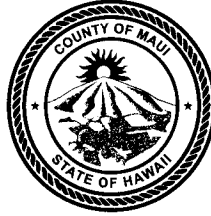


ALAN M. ARAKAWA
Mayor



KA'ALA BUENCONSEJO
Director

BRIANNE L. SAVAGE
Deputy Director

(808) 270-7230
Fax (808) 270-7934

DEPARTMENT OF PARKS AND RECREATION

700 Hali'a Nakoa Street Unit 2, Wailuku, Hawaii 96793

April 20, 2017

Ms. Lynn A.S. Araki-Regan *LR*
Budget Director, County of Maui
200 South High Street
Wailuku, Hawaii 96793

Al Arakawa 4/20/17

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:
Honorable Riki Hokama
Chair, Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Hokama:

SUBJECT: FISCAL YEAR ("FY") 2018 BUDGET (PR-10)(BF-1)

In response to your correspondence of April 18, 2017, relating to the proposed Waiehu Golf Course Rates and Fees given in our correspondence of April 11, 2017, we reviewed all the data available to us by the limited tracking and reporting formats with the older tee sheet system and some interesting data was collected. It seemed important that as an introduction to this answer, we must review the previous years in which the last major golfing fee increases were made, FY2015 to FY2016. Our target audiences are Retirees, Residents and Tourists as they encompass 85% of our total golf revenue. In addition a great emphasis must be placed on students becoming our future viability.

Retirees from **FY2015** to **FY2016** showed an increase of **51%** in revenue even with a **4% loss** in rounds played due to a \$3.00 and \$5.00 price increase.

In **FY2015**, resident golfers paid \$10.00 every day of the week and holidays, with no twilight or 9 hole rates. That year we had **24,205** residents play golf with a total revenue on the resident category of **\$240,430.00**.

Starting in **FY2016**, resident golfers had six price points with a \$3 dollar increase from the year prior. This group paid fees of \$13.00 on weekdays, \$10.00 for twilight and \$5.00 for 9 holes. For the weekends and holidays, there was a major increase of \$8.00 in their fees. Residents paid \$18.00 on weekends and holidays with the same cost for twilight and 9 holes listed above. In that year, **21,047** resident golfers played at all six price points with a total revenue on resident rates equaling **\$249,996.00**. This generated only a **4%** increase in revenue from the previous year but with **13%** less residents playing due to the price increase.

At the same time in **FY2015** the tourist's rate was \$55.00 every day including holidays. We had **4,297** tourists and made **\$233,035.00** in revenue.

During **FY2016**, we created 6 price points for tourists with \$50.00 weekdays, twilight was \$40.00 and 9 hole rate \$10.00. It was also \$55.00 for weekends and holidays with twilight and 9 hole rate as the same list price above. There were **5,130** tourists which played our course bringing **\$209,330.00** in revenue equating to a **13%** loss in revenue and **19%** increase in tourist traffic due to the six price points offered to them. Our goal was to increase traffic by tourists thinking that would equal additional revenue. While we met that goal, unfortunately most of the growth was during the lower charged rate period.

Students, Hawaii State and tourist categories show that the rounds played during FY2016 experienced very negligible increases and a loss for tourist revenue from the previous year. Tournaments and club play are down based on course conditions from the past and no space on site which will accommodate a 144 to 200 person tournament awards banquet. The data also shows that while revenue was up from FY2015 to FY2016, it was attributed primarily due to improved playing conditions of the golf course and the reasonable daily rate increases to 85% of our rates and fee structure.

All revenue proposals are based on current facility with rounds remaining the same as FY2016 or slightly lower:

Rate Proposal #1

Possible 13% to 16% increase in revenue or an additional \$100,000 to \$137,872 per year.

Rate Proposal #2

Possible 17% to 19% increase in revenue or an additional \$140,000 to \$163,127 per year.

Rate Proposal #3

The Department strongly believes the *current* golf course conditions, *amenities* we offer and the *golf fees charged* by our competition on Maui will not sustain this increase in our fees.

Possible 18% to 26% increase in revenue or an additional \$153,000 to \$220,566 per year.

Rate Proposal #4

Possible 25% to 32% increase in revenue or an additional \$213,000 to \$276,000 per year.

Point of Consideration Relating to Rate Increase

The Department recommends an incremental increase in rates over a period of five (5) years. This would create less of a strain on the golf community and would additionally increase rounds of golf throughout the year while allowing for course quality to continue to improve.

Operational Changes

Point of sale system with online bookings and credit card use:

The golf course point of sale system with online booking will allow for increased facility operational control, tee time limitations/controls and extremely quick financial reporting. In addition, it would allow our lessee's to use this system for their operation allowing quick and easy access and reporting of their financial status for the Finance Department. This system would also provide inventory control and allow them to see the current and future tee sheets for planning purposes.

The point of sale system with online booking, web site and social media links, online marketing, gift card use and flexible program changes would easily bring the Waiehu Golf Course into the 21st century.

An estimated \$200,000 could be captured by implementing this entire system. Once improvements are made at the golf course, this estimate could possibly double.


Replanting of Turf:

When making major improvements on a golf course, there is always a loss in revenue. This loss of revenue is typically due to frustrated golfers trying to play through inconsistent conditions.

If 9 holes were closed for renovations, it would be necessary to reduce the Pro Shop vendor's lease amount. They would be the only vendor which would be affected by operating 9 holes of golf. The Department would recommend reducing the Pro Shop vendor's lease monthly by 50% due to a loss in cart revenue and operational efficiency which Hawaii Golf Equipment and Supplies would experience. Depending on the length of temporary closure, a loss in revenue from this vendor would be between (3 months) \$34,000 and (6 months) \$69,000.

We receive on average 4,400 golfers during the 6 months in which turf planting is proposed. With an expected loss of 30% in rounds during the 9 hole operations, we could still accommodate everyone due to longer day lengths by operating early and closing later than current business hours. A 30% loss in rounds over the summer months would be approximately \$111,300. This same amount could be lost with all 3 of the turf planting and improvement options presented in PR-7 response. However, this loss in revenue upfront, with a well communicated plan on improvements made during the process, will recoup losses within 12 to 16 months after reopening when promoted correctly.

Should you have any questions, please do not hesitate to contact me at Ext. 7385.

Sincerely,

KA'ALA BUENCONSEJO
Director of Parks and Recreation

KB:KP:lms

c: Brianne Savage, Deputy Director
Karla Peters, Parks Maintenance Superintendent
Todd Allen, Golf Course Superintendent