policy that requires golf revenues to be used first for the on-going operational and financial requirements of the golf program before they are allocated to other purposes.***

The City golf program is a self-supporting enterprise function that should be operated as an enterprise. Annual golf revenues should be sufficient to cover basic requirements including operating costs, capital improvements, debt principal and interest payments, and appropriate cash reserves. City Council should not appropriate golf revenues for non-golf purposes until these requirements are met.

- 2. The City Council should require the Bureau of Parks and Recreation to prepare and submit annually a five-year financial plan for the golf program which forecasts expected revenues, expenditures, and ending fund balance.***

The five-year plan should be reviewed and approved by the Office of Finance and Administration. The plan could also include expected “profits” or “dividends” that could be available beyond program requirements for transfer to the General Fund for appropriation by the City Council. Quarterly financial statements should be prepared to allow monitoring of actual revenues and expenditures of the program. A significant deviation between planned and actual should result in appropriate corrective action plans. In addition, the Bureau should more accurately record and classify golf revenue and expenditure information.

3. *The City Council should rescind existing greens fee surcharges for youth programs and schools.*

Elimination of greens fee surcharges is needed to comply with the policy in Recommendation #1. In addition, reduced greens fees will increase play and revenue, and help improve this year's ending fund balance. Reduced greens fees will make City courses more competitive with other public courses in the area and encourage more golfers to play at City courses. Some golfers will also view this action as restoring fairness to the rate structure.

4. *The Bureau of Parks and Recreation should control golf program expenditures and increase revenue collection over the next several months in order to restore the Golf Fund to financial health and to comply with revenue bond covenants.*

The Bureau should continue to reduce all but essential maintenance expenditures and delay capital improvement projects. In addition, the Bureau should obtain a short-term loan from the City in order to pay bills and to ensure that the year-end balance is sufficient to meet minimum reserve requirements.

5. *The Bureau of Parks and Recreation should seek opportunities to maintain course quality at a lower cost.*

The Bureau should thoroughly evaluate opportunities to control and reduce golf program expenditures. Specifically, the Bureau should:

- make more purchases from annual supply contracts;
- reduce reliance on limited purchase orders;
- develop complete and accurate inventory and maintenance records to protect assets and achieve more efficient use of equipment;
- seek changes in labor agreements to eliminate graveyard shift differential pay and allow broader use of seasonal workers;
- explore potential to competitively bid course maintenance; and
- compare and analyze course expenditure patterns to adopt efficient practices and eliminate less efficient ones.

- 6. *The Parks Bureau should continue to improve the planning and management of capital improvement projects.***

New systems should be developed to ensure that capital project plans and cost estimates are complete and reasonable, and that available funding is used efficiently and effectively. In addition, capital planning should ensure that high priority projects, such as improvements at Progress Downs, are completed before less important projects.

- 7. *The Bureau should plan and develop a single automated system for tee time reservations and point of sale financial information.***

The Bureau should meet with concessionaires to develop an agreement on the features of an automated management information system that includes features such as (1) 24-hour tee time reservation capability through touch tone telephone, (2) a live operator during golf business hours, (3) monthly management reports on rounds played, no-shows, greens fee and equipment rental revenue, and concession sales, and (4) on-line point of sale capability to monitor daily sales and revenues. The reservation network should include all City courses.

- 8. *The Bureau should perform more frequent and systematic monitoring of concessionaire operations to ensure compliance with operating agreements.***

The Bureau should periodically review compliance with concessionaire and operator agreements at each course. The review should check the accuracy of revenue reporting, adequacy of internal control procedures, and the financial performance of each course operator. This review could also include a periodic assessment of customer satisfaction with course conditions and services.

9. *The Commissioner-in-Charge and the Bureau Director should take additional steps to resolve long-standing disagreements with the operator of the Progress Downs golf course.*

The Commissioner may wish to employ an independent mediator who is acceptable to both sides to help resolve the disagreements between the Bureau and the operator. The mediation should identify solutions to problems without relying on further litigation.

10. *Clarify golf program management structure and performance expectations.*

The Bureau should consider reducing golf program management layers, clearly specifying golf manager roles and performance expectations, and adding a dedicated position for financial administration.

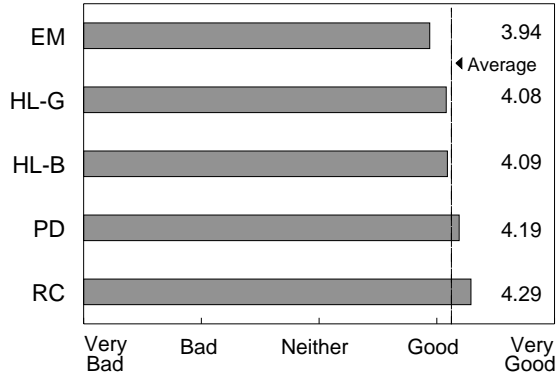
Appendices

Appendix A

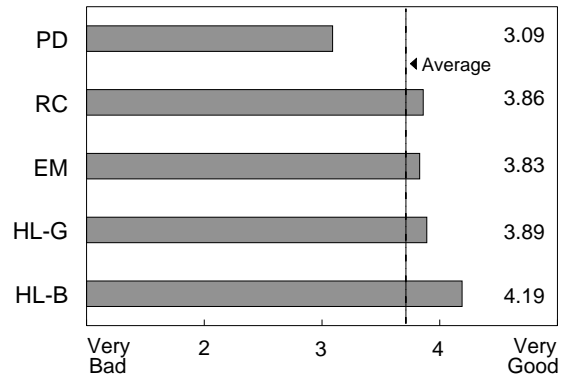
Results of Golfer Survey

September - October 1994

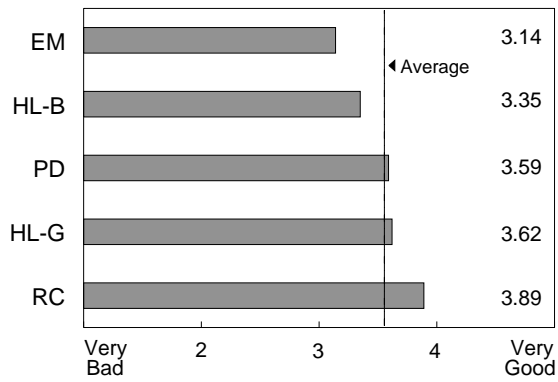
Fairness of reservation policies



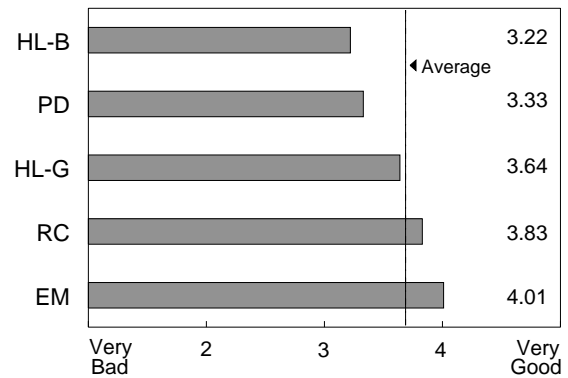
Condition of tees



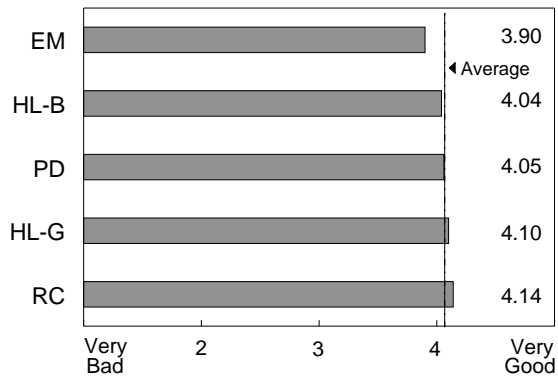
Availability of tee times



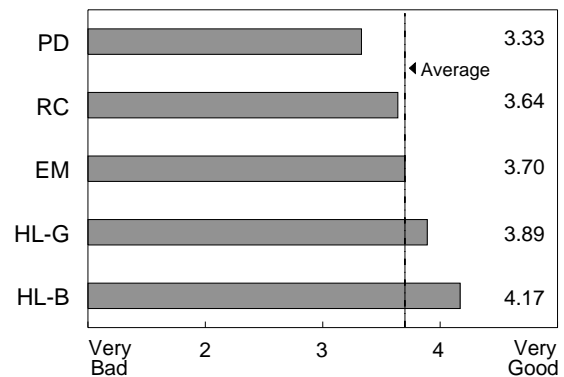
Condition of greens



Ease of use of reservation system

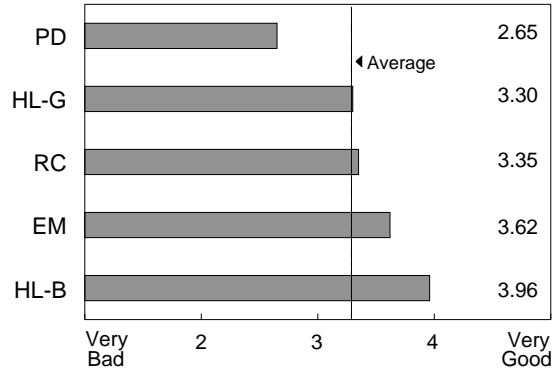


Condition of fairways

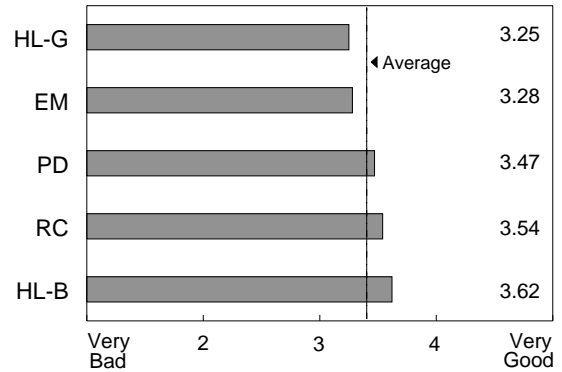


LEGEND: EM = Eastmoreland
 HL-G = Heron Lakes Green Back
 HL-B = Heron Lakes Great Blue
 PD = Progress Downs
 RC = Rose City

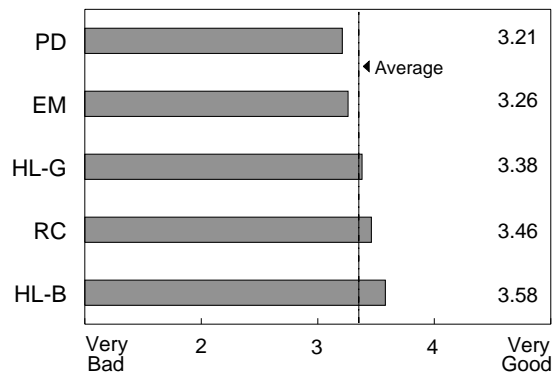
Condition of traps



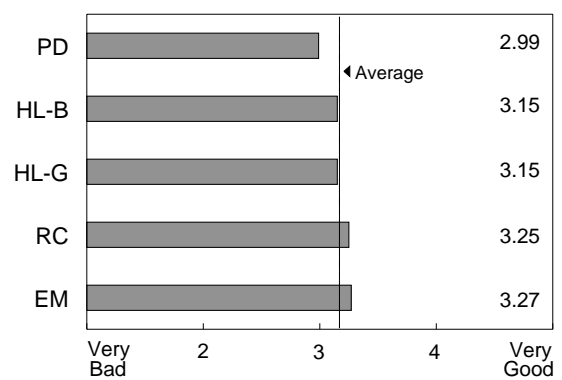
Condition of signs/markers



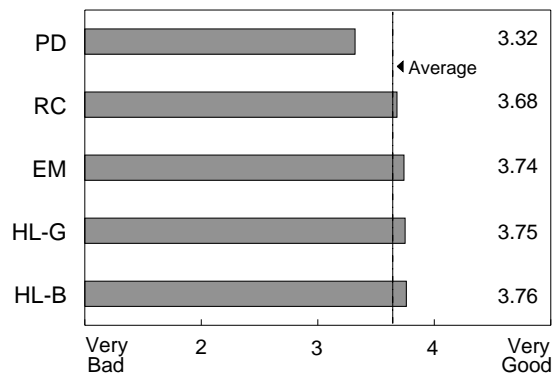
Condition of ball washers



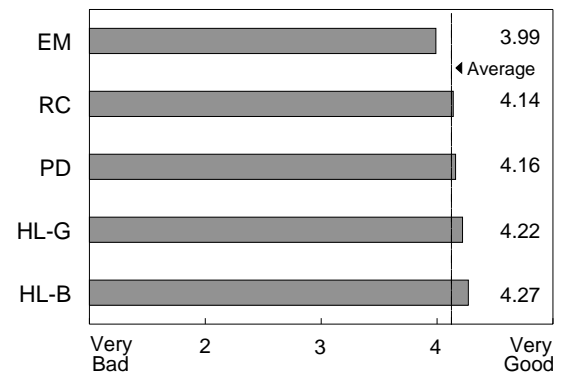
Condition of restrooms



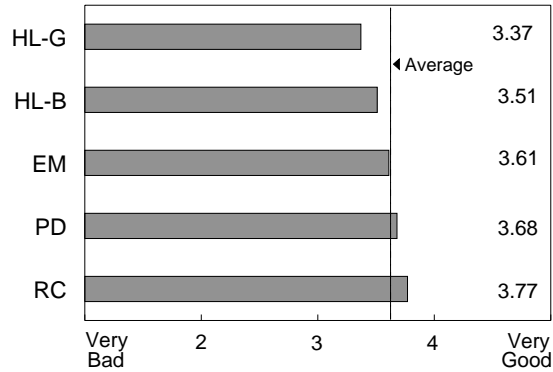
Overall condition of course



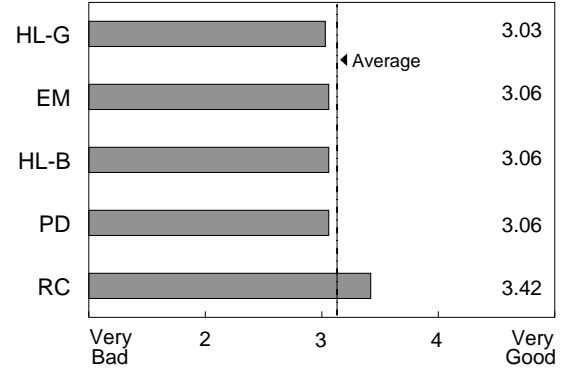
Performance of starters



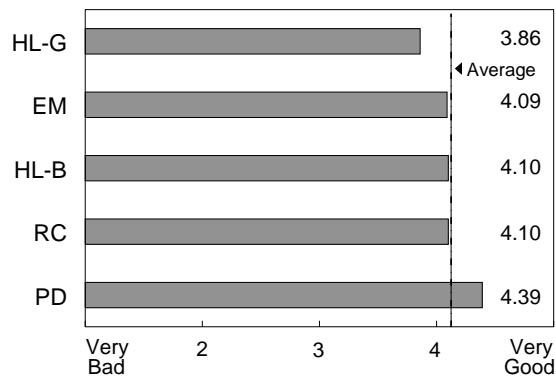
Performance of marshals



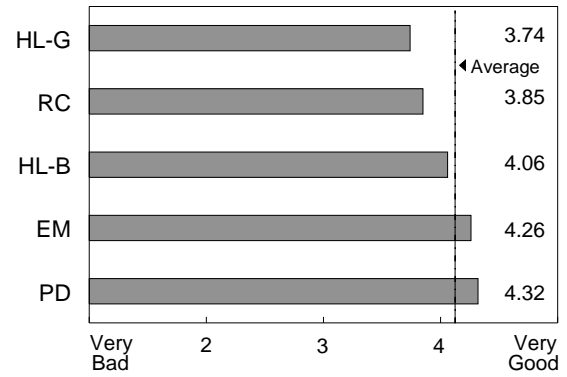
Speed of play



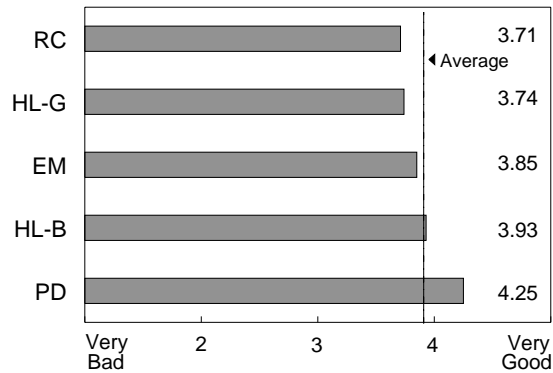
Courtesy of head pro & staff



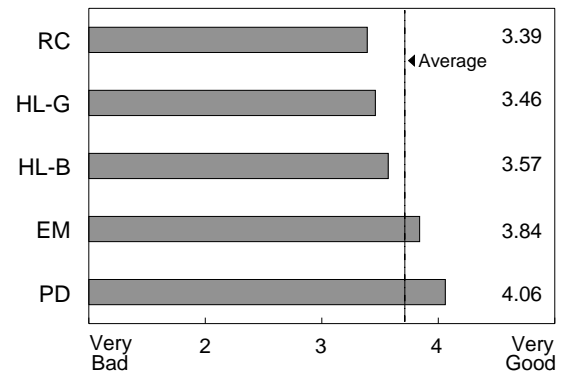
Quality of lessons



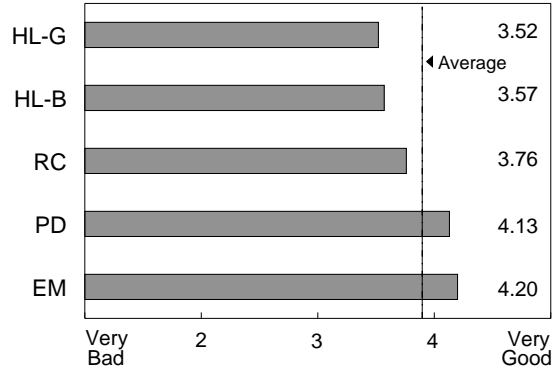
Assortment of merchandise



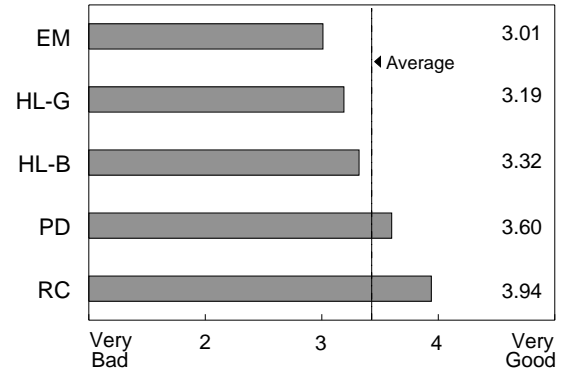
Food and beverage service



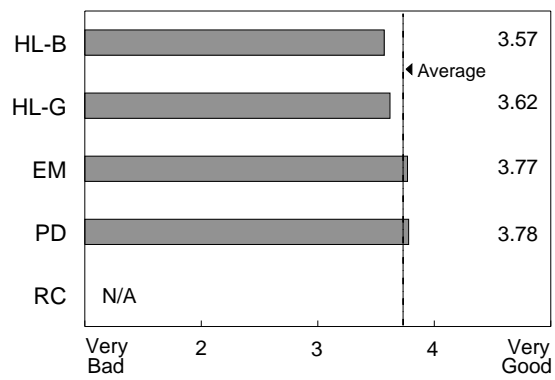
Cleanliness of clubhouse



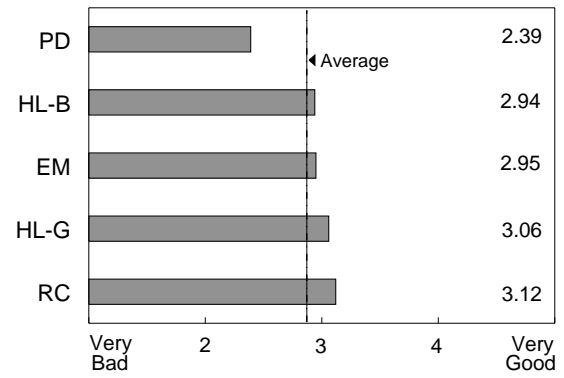
Availability of parking



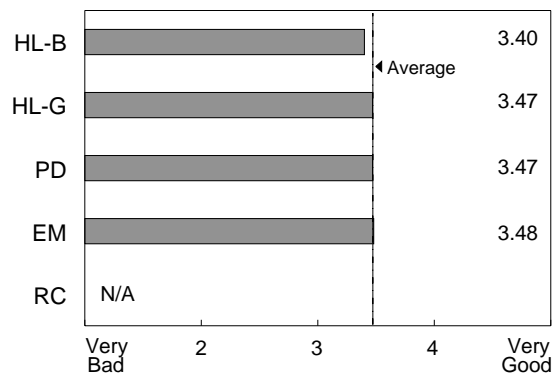
Driving range, overall



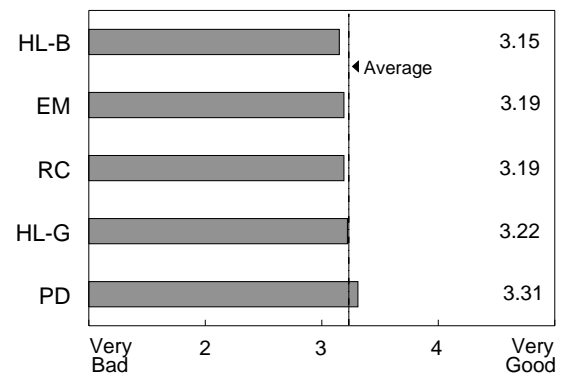
Greens fees



Driving range fees



Motorized cart fees



Appendix B
Summary of Golfer Comments from City Auditor Survey, Sept. - Oct. 1994

| Comments | Eastmoreland | Rose City | Heron Lakes | Progress Downs | TOTAL RESPONSES |
|---------------------------------------------------|--------------|-----------|-------------|----------------|--------------------|
| Nonresident surcharge is unfair; should eliminate | 59 | 38 | 53 | 54 | 204 |
| Course conditions could be improved | 1 | 6 | 5 | 15 | 27 |
| Service of head pro/staff could be better | 6 | 3 | 3 | 2 | 14 |
| Nice course; overall condition good | 6 | 1 | 5 | 1 | 13 |
| Need to improve reservation system/policies | 7 | 2 | 1 | 3 | 13 |
| Stop City Council involvement in golf program | 2 | 3 | | 7 | 12 |
| Marshals need to speed up play | 4 | 4 | 2 | 1 | 11 |
| Improve location & condition of sand traps | 4 | 3 | 1 | 2 | 10 |
| Need yardage markers | 5 | 1 | 2 | 1 | 9 |
| Green fees are too high | 4 | 4 | 1 | | 9 |
| Food & beverage prices are too high | 3 | 4 | 1 | | 8 |
| Discriminated against in use of course | 3 | 1 | 2 | 1 | 7 |
| Need lower rate for seniors | 3 | | 1 | 3 | 7 |
| Need new or remodeled clubhouse | | | 6 | | 6 |
| Nonresident surcharge is a good idea – keep it | 1 | 1 | 3 | | 5 |
| Need more restrooms on course | 1 | 2 | 1 | 1 | 5 |
| Need more/better parking | 2 | | 2 | | 4 |
| Need new balls for driving range | 2 | | | 2 | 4 |
| Replace/improve DMV ID system | | | 2 | 2 | 4 |
| Would like beverage cart on course | | 1 | | 2 | 3 |
| Tournaments/clubs make it hard to golf on weekend | 2 | | 1 | | 3 |
| Would like to drive motor cart to car | | | | 2 | 2 |
| Service of head pro/staff is good | 1 | | 1 | | 2 |
| Reservation system/policies are good | 1 | | | 1 | 2 |
| Need more ball washers | 1 | | | 1 | 2 |
| Improve pin placements/visibility | | | 2 | | 2 |
| Need public display of rules | | | | 2 | 2 |
| Return to scheduled golf leagues | 1 | | 1 | | 2 |
| Would like cart paths | 1 | | | | 1 |
| Need to improve cleanliness of clubhouse | 1 | | | | 1 |
| Need to improve driving range | | | | 1 | 1 |
| Range balls cost too much | 1 | | | | 1 |
| Links course shouldn't have concrete paths | | | 1 | | 1 |
| Mark ground under repair | | | | 1 | 1 |
| Other | 3 | 1 | 5 | 3 | 12 |

Appendix C

Ratings of City of Portland Golf Courses in *Golf Digest's Places to Play*, 1994-95

Eastmoreland ★★★★★

Note: "Ranked in First 25 of America's Best Public Courses by *Golf Digest*."

Comments: "Lovely old course . . . Heavily treed . . . lots of water on back 9 . . . terrific back 9 . . . Demanding . . . Wide variety of shots . . . Best, fastest greens in town . . . One of the best muni's in the country . . . Great condition for amount of play . . . Too crowded but outstanding . . . Very soggy in spring."

Rose City ★★★

Comments: None.

Heron Lakes - Green Back ★★★

Note: "Ranked in Third 25 of America's Best Public Courses by *Golf Digest*."

Comments: "Water, water everywhere . . . Huge greens . . . Every shot offers options and challenges . . . Holds up despite tons of play . . . Fine views of Mt. Hood . . . Best buy in Oregon . . . Great course, but less challenging than Great Blue."

Heron Lakes - Great Blue ★★★★★

Comments: "Great test for all . . . A linksy, target-style course . . . Lots of water . . . Lots of options . . . Take a deep breath, take your best shot . . . Tougher than it looks from the outside . . . Poor clubhouse."

Progress Downs ★★

Comments: "Average public course . . . Maintenance could be better . . . Busiest course in Portland . . . Chronic slow play."

Golf Digest Rating Scale

- ★ "It's golf, but just barely."
- ★★ "Good, not great, but not a rip off, either."
- ★★★ "Very good. Tell a friend it's worth getting off the interstate to play."
- ★★★★ "Outstanding. Plan your next vacation around it."
- ★★★★★ "Golf at its absolute best. Pay any price at least once in your life."
- ★ "the equivalent of one-half star."

Appendix D Summary of 1993 USGA Turf Advisory Service Reports

Eastmoreland Golf Course

General: “. . . it was good to view ongoing improvements in several areas . . . the construction of the bunkers that had been completed was outstanding . . . unique method for installing sand and architectural style along with the type of sand insure positive visual and playing results . . . a new maintenance facility . . . tunnel expansion . . . and ongoing equipment replacement is scheduled.”

Greens: Could improve by putting green rolling, water aeration, developing a method to minimize spike problem, and resolving excess shade at hole 10.

Greens Surrounds: Severe wear due to trees and bunkers. New bunkers will help. Need regular overseeding in spring and fall with core aeration. Use vibratory compactor when bunker sand is installed to assure firmness. Eliminate rakes with long teeth from the bunkers.

Fairways: Current aeration equipment is inadequate and overseeding method is too slow. Suggest purchase of power aerifier, core pulverizer, and update overseeding equipment. Overseeding should be mandatory program.

Trees: The course is inundated with misplaced trees. Tree planting and tree removal are needed. Highest priority should be given to an extensive long range tree plan completed by a qualified golf course architect. Additional funding is required for regular care to insure longevity. Above ground and root pruning also needed.

Misc.: New maintenance facility will address one of weakest areas of course. The facility should include properly constructed washing area.

Suggest participation in New York Audubon Cooperative Sanctuary Program.

Appendix D Summary of 1993 USGA Turf Advisory Service Reports

Rose City Golf Course

General: *“ Based on the small size of the staff and inherent problems with heavy play, the golf course was in excellent fall condition. An ongoing program of tee reconstruction has greatly enhanced the golf course along with the control of traffic around greens through the use of paint lines.”*

Greens: Putting surfaces in excellent condition, with deep root systems. Can improve by increased topdressing, increased grooming and vertical mowing, overseeding with bentgrass, putting green rolling, aerating with water, and developing a method to minimize spike problem.

Greens Surrounds: Excellent turf quality due to painted lines which control traffic. Recommend regular movement of lines, improvement of cart paths, regular aeration and overseeding, and improvement of green at hole 14. In addition to planned green construction, long range plan should include mounding and bunker improvements.

Tees: Size and levelness of tees are as good as any we viewed on public courses in the Western United States. Outstanding improvements were achieved through tee reconstruction program. Need to continue adding curbing to cart paths, regularly aerating and overseeding tees. Should change winter play policy by closing tees and using forward tees or artificial surfaces.

Fairways: Could improve fairways by upgrading equipment and staff size. Need new power aerifier and core pulverizer. Five-gang mowers would mow better than 9-gang mowers. Recommend regular aeration, overseeding, upgrading of fairway mowers, and overseeding fairway perimeters.

Trees: Need to establish a tree plan that includes removal, pruning, and adding plants. Need to add trees for safety at holes 2, 3, 8, and 15. Need improved leaf removal equipment.

Misc.: Consider expanding natural areas and thus reduce turf maintenance.

Long range plan should include deepening of lakes and use of plastic liner to save water.

Suggest participation in New York Audubon Cooperative Sanctuary Program.

Appendix D Summary of 1993 USGA Turf Advisory Service Reports

Heron Lakes Golf Course

General: *“This was the first visit to Heron Lakes and it was understandable why these are considered the Crown Jewels of the Portland Public Golf Courses. In addition to outstanding architecture, the putting surfaces were the best we viewed on all of the public courses under operation by the City. . . the establishment of natural areas on the Great Blue Course adds a distinct quality that is seldom seen on municipal golf courses. Indeed, when comparing the two courses at Heron Lakes with other metropolitan municipal golf courses in the Western United States, there are none that are better.”*

Greens: Improve by overseeding, rolling greens, building 5,000 square foot bentgrass nursery, developing solution to spike problems, expanding winter play restrictions, and modifying fertilizer program.

Greens Surrounds: Improve with combination of effective marshaling and moveable paint lines, reduce number of bunkers, recontour and replace sand in Green Back bunkers.

Tees: Improve through more aeration.

Fairways: Could improve by overseeding and by using power aerifier, core pulverizer, and 5-gang mower.

Trees: Could be improved on some holes through extensive pruning or removal.

Misc.: Could address big problem with speed of play on Great Blue by reversing nines.

Commended for participation in New York Audubon Cooperative Sanctuary Program.

Appendix D Summary of 1993 USGA Turf Advisory Service Reports

Progress Downs Golf Course

General: *“When compared to other public courses in the Pacific Northwest, Progress Downs currently falls in the category of above average with high marks earned for greens surrounds and fairways despite a totally inadequate irrigation system and water source . . . this is one of the safest courses we have viewed . . . Progress Downs has the greatest potential for improvement and the greatest fundamental problems due to a poor irrigation system, poor water quality and initial construction. In spite of these underlying problems, Superintendent Standard and his small staff are producing conditions that are superior to many municipal golf courses in large cities in the Western United States In short, the overall ranking of Progress Downs, when compared to other Portland municipal courses, would be equal, with the exception of Heron Lakes.”*

Greens: All greens should be rebuilt to USGA specifications. Until then, recommend putting green rolling, increased vertical mowing and topdressing, more frequent fertilizing, and overseeding with bentgrass.

Greens Surrounds: Could benefit from redesign of bunkers. To improve heavily worn areas, spray paint lines, instruct marshals to enforce cart traffic policy and educate golfers, change name of marshals to “course assistance personnel,” and install basic drainage. If reconstruction does not occur, immediate excavation, drainage, and reseeding will be needed. Regular aeration, overseeding, and topdressing would also help.

Tees: Tees should be expanded and rebuilt. This is the weakest area of the course. If tees are not rebuilt, great difficulties lie ahead for quality turf growth. Need to aerate. Increased overseeding of divots would also help. To preserve tee on hole 1, a warm-up area is recommended.

Fairways: Fairways are in very good condition considering poor irrigation system and water quality. Fairways are much better than many municipal courses in the Western United States. Recommend regular overseeding, increased aeration, maintaining optimum fertility levels, and use of 5-gang mowers to eliminate mowing strips. Fairway mounding and bunkers would enhance course.

Trees: There is no planting plan; should add to long-range plan.

Misc.: A long range plan should include: redesign of back nine with safety as main issue, rebuilding of greens, redesign of bunkers, expansion/building of tees, improved drainage, upgrade of irrigation system, fairway mounding and bunkers, cart paths, upgrade of maintenance facilities, and tree planting plan.

Need tractor mounted blower. Ongoing replacement of green mowers and utility vehicles is critical to efficiency and mowing quality.

Appendix E Capital Improvement Budgets and Actual Expenditures

Eastmoreland Golf Course

| | Tees | Clubhouse | Maint. Building | Parking Expansion | Other/ Unspecified | Total |
|-------------------------------------------------|-----------|-----------|--------------------|----------------------|-----------------------|--------------------|
| 85-86 budget | | | | | \$0 | \$0 |
| <i>actual</i> | | | | | 8,929 | 8,929 |
| 86-87 budget | \$100,000 | | | | | 100,000 |
| <i>revised</i> | 100,000 | | | | | 100,000 |
| <i>actual</i> | 14,850 | | | | | 14,850 |
| 87-88 budget | 0 | \$500,000 | | | | 500,000 |
| <i>revised</i> | 85,150 | 1,000,000 | | | | 1,085,150 |
| <i>actual</i> | 6,429 | 14,100 | | | | 20,529 |
| 88-89 budget | 0 | 0 | | | | 0 |
| <i>revised</i> | 0 | 1,550,000 | | | | 1,550,000 |
| <i>actual</i> | 16,643 | 1,418,034 | | | | 1,434,677 |
| 89-90 budget | 0 | 0 | | | | 0 |
| <i>revised</i> | 0 | 205,322 | | | | 205,322 |
| <i>actual</i> | 17,560 | 344,787 | | | | 362,347 |
| 90-91 budget | | 115,652 | | | | 115,652 |
| <i>revised</i> | | 107,728 | | | | 107,728 |
| <i>actual</i> | | 38,797 | | | | 38,797 |
| 91-92 budget | | 1,588 | | | | 1,588 |
| <i>revised</i> | | --- | | | | --- |
| <i>actual</i> | | 0 | | | | 0 |
| 92-93 budget | | | \$180,000 | | 0 | 180,000 |
| <i>revised</i> | | | 202,583 | | 0 | 202,583 |
| <i>actual</i> | | | 45,072 | | 15,653 | 60,725 |
| 93-94 budget | | | 300,000 | \$200,000 | 60,000 | 560,000 |
| <i>revised</i> | | | 100,000 | 271,775 | 60,000 | 431,775 |
| <i>actual</i> | | | 85,572 | 71,997 | 10,832 | 168,401 |
| 94-95 budget | | | 300,000 | | 0 | 300,000 |
| <i>actual *</i> | | | 682,630 | | 64,055 | 746,685 |
| Cumulative Expenditures, '85-86 - '94-95 | | | | | | \$2,855,940 |

* Expenditures through accounting period 9.

SOURCE: City of Portland Adopted Budgets and Parks Bureau records.

NOTE: "budget" = adopted budget
 "revised" = revised budget
 "actual" = actual expenditures
 --- = not available

Appendix E Capital Improvement Budgets and Actual Expenditures

Rose City Golf Course

| | Tees | Clubhouse | Maint. Building | Cart Paths | Other/ Unspecified | Total |
|-------------------------------------------------|-----------|-----------|--------------------|---------------|-----------------------|------------------|
| 85-86 budget | | | | | \$57,500 | \$57,500 |
| <i>actual</i> | | | | | 47,035 | 47,035 |
| 86-87 budget | | | | | 30,000 | 30,000 |
| <i>revised</i> | | | | | 30,000 | 30,000 |
| <i>actual</i> | | | | | 20,325 | 20,325 |
| 87-88 budget | | | | \$0 | | 0 |
| <i>revised</i> | | | | 0 | | 0 |
| <i>actual</i> | | | | 53,363 | | 53,363 |
| 88-89 budget | | | | | | 0 |
| <i>revised</i> | | | | | | 0 |
| <i>actual</i> | | | | | | 0 |
| 89-90 budget | \$250,000 | \$250,000 | | | | 500,000 |
| <i>revised</i> | 250,000 | 235,000 | | | | 485,000 |
| <i>actual</i> | 7,000 | 0 | | | | 7,000 |
| 90-91 budget | 100,000 | | | | | 100,000 |
| <i>revised</i> | 250,000 | | | | | 250,000 |
| <i>actual</i> | 9,435 | | | | | 9,435 |
| 91-92 budget | 100,000 | | \$50,000 | | | 150,000 |
| <i>revised</i> | 100,000 | | 50,000 | | | 150,000 |
| <i>actual</i> | 35,817 | | 0 | | | 35,817 |
| 92-93 budget | 0 | | 0 | | | 0 |
| <i>revised</i> | 0 | | 0 | | | 0 |
| <i>actual</i> | 24,504 | | 13,682 | | | 38,186 |
| 93-94 budget | 0 | | 40,000 | | 20,000 | 60,000 |
| <i>revised</i> | 0 | | 40,000 | | 20,000 | 60,000 |
| <i>actual</i> | 101,495 | | 0 | | 0 | 101,495 |
| 94-95 budget | | | | | 20,000 | 20,000 |
| <i>actual</i> * | 7,307 | | | | 73,055 | 80,362 |
| Cumulative Expenditures, '85-86 - '94-95 | | | | | | \$393,018 |

* Expenditures through accounting period 9.

SOURCE: City of Portland Adopted Budgets and Parks Bureau records.

NOTE: "budget" = adopted budget
 "revised" = revised budget
 "actual" = actual expenditures
 --- = not available

Appendix E Capital Improvement Budgets and Actual Expenditures

Heron Lakes Golf Course

| | 9-Hole Addition* | Clubhouse | Maint. Bldg. & Paving** | Dikes | Cart Paths & Restroom | Other/ Unspecified | Total |
|-------------------------------------------------|---------------------|-----------|----------------------------|-----------|--------------------------|-----------------------|--------------------|
| 85-86 budget | \$1,007,500 | | | | | \$0 | \$1,007,500 |
| <i>revised</i> | 1,005,900 | | | | | --- | 1,005,900 |
| <i>actual</i> | 810,565 | | | | | 77,409 | 887,974 |
| 86-87 budget | 102,059 | | | | | | 102,059 |
| <i>revised</i> | 367,059 | | | | | | 367,059 |
| <i>actual</i> | 367,058 | | | | | | 367,058 |
| 87-88 budget | 226,589 | | | | | | 226,589 |
| <i>revised</i> | 179,380 | | | | | | 179,380 |
| <i>actual</i> | 71,841 | | | | | | 71,841 |
| 88-89 budget | 0 | \$35,000 | | | | | 35,000 |
| <i>revised</i> | 0 | 35,000 | | | | | 35,000 |
| <i>actual</i> | 8,306 | 3,655 | | | | | 11,961 |
| 89-90 budget | 500,000 | 0 | | \$500,000 | | | 1,000,000 |
| <i>revised</i> | 500,000 | 0 | | 500,000 | | | 1,000,000 |
| <i>actual</i> | 95,348 | 4,968 | | 0 | | | 100,316 |
| 90-91 budget | 1,502,600 | 11,491 | | 200,000 | | | 1,714,091 |
| <i>revised</i> | 1,521,772 | 24,000 | | 100,000 | | | 1,645,772 |
| <i>actual</i> | 243,407 | 93,239 | | 4,917 | | | 341,563 |
| 91-92 budget | 1,611,750 | 5,930 | | 500,000 | | | 2,117,680 |
| <i>revised</i> | 1,644,388 | 5,930 | | 500,000 | | | 2,150,318 |
| <i>actual</i> | 2,099,462 | 34,651 | | 439 | | | 2,134,552 |
| 92-93 budget | 0 | | \$0 | 265,000 | \$250,000 | | 515,000 |
| <i>revised</i> | 823,203 | | --- | 0 | 250,000 | | 1,073,203 |
| <i>actual</i> | 328,752 | | 280,129 | 0 | 0 | | 608,881 |
| 93-94 budget | 0 | | 0 | 0 | 100,000 | | 100,000 |
| <i>revised</i> | 450,654 | | --- | 74,469 | 100,000 | | 625,123 |
| <i>actual</i> | 177,500 | | 392,937 | 0 | 79,452 | | 649,889 |
| 94-95 budget | | | | 180,000 | 150,000 | | 330,000 |
| <i>actual</i> *** | | | 49,915 | 0 | 320,293 | | 370,208 |
| Cumulative Expenditures, '85-86 - '94-95 | | | | | | | \$5,544,243 |

* Two 9-hole additions were completed in July 1987 and July 1992.

** Budgeted amounts were combined with 9-hole addition.

*** Expenditures through accounting period 9.

SOURCE: City of Portland Adopted Budgets and Parks Bureau records.

NOTE: "budget" = adopted budget "actual" = actual expenditures
"revised" = revised budget --- = not available

Appendix E Capital Improvement Budgets and Actual Expenditures

Progress Downs Golf Course

| | 9-Hole Addition | Course Remodel | Cart Paths | Other/ Unspecified | Total |
|-------------------------------------------------|--------------------|-------------------|---------------|-----------------------|------------------|
| 85-86 budget | | | | \$0 | \$0 |
| <i>revised</i> | | | | --- | 0 |
| <i>actual</i> | | | | 1,350 | 1,350 |
| 86-87 budget | | | \$0 | 0 | 0 |
| <i>revised</i> | | | 20,000 | 13,650 | 33,650 |
| <i>actual</i> | | | 26,833 | 0 | 26,833 |
| 87-88 budget | | | | 0 | 0 |
| <i>revised</i> | | | | 13,650 | 13,650 |
| <i>actual</i> | | | | 2,816 | 2,816 |
| 88-89 budget | | | | | 0 |
| <i>revised</i> | | | | | 0 |
| <i>actual</i> | | | | | 0 |
| 89-90 budget | \$500,000 | | | | 500,000 |
| <i>revised</i> | 500,000 | | | | 500,000 |
| <i>actual</i> | 7,107 | | | | 7,107 |
| 90-91 budget | 1,000,000 | | | | 1,000,000 |
| <i>revised</i> | 1,000,000 | | | | 1,000,000 |
| <i>actual</i> | 33 | | | | 33 |
| 91-92 budget | | \$400,000 | | | 400,000 |
| <i>revised</i> | | 400,000 | | | 400,000 |
| <i>actual</i> | | 115,807 | | | 115,807 |
| 92-93 budget | | 250,000 | | | 250,000 |
| <i>revised</i> | | 450,000 | | | 450,000 |
| <i>actual</i> | | 78,236 | | | 78,236 |
| 93-94 budget | | 750,000 | | | 750,000 |
| <i>revised</i> | | 313,225 | | | 313,225 |
| <i>actual</i> | | 49,849 | | | 49,849 |
| 94-95 budget | | 200,000 | | | 200,000 |
| <i>actual</i> * | | 39,356 | | | 39,356 |
| Cumulative Expenditures, '85-86 - '94-95 | | | | | \$321,387 |

* Expenditures through accounting period 9.

SOURCE: City of Portland Adopted Budgets and Parks Bureau records.

NOTE: "budget" = adopted budget
 "revised" = revised budget
 "actual" = actual expenditures
 --- = not available

Appendix F Survey of Other Municipal Golf Courses

| | Portland | Spokane | Denver | Indianapolis | San Francisco | Phoenix |
|-----------------------------------|------------|------------|------------|--------------|---------------|------------|
| Number of Courses * | 5 | 4 | 8 | 12 | 5 | 5 |
| Total Holes | 90 | 72 | 135 | 181 | 72 | 81 |
| 9-Hole Rounds Played Last Year | 625,573 | 398,954 | NR | 531,000 | 402,500 | 397,883 |
| Avg. 18-Hole Fee (Resident) ** | \$17.00 | \$15.00 | \$14.50 | \$14.87 | \$17.66 | \$17.00 |
| Avg. 18-Hole Fee (Nonresident) ** | \$21.00 | \$19.62 | \$19.75 | \$14.87 | \$26.33 | \$25.50 |
| Difference | \$4.00 | \$4.62 | \$5.25 | \$0.00 | \$8.67 | \$8.50 |
| Revenues Used for Other Purposes? | Yes | No | No | No | Yes | Yes *** |
| Enterprise Fund? | Yes | Yes | Yes | Yes | No | Yes |
| RESPONSIBILITY FOR: | | | | | | |
| Maintenance (City or Contractor) | City | City | City | Contractor | City | City |
| Concessions (City or Contractor) | Contractor | Contractor | Contractor | Contractor | Contractor | Contractor |

* Not all are 18 holes.

** Peak Season, Adult, Weekend.

*** \$150,000 to Youth at Risk programs.

NR = No response

NOTE: Seattle and Sacramento were contacted but did not respond.

Appendix G

Weather Conditions and Rounds Played, July - December, 1988-1994

| | 1988-93 Rainfall (in.) | | | 1994 Rainfall | 1988-93 Temperature | | | 1994 Temperature | 1988-93 Rounds | | | 1994 Rounds |
|-----------|------------------------|------|------|---------------|---------------------|-----|-----|------------------|----------------|--------|--------|-------------|
| | Low | Avg | Hi | Actual | Low | Avg | Hi | Actual | Low | Avg | Hi | Actual |
| July | .05 | .83 | 1.89 | 0.03 | 79° | 86° | 91° | 91° | 45,557 | 48,921 | 50,125 | 48,112 |
| August | .09 | .69 | 1.66 | 0.13 | 78° | 85° | 90° | 87° | 47,390 | 50,217 | 51,784 | 46,418 |
| September | 0.0 | .81 | 1.71 | 1.14 | 79° | 81° | 85° | 84° | 37,741 | 40,629 | 42,710 | 35,191 |
| October | 0.23 | 2.49 | 5.4 | 8.41 | 65° | 68° | 70° | 65° | 26,900 | 30,123 | 33,772 | 27,652 |
| November | 2.95 | 5.74 | 9.79 | 6.66 | 50° | 55° | 58° | 50° | 15,275 | 18,327 | 21,289 | 11,923 |
| December | 3.26 | 4.94 | 7.32 | 6.22 | 43° | 48° | 50° | 49° | 8,159 | 13,667 | 17,231 | 10,981 |

NOTE: Does not include Heron Lakes because nine new holes opened during the period.

SOURCE: Rainfall, temperature: Bureau of Environmental Services. Rounds: Parks Bureau records.

Responses to the Audit




CITY OF
PORTLAND, OREGON
DEPARTMENT OF PUBLIC SAFETY

Charlie Hales, Commissioner
1220 S.W. Fifth Avenue
Room 404
Portland, Oregon 97204
(503) 823-4682
FAX (503) 823-4040

May 24, 1995

To: Barbara Clark, City Auditor

From: Commissioner Charlie Hales 

Re: Golf Program Audit

I appreciate the opportunity to respond to the recommendations of the recent audit of the city's Golf Program. I considered the findings invaluable in the development of my recent recommendations for changes to the Golf Program. As you already know, we have recommended the Council move ahead quickly on several of the audit's major recommendations including: 1) the use of golf revenues first to pay for the ongoing operational costs of the program; 2) the development, in conjunction with the Office of Finance & Administration, of an annual, five-year financial plan for the program; 3) the study of ways to reduce the system's maintenance costs; 4) the development of a single, automated tee reservation system for the city's courses; and 5) the resolution of the disagreement between the City and the operator of the Progress Downs golf course.

I am also happy that the audit found we operate a superior group of public golf courses and that our customers are, for the most part, satisfied with our service. Your thorough analysis of our Golf Program will help ensure that we remain a leader in the provision of this service well into the future.

PORTLAND PARKS AND RECREATION



1120 SW FIFTH AVE, SUITE 1302, PORTLAND, OREGON 97204-1933

TELEPHONE (503) 823-2223

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CHARLIE HALES, COMMISSIONER

CHARLES JORDAN, DIRECTOR

DATE: May 24, 1995

TO: Barbara Clark
City Auditor

FROM: Charles Jordan, Director of Parks and Recreation

SUBJECT: Response to Audit of City of Portland Golf Program

Thank you for the chance to review the draft Audit of the City's Golf program. Your staff provided careful research and timely advice to the City Council on the key issues that face the Golf program, both immediately and for the long term, and we appreciate that.

We have prepared a package of recommendations to the Council that draws heavily from your audit, as well as from the analysis prepared by the Office of Finance and Administration. These include:

- ◆ Eliminating the distinction between residents and non-residents in our pricing structure and bringing our overall price level to the average of the current competitive market;
- ◆ Allowing revenues from the second and third surcharges to be diverted to the Golf Fund when necessary so as to ensure that the Golf program--including golf capital needs--has first priority in the use of revenues generated by the golf courses;
- ◆ Using General Fund dollars if necessary to ensure that our commitments to the schools are met for the coming budget year, if surcharge revenue needs to be diverted to the Golf Fund;
- ◆ Developing and implementing an aggressive marketing program to rebuild our customer base, including the flexibility to offer promotional rates during off-peak times;
- ◆ Continuing to strengthen our capital and financial planning for the Golf program, including an improved five-year financial plan, periodic outside audits of concessionaires, and continuing recent improvements to the planning and tracking of Golf capital projects;
- ◆ Investigating options to improve purchasing methods and trim operating costs without damaging the quality of course maintenance;
- ◆ Using the City's Comprehensive Organizational Review (CORE) process to examine the structure and roles of Golf program management;
- ◆ Making a concerted effort to improve relations with the concessionaire at Progress Downs;
- ◆ Clarifying the role of the Golf Advisory Committee; and
- ◆ Investigating options for developing a single automated reservation system.

We appreciate your overall assessment that the City of Portland has a high quality, well run system--one of the best municipal golf programs in the country, with high rankings by national organizations and golf customers that are very satisfied with course conditions and services. At the same time, we agree that we can make further improvements, particularly to the system's financial stability. Thank you for your help in this effort.

