Keller Golf Course

The Ponds at Battle Creek

Manitou Ridge

Island Lake Golf Course

Goodrich Golf Course

Goodrich Golf Dome

Golf Study Executive Report

For

RAMSEY COUNTY

Presented to:

Sara Ackmann

Director of Operations – Arenas and Golf Courses

Parks and Recreation Department

Ramsey County

Presented by

Sirius Golf Advisors, LLC

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Columbus, Georgia * Dallas, Texas * Detroit, Michigan

October 8, 2018

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EXECUTIVE SUMMARY

Ramsey County hired Sirius Golf Advisors, LLC (Sirius) to provide a thorough analysis of its golf operations, with recommendations regarding improvements and long-term planning. The team included John Wait, President of Sirius, who specializes in municipal golf consulting; Jeffrey D. Brauer, noted golf course architect; Erik Christensen, certified irrigation designer; and David S. Downing, agronomist. Also assisting was the National Golf Foundation.

The evaluation process included numerous site visits and facility inspections, interviews with County and golf staff, an extensive survey of area competition, a thorough review of performance data, a detailed customer survey, and an area golf demand analysis.

This "Executive Report" is a high-level summary of the major findings of the study, with an emphasis on those issues most likely to require attention of the County Commissioners. A much more detailed analysis and report will be provided later in the fall. Emphasis on this executive report is on the four properties that are not under a capital lease.

Overview

The County has six golf facilities: Keller Golf Course (Keller), Goodrich Golf Course (Goodrich), Manitou Ridge Golf Course (Manitou), Ponds at Battle Creek (Battle Creek), Island Lake Golf Facility (Island Lake) and the Goodrich Golf Dome (Golf Dome). Keller, Goodrich and Manitou are 18-hole regulation golf courses. Battle Creek is a nine-hole regulation course and Island Lake is an executive, 9-hole Par 28 golf course and practice facility.

Two of the facilities, Island Lake and Golf Dome, are operated on long-term capital leases. Manitou has an operating lease, where the operator pays for all operating expenses, including maintenance, but the County remains responsible for the improvements. Keller, Goodrich and Battle Creek have management contracts, but the County still maintains the courses.

Overall, the golf division (we refer to as "RC Golf") shows an operating profit. Only one of the facilities, Battle Creek, is losing money, and it only marginally. However, the cash flow is not enough to cover the costs of capital improvements, nor has any money been set-aside for this purpose.

Keller and Battle Creek's performance have been mostly stable over the past three years. In contrast, Goodrich has shown strong improvement over the past four years, while Manitou has seen a sharp decline.

All the operators are dedicated, passionate about their courses, and provide outstanding customer service.

Major Issues

We found several significant areas of concern. These include:

- Lack of a **Mission Statement**
- **Deteriorating Infrastructure**, especially at Goodrich and Manitou
- **Market Overlap**

- **Operator Contracts**
- **Marketing**
- **Pricing Policy**
- **Keller's Food and Beverage Operation**
- **Manitou's Decline**
- **Battle Creek**
- **Neglected Markets**

Mission Statement

There is currently no clearly defined mission statement for RC Golf. Yet this is very important as it provides guidance as to what is important and how the facilities should be operated.

The most important question is "what is more important: Being an amenity to the citizens of the County or being a profit center, supporting other valuable programs?" With municipal golf course, amenity-oriented facilities are typically operated like other recreation assets, such as parks and swimming pools. There is no expectation for profit, indeed, it is normal for them to be heavily subsidized.

On the other hand, to the degree that profitability is desired (even just breaking-even), then the operation must operate more like a *business*. Moreover, it is a business that is operating in a highly-competitive environment.

Some of the facilities are fully privatized, indicating a profit-center approach. Yet others are not. And the county's pricing policy is definitely amenity-based. The conflicting approaches mean that neither potential goal is being fully realized.

Deteriorating Infrastructure

Most of the infrastructure, such as irrigation system, greens, tees, fairways, etc., at Goodrich and Manitou have greatly exceeded their expected life expectancies. Consequently, maintenance costs will continue to rise more than normal. Further, course conditions will deteriorate. This will lead directly to poorer performance. Thus, profitability is adversely affected by both rising costs and lower revenue.

We also found lesser, but still significant, issues at both Keller and Battle Creek.

Market Overlap

All four of the main courses (Keller, Goodrich, Manitou and Battle Creek) are priced within a relatively narrow price range ($13 spread). All four are considered "Standard" or "Mid-Fee" facilities. Yet, within the market, we see over a $70 spread in peak fees (cart and green fees). The narrow spread for RC Golf has two consequences:

1. Each course's primary competition are the other three County courses.
2. RC Golf is not serving either the lower- or higher- ends of the marketplace. This has negative consequences both for an amenity-based or a profit-center approach.

Operator Contracts

There are six golf facilities within RC Golf. These six facilities have six different operators and seven different contracts (there are two operators at Keller, and one operator operates both Goodrich and Battle Creek). Issues include:

- **Administrative:** Obviously, with multiple contracts and multiple vendors, it is more difficult (and more expensive) to administer.
- **Potential Conflicts of Interest:** With the management contracts at Keller, Goodrich and Battle Creek, operator compensation varies depending on the revenue stream. The County gets the biggest share of green and cart fees. But the operator gets most (or all) of the range, food & beverage and merchandise sales. This can lead to the operators wanting to discount green and cart fees to increase volume, thus increasing *their* revenue at the possible cost to the County. It also makes it very difficult (its not being done) to do promotions involving multiple revenue streams, such as including a free lunch with green fees; or negotiating tournaments and outings that utilize most or all the above services.
- **Not Enforced:** Some important parts of the current contracts are not being enforced, such as the requirement to provide an annual marketing plan or provide rangers.

Marketing

Simply put, there is almost no proactive marketing being done. Yet marketing is the lifeblood for most businesses, especially those in highly competitive industries, such as golf. And what little marketing that is being done (such as the websites) are sub-standard and ineffective.

Not only is this a budget issue, but there is confusion as to who is responsible – the County or the operators.

Pricing Policy

The current pricing policy is strongly amenity-based, which means that it is hampering the facilities' ability to make a profit.

The fact that the County sets the prices for all cart and green fees, makes them much more vulnerable to political pressures from special interest groups. Which helps explain why senior rates are discounted much more heavily with RC golf than other area golf facilities. Overall, it helps suppress prices, which can adversely affect profitability.

Even worse is the fact that the County only adjusts the rates every two years. Golf is a highly competitive industry, where prices fluctuate continuously. Having your prices fixed puts the RC Golf facilities *at a major competitive disadvantage.*

Keller's Food and Beverage Operation

This is a big issue, whether you are amenity oriented or profit oriented. Lancer, Keller's food and beverage operator, does a great job with banquets. But they show a disdain for servicing golfers.

In our customer survey, Keller's customers rated the food and beverage service *in the bottom 0.5% of all golf courses in its price range.* We can personally corroborate some of the feedback with our own observations.

The beverage cart service is inconsistent and not even present much of the time. (Facilities in this price range typically offer beverage cart service all day, every day). Further, customer service in the restaurant can be lacking and does not seem oriented to the needs of the golfer.

Manitou's Decline

Manitou's performance has declined sharply since 2014. Further, customer survey results rated the course well below average (the other three main courses received mostly positive results). The poor survey results covered most aspects of the operation.

As noted before, Manitou's infrastructure is in decline, which may be affecting performance. But there are clearly other issues as well.

From a current financial standpoint, the County is not being heavily impacted by this decline as the operator pays for all operating expenses. But it raises concerns as to what state the facility will be in when the current operating lease expires.

Battle Creek

Battle Creek is the only facility currently losing money within RC Golf. This loss is due mostly to the golf course, as the range operation at Battle Creek is highly popular and profitable.

The problem stems from the nature of the golf course. Battle Creek is a very challenging, nine-hole golf course. From a quality standpoint, it rivals Keller. The problem is that golfers *expect* nine-hole courses to be low-end, very playable and very affordable courses – and Battle Creek is not.

Thus, golfers who might be attracted to Battle Creek because of its quality, never try it because they expect it to be low-end. Meanwhile, those who come to Battle Creek, because it's a nine-hole course come away dissatisfied because they were wanting a low-end, very playable course.

Neglected Markets

Neglected markets are potential customers that are not currently being targeted by the RC Golf facilities, or for whom the facilities are currently not well-suited. This is an issue that straddles both ends of the amenity/profit center continuum as more customers means potentially more profits, but they also represent citizens whose needs are currently not being met by the County's facilities.

Chief among these neglected markets are women and latent golfers. It should be noted that RC Golf is not alone in neglecting these markets. They are often ignored within the industry.

Women

With women, it's the facilities that are inhospitable. All the courses play much longer for women than for men. This is particularly true at Manitou, where it is the equivalent of a nearly 8,000 yard course for women. This not only makes it very difficult (which can make it much less popular), but it also has a significant impact on the pace of play as it naturally takes much longer to play from 8,000 yards than 6,000.

In addition, outside of Keller, none of the facilities offer healthy choices on their menus, which make them much less attractive to most women. Further, the facilities lack on-course restrooms. Women typically hate using porta-pottys, which are what is provided.

Latent Golfers

Latent golfers are defined as people who would like to play golf, but who currently do not. According to the National Golf Foundation (NGF), there are *more latent golfers than actual golfers* in this area.

Aside from Island Lakes, which does a respectable job, RC Golf does a relatively poor job in going after the wanna-be golfer. This is a fault of both marketing and programming.

Major Recommendations

This section will cover the non-capital recommendations. Capital improvements will be addressed in the following section.

Mission Statement

Where RC Golf ends up on the Amenity/Profit Center continuum is a value decision by the County. There is no “right” or “wrong” placement. Our recommendation is simply to try and decide where it wants RC Golf to be, and then implement strategies that are consistent with that statement.

Diversify Market Placement

We recommend that RC Golf cover a wider spectrum of the market. This can most easily be done by making Keller a “Premium” facility (it is now considered “mid-fee”), and Goodrich a “Value” facility. NGF’s market demand analysis shows that there is a strong need in the Ramsey County marketplace for facilities at both ends of the spectrum – Premium and Value.

There is no doubt that Keller’s golf course and clubhouse fit the profile of a “premium” facility and are market competitive with are premium courses. Indeed, their history of hosting two PGA Championship gives them a significant market advantage. However, their current food and beverage operation, as it relates to golf, would need to be fixed before this move is made as it is not consistent with a “premium experience.”

Goodrich, on the other hand, strongly fits the profile of a “Value” facility, of which there is a strong need in the area marketplace. Indeed, the operator is currently effectively discounting the fees to the point where it is consistent with value courses. But the marketed fee structure is still mid-fee.

Operator Contracts

We recommend that the contracts be restructured so that all revenue streams are treated equally (after accounting for inventory costs). This will eliminate any potential conflict of interest. By so doing, it allows the County to place more faith in the operator having much greater control over fees, as what is good for them, will be good for the County and vice-versa.

We also recommend having the contracts expire at the same time. This will allow the County to then put out an RFP whereby companies can bid on one, two or all the facilities. At that time, based on the proposals, the County can make the decision whether a single operator would be best.

Marketing

Effective marketing can overcome a lot of weaknesses. It is critical, if the County wants the facilities to be break-even or better.

Our recommendations include:

1. **Budget:** The county would put 2.5% of *its* revenue from the golf courses toward marketing. This would have generated around $66,000 last year. In addition, the operators at each facility (two at Keller) would contribute $3,000 each. Combined, this provides a budget of over $80,000, which can have a significant impact.
2. **Management:** We recommend the County hire a marketing firm, preferably one with golf course experience, to handle the marketing needs.
3. **Marketing:** The marketing effort should include:
    a. **Planning:** A detailed marketing plan should be prepared annually
    b. **Web:** New websites should be created for each facility.
    c. **Social Media:** The courses need to be proactive in major social media. This will require someone (likely from the marketing company) to do regular postings – preferably daily.
    d. **Email:** The email database should be mailed to at least on a weekly basis.
    e. **Public Relations:** A PR effort should be implemented, especially when it comes to new programming and major capital improvements.
    f. **Media Advertising:** A comprehensive media campaign should be implemented. This will include advertising on social media platforms, golf publications, etc. It may include spot TV ads, redemption advertising and billboards.
4. **Branding:** As RC Golf begins implementing the proposed improvements to operations and facilities, the County should strongly consider a branding campaign, bringing all the facilities under a common brand identification (such as "RC Golf"). This would include a logo that hopefully would have merchandising value as well.

Pricing Policy

At the very minimum, the County needs to revise prices on an annual basis. If a profit is a concern, then it also needs to reduce political influence and make the decisions based on *business* principles. The best way to do this would be to allow the operators to set the pricing (as is currently the case with the capital leases). However, to do so with confidence, will require modifying the contracts as noted above.

Our full report will contain recommended fees for all four courses, as well as recommended modifications, including a revised Patron program and facility-specific annual passes.

Keller

The main issue at Keller is the food and beverage operation as it relates to golf. The county has already made a step towards correcting this issue, as a new General Manager was hired by Lancer for Keller in early August. However, it remains to be seen if this resolves all the problems.

Manitou

The operator has expressed concern over the survey findings and does appear motivated to address the issues. But progress needs to be closely monitored. Based on feedback, Manitou is at risk of losing several of its leagues, which would have devastating impact to its performance.

Spreading the market out by elevating Keller to be a Premium facility, and Goodrich a Value facility, will greatly benefit Manitou.

Manitou is also in critical needs of capital improvements, which we will discuss in the next section.

Battle Creek

We examined three different possible strategies on how to make Battle Creek successful. All of them require capital investment to varying degrees, and strong marketing. The scenarios are:

- **"Elite" Nine:** This is a marketing-heavy solution. The idea is to try and create an awareness of the facility with those golfers who would most appreciate it. The pitch would basically be: "Do you desire the golf experience of a Keller or Prestwick, but don't have the time? Then try Battle Creek – the 'best nine-hole golf course' in Minnesota!' The fee structure would also have to be adjusted as golfers, like most consumers, strongly associate price with quality. You want your pricing to reflect the desired perception of quality.
- **Maximize Range:** The range at Battle Creek is arguably the best in the County. It is extremely popular, with frequent waiting lines. This scenario takes advantage of its popularity by prioritizing the range. The range tee is doubled in size, doubling the range's capacity. Target greens are added to increase its appeal. However, expanding the range comes at a cost to the golf course. It will require the course being reduced from a Par 35 (considered standard), to a Par 34 (considered sub-standard by most golfers). The hope is that the range's increased performance would compensate for the course decrease in desirability.
- **18-holes:** One way of eliminating problems associated with being a nine-hole course is to make it an 18-hole course. In the case of Battle Creek, that is possible as there is land available across the street at the correctional facility.

Capital Improvements

With golf courses, there are two basic types of capital improvements:

- Those that are designed to *maintain* performance, and
- Those that are designed to *improve* performance.

Improvements of the first type normally refer to deferred maintenance items. In other words, repairing or replacing infrastructure items such as irrigation, greens, tees, etc. But the improvements do not alter the course's routing or basic characteristics

Those of the second type may also be improving the infrastructure, but they are also designed to significantly improve a course's performance. This can be done by either lower maintenance costs or improving a course's appeal.

All the courses have capital improvement needs. To make it easier to evaluate, we combined various improvement choices into "scenarios" for each course. For each course, Scenario 0 is "Status Quo," meaning no changes to the operation nor are any capital improvements made.

Keller

Keller's primary needs are to correct issues relating to cost-cutting measures during construction of the recent renovation. The major issue being lining the bunkers.

Manitou

We developed two improvement scenarios for Manitou:

- **Scenario 1: Priority Fixes Only** – this focuses only on those issues already identified by the County, such as irrigation and bunkers, plus a few other priority items that we identified, including new forward tees, adding an on-course restroom, and some renovation of the driving range.
- **Scenario 2: Major Renovation** – There is a need to rebuild all the infrastructure at Manitou. Such major work provides the opportunity to make significant improvements in the design. This renovation would provide a significant upgrade to the course's quality. It also includes an expansion of the clubhouse to provide for a full grill operation. The range would be relocated and expanded.

Scenario 1's renovations would start in 2020 with the building of a temporary hole and be completed in 2021. Excepted cost should be between \$2.5 million and \$3.1 million, adjusted for inflation. We use \$2.8 million in our projections.

Scenario 2 will require the course be reduced to 9 holes during the renovation, which would likely last two to two and a half years, starting in 2021. The anticipated cost should be between \$6.7 million and \$9.1 million. We use \$7.9 million in our projections.

Goodrich

Like Manitou, we developed two scenarios. As we are positioning Goodrich as a value facility, it lessens the urgency of the repairs.

- **Scenario 1: Priority Only** – only the most pressing items would be addressed but would include new forward tees.
- **Scenario 2**: **Modest Renovation –** this will be the rebuilding or renovation of all major course components, including irrigation, greens, tees and fairways. It does not include significant rerouting or expansion of the clubhouse as we anticipate the facility remaining a value course.

Scenario One can be done in a year and would cost between $2.2 and $2.7 million, assuming a 2023 construction date. We use $2.4 million.

Scenario Two, like Scenario Two for Manitou, would require reducing the course to nine holes during construction. We anticipate a 2024 start date, with completion in 2026. Total Cost should be between $3.9 and $5.1 million. We use $4.5 million in our projections.

Battle Creek

We developed three scenarios for Battle Creek, each taking the facility in an entirely different direction.

- **Scenario One**: **"Elite 9" –** the course remains a challenging nine-hole course, but improvements are made to enhance performance and repair infrastructure. Enhanced performance will be realized with new tees on a couple of holes and adding target greens to the range.
- **Scenario Two**: **Par 34** – We reduce the Par from 35 to 34. This will enable us to expand the range, essentially doubling the size of the tee, thus maximizing its potential. Parking would also be expanded. Will require some rerouting of the course.
- **Scenario Three: 18 -holes** – we were made aware that there was potentially land available across the street at the Corrections facility that would allow a second nine to be built, allowing Battle Creek to become a mid-fee 18-hole course. The new nine would also include a new clubhouse and range. This allows the existing range to become a stand-alone facility, thereby increasing its potential. It also allows for new revenue streams from a restaurant and banquets. A tunnel would be needed to go under Lower Afton Road.

Scenario One construction would occur in 2021. It should cost between $1,575,000 and $1,850,000. We use $1.7 million in our estimates.

Scenario Two, unlike One and Three, will require closing the facility for a year. In our model, that year would be 2022, but it may need to be moved, if Manitou or Goodrich is being reduced to nine holes at that time. The estimated cost is between $2.7 million and $3.15 million. Our estimates assume $2,900,000.

One nice advantage of Scenario Three is that the existing facility would remain open while the new nine, clubhouse and range are built. When they are completed, the existing course can be closed for renovation. Thus, performance should not be adversely impacted during construction.

Scenario Three not only adds nine holes, it also adds a 6,000 sf clubhouse with restaurant and banquet seating for at least 150 guests. A second range is also added to service the golf course, allowing the existing facility to become a stand-alone range.

We have construction starting in 2021. The new nine would open in 2022, at which time the existing facility would be renovated. The completed facility would open in 2024. The expected cost is between $9,000,000 and $10,650,000. $9,830,000 is used in our projections.

Projections

We have tried to be conservative in our projections, keeping rounds projections well below course performance levels seen just five to ten years ago. The Status Quo scenarios all assume there are no major changes to operations, contracts, pricing philosophy or facilities. With the improvement scenarios, we assume that marketing, contract and operational changes begin in 2019. Our projections cover 2019-2028.

Keller

Even with Status Quo, Keller will continue to be operationally profitable, although not enough that it covers the $800,000 debt payment from the 2014 construction.

Under the improvement scenario, we are projecting an increase of $2,600,000 in revenue *to the County* over the 10-year period. Post-renovation cash flow to the County should improve an average of $307,000/year, providing a 39.7% annualized return on investment (ROI).

Manitou

Under Status Quo, performance will continue to decline, at an accelerating rate. If Manitou remains under a lease, though, the County would only lose revenue and not have to put money in. However, it is unlikely that a new operator would assume operation under the same lease terms, without major renovations taking place.

Under Scenario One, course revenue improves by $3.5 million and revenue to the County improves by $2 million (141%) over the status quo. The only increase in expenses for the county is marketing, so the County's cash flow improves by just under $2 million, with an average improvement post-renovation of $275,000/year. This represents an ROI of 10.3%.

Scenario Two dramatically impacts revenue, as the course's revenue is expected to be over $3 million (over 4.4 times) the Status Quo over the last five years (2024-28). The County's cash flow, post renovation, averages $750,000/year, over $600,000 more than the Status Quo. This represents an ROI of 9.5%.

While the ROI for Scenario Two is lower than Scenario One, it is important to remember that Scenario One did <u>not</u> address most of the infrastructure needs. This means that they will still need to be fixed, at a greater cost, soon – likely in the five years following (2029-2033). So, long-term, Scenario Two appears to be the better solution.

Goodrich

The Goodrich model closely follows Manitou. Like Manitou, we utilize two scenarios – Scenario One assumes only partial renovation, addressing only the most urgent needs (irrigation, bunkers, etc.), while Scenario Two is a complete renovation. Only with Goodrich, we are keeping the market position the same, so the renovations would not be as extensive as those foreseen at Manitou.

Under Status Quo, performance quickly peaks and plateaus, then starts to decline as course conditions deteriorate due to infrastructure. Course maintenance costs soar for the same reason. A bad weather year will cause the County to lose money. Eventually (2023 in our projections) Goodrich turns into a money-loser for the County.

Scenario One represents a "quick-fix." Performance is stabilized, and cash flow remains positive. Post renovation cash-flow averages $328,000/year more than the Status-Quo. This represents an ROI of 13.5%.

Cash flow is even stronger under Scenario Two, even making up for the year it was reduced for construction. The average post-renovation cash flow averages just under $600,000/year, enough to generate a strong 13.2% ROI.

Like Manitou, Scenario Two has the advantage as it represents a long-term solution to the infrastructure needs, while Scenario One only delays expensive renovations by several years.

Battle Creek

Under the Status Quo, Battle Creek is expected to continue to lose money. The amount of loss will increase as infrastructure needs start to impact performance. Over the next ten-years, we are projecting a loss of $1,612,000.

The “Elite Nine” (Scenario One) option puts immediate breaks on the slide and turns the facility into a profitable one, although just barely. (If fleet services are added, it would be at break-even or worse). We project a ten-year cash flow of $987,000, which is $2.6 million better than the Status Quo.

The big issue with Scenario Two is that, while it will maximize range performance, the course is expected to do worse than under Scenario One because a Par 34 is a lot less popular than a Par 35, especially among more affluent or lower-handicap golfers. Overall, though, we expect better performance, with a post-renovation cash flow averaging about $30,000 more per year than Scenario One. But the ROI is less, at 11.9%.

Naturally, Scenario Three generates a lot more revenue post renovation than any of the other three scenarios. In the five years post renovation, the facility will likely generate $9 million more in revenue than the Status Quo and $7.8 million more than Scenarios 1 and 2.

County Cash Flow is also dramatically improved. Post-renovation cash flow is projected to *average* $1.2 million more per year than the Status Quo. This is more than enough to support debt financing the construction costs and represents an ROI of 12.5%.

Discussion

In a lot of ways, the County faces a “Pay now, or Pay a Lot More Later” situation with its golf facilities, especially Manitou, Goodrich and Battle Creek.

But it also faces a need for clear direction. Currently, RC Golf straddles the amenity/profit center continuum, operating much like a profit center in some ways, and much like an amenity in others. As a result, the facilities are doing neither as well as it could.

Regardless of the direction the County chooses, or even if it wants to stay close to the center (an amenity that is self-supporting), there is a lot of room for improvement. But this improvement will not be realized without significant changes in how the facilities are operated within the County.

INTRODUCTION

Sirius Golf Advisors, LLC was hired by the Parks Department of Ramsey County to do a thorough review of its golf operation. This review was to cover the following:

- Financial Review
- Facility Review
- Capital Improvements Assessment
- Operations
- Competition
- Market Analysis
- Agronomy
- National Trends
- Contracts
- Fees
- Marketing

In short, it was to cover virtually every aspect of the golf operations and the related facilities with to goal to provide an objective assessment of its current situation, with regards to the physical amenities, performance, operations, operators, and their current relative position in the marketplace. And then to use this information to make recommendations as to how to improve performance and to lay out a plan for success over the next decade.

Sirius Golf Advisors, LLC is a golf course consulting firm, head-quartered in Columbus, Georgia. It specializes in working with municipal facilities, and over the last 22 years, has worked with 54 different municipal entities, ranging in size from communities of a few thousand people, to entire states and the US Air Force. Many of these studies have been as a subcontractor to the National Golf Foundation.

This study was led by the President of Sirius Golf, John S. Wait, who served as both principal investigator and primary author. Assisting him were:

- **Jeffrey D Brauer**, ASGCA – Golf Course Architect
  - Jeff is one of the leading golf course architects in the country. He is a past president of the American Golf Course Superintendent's Association and has several courses listed among the top 100 public courses in the country. Notably, he designed three of the top four in Minnesota – The Quarry, The Legend and The Wilderness at Fortune's Bay
- **David S. Downing II**, CGCS – Agronomist
  - David is a past president of the Golf Course Superintendent's Association. In addition to his experience as a course superintendent, he has built golf courses from the ground up, and has operating experience.
- **Erik Christensen, TCEQ, ASIC –** Certified Irrigation Designer
- **The National Golf Foundation**, Jupiter, Florida
  - The National Golf Foundation (NGF), a non-profit organization funded by the golf industry, is known as the leading disseminator of statistics in the golf industry. Their annual survey of golfers provides a rich field of information.

Procedure

Over the summer, our team conducted six site visits. During these visits we:

- **Examined the Facilities**: Did a thorough examination of the physical facilities, concentrating mostly on issues relating to the golf courses.
- **Interviewed**
    - Operators, superintendents, and key personnel at each facility
    - Parks Staff
    - County Commissioners
    - Members of the Parks and Recreation Commission
- **Took Soil Samples**
- **Surveyed Competition**
    - Personally visited all public courses within 20 miles of a RGC facility

In addition, we:

- **Conducted Detailed Customer Survey**
    - We utilized NGF's golf course survey, which allowed us to compare our results to the national database
    - Collected key demographic information
    - Discovered primary competitors for each facility
    - Added custom questions
- **Analyzed Financial Records**
    - Did thorough review of records from the past three years
- **Gathered Market Data**
    - Did demographic analysis for state, metro area and 5, 10, and 20 mile radii from each facility
    - Used NGF to:
        - Assess Golf Demand in each of the above areas
        - Predict number of golfers in each area
        - Predict number of rounds produced in each area
    - Collected information on *all* golf facilities in the metropolitan area
    - Reviewed information on golf facilities that have closed in last 10 years in the metro area.
    - Examined national trends
- **Reviewed Operator Contracts** with the County

Executive Report

This report is not meant to be all-inclusive, but rather a stripped-down version of the full report, which will be presented later in the fall. As an executive report, we focus only on the most *significant* findings that require attention, and our most salient recommendations. By this, we mean those findings and recommendations that are most likely to require action at the highest levels within the County.

As a result, we will not be spending much time discussing a lot of background information, presenting endless details and hundreds of tables and pictures, or issues that are mostly relevant at the operator level. All this information will be present in the final report. Our desire, then, is to present the reader of this Executive Report with a concise guide as to the major issues facing Ramsey County Golf ("RC Golf" throughout the report), and our solutions to them.

We want to thank the County, the Parks Department and all the RC Golf operators for their cooperation during this study. It is important to point out that, in general, the facilities are well-run. And the system does have a positive cash flow.

Because this report focuses on issues and their solutions, it can be mistaken as being highly critical of the current operation and the operators. Nothing, though, is further from the truth. We were very impressed by both the facilities and the operators. And if we were to spend as much time going over the positives, instead of concentrating on those things needing improvement, this report would be many times its current length!

Overview

The county has six golf facilities – five golf courses and one golf dome. The facilities are spread across the County, although none of them are in the County's largest city, St. Paul, which has its own municipal golf system.

The five golf courses include three regulation 18-hole courses – Keller Golf Course ("Keller"), Manitou Ridge Golf Course ("Manitou") and Goodrich Golf Course ("Goodrich"). Keller and Goodrich have management contracts where the operator is responsible for golf operations and related expenses, while the county maintains the course and is responsible for capital improvements. Manitou is under a short-term lease, that was recently renewed, whereby the operator is responsible for all operating expenses, including course maintenance, and the County is responsible for all capital improvements.

Keller has a rich history that includes hosting two PGA championships golf tournaments. It was recently completely renovated in 2014 at a cost of $12 million. The renovation included a new clubhouse and banquet center. The clubhouse, along with the food and beverage operation, is operated under a separate management contract and a different vendor than the golf operation. Keller is the most expensive of the RC Golf facilities to play, followed by Manitou than Goodrich (of the 18-hole courses). Goodrich and Keller are both in Maplewood, while Manitou is in White Bear Lake.

Ponds at Battle Creek ("Battle Creek") is a nine-hole regulation golf located across from the County's detention center in Maplewood. It is the newest of the courses, having opened in 2004. It features a practice facility that is arguably the best in the county. It is managed by the same operator as Goodrich under a similar, but not the same, contract.

The fifth golf course is Island Lake Golf Course located in Shoreview ("Island"). It is a Par 28 executive course with a large driving range. It also has a dormant miniature golf course that has been closed for several years. Island Lake is operated under a full lease, with the operator responsible for all expenses, including capital improvements. The operator built the facility on County land.

Midwest Golf Dome ("MGD") is located across the street from Goodrich and shares the parking lot with Aldrich Arena. It is also operated under a long-term lease where the operator is responsible for all operating and capital improvement expenses. The operator built the structure.

Target Facilities

While Sirius examined the facilities and operations at all six RC Golf facilities, this report be focusing on just the four "big" courses. The reason for this is simple, both Island Lakes and the Golf Dome are operated on full leases, meaning the county gets a fixed revenue, with no expenses – including capital improvements – at both facilities. And both leases are long-term, with the earliest not expiring until 2023. We will be discussing these two facilities in our full report.

Importance of Golf

In our interviews with County Commissioners, the question was raised about the importance of golf to the community. While this discussion is beyond the scope of the study, we would like to point out some of the more salient benefits of golf as a recreational activity.

- **Popular:** According to NGF, more than one in five households in Ramsey County have at least one golfer.
- **Generational:** Golf is one of the few sports that spans all age groups, from near cradle to grave. More impressive, perhaps, is that it allows for competitive balance across age, gender and virtually all demographics. It is one of the few sports where a grandfather (or grandmother) can play with, and compete fairly, with their son (or daughter) and their grandchildren.
- **Accessible:** While golf is a physical activity, it allows for participation from people across the spectrum of physical ability, including the handicapped. (Island has a wonderful program for the handicapped in cooperation with Sister Kenny Institute.)
- **Builds Character:** Golf is one of the few major sports that is self-refereed, even in major competitions. Honor is one of the fundamental principles in golf.
- **Exercises Mind and Body:** Golf is more than physical ability. It also requires strategy and risk/reward calculations. And even if you take a golf cart, you are still likely to do a lot of walking (often over 10,000 steps), in addition to the swinging of a club. (If you're like me, you do a lot more walking and swinging).
- **Preserves Valuable Green Space:** Not only does golf conserve green space, but it often utilizes land that has little commercial or residential value, such as flood plains or even landfills.
- **Aesthetics:** Golf courses are mostly aesthetically pleasing. That is why they are so popular in residential neighborhoods where less than a third of the home owners will play golf.
- **Economic Benefit:** There are a lot of economic benefits to the County from golf. They include:
  - RCG's four main courses generated:
    - Over $5.5 million in revenue last year
    - Over $430,000 in sales tax
    - Employment for over 227 people
  - **Property Values:** Property values around a golf course tend to be higher than comparable neighborhoods. The increase can be 20% or more.
  - Help attract residents and businesses. Information about local golf courses is one of the four top requested items from businesses wanting to relocate.

Role of Municipal Golf

Another controversial topic is whether municipalities should even be in the golf business. After all, they are competing directly with privately-owned businesses. Again, this is beyond the scope of our study, but we would like to point out a little history.

Municipal golf across the country, including Ramsey County, has its origins back when the only golf courses available were private country clubs. In those days, golf truly was an exclusive sport, reserved for the wealthy. Municipalities built golf courses to bring the sport to general population. In those days, golf was treated by municipalities strictly as an amenity, as they did tennis, swimming, hockey and other sport activities. Many of today's golfers owe their start in golf to municipal facilities. (Still, today, municipal facilities are the leader in bringing in new players to the sport.)

This began to change in the 1980's and especially the 1990s. Fueled by real estate developers who realized golf was an attractive amenity for residential developments, privately owned public-accessible golf courses ("Daily Fee" and "semi-private" courses) began to flourish.

At the same time, municipalities started realizing that golf could be a "cash cow," generating enough revenue to not only be self-supporting, but also help support other community programs. The also discovered that golf courses could have "iconic" value and be used to attract new businesses and residents to the community. At this point, municipalities started treating golf as less an amenity and more as a profit center.

In the decade from 1995-2005, we saw nearly 5,000 new golf courses being built, representing a third of the total number of golf courses. This led to an over-supply of golf courses across the country, which, coupled with the recession, created a situation where golf courses struggled to survive.

Adding to the problem is the fact that as golf's popularity started to wane, construction and maintenance costs soared at a rate many times that of inflation. Meanwhile, competitive pressures have caused fees to not keep up with costs. This shrinking margin has caused a lot of private operators, especially those operating lower-end facilities where the margin is very low, out of business.

In short, the cycle is returning to the point where municipalities are the only entities that can *afford* to support golf, especially for lower-priced facilities that are more accessible to the masses. Without municipally-owned facilities, golf is likely to return to the period where only the rich can afford to play.

MARKET CONDITIONS

National Trends

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2015-2017. The game remains popular and is fortunate to have a deep well of interested prospects. While golf's pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains ***getting more of those non-golfers who express interest in playing ('latent demand') to give golf a try and converting more beginners into committed participants*****.**

Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment. The smartest, best-managed and most innovative golf facilities will win market share and have the best opportunity for growth.

Key Trends in Demand

- **Participation** – The national golfer number (participation) continues to show some net attrition, primarily among occasional/less committed golfers. Overall, NGF survey research indicates that in 2017 there were 23.8 million people in the U.S. that played at least one round of golf in the prior year, about ±1.2 million fewer than in 2012. However, most "core" golfers remain in the game.
- **Course Correction –** While rounds have decreased significantly since peaking in 2001, they are still ahead of where they were in the mid-1990s. For example, there were an estimated 447 million rounds of golf played last year, compared to 441 million in 1995.
- **Rounds Played 2017-18 / Looking Ahead** – Nationally, year-to-date rounds played are down 2.9% through July 2018, with a 1.6% loss for the month of July alone (source Golf Datatech – see **Appendix A**). In Minnesota, 2018 has been a difficult year for golf courses, with rounds down 6.3% year-to-date in the State, and down 9.8% in Metro Minneapolis/St. Paul. These results are generally worse than other Midwest metro areas, including Detroit (down 0.2% YTD), Cleveland (down 5.2% YTD), and Chicago (Down 7.6% YTD). However, for the month of July, rounds in the twin cities were up 0.2% and for the state, 0.4%. Weather is a major factor in rounds played, and the weather patterns in the last couple of years has been particularly brutal. When weather conditions are good, rounds performance tends to be about the same or better than the previous year.
- **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers – born between 1946 and 1964 – are currently 53 to 72 years old. About 6 million of them are golfers; that's about ¼ of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already about 1 million golfing Boomers have reached retirement age. The Social Security Administration reports that 10,000 or more Boomers retire every day. And 300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

Golf Course Supply

The correction in golf course supply continues in 2017 at a level comparable with the previous several years. According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of golf courses equivalent to 5.9%. For perspective, *golf supply grew by 44% in the previous 20 years* (1986-2005). Closures continue to be disproportionately high among 'value' priced (peak green + cart fee below $40) facilities; in 2016, *nearly 70% of closures fell in this category*.

Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses are closing because residential or commercial is a much "higher and better use". Whatever the reasons, this much-needed move toward supply/demand equilibrium is expected to continue for several years and could positively impact the Ramsey County golf courses. This phenomenon has been a part of Ramsey County golf, as three golf facilities (2.5 18-hole equivalents) have closed in the County since 2004, the most significant of which is the 18-hole Hillcrest Golf Club of St Paul (closed in November 2017).

It's also notable that real estate was the primary factor in golf course's explosion in 90's and early 2000's. It's also a major factor in the decrease in numbers of courses, as many operators are cashing in on the land value of their property. This is particularly true in urban and high-growth suburban areas where development land is at a premium.

Reported Course Openings and Closures 2001-2017

Year	Opened	Closed	Net Change
2001	284	32	252
2002	220	38	182
2003	171	68	103
2004	151	63	88
2005	125	98	27
2006	120	146	-26
2007	113	122	-9
2008	72	106	-34
2009	50	140	-90
2010	46	107	-61
2011	19	158	-139
2012	14	155	-141
2013	14	158	-144
2014	11	174	-163
2015	17	177	-160
2016	15.5	211.5	-196
2017	15.5	205.5	-190

Source: National Golf Foundation

Value Courses

As noted above, by far, the courses most likely to face closure are the low-end facilities. Indeed, many of the higher-end courses that have closed have done so more for land-value than financial duress.

One wonders why value courses are more adversely affected. There are likely several reasons.

- **Course Conditions:** Playing conditions is often cited as one of the top two or three reasons why golfers play where they play. Because of their price-point, value courses typically operate on a lot lower margin than higher-priced facilities. However, the price of course maintenance and especially infrastructure repair and replacement, has skyrocketed over the past several years, at several times the rate of inflation. This makes it extremely difficult for value facilities to keep up. This is especially true with older facilities in need of extensive deferred maintenance. And as their course conditions deteriorate, so does their performance, which makes it even harder for them to reinvest and the death cycle begins.
- **Economy:** The economy over the past 10 years has been particularly tough on the middle- and lower-income households. These are the households most likely to produce golfers who favor value facilities. As disposable income decreases, so does play.

- **Land Value:** Because value courses generate less revenue, as the land value increases, the decision to sell to developers becomes a lot easier a price much higher than the price that can be realized by selling it as a golf course, which is largely based on income. (Golf courses are generally valued at about .9 to 1.5x gross revenue or 10- to 12x Net Income, whichever is higher).

Impact on Rounds

As noted above, the supply of golf courses has shrunk by nearly 6% over the last 12 years. This, no doubt, has an adverse impact on play. While many of these rounds transfer to other courses, a large percentage are just lost for good.

Location (convenience) is a key driver to where and how many rounds a golfer plays. If the course that is most convenient closes, and especially if another course in that same price range is not convenient, then the number of rounds played by that golfer is going to decrease, if not stop altogether.

And the fact that a disproportionate percentage of course closings are value facilities is important for another reason. It is decreasing the number of affordable places to play. Naturally, if you have $500 of disposable income to dedicate to golf, that equates to 20 rounds at a $25 course or 10 rounds at a $50 course. Take out the lower priced facilities and golfers with limited disposable income are simply going to play fewer rounds.

But perhaps most dangerous of all is the fact that it can impact the number of people who *take up golf*. Golf is not a cheap hobby. That is why most golfers tend to learn on lower-priced facilities. Take these away, and fewer are likely to want to invest the money needed to even start playing.

Other Measures of Health

Other perhaps equally important metrics to consider when measuring the health of golf include:

- **Golf Participation:** While rounds have decreased, the number of golfers in the US has remained steady over the past few years, at 23.8 million. Approximately 1 in 4 are women.
- **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked just under 1,000 major renovations completed since 2006, representing at least $3 billion. New development activity also remains in the pipeline, with NGF tracking 37 facilities currently under construction and another 55 in planning stages.
- **Engagement:** Several years ago, NGF developed a scale to gauge engagement / passion for golf. NGF annual golfer survey research indicates that the *number of engaged golfers has remained steady at 20 to 21 million for the past four years*. But the proportion of engaged golfers has increased from 78% to 85% over this period. These engaged golfers are responsible for ±95% of rounds played, and equipment spend. Those more engaged are significantly more likely to continue playing.
- **Increasing Diversity:** The junior golf population remains relatively stable at 2.9 million and continues to show a transformation in diversity. One-third of golfers age 6-17 are females, up from 17% in 1995 (in sum, 24% of all golfers are women). Also, 27% of junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which 29% are female and 24% non-Caucasian. The highest diversity is among beginning golfers, at 34% female and 32% non-Caucasian.
- **Beginners:** The number of beginners rose to a record 2.5 million in 2016, surpassing the record set in 2000 when Tiger Woods was in his prime and drawing newcomers to

the game in unprecedented numbers. Since 2011, the compound annual growth rate (CAGR) in beginners is an impressive 10.8%.

- **Off-Course Participation:** Driven primarily by the popularity and growth of *Topgolf*, a non-traditional form of golf entertainment, there were an estimated 20 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2017, about 40% of whom did not play on a golf course.
- **Latent Demand:** Overall interest in playing golf remains very high. NGF survey research indicates that *the number of non-golfers who say they are "very interested" in taking up golf has doubled over the last five years*, growing at a CAGR of nearly 15% and now totaling 12.8 million people. There are an additional 40+/- million non-golfers who say they're "somewhat interested" in taking up the game. Together, these two cohorts represent about 1.7 prospects for every existing golfer.

Golf Demand

Using its survey and extrapolating its results, NGF can make estimates of local golf demand and participation. We have broken this down to the primary market areas for each RGC facility, which are 5- and 10- mile radii from the course. We have also provided data on Ramsey County as a whole, Minnesota and the Country. A summary of the key statistics can be found in Appendix B. A more complete and detailed analysis will be in our final report.

Below is a summary of the most salient findings.

Demographics

Population

Manitou has the fewest people living within 5 miles of the course (160,159), followed by Islands (177,791) and Battle Creek (209,407). Keller, by far, has the most with 293,760.

All five courses have more than 600,000 people living within a 10-mile radius, which is more than the population of Ramsey County. Manitou, again, has the smallest with 602,634; but Battle Creek has the second fewest at 652,779. And Islands has the most, with over a million people (1,037,642), followed by Keller (853,318).

All ten areas are growing, with an estimated annual growth rate over the next five years ranging from .76% (Manitou – 5 mile) to 1.03% (Keller – 5 mile). Keller and Goodrich have the best overall growth, and Manitou the least, although still growing.

Household Income

As income is highly correlated to golf participation, we examined area incomes. As can be seen at the table to the right, both Goodrich and Keller have substantially lower incomes in their immediate area, although these incomes increase significantly going from 5 to 10 miles out.

Median Household Income		
	5 Mi	**10 Mi**
Battle Creek	$66,908	$67,496
Goodrich	$55,204	$67,010
Islands	$73,476	$59,641
Keller	$55,243	$64,166
Manitou	$68,815	$66,880
County	$62,019	
State	$67,629	

However, as Keller is a higher-end facility, its neighborhood is not likely to be supplying many of its rounds, meaning it must do a better job of marketing to a wider area. Fortunately, as quality and price level go up, the wider the market the golf course will draw from.

Interestingly, Islands has the highest immediate area HH Income ($73,476) by far, but it has the lowest local area (10-mile) HH Income ($59,641), again by comfortable margin. This strongly suggests that Islands will need to primarily draw from the immediate area around the course. However, this is also consistent with the type of facility it is (9-hole Par 3), which notably have very small active market areas.

Golf Demand

Using its survey data, NGF has estimated the golf participation and rounds production at the local level. The table to the right summarizes the findings.

Golf Demand	HH Participation Rate		Estimated # Golfers	
	5 Mi	10 Mi	5 Mi	10 Mi
Battle Creek	20.7%	21.1%	19,972	66,526
Goodrich	19.2%	21.7%	23,078	75,728
Islands	24.7%	19.3%	21,730	97,602
Keller	18.9%	20.9%	25,029	86,163
Manitou	24.3%	22.2%	18,353	63,932
County	20.4%		52,036	
State	21.1%		585,580	
US	13.8%		23,832,510	

While the ten-mile participation rates mostly resemble the state-wide average (which is substantially higher than the national average, and is the highest in the country), the local rates are much more variable.

Keller has the lowest immediate area participation rate, and second lowest local (10-mile). Islands has the highest immediate area participation rate, but 2nd lowest local. Manitou has the best combination, with a high 24.3% immediate area and still higher than the state average, local participation rate (22.2%).

When we take the participation rate, which is largely a function of income, and combine it with the population totals, we can get an estimate of the actual number of golfers. All five facilities have at least 18,300 golfers living within 5 miles of the facility. Keller, despite having the lowest participation rates, has the highest number of immediate area golfers (25,029), followed by Goodrich (23,078). Manitou, which had the best participation rate, has the fewest golfers (18,353).

When we go out to 10 miles (Local area), again we have some surprising results. Islands, which had the lowest participation rate, has the most golfers (97,602), which is 11,000 more than Keller. Battle Creek and Manitou have the fewest, around 65,000 each. All five, though, have significantly more golfers within 10-miles than the County has.

Latent Demand

In their survey, NGF identifies people who do not currently play golf, but who have a strong desire to do so. These are called "Latent Golfers," and they represent a key to golf's future success.

What is very important is that there are more Latent Golfers in each of these market areas, than actual golfers. (For Ramsey County, the number of latent golfers is 88,238, compared to 52,035 actual golfers – or 70% more latent golfers than actual golfers! Obviously, a lot of issues can be solved if we can simply do a better job of converting the latent golfer into an actual one. We will discuss this more later.

Rounds

Next, we use NGF data to estimate the number of rounds these golfers generate. We further break this down to how many rounds they generate *within their market area*. That is, if a golfer lives within a 5-mile radius of a given course, how many of his rounds are being played in that same area.

In-Market Rounds	5 Mi	10 Mi
Battle Creek	172,902	749,226
Goodrich	220,474	845,883
Islands	178,991	688,548
Keller	250,987	872,787
Manitou	244,371	693,136
County	481,909	12,511,170
State	12,511,170	
US	455,965,000	

As can be seen, Keller is expected to have the most rounds generated by immediate area golfers (250,987), followed closely by Manitou (244,371). Battle Creek (172,902) and Islands (178,991) have the fewest. This can be problematic as both types of facilities (9-hole Par 3 and 9-hole regulation) have limited market reach.

Extending out to 10-miles, we see that each facility has a lot of rounds being generated within their local area, ranging from 688,548 at Islands to Keller's 872,787.

Supply vs. Demand

Taking the number of golf courses in each area, we can calculate the number of golfers and the number of anticipated rounds per golf course. We can then compare these to national averages. NGF has created an index for the ratio of golfing households per 18 holes of golf. The ratio measures the local market versus the national market and is based on percent value. An index value of 110 means 110% of the national average, while and index value of 80 represents 80% of the national average.

NGF further divides public golf courses into three categories based on their peak rate for green fees and cart combined. Facilities that charge $70 or more are considered "Premium," those charging less than $40 are called "Value," and the rest are "Standard." *All the Ramsey Golf Facilities (except Islands) are considered "Standard" by this definition.*

The table below show these index values by facility type for the local market areas.

Golfing Household Indices												
	Battlecreek		Goodrich		Islands		Keller		Manitou		Ramsey County	Minnesota
	5 Mi	10 Mi	5 Mi	10 Mi	5 Mi	10 Mi	5 Mi	10 Mi	5 Mi	10 Mi		
Total	280	199	251	187	267	304	258	211	154	185	258	98
Public	203	178	182	195	305	308	187	218	178	183	241	80
Premium	76	174	183	302	**xx**	775	**xx**	**694**	**xx**	505	**xx**	136
Standard	**394**	141	118	141	230	182	105	149	96	113	156	64
Value	244	249	**438**	262	285	618	325	277	357	302	289	90
Private	**xx**	294	**xx**	170	202	292	**xx**	196	112	190	319	231
Estimated Rounds*	38,423	34,848	68,480	53,099	32,544	32,788	38,613	32,325	30,546	30,806	35,697	32,666
* In market Courses												

There are several salient results to be noted:

- There are no Premium golf facilities within 5 miles of Islands, Keller or Manitou
- Except for Premium facilities in Battle Creek' s immediate area, and Standard facilities within Manitou's local area, *all other index values are over 100 – indicating strong demand.*
- **Value Facilities:** There is a notable lack of value facilities across the board. Of interest is there is four times the national demand in Goodrich's immediate area, and nearly three times for the County as a whole.
- **Premium Facilities:** The index values are non-existent for several immediate areas because there simply are no Premium facilities in the area. But it is especially noteworthy that the index value for the Local (10-mile) radius around Keller is nearly *7 times the national average.* When taking the quality of the golf course and clubhouse, as well as Keller's rich history, making it a Premium facility would seem to fit market demand.
- **Rounds:** The average number of estimated rounds is over 30,000 in all local markets. However, it is especially strong at Goodrich, where the estimated total is 68,480 for the 5-mile and 53,099 for the 10-mile radius. Since the local courses are not seeing this kind of volume, golfers living in this area are playing outside the area. Combined with the high index value for value facilities in the Goodrich market, makes a strong argument that Goodrich should be repositioned as a value facility.

COMPETITION

Our focus on this study were public golf courses, with most of our attention going to those clubs that are within 20 miles of any of the RC Golf facilities, as these are the ones most likely to be competitive with the RC courses. We then studied more closely those courses that were deemed, through location, feedback or nature of the facility, to be most comparable to each of the RC Golf facilities.

For expediency, we are streamlining our discussion in this Executive Report to only those facts that are most relevant to RC Golf.

MSP Public Golf Courses				
	Metro	Local	RC Golf	% Local
18 Hole Regulation	112	58	3	52%
9 Hole Regulation	15	5	1	33%
18 Hole Executive	3	2		67%
9 Hole Executive	24	14	1	58%
Par 3 courses	14	13		93%
Total	**168**	**92**	**5**	**55%**

Overall Market

There are 168 public golf courses in the metropolitan area. Two-thirds of these are 18-hole regulation, the most popular type of golf course. Another 9% are nine-hole regulation courses. Executive courses make up another 26%, with most of these being 9-hole; and Par 3 courses total 8%. Notably, there are no 18-hole Par 3 courses in the entire market area.

Of these 168 courses, 92 (55%) are located within 20 miles of an RGC facility. What is notable, though, is that 13 of the 14 Par 3 courses are in the Local area (93%).

Islands, it should be noted, is listed as an "Executive" course because it has one Par 4 hole. However, it has a lot more in common with the Par 3 courses than the executive courses.

Course Closings

Course Closings by Type				
Type	**# Closed**	**% of Clsd**	**Existing**	**% Existing**
18 Hole Reg	9	32%	112	8.0%
9 hole Reg	4	14%	15	26.7%
18 Exec	2	7%	3	66.7%
9 Hole exec	8	29%	24	33.3%
9 Par 3	5	18%	14	35.7%

Since course closings grab headlines, we decided to take a closer look at the courses that have closed recently in the metro area. We were able to find 28 that have closed in the last 10 years.

When we break these courses down by type, we note that while 18-hole regulation courses make up 67% of public golf course market in the metro area, they account for only a third of the closings. (The percentage is lower if you included private courses). Further, they represent only 8% of the number of existing 18-hole public courses.

In contrast, executive and Par 3 courses take account for a disproportionate share of the closings. Par 3 courses are only 8% of the current market, but account for over a third of the closings. Executive courses account for 16% of the public market, but account for 36% of the closings.

And, a cursory review of the 18-hole regulation courses that closed, the clear majority of these were low-end value courses. (We do note that one of them was an 18-hole private course in Ramsey County).

Local Market

The following analyses include only those courses that are within 20-miles of an RCG facility or are otherwise known to be a significant competitor of an RC Course.

In general, the RC Golf courses were found to be market competitive, although there are some notable exceptions, which will be detailed in the full report.

We do note the following:

- Most courses do still charge a higher fee on weekends. While RC Courses are about the same on weekday rates, their weekend rates are lower than the competition as a result.
- **Patron:** The average rate for a patron card or similar program, is $94.51. At $25, RC Courses are $13 less than then next lowest competitor.

Performance

The average number of rounds for 18-hole regulation courses was 31,275 (2017). The RC Courses averaged 28,039.

- Rounds performance was roughly correlated with price, with the higher-priced facilities out-performing the lower-priced.
- Similarly, courses that were more difficult (up to a point) tended to have more rounds. Although this is highly correlated with price.

Rounds by Course Characteristics

# Rounds	# Courses	Peak Fee	Back Yard	Slope	# Bunker
Over 40k	4	$61.50	6,620	135.8	50.0
34-39k	5	$56.10	6,585	129.4	36.0
30-34k	8	$55.55	6,545	128.6	37.1
25-29k	7	$52.14	6,294	130.3	30.9
< 25	8	$54.63	6,431	126.6	40.6
<25*	7	$47.00	6,353	124.4	27.5

* Excludes Troy Burn

Impact of Renovations

Our research has shown that municipal golf courses that undergo major renovations see a significant improvement in both rounds and revenue. And if that renovation includes a rebranding of the facility, the results are significantly better.

We conducted a study of municipal courses in the Dallas-Ft. Worth ("DFW") market in conjunction with the NGF. The DFW area is an appropriate choice for such a study, given the considerable number of municipal courses in the area, and the number that have undergone major renovations in the past 10 years. The study will be reviewed in greater detail in our full report.

PERFORMANCE

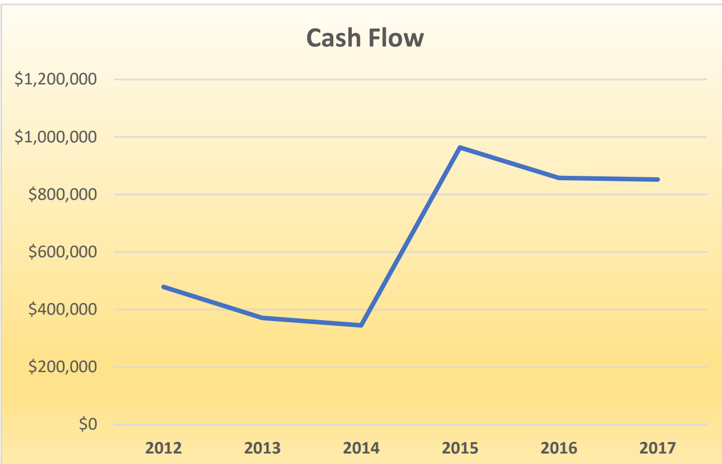
Cash Flow

RC Golf has been generating a positive cash flow for the County. Below shows performance history over the past six years.

Ramsey County Golf Performance							
	2012	2013	2014	2015	2016	2017	TOTALS
Rounds	**95,920**	**60,224**	**86,294**	**108,952**	**108,078**	**107,009**	**566,477**
Revenue							
Green Fees	$1,562,540	$843,866	$1,342,094	$1,764,704	$1,765,106	$1,735,961	**$9,014,271**
Cart Fees	$396,737	$233,752	$359,232	$451,857	$468,929	$465,626	**$2,376,133**
Driving Range	$13,625	$130,534	$128,906	$148,210	$147,144	$156,325	**$724,744**
Food & Beverage	$68,269	$40,751	$90,799	$167,382	$187,204	$203,255	**$757,660**
Merchandise	$7,659	$7,358	$6,047	$6,145	$5,937	$12,184	**$45,330**
Island Lake Lease	$60,000	$60,000	$75,000	$75,000	$75,000	$75,000	**$420,000**
Golf Dome Lease	$27,840	$45,196	$37,088	$31,501	$30,879	$6,755	**$179,259**
Total Revenue	**$2,136,670**	**$1,361,457**	**$2,039,166**	**$2,644,799**	**$2,680,199**	**$2,655,106**	**$13,517,397**
Rev/Round	$22.28	$22.61	$23.63	$24.27	$24.80	$24.81	**$23.86**
Expenses							
Personnel Services	$936,680	$540,778	$912,809	$792,418	$1,044,662	$1,126,649	**$5,353,996**
Other Services & Charges	$450,613	$313,157	$509,876	$602,587	$570,928	$504,514	**$2,951,675**
Supplies	$270,498	$136,293	$271,707	$286,529	$201,740	$171,739	**$1,338,506**
Capital Outlay	$536	$0	$0	$0	$5,632	$0	**$6,168**
Total Expenses	**$1,658,327**	**$990,228**	**$1,694,392**	**$1,681,534**	**$1,822,962**	**$1,802,902**	**$9,650,345**
Cash Flow	**$478,343**	**$371,229**	**$344,774**	**$963,265**	**$857,237**	**$852,204**	**$3,867,052**

Important findings include:

- The big improvement from 2014 to 2015 is due to the reopening of Keller.
- Cash flow held steady the last two years, after falling from 2014.
- Revenue decreased 0.9% last year, but this was offset by a 1.1% decrease in expenses.
- The decline in expenses is due to a 11.6% decrease in “other services and charges” and a 14.9% decrease in supplies.
- Personnel services increased 7.8% last year and has increased by 42.2% since 2015.
- Meanwhile, supplies, which includes much needed fertilizer and chemicals, has decreased 40.1% over the same period.
- Revenue per round goes in two-year cycles, due to the County’s policy of fixing rates for a two-year period. There was little change from 2017 to 2018 as a result.



There are some important disclaimers, however. Most important, there are some big omissions on the County expenses. The biggest of which, is the cost of the maintenance equipment, both obtaining and maintaining. This is because the maintenance equipment is part of Fleet services and not part of the Parks budget. Nor is water, a major expense, charged against the golf courses. Also missing are Parks administrative salaries tied to golf operations. Although, even if these are considered, it is likely that the department is much closer to break-even.

While the operation is generating a positive cash flow, this does *not* take into consideration capital improvements. Nor is any money being set aside for future capital improvements.

Cash Flow by Facility				
	2014	2015	2016	2017
Keller	($140,171)	$513,030	$376,684	$507,871
Goodrich	$101,046	$23,709	$109,576	$131,701
Battle Creek	$4,843	$42,955	($11,571)	($8,789)

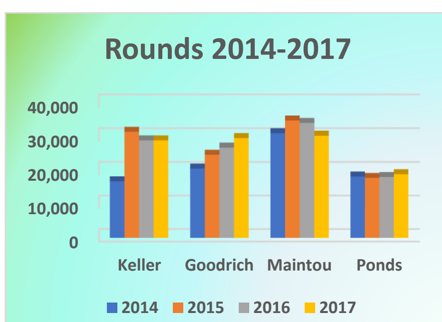
When we look at individual facilities, we see that Keller, by far, generates the most cash flow as it generates over $500,000 a year, or about 60% of the total cash flow by the golf system. On the other hand, Battle Creek has had a negative cash flow the past two years. And while Keller has been up and down the past three years, Goodrich has steadily improved. Its cash flow improved 455% from 2015 to 2017.

It also needs to be pointed out that while Keller's $500,000+ cash flow is strong operationally, it does not cover the approximate $800,000 annual debt service from the $12million 2014 renovation.

Rounds

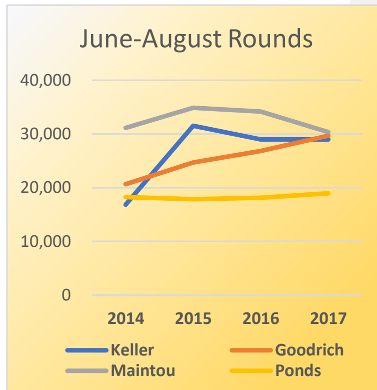
System-wide, the number of rounds has been basically stable over the past three years. However, the distribution of those rounds has changed dramatically.

Rounds at Goodrich have steadily increased since 2014, improving 44% over this time. Meanwhile, rounds at Manitou have declined 13% since 2015. Rounds at Keller have been basically the same the last two years, after falling 8% in 2016 after 2015's big year following its reopening.



Through August of this year, rounds are down about 5.3% over 2017. However, this is misleading due to the extreme weather conditions early this year. In 2017, there was play in March and the system produced 11,250 rounds through April. This year, the courses did not open until late April and had only 2,861 rounds through the end of that month.

When we compare performance over the peak play months, June-August, we find that rounds have improved 7.5% (4,347 rounds) over the same period in 2017. Again, though, there are significant differences between facilities.



Rounds at Goodrich are up dramatically (22.5%), while rounds at Manitou are down significantly (16.3%). Battle Creek is down slightly (-1.2%), while Keller is up slightly (3.6%).

The concern over the decline in rounds is magnified by the fact the facility received very poor ratings, as we will discuss in the next section. More disturbing is the fact that the County recently renewed the lease under significantly more favorable terms to the operator, which we will also be discussing later.

Revenue

Like rounds, revenue has been stable over the past three years, system wide. But the performance has varied significantly by facility. Most significantly, Goodrich's revenue has increased 17% since 2015 and 29% since 2014. Manitou, however, has gone down 5.7% since 2015, although it has a net increase since 2014. Keller's has decreased 3.4% since 2015 but increased 4.5% last year.

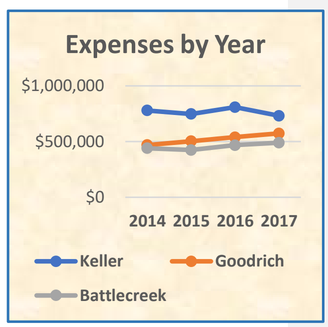
Golf Revenue* Performance

	2014	2015	2016	2017
Keller	$617,449	$1,129,390	$1,043,673	$1,090,443
Goodrich	$514,230	$567,233	$597,308	$663,406
Manitou	$796,075	$914,184	$925,897	$862,071
Battle Creek	$444,273	$438,138	$427,149	$444,282
Total	**$2,374,040**	**$3,050,960**	**$2,996,042**	**$3,062,219**

* Green Fees, Passes, Cart and Driving Range

Expenses

Overall, expenses have increased 6.5% ($108,942) since 2014, although down slightly last year. Expenses are almost all from the three courses under management contracts as opposed to leases, as the County is responsible for their maintenance.



Over the past four years, Keller's expenses have trended downwards, going down 9.5% since 2014 and 5.9% since 2015. Goodrich, on the other hand, has seen a 22.5% increase over the same period, and 6.4% last year. It should be noted, however, that the increase in expenses at Goodrich are highly correlated with the dramatic increase in revenues and positive increase in cash flow. It is highly likely that the improved course conditions that are usually associated with increased spending, has had a notable positive impact on performance.

Unfortunately, the increase in expenses seen at Battle Creek have not resulted in a similar bump in performance. Battle Creek has seen an 11.4% increase since 2014 and a 4.7% increase last year in County expenses. These increases are more in line with a rise in costs due to inflation rather than a change in practices.

It is important to note that the expenses described above are those provided to us by Parks and Recreation. As noted previously, these do *not* include fleet expenses, which includes course maintenance equipment, nor administrative overhead – primarily salaries. We requested this information but did not receive it.

We would anticipate fleet expenses would total around $600,000 to $700,000 overall, when equipment replacement is also included. Administrative overhead is likely around $100,000 overall. When these two items are considered, the operations are much closer to break-even. But this still is very good, compared to most municipal operations in the state.

SURVEY RESULTS

With help from the County, we administered NGF's Golfer Satisfaction Survey to customers of RC Golf's five golf courses. This is a web-based survey that features both standardized and custom questions. The survey gets feedback on several key areas including:

- **Demographics:** Players gender and age, home zip code, average golf score, type of customer (e.g. league, card holder, pass holder, resident, non-resident)
- **Wallet Share:** How many rounds of golf the player plays at both the target facility and other area facilities – by name.
- **Customer Satisfaction:** Ratings on a 10-point scale on overall satisfaction with the target facility, and satisfaction on 23 factors such as course condition, food and beverage, etc.
- **Open-Ended Questions:** What the customer likes most about the facility and what they would like to see improved.

NGF can take the answers to these questions and others and generate both a loyalty index and a loyalty driver for the target facility. The loyalty index reveals how vulnerable a facility is for customer flight, while the loyalty driver shows what factors are most important to both keeping customers and are major concerns for them leaving.

Because the questionnaire is standardized, it allows for comparisons with survey results from all the courses that have administered the questionnaire. The comparison is made both to all courses in the database and to courses in their price band (Premium, Standard and Value). This comparison is very valuable for two main reasons. First, it tells you how your course stands in relation to other facilities. And second, it eliminates a natural bias in rating scales. For example, on a scale from 1 to 10, where one is poor and 10 in excellent, you would tend to think that an average score of 7.5 would be much better than average. But in fact, it may put you in the lower 10%, or worse, of all courses surveyed.

The survey was emailed to customers in the County's database of RC Golf clients. We received a total of 458 responses.

In addition, we designed a survey utilizing survey monkey, to resemble the NGF survey, using many of the same questions.

The survey results will be discussed in much greater detail in the full report.

Overall Satisfaction

The results on overall satisfaction, the most important measure, were mixed. Two of the facilities, Goodrich and Battle Creek, received outstanding scores. Both placed in the top 3% of courses in their price band and top 10% of all courses. It is important to note that both courses are managed by the same operator, Brad Behnke.

Overall Satisfaction Ratings

	# Resp	Average Score	Price Pt %	National %
Keller	97	8.4	82	74
Goodrich	107	8.7	97	90
Manitou	145	7.5	28	12
Battle Creek	94	8.8	98	94
Island	15	7.8	46	28

Keller's ratings were also very good. Rating in the top 20% in their class and top 26% overall. As we will discuss, their ratings would have been much higher if not for one factor, food and beverage.

On the other end of the spectrum were Island Lake and Manitou. Island Lake's class score was very close to the middle. However, with only 15 responses, we cannot assign any real significance to the ratings.

Manitou, though, had both the highest number of responses, 145, and by far the lowest ratings. They placed in the both 28% of courses in their class, and both 12% overall.

Loyalty Index

NGF has created a loyalty index based on the overall satisfaction scores. People giving an overall satisfaction score of 9 or 10 are called "Promoters." Those giving ratings of 7 or 8 are labeled "Passive," while those who gave ratings less than 7 and referred to as "Detractors." The Loyalty Index score is derived by subtracting the percentage of Detractors from the percentage of Promoters.

Loyalty Index Ratings

	Promoters 9 & 10	Passive 7 & 8	Detractors <7	Loyalty Index
National	**44.00%**	**24.10%**	**36.00%**	**19.90%**
Standard Benchmark	**43.70%**	**25.50%**	**38.10%**	**18.20%**
Value Benchmark	**41.10%**	**35.90%**	**23.00%**	**18.10%**
Goodrich Golf Course	**56.10%**	**32.70%**	**11.20%**	**44.90%**
Keller Golf Course	**52.10%**	**31.30%**	**16.70%**	**35.40%**
Manitou Ridge	**35.20%**	**33.80%**	**31.00%**	**4.20%**
Battlecreek	**68.80%**	**21.50%**	**9.70%**	**59.10%**
Island Lake	40.00%	33.30%	26.70%	13.30%
Golf Dome	32.29%	32.29%	35.42%	-3.13%

On this measure, Battle Creek, with an index of 59.1, was, by far, the highest with a score a full 40 points better than the national average. Goodrich was next at 44.9, 25 points higher than the national average. Keller also scored very well at 35.4.

Scoring well below average were the other three facilities. Island Lake was at 13.3, six points below the national average and 5 below the rate class average. Manitou was even lower at just 4.2, a full 15 points below the national average and 14 below the rate band. However, as Island Lake had only 15 responses and Golf Dome just 17, neither of their findings can be viewed as necessarily valid. Manitou's, though, is significant.

Individual Factors

The table below shows the percentile ratings for each facility's rate class for the 23 different satisfaction factors. Percentile ratings in the top 20th percentile are printed in red, while those in the bottom 20 are in blue.

Battle Creek had the highest average rating – 81.9. Goodrich (69), Island Lake (64), and Keller (60.6) all averaged in between the 60th and 70th percentiles. Manitou *averaged* in the 25th percentile, and the Golf Dome, with limited factors and a small response, averaged in just the 6th percentile.

Satisfaction Factor Percentile Ratings

	GR	K	MR	BC	IL	GD
# Responses						
Overall Value	85	48	5	53	88	8
Overall Course Conditions	94	79	44	96	89	
Pace of Play	64	26	13	80	77	
Friendliness/Helpfulness of Staff	90	80	25	85	93	5

Satisfaction Factor Percentile Ratings	GR	K	MR	BC	IL	GD
Golf Course Design/Layout	30	49	9	86	5	
Convenience of Course Location	65	87	40	86	99	
Tee Time Availability	71	37	29	81	97	
Condition of Greens	95	72	49	95	79	
Scenery and Aesthetics of Course	57	80	13	92	56	
Condition of Golf Cars	96	73	33	50	56	
Amenities (clubhouse, pro shop, locker room)	76	54	22	74	34	5
Food and Beverage Service	76	0	14	88	39	
On-course Services (restrooms, drinking water)	20	1	4	60	14	
Overall Experience	87	64	20	91	78	
Affordability	58	34	2	30	77	
Condition of Tees	66	58	36	98	21	
Condition of Bunkers	31	82	21	97	97	
Condition of Fairways	95	70	42	93	85	
Overall Quality of Practice Facility		57	18	100	97	
Overall Quality of Golf Shop	71	91	34	89	51	
Overall Quality of Golf Shop Apparel	54	98	29	87	29	
Overall Quality of Golf Shop Merchandise	67	94	53	90	53	
Average Percentile	**69.0**	**60.6**	**25.2**	**81.9**	**64.3**	**6.0**

Keller

Strengths (top 20 percentile placements) include:

- Friendliness/helpfulness of staff
- Course Location
- Scenery and Aesthetics of course
- Condition of Bunkers
- Overall Quality of Golf Shop
- Quality of Shop Apparel
- Quality of Shop Merchandise

Weaknesses (bottom 20 percent) were:

- On course services (restrooms, drinking water)
- Food and Beverage Service

Both weaknesses were rated in the *bottom 5% of courses in its class.* Food and Beverage service was rated *below* the bottom first percentile. Meaning it was among the very worst courses in the entire database.

Goodrich

Strengths include:

- Overall value
- Friendliness/helpfulness of staff
- Condition of Greens
- Condition of Golf Carts
- Overall Experience
- Condition of Fairways

Weaknesses include:

- On course services (restrooms, drinking water)

Battle Creek

Strengths include:

- Overall Course Conditions
- Pace of Play
- Friendliness/helpfulness of staff
- Golf Course Design/Layout
- Course Location
- Tee Time Availability
- Condition of Greens
- Scenery and Aesthetics
- Overall Experience
- Condition of Fairways
- Condition of Tees
- Condition of Bunkers
- Overall Quality of Practice Facility
- Overall Quality of Golf Shop
- Quality of Shop Apparel
- Quality of Shop Merchandise

Three things stand out. The Practice facility was given a rating of "100", meaning it was above the 99.5th percentile of all facilities. Second, all factors relating to golf course conditions were rated in the top 20 percent. Finally, *none of the factors rated in the bottom 20%*. The lowest rating was for affordability at 30.

Manitou

There were no factors rated in the top 20th percentile. The top-rated factor was Overall Quality of Shop Merchandise, at 53rd percentile. No other factors were above 50.

Those factors rating in the bottom 20% were:

- Pace of Play
- Scenery and Aesthetics
- Food and Beverage Service
- Quality of Practice Facility

Those factors rated in the bottom **10%** were:

- Golf Course Design

Factors rated in the bottom **5%** were:

- Overall Value
- On-Course Services
- Affordability

MAJOR ISSUES

This section will discuss the major issues, other than capital improvement needs, that we found during our examination of the RC Golf facilities, their performance and administration. Needed capital improvements will be addressed in the next section.

In this executive report, we are focusing on those major issues that we found that most affect the County. We also found significant deficiencies in other areas, such as food and beverage and merchandise sales. But as these affect the operators much more than the County, we will reserve our discussion of them for the full report.

Mission Statement

A Mission Statement provides guidance as to what is most important for the County with regards to the golf operation. There are many potential objectives. These include:

- **Amenity:** Serving the needs of the citizens of the County
- **Profit Center:** Providing cash flow, not only for its own operation, but to help support other programs.
- **Icon:** Provide an icon for the community to promote community pride, and to focus outside attention on the asset.
- **Economic Benefit:** Golf can help attract new businesses and residents to the area and stimulate development, among other benefits.

The first two are two ends of a continuum, as emphasis on one end often comes at the cost of the other.

There is no clearly defined mission statement for the Golf Division. Why is this important? Because it can have profound implications as to how the golf facilities are operated.

For example, if the primary mission of the golf facilities is to serve as an amenity to the citizens of Ramsey County, then, logically, they would be operated in much the same way as other park amenities. The emphasis would be on service, affordability and programming. There would be *no* expectation for profit. Indeed, the expectation would be that the facilities would be subsidized in the same manner as other park amenities such as parks, tennis courts and swimming pools.

But to the degree that profitability is a concern, then the operation must be operated more like a *business* than a park. And not only as a business, but as a business that is operating in a highly competitive environment.

In looking at the current operation, we see a lot of mixed messages. Amenity-weighted actions include the pricing policy, and the fact that the County maintains three of the courses. Yet, the facilities lack the programming normally associated with amenity-oriented facilities.

On the other hand, the fact that the facilities are privatized to varying degrees, show a more business-like (profit) approach. The fact that some facilities are fully privatized, and others are not, shows confusion in the amenity/profit center continuum.

Market Overlap

All four of the “big” golf courses are in the same “Standard” rate band, as defined by NGF. In a market where peak fees (cart and green) vary from $32 to $108, a spread of $76; the four RC Golf facilities range only from $46 (Battle Creek and Goodrich) to $61 (Keller), a difference of just $15.

Moreover, we found from surveys, that the usually the top two and three of the top five, main competitors as defined as the courses getting the most rounds from the target facilities customers (highest wallet share), were the other RC Golf facilities.

This has two consequences. First, it means that the facilities are competing more with each other than they are with other courses, and two, the facilities are likely not addressing market needs in the community as they are all going after the same golfers.

In the case of RC Golf, there are no facilities at the higher end (although Keller certainly has the facility to attract those golfers), and none at the lower end of the price scale.

Operator Contracts

There are four main issues with the operator contracts as we see it.

1. **Different contracts:** There are six golf facilities within the RC Golf system. There are six different outside operators and seven different contracts. (Keller has two – one for the golf operation and one for the food and beverage). Not only does this create an administrative nightmare, it can create inequities within the system. Three of the contracts are leases, two of which are “outright” leases that include capital improvements.
2. **Different termination dates:** The contracts expire at different times. Why this is an issue is that it makes it difficult to get a single vendor, should the County choose to have one, to operate all the facilities. And there are many advantages to having a single vendor, including lower operating costs, more consistency in service, and more cost-effective marketing. It also would dramatically reduce the administrative burden on the County.
3. **Misaligned Interests:** This, perhaps, is the most troubling. For the three golf operations management contracts, the County uses an older model whereby various revenue streams are treated differently. Basically, the County gets its primary revenue from the green fees, while the operator captures most of the food and beverage, merchandise and driving range revenue.

   The problem with this model is that it creates an environment whereby what’s best for the operator may not be best for the County (bad optics, if nothing worse). For example, the operator’s main revenue drivers, merchandise, food & beverage and even the range, are primarily a function of *volume*. Thus, it is in their best interest to have low green fees (and discount them further) in hopes of creating greater volume. Yet the county gets its revenue from the green fees. And a lower rate may not be in their best interests. (It should be pointed out, its not just the discounting, but the operators are relied for their recommendations on the regular green fees as well).

   Further, it drastically reduces, if not eliminates, promotions involving multiple revenue streams. For example, a popular promotion in the marketplace is to offer a free meal with a round of golf. But the operators are not going to be willing to sacrifice their revenue for the County’s. It also creates conflicts of interest in tournament pricing, which often are bundled green fees, cart fees, food & beverage and merchandise packages.
4. **Enforcement:** The contracts are not even being enforced as written. Two notable areas are marketing and rangers. The operators, under the management contracts, are supposed to submit an annual marketing plan. This has not been done at least since 2014 or earlier. The operators are also to provide rangers who monitor the pace of play. Only Keller does so.

The contracts and their status:

- **Battle Creek:** Management Contract. Brad Behnke Golf Management. Extended on January 1, 2018. Terminates December 31, 2022. Renewable for an additional five years.

- **Goodrich:** Management Contract. Brad Behnke, operator. Commenced in February 2015. Ends February 2019 but can be renewed for an additional year.
- **Goodrich Golf Dome (aka Midwest Golf Dome):** Full Lease. Midwest Golf Domes, contractor. Effective June 2016 (original contract 1996) and goes through the end of 2036.
- **Island Lake Golf Course:** Full Lease. FORE, Inc. (original developer). Started February 1992, ends December 31, 2023.
- **Keller:** Management Contract for golf operations. Foley Professional Golf Services, LLC. Started 2014, extended in 2018 to December 31, 2022. Renewable for an additional five years.
- **Keller (clubhouse):** Modified Lease. Lancer Catering. Started 2013. Terminates December 31, 2023. Not renewable.
- **Manitou:** Modified Lease. Golf Services Corporation. Started January 1, 2017. Ends December 31, 2021.

Marketing

Marketing is essential for virtually any business. It is especially vital in very competitive markets, which describes the local golf market. Further, our experience suggests strongly that *no other expense item is more highly correlated to revenue than marketing.* Thus, if you spend more, you make more. And the revenue should greatly exceed the marketing expense, or the marketing was not very good.

But in the case of RC Golf, marketing is a neglected, if not entirely forgotten entity. The problems are many, but here are the three most important.

- **Who's responsible?** The operators will argue that marketing is the County's responsibility – especially since they get most of the revenue (except with the leases). Yet the management contracts specify the operators are supposed to submit an annual marketing plan (they don't).
- **Budget:** The operators spend a negligible amount on marketing. The County budgeted about $9,000 last year – and did not come close to spending it! In the golf industry, the recommended marketing budgets usually range from 2-3% gross revenue. That would put the recommended budget for RC Golf in the $100,000 to $170,000 range.
- **Expertise:** Even if the County had the budget, they do not have anyone currently on staff with any expertise in golf course marketing. The marketing that has been done has been exceptionally weak. This includes the websites for the golf courses, which are below average in quality. Further, none of the operators have shown any marketing wherewithal, either. As an example, one of the best practices in today's golf course environment is to do regular emails to our customers. *This can be done for no cost.* All the operators have access to an extensive database through their POS systems. Yet none of them do regular emailings. Further, the social media presence (e.g. Facebook, Twitter, Instagram, etc.) is either non-existent or very weak.

Pricing Policy

In this executive report, we are not going to review the fees for the various services at the golf courses. We will be reviewing them in the full report, along with our recommendations for changes.

In this report, we will discuss two significant issues with regards to how the fees are set. They are:

- Politics
- The fact they are fixed for two years.

Process

It is our understanding as to the process whereby the rates are set is that they are set by Parks staff after conferring with the operators and reviewing competitive price information. The prices are then reviewed by the Parks Board and finally approved by the County Commission.

Throughout this process, there are plenty of times where special interest groups, such as members of the courses' men's and ladies' clubs and leagues, seniors, etc., can voice their opinion and can often apply significant political pressure to artificially keep rates down.

The issue here goes back to our first point about the amenity/profit center continuum. Keeping prices low for special interests may be politically expedient, but it is often not good business.

Further, while operators may be consulted in the process, it is not clear to what degree they really influence the rates. This is both good and bad. As noted above, the operators' interest and the county's are not necessarily aligned. It may be better for them, given how they are compensated, to keep the green fees low to increase the volume. So, there is an inherent conflict of interest. On the other hand, the operators are the ones best positioned to know the market, and thus the best pricing.

Fixed Fees

As noted several times in this report, golf is a *business* and is in a highly competitive environment. Yet it is unthinkable in most every business to have your prices fixed *for two years*. Yet that is exactly what the county is doing with RC Golf.

Not only is golf a highly competitive marketplace, but the prices fluctuate frequently. Having a two-year fixed price puts the golf course *at a major competitive disadvantage.* Their pricing, especially in the second year, is likely to be either too high or too low, neither of which is good. Nor do they have the ability to adjust pricing during the season as the market frequently calls for. And the operators have very little flexibility when it comes to negotiating a fee with large groups such as leagues or outings. Again, this puts the facilities at a significant competitive disadvantage.

Put together, these prevent the County from optimizing the profitability of the golf operations.

Keller Food & Beverage

It is rare where you see such a disparity in operations from one aspect of a golf facility to another. But such is the case at Keller.

Keller's golf course is competitive *with the best public courses in the area.* Customer service, from golf operations, is outstanding – based on our interviews and survey results. And the clubhouse is fabulous.

But the food and beverage operation *as it relates to golf* is nothing short of terrible. While Lance appears to do a very good job with banquets, it is clear that it has been their *only* priority.

This became apparent, not only from interviews with customers and golf operations staff, and through the customer survey (whose ratings placed the food and beverage service at Keller in the *bottom ½% of all golf facilities surveyed by NGF) but* was our own personal experience as well.

Food quality is not the problem, although we did hear a few complaints. But service and attitude are.

The beverage cart service at Keller has been sporadic, at best. And the cart attendants clearly poorly trained in working in a golf course environment. But in a higher-end facility, which Keller otherwise is, beverage cart service is a *basic* service. It is expected. Not just some of the time, but ALL the time. It is part of the golf experience. And it is especially important at all the RC Golf facilities as there is no drinking water on the courses. In these situations, the lack of service is not only a revenue opportunity lost but can create a health risk.

The other issue has been service to golfers in the restaurant in the clubhouse. We heard and read a lot of complaints about how golfers are treated there. We even observed this ourselves on our visits.

In one case, there was a large tournament at the golf course. Lancer did a nice job (apparently) with the box lunches. The problem was, they did not staff the restaurant/bar. So, when 100+ people showed up before the tournament, many of whom wanted drinks at the bar, there was only one person there to service them, plus the customers dining in the restaurant.

On another occasion, we saw two grill staff taking a break on the patio, smoking and chatting. The issue being that this patio faces the golf course and all the golfers must pass by it to get to the 11th hole. It looked very unprofessional.

We note that the situation has changed since the beginning of the summer. The general manager assigned by Lancer to Keller and that we interviewed, is no longer there and a new GM was in place, starting in August. It remains to be seen how much a difference this makes.

Manitou Performance

While the other RC Golf facilities' performance has held steady or improved over the past few years, one has declining – and at a precipitous rate. And that facility is Manitou.

Not coincidentally, Manitou also had, by far, the lowest customer ratings on our survey of the four main RC courses, and placing in the bottom 12 percent nationally.

The poor ratings were across the board, including course maintenance, golf operations, customer service, and food & beverage. And the timing is bad, as the operator just recently signed a new contract whereby the county's percentage of the revenue was about halved. (The operator needed the extra revenue to purchase new golf carts and make other small improvements).

In our interviews with the operator, he was shocked at the survey results and has expressed genuine concern. He has been at the facility for over 40 years, in one capacity or another.

It needs to be pointed out that the decline in performance affects the operator much more seriously than it does the County, as Manitou is operated on a modified lease. In this arrangement, the operator is responsible for all operating expenses, including maintenance. So, the county's exposure is minimal.

Target Markets

The last major concern impacts the program significantly, regardless of which side of Amenity / Profit Center continuum you're on. And that is the system's weakness with regards to women, as well as to those wanting to take up the sport, especially if they come from more modest income households.

Of course, given the lack of marketing, in general, it probably is not surprising that certain demographics and target markets are being ignored. But it goes beyond marketing and points to 1) physical issues at the facilities; 2) lack of programming; and 3) lack of awareness or effort.

Women

Nationally, women make up about 20% of the golfing population, according to the NGF. That percentage is likely higher in Minnesota. Yet, based on observation, testimony from staff, and survey results, women make up about 10% of the play … or less… at most of the County's golf facilities.

With women, there are several reasons for the poor performance. These include:

- **Facility:** There are physical constraints at the facilities that make them less hospitable to women.

- **Services:** Services at the courses do not cater to needs of women in general.
- **Attitude:** Staff treating women differentially from men.
- **Programming:** There is a lack of programming at several of the facilities aimed at women.

Facility

There are two major issues at the RC Golf courses that have a negative impact on play from women. They are:

- **Forward Tees:** The primary problem is the length from the forward tees. But there are other issues as well.
- **On Course Services:** The lack of restrooms on the courses is a deal-killer for a lot of women, who refuse to use porta-potties. (This also tends to have a negative impact on senior men as well).

Forward Tees

Women hit the ball on average about 70% as far as men. The most preferred yardage for men is between 6,000 and 6,500 yards. If we take 70% of this, that would mean the equivalent yardage for women would be between 4,200 and 4,550 yards. Yet the Ramsey County courses are much longer than this from the forward tee. For example, Manitou Ridge measures 5,491 yards from the forward tee. This, for women, *is the equivalent of a 7,844-yard course!* Not even the PGA tour professionals play from this distance! Making women play from such a long distance has several negative consequences. First, by making the course overly difficult for women, you are going to get less female participation, costing you revenue. Second, the women that *do* play are naturally going to be playing much slower than the men. Because they are playing from 7,840 yards, while the men are playing from 6,083! Thus, the pace of play will be slower, not just for the women, but for everyone playing behind them as well! Third, male seniors prefer playing from around 5,500 yards. Yet many will not play from the forward tees as they still consider them “ladies’ tees.” Thus, at Manitou, the seniors are also playing from too far back with the same negative consequences as for women.

Another issue with the forward tees is that they are often built substandard to those mostly used by men, and without the amenities (such as drinking water, ball washer, trash cans, etc.)

Restrooms

Women tend to be much more resistant to using porta-potty’s then men. Yet, the RC Golf Courses lack on-course restrooms. This puts them at a *significant disadvantage* when it comes to attracting play from this large potential market.

Services

There are also more subtle ways in which the operations discriminate against women. Most notable of these is with food and beverage. Women are much more likely to want healthy food choices than are men. Yet only Keller offers any. (This does impact play of all types, but especially from women).

Merchandise sales is another area where the operators discriminate, no doubt unintentionally, against women. One stereotype about women that few tend to argue, is that women, in general, love to shop – much more so then men. That is why, when you go to a department store, there may be a full floor dedicated to women’s clothes, but only a corner of a floor for men’s clothes. Yet when you walk into the golf shop, the reverse is true – only more so. Given that this is something that tends to be more important to women, the lack of merchandise comes across as a snub.

Attitude

With many golf operations, we find that staff will treat women differentially from men – and usually to the detriment of women. This is most common where the staff are senior men, and often stems from parochial attitudes. The stereotype that women play slower than men may be a contributing factor. (But as pointed out above, they don't play *slower*, they play longer because they're playing from 7,000 yards while the men are playing from 6,000).

With RC Golf, we did not observe this behavior, although survey results from Manitou suggest that it may be present there – to an extent (perhaps confined to a single staff member).

Programming

Programming, in general, is an issue *at all RC Golf Facilities*, except for Island Lakes. Island Lakes appears to do a great job, especially in programming for juniors and the physically disabled. Of course, the lack of programming, in some cases, can also be tied to the lack of marketing. This is especially true at Battlecreek, where various types of programs to reach out to women, beginners, etc., were tried but failed to attract a lot of participation.

We do note, however, that neither Goodrich, nor Battlecreek, have a women's club (Manitou and Keller do).

It should be noted that RC Golf is hardly the only golf operation to minimize the female market. It is an industry-wide problem. Yet, given the general population has slightly more women than men, it certainly makes sense to pay more attention to a demographic that could instantly provide a major boost to performance.

New Golfers

While Battle Creek has made an effort by offering some programming, there is still a considerable lack of programming or accommodation to *potential* or wannabe golfers. And by programming, we mean more than just providing group clinics. It includes *outreach* programs designed to attract these golfers, and programs designed to make the sport more *affordable*, especially to those wanting to take up the sport.

As discussed previously, there are, by a considerable margin, *more latent golfers* (people who do not play golf, but express a desire to do so), *than actual golfers* in the MSP market. Thus, we are basically ignoring a market that has potentially more potential than our current customer base.

Top Golf, which is opening a facility in the MSP area soon, is a great example of a golf facility that reaches beyond the typical golfer. In fact, *over 90% of their customers do not play golf* (other than at Top Golf). And since these facilities average over $20m annually *each* (or roughly four times the four main RC golf courses make, combined!), there are some important lessons to be learned.

CAPITAL IMPROVEMENTS

All four members of Sirius' team examined the facilities to look at capital needs.

Capital Improvements can be divided into two main categories:

1. Those needed to **maintain** performance. These are infrastructure repairs or deferred maintenance items. We will refer to these as "*Infrastructure*" improvements.
2. Those designed to **improve** performance. These are improvements whose primary purpose is to either reduce maintenance costs or enhance revenue. We will call these "*Performance Enhancer*" improvements.

While the infrastructure repairs may boost performance by lowering costs or improving course conditions, it is clear if they are not done, performance will deteriorate if they are not performed. Items in the second category, on the other hand, may also improve infrastructure, but their main goal is to improve performance.

A clear example of capital improvement of the first type is replacing the irrigation. Irrigation is the lifeblood of a golf courses. Without it, course conditions would be greatly diminished; it would be very difficult to maintain good, puttable grass on the greens; and performance would be dramatically impaired.

Infrastructure Needs

In Appendix C, we list the life expectancies for various components of the golf course for this area of the country. Along with this, for both Goodrich and Manitou, we list the current age. As will be discussed, most of these components at both courses have greatly exceeded their life expectancy.

When components go beyond their useful life, two things usually occur.

- **Maintenance Costs Escalate:** This is due to –
  - **Repair Costs** to fix the equipment.
  - **Additional Labor** costs, not just to fix the equipment, but also to repair damage, etc.
  - **Inefficiency:** Older systems are not nearly as efficient as modern systems. And with rising utility and labor costs, this can be a significant cost burden (especially with irrigation systems)
- **Course Conditions Deteriorate:**
  - During the period between when a component breaks and when it is fixed, there will be a ground-under-repair area that the golfers will need to avoid. The size of this area will depend on the nature of the problem. It could impact an entire green.
  - Large components, such as turf, greens, tees, irrigation, etc. will slowly degrade the quality of the playing conditions as they age. This, in turn, will usually have a dramatic impact on play as course conditions is one of the most important considerations when choosing where to play.

Thus, profitability is adversely affected by both increasing costs and lower revenue.

In addition to performance and age issues, there can also be safety concerns, such as an increased probability of a golfer or non-player being struck by an errant shot, or a higher risk of property damage, especially to vehicles or neighboring property.

In some cases, we also found where a needed component either was not properly installed or was not a good choice for the course at the time of construction.

Below is a discussion of the priority capital improvement needs for each course based on poor infrastructure.

Keller

Five-year-old construction and great design puts Keller in the "Initial Years Renovation" mode, meaning to continue to finish items that may have been left out or underbuilt due to budget reasons in 2013. It is and will remain your flagship course.

Priority Items

1. **Irrigation** –
    a. As per EC recommendations of pump station controls and repeaters for radio control
    b. Implement Reduced Turf Area Plans at Tees to reduce future irrigation
2. **Sand Bunkers** – Need to improve play characteristics
    a. More tile drainage
    b. Bunker liners (Better Billy Bunker or similar preferred)
3. **Undersized Catch Basins** – We recommend larger catch basins in valley fairways to increase capacity.

Manitou

Manitou Ridge has a new state-of-the-art maintenance facility, but little in the way of golf course renovations since 2000. An older, somewhat pedestrian design, with gradual green upgrades, sits on great land, suggesting higher potential.

Priority Items

1. **Irrigation** – Completely new system needed.
2. **Sand Bunkers** – Need to improve play characteristics
    a. More tile drainage
    b. Bunker liners (Better Billy Bunker or similar preferred)
3. **All infrastructure is aging**, meaning a total rebuild will be required, with the question not being "if", but when and how.

Other Issues

Rerouting

Manitou Ridge has some safety and circulation problems that can only be addressed by **re-routing,** including:

- 11 Green in dogleg of hole no. 1
- 3, 6 12 Tees Unsafe due to proximity to other holes.
- 18th hole plays into setting sun.
- Walk backs from green to next tee on holes 2-3, 5-6, 11-12 and 12-13, with safety and slow play problems.
- Long walk from holes 13 to 14, and from 7 to 8.
- Elevated Tee, short driving Range brings highway and parking lot into play (safety)
- Eliminates/reduces safety issues at 11 green, 12 tees,

Features

- **Driving Range:** Add nets for safety

Infrastructure

- **Drainage** – Is good, with a few wet spots in valleys that should be corrected on holes like 2, 3, 5, 9, 18, etc. All could be addressed with pipe, even with no re-routing for under $100,000.

Goodrich

Ramsey County had begun the funding process for irrigation and sand bunkers at Goodrich Golf Course, prior to this study. New irrigation systems are often a major priority. Pursuing just those two options would constitute the minimum needs plan going forward.

However, we have identified other course needs, which were more extensive than originally envisioned, and many of these, including drainage, should be constructed before irrigation is installed.

Priority Items

1. **Irrigation** – Completely new system needed within a few years.
2. **Drainage** on fairways 1, 9, 15, 18

Other Issues

Infrastructure: Complete renovation of all major components, including rebuilding greens and tees and regressing fairways. This will also dramatically enhance performance.

Greens: The greens at Goodrich are not only past their useful life and are of a substandard nature, they also lack variety (they are all circular in shape) and too small, especially given the nature of the target market at the facility.

Routing – Very similar to Manitou Ridge in several ways, with some awkward routing changes over the years, and a few new greens. There are solid holes like 2, 3, 6, 11, 13, 15, 16, 17 (except those are back to back par 3) and some unsafe areas like 13 tees, the 10th hole, etc.

Goodrich has some safety and circulation problems that can only be addressed by re-routing, including:

- 2 Green too close to 1 Tee
- 13 Green too close to 14 Tee
- 10th hole too close to road on slice side (not moveable)
- Walk backs from green to next tee on holes 8-9 and 11-12. Long walk around from 17 to 18, long walk to first tee.
- Back to back par 3 holes on 16 and 17 (a result of previous partial re-routings)

Bunkers – The bunkers are well past their useful life. Many do not drain well. They are also very inconsistent as there appear to be bunkers composed of seven different types of sand.

Drainage – There are some drainage issues, including fairways on 1, 9, 15 and 18.

Trees – there are a lot of dead and diseased trees that need to be removed.

Battle Creek

With relatively new construction and a design well-liked by many (but scorned by some as too difficult) this course is a lower priority for any reconstruction. It still fits between the work scopes of "Initial Years Renovation," and "Ongoing Renovations" phases. However, at age 15, it has middle age and you should start long term planning for its upgrades.

As noted elsewhere, there is also the issue that its design-type, a challenging 9-hole course, has limited market appeal. Generally, 9-hole courses are easier courses targeted to beginners, seniors and higher-handicap players, but this course is quite difficult, and difficult in the ways average to poor golfers struggle the most with – forced carries.

Priority Items

1. **Bridges –** The bridges were not properly engineered and, we understand, built by inmates of the county correctional facility across the street. *We recommend that they be evaluated by an engineering firm to assess their safety and structural integrity.* It is likely many will need to be repaired or replaced.
2. **Irrigation Lake** – leaks badly
3. **Irrigation** – The irrigation heads were not placed in optimal locations, creating both inefficiency and poor coverage.

Other Issues

Routing Analysis

Decent routing, but it has a few problems, including:

- Too many forced carries for the average golfer it is meant to serve.
- A few circulation problems:
  - Relationship between 5 and 9 greens is probably unsafe
  - Green No. 7 is tight to road and takes golf balls.
  - Walking golfers use the bridge on 5 as a short cut to 4 green, which provides safety problems.
  - No place for carts to go when they cross that same bridge to 5 fairway.

Infrastructure Analysis

It does have some needs, some previously identified, and including:

- **Irrigation System** – Add controls, optimize sprinkler spacing
- **Cart Paths –** Extend further to enhance wear resistance, but do not convert to full loop paths.
- **Sand Bunkers –**
  - Edges are rough
  - Improve drainage
- **Drainage** - Fairways 1 and 7

Because its needs are not substantial, we deem this to be third priority, perhaps started as late as 2023 or 2024. Without re-routing, changes could be accomplished in one autumn project.

Performance Enhancers

The following capital improvements are those that should significantly improve performance, by reducing costs, increasing revenue, or both.

Keller

Priority Items

Most of these items are needed to enhance the golfer's experience, which, in turn, will make the course more attractive and increase revenue. Some will also reduce maintenance costs.

1. **Sand Bunkers** – Need to improve play characteristics
   a. White sand to enhance play and as upscale course.
   b. Bunkers need more defined edges.

2. **<u>Forward Tees:</u>** Need 6 new forward tees for Tee Equity, to add tee space. This should allow for increased play from females, more advanced juniors, and super seniors.
3. **<u>Extend cart path system to a full loop system</u>**. Partial paths cause turf wear and is not consistent with competition at desired market position.
4. **<u>14th fairway is too sloped</u>**; many balls collect in one spot.

Other Improvements

- **<u>Feature Design Changes</u>** –There are few complaints after this renovation. However, persistent problems include:
  - Level 14 fairway in landing zone
  - Remove Tree on 17
- **<u>Greens</u>** – Holes 11 and 17 have areas with too much slope for easy putting, but they are not impossible (based on my trial putts) so no changes should be made until other construction takes place.
- **<u>Fairway</u>** – Improve drainage on valley fairways, like 3, 7, 16
- **Drainage** – Continue to add small drains in house, as needed.

Manitou

Priority Items

1. **<u>Forward Tee Program</u>** – As seen by the scorecard, the forward tees are way too long for recreational female players.
2. **<u>Extend cart path system</u>** <u>to new forward tees to spread wear.</u>

Other Improvements

Rerouting

There are some performance enhancement gains from rerouting, including:

- **Market Position:** The ability to up-scale the course, if desired
- **Enhanced Golf Experience:** Would make the course more attractive and challenging
- **Improve Pace of Play**

Issues addressed include

- **18th hole** plays into the sun. Not desirable on last hole
- **Length** – course is too short from back tees for better players
- Proposed fairway cuts on holes (new numbers, see routing) 1, 3, 6, 10, 13-16 to eliminate blind shots (for safety, speed of play)
- **Driving Range**
  - Some golfers complain about elevated practice tee
  - Lowered tee reduces required net height.
  - Range is not long enough, requiring netting on the end
  - Limited capacity
  - Lower tee might reduce sun orientation problems.

Features

Manitou Ridge has some wants, if not needs, some previously identified, and including:

- **Implement Reduced Turf Area Plans** at Tees to reduce future irrigation
- **Landscaping:** Golfers complain about the landscaping as too little and not well maintained.

Goodrich

Priority Items

1. **Sand Bunkers –** The number of bunkers can be reduced to improve playability and reduce maintenance costs.
2. **Forward Tee Program** – Even as a short course, for recreational female players, it is too long. New forward tees are needed, which will make the course more attractive to women and to higher-handicap players.

Other Improvements

1. **Cart Path:** Extend cart path system to new forward tees to spread wear.
2. **Routing:** issues include:
   - Need to shorten Hole 1 green, for safety of 2 tee
   - Need to move 13 green forward for safety of 14 tee.
   - While holes 10, and the walk backs at holes 8-9 to and 11-12 are problems, they are difficult to solve without major re-routing.

Battle Creek

The main issue is that the course does not fit into a good market niche as a challenging regulation nine-hole course. To fix this, though, will require substantial investment. We will discuss options in our Capital Improvement Recommendations section.

As the driving range is the primary profit center, consideration should be given as to how its usage can be optimized.

Priority Items

1. **Design Improvements** to make course more playable:
   - Widen Fairway on hole 5
   - Elevate and move no. 9 Tee
2. **Driving Range:** The driving range is the primary profit center at Battle Creek. There are several improvements that can be made to further enhance its appeal and its potential. They include:
   - **Improve targets** with real greens, etc.
   - **Increase size of tee area:** This would enable more golfers to use the range at one time. The problem with this is that it would require changes to the golf course. Further, the limited parking becomes even more problematic.
   - **Improve ambiance**
   - **Replace Astroturf** at back of tee
   - **Extend turf tee forward** for more space
   - **Improve sand bunker** at west end of tee.
2. **Ninth hole tee** – provides poor view of the hole

Other Improvements

1. **Parking:** The parking lot is undersized for the volume seen at the facility, especially with the popularity of the driving range.
2. **Features:** There are a few features that could be improved:
   - Forced carry on second shot of hole 3
   - Narrow landing zone on 5

- Blind fairway from many tees on 9
- Cross slope on hole 7 kicks many shots into pond

3. **Sand Bunkers**
    - Reduce 10% to reduce maintenance costs (but only if no other changes are being made – see discussion of options under “Major Recommendations.”)
    - Upgrade with Better Billy Bunker, drainage, buff sand.

- Enlarge Practice Tee –
    - Rebuild Tee
    - Improve Targets
    - Rebuild Chipping Area

MAJOR RECOMMENDATIONS

The recommendations in this section address the major issues brought up in the previous sections. Capital Improvement recommendations, however, are addressed in the following section.

Mission Statement

It is not our place to recommend what the Mission Statement should be for the County with regards to its golf program. However, we *do* recommend that a serious discussion take place and a consensus be reached as it will have significant impact on the operations going forward.

In this report, we do provide recommendations that help with both being a better amenity as well as being a more profitable operation. However, our focus, with regards to the financial projections, are more focused on profitability as our interviews with the Commissioners strongly suggested that they wanted the operation to be at least self-supporting.

It should also be noted that capital improvements to the facilities both enhance their usefulness as an amenity as well as their profit potential.

Market Overlap

We do feel that the market overlap between the facilities is a significant issue as it means that not only are the County's facilities mostly competing against each other, but also that they are not reaching important market segments within the County and beyond.

Keller, with its design, newly renovated course, and great clubhouse, certainly more resembles a Premium facility than a "Standard" one (by NGF definitions). If the food and beverage operation is fixed (with regards to their approach to golf), then Keller should be "pushed up" and become a Premium facility – likely with a peak fee (cart and green fees) in the $75 range. (We are recommending a restructuring of the Patron program that will minimize the impact of these increases on the current customer base).

At the same time, Goodrich more closely resembles, physically, a "value" facility than a "Standard" or mid-fee facility. And the current operator is already effectively significantly discounting the green fees. We are recommending that the advertised rates be dropped significantly, to where the peak fee is around $40 (instead of $46).

Not only will this widen the market for Goodrich, it will make golf more affordable to a large portion of the market and fills a definite need in the marketplace. Further, as both Goodrich and Manitou are both in need of extensive renovations, but it would be unwise to have them both undergo renovations at the same time, it will allow Goodrich's renovations to be pushed back until Manitou's and Battle Creek's are completed. That way, these facilities will be better positioned to accommodate Goodrich's customers while it is being renovated.

The repositioning of the facilities will allow RC Golf to appeal to the higher-end golfers (Keller), the value golfers (Goodrich and Island Lake), and golfers in-between (Manitou and Battle Creek).

Operator Contracts

There are both short-term and long-term considerations.

Long Term

First, we would like for the County to position itself for the *possibility* of having a single operator oversee their entire golf operation. Having a single operator theoretically posses several advantages, including:

- Easier to administer – only dealing with one contract and one operator
- Consistency in service
- Potential savings in maintenance costs
- Marketing
- Cross-promotions
- Programming
- Expertise (assuming a larger company, with more resources, than single-operation operators)

However, a single operator may not necessarily be the best option for the County, especially given the quality of the current operators. But we do feel it is an important enough consideration that the County should at least *allow for the possibility.* This means:

1. Have existing contracts modified so that they all terminate at the same time, and
2. At that time, put out an RFP that allows the responder to bid on operating, one, two or *all* the facilities.

Then the County at that time, can evaluate all the options and make the best decision based on circumstances and the bids presented.

It is likely that the single operator contract would still not include the Golf Dome, which is under a long-term lease. It is possible that it includes Island Lake, if RFP is for the 2024 season.

We will talk about different types of contracts more fully in the discussion section.

Short-Term

We feel it is very important that the operators and the County have aligned interests. That is why we would like to see the *current* contracts modified so that they treat *all* revenue streams equally, including green fees, cart fees, range, food & beverage and merchandise. With food and beverage, as well as merchandise, the revenue counted should be the net revenue after cost-of-sales (inventory cost) is taken out.

The percentage split can be determined by examining how much the operator is currently due under the present contract and adjusting the percentage on the revised contract so that the net income to the operator is the same.

We have talked to operators and they have expressed a willingness to consider this modification.

Once it's done, it will allow the operators to have the ability to use both food and beverage and merchandise as incentives to attract more golfers… such as by offering a free lunch or drinks with a paid green fee, or in negotiating with large groups or outings.

It should also allow for the County to give the operators much more flexibility in setting green fees, as now they would be making the judgement based on the overall impact it will have on performance. Any reduction in green fee revenue would affect the operator as much as the County, and the County would gain as much as the operator on increased volume leading to more food and beverage, range and merchandise sales.

Marketing

While some recommendations in this study may take time for the County to implement, this should be one that can be implemented for the 2019 season. Further, no other change *will have as much impact as a significant improvement in marketing.*

As noted previously, we perceive two main issues with the current marketing: 1) not enough money is being spent (virtually none), and 2) what is spent is not being done so in an effective manner (expertise). Related to this issue is the fact that it is not clear as to who is responsible for marketing – the County or the Operator.

Here is our solution:

1. **Budget:** We feel that both the County and the operators should participate, with the County taking the lead.
    1. We propose that the County set aside 2.5% of *its* share of the revenue stream for marketing. Last year, the County's share of the golf course's revenue was $2,655,106. At 2.5%, this would generate $66,377 for marketing.
    2. Each of the main operators would contribute $3,000 per facility. This should equal $15,000 ($3,000 each from Goodrich, Manitou and Battle Creek and $6,000 from Keller).
    3. In addition, the operators will have the *option* to contribute more, with the knowledge that any additional funds they contribute will be spent *directly on advertising for their facility.* This allows them to take advantage of increased buying power and expertise.
2. **Management:** We recommend the County hire a marketing firm, *with expertise in golf course marketing*, to manage the marketing for the County and the four main facilities.
3. **Marketing:** The marketing effort should include:
    1. **Planning:** A detailed marketing plan should be prepared annually
    2. **Web:** New websites should be created for each facility.
    3. **Social Media:** The courses need to be proactive in major social media. This will require someone (likely from the marketing company) to do regular postings – preferably daily.
    4. **Email:** The email database should be mailed to at least on a weekly basis.
    5. **Public Relations:** A PR effort should be implemented, especially when it comes to new programming and major capital improvements.

6. **Media Advertising:** A comprehensive media campaign should be implemented. This will include advertising on social media platforms, golf publications, etc. It may include spot TV ads, redemption advertising and billboards.

4. **Branding:** As RC Golf begins implementing the proposed improvements to operations and facilities, the County should strongly consider a branding campaign, bringing all the facilities under a common brand identification (such as "RC Golf"). This would include a logo that hopefully would have merchandising value as well.

Pricing Policy

At the very least, the County should be reviewing the pricing schedule on an annual basis, not every two years. If the contracts with the operators are reworked so there is a stronger alignment of interests and potential conflicts of interest are eliminated, than the operators should be given greater control over the golf fees. After all, they are the ones that are in the business and are dealing directly with the customers and competition. In this case, the County could provide a fee range and structure (annual passes, patron program, etc.), but allow the individual operators to set the exact rates, which they could modify as market conditions change.

Our full report will contain recommended fees for all four courses, as well as recommended modifications, including a revised Patron program and facility-specific annual passes.

Keller

The food and beverage operation, as it relates to golf, needs to be fixed! It is having a significant adverse effect on the golf operation and puts the facility at a significant competitive disadvantage.

The beverage cart should be running from no later than two hours after the first time, until one hour before sunrise, on every day that more than 20 rounds of golf are expected. (In other words, most every day where weather conditions allow for golf.) The beverage cart should not be looked at as just a profit center for the vendor, but as a necessary customer service for the facility. The beverage cart staff should also be properly trained on how to operate a beverage cart on a golf course.

The vendor also needs to pay more attention to the grill and bar operation, especially with regards to customer service.

Manitou

Historically, Manitou has been the best-performing facility within the RC Golf system. However, its performance has been declining significantly over the past several years. Like Goodrich, Manitou is dealing with a rapidly deteriorating infrastructure that has long outlasted its anticipated and recommended life-cycle. Unlike Goodrich, Manitou received very poor ratings from its customers in the administered NGF survey. If trends continue, Manitou is at serious risk of a further deterioration of its customer base. Manitou is largely dependent on its league income, having more league participation than the other courses in the system, combined. In this case, losing just one league can mean a significant drop in play. In our opinion, especially after review survey responses, Manitou appears to be at risk of losing several leagues.

On the other hand, because Goodrich is managed under an operating lease, whereby the operator is responsible for all operating expenses, including maintenance, the County has little exposure. But it does remain responsible for capital improvements.

This operating agreement expires at the end of 2021, with no option for renewal. If current trends continue, the County will be taking over a facility in crisis, with major capital needs and a significantly reduced customer base. At that time, it would be difficult to imagine being able to attract an operator under a similar lease agreement, without major improvements having been made. Without major changes, but in operation and with regards to capital improvements, the County is at risk of turning what has historically been its most profitable golf operation into its biggest cash loser.

To address this situation, we have developed a couple of scenarios for capital improvements. One addresses just the most pressing infrastructure repairs needs, while the other is a complete renovation.

- **Scenario One: Priority Repairs** – This address just the most urgent infrastructure repairs, this will include replacing irrigation, rebuilding the oldest greens, and rebuilding the bunkers. We would also recommend putting in new forward tees and adding an on-course restroom.
- **Scenario Two**: **Major Renovation** – under this scenario, not only are all infrastructure repairs made, but significant improvements are made, including expanding the clubhouse and relocating the range to make it larger and more appealing.

These scenarios will be discussed in greater detail under the capital improvement recommendations.

In addition, based on the survey results, it appears that improvements need to be made with regards to customer service and the food and beverage operation. Closer attention also needs to be paid to the maintenance issues raised by the survey and addressed in our main report.

Battlecreek

Battle Creek is the only RC Golf operation that currently has a negative cash flow. As noted previously, this is largely because it has a narrow market niche being a challenging nine-hole golf course.

We looked at three possible options:

- **Scenario One: "Elite Nine" –** in this option, we keep the facility mostly as-is, but market the heck out of it as "the best nine-hole golf course in the state" (which is likely true).
- **Scenario Two: Par 34** – This scenario maximizes the range but doubling the size of the teeing area at the cost of reducing the golf course from a Par 35 to a Par 34.
- **Scenario Three**: **18 holes** – This scenario takes advantage of the fact that there is land available across the street to build a 2nd nine and make Battle Creek a challenging 18-hole regulation facility, which is the most popular type of golf course.

We will be talking about each of these scenarios in greater detail in both the Capital Improvement and the Projections sections. Below are some of the pros and cons, before costs and projections are taken into consideration.

Scenario One: "Elite Nine"

In this scenario, we simply try to take what is currently a weakness – the fact the course is a *challenging* nine-hole course – and turn it into a strength. The main aspect of this scenario is how the facility is *marketed.* The goal is to attract golfers, such as those that appreciate higher quality courses, that are currently avoiding the course because they believe, as a nine-hole course, it is certainly either an executive course, or very low-end.

The marketing approach would be something like "do you like the quality of Keller, or Prestwick, but don't have five hours to play? Then come and experience Battle Creek… The Best Championship Nine-hole Course in the State!"

Pros

- Requires significantly less capital investment than the other improvement scenarios.
- Does not require major changes to how the facility is operated.
- Improves the golf experience on both the range and golf course
- Increases capacity by adding more parking

Cons

- To our knowledge, this has not been done before, so there is no way of knowing how successful the strategy is.
- Requires both marketing expertise and a significant marketing budget.

Scenario Two: "Par 34"

This scenario emphasizes the range, which has been highly successful, over the golf course. The range is effectively doubled in size, but at the cost of reducing the Par on the golf course from 35 to 34.

The latter is a "big deal" to golfers, who tend to be extremely traditional. Traditional golf courses have a par ranging from 70 to 72 (35 or 36 for nine-holes). Going higher or lower, even by one stroke, will greatly impact performance.

This is further amplified by the fact that courses with a lower par (such as Par 34) are highly associated with lower-end facilities. Thus, by being both a nine-hole course *and* being a Par 34, will make it even more difficult for Battle Creek to avoid being mischaracterized. This means that golfers who would otherwise enjoy it, will never think to play it, while golfers who are play it because they *expect* it to be a very playable low-end course, are going to be very disappointed.

Pros

- Doubles the size of the range, which is the most profitable aspect of the facility and appears to have the demand to support such an expansion.
- Less expensive than a complete renovation

Cons

- As noted above, this combination further amplifies the weaknesses of the existing golf course
- Non-regulation courses (such as Par 34) make up a disproportionate amount of the course closings (2/3rds) in the area.
- Does not appear to have a strong demand in market place for such a facility.
- It would be very difficult, and expensive, to try and "dumb-down" the course to make it consistent with expectation.

Scenario Three: "18-hole"

The 18-hole scenario utilizes the property across the street from Battle Creek, surrounding the Correction facility, to build a second nine-holes that would allow Battle Creek to become a full 18-hole championship course.

To avoid a non-returning nine course, which would not perform nearly as well, a 2nd clubhouse complex would be built across the street with the new nine holes. In our proposal, the new clubhouse would be at least 6,000 sf in size, which would accommodate both a full restaurant and a banquet room capable of hosting at least 125 people. This will allow the new facility to host tournaments and banquets.

In addition, a new range would be built adjoining the new clubhouse. This will allow the current range and clubhouse to become a practice-only facility.

Pros

- Eliminates the issue with parking at the current clubhouse as the facility as golfers wanting to play the course would park at the new clubhouse.
- Maximizes range income as there would now be two ranges available, one for range-only use, and one that would be shared with golfers warming-up.
- Creates new revenue streams with banquet and grill sales.
- Makes Battle Creek a high-quality 18-hole championship course, consistent with the most popular facilities in the area.
- Allows for more league play – especially important given its proximity to 3M.
- Could be good target for tourist play, given its proximity to downtown and 3M, and the anticipated quality of the course.
- Potentially takes the one facility in the system currently experiencing a negative cash flow and turn it into a positive cash flow.

Cons

- Cost. While this would not cost as much as building a new 18-hole course, it still would approach the cost of the recent renovation of Keller.

Expanding Market

In this Executive Report, we will only touch on three significant markets where RC Golf's market share could be dramatically increased. These are:

- Women
- Latent Golfers
- Traveling Golfers

Women

Women make up slightly over 50% of the general population, and, according to NGF, about 20% of golfers. Yet, by operator estimates, none of the RC Golf facilities are getting over 15% female participation, most estimate 10% or less.

Clearly, this is an area where significant improvement could be realized.

Our recommendations to attract more play from women include:

- **New Forward Tees:** At *all* four of the big courses, with Manitou being the most urgent. The goal is to have the course yardage from the forward tee in the 4,200 to 4,500-yard range.
- **Menu:** Healthy choices needed to be added at Manitou, Goodrich and Battlecreek, including salads, wraps and fruit.
- **Merchandise:** Dedicate more space and carry more inventory devoted to women.
- **Attitude:** The only facility where a negative attitude towards women was reported, was at Manitou (which may be attributable to just a single staff person). But all should be aware of the potential danger.
- **Marketing:** Women should be included in any customer photos displayed in ads, on the web, etc.
- **Programming:**
    - Add women's clubs to Battle Creek and Goodrich
    - Develop free or low-cost group clinics aimed at women

Latent Golfers

Latent golfers are defined as non-golfers who are interested in taking up the game. As noted previously, there are actually a lot of more latent golfers than actual golfers in the MSP area. Not only does this represent a significant market for the present, but studies have shown that golfers tend to be loyal to the facility where they learn the game, so it not only can help with *current* performance, but have a sustainable impact on future performance as well.

In wanting to reach out to *potential* new golfers, one must first appreciate the barriers they face in taking up the game. The most obvious of which is cost. Golf is not a cheap sport in general. But the initial investment is especially daunting if you're not sure you're even going to like it. First, there is the cost of the equipment – golf bag, clubs, balls, shoes (although you can play in sneakers) and tacky pants. This alone can cost several hundred to over $1,000.

Then, assuming you want to do well, is the cost of lessons. Golf is not an easy sport to master. So, it is likely going to require several lessons before you're even comfortable going out on the cost. Cha ching.

Then there is the actual cost to play. And the cost for more balls to replace the ones you will no doubt lose to the woods, lakes and elves.

There is also a hidden cost – time. The general population is under the impression that it takes four to five hours or more to play a round of golf. Most are not aware of alternatives that are of much shorter duration.

To be successful in penetrating this potentially very lucrative market, we must first develop strategies to reduce these costs, real or perceived.

Our recommendations include:

- **Clinics:** Conduct more free or low-cost clinics for beginners. Ideally, these clinics should be aimed at various target markets such as juniors, women, seniors, adult males, couples, families, etc.
- **Trial Packages:** Develop a golf "trial" program that would include group clinics, range balls, real balls, free rental clubs, and three or more rounds of golf.
- **System Integration:** There needs to be more cooperation within the RC Golf system. In particular, Island Lake is ideally suited to train beginners. We would like more cross-facility programming that utilizes all the resources within the RC Golf system.
- **Beginners Leagues:** Leagues are huge business in the metro area and especially with the RC Golf facilities. Consider setting up leagues aimed strictly for those learning the game. These leagues should be operated under relaxed rules – such as using a "scramble" format. The emphasis needs to be "fun" not on the competition.

Visitors

The MSP area sees over 30 million visitors a year. This is an often-overlooked market by all but a few golf operators, yet it represents a significant potential market.

Visitor Golf Market	
No Visitors	30,000,000
x Participation rate	12%
Est. No. of Golfers	3,600,000
% who play when travel	46%
Est. No. playing golfers	1,656,000
Avg rnds played per trip	0.245
Estimated Rounds	**405,720**

Using information from the NGF, we can estimate that at least 12% of these visitors are golfers. The actual percentage may be much higher, as business travelers, which make up a substantial percentage of these visitors, tend to be from higher income households, and thus more likely to be golfers.

NGF estimates that about 46% of golfers will play golf at least occasionally when they travel. They further estimate that they produce about .245 rounds per trip. Taken together, we can conservatively estimate that these visitors account for *at least* 400,000 rounds of golf.

Further, when golfers play golf when traveling, they tend to want to experience something *different* then what they see at home. Because it is considered a "treat", price is less of a consideration than when at home.

Keller, both because of its amenities and especially because of its history, as well as its proximity to the state capital, greatly fits the profile of a course these visitors would be expected to play. It would make great sense, then, for Keller to target visitors in its marketing efforts.

CAPITAL IMPROVEMENT RECOMMENDATIONS

In general, we recommend implementing fixes to all the priority items listed in Capital Improvement Needs section, as well as for most of the other issues discussed.

However, not all improvements are equally important. And many depend on the desired market position for the facility. Further, we wanted to be able to look at the impact of these improvements on performance.

To make the comparisons easier to examine, we developed multiple scenarios for each facility. With all facilities, status quo was considered as one possibility. The impact of these renovation scenarios will be discussed in the Projections section of this report.

The timetable for the improvements is important as we do not recommend having more than 9 holes out of play at any one time, due to heavy demand from leagues. As we are recommending repositioning Goodrich as a Value facility, its improvements become the lowest priority.

Below are the scenarios, along with the improvements associated with each. We also discuss timing.

Keller

With Keller, we only developed one improvement scenario, since the amount of improvements are far less than with the other courses. Most of these improvements are to fix issues resulting from cost-cutting measures during the renovation.

Improvements

- **Drainage:** Improve fairway drainage
- **Bunkers:**
    - Add lining
    - Add more drainage
    - Use White Sand to maximize appeal
- **New Forward Tees:** Add 6 new forward tees for Tee Equity, to add tee space. This should allow for increased play from females, more advanced juniors, and super seniors.
- **Cart Paths:** Full extension
- **Fairways:** Level hole 14
- **Irrigation** – As per EC recommendations of pump station controls and repeaters for radio control
- Implement Reduced Turf Area Plans at Tees to reduce future irrigation

Proposed Timing

The improvements can be done at any time. In our projections, we assumed starting in August of 2021. The improvements should be completed by the end of the season, with the facility able to open on time the following year.

Construction Impact

There should be minimal impact to play, except for leveling 14 fairway. This will likely require either or both temporary tees or a temporary green. During this time, expect play to be reduced and a lower fee charged.

Cost

Cost adjusted for inflation should range from $700,000 to $860,000. We use $775,000 in our projections.

Manitou

We looked at two improvement scenarios for Manitou:

1. **Scenario 1: Priority Fixes Only** – this focuses only on those issues already identified by the County, such as irrigation and bunkers, plus a few other priority items that we identified.
2. **Scenario 2: Major Renovation** – There is a need to rebuild all the infrastructure at Manitou. Such major work provides the opportunity to make significant improvements in the design. This renovation would provide a significant upgrade to the course's quality. It also includes an expansion of the clubhouse to provide for a full grill operation.

Scenario One: Priority Fixes Only

This scenario focuses only on fixing the highest priority items. It does include rebuilding the oldest greens, but not the newer ones. It *delays* addressing other major infrastructure needs, such as the rest of the greens, tees and fairways. It is highly likely that these would need to be addressed, most certainly within the next twenty years. However, we have delayed them past the next ten years.

Improvements

- **Irrigation:** Complete replacement
- **Greens:** Rebuilding the push-up greens only
- **Tees:** New forward tees
- **On course restroom added –** This can either be a fully plumbed system, costing about $200,000, or a compositing system for around $60,000.
- **Fairways:** Combine seven and eight
- **Bunkers:** Rebuilding all bunkers and adding liners.
- **Driving Range:** Renovate in place.

Proposed Timing

Because of the decline in Manitou's performance, we view it as a priority. Recognizing that the County moves slowly on major renovations, we have the project starting in 2020 with the building of a temporary hole. This is needed as the renovations will be proceeding a hole at a time. The main construction would take place during the 2021 season. The finished product should be ready for opening of the 2022 season.

Construction Impact

Because at least eight of the greens are being completely rebuilt, the course will be operating as an awkwardly routed nine-hole course during the construction. Further, as these holes will also be subject to construction, a temporary hole will be needed so that work can be done one hole at-a-time.

Cost

Construction costs, adjusted for inflation, are expected to run between $2,500,000 and $3,100,000. We use $2,800,000 in our estimates.

Scenario Two: Major Renovation

Scenario Two recognizes the "pay me now then pay me again later" nature of Scenario One and does *all* the infrastructure repair at one time. This should delay the need for any other significant infrastructure improvements for twenty- to twenty-five years or more. It also maximizes the opportunity presented by Manitou's favorable location.

At the same time, we are proposing making improvements to the layout and range that will allow the facility to be repositioned, should that be desired at that time. It certainly will make the course more appealing and improve its profit-making potential. The range is moved, allowing for a modern, larger, and much more enticing practice facility to be built.

We are also including expanding the current clubhouse and adding a grill operation. This will greatly enhance the food and beverage operation and make the course more attractive to a wider market of golfers.

Improvements

A complete rebuild of all course assets, including new irrigation, greens, tees and fairways. It also includes rerouting of several holes to take advantage of dramatic elevation changes and other outstanding characteristics of the land.

Not only will the golf course become much more appealing, but it also maximizes other revenue streams as the expanded clubhouse will greatly improve food and beverage revenue. A new, modern range that is substantially larger, will not only increase usage among golfers playing the course, but should draw significant usage from practice-only players, as we see currently at Battle Creek.

The new range will require moving the entrance road.

Proposed Timing

There are two options to consider as far as construction. The first is to build nine-holes at-a-time. This will keep some revenue coming in while the construction is on-going. The second would be to close the entire facility while the renovation occurs.

There are good arguments pro- and con- for both methods.

Phased Method

The first option is to do nine-holes at a time. The obvious appeal to this is that it allows the facility to remain open throughout the renovation. Unlike with option 1, the nine-holes that are open would be intact, without needing a temporary hole. Having the facility open does three things. It provides some revenue, it helps retains customers… especially the leagues (which have been vital to Manitou's success), and it helps the operator, who otherwise would have no revenue during this time. (It may require either terminating the existing contract or delaying until it terminates after 2021).

The cons to this method are that it requires restaging, which can increase construction costs on the 2nd nine by 10-20%. Further, it means that the facility will be substandard for at least two years while the renovation takes place.

Closing

The two biggest benefits to doing the renovation all at once are that 1) it decreases the overall cost of the project, and 2) it maximizes its marketing potential. As we saw with Keller, a grand reopening is likely to lead to a significant increase in play, at least for that first year.

This would likely be the preferred method if 1) the desire is to reposition the course in the marketplace, and/or 2) a new operator is being brought in and the entire operation is being revitalized.

In our projections, we have assumed that the Phased option would be utilized. However, our recommendation would be for the second method, if the facility is being repositioned and, especially if a new operator will be involved (especially if that operator is also contributing to the improvements).

Timing

As Manitou should be the County's highest priority in terms of need, we have the renovation starting in 2021 (phased approach). If the County elects the closing option, then it would make sense to wait until 2022 to begin construction as the current operating lease expires after 2021.

Construction Impact

The impact obviously depends on the construction phasing – 9 holes at a time or doing all 18. In the phased approach, the facility will be a nine-hole course for at least two full years. Under the second option, the facility will be entirely closed for at least a year, and possibly a year-and-a-half.

Cost

The cost is not cheap, as we saw with Keller. Of course, we are not talking about building a $6 million new clubhouse, but rather a $350,000 extension to the existing one. But the work to the course is similar. With adjustments for inflation, we anticipate project costs between $6.7 and $9.1 million. In our projections, we assume $7,900,000.

Goodrich

In addition to the status quo, we developed two improvement scenarios for Goodrich.

- **Scenario 1: Priority Only** – only the most pressing items would be addressed
- **Scenario 2**: **Modest Renovation –** this will be the rebuilding or renovation of all major course components, including irrigation, greens, tees and fairways.

Scenario 1: Priority Only

As we anticipate repositioning Goodrich as a value facility, the need to make major improvements decreases. In this scenario, we primarily address those items the County has already advanced preliminary plans for, which are to replace irrigation and rebuild the bunkers. Other significant needs remain, primarily greens and tees. But it is anticipated that these could be put off until after 2028.

Improvements

- **Irrigation:** Complete replacement
- **Bunkers:** Complete rebuild, with liner
- **Tees:** Add new forward tee

Proposed Timing

Because Goodrich is anticipated to be repositioned as a value course, it becomes the lowest priority for significant renovations. In out proposed timetable, a temporary hole would be constructed in 2022 to allow for one at a time hole closures the following year. The main renovations would take place in 2023.

Construction Impact

Goodrich will be able to remain open throughout the construction process. However, its appeal will be diminished as a temporary hole will need to be utilized for the entire season as construction progresses on a hole-by-hole basis. We anticipate fewer rounds at a lower price point for the year.

Cost

The projected cost with inflation is anticipated to be from $2.2 million to $2.7 million. We use $2.4 million in our projections.

Scenario Two: Modest Renovations

In this scenario, Goodrich most of the course's infrastructure is rebuilt in-place, with only minor adjustments to the rerouting. The renovation is not meant to reposition the facility, although some modest price increase can be expected following the renovation.

Improvements

This is a complete rebuild of the major components of the course, including

- Irrigation (completely new system)
- Greens (which will be enlarged)
- Bunkers (including adding lining)
- Tees (including new forward tees)
- Some fairway

Proposed Timing

The project will be done nine holes at a time, starting in 2024. The second nine would begin in the fall of 2025, with the project completed in 2026.

Construction Impact

Goodrich will essentially be operating as a nine-hole course for two -years. While it costs 10-20% more for the second nine, when done this way, we felt it was important for two main reasons.

1. **Impact on Customers**, primarily leagues. If the course is completely closed, the customers will naturally be seeking other places to play. The biggest concern is the leagues. Should they leave, three is a bigger risk that they would not return.

2. **Impact on Operator –** Unless the improvements are timed to coincide with the end of the operator's contract, the complete loss of revenue from the facility would have a significant impact on the operator.

Further, it is more likely that the RC Golf system can accommodate the players lost due to the reduction from 18 to 9 holes, than it could *all* the players.

Cost

Anticipated cost for the project, adjusted for inflation, is between $3.9 million and $5.1 million. We use $4.5 million in our projections.

Battle Creek

We looked at four scenarios:

- **Scenario 0: Status Quo** – this assumes no improvements are made
- **Scenario One**: **"Elite 9" –** the course remains a challenging nine-hole course, but improvements are made to enhance performance and repair priority needs with infrastructure.
- **Scenario Two**: **Par 34** – We reduce the Par from 35 to 34. This will enable us to expand the range, thus maximizing its potential. Will require some rerouting of the course
- **Scenario Three: 18 -holes** – we were made aware that there was potentially land available across the street at the Corrections facility that would allow a second nine to be built.

As the range is currently the main profit center at Battle Creek, we looked at various ways of maximizing its utilization by increasing the number of hitting stations. This can be accomplished by either widening the tee area (which would require adjusting the course) or adding a double deck to the existing tee.

When we looked at the preliminary cost for doing a double deck, we felt it would be cheaper to widen the range (Scenario Two) or build a second range (Scenario Three) then adding a second deck. Further, parking limitations make it difficult to add any more capacity to the range under Scenario One.

Scenario One: "Elite Nine"

In Scenario One, the facility remains a nine-hole Par 35 course, and the range remains the same size it is now. However, we do make a few improvements. These changes should:

- Improve the golf experience on the golf course
- Improve range performance and experience by replacing tacky targets with target greens

We did look at possibly going to a Par 36, which would have improved its marketability, by lengthening hole 2 to a Par 4. But upon further examination, we viewed this as being impractical as it would require netting along the street, moving the first green, and other factors.

Improvements

- **Irrigation**
  - Seal irrigation lake to prevent leaks
  - Install new controls to improve efficiency
  - Reposition some sprinkler heads to maximize coverage and improve efficiency

- Relocate pump house
- **Layout**
  - Extend 3 tee back behind the cottonwoods to allow two full shots before crossing pond on this par 5.
  - New tee complexes on holes 2, 4, 5 and 9
- **Bridges:** Repair/replace as needed
- **Bunkers:** Rebuild in place
- **Fairways:**
  - Widen 5, 9
  - Possibly extend hole 2
- **Retaining walls**
  - Four tee
  - Five Fairway
- **Range**
  - Add target greens
- **Other**
  - Add more trees
  - Expand Parking (this requires moving the practice putting green)

Proposed Timing

The improvements can be done at any time. In our projections, we assumed starting in August of 2021. The reason for starting in August would be to minimize the impact of closing the range. The improvements should be completed by the end of the season, with the facility able to open on time the following year.

Construction Impact

The main impact will be in closing the range to make needed range improvements. Most of the other improvements can be made without closing the course. When a hole is needed to be closed, a new hole can easily be added by using the existing second green on hole 3 and building temporary tees to create a new hole going from that second green to the main green, thus creating a new hole #4.

Cost

Estimated Cost (2021 dollars) – between $1,575,000 and $1,850,000 (estimate used $1,700,000)

Option 2: Par 34

In this option, we place the priority on the range, doubling its size. To accommodate this expansion, the course has to be reconfigured into a Par 34. But this also allows for the construction of an extensive short-game area and increased parking capacity.

Improvements

- **Irrigation**
  - Seal irrigation lake to prevent leaks

  - Install new controls to improve efficiency
  - Reposition some sprinkler heads to maximize coverage and improve efficiency
  - Relocate pump house
- **Bridges:** Repair/replace as needed
- **Greens –** construct two new greens
- **Tee Complexes –** Requires rebuilding the equivalent of seven and half tee complexes
- **Fairways –** three fairways rebuilt in place and one relocated
- **Cart Path Extensions –** 1,000 lineal feet
- **Bunkers –** reduce number, rebuild as needed
- **Retaining Walls –** on 4 tee and 5 fairways
- **Driving Range**
  - Extend range tee (doubling its width)
  - Add target greens, etc.
  - Replace Astroturf tee
  - Consider adding covered, heated stalls to extend use and add teaching bays
- **Relocate Practice Green and extend parking**
- **Construct short game area** (where existing hole six is).

Proposed Timing

Because these changes would have a significant impact on the existing course and range, we felt it important to delay until improvements could be made at Manitou. Our proposed timetable has the construction taking place in 2022. Construction will likely take a full season. However, this timetable may need to be pushed back, depending on what course of action is being taken at Manitou and Goodrich. Ideally, you would not want more than nine holes total taken out of play at any one time. So, if Manitou or Goodrich are being renovated and require going to nine holes during that time, Battle Creek's renovation should be pushed back.

Construction Impact

The main impact will be in closing the range to make needed range improvements. The range may be able to be kept open through its highest demand times – spring and early summer, before being closed for the rest of the year. Most of the other improvements can be made without closing the course, although the possibility. As some holes will need to be closed, a new hole can easily be added by using the existing second green on hole 3 and building temporary tees to create a new hole going from that second green to the main green, thus creating a new hole #4. Further, as current hole six is planned on being taken out, it can be utilized until all the other hole construction is complete. The short-game area would be the last built and may be put off until the following year.

Cost

Estimated Cost (2022 dollars) – between $2,700,000 and $3,150,000 (estimate used $2,900,000)

The Option 3: 18 Holes

In this scenario, a second nine is built across the street, making Battle Creek a regulation 18-hole course. In such a case, we would expect the facility would be market positioned between Keller and Manitou – unless the full renovation option is taken at Manitou. In that case, Battle Creek would be positioned between Manitou and Goodrich.

There are two possibilities:

- Non-returning Nines, meaning the golfers do not return to the clubhouse after nine holes.
- Returning Nines.

If you are willing to accept non-returning nines, with holes 3-11 north of the road, you can use your existing clubhouse. Given MNDOT rules, it is likely that a bridge (hard to approve) or tunnel (more likely) connector between the two nines is required. With such a spread-out course, it is possible an auxiliary maintenance storage equipment shed would be desired. However, such an arrangement would make it difficult to have nine-hole play, which, in turn, would virtually eliminate the possibility of league play. This is a major factor as league play makes up a significant portion of play at most area courses. Other issues with this design are that it does not address the need for more parking or expanding the range. Indeed, it would put more pressure on both as the demand for the range would be increased with the expected increase in the number of golfers playing the course.

Returning nines creates its own problems. You would still need the tunnel to connect the nines. But now you would need a new clubhouse and parking. However, you will likely produce about 5,000 to 6,000 more rounds per year.

Further, with this option, we can build a *second* range next to the new clubhouse. This would allow the existing range, clubhouse and parking areas to become a dedicated practice facility – automatically increasing its capacity as you are removing the golfers who are playing the course. The clubhouse, in turn, could add an indoor training area. The existing clubhouse would also still retain some food and beverage as well as merchandise areas to satisfy the practice golfers.

The new clubhouse could be large enough to also host banquets, adding a new revenue stream. It also would have a restaurant and enough seating to make it an attractive venue for golf tournaments and outings.

Improvements

Existing Facility

- All the items listed under Scenario 1, above

New Nine

- Tunnel under Lower Afton Road
- New nine-hole regulation golf course
- New 6,000 sf clubhouse
- On Course restroom facility
- New driving range

Proposed Timing

We would anticipate doing some priority fixes to the existing nine, those that would not impact play, in 2020. Then the construction of the new nine holes would begin in 2021 and is expected to last until mid-summer 2022. At that time, the new nine holes (and range) would open and the existing nine closed for renovations. We anticipate the Grand Opening of the new facility to be in 2024.

Construction Impact

As we are doing nine holes at a time, there will always be an unimpeded nine-holes and range open throughout the process. This will maximize revenue during the construction period.

Cost

The projected cost, after adjusting for inflation, is expected to be between $9 million and $10,650,000. We will use $9.83 million in our projections.

PROJECTIONS

In this executive report, we will only be reporting on the summary projections for each facility. More detailed projections and explanations will be provided in the full report. Further, we are limiting the projections to the four main facilities as the others are operating under a full lease, where the County has little influence.

Sirius did 10-year cash flows for each facility and for each of the previously described scenarios, including the "Status Quo."

Assumptions:

The following assumptions were used in our projections:

- **Conservative:** We believe the projections to be conservative in nature. We fully anticipate better performance under the improvement scenarios than what we show in these projections.
- **County Expenses:** County expenses are as reported by Parks and Recreation. As such, they do not include fleet services, depreciation, capital improvements, or administrative salary expenses.
- **Status Quo Scenarios:** Assumed the facilities are operated under the same contracts and in the same manner as currently, with no marketing, same fee structure and two-year fixed pricing, and no capital improvements. We also assumed:
    - Where the infrastructure was seen to be declining significantly, maintenance costs are anticipated to go up at a higher rate than inflation, with rounds play starting to decline.
    - Where we anticipated a steady decline in play, we assumed that fees would initially be held steady (instead of going up with inflation) and then eventually reduced to try to attract more play.
- **All other Scenarios:** Assume not only the stated capital improvements for that scenario, but that all our major recommendations are implemented, including:
    - **Revised contracts** – eliminating potential conflict of interest
    - **Marketing** – A combined marketing budget more than $75,000, being managed by a marketing company with golf course expertise.
    - **Market Positioning**: Keller is pushed up to a "premium" facility (with F&B fixed) and Goodrich down to a "Value" facility, meeting apparent local demand opportunities.
    - **Revised Pricing**: More operator influence, not fixed for two years, etc.
    - **Women friendly**: Making all the facilities friendlier to women, including:
        - **New forward tees**
        - **Heathier Menu**
- **Inflation:** Overall inflation rate of 3%, with higher amounts for payroll.

- **Weather:** We have no illusions as to projecting weather patterns, other than to know they will vary. To help account for weather fluctuations, we assumed unusually poor weather for 2021 and 2027, and unusually good weather in 2024. All other years assumed average weather conditions.

Projection tables can be found in Appendix E.

Keller

With Keller, we looked at two scenarios:

- **Scenario 0: Status Quo** – no major changes
- **Scenario 1: Recommended Improvements** – Recommended capital improvements, most to correct issues related to construction cut-backs, are implemented in 2021.

Scenario 0: Status Quo

As stated above, the Status Quo scenario for all courses assumes no major changes to the golf facility or to its operations.

Keller's infrastructure is new, and maintenance practices are excellent. The golf operations are also very well run, with outstanding customer service. The main limiting factors are the food and beverage operation with relation to golf, and, of course, the lack of marketing.

Rounds

We anticipate steady rounds performance, with most years in the 29,000 to 30,000 range. With good weather, rounds should reach 31,000 or more (31,299 in 2024 in our projections). Bad weather may cause rounds to dip to 26,500 or so (26,696 in 2021 in our projections).

Revenue

With rounds stead, and the same fee structure in place, green fee revenue and overall revenue will both rise mostly as a factor of inflation. We expect green fee revenue to rise slowly, but steadily from $840,000 in 2019 to $1,120,000 in 2028. Over the ten-year period, green fees are expected to total $9,600,000. Over the 10-year period, the average green fee yield (green fee/rounds) is $32.79 ($28.46 in 2019)

Total revenue (including food and beverage), is projected at just under $2,700,000 in 2019; rising to $3,600,000 in 2028. Over 10-years, total revenue should reach close to $31,000,000.

County Revenue

Using the same compensation schedules that are in place today, Ramsey County's share of revenue in 2019 would be $1,400,000. This reaches $1,975,000 in 2028. Over 10 years, it total $16,500,000.

County Expenses

Unfortunately, golf course expenses tend to rise faster than inflation. This is especially true with payroll, but it also is true for other maintenance items, such as fertilizer.

In 2019, the expenses are anticipated to be $760,000. Expenses are not as impacted by the weather as revenue, so expenses do not vary as much year-to-year. With inflation being the main factor, expenses reach $1,080,000 by 2028. Over 10 years, expenses total $9,130,000.

County Cash Flow

Cash flow is expected to remain relatively strong, although the trend will be slightly downward as inflation impacts expenses more so than revenue. Poor weather will cause the cash flow to dip to $323,000 in 2021 in our projections and $327,000 in 2027. Ideal weather causes it to go up to $540,000 in 2024. By 2028, cash flow is $485,000. Over 10 years, cash flow is expected to total $4.4 million.

This comes up $3.6m short of covering the debt service over the same period for the 2014 renovations.

Scenario 1: Priority Fixes

The priority fixes will reduce maintenance expenses slightly, but also help improve the course's appeal. Meanwhile, repositioning the facility, along with improved food and beverage and good marketing combine to have a positive impact on performance.

The capital improvements are anticipated to take place in 2021. Construction should have a minimal impact on performance that year.

Rounds

The improvements in food and beverage and the addition of marketing, should have an immediate impact as we project 31,500 rounds in 2019. While we feel Keller can easily reach 35,000 rounds or more, as do similar quality facilities in the market, we are capping rounds at a little over 33,500 in our projections – and that is in the good weather year of 2024.

Over the 10-year period, rounds should show an upward trend, with 2028 rounds reaching 32,882. Over 10 years, rounds should total around 316,500, an average of 31,500 per year. This represents an improvement of 23,933 or 8.2% over the status quo.

Revenue

Green fee revenue in 2019, is projected at $984,108 – or nearly $150,000 more than the status quo. By 2028, green fee revenue reaches $1,300,000. Green fee yield rises from $31.24 in 2019 to $40.12 in 2028. Over 10 years, green fees total $11,200,000, an improvement of $1.6 million (17%) over the Status Quo.

Total revenue is projected at a bit over $3 million in 2019. This will rise steadily, reaching $4.2 million in 2028. Over 10 years, total revenue reaches nearly $35,400,000. This represents an increase of $4.4 million, or 14.4% over status quo.

County Revenue

County revenue is positively impacted by both the course's performance and the restructuring of the contract. County revenue goes from $1.4 million in 2019 to nearly $2 million in 2028. Over 10 years, county revenue totals $13,500,000, an increase of $2.9 million or 21.7% over the Status Quo.

County Expenses

With the improvements in 2021, maintenance expenses do not rise as fast as under the Status Quo. Offsetting this, though, is the anticipated marketing expense (at 2.5% of county revenue). For 2019, expenses total just under $800,000. They will increase to $1.1 million by 2028. For the 10-year period, expenses are expected to total $9,400,000, or $278,000 (3%) more than under the Status Quo.

County Cash Flow

The County should realize $610,000 in 2019, an increase of $186,000 over the Status Quo. The cash flow should improve, reaching $866,377 by 2028. Over 10 years, the County should realize a total positive cash flow of $3.9 million.

This represents an improvement of **$2,660,000** or **60%** over the Status Quo.

The improvement costs are expected to total $775,000. Even if this is subtracted, we still have a positive gain of nearly $1.9 million.

The average improvement in cash flow, following the improvements, is $307,138 per year. This would support debt services of $4.4 million at a conservatively estimated 3.3% interest. If the work is not financed, it would take 2.5 years to pay back. The annualized rate of return on the capital improvements (calculated by taking the average cash flow improvement and dividing by the cost of the improvements) is a 39.7%.

Discussion

Keller is in good shape, no matter what. But with the recommended improvements, Keller can perform at a much higher level. There is no question that the improvements will pay for themselves. *We recommend full implementation of the Scenario One changes, including the market repositioning, food and beverage, fees, and capital improvements.*

Manitou

With Manitou, we looked at two improvement scenarios, in addition to the Status Quo.

- **Scenario 0: Status Quo** – no major changes
- **Scenario 1**: **Priority Changes** – recommended changes to operations, marketing, and contract plus priority capital improvements such as new irrigation, new forward tees, bunker renovation and improvements to the range. Capital improvements start in 2021.
- **Scenario 2**: **Major Renovations** – all the improvements in Scenario 1, plus major capital improvements, including total rebuilding of infrastructure, a new routing, and a new range. First nine improvements start in 2021. Completion sometime in 2023.

Scenario 0: Status Quo

In the status quo scenario, the downward trend in performance continues. As the decline lengthens, pressure mounts to decrease fees. Maintenance costs escalate as operator struggles to keep course in playable conditions. But as the course starts to lose money, and infrastructure deficiencies increase, course conditions deteriorate more rapidly. This is the typical start of the "death cycle" with golf courses. Although this is not likely to happen in the next 10 years, given Manitou's favorable location.

Rounds

Rounds will continue to decline, reaching a low of 23,500 in the weather-affected (in our projections) 2027. While we would anticipate rounds to continue to decline after 2024, the amount of decline will likely slow as we anticipate fees to drop to value course levels. Manitou's favorable location will keep it producing rounds, despite its poor playing conditions.

The total number of rounds over the ten-year period is projected at 125,500.

Revenue

Green fee revenue is projected at $550,000 in 2019. Favorable weather (2024 in our projections) may result in an increase to $589,000. But then revenues decline steadily, bottoming out with poor weather (2027 in our projections) at $432,000 before rebounding with better weather in 2028 to $460,000. The ten-year total is expected to be $2.4 million.

Green Fee/Round is projected at $18.00 in 2019, close to current levels.

Total revenue in 2019 is expected to reach $1.125 million. This will remain stable, reaching a low during bad weather (2021 in our projections) of $1,043,000 and $1,024,000 (in 2024) and a high (in 2022) of $1,190,000. The general direction, though, is downward. The ten-year total is estimated at $11,155,000.

County Revenue

Under the current contract, the County gets 13% of most of the revenue streams. This equals $147,000 in 2019. It peaks in 2022 at $155,000 and reaches a low of $133,000 in 2027. The total for ten years is projected at $1,450,000.

County Expenses

Because the operator is responsible for maintenance, County expenses are minimal. They start at a little over $7,000 and reach $9,500 by 2028.

County Cash Flow

The cash flow follows the revenue stream, given the low expenses. The ten-year total is projected at $1,367,000.

Scenario 1: Priority Improvements

In the two improvement scenarios for Manitou, we still assume that the operator is responsible for maintenance. However, instead of a straight split of revenue as it is now, the contract is modified so that the operator collects a disproportionate amount of the revenue (in our projections, 95%) until they reach a break-point. At that time, the split changes to being more favorable to the county (25% in our projections). This still preserves incentive for the operator but gives the County a better chance of recouping capital investment costs.

Scenario One includes the benefits of marketing, which would be immediate, plus the benefits of capital improvements following the 2021 season.

Rounds

We project 31,500 rounds in 2019, which is a modest improvement over the Status Quo prediction, but in-line with recent performance. Here, improved marketing helps overcome declining course conditions.

2021's performance dips to 24,000 due both to poor weather and to construction, as the course will likely have a temporary hole as one of the 18 in play. But, improved weather and buzz about improved course conditions should cause performance to dramatically improve in 2022 to 33,500 (conservative). Rounds continue to improve annually, reaching 35,700 in 2024 (helped by good weather). However, the deterioration of the infrastructure *not* addressed in 2021, will start to have an impact as rounds drop to the 32,000 round range, then start to decline again in 2027.

Over 10-years, the number of rounds is expected to total 315,500. This is an improvement of 49,000 rounds over the Status Quo.

Revenue

Green fee revenue in 2019 is anticipated to be $572,000. This will increase in 2022, following the renovations, to $690,00. It will peak in 2024, helped by assumed good weather, at $784,00, before declining again. The ten-year total is $6,692,000, or $1.5 million better than the status quo – a 29% improvement.

Green fee per rounds starts only slightly better than the Status Quo. But it improves to $23.99 by 2028, nearly $5.50 higher than the Status Quo.

Total revenue is projected to go from $1.225 million in 2019 to $1.7 million in 2024. It will decrease slightly over the next few years. The ten-year total is $14,709,000 or $3,553,000 (31.9%) more than the Status Quo.

County Revenue

With the change in contract, starting in 2020, County revenue jumps from $148,000 in 2019 to $231,000 in 2020. It drops to $66,000 in 2021 with the impact of construction, before jumping to $347,000 in 2023. It reaches $469,000 in 2024 before declining. The ten-year total of $3,495,000 is over $2,000,000 (141%) more than the Status Quo.

County Expenses

Count Expenses remain low in this scenario, as the operator still is responsible for course maintenance. The ten-year total of $170,000 is $87,000 (105%) higher than the Status Quo, due to the addition of a marketing expense.

County Cash Flow

The County realizes about $9,000 in 2019. The jumps ten-fold to $90,000 in 2020, before becoming negative ($62,000) in 2021. But then it rises dramatically to $200,000 in 2022. It continues to rise, reaching $325,000 in 2024. It decreases slightly thereafter. But the ten-year total is expected to reach $2,141,000 – or $1.95 million more the Status Quo – an impressive 143% improvement.

The anticipated construction cost is $2.66 million. With an average cash flow improvement of $275,000/year, it would take 9.7 years to pay back. The cash flow would also support a debt of $4 million, substantially more than what is required. The annualized rate of return is a strong 10.3%.

Scenario Two: Major Renovation

This scenario has the entire facility undergoing a major, "Keller-like" renovation, only without the $6,000,000 clubhouse. We do have the existing clubhouse being expanded, but at a more modest cost of $400,000.

The improvements will allow Manitou to be repositioned to the upper mid-fee market. In our projections, we anticipate a price point of 85% that of Keller's Scenario 1. In this situation, the number of leagues may decrease, but significantly more tournament rounds would be added.

The construction would take three years, beginning in 2021. We anticipate Manitou would be reduced to nine-holes in 2021, 2022 and at least half of 2023.

Rounds

Rounds would drop to 17,350 in 2021 with the reduction to nine-holes. It will edge up a bit in 2022, with the new nine opening. With a grand reopening likely in mid- to late-season 2023, rounds that year are expected to increase to 24,500.

In the first full year following renovations, we are very conservatively estimating 36,000 rounds. (We think it will be over 40,000. Keep in mind that Manitou did 39,000 rounds as recently as 2012, 40,000 in 2007, and averaged well over 50,000 rounds from 1992 to 2001.) Rounds should stabilize in the 35,000 range.

Revenue

Green Fee revenue drops during the construction years. But in the five years following, green fee revenue averages over $1 million. Green fee/round goes from $18 in 2019, to $32 in 2028.

For the five years, 2024 to 2028, total revenue is projected at $11 million – or more than double that in the Status Quo. For the 10-year period, total revenue is $16,100,000, or $4,900,000 (44%) more than the Status Quo.

County Revenue

As with the Status Quo, County Revenue follows closely to the course revenue. The post-renovation total (2024-28) is expected to be $3,870,000 or $3.15 million or more than 4.4 times higher than under the Status Quo. The ten-year period, which includes the down construction years, is still $3.1 million better, as it totals $4.58 million.

County Expenses

County expenses under this scenario should be essentially the same as under Scenario 1. The only difference is a higher marketing cost as it varies as a function of revenue. The ten-year total is $174,500.

County Cash Flow

Even in the construction years, the county maintains a positive cash flow (assuming the operator is maintaining the course). When the facility reopens, cash flow jumps from $318,000 in 2023 to $725,000 in 2024. It further increases to $872,000 in 2028. The ten-year cash flow total of $4,400,000 is $3 million higher (222%) than the Status Quo.

For the five-years following the reopening, the County's cash flow averages $750,000 compared to $133,000 in the Status Quo. In 2028, the difference is $739,000. This will support a debt of $10,900,000 at 3.3% interest, which is more than the anticipated $7.9 million cost. The annualized rate of return is 9.5%, slightly less than under Scenario 1.

Discussion

It should be clear that the Status Quo is not a good option. While the current contract isolates the County from realizing a financial loss with the operation, it is unlikely that similar terms can be negotiated when the contract expires after 2021. It is unlikely that a new operator (or even the current one) would renew under similar terms, without the County committing to considerable capital improvements.

One of the big differences between Scenarios 1 and 2, is that with 1, only some of the infrastructure needs are addressed. This means that over the following 10 years (more likely 5), they will have to be addressed – at a much greater cost. Further, those improvements would likely lack the marketing punch that doing them all at once will create under Scenario Two.

The market analysis also suggested that Manitou's demographics were more favorable for golf than Keller's and the Premium market demand was almost as high. This suggests that repositioning it, following a major renovation, towards the upper end of the mid-fee market (Keller would be in the Premium market) would pay off.

In reality, Manitou, following renovations, could rival or even surpass Keller in terms of course quality. But Keller's history coupled with its wonderful clubhouse, strongly indicate it would be the best choice for the premium market and we are very reluctant to suggest RC Golf have two courses in that market. Essentially, under this scenario, Manitou would be positioned similar to where Keller is today, while Keller assumes a Premium position.

We are *recommending implementation of Scenario Two changes*, due both to the increased cash flow and to the fact that Scenario One does not fully address the infrastructure needs, but rather delays their fixes. This not only increases costs but diminishes the impact of the Scenario One improvements.

Goodrich

Goodrich is in similar position to Manitou in that most of its infrastructure is overdue for replacement. And like Manitou, we have two improvement scenarios – a partial rebuild and a more complete one.

The biggest differences between the two are:

1. With Goodrich, we are planning on targeting the Value customer, while Manitou remains in the mid-fee range.
2. Because of that, the planned renovations are designed to reposition the facility in a major way (although a very modest price increase is likely and would not impact rounds performance). As a result,
3. The renovations will be a lot more modest than those suggested for Manitou, with minimal rerouting.

Scenario 0: Status Quo

Goodrich has been a rising star over the past three years, seeing a dramatic increase in rounds. But this increase has largely come about due to a big drop in the realized green fee rate… mainly through the participation in the "Public Country Club" program.

However, Goodrich's infrastructure needs are many. Eventually they will extract a bigger toll – both increasing maintenance costs and eventually a decline in performance.

When rounds begin to decline, there will be increased pressure to reduce rates from current levels. But, as with Manitou, it is likely maintenance practices will be reduced to save money, which will exacerbate the situation and hurt rounds performance and profitability even more.

Rounds

We foresee rounds increasing to 32,000 in 2019, before dropping slightly in 2020. Bad weather (assumed in 2021 in our projections) will further drop rounds to 28,224. By now, though, the poor playing conditions will start to have a toll. Rounds are not seen to reach 30,000 again. They are projected to fall as low as 24,500 in a bad weather year (2027 in our projections).

The ten-year total is anticipated at 135,500.

Revenue

Green fee revenue/round is already low. In 2019, it is expected to be about the same as now, $17.40. In 2020, the County is due for another rate change. Because performance has been strong, the County will be strongly tempted to increase rates, at least by inflation. Another increase is anticipated in 2022, before declining rounds force rates to stabilize.

Green fee revenue in 2019 is projected to be $556,000. It will max out in the anticipated good weather year (2024) at just under $600,000. A bad weather year, though, coupled with declining conditions, will lead to revenues falling under $500,000 (projected 2027). The ten-year total is expected to be $5,500,000.

Total revenue for 2019 is projected to be $936,000. It peaks in 2024 at $1,036,000. It will stabilize at that point, due mostly to better food & beverage sales making up for some of the decline in green fees. The ten-year total is expected to be $9,685,000.

County Revenue

Assuming the current formulas remain intact, the county's share of the revenue in 2019 would be $695,000. Over the ten years, it will vary from a low of $650,000 (2021 bad weather) to a high of $750,000 (2024 great weather). The ten-year total is projected at $7 million.

County Expenses

County expenses (most course maintenance) is expected to be $603,000 in 2019. However, maintenance costs will rise at a rate much higher than inflation due to increased payroll costs and the impact of the deteriorating infrastructure. Maintenance costs do not fluctuate very much due to course volume, so even though revenues rise and fall, maintenance cost tend to only go in one direction – up.

We project the maintenance costs to reach $950,000 by 2028. The ten-year total would be $7,657,000.

County Cash Flow

The County will realize a positive cash flow in both 2019 ($91,000) and 2020 ($84,000), but a bad weather year will likely cause it to lose money (a loss of $17,500 in 2021 is illustrated). From that point on, the best Goodrich can do is break-even in 2022. From 2023 on, it is all red ink. By 2028, the loss has reached $250,000. Over the ten-year period, the cash flow is projected to be a loss of $655,000.

Scenario One: Priority Fixes

Initially, the primary changes are operational, marketing, and a major change in market position achieved by significantly lowering the fee structure. This will allow the facility to survive while the capital improvements are made at Manitou. (We strongly recommend against major renovations occurring simultaneously at the two facilities).

As with Scenario One for Manitou, we anticipate needing a temporary hole to allow for 18-holes of play during the construction. The temporary hole would be built in 2022, without impacting play. The renovation would occur in 2023. Again, the main needs addressed are confined primarily to irrigation, bunkers and new forward tees.

Rounds

The impact of the repositioning and a dramatic improvement to marketing is immediate and powerful. We anticipate (conservatively) 34,500 rounds in 2019, increasing to over 35,000 in 2020. (Note: Goodrich's historical high in rounds was in 1987 with 47,366. But it was never lower than 35,000 between 1984 and 2001).

Rounds will continue to hover around the 35,000 mark over the next eight years, with a low of 26,000 during the construction year of 2023, and a high of 36,000 in 2028.

While we do not go beyond 10-years in our projections, we would anticipate rounds starting to decline after that point, due to the infrastructure needs that were NOT addressed in 2023. And, like Scenario One for Manitou, they will likely need to be addressed in the period 2029-2034.)

Revenue

The lower fee schedule results in a lower green fee yield. We are projecting a yield of just under $15 in 2019. This will increase annually, reaching a modest $17 by 2028.

Green fee revenue will total $516,000 in 2019, which is $40,000 lower than in Scenario One. Over the 10 years, though, green fee revenue will total $5,482,000. This is about the same as with Status Quo.

The big differences come with the other revenue streams. Total revenue in 2019 is projected at $948,000, or $12,000 more than the Status Quo. During the renovation year, 2023, total revenue is expected to drop to $826,000, which is $129,000 less than the Status Quo. Over the next five years, however, total revenue is expected to reach a cumulative $5,789,000 – or $810,000 (16.3%) more than the Status Quo.

The ten-year sum for total revenue is $10,531,000 – an increase of $846,000 or 8.7% improvement over the Status Quo.

County Revenue

County Revenue goes up considerably due to the restructuring of the contract. County revenue for 2019 is projected at $819,000, an increase of $124,000 over the Status Quo. Over the 10 years, the County's cash flow totals $9,092,000, an increase of over $2 million (29.9%) over the Status Quo.

County Expenses

County expenses do increase in this model, due both to inflation and the addition of marketing expense. However, the increase in maintenance costs is significantly less than under Status Quo.

In 2019 and 2020, County expenses should be higher under this model. But they should be lower from that point on. Over the ten years, expenses are expected to reach $897,000 in 2028 and total $7,469,000. This is $188,000 (2.5%) *lower* than the Status Quo model.

County Cash Flow

Increasing revenue and lower expenses result in a much better cash flow. The difference is $113,000 in 2019 ($204,000 compared to $91,000). But it increased steadily. By 2028, the difference is a whopping $435,000. This is because under this model, the County realizes a positive cash flow every year. Cash flow should reach at least $200,000 (we have it doing it twice, 2024 and 2026), before tapering off.

The average improvement in cash flow in the five years following renovation is $328,000. At that rate, the anticipate $2.44 million construction cost would be paid back in 7.4 years. If the cash flow is used to finance debt, it would support a bond of $4.7 million, nearly double the actual construction cost. The annualized return on investment (ROI) is 13.5%.

Scenario Two: Modest Renovation

In this scenario, most major infrastructure needs are addressed. This will result in a golf course that plays like a new one.

However, because there is a strong need within the county, for an affordable (value) golf course, the renovations are not designed to reposition the golf course. While a very modest price increase is anticipated, it should not adversely affect rounds play. Instead, the dramatically improved conditions should result in the best rounds play performance in 20 years.

As noted above, because we are recommending that Goodrich become a value facility, and because we strongly believe that Manitou and Goodrich should not be renovated at the same time, we are anticipating the construction to begin in 2024 and be completed by 2026. In both 2024 and 2025, Goodrich would be reduced to 9 holes.

Until the renovation starts, this model will follow that of Scenario One above.

Rounds

Until 2023, the rounds (and revenue) are the same as with Scenario One. Rounds will drop dramatically in 2024, as the facility goes nine-holes. However, we anticipate strong nine-hole play, with total rounds being 21,157 in 2024 and 20,100 in 2025.

The renovated course should open with a bang, reaching 37,000 rounds in 2026 and again in 2028. Following this 10-year period, we would anticipate rounds continuing to grow, likely reaching the 40,000 mark by 2030 or 31.

This model has 108,538 rounds in the three years following renovations. This compares to 104,640 for the same period in Scenario 1 and just 78,441 under Status Quo.

The ten-year total is 332,000 rounds, or 47,000 (16.5%) more than the Status Quo, despite being just nine-holes for two years.

Revenue

We anticipate a $2 increase in green fee yield following renovations. This will result in $2,193,000 in green fee revenues over the three years 2026-28, with both 2026 and 2028 being over $610,000. The three-year total compares to $1.79 million under Scenario 1 and $1.6 million under Status Quo.

The difference in total revenue is even more dramatic. In this scenario, the three-year period produces just under $4.1 million. On the other hand, Scenario One produced $3.6 million and the Status Quo just $2.9 million.

County Revenue

There is a huge, $1.5 million difference in the revenue the county receives over the last three years (26-28) in this model compared to the Status Quo. And there is nearly $500,000 difference between it and Scenario One.

Over the ten-year period, we expect County revenue to be $8,881,000. This is $1,880,000 (26.8%) more than Status Quo.

County Expenses

Expenses in this model are less than the other two, largely due to the two years operating as a nine-hole course. But even in 2028, expenses in this model are expected to be over $50,000 less than Scenario One due to improved infrastructure.

For the ten-year period, expenses are projected to total $6,756,000. This represents a savings of $900,000 over Scenario 1.

County Cash Flow

The County's cash flow is positive every year, even through construction. The lowest is $66,000 in the first year of construction. The highest is in 2028, at $681,860. We project that it would continue to improve for several years after.

Over the ten-year period, the County's cash flow is expected to be $2,125,000. This is over $500,000 more than Scenario 1 and $2,780,000 better than the Status Quo.

In the three years following the renovation, the cash flow is projected at $1,136,000. This is more than double Scenario 1's $519,000 over the same period. It is nearly $1.8 million more than the Status Quo. These trends are likely to continue for many years thereafter.

The average cash flow during these three years averages $596,000 better the Status Quo. At this rate, it would take just 7.6 years to pay back the $4.53 million anticipate cost of improvements. If debt financing is used, a $596,000 cash flow would fund $8,600,000 – which is $4 million more than the cost of improvements. The annualized rate of return is very close to Scenario One, at 13.2%.

Discussion

As with Manitou, ***the clear winner is Scenario Two***. Not only does it generate the biggest cash flow improvement but leaves the County with an asset that should not require another major capital improvement (except perhaps the clubhouse) for another 15-20 years. This is one of the biggest benefits of Scenario Two. It is a classic case of "pay now or pay a lot more later."

Battlecreek

The Ponds at Battle Creek, as the only RC Golf facility to be losing money, represents the biggest challenge. This is because as a *challenging* nine-hole facility, it does not fit into a popular niche. Golfers who would appreciate its quality as a golf course are not likely to play it because, as a nine-hole course, they expect it to be low-end. And golfers who play it because it *is* a nine-hole course are often disappointed because it is so much more challenging then what they are expecting … or wanting.

On the other hand, the facility features arguably the best practice facility in the County, and one of the nicest in the metro area. As such, it is enormously popular… and profitable. Yet it is limited, both by its size, and because of the limited parking at the facility.

Our first recommendation is to simply drop the "Ponds at" part of the name. For one thing, it creates confusion with another course that is called "The Ponds." But "Battle Creek" is a strong, and unique name.

As to the golf course, which is losing money primarily because of its high maintenance costs, it would be very difficult to "dumb it down" to make it more consistent with what local golfers expect from a nine-hole regulation course. This is because of the terrain and current layout. It would essentially require rebuilding the entire course.

To address this unique situation, we have developed three different strategies or scenarios in addition to the Status Quo. The scenarios are:

- **Scenario 0: Status Quo** – No major changes.
- **Scenario 1**: **"Elite" Nine** – This is primarily a marketing solution. The goal is to create a wider awareness of the quality and uniqueness of the course. Our approach would be "Enjoy the quality of Keller or Prestwick, but do not want to spend five hours playing? Come to Battle Creek for an elite golf experience in just 2 ½ hours. Battle Creek … the best nine hole golf course in the state."
- **Scenario 2**: **Par 34** – Here the emphasis is on maximizing the range by doubling its capacity at the expense of reducing the golf course from a Par 35 to a Par 34.
- **Scenario 3**: **I8 holes** – Use the land available across the street and expand to 18 holes.

Scenario 0: Status Quo

Even though Battle Creek is the newest of RC Golf's facilities, it is still 14 years old. So, over the next ten years, most of the course's infrastructure will reach and exceed its life expectancy. Further, since the facility is currently losing money, keeping things the same would only likely continue this trend.

Play should continue at current levels, at least through 2024. However, the age of the course will start to have an impact on performance… either with a significant increase in maintenance costs or deterioration of course conditions, leading to fewer rounds.

It is important to note that, while we do not include any capital improvements in this scenario, some are likely to be required. In particular, there is some concern about the safety of the bridges, which should be examined by a structural engineer.

Rounds

Rounds for 2019 are projected to be 18,150. Rounds should stay at this level, with perhaps a slight upward trend, through 2024. But then they are likely to start to decrease (unless a lot more money is put into maintenance to counter the decline in infrastructure). Over the ten-year period, rounds are expected to be 87,420.

Revenue

Green fee revenue for 2019 is anticipated to be a little over $200,000. We do not foresee it going below this mark, except for one year (2021 in our projections) due to unusually bad weather. Fee increases due to inflation, will help keep it above $200,000. We expect it to stay in the $200,000 to $250,000 range. Over 10 years, we project a total of $2.26 million in green fee revenue.

Green fee yield for 2019 should be around $11.14. Increases in fees due to inflation, will cause this to rise over the 10-year period, reaching $14.63 by 2028.

Total revenue for 2019 is anticipated to be $407,000. Total revenue will increase to $500,000 by 2028. Over 10 years, revenue is projected to total $4,570,000.

County Revenue

With the current compensation model in place, County Revenue for 2019 calculates to be $594,000. This will increase over time to $973,000 to 2028. For the 10-year period, county revenue is anticipated to total $7,613,000.

County Expenses

As noted, maintenance costs will likely exceed price inflation. We are projecting $509,000 for 2019 and a total of $6,181,000 for the 10-year period.

County Cash Flow

With rising maintenance costs, we expect a loss of $102,000 in 2019. The amount of loss increases over the 10 years, reaching $260,000. Over the 10-year period, the total *loss* will reach $1,612,000.

Scenario 1: "Elite" Nine

In this scenario, the biggest changes are with regards to marketing, fee structure and the contract. The fee structure is increased in this scenario, as golfers, like most consumers, associate price with quality. Thus, to drive home the point that this is an elite nine-hole course, the fee structure needs to consistent with the image we are trying to project. Priority improvements are made in 2021, which should boost performance. The addition of target greens to the practice range should further heighten its appeal.

Rounds

The marketing changes have an immediate impact, with 19,500 rounds projected for 2019. We see 19,000 rounds as capacity with the current parking constraints. Construction in 2021 will limit rounds to 16,000. With expanded parking, capacity should improve to 21,000 (more in good weather years), which we expect to reach the year following renovations (2022). Rounds will peak in 2024 (assumed good weather year) at 22,000. For the 10 years, the total number of rounds will be 200,000. This represents an improvement of nearly 24,000 rounds over Status Quo.

Revenue

With the new pricing structure, green fee yield in 2019 is projected to be $12.90, or $1.76 more than with the Status Quo. Another jump should occur in 2022, following the renovations, when it reaches $14.88. With inflation, it reaches $17.45 by 2028.

Green fee revenue is projected at $252,000 and total revenue at $723,000 for 2019. These will reach $379,000 and $1,133,000, respectively, by 2028. This is $132,000 more in green fee revenue and $395,000 in total revenue than under the Status Quo.

County Revenue

County revenue would be $614,000 in 2019. It would fall to $521,000 in 2020, with the construction. But then it would jump to $665,000 the following year. County revenue would increase to $904,000 by 2028. Over the ten-year period, County revenue is expected to total $8,857,000.

County Expenses

County expenses in 2019 are projected at $547,000. This will increase, mostly due to inflation, to $773,000 in 2028. Over 10 years, expenses will total over $6.5 million.

County Cash Flow

We expect the cash flow to be positive every year, except for the construction year. It will peak in the good weather year (assumed 2024) at $174,000. Over ten years, the total projects to $987,000. This is a whopping $2.6 million more than in the status quo.

Construction costs are estimated at $1.72 million. With an expected average improvement in cash flow of $305,000 per year, the improvements would pay back in 5.6 years. The ROI is an impressive 17.8%. The cash flow improvement would support a debt of $4.4 million.

Discussion

This is clearly superior to doing nothing, even though it is a bit of a gamble. We are assuming that golfers who desire playing nicer courses will be open to playing a nine-hole course if they are assured the experience is comparable to what they have on their preferred 18-hole course.

If it does not work, nothing in this scenario would preclude from County from implementing Scenario 2 or 3 down the road. Most of the capital improvements shown in this scenario would be used in those as well.

While we did not include expanding the parking lot in this scenario, we do recommend considering it to be included. In this case, the practice putting green would be relocated, allowing for up to 36 additional parking spots to be in front of the clubhouse. This will permit greater utilization of the practice facility and golf course. Estimated cost would be under $200,000.

Scenario 2: Par 34

The range becomes the priority in this scenario, as both its capacity is increased as its appeal. But this comes at the cost of the golf course, which is reduced to a Par 34.

Scaled-down priority improvements are made in 2020. However, the main improvements are slated for 2022. The improvements are expected to require the course to be closed, although it may be possible to create temporary holes and continue to operate the course. The range may be able to open later in the season.

The emphasis on the practice facility is three-fold. First, the range capacity is doubled. Second, the range's appeal is greatly enhanced with the addition of target greens. And third, the addition of a high-quality short-game area adds a new revenue source.

Unfortunately, this comes at the cost of the golf course, which is reduced to a Par 34. While this may not seem like a big deal to the non-golfer, it *is* a big deal for golfers. Golf is very traditional. Once you go beyond the Par 70-72 range (Par 35 or 36 for nine-holes), a course is seen as being sub-standard and performance declines dramatically. We see strong evidence of this in the MSP area, where non-regulation courses make up two-thirds of the course closings, but less than a third of the total number of courses.

The exception to this rule is Dwan Golf Course, which is a municipal golf course for the City of Bloomington. It is a high-performing 18-hole Par 68 golf course.

Still, the *perception* of Par 68 and less is that they are of lower quality than regulation courses, and thus less desirable for better golfers. Thus, this would further handicap Battle Creek in that it not only has to overcome being nine-holes, but also overcome being less than a Par 35.

This problem can be overcome with stronger marketing. Ironically, the improved range performance can help drive more play to the course (it is normally the other way around.)

Rounds

Performance for this scenario (and Scenario 3) is the same as Scenario One in 2019. Because the improvements in 2020 are much less evasive in this scenario than in the previous one, rounds are higher (but not as high as in 2019). However, we anticipate the course being closed for all of 2022 as the conversion is being made.

Rounds will return to near 2019 levels, when it reopens… mainly due to the anticipation. But we do not believe it will prove to be as popular as remaining a Par 35. Rounds in this scenario are expected to be 94,000 total in years 2024-28, which is 10,000 rounds better than the Status Quo, but 9,000 less than the Elite 9 option.

Over 10 years, the total number of rounds is projected at 170,000 rounds.

Revenue

With the conversion to Par 34, we expect a lower rate structure. In 2023, the green fee yield is predicted to be $11.69 compared to $12.39 under Status Quo and $15.19 under Scenario One.

The key comparison comes in years 2024-28. Green fee revenue is projected to be $1,188,000 in this scenario, which is $10,000 less than under the Status Quo and over $500,000 less the Elite 9 option.

However, it is a different story with the practice facility. For the 24-28 period, range revenue is projected at $1.88 million. This is nearly a million dollars ($978,000 or 108%) better than the Status Quo, and $640,000 (51.5%) better than Scenario One. The ten-year total is $2,791,000 compared to $1,705,000 for Status Quo and $2,164,000 for Scenario One.

Total Revenue is $4,895,000 for the last five years, a $1.3 million improvement (94.5%) over Status Quo. For the 10-year period, the improvement drops to $1,251,000 due to being closed for a year. In 2022, we are projecting just $74,000 in total revenue as the course is expected to be closed the entire year.

County Revenue

County revenue is impacted by both improved performance and by the change in contract. For the 10-year period, county revenue is anticipated to be $6,790,000, which is $2,219,000 (75%) more than the Status Quo. However, it is $446,000 less than for the Elite 9 option.

For the 20-24 period, the County revenue is projected to be $4,161,000. This is $1,726,000 (96%) more than the Status Quo. But it still lags Scenario One by $64,172.

County Expenses

County expenses in the scenario will be about the same, although slightly less, than the Elite 9 option. There is more to maintain, despite the reduction to Par 34, because of the addition of a short-game area and expanded range. However, the maintenance standards for the Par 34 course is expected to be less than the Elite 9 as the price point is lower.

During the construction year, expenses are dramatically reduced. But the course still needs to be maintained, even though it is open. Our projections are $236,000, which is less than half the $591,000 in 2021.

Expenses are expected to total $3.34 million for 2024-28 and $5.88 million for the 10-year period. This is $86,650 less for the five-year period and $304,000 less for 10-years than the Status Quo.

County Cash Flow

Cash flow is positive for every year except 2022, when the course is closed. For the 10-year period, cash flow totals $912,000, an improvement of $2,524,000 or 97.1% over the Status Quo.

The difference is even more dramatic in the last five years, where cash flow totals $818,000. This is $1.8 million (110.9%) more than the Status Quo. It is also $179,000 better than the Elite 9 option.

Renovations are expected to total $2,917,000. The average cash flow improvement post-renovation is $346,000. Thus, pay-back would be achieved in 8.4 years. The cash flow would support a debt of $5,000,000. Annualized ROI is 11.9%.

Discussion

There is a lot of discussion in the industry today, about advocating for executive courses because they are so much quicker to play, and generally, more playable. However, this is *not* a new discussion. There was a similar, strong movement back in the late 1990s and early 2000s.

However, we quickly discovered that golfers still prefer tradition over speed. Executive courses fail at a much higher rate than regulation and generally perform worse.

This scenario obviously is a lot better than the Status Quo, but it may not be better than the lower-cost “Elite Nine” option, despite having a better cash flow in the later years. It will take several years for this improved cash flow to overcome the added cost, and the loss of revenue from closing the course. And it would seem to be a higher risk, due to the inherent disadvantages of being a Par 34 versus a Par 35.

Scenario 3: 18 Holes

If nine-hole courses are less desirable, why not eliminate this disadvantage and become an 18-hole course? Not only does this option convert the facility from a type of facility that typically struggles (challenging nine-hole) to perhaps the most popular (mid-fee 18 hole).

As noted previously, this scenario will require a new clubhouse, and with it, a new range. But the existing clubhouse and range remain, becoming a stand-alone practice facility. This does several things:

- It effectively eliminates the parking issue at the existing facility
- It increases range usage by effectively doubling capacity with a second practice facility. The new range would be the one used mostly by golfers playing the course, but it can be expected to get some range-only play during peak demand times.
- It adds new revenue streams with a restaurant and banquet operation.
- Its unique design elements and proximity to both downtown and 3M, make it attractive for visiting golfers.
- With two nines, it becomes a much better target for popular league play.
- With 18 holes, you double the course capacity.

This scenario also has a big advantage over Scenario 2 in that it does not require completely closing the course. Renovations on the existing nine can wait until the new nine is built.

Further, while we do *not* take this into consideration in our projections, it going to 18 holes can be timed with Goodrich’s modest renovation option so that when Goodrich goes to nine holes during the construction, Battle Creek will be better positioned to accommodate more of the displaced rounds.

Performance can be neatly divided into two five-year periods. For the first five years of our projections, Battle Creek remains a nine-hole course, operated like Scenario 1. In the 2nd five years, it is an 18-hole facility, with a stand-alone range in addition to the course’s range.

Rounds

While the new nine is being built, the course is operated as in Scenario 1, but there is not the reduction in play seen 2020 due to construction. Further, when the new nine opens and the existing nine closes for renovation, we expect better performance because of the “newness” factor plus the elimination of the parking problem. As a result, rounds performance for the first five years, while it remains a 9 hole course, is expected to total 99,900. This is 10,700 more than Status Quo. But it is also over 2,000 more than Scenario 1 and 24,000 more than Scenario 2.

Of course, the difference becomes dramatic when capacity is doubled as it becomes 18-holes. We conservative estimate that performance as an 18-hole course will vary from 27,000 in really bad weather years, to 32,000 in good years. For the five year period 2024-28, rounds total 152,600. This is 65,000 more than in the Status Quo. It is also 58,200 more than Scenario 2 and 49,000 more than Scenario 1.

Revenue

Green fee yield will naturally dramatically increase with the transition to 18-holes as not only is there a price adjustment, but the percentage of play will mostly be 18 holes as opposed to 9-hole play currently. In our modeling, we are assuming a rate structure 80% that of Keller. This may go up or down, depending on the quality of the finished design as well as whether Manitou undergoes the Major Renovation option. If Manitou does not elect major renovation, then Battle Creek would likely be positioned between Keller and Manitou, and thus may have a higher yield than shown. If Manitou does undergo the Major Renovation option, Battle Creek would be positioned between it and Goodrich, in which case it may have a lower yield than what we have illustrated.

Naturally, there is a big difference in revenue in the first five years and the second. In the first five, green fee revenue total $1,336,000, which is $276,000 more than Status Quo. But in the second five years, this difference jumps to over $3 million as we project green fee revenue totaling $4.2 million under this scenario. This is also $3 million more than Scenario 2 and $2.5 million more then Scenario 1.

Total Revenue difference is even more dramatic. In the first five years, Scenario Two totals a little over $4 million. But in the 2nd five-year period, total revenue jumps to $12,725,000. This is over $9.1 million more than Status Quo, $7.8 million more than both Scenarios 1 and 2.

County Revenue

County Revenue for the first five years totals $3,478,000. For the 2nd five years, this jumps to $10,133,000. The latter is $7.7 million more than Status Quo, $5.9 million more than Scenario 1 and $5.97 more than Scenario 2.

County Expenses

Naturally, course maintenance expenses jump with the expansion to 18 holes. The course is shorter and will be maintained to slightly lower standards than Keller, but there is also two ranges and inefficiencies due to the design issues. As a result, the course maintenance expenses will be similar.

Total county expenses, which includes marketing, is projected at a little over $3 million in the first five years, which is $269,000 more than Status Quo. In the second five years, expenses jump to $4,963,000. This is $1.5 million more than Status Quo, $1.38 million more than Scenario 1 and $1.44 more than Scenario 2.

County Cash Flow

For the first five years, the County's cash flow is $457,000. This is over a million dollars more than the Status Quo. But it is also $110,000 more than Scenario 1 and $363,000 more than Scenario 2. This is mainly due to the fact there is not a "down" year due to construction.

The difference, though, is much more dramatic when the facility becomes 18-holes. Over the 2nd five years, the County is expected to realize $5.17 million. This is $6.2 million more than Status Quo. But it is also $4.5 million more than Scenario 1 and $4.3 million more than Scenario 2.

The difference in cash flow in the 2nd five years, between Scenario 3 and Status Quo, *averages* $1,233,000. Assuming a construction cost of $9,830,000, it would take 8 years to pay back. This cash flow would support a $17.8 million bond. ROI is a strong 12.5%, which is higher than Scenario 2, but lower than Scenario 1.

Discussion

This is the only scenario that maximizes the potential of both the golf course and the range, while addressing the main infrastructure issues. Our projections, which we feel are conservative, show the investment will pay off.

But it also represents a big risk as it has, by far, the most capital investment. Because of this, consideration should be given to delaying the start of construction for the new 9, while the effectiveness of the Scenario 1 changes (less the capital improvements) can be further evaluated. The danger in this strategy is that it would mean that 18-holes would not be ready, should Goodrich be reduced to nine-holes for renovation.

It is also possible to delay the construction of the new clubhouse by several years, saving $2 million in construction costs. Modulars, which can be rented, would be used in the meantime. However, this would eliminate banquet sales and reduce the overall appeal of the renovated facility. If possible, we would certainly recommend the clubhouse be built along with the new nine.

DISCUSSION

The RC Golf operation has been performing well, especially when compared to other municipal golf operations. It has both great amenities and operators. Three is certainly no reason to panic.

On the other hand, RC Golf is entering a critical phase. It is facing major capital needs at its two highest volume facilities – Manitou Ridge and Goodrich. It also has one facility that is losing money (Battle Creek).

Further, while these facilities are doing well, they are perhaps, not doing as well as believed. This is because there are no consolidated financials for the golf program that accounts for all County expenses. The major missing element is fleet services, which provides and maintains all the equipment for the golf operations at Keller, Goodrich and Battle Creek. This is a major expense item. Nor are the administrative salaries taken into consideration.

It can also be said that the facilities are not reaching their potential – whether one looks at them as an amenity for county citizens, or as a profit center for the County.

In short, there is a need to both "fine-tune" the current operation and to take a hard look at their future.

Mission Statement

The first decision the County should make with regards to the golf program, is to the degree that profitability is important. If the golf program is seen more as an amenity, then there is an expectation of subsidizing the program as the County does with other amenities. But to the degree that profitability is a concern, then a more business-like approach must be taken.

The County has already taken big steps down the road of prioritizing profitability by privatizing the operations to varying degrees. Three of the six facilities are leased, the other three are under management contracts.

This strategy has helped the program have a positive cash flow to the Parks department and likely overall, even when fleet services are considered (it at least is at break-even, even with Fleet services and administrative salaries are accounted for). However, it has *not* covered the cost of capital improvements, both past (Keller) and future. And there is a big need for capital improvements, especially at Manitou and Goodrich.

For the cost of these capital improvements to also be covered by the golf operations, which we believe is very possible, it will require major changes in how RC Golf is managed and administered. Indeed, if all the recommended improvements are made, the program may spin off excess cash that can be used to better support other Parks programming.

Regardless of where you are on the amenity/profit center continuum, capital investment is required. With investment, not only is financial performance going to be affected, but so is the appeal as an amenity.

And many of our recommendations will help at both ends, making RC Golf more profitable *and* becoming an amenity that services a bigger portion of the population. For example, right now the four big courses are all basically competing for the mid-fee market. Thus, the County is *not* serving the needs of golfers wanting a premium experience, nor the golfers wanting more affordable options. By elevating Keller and making Goodrich a value facility, the County is doing both serving more golfers *and* improving profitability.

Our plan for increased programming, especially for individuals wanting to take up the sport (such as the golf trial program), will both service a big need in the community, but also help with down-the-road performance as new golfers are brought into the market place.

Similarly, some capital improvements clearly serve both ends. A great example of this are new forward tees at all the facilities (especially Manitou) that will make the golf courses much more appealing to women, seniors, juniors and beginners.

There is also a hidden danger in aggressively taking the amenity approach. And that is this. Politicians change over time. The vision of today's commissioners may not be shared by future ones. Why this is important to take into consideration is that the amenity approach is highly likely to create a situation where the golf courses eventually become highly subsidized. Further, needed capital improvements being delayed will result in deteriorating conditions that will lead to even poorer performance that will cost even more to fix down the road. At that point, the Commission may feel golf is no longer worth the continued subsidization and the now higher cost of improvements. Thus, taking this approach may ultimately cause a loss of the very amenity you are seeking to maximize.

On the other hand, the County may not want to take the "all-in" profit-center approach either. This is because it would require increased privatization of the facilities, and a further loss of control. This may run counter to current political ideology. (A discussion of various management models follows). It would also likely mean converting the golf program to an Enterprise fund status so that an accounting is made for future renovations as well as the ones needed today. An enterprise fund status may also give the County more flexibility in the management of the facilities.

Our improvement scenario strategy errs on the side of profitability and assumes that the County would like to see the facilities self-supporting, *including* capital improvements.

Recommended Scenarios

First, we should state the obvious. The scenarios outlined in this report are *not* the County's only options. Indeed, it is highly likely that none of the scenarios will be followed as outlined. But they do represent good models from which modifications can be made.

Choosing which scenario is best for the County depends on where the county sits on the Profit Center/Amenity continuum, but also on whether it wants a short- or long-term solution.

In our minds, the Status Quo is not a good option for *any* of the facilities no matter whether you are profit center or amenity biased. This is because the facilities can do better on *both* ends of that scale.

Further, several of the facilities are facing major infrastructure needs. Ignoring them will only cause performance to decline significantly (profit center), but also a degradation of the playing experience (amenity). Moreover, the longer the delay in addressing, the higher the cost to fix.

With Keller, Manitou and Goodrich, we favor the best long-term solutions, which would be Scenario 1 for Keller, and the total rebuild options (Scenario 2) for both Goodrich and Manitou. Our modeling strongly suggests that these improvements will pay for themselves. They also provide long-term solutions that put these facilities in good physical shape for the next 20 years or so.

The decision with Battle Creek is not as clear. There is no doubt that, as an 18-hole course, Battle Creek would perform much, much better than as a nine-hole course. But it also means another major investment. While it would likely pay for itself, it may be difficult for the County to take on three major renovations projects (Keller, Goodrich and Manitou) with a relatively short five-year period as shown in our modeling.

A possible solution for Battle Creek would be to implement Scenario 1, perhaps with less capital investment, and then delay a decision on whether to go 18 holes, or go executive, or simply improve as a 9-hole regulation, until infrastructure needs force a decision to be made. Keep in mind that the facility is 14 years old. It will reach most of its infrastructure's useful life expectancies over the next 10 years. Thus, a decision on Battle Creek's ultimate direction could potentially be delayed for up to 10 years.

The decision on Battle Creek is also likely to be impacted by the County's decision with regards to Manitou and Goodrich, but especially Manitou. If the County elects to do major renovations at both courses, then it may create a bigger need on the value end of the market. In that situation, reducing the Par to 34 … or less, while making the course more playable and affordable, may make more sense.

Changing Demographics

Some concern has been expressed about the changing demographics in Ramsey County as it is being largely white to being more mixed. The concern is that non-whites have lower golf participation rates, so perhaps the County should be involved in an activity that may become less popular.

There are some pretty big assumptions in that statement. So, let's delve a little deeper into each component.

Demographic Shift

As can be seen in the table below, there has been a shift in racial demographics within the County. In 2010, 70.1% of the population of Ramsey County was white. That percentage is expected to drop to 63.3% by 2022. The demographic is the biggest increase is Asian, growing from 11.7% in 2010 to an expected 16.2% by 2022. The percentage of blacks is also growing, from 11% in 2010 to 12.3% in 2022. The percentage of Hispanics is also projected to increase from 7.2% in 2010 to 8.8% in 2022.

Population by Race Trends						
	2010 CENSUS		2017 ESTIMATE		2022 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	356,547	70.10%	359,815	66.00%	361,263	63.30%
Black	56,170	11.00%	65,214	12.00%	70,068	12.30%
Native American	4,043	0.80%	3,825	0.70%	4,476	0.80%
Asian	59,301	11.70%	80,123	14.70%	92,537	16.20%

Population by Race Trends						
	2010 CENSUS		2017 ESTIMATE		2022 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hawaiian / Pacific Islander	247	0.00%	241	0.00%	264	0.00%
Two or More	17,556	3.50%	19,751	3.60%	23,078	4.00%
Other Race	14,776	2.90%	15,995	2.90%	18,659	3.30%
Total	**508,640**	**100.00%**	**544,964**	**100.00%**	**570,345**	**100.00%**
Hispanic	36,483	7.20%	40,376	7.40%	50,131	8.80%

While these trends are significant, Ramsey County is expected to remain a white-majority for the next 20 years, more than double the length of our projections. So even in a complete amenity-based view, golf would remain a preferred recreation among the majority of citizens of the County. In a profit-center viewpoint, there is much less concern about borders, as the main issue is *customers*, and our demographic analysis shows that the customer base will be growing over the next 10 years, not shrinking.

Minority Participation

The second major assumption in the concern noted above, was that minorities do not play golf… at least do not play at rate approaching white participation. As one of the most proactive consultants in the industry with regards to minority participation, I can assure the reader that the industry does not pay near enough attention to this topic. In fact, the last comprehensive study that we know about was done by NGF and published in 2010. The study was titled simply, "Minority Golf Participation in the United States."

In that study, we do find that non-whites in the US do participate in golf at a much lower rate. But that rate depends on the demographic. African-Americans had the lowest participation rate, at 3.9%, followed by Hispanics (7.7%), Asian (8.9%) and Whites (11.9%). But there were also some noticeable trends. Participation among both Whites and Blacks had declined over the previous three years, while participation among Asians and Hispanics had grown – significantly. (Hispanic participation had jumped from 6.7% to 7.7% in just three years).

Let's assume that the 2010 participation rates cited in the study were still accurate, and then apply those percentages to the current and projected populations. Here is what we get:

	2017 ESTIMATE	2022 FORECAST		2010	# Golfers	
	Population	Population	Percent	Part Rate	2017 proj	2022 proj
White*	359,815	361,263		11.9%	38,013	37,025
Black	65,214	70,068		3.9%	2,543	2,733
Native American	3,825	4,476		2.0%	-	90
Asian	80,123	92,537		8.9%	7,131	8,236
Hawaiian / Pacific Islander	241	264		8.9%	-	23
Two or More	19,751	23,078		9.0%	1,778	2,077
Hispanic	40,376	50,131		7.7%	3,109	3,860

	2017 ESTIMATE	2022 FORECAST		2010	# Golfers	
	Population	Population	Percent	Part Rate	2017 proj	2022 proj
Other Race	15,995	18,659		6.0%	960	1,120
Total	**544,964**	**570,345**		# Golfers	**53,534**	**55,163**

*In the above table, all Hispanics are assumed to be white and thus the number of whites was reduced in the calculations by the number of Hispanics.

So even with a shift in demographics, *the number of golfers is expected to increase within the County*. Thus, even in a full "amenity" approach, golf would seem to be at important tomorrow as it is today.

But there is more to the story. In NGF's 2018 "Golf Participation in the US," it notes that *25% of today's junior golfers are now non-Caucasian*, versus just 6% 20 years ago. Thus, there is reason to believe that minority participation in golf is increasing, not declining.

Regardless, though, RC Golf can do a *lot* more to further improve minority participation. Here are just a few things.

- **Staff (1)**: Start with your own staff, especially with maintenance crews that tend to be more minority. Create programs to encourage your staff to take up golf, and then provide incentives for them to bring their families with them when they play. Similar programs can be extended throughout the Parks Department and not limited to golf courses.
- **Staff (2)**: The golf operations staff that we saw at all the facilities was 100% white (and predominantly male). If you want people to participate, it is important that they see staff "that look like them" working at the course. This helps make them feel welcome.
- **Lower Barriers**: As we discussed previously, we need to lower the barriers to starting golf if we want to get more people to play, and this is especially true with minorities.
- **Community Outreach**: You need to be *proactive* within the minority communities. This takes several forms, including:
    - **Churches, Schools, Civic Groups** – make presentations, hold clinics, and provide special programming to minority dominated organizations.
    - **Sponsorships**: Show the community you care by having the golf courses *sponsor* minority community activities. This can take the form of being a financial sponsor, or hosting events.

In sum, we do not see the demographic shift occurring within the County as a negative with respect to golf. From an amenity side, we certainly view it as a great opportunity to use golf as a means of bringing the communities closer together. From a profit-center perspective, first, we see the golf course prospering based on a borderless look at the population. Second, the more we reach out to new populations and latent golfers and create new golfers, we are expanding the base that can support the facilities for the foreseeable future.

Management Options

In our projections, we kept the operator contracts as being similar in nature to the ones that the County currently employ, just fine tuning them. However, we the county to consider other types of contracts.

Before beginning this discussion, we reiterate that the Golf Division is very well managed. The discussion, though, is important as more and more municipalities move away from self-management.

Fifty years ago, municipalities played a significant role in bringing golf to the masses. Indeed, it has only been in the last few decades that the public golfer had any options to play except at a municipal golf course.

This is no longer true. Over the past several decades, most of the golf courses being built have been privately owned public access golf facilities. As a result, today, municipalities are finding they are not only competing head-to-head with private enterprises; they are doing so in an increasingly more competitive market. Unfortunately, few municipalities find they are equipped to handle this type of competitive environment.

There are several factors that typically inhibit municipalities in their ability to compete successfully with private enterprise. These include:

- **Slow response:** By nature of the bureaucracy that is typically involved in making decisions, government-owned businesses are typically very slow to respond to market conditions – such as rates, promotions, etc.
- **Budget Constraints:** Often budgetary problems in other departments can have an adverse effect on golf operations. Even in cases where the municipality is not subsidizing the golf operations, needs in other departments can place greater pressure on the golf course to produce more revenue for the municipality.
- **Personnel Policies:** One of the most glaring areas separating municipal governments from private enterprise is in relation to personnel policies and costs. This is particularly true with regards to:
    - **Benefits:** Municipalities typically offer very rich benefit packages – far superior to what is normally the case within the golf industry.
    - **Termination:** With most private enterprises, if an employee is not productive, they are terminated – and often quickly. With governments, however, it can be extremely difficult to get unproductive employees terminated. The emphasis is always on "rehabilitation" as well as avoiding litigation. Thus, it can take months or more of effort for a supervisor to remove an unproductive worker.

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- **Pigeon-Holing:** Often municipalities try to make golf course jobs fit in with their established job descriptions (and resulting compensation) for other areas – such as parks and recreation. Unfortunately, these comparisons are often inadequate and can result in a serious mismatch of personnel with job needs.

- **Marketing:** Many municipalities lack marketing expertise that is critical to succeeding in a competitive business. In other cases, golf simply is not a priority within the marketing department.
- **Special Interests:** By nature, municipalities are subject to the political process. This often results in situations where special interests can dictate policies or decisions that will adversely affect the golf operation's profitability.
- **Procurement:** When large items, especially capital improvements, are needed, municipalities are often constrained with lengthy procedures and mandated policies that not only slow the process down when timing can be critical, but also can lead to situations where the best product or contractor is not selected.
- **"Prevailing Wages":** In some areas, municipalities are constrained by prevailing wages and other labor restrictions that can drive up costs that do not apply to privately owned businesses.
- **Incentive:** With most municipal golf operations where the staff are employees of the municipality, there are no incentives given to the managers for superior performance. So why work harder?

Because of these considerations, many municipalities have made the decision to contract out management of their golf operations. Indeed, RC Golf has contracted out much, but not all, of its golf operations to outside contractors. However, as pointed out earlier, there are six facilities, five operators and six different contracts. All of which are problematic to one extent or another.

So, what are the various options available?

In this section, we will explore the various management options available to RC Golf. We shall attempt to provide both the pros and cons of each option.

There are three primary options: 1) **Self-Management** in some form, where all the managers and staff are employees of the municipality; 2) **Outside Management** (privatization of some degree) where at least some of the management utilizes non-municipal employees; and 3) **Leasing** where the entire facility is leased out to a third party in exchange for compensation. In this section, we will explore the merits and problems of each.

Self-Managed

Currently, RC Golf is only self-managed with relation to course maintenance operations at Keller, Goodrich and Battle Creek.

Issues

Below are some issues commonly found with self-managed municipal operations: (Note: we have not seen evidence of most of these currently within RC Golf.) These issues often place municipal operations at a significant competitive disadvantage.

- **Incentive:** One of the biggest issues is the lack of incentive for both management and staff at municipal facilities. Even the fear of losing their job is diminished within most municipal operations, given the difficulty that is usually involved in getting unproductive employees terminated.
- **Disincentive:** Indeed, there is often a *disincentive* at municipal courses. Because more rounds mean more work, some employees will be motivated *not* to increase play. This works, because there is often little oversight and a lot of job security.
- **Competitive Wages:** There are two issues that are common with municipal golf courses regarding wages. One concerns the managers and the other concerns maintenance labor. Both have to do with the fact that a golf course is a very different entity than a typical government workplace.
    - **Labor:** Too often, municipalities try to categorize course maintenance workers with the same job classifications they use for workers in the parks and recreations department. However, the job demands are entirely different. In a golf course operation, maintenance workers must work odd hours, work weekends, and constantly deal with time constraints and pressure resulting from a revenue-producing business. Further, there is a far greater cost to mistakes. If a parks employee "scalps" the turf, it may make the park a bit less attractive, but there are no significant financial consequences. However, a similar mistake at a golf course can result in a significant loss of revenue, and increased repair costs to fix.
    - **Management:** Good management in golf (general manager/head golf professionals and golf course superintendents) can often command wages that are more than their superiors in the municipal government are and even Commissioners earn. This can create obvious jealousies and tensions.
- **Termination Policy:** With most municipal personnel termination policies, it becomes cumbersome to terminate unproductive employees, as the emphasis is on "rehabilitation." Most municipal systems require a lot of paperwork and intervention by supervisors, who are not always prepared or willing to follow through. As a result, unproductive employees are often retained far longer than they would under a private employer. Unfortunately, the result is a double whammy as not only is that employee costing the municipality money, but also these unproductive employees can often be like a "cancer" among the workers as other staff see that they are able to get away with less work.
- **Bureaucracy:** One of the main problems found with municipal golf operations is the degree of bureaucracy that often comes from government entities. The bureaucracy

will often lead to costly delays and/or inferior quality. Three areas where bureaucracy can be especially damaging are found in:

- **Decision Making:** With private enterprises, decisions can be made very quickly, which is extremely important in a very competitive world where the axiom "he who hesitates is lost" really comes into play. There often is so much concern in government about making the "wrong" decision that the indecision becomes a decision in and of itself. Meanwhile, the competition moves ahead.
- **Purchasing:** Purchasing can often become delayed in government entities. Policies to accept the lowest bid can also backfire by having to accept inferior quality or service in exchange for the lowest price. The bidding process itself can delay the acquisition of badly needed equipment or supplies.

- **Human Resources:** Personnel policies, both in hiring and termination, can often lead to the hiring of unqualified individuals and the inability to get rid of them, once hired.
- **Politics:** Of course, one of the biggest issues with municipal golf operations is the degree to which politics influences what would normally be business decisions. Often, we find with municipal golf courses, that a small percentage of golfer can wield a disproportionate influence on the decision-making process simply by squeaking the loudest. Indeed, the entire political process often works the exact opposite of the way a *business* operates. For example, in business it is often necessary to react quickly to changing situations – such as competitive pressures. Governments, however, rarely can act quickly. *We do see evidence of this with RC Golf, where the County still controls fees.*
- **Multiple Managers:** This is an issue we see especially at Keller, where there are four different managers involved in operating the facility. There is the outside contract in charge of golf operations, there is another in charge of food & beverage, the Course Superintendent reporting to Parks, and Fleet services, which oversees the maintenance of the equipment. The Golf Operator *has no control over the other three.* This raises concerns about priorities, efficiencies and coordination.

Advantages

The following are the advantages of self-management:

- **Control:** It gives the County maximum control over their valuable amenity. This can be critically important with regards to course conditions, as operators tend to "slack off" during the final year(s) of a contract, leaving the courses in poor condition at the end of their term.
- **Programming:** It allows for the most cross-programming with other Park's operations. Further, it makes it easier to offer low- or no-cost programs, such as golf clinics.

Disadvantages

- **Payroll:** Will have higher payroll cost due to benefits and frequently lower work efficiency.

- **Personnel:** Does not address other personnel issues, such as the termination policy.
- **Bureaucracy:** Does not address issues regarding bureaucracy – such as decision-making process or purchasing issues.
- **Incentives:** Difficult to create an effective incentive program in a municipal environment
- **Politics:** Maximizes the influence of politics in the management of the facility, which typically means much lower profitability.
- **Marketing:** Does not address the need to significantly improve the marketing efforts.

Comments

This is the approach taken by an "amenity first" approach to municipal golf. It is most often the least-profitable approach to municipal golf. It usually means that the golf operation is treated like other Parks and Recreation amenities.

Leasing

At the opposite end of the spectrum is leasing. Under a full lease (such as the case with the golf dome and Island Lake), the facility is leased out in its entirety to a private golf company (or individual), who is responsible for all operating expenses *as well as* capital upkeep. The lessee would then receive most of the revenue. The municipality either would receive a flat payment or would get a percentage of revenue (revenue lease).

Manitou is operated on a non-capital lease basis. The operator is responsible for all operating expenses, including the considerable cost of equipment (especially carts and maintenance equipment). In return, the operator retains most of the revenue (87% in this case). A somewhat unusual aspect of this lease, however, is that the County still controls the fee schedule. Typically, operators will insist on control of fees as it directly affects their ability to make a profit. Manitou's long record of performance history, and the current operator's experience with Manitou, no doubt reduced this risk in the eyes of the operator.

Advantages

- **Guaranteed Revenue Stream:** Given that the lessee is absorbing almost all the expenses, the risk of the municipality of subsidizing the operation is mostly eliminated (unless the lessee becomes financially distressed.)
- **Reduced Risk:** Not only does it remove the possibility of subsidizing, but presumably it leaves the golf course in the hands of a qualified professional management team who are best equipped to compete successfully in a highly-competitive environment.
- **Simplicity:** The municipality is relieved of a lot of the responsibility in maintaining and operating the facility. This means a lot less administrative overhead (virtually none) is required.
- **Personnel:** All employees become employees of the management firm. This reduces operating costs and eliminates the issues regarding personnel found in self-management.

- **Capital Improvements:** In exchange for a long-term lease, *many management companies are willing to invest significant amounts towards capital improvements*. And most leases require the leasee to be responsible for minor capital improvements over the course of the lease.
- **Capital Improvements (2):** It may be possible under a lease, if the private company is responsible for making them, to avoid prevailing wage and other labor issues. This can save 10-15% of the construction costs.
- **Resources:** Larger companies would have resources available, particularly concerning marketing and management expertise that smaller operators and self-managed facilities simply do not have.
- **Marketing:** In today's competitive marketplace, most golf course management companies have a professional marketing team that knows how to market golf courses. In addition, larger companies will have a large marketing database to work with that is very beneficial to courses such as Keller. They would be able to market the facility to customers of *all* their other facilities, as well as being a part of their national campaigns.
- **Food and Beverage:** As with marketing, most golf course management firms have developed expertise with regards to food and beverage operations.
- **One Management Entity:** As pointed out above, Keller has four different management entities responsible for the course. We could also add two more- Human Resources and Marketing. This can lead to conflicts of interests and priorities and decreased efficiencies. It is almost always better, from a business standpoint, to put everything under one manager who best understands the roles and interactions of the various departments and their impact on the quality of service to the customer.

Disadvantages

- **Deferred Maintenance:** Although provisions can be put in to try and "encourage" the lessee to continue to make additional improvements in the course, there are no guarantees that the lessee will do so, or in a manner that would be in a municipality's best interests. Inevitably, as the lease nears its end, the motivation for the lessee to put more money into the facility becomes less and less, unless they are wanting to renew. As a result, the municipality may inherit a significantly deteriorated facility at the lease's end. This is a frequent occurrence with municipal golf operations. Moreover, by having the lessee do any of the proposed capital improvements, the municipality would lose some control over the quality of the work. In addition, by requiring capital improvements be made, the lessee will want a longer term to recover their investment.
- **Quality Control:** Once the lease is signed, the municipality may have little ability to regulate the quality of the operation, if the lease terms are met. In addition, even if they are not met, the legal and practical cost to "force" conformity with the lease can be expensive.

- **Long term:** Leases are typically for a long term, especially if capital improvements are included in the lease terms. This makes it difficult to get out of the lease, should the municipality become displeased with the lessee's operations of the facility.
- **Referendum Required:** In the case of a capital lease, it may require the issue be put to the Citizens for approval; depending upon the length of the lease. This would cost the municipality the funds required to stage the vote and would put the option at risk of not being approved. Thus, the municipality risks the cost of the election, plus the costs associated with not doing any of the other options (opportunity cost) while the issue is being decided. In addition, if it fails, the municipality is back where it started, only with an additional "black eye" on its resume.
- **Viability:** While leasing was popular in the 1980s and 90s, it has fallen into disfavor lately. It may be difficult to find a suitable vendor who is willing to accept lease terms that would be attractive to the municipality.
- **Employee Continuity:** If you are leasing the facility to a large multi-facility management company, employees are often moved from facility to facility within their organization. This means less continuity at any given facility.
- **Management Continuity:** While most management companies prefer to retain existing on-site management, there is no guarantee that they will do so, nor that the current staff would *want* to work for the management company. Given the quality of the staff at SCC and the golf division, this is a consideration.
- **Pecking Order:** Similarly, with large management companies, you may not rate very high on their "priority" list. This may mean:
  - **Less attention:** Getting less attention from their main resource people.
  - **Training ground:** Your facility may be used as a "training ground" for new people, meaning you will always have the least experienced staff.

Comments

While leasing of municipal golf facilities has been popular in years past, its popularity has waned significantly in recent years. As these leases are expiring, municipalities are discovering they are often inheriting run-down amenities that require millions to fix back up. Additionally, as the lease typically runs for many years, the municipality becomes "stuck" with an operator – for better or worse. If it's "worse," the municipality may have to endure years of misery before the lessee can be dislodged.

Unless Manitou's performance returns to previous levels, and the County makes substantial investment in its infrastructure, it is hard to imagine another operator managing under a similar lease arrangement in the future.

On the other hand, if a lessor can be found that would be willing to make a substantial investment in the facilities (the capital improvements recommended herein), then leasing becomes a lot more attractive.

Outside Management

There are many ways in which the facility could utilize a third party to manage its golf operations. Some would be turn-key, where the third party provides assumes virtually all the expenses in the operation in exchange for most of the revenues; while others are management only – where only the management is third party and the municipality retains all the employees and assumes most of the expenses.

The options that we will consider include:

- **Operating:** This type of contract often excludes course maintenance. The employees are employees of the operator and the operator assumes various other operating expenses in exchange for a split of the revenue.
- **Supervisory:** This is where a third party is brought in to manage, but the municipality retains all the employees and assumes all the expenses.
- **Pass Through:** A modification of the management only, where the employees become employees of the management company, but the costs are still passed through to the municipality.
- **Hybrid Contract:** Like leasing, but for shorter-term and greater retained control. The management company assumes all the operating expenses as with a lease, while the municipality shares in the revenue stream.

In each case, the contract can exclude course maintenance should the municipality wishes to retain control of this area.

Operating

This is the typical "old" model for municipal golf courses. An operator is hired to run golf operations and manage the proshop. It is frequently an individual. The operator assumes some, but not all the operating expenses. Typical is that the golf operation's staff are employees of the contractor. If the contractor pays for inventory (merchandise and or food and beverage), they get all or most of that revenue. If the operator supplies the golf carts, they get all or the clear majority of that revenue stream. The municipality mainly gets its revenue from green fees, with the operator getting a much smaller share. Course maintenance is usually excluded. Lesson revenue is almost always 100% the operators. In most cases, the operator is a PGA professional.

This type of contract is currently in place at Keller, Goodrich and Manitou.

Advantages

- **Personnel:** Issues with personnel, at least as far as golf operations is concerned (benefits, termination, incentive, etc.) are greatly reduced.
- **Personnel Costs:** The private operator is typically able to get staff at a lower cost to the operation than a municipality.

- **Operating Costs:** The private operator typically can control operating costs better than a municipality
- **Control:** Preserves municipal control over course conditions.
- **Term:** These are typically short-term (usually three to five years), allowing for easy change should the operator prove unsatisfactory.

Disadvantages

- **Conflict of Interest:** If the operator's compensation involves retaining all or most of a revenue stream (such as merchandise sales, food & beverage, etc.), then it can create a situation where what's best for the operator is not good for the municipality and vice versa. An example would be where the operator wants to create more volume (which helps with their revenue streams) by discounting the green fees (which disproportionately affects the municipality.)
- **Course Maintenance:** Does not address personnel costs, etc. with course maintenance.
- **Coordination:** Unless the superintendent reports to the operator, which is difficult to do if the superintendent is a municipal employee, there can be issues in coordinating between the superintendent and the golf operations staff. For example, the operator may need special set-up for a tournament, but the superintendent may not be willing to add additional costs to his/her budget, or make the additional effort required.
- **Marketing:** As we clearly see with RC Golf, there can be a dispute as to who is responsible for marketing. Even if it is clearly defined, it is problematic. If it is with the municipality, they may lack the expertise and/or willingness to budget appropriately to market effectively. If it's with the operator, unless they get reimbursement from the municipality for some or all the marketing cost, they will be reluctant to spend their money when the municipality realizes most of the gain (green fees).

Supervisory

The Supervisory contract assumes that a management company (or individual) is hired to manage the facility. However, all employees remain employees of the municipality and the municipality would continue to pay all expenses. The management company would be paid a fee to oversee the operations.

The fee can be a flat amount each month, or a percentage of revenue, or a combination of both. (Sirius would not recommend a flat fee situation as it would provide no incentive to perform).

Advantages

- **Control:** Preserves municipality control over the golf operation as the manager reports to a municipality official and the municipality retains all the employees.
- **Management:** Provides experienced management expertise to oversee operations
- **Expertise:** Potentially adds expertise to several areas

- **Costs:** A management company can often reduce costs through discounts from vendors (larger buying power) and from better purchasing practices.
- **Improves Revenue Opportunities:** Presumably, with professional management and marketing, revenue from the facility will improve significantly and the municipality could gain more revenue than it is currently seeing.
- **Resources:** Larger companies would have resources available, particularly concerning marketing and management expertise, which smaller operators and self-managed facilities simply do not have.
- **Marketing:** Larger companies will have a large marketing database to work with that is very beneficial to resort courses such as SNGC. They would be able to market the facility to customers of *all* their other facilities, as well as being a part of their national campaigns. They also should have a far better golf marketing expertise than found with most municipalities.
- **Term:** These are typically short-term (usually three to five years), allowing for easy change should the operator prove unsatisfactory.

Disadvantages

- **Overhead:** Increases overhead and/or reduces share of revenue
- **Payroll:** Does not address the payroll cost.
- **Personnel:** Does not address other personnel issues, such as the termination policy.
- **Pecking Order:** With large management companies, you may not rate very high on their "priority" list. This may mean:
  - **Less attention:** Getting less attention from their main resource people.
  - **Training ground:** Your facility may be used as a "training ground" for new people, meaning you will always have the least experienced staff.

Comment

The management company may or may not have a day-to-day presence at the facility, depending on whether it chooses to place a full-time General Manager at the facility or not. The management company can be effective by simply monitoring performance and visiting the site regularly during the month.

These contracts work best when they are incentive-based. *We would strongly recommend against a flat-fee contract.* Ideally, you want an alignment of interests so that if the management company is doing well, the municipality is doing well and vice versa. We also do not recommend making the incentive based on only one or two aspects of the operation as this often leads to irregular performance whereby the management company gains, but the municipality loses.

In the case of RC Golf, *we really see no major benefit to bringing in a management company under this type of contract*.

Pass- Through

This is very like the management-only, with one significant difference. The employees of the golf facilities become employees of the management company. However, the *cost* for these employees is passed through to the municipality.

Advantages

- **Same as above**, plus
- **Reduced Costs:** Presumably the benefits costs would be lower with the management company, thereby reducing overall costs. These savings can be significant.
- **Personnel:** Eliminates the personnel issues discussed under self-management.
- **12-month operation:** Large management companies can move personnel around from facility to facility. This can be a big advantage in short-season areas such as Minneapolis. They can move some of the professional staff to and from areas with the opposite season, such as Florida and Arizona, thereby guaranteeing them 12-month employment and increasing the appeal of the opportunity, thereby increasing the probability of attracting and *retaining* quality staff.

Disadvantages

- **Same as supervisory-only**

Comments

This option would be much preferred over the supervisory-only option above. The cost-savings from benefits, elimination of personnel issues seen with self-management, and the increased marketing expertise make this a viable option for municipality.

Hybrid Contract

A Hybrid contract blends many of the advantages of a lease with those of a management contract. Like a lease, the operations of the facility would be turned over to a privately-owned company who would be responsible for all the operating expenses. However, it is not a lease. It varies in several ways, including:

- **Term:** A management contract is for a much shorter period, typically three to five years.
- **Capital Improvements:** Typically, the municipality would still be responsible for all major capital improvements, although minor “upkeep” types of improvements are often the responsibility of the management company. (Some management companies may be willing to include some of the capital improvement recommendations contained in this report, in exchange for a longer-term contract and higher fee, along with a reimbursement agreement in case of premature termination of the contract).
- **Flexibility:** A management contract can include all or only parts of the operation.

Advantages

- **Potentially reduces operating costs:** A management company is likely to have a substantially less expensive benefits package that can result in significant payroll savings. Their overall expertise may lead to improved efficiencies as they are more motivated to do so. Further, they often can purchase supplies not only less expensively, but more quickly.
- **Administrative:** Requires less administrative costs than other management contract options as the operator pays all operating costs.
- **Eliminates employee termination issues:** A management company would be able to terminate staff when it sees fit, without having to go through all the steps currently involved in firing a municipality employee.
- **Added Experience and Expertise:** One main advantage of dealing with a management staff is the experience and expertise that such a company can bring to the table. Not only can it provide help in operations and maintenance but also in other areas such as marketing and merchandising.
- **Marketing:** Many management companies have their own marketing departments that would be a strong asset to the course. In addition, larger management companies have a large database of customers, which is ideal for marketing a resort course!
- **Provides Revenue:** The municipality would likely be assured a revenue stream under a hybrid contract. (The percentage, of course, depends on the nature of the contract).
- **Improves Revenue Opportunities:** Presumably, with professional management and marketing, revenue from the facility will improve significantly and the municipality could gain more revenue than it is currently seeing.
- **Simplicity:** The municipality would be relieved of a lot of the responsibility in maintaining and operating the facility.
- **Shorter term:** Management contracts are for a shorter term than a lease and obviously not a permanent situation as would be the case in privatization. Additionally, provisions can often be included for buying out the contract short of term, should the situation become unacceptable to the municipality.
- **Reduces Political Influence:** As the management company is tasked with making most of the decisions regarding operations, politics is minimized in its influence. This can be very important, especially if the management company is given the flexibility to set fees (which we recommend – within a range set by the municipality).
- **Costs:** A management company can often reduce costs through discounts from vendors (larger buying power) and from better purchasing practices.
- **Food & Beverage:** With professional management, the food and beverage service could be brought back in-house, thereby increasing the revenue opportunity.

- **Resources:** Larger companies would have resources available, particularly concerning marketing and management expertise, which smaller operators and self-managed facilities simply do not have.
- **Marketing:** Larger companies will have a large marketing database to work with that is very beneficial to premium courses such as Keller (potentially). They would be able to market the facility to customers of *all* their other facilities, as well as being a part of their national campaigns.
- **One Management entity:** As noted above.
- **Aligned Interests:** In model hybrid contracts, all revenue streams are treated equally (after allowing for inventory costs). Thus, the interests of the contractor and the municipality are aligned. What's good for one, is good for the other.

Disadvantages

- **Control:** The municipality would have less ability to control the quality of operations.
- **Oversight:** Municipalities tend to "relax" when they have a management company. The tendency is often to "trust" the company to do what it is supposedly "expert" at doing, only to discover after it's too late that the management company mismanaged the facility to a significant degree.
- **Capital Improvements:** The municipality would still be responsible for the long-term capital improvements. Such improvements would likely be required in the contract negotiations.
- **Final Year Syndrome.** As with leases, management companies have a poor record of accomplishment in the final year of the contract, unless the company is strongly motivated to want to renew the contract. In the final year, the company is usually only interested in maximizing their revenue and minimizing their costs. Again, course maintenance becomes the primary victim. However, customer service often also falls off significantly. Thus, at the end of the contract, the municipality may be left with a poorly maintained golf course in need of capital improvements to be brought back into shape; a bad reputation resulting from poor service that will take time to rebuild; and a declining customer base that will also take time to recapture. This problem, shared by all management contracts, is more prevalent with contracts four years or longer.
- **Management Turnover:** Management companies often will move managers around, taking their best managers and putting them into their most profitable facilities. New Braunfels will not likely merit their best (unless the facility is significantly upgraded), and if the manager they place proves particularly capable, they are likely to be "promoted" and moved elsewhere.
- **Company Turnover:** Currently, the golf industry is undergoing tremendous changes in management company ownerships. Management companies are being bought out and absorbed and others are going under. There would be no assurances that the company its managers who originally sign the contract will be around to see its conclusion.

- **No Guaranteed Income.** Unlike a lease, management contracts usually do not provide a guaranteed income for the owner (the municipality), but rather a guaranteed income for the management company.
- **Employee Continuity:** If you are leasing the facility to a large multi-facility management company, employees are often moved from facility to facility within their organization. This means less continuity at any given facility.
- **Pecking Order:** Similarly, with large management companies, you may not rate very high on their "priority" list. This may mean:
    - **Less attention:** Getting less attention from their main resource people.
    - **Training ground:** Your facility may be used as a "training ground" for new people, meaning you will always have the least experienced staff.
- **Management Continuity:** While most management companies prefer to retain existing on-site management, there is no guarantee that they will do so, nor that the current staff would *want* to work for the management company. Given the quality of the staff at SCC and the Golf Division, this is a consideration.

Comments

There are good management companies and there are bad ones, and frankly, so many new ones and altered ones that their track record cannot be reliably established. To us, *a hybrid contract makes the most sense as it removes payroll from the municipality while bringing in expertise and provides incentive-driven management*. This should not only result in a major cost-savings to the overall operation, but eliminates other issues such as termination policies, too much time off, etc. Indeed, it is our opinion that a management company would likely be able to operate the facility for less money than the municipality is currently spending while *improving* service and significantly increasing revenue.

With hybrid contracts, capital equipment, such as carts and maintenance equipment, may or may not be included. However, we typically recommend that they are. This further reduces financial risk to the municipality and the operator is often better equipped to provide the equipment at a lower cost to the operation.

Many of the issues of a hybrid contract (disadvantages) can be minimized in four ways:

- **Careful selection** of the management company based on criteria other than just their fee;
- **Balanced Revenue Sharing:** Many municipalities make the mistake of dividing the revenue by type – for example, the management company gets the cart fees, the municipality retains the green fees, etc. Unfortunately, this can create situations where the management company is going to act in its best interests and not necessarily the municipality's. For example, discounts given for tournaments or through coupons reduce the green fee, but not the cart fee, so the municipality ends up bearing a disproportionate share of the marketing cost. Instead, we recommend that all the

revenue be pooled together, and then split. Revenue from merchandise and food and beverage going into the pool would be defined as gross sales less the cost-of-sales.

- **A well-written contract** that has checkpoints, quality conditions, and "outs"; and
- **Competent Oversight**: More municipalities are utilizing consultants to perform quarterly checks on the management company's performance. In this way, the municipality has its own "expert" that can more objectively and critically evaluate the management company's performance. Of course, this adds to the overall cost of the contract and needs to be figured in when evaluating this scenario. We would also advocate a contract that features a "revenue sharing" concept as opposed to a flat fee model.

Discussion and Recommendation

It is our experience that self-managed facilities tend to fare the poorest when it comes to municipal operations. (Ramsey County only self-manages the maintenance operations at three of the facilities). There are many reasons for this. In addition to the ones mentioned above, probably the most important reason is that municipal governments, by their very nature, are poorly equipped to compete with private enterprises in a highly competitive environment. Some examples of why include:

- **Decision Making Process:** In a highly competitive environment, decisions must be made quickly. Governments, by their nature, are very slow in making decisions. This often filters down to the golf course where the General Manager is often given little decision-making authority.
- **Incentive:** Businesses are in business to make money. Good businesses recognize that people in the business world are similarly motivated, so they structure their compensation to reward strong performance financially. This motivation is usually lacking in government operations, where performance often has little to do with compensation.
- **Marketing:** Because governments are not normally competing with private enterprises, there is rarely a need to develop good marketing skills. Indeed, governments often fail to appreciate the importance of marketing. As a result, municipal golf facilities often do a very poor job marketing themselves.
- **Payroll:** Payroll is often significantly higher for municipal operations. One of the primary culprits is usually a benefits package that far exceeds those normally found in the golf industry. This is particularly true for the golf course maintenance department.
- **Quality of Staff:** One of the nice things about working for a municipality is job security. Unfortunately, when competing in a highly competitive environment, this job security works strongly against the municipal operation. Time and again, we find that municipal operations have personnel policies that make it very difficult to get rid of unproductive employees. As a result, the overall quality of the staff tends to go down as not only does the facility suffer from the unproductive employee, other employees' morale and motivation suffer as they wonder why they should work hard when the other person is

getting paid the same amount and goofs off. In private enterprise, with most companies, employees know that if they do good work, they will be rewarded – with better pay or a promotion. They also know that if they do not perform well, they will be looking for a new job -- soon. This double motivation is often lacking in municipal golf operations. (This has *not* been a big concern at municipality).

As mentioned previously, we have great confidence in the current management teams. We would like to see the agreements modified, however, to more of a hybrid format – especially with the equal treatment of revenue streams.

What to Include

A major issue for the County will be whether to include course maintenance. Doing so not only greatly reduces the financial risk for the county but would likely save more than $100,000 or more *per facility* in course maintenance expense. Further, it would allow for optimal coordination between course maintenance and golf operations (although we did not get the sense that this is currently an issue at any of the facilities.)

However, such a move would likely incur the wrath of the unions. It would also present an issue as to what to do with current senior course management personnel, who may not want to transfer to a private operator (usually because of reduced benefits). The County also has the benefit of being able to offer full-time employment for many of its maintenance staff as they switch over to the ice arenas in the golf off-season. This can help attract and retain good employees.

Consideration should also be given to include capital equipment in future operating agreements (golf carts and potentially maintenance equipment, if maintenance is part of the contract).

This is another example of the profit center vs. amenity argument. If our goal is to increase profits, especially short-term, then both course maintenance and capital equipment would be included in the management contracts. However, in the amenity approach, where profitability is not a consideration, then course conditions takes precedence and maintaining control becomes more important.

Preferred Contract Model

Our preferred contract is the *hybrid contract*, similar in nature to the one we helped write for the City of Carrollton, Texas.

However, a lease may make sense if it is desired to have the operator participate in the capital improvements. This would not only reduce municipality's burden, but it can reduce the overall costs of these improvements. A capital lease, though, would require a long-term lease agreement (as is the case with Island Lakes and the golf dome). This is both good and bad. The good being that it provides a long-term solution for the golf operation and insures a positive cash flow to the County. Yet, municipalities tend to "forget" about facilities in these long-term deals so that problems are often ignored, which can result in both the county getting back a facility in distress at the end of the lease, and poor service to the community.

We recommend that a hybrid contract contain the following:

- **Pooled Revenue:** The contract should not be based on a flat fee but should incentivize the contractor to maximize performance in a way that is best for the municipality. We feel the best way to accomplish this is to have *all* revenue (less cost-of-sales and apart from lessons) be considered equally and subject to the same revenue split.
- **Oversight:** The contract should contain an oversight mechanism that allows the municipality to inspect the operation on a regular basis (such as twice a year) and have set standards that the contractor should adhere to. If the contractor were not performing to standards, then there would be financial consequences. (We further suggest that these inspections be carried out by a qualified third party).

Single Vendor

Currently the County has five vendors for six facilities. Yet, there are some reasons why it would make sense to have a single operator, at least for the golf courses. These include:

- **Administrative:** One vendor, one contract is a lot easier (and less costly) to administer.
- **Customer Service:** Under a single vendor, there should be more consistency across facilities.
- **Marketing:** It is easier to brand, and more cost-effective to market, when there is only one vendor involved.
- **Merchandising:** Merchandising operations would be standardized across facilities. Further, the facilities would benefit from the combined buying power.
- **Operating Costs:** Operating costs are likely to be less as there are efficiencies to be gained with a single vendor.
- **Equipment/Personnel Sharing:** It is easier to share equipment and/or personnel. This can be extremely useful for large projects or in emergency situations. It can also reduce equipment costs as some of the more expensive but less used equipment can be shared across facilities.
- **Management:** Course policies would be standardized. There would likely be one person that would oversee the entire operation, which can improve management responsiveness.
- **Expertise:** Presumably, with multiple facilities, you would attract the interest of most of the large management companies in the country. They can provide additional expertise and resources that are not currently available.

On the other hand, the current operators are doing a great job. So, you do not necessarily want to eliminate them from consideration.

Our recommendation is to work with the operators to have all the current contracts expire at the same time. Then when an RFP is issued, provide the responders with the option of bidding on a single facility, multiple facilities, or all the facilities. The County can then evaluate the responses based on its needs at that time.

Other Considerations

Facility-Specific Projections

Our projections are facility-specific. In other words, they fail to show the impact of the other facilities' situation on the target facility. For example, if Manitou is reduced to nine-holes for renovations, one would expect that rounds at both Goodrich and Keller would go up during this period. But this is not shown. Nor is it shown the impact of a facility's degradation (under Status Quo) would likely have on the other courses.

The main reason for this is that when you consider four facilities, each with at least two different scenarios, and different timing options for each, you would end up with a seemingly endless number of possible combinations. This would be both cumbersome and confusing to the reader.

We also feel that the facility-specific approach is more conservative with regards to that facility's performance. Thus, it better allows for measuring the impact of the renovations on that facility.

Island Lake:

We do not talk much about Island Lake in this report (we do discuss it more in the full report) as it is currently under a capital lease. Yet we do need to acknowledge there has been some discussion of developing the property once the current lease expires. Clearly such a decision would be based on optimizing financial return as it is permanently removing an amenity from the system.

We hope that the County will consider the following in its decision making-process:

- **Profitable:** According to the operator, the facility is profitable, even after taking the $75,000 annual lease payment into consideration.
- **Amenity Value:** Island Lake is a very valuable asset within RC Golf, even though its role is not being fully realized by the County. It is a great teaching facility, and the best facility in the system for juniors. It is also the most affordable golf facility in the system.
- **Outreach:** Island Lake has done an outstanding job in community outreach, with programming for many area schools, the local YMCA, and other community groups. It also has outstanding programming for juniors and seniors. And it is the only facility in the system with significant programming for the handicapped.

Debt Financing

It is highly likely that the County will use bonds to finance any major improvements to the golf courses. In our projections, we have assumed an interest rate of 3.3%, which we feel is conservative.

However, consideration may need to be given to using *taxable* bonds, instead of non-taxable. The reason is that with non-taxable bonds can limit the management options for the facilities.

With non-taxable bonds, the IRS places limits on a management company's ability to share in the *profitability* of the facility. This removes an important incentive and limits the types of contracts available.

Pavilions

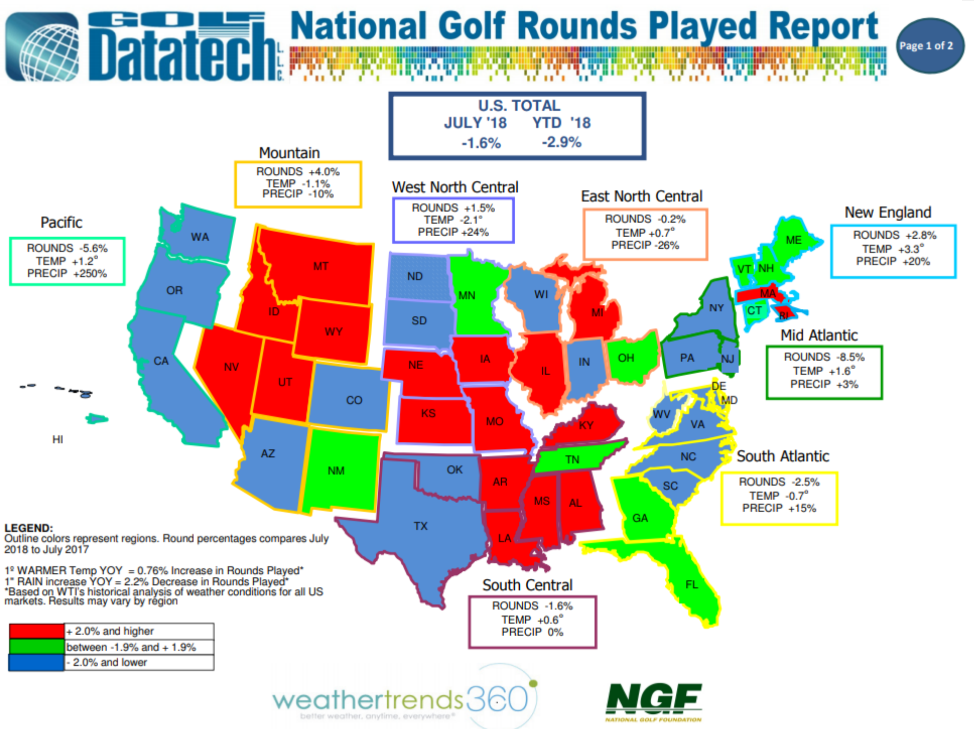
At both Goodrich and Manitou, we recommend considering adding Pavilions that could hold 150 guests or more. This will allow the facilities to host larger groups, such as tournaments and outings, and possibly weddings. These pavilions can cost between $100,000 and $250,000.

Rounds Reports

It should be noted that the round counts in this report have been adjusted from what has previously been disclosed by the Parks Department as some rounds were accidentally double counted – especially at Manitou. There were also errors in how rounds were categorized in the POS system at some of the courses.

APPENDICES

Appendix A: Trends



Golf Datatech L.L.C.

National Golf Rounds Played Report

JULY 2018

	JULY	YTD
UNITED STATES	**-1.6%**	**-2.9%**
PUBLIC ACCESS	**-1.4%**	**-2.8%**
PRIVATE	**-2.3%**	**-3.4%**

	JULY	YTD
PACIFIC	**-5.6%**	**5.2%**
CA	**-5.0%**	**5.1%**
Los Angeles	-8.5%	0.6%
Orange County	-1.6%	8.9%
Palm Springs	-9.6%	4.0%
Sacramento	-2.1%	5.7%
San Diego	-1.1%	7.3%
San Francisco/Oakland	-3.1%	12.4%
HI	**-9.7%**	**-3.8%**
OR	**-13.0%**	**4.0%**
Portland	-9.9%	11.4%
WA	**-2.0%**	**9.6%**
Seattle	-1.7%	9.8%
MOUNTAIN	**4.0%**	**4.8%**
AZ	**-4.5%**	**5.6%**
Phoenix	-2.6%	5.6%
CO	**-3.5%**	**-2.2%**
Denver	-0.7%	1.0%
ID, WY, MT, UT	**13.2%**	**9.0%**
NM	**-1.4%**	**1.9%**
NV	**4.0%**	**5.3%**
Las Vegas	4.2%	3.8%
WEST NORTH CENTRAL	**1.5%**	**-4.9%**
KS, NE	**6.6%**	**-2.1%**
ND,SD	**-9.8%**	**-15.9%**
MN	**0.4%**	**-6.3%**
Minneapolis/St.Paul	0.2%	-9.8%
IA, MO	**2.6%**	**-3.5%**
St Louis	-0.6%	-6.1%
Kansas City	7.4%	0.2%

	JULY	YTD
EAST NORTH CENTRAL	**-0.2%**	**-5.3%**
IL	**3.5%**	**-3.8%**
Chicago	4.5%	-3.7%
IN	**-2.2%**	**-7.2%**
MI	**3.7%**	**-0.1%**
Detroit	-1.9%	-0.7%
OH	**-1.1%**	**-8.9%**
Cincinnati	2.6%	-5.4%
Cleveland	-0.5%	-3.6%
WI	**-8.4%**	**-7.8%**
SOUTH CENTRAL	**-1.6%**	**-4.7%**
AL	**4.2%**	**1.3%**
AR, LA, MS	**2.4%**	**-3.2%**
KY	**3.9%**	**-1.0%**
OK	**-7.9%**	**-8.6%**
TN	**-1.9%**	**-14.4%**
Nashville	4.9%	-12.5%
TX	**-4.4%**	**-3.8%**
Dallas/Ft. Worth	-4.2%	-8.8%
Houston	-8.0%	-5.8%
San Antonio	-3.7%	1.7%

	JULY	YTD
SOUTH ATLANTIC	**-2.5%**	**-5.9%**
DE, DC, MD	**-2.0%**	**-13.0%**
Washington/Baltimore	-3.4%	-11.5%
FL	**-0.8%**	**-4.3%**
Jacksonville/Daytona	1.1%	-5.6%
Orlando	3.0%	0.7%
Tampa	1.1%	-3.5%
Palm Beach	1.7%	1.3%
Sarasota	6.1%	4.0%
Naples/Ft Myers	2.2%	1.4%
Miami/Ft.Lauderdale	-0.3%	-4.1%
GA	**-0.2%**	**-6.2%**
Atlanta	-2.2%	-5.7%
NC	**-3.5%**	**-5.7%**
Greensboro/Raleigh	-1.6%	-10.7%
SC	**-3.9%**	**-7.2%**
Charleston	0.3%	-3.6%
Hilton Head	0.7%	-3.6%
Myrtle Beach	NA	-4.8%
VA	**-6.5%**	**-7.9%**
WV	**-2.4%**	**-5.5%**
MID ATLANTIC	**-8.5%**	**-7.8%**
NJ	**-5.4%**	**-6.2%**
NY	**-10.1%**	**-5.1%**
New York City	-8.4%	-4.1%
PA	**-8.2%**	**-11.2%**
Philadelphia	-6.6%	-9.0%
Pittsburgh	-4.2%	-9.1%
NEW ENGLAND	**2.8%**	**-1.9%**
CT	**-1.4%**	**-4.9%**
MA, RI	**5.6%**	**5.3%**
Boston	2.3%	1.2%
ME, NH, VT	**1.0%**	**-13.2%**

The percentages represent the differences in number of rounds played comparing July 2018 to July 2017.
For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116

Appendix B: Golf Demand Summary

Summary of Demographics and Golf Demand

	Battlecreek		Goodrich		Islands	
	5 Mi	**10 Mi**	**5 Mi**	**10 Mi**	**5 Mi**	**10 Mi**
Summary Demographics						
Population 2017	209,407	652,778	259,997	729,047	177,791	1,037,642
Median HH Income	$66,908	**$67,496**	$55,204	$67,010	**$73,476**	$59,641
Median Age	34.8	35.8	33.7	36.1	41.4	34.5
# Households	74,995	251,527	96,814	282,678	73,534	408,146
Ethnicity						
% White	64.9%	68.9%	70.1%	71.9%	57.8%	70.1%
% African American	11.2%	11.0%	10.4%	11.7%	13.4%	10.4%
% Asian	14.5%	12.6%	12.5%	8.9%	20.2%	12.5%
% Other	9.5%	7.5%	7.1%	7.6%	8.6%	7.1%
% Hispanic	11.3%	8.3%	7.5%	7.3%	9.1%	7.5%
Golf Demand						
Golfing Households	15,558	52,987	18,603	61,335	18,183	78,835
% Participation	20.7%	21.1%	19.2%	21.7%	**24.7%**	19.3%
Projected Golfing Households 2022	16,598	55,881	19,589	64,458	18,967	83,443
% Growth	6.7%	5.5%	5.3%	5.1%	4.3%	5.8%
Number of Golfers	19,972	66,526	23,078	75,728	21,730	97,602
% Population	9.5%	10.2%	8.9%	10.4%	12.2%	9.4%
Rounds Potential	342,624	1,191,742	410,879	1,407,118	178,991	688,548
Rounds in market	172,902	749,226	220,474	845,883	178,991	688,548
Number of Latent Golfers	30,534	103,261	40,864	116,521	28,707	170,679
% Population	**14.6%**	**15.8%**	**15.7%**	**16.0%**	**16.1%**	**16.4%**
Demand Indices						
Household Participation Rate	150	153	139	157	179	140
Latent Demand	121	126	126	128	127	132

Summary of Demographics and Golf Demand

	Battlecreek		Goodrich		Islands	
	5 Mi	10 Mi	5 Mi	10 Mi	5 Mi	10 Mi
Rounds/Household	121	126	116	136	168	117
Golf Supply						
Total Facilities	6	24	6	30	7	23
Public	6	20	6	22	5	17
Private	0	4	0	8	2	6
Public by Price point						
Premium (>70)	2	3	1	2	0	1
Standard ($40-$69)	1	9	4	11	2	11
Value (<$40)	3	8	1	9	3	5
Golf Holes						
Total	81	387	108	477	99	378
Public	81	315	108	333	63	270
% Public	100.0%	81.4%	100.0%	69.8%	63.6%	71.4%
Private	0	72	0	144	36	108
Non-Regulation (Par 3, Exec)	18	81	18	81	27	54
% Non-Regulation	22.2%	20.9%	16.7%	17.0%	27.3%	14.3%
Net Change						
Percentage Total Holes last 5 yrs.	-18.2%	-10.4%	0.0%	-5.4%	0.0%	-2.3%
Percentage Total Holes Last 10 yrs.	-18.2%	-14.0%	-14.3%	-8.6%	0.0%	-6.7%
Supply Demand Ratios						
Golfing Households per 18 Holes						
Total	3,457	2,465	3,101	2,315	3,306	3,754
Public	3,457	3,028	3,101	3,315	5,195	5,256
Premium	7,779	17,662	18,603	30,668	xx	78,835
Standard	15,558	5,578	4,651	5,576	9,092	7,167
Value	10,372	10,597	18,603	11,152	12,122	26,278
Private	xx	13,247	xx	7,667	9,092	13,139

Summary of Demographics and Golf Demand

	Battlecreek		Goodrich		Islands	
	5 Mi	10 Mi	5 Mi	10 Mi	5 Mi	10 Mi
Golfing Household Indices						
Total	280	199	251	187	267	304
Public	203	178	182	195	305	308
Premium	76	174	183	302	**xx**	775
Standard	**394**	141	118	141	230	182
Value	244	249	**438**	262	285	618
Private	**xx**	294	**xx**	170	202	292
Estimated Rounds/ In market Courses	38,423	34,848	68,480	53,099	32,544	32,788

Summary of Demographics and Golf Demand

	Keller		Manitou		Ramsey County	Minnesota	US
	5 Mi	10 Mi	5 Mi	10 Mi			
Summary Demographics							
Population 2017	**293,760**	853,318	160,169	602,634	544,964	5,531,375	324,310,011
Median HH Income	$55,243	$64,166	$68,815	$66,880	$62,019	$67,629	$59,240
Median Age	34.1	35.4	38.6	36.3	35.2	38.3	38.1
# Households	109,931	337,959	62,421	231,637	211,524	2,196,972	124,506,607
Ethnicity							
% White	57.9%	69.2%	74.6%	68.7%	66.0%	83.0%	70.4%
% African American	13.4%	11.3%	7.1%	10.7%	12.0%	6.1%	13.3%
% Asian	20.3%	11.7%	12.6%	13.7%	14.7%	5.0%	5.7%
% Other	8.4%	7.8%	5.7%	7.0%	7.3%	5.9%	10.6%
% Hispanic	8.6%	7.8%	5.8%	7.2%	7.4%	5.3%	17.5%
Golf Demand							
Golfing Households	20,729	70,543	15,181	51,394	43,075	463,210	17,175,900
% Participation	18.9%	20.9%	**24.3%**	22.2%	20.4%	21.1%	13.8%
Projected Golfing Households 2022	21,713	74,322	15,922	53,972	44,918	490,001	17,934,830
% Growth	4.7%	5.4%	4.9%	5.0%	4.3%	5.8%	4.4%
Number of Golfers	25,029	86,163	18,353	63,932	52,036	585,580	23,832,510
% Population	8.5%	10.1%	11.5%	10.6%	9.5%	10.6%	7.3%
Rounds Potential	460,475	1,587,497	346,581	1,182,368	973,682	11,849,550	455,965,500
Rounds in market	250,987	872,787	244,371	693,136	481,909	12,511,170	455,965,000
Number of Latent Golfers	46,182	140,105	25,142	95,628	88,238	750,936	40,573,960
% Population	**15.7%**	**16.4%**	**15.7%**	**15.9%**	**16.2%**	**13.6%**	**12.5%**
Demand Indices							
Household Participation Rate	137	151	176	161	148	153	100
Latent Demand	128	130	124	126	129	109	100
Rounds/Household	114	128	152	139	129	109	100
Golf Supply							

Summary of Demographics and Golf Demand

	Keller		Manitou		Ramsey County	Minnesota	US
	5 Mi	10 Mi	5 Mi	10 Mi			
Total Facilities	7	31	8	24	16	438	14,754
Public	7	23	5	18	13	392	11,006
Private	0	8	3	6	3	46	3,748
Public by Price point							
Premium (>70)	0	1	0	1	0	26	1,393
Standard ($40-$69)	5	12	4	11	7	170	4,087
Value (<$40)	2	10	1	6	6	196	5,526
Golf Holes							
Total	117	486	144	405	243	6,894	250,146
Public	117	342	90	297	189	6,093	181,458
% Public	100.0%	70.4%	62.5%	73.3%	77.8%	88.4%	72.5%
Private	0	144	54	108	54	801	68,688
Non-Regulation (Par 3, Exec)	27	90	18	72	45	801	20,277
% Non-Regulation	23.1%	18.5%	12.5%	17.8%	18.5%	11.6%	8.1%
Net Change							
Percentage Total Holes last 5 yrs.	0.0%	-5.3%	0.0%	-6.3%	0.0%	-5.4%	-5.3%
Percentage Total Holes Last 10 yrs.	-13.3%	-8.5%	-11.1%	-10.0%	-6.9%	-7.9%	-7.1%
supply Demand Ratios							
Golfing Households per 18 Holes							
Total	3,189	2,613	1,898	2,284	3,191	1,209	1,236
Public	3,189	3,713	3,036	3,115	4,102	1,368	1,704
Premium	**xx**	70,543	**xx**	51,394	**xx**	13,827	10,169
Standard	4,146	5,879	3,795	4,469	6,154	2,517	3,946
Value	13,819	11,757	15,181	12,849	12,307	3,828	4,253
Private	0	8,818	5,060	8,566	14,358	10,409	4,501
Golfing Household Indices							
Total	258	211	154	185	258	98	100

Summary of Demographics and Golf Demand

	Keller		Manitou		Ramsey County	Minnesota	US
	5 Mi	10 Mi	5 Mi	10 Mi			
Public	187	218	178	183	241	80	100
Premium	**xx**	**694**	**xx**	505	**xx**	136	100
Standard	105	149	96	113	156	64	100
Value	325	277	357	302	289	90	100
Private	**xx**	196	112	190	319	231	100
Estimated Rounds/ In market Courses	38,613	32,325	30,546	30,806	35,697	32,666	32,809

Appendix C: Infrastructure Life Expectancies

These are the expected life expectancies for various components of a golf course. These have been adjusted for the MSP climate area.

Goodrich

GOLF COURSE INFRASTRUCTURE LIFE EXPECTANCIES

Goodrich Golf Course

Project	Qty	Min	Max	Built	Age	Min Left	Max Left
Rebuild greens/collars/surrounds							
USGA/California/sand-based (No. 12, 17)	3	20	35	2008	11	**9**	**24**
USGA/California/sand-based (No. 15)	1	20	36	2010	9	**11**	**26**
USGA/California/sand-based (No. 6,10)	1	20	35	1997	**22**	**-2**	**13**
Push-up -1960	15	20	50	1960	**59**	**-39**	**-9**
Regrass Greens/collars							
USGA/California/sand-based	5	12	25	2008	11	**1**	**14**
Push-up	14	12	25	1960	**59**	**-7**	**-2**
Rebuild tees/surrounds							
-Vintage 2010 (8, 9)	2	15	20	2008	11	**4**	**9**
Hole #10	16	15	20	1997	22	**-7**	**-2**
Turf							
Tees		12	15	1960	**59**	**-47**	**-44**
Fairways		12	15	1960	**59**	**-47**	**-44**
Approaches		12	15	1960	**59**	**-47**	**-44**
Collection areas		12	15	1960	**59**	**-47**	**-44**
Maintained roughs		20	25	1960	**59**	**-47**	**-44**
Intermediate roughs		12	15	1960	**59**	**-47**	**-44**

GOLF COURSE INFRASTRUCTURE LIFE EXPECTANCIES

Goodrich Golf Course

Native roughs/natural areas	20	25	1960	**59**	**-39**	**-34**
Bunkers						
Rebuild bunkers/surrounds	15	20	1960	**59**	**-44**	**-39**
Replace sand	8	12	1960	**59**	**-51**	**-47**
Replace drainage piping/liners	8	12	1960	**59**	**-51**	**-47**
Irrigation system						
Replace controllers/wiring/sprinkler heads/swing joints	10	12	1960	**59**	**-49**	**-47**
Replace PVC piping/valves/fittings	27	30	1960	**59**	**-32**	**-29**
Replace pump station/fertigation	12	15	1960	**59**	**-47**	**-44**
Drainage (fairways/roughs)						
Replace corrugated metal pipe	25	30	1960	**59**	**-34**	**-29**
Replace corrugated single-wall pipe	25	30	1960	**59**	**-34**	**-29**
Replace PVC/double-wall pipe	25	35	1960	**59**	**-34**	**-29**
Cart paths						
Replace asphalt (Piecemeal)	12	15	1990	29	**-17**	**-14**
Lakes						
Dredging Off Stream	15	20	2008	11	**4**	**9**
Rebuild lake edges	15	25	2008	11	**4**	**14**
Replace pine straw/wood mulch						
Replace Mulch	1	2	1990	29	**-28**	**-27**

Manitou Ridge

GOLF COURSE INFRASTRUCTURE LIFE EXPECTANCIES							
Manitou Ridge Golf Course							
Component	**Qty**	**Min**	**Max**	**Built**	**Age**	**Min Left**	**Max Left**
Rebuild greens/collars/surrounds							
USGA/California/sand-based							
-Vintage 1978	4	20	35	1978	41	-21	-6
-Vintage 1980-s	5	20	35	1985	34	-14	1
-Vintage 1990's	7	20	35	1995	24	-4	11
Push-up -1927	5	20	50	1927	92	-72	-42
Regrass Greens/collars							
USGA/California/sand-based		12	25	1990	29	-17	-4
Push-up		12	25	1990	29	-17	-4
Rebuild tees/surrounds							
-Vintage 1978	4	15	20	1978	41	-26	-21
-Vintage 1980-s	5	15	20	1985	34	-19	-14
-Vintage 1990's	7	15	20	1995	24	-9	-4
Push-up -1927	5	15	20	1927	92	-77	-72
Turf							
Tees		12	15	1990	29	-17	-14
Fairways		12	15	1978	41	-29	-26
Approaches		12	15	1990	29	-17	-14
Collection areas		12	15	1990	29	-17	-14
Maintained roughs		20	25	1978	41	-21	-16

GOLF COURSE INFRASTRUCTURE LIFE EXPECTANCIES

Manitou Ridge Golf Course

Component	Qty	Min	Max	Built	Age	Min Left	Max Left
Intermediate roughs		12	15	1978	41	-29	-26
Native roughs/natural areas		20	25	1978	41	-21	-16
Bunkers							
Rebuild bunkers/surrounds		15	20	2005	14	1	6
Replace sand		8	12	2005	14	-6	-2
Replace drainage piping/liners		8	12	2005	14	-6	-2
Irrigation system							
Replace controllers/wiring/sprinkler heads/swing joints		10	12	1990	29	-19	-17
Replace PVC piping/valves/fittings		27	30	1990	29	-2	1
Replace pump station/fertigation		12	15	1990	29	-17	-14
Drainage (fairways/roughs)							
Replace corrugated metal pipe		25	30	1990	29	-4	1
Replace corrugated single-wall pipe		25	30	1990	29	-4	1
Replace PVC/double-wall pipe		25	35	1990	29	-4	6
Cart paths							
Replace asphalt		12	15	1990	29	-17	-14
Lakes							
Rebuild lake edges		15	25	1990	29	-14	-4
Replace pine straw/wood mulch		1	2	1990	29	-28	-27
Driving range							
Re-level/regrass practice tee		8	12	1978	41	-33	-29
Rebuild practice tee		12	15	1978	41	-29	-26

GOLF COURSE INFRASTRUCTURE LIFE EXPECTANCIES

Manitou Ridge Golf Course

Component	Qty	Min	Max	Built	Age	Min Left	Max Left
Regrass practice fairway/rough		12	15	1978	41	-29	-26
Short game practice area							
Regrass greens		12	15	1990	29	-17	-14
Rebuild greens		20	35	1990	29	-9	6
Regrass tees/fairways/roughs		12	15	1990	29	-17	-14
Replace bunker sand		8	12	1990	29	-21	-17
Rebuild bunkers/surrounds		15	20	1990	29	-14	-9

Appendix D: Course Routing Proposals

Appendix E: Cash Flow Projections