

# Sligo Creek Golf Association

## The Real Truth About Sligo Creek Golf Course — A Financial Primer

### **Sligo Creek Golf Course is not declining in popularity.**

- The number of rounds played at Sligo increased from 25,242 in 2006 to 28,815 in 2007 to 29,906 in 2008. Anecdotal evidence suggests the number of golfers is surging at Sligo this year because of the publicity about the course despite the lack of marketing of the course by the Montgomery County Revenue Authority.

### **Sligo Creek Golf Course is not a huge money-loser.**

- In FY 2008, expenses exceeded revenues at Sligo Creek Golf Course by only \$5,566, an improvement over FY 2007 losses of \$32,116, according to the 2008 audit of the Revenue Authority by McGladrey & Pullen CPA.

### **Projected large Sligo deficits are due to financial manipulation.**

- In FY 2007, Sligo Creek was allocated a management fee of \$68,580 as its share of the \$1.2 million cost to pay for the Revenue Authority's management in Rockville. The largest management fees were assigned to the two 27-hole courses in the system, Northwest and Needwood, which paid \$170,918 and \$169,318 respectively.
- In FY 2008, management costs in Rockville jumped to more than \$1.4 million despite the savings one would expect from consolidating two separate golf course systems under one roof. Instead of continuing to pro-rate central management costs based on the size of the operation, as is the normal practice at other municipal golf course operations, including the city of Baltimore, the Revenue Authority assigned an equal share, \$139,104, to each of its nine golf courses and the Montgomery County Airpark.
- Sligo's deficit, which should have gone down because of better performance, instead showed an increase on paper to \$144,670.

### **The management fee structure is unfair.**

- Sligo pays nearly 25 per cent of its annual revenues for its share of the management costs in Rockville, a crushing burden that no small business could sustain. In contrast, the burden of the management fee on the Falls Road Golf Course is only about 5 percent of its annual revenues.

### **Sligo Creek does not need massive new taxpayer subsidies to stay open.**

- The County Council needs only to tell the Revenue Authority that it expects the cost of the central bureaucracy to be prorated on a fair basis. For instance, if Sligo’s management fee was equal to its share of golf system revenues, about 4 percent, then its management fee would be about \$51,000. The Council has already appropriated \$56,000 to pay for mowing and maintenance if the course closes Oct. 1. These funds can be transferred to pay for operating costs while long-term options for the course are explored. The reallocation of central management costs on a revenue basis also would put less of a burden on the Little Bennett, Poolesville and Rattlewood courses without jeopardizing the financial health at the busier courses.

### **Sligo Creek is not falling apart.**

- The fairways and greens are excellent condition thanks to the work of the groundskeeper. Because it is only a nine-hole course, Sligo Creek golfers only spend two to three hours at Sligo do not expect or require a country club. While the Revenue Authority estimated the cost of necessary projects at \$2.5 million, SCGA does not believe all these projects are critical immediately or in some cases necessary. Many can be phased in over time. SCGA is ready to work with county officials on a long-term financial plan once the unfair burden of overhead charges is eliminated.

### **Sligo Creek is not an “adverse” threat to the county golf system.**

- While some municipal golf systems are threatened in the country, the financial health of public courses in Montgomery County is excellent, in large part to the infusion of customers and cash from two former M-NCPPC courses, Northwest and Needwood, during the second year of 9-course operations. According to the McGladrey & Pullen FY2008 audit, revenues increased system-wide from \$15.8 million in 2007 to \$17.1 million in 2008. The four former M-NCPPC courses, Northwest, Needwood, Little Bennett and Sligo Creek accounted for \$917,911 or 75 percent of the total increase in 2008.
- Even if you accepted the Revenue Authority’s unfair allocation of management fees, it is clear that profits from Northwest and Needwood, a combined \$1.2 million, more than made up for losses at Sligo and Little Bennett, a combined \$495,000. Even if you add the \$480,000 lease payment to MNCPPC, MCRA made a profit of \$263,000 on the lease deal in 2008.

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