



COUNCIL WORK SESSION

Tuesday, June 10, 2015

6:30 p.m.

Coon Rapids City Center

Conference Room 1

Call to Order

Pursuant to Minnesota Statute 13D.04, subd. 2, the City Council will meet in work session to discuss the following:

1. Bunker Hills Club House Renovation

Other Business

Adjourn



City Council Work Session

1.

Meeting Date: 06/10/2015

Subject: Bunker Hills Club House Renovation

Submitted For: Sharon Legg, Finance Director

From: Sharon Legg, Finance Director

INTRODUCTION

City Council authorized the expenditure for the second phase of design for the clubhouse renovation at the golf course to more fully understand the cost and benefit of the enhancement to increase the use of the facility. Cost estimates have been confirmed and staff is seeking direction on how to proceed.

DISCUSSION

As you know, there are a number of possible projects to consider in order to allow the restaurant portion of the golf operation to more fully reach its potential as outlined below:

Bar/Restaurant Remodel. The expansion involves adding 98 total seats to the present 138 seat bar/restaurant by opening the walls between the bar and the adjoining conference rooms. The cost of this was estimated to be \$253,000 without including the \$25,000 already spent for architectural drawings and bids. After obtaining quotes for this work, the cost is estimated to be \$286,000 including a ten percent contingency. Net revenue estimates of \$26,000 indicate that this could pay for the improvement over 12 years without considering financing costs.

New Golfer Patio/Simulator Room. The proposed outside bar and grill would support up to 89 seats in the simulator room and patio for customers to have breakfast, lunch and dinner without have to use the dining room. Since there would be no table service, this would allow the restaurant manager to provide lower price food items due to less expensive overhead. This option would likely be more attractive to the seasonal golf patrons as opposed to the higher cost and additional time required to eat in a true restaurant setting. Originally this project was estimated to cost \$300,000 without the \$27,000 for bid estimates. The current estimate is \$330,000 including a ten percent contingency and would generate roughly \$41,000 in additional net revenue paying for the project over nine years without including financing costs.

Restaurant Branding. Re-branding of the restaurant is necessary whether or not the two improvement projects are undertaken. However, it has been delayed until after the decision on the remodeling is made. The cost is estimated at \$100,000. This will establish a website, marketing, a name, signage, etc. It is anticipated that the grand-reopening of the restaurant will occur in about October 2015.

A significant amount of time has been spent discussing the pros and cons of the investment. Staff realizes that these improvements do not generate a quick payback. Unfortunately, much of the restaurant as originally set-up leaves a great deal of room for improvement in the efficiency of the operation, food safety, capacity, cost to operate, etc. These enhancements will give the operator the tools to be successful on the front end, rather than the present situation whereby the in-efficiencies raise costs as well as require higher pricing. The restaurant operator has made strong arguments in favor of the enhancements that staff supports. However, it is anticipated the restaurant will lose money in 2015 primarily due to transition and repositioning costs. Staff expects a significant reduction in 2016 losses, but the operation will likely need support requiring internal loans from other city funds. Other issues including parking, small wares, HVAC, dishwashers, refrigeration, etc. will be included in the budget process outside of this discussion.

If the City Council chooses to move forward with the improvement projects, staff is hoping to get the projects authorized at the June 16 City Council meeting. The projects could then begin quickly with the goal to have them completed in time for several large corporate events scheduled for the later part of August. This is advantageous because it will show the marketplace the golfer patio this year which should result in favorable decisions for facility use in 2016. Construction will take from six to eight weeks to complete and would be fast tracked. As stated above, a grand opening is anticipated for October.

Representatives from Morrissey Hospitality Group will be at the workshop to further explain the projects.

RECOMMENDATION

For discussion only.

Attachments

Golf Budget

CITY OF COON RAPIDS, MINNESOTA
73000 - GOLF COURSE FUND - ACTIVITY 673
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2013 ACTUAL	2014 ACTUAL	2015 BUDGET	2015 ACTUAL TO 6/30	2015 ESTIMATED THRU 12/31	2016 BUDGET
Operating Revenues:						
Sales, fees, and charges:						
Green Fees	\$ 1,383,143	\$ 1,412,958	\$ 1,612,000	\$	\$ 1,646,000	\$ 1,634,000
Driving range	52,794	100,060	105,000		128,000	135,000
Pro shop	210,285	209,413	235,000		225,000	225,000
Restaurant		292,322			2,966,969	(217,000)
Rentals:						
Building	388,276	279,774	382,400		34,400	38,400
Carts	317,404	301,436	338,000		338,000	338,000
Simulator	83,832	91,369	80,000		70,000	80,000
Total sales, fees, and charges	2,435,734	2,687,332	2,752,400		5,408,369	2,233,400
Miscellaneous	117,291	133	8,500			
Total Operating Revenues	2,553,025	2,687,465	2,760,900		5,408,369	2,233,400
Operating Expenses:						
Maintenance:						
Personal services	493,878	469,184	464,208		474,052	486,422
Other charges and services	72,291	86,761	80,300		76,900	74,525
Supplies	368,096	301,663	299,750		302,587	299,750
Depreciation	220,686	216,280	233,978		233,978	233,978
Total Maintenance Expenses	1,154,951	1,073,888	1,078,236		1,087,517	1,094,675
Administration:						
Personal services	325,223	342,240	352,800		361,775	383,130
Other charges and services	480,705	519,824	475,000		397,883	386,576
Supplies	22,185	29,292	19,500		16,700	19,500
Pro Shop cost of goods sold	160,668	128,013	160,000		160,000	161,500
Depreciation	365,978	363,130	460,206		225,103	225,103
Total Administration Expenses	1,354,759	1,382,499	1,467,506		1,161,461	1,175,809
Restaurant						
Contract Labor		184,427			1,449,465	
Other charges and services		117,837			879,082	
Supplies		64,398			238,947	
Restaurant cost of goods sold		84,541			767,119	
Depreciation		36,642			177,960	
Total Restaurant Expenses		487,845			3,512,573	
Total Operating Expenses	2,509,710	2,944,232	2,545,742		5,761,551	2,270,484
Operating Income (Loss)	43,315	(256,767)	215,158		(353,182)	(37,084)
Nonoperating Revenues (Expenses):						
Investment income	(6,791)	12,634	6,785		3,596	1,858
Intergovernmental income	66,438	62,613	66,388		66,388	66,400
Gain (Loss) on disposal of assets	2,450		68,800		68,800	
Bad debt expense		(18,620)				
Interest and fiscal charges	(219,850)	(215,657)	(209,512)		(184,256)	(182,957)
Total Nonoperating Revenues (Expenses)	(157,753)	(159,030)	(67,539)		(45,472)	(114,699)
Change in net position	(114,438)	(415,797)	147,619		(398,654)	(151,783)
Net Position at Beginning of Year	7,773,298	7,658,860	7,657,725	7,243,063	7,243,063	6,844,409
Net Position at End of Year	\$ 7,658,860	\$ 7,243,063	\$ 7,805,344	\$ 7,243,063	\$ 6,844,409	\$ 6,692,626
Cash balance at end of the year		315,643			167,395	82,187
				*** For Accounting purposes only		
				Cash balance at beg year	315,643	167,395
				+Revenues(less interest)	5,543,557	2,299,800
				-Expenses	(5,945,807)	(2,453,441)
				+Depreciation	637,041	459,081
				-Capital Outlay	(157,050)	(139,500)
				Bond Proceeds		
				Bond Premium		
				Golf Course Lease	(49,803)	(74,705)
				-Principal on Bonds & Internal Loans	(179,781)	(178,301)
				Cash balance at end year w/o interest	163,799	80,329
				Cash balance at end year with interest	167,395	82,187
				Average cash balance	239,721	123,862
					1.50%	1.50%
				Estimated interest revenue	3,596	1,858