



Carmel • Clay Parks & Recreation

Feasibility Study
Acquisition and Operation of the Brookshire Golf Club
Carmel, Indiana

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Executive Summary

The Purpose

The question posed was, “Should Carmel Clay Parks & Recreation acquire from the City of Carmel the Brookshire Golf Club for \$3.0 million plus, assume the outstanding debt of \$838,025 (as of December 31, 2012), and accept the liability for the management and the financial performance from the continued operation of the golf course?”

The current fair market value, based on a Marcus & Millichap broker’s opinion of value issued on November 4, 2013, is between \$750,000 and \$850,000.

Since Brookshire was acquired by the City of Carmel in 2006 for \$2,615,616 million, the City has invested \$1,729,773 in an irrigation system, a pump station, maintenance equipment, golf carts, snack bar improvements, clubhouse roof repair, clubhouse HVAC, parking lot paving, and tree installation, while aggregating an accumulated operating loss of \$2,092,533.

A decision that appears simple when framed from a context of private enterprise becomes incredibly complex when viewed through the lenses of interdependent governmental entities.

The purpose of this report was to thoroughly examine the economic viability of the golf course as well as the role it serves within the community in enhancing the quality of life of the citizens of Carmel, Indiana.

Before determining the logic of the proposed transaction, understanding the mission, the financial foundation, and the management capabilities of the respective parties is paramount.

Carmel Clay Parks & Recreation

Carmel Clay Parks & Recreation (CCPR) was established through an Interlocal Cooperation Agreement between the City of Carmel and Clay Township in Indiana in 1991.

Created to serve the nature and fitness needs of the community, to manage and develop existing spaces and resources, and to create a sustainable future for parks and recreation programs through a financially viable and environmentally conscious parks system, CCPR generated



\$15,492,475 in revenue in 2012 from taxes, impact fees, earned income, and investment income. Of those revenues, 16.35% were provided by the City of Carmel.

At the end of 2012, CCPR had encumbered funds and reserves of \$5,596,081 for the Monon Community Center (MCC) operating reserve, the park system capital maintenance reserve, the cash flow reserve, and approved projects. The MCC features an indoor pool and an outdoor Waterpark, a large gymnasium with three regulation-sized basketball courts, an indoor track, a fully-equipped fitness center, and a Kid Zone play area. The Center offers hundreds of different of programs ranging from fitness to technology. The MCC generates the vast majority of CCPR's earned income. The park system capital maintenance reserve is dedicated to maintaining the existing infrastructure on more than 500 acres of park land.

Though CCPR had an uncommitted fund balance of \$5,172,715 at the end of 2012, the Department has currently identified (in its Comprehensive Parks and Recreation Master Plan) more than \$82.5 million in new development projects necessary to fulfill its mission; that is to contribute to the community's outstanding quality of life by providing enriching, enjoyable escapes through recreation, fitness, and nature. Of the proposed capital improvements, Central Park alone requires \$1,266,711 for its North Campus, which includes the dog park and \$3,580,050 for the West Commons, which incorporates the playground, shelters, and spray pad.

City of Carmel

Rated in 2012 by Money magazine as the #1 Best Place to Live in America, the City owned capital assets of \$1,047,924,626 with total debt of \$575,978,998 as of December 31, 2012. Annual revenues were \$268,740,284 contrasted to operating expenses of \$261,968,223 from governmental activities, wastewater, and water.

The City of Carmel has received many awards, including the following: water quality awards from the Indiana Department of Health, the International Society of Arboriculture's highest award, an Engineering Excellence Award from the American Council of Engineering for the Keystone Parkway, the U.S. Conference of Mayors' "Climate Protection Award," and the League of American Bicyclists Bicycle Friendly Community Bronze Level award.

According to the 2010 census, the population of the City of Carmel was "79,191" with a median household income of \$87,133, making it one of the most affluent communities in the Indianapolis **are** and within Indiana. With an area of 48.44 square miles, the City had a racial makeup that is 85.4% White, 3.0% African American, 0.2% Native American, 8.9% Asian, 0.7%



from other races, and 1.8% from two or more races. Hispanic or Latino residents of any race made up 2.5% of the population. The median age in the city was 39.2 years, and residents were 48.7% male and 51.3% female.”^{1 2}

The Asset

Built in 1970, and designed by Carmel’s legendary architect, William Diddel, Brookshire is a par 72, 6782-yard golf course with a slope rating of 133 from the blue tees. Cool Creek winds through 12 holes.



The golf course has provided recreation for an estimated 5,000 golfers averaging 28,341 rounds during the past four years of which member play (season passes) comprised about 15.81%. Gross revenues have average \$852,819 representing an average yield of \$22.70.

The cost to renovate the golf course to competitive condition was estimated as part of this analysis at \$3,652,500, of which \$2,496,843 should currently be in a capital reserve account that would be based on the accumulated depreciation of assets. Annually, \$126,007 for course

¹ http://en.wikipedia.org/wiki/Carmel,_Indiana

² <http://www.city-data.com/income/income-Carmel-Indiana.html>



improvements and \$90,000 for equipment replacement should be reserved. No reserves have been established.

The Challenges

The harsh reality is that merely transferring the ownership of the golf course from the City to Carmel Clay Parks & Recreation will not stem the likely operational losses or reduce the capital investment required.

There are challenges that will exist regardless of ownership or management resources allocated. Some of the uncontrollable or very expensive hurdles that will have to be overcome to create the possibility of providing citizens a value-based entertainment activity on a basis that is fiscally self-sustaining include:

- ◆ **Flood Plain:** The course, particularly holes 13, 15, 16, and 17, sit in a flood plain that is often unplayable due to spring rains.
- ◆ **Creek Banks:** The Indiana Department of Natural Resources (DNR) controls the waterways, the streams, the creeks, and the supporting banks. To ensure the stabilization of those waterways, the Department's regulations are very restrictive regarding removal of tree stumps or trimming grasses and weeds lying therein. The result is that the playability of the golf course is rendered exceedingly difficult by blind shots (3 and 11, etc.), or holes far beyond the ability of the average golfer due to forced carries over the creek (1, 6, 7, 8, 10, 13, 15, 17 and 18)
- ◆ **Course Layout:** More 100 trees are encroaching on the playing corridors of the golf course, increasing the difficulty of the course and intensifying the efforts required to maintain the condition of the course to an adequate standard (1, 2, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, and 18).
- ◆ **Clubhouse:** The ownership of a modest clubhouse with minimal food and beverage service is divided between the City and a private group of citizens who operate a swimming pool complex. The swimming pool is not in compliance with the standards established by CCPR for assuming operational responsibility. A new clubhouse of 10,000 to 15,000 square feet is required to attract the leagues, outings, tournaments, and corporate events that generate the supplemental revenue to create profitability.



- ◆ **Location:** The course, which was envisioned to be a private club, is located in the midst of a residential development.

In summary, the strengths, weakness, opportunities and threats to the Brookshire Golf Club are summarized below:

Strengths	Weaknesses	Opportunities	Threats
Carmel demographics	Course layout	Management	Competition
	Clubhouse design	Technology	Capital requirements
	Flooding and DNR Control	Marketing	Organizational inflexibility

Who Should Be Served?

The core role of government is to provide:

- 1) Sufficient Protection to foster a civilization and promote economic activity;
- 2) Civic Amenities ranging from sanitation and hygiene to enriching the quality of lives through a diverse array of parks and recreation programs;
- 3) Education to foster rational, intellectual, and reasoned thought;
- 4) Justice and Administration.

The question before the Carmel City Council and the Carmel Clay Parks & Recreation is, “To what extent should a governmental entity subsidize a recreational asset that is utilized by less than 15% of the population when the need for such an amenity is adequately handled by private enterprise?”

The answer to that question is likely to be rooted in differing beliefs as to whether a city should invest in the asset that has an intangible value or whether the activity should be held to the benchmark of being financially self-sustaining.

Options

With the facts presented, there are various options that can be selected. Presented below are the alternatives, along with their associated strengths and weaknesses.



Golf Course Feasibility Study

	Option	Probability	Benefit	Negative
1	Sell the golf course to a private party.	Remote	Continuing losses avoided and required capital investment avoided. Might receive \$800,000 from sale.	Course was poorly operated by private party from 1970 to 2006. Finding buyer unlikely, even at fair market value, as golf course is incongruent; too difficult for the average golfer with the course layout, and conditioning not appealing to more accomplished golfers.
2	Lease the golf course to a private party.	Slight possibility	Operational and capital risks are transferred to lessee. City may receive a fixed rental of 5% of gross revenue with bonus payments if course revenues exceed \$1.25 million.	Profits inure to benefit of lessee. Prices may increase, accessibility to course may become restricted to residents, course conditions may suffer, and only critical capital improvements may be made.
3	Convert the golf course to open park space.	Remote, because it would be “politically” unpopular	Likely losses reduced but not eliminated, though required capital investment would be avoided.	Cost to maintain open park space is \$100,000 per 150 acres. Property values surrounding golf course would be likely to decrease, adversely impacting property tax revenues.
4	CCPR purchase	Unknown	Skilled management team with deft marketing capability and expertise in maintaining and operating park facilities.	While the acquisition cost would defer other critical capital projects planned, the ongoing exposure to operating losses creates substantial risk of impacting all recreation services provided to citizens.
5	City of Carmel continue to operate	Default option	Talented course staff, if provided additional resources, might be able to mitigate losses in intermediate term while providing local residents a value-based option for golf.	Save for the Cultural Arts Center, the golf course is the sole entertainment managed by the City and represents a diversion of focus and financial resources for its principal responsibilities of safety and economic development.



Making the Best of a Bad Hand: A Cooperative Effort

Managing a municipal golf course is a challenge, regardless of its management structure. City Council requires transparency. The golf course management and staff are usually well compensated, and the golfers expect low prices and a quality golf experience. Those elements don't mix well.

The management of a municipal golf course usually takes one of three forms.

The first form of management uses only city employees, and in this form the swing of quality will hit both extremes, from outstanding dedicated employees to those merely “punching the clock.”

A second form of management is “leases.” Third parties pay a negotiated rental fee to the municipality, and this fee benefits revenue, gains, and losses. If the contract is well written, the third party is held accountable for ongoing capital improvements. While this form of agreement provides the municipality the least short-term risk while being isolated from net operating losses, it provides the highest long-term risk if capital improvements are not made. Leasing to individual concessionaires often can produce less than desirable results. Concessionaires are for-profit entities, and as such they create a natural conflict of interest between scope of services and efficiency of operations.

Currently the most popular form of privatization is management contracts, by which the third party is paid an annual fee, currently ranging from \$75,000 to \$200,000, to manage the facility.

To assist in making a decision concerning what is the optimum form of management for a municipal course, the following chart summarizes the matrix of decisions a municipality faces as far as risk, capital investment exposure, and the right to inure to the benefit of profits or to fund loss:

Matrix of Decisions	Self-Manage	Management	Lease
Risk	Full Risk	Full Risk	No Risk
Capital Investment	Full Capital	Full Capital	No Capital, unless negotiated.
Profits	Full Profits	Full Profits less a management fee	No Profits other than “rent”



There are some key rules of thumb, depending on the financial position of a golf course. If the course is incurring operating losses and lacks capital – leasing would be preferred. If the value is eroding and expenses are increasing, professional management is a viable option. If a course is breaking even and covering debt and capital, self-management remains the preferred management choice.

Considering, the lack of viable candidates to lease Brookshire and the risks assumed therein, it is the recommendation of this report that the most likely best alternative for the ongoing management of Brookshire Golf Club is for Carmel Clay Parks & Recreation to be given operational responsibility for the management of the golf course, with the City of Carmel continuing to fund all capital requirements and operational losses that may continue to exist pursuant to a definitive contract in which the responsibilities of both parties are precisely defined and no ambiguity remains.

Further, in that this recommendation will result in the reallocation of management, staff, financial resources, technology skills, and marketing expertise within CCPR, it is suggested that the agreement include an annual management fee of \$50,000 to recognize the annual investment to be made by CCPR while providing value to the City of Carmel below that would be realized from an independent third-party management company.



The Supporting Research for the Golf Course Feasibility Study

Analysis and Research Performed

The stewardship of a golf course blends the interests of many groups: City Council, Mayor, Parks Board, management, staff, golfers, and taxpayers. Each group has a different view as to how the golf courses should operate. It is not surprising that people can see the same data and reach very different conclusions.

To create a common focus on which everyone can agree as we begin to determine the viability of Carmel Clay Parks & Recreation purchasing the Brookshire Golf Course and accepting the liability for the management and financial performance of the golf course, Golf Convergence employed a precise methodology of seven steps. These steps, and the knowledge to be gained from each, are summarized below:

Step	Function	Description	Knowledge Gained
1	Strategic	Geographic Local Market Analysis	Do the demographics indicate that there is sufficient demand to meet the available supply of golf courses? Based on the age, income, ethnicity, and population density, what type of facility would create the highest probability of a fiscally sustainable golf operation?
2		Weather Impact Analysis	Are the current losses being realized a function of adverse weather or of management policies? Are there sufficient playable days to generate a return on the proposed investment?
3	Tactical	Technology	How effectively has an integrated golf management solution been deployed to create the collection of data required to properly manage the golf course?
4a		Key Metrics	How does the operational performance of Brookshire Golf Club compare to the 15 industry management benchmarks that measure strengths and weaknesses and to regional and national indices?
4b		Financial Modeling/ Revenue Management	Are the critical and competitive renovations required and the comprehensive improvements sought financially viable? What debt service can the golf course cover? Have accurate financial models that support proactive decision-making been developed. What is the current utilization and REVPAR?



Step	Function	Description	Knowledge Gained
5	Operational	Golf Operation and Course Agronomic Review	What is the current physical state of the golf course? What is the optimal and best use of the property? What are the recommendations for facility expansion and layout modification based on, and are they likely to produce a financial return or create supportable intangible value to the quality of life within the City?
6		Management, Marketing, and Operational Review	Does the value provided equal or exceed the associated fees? Are the proper operating procedures consistently deployed through each step of the “assembly line of golf” to create value for the golfer?
7a		Customer Preferences	Who are the core customers and how much do they spend? What is the annual retention rate of your golfers? What are the barriers to increased play? What are the primary reasons they select one course over another?
7b		Customer Loyalty	How loyal are your customers? What are the key loyalty drivers that create satisfaction, and what is the financial referral impact of promoters versus the negative impact of detractors?

All companies and organizations on the planet know WHAT they do. They are easily able to describe their products and services. Some companies are able to explain HOW they are different—their unique selling proposition. Few companies are able to clearly articulate WHY they do what they do. Such applies to the City of Carmel’s Brookshire Golf Club.

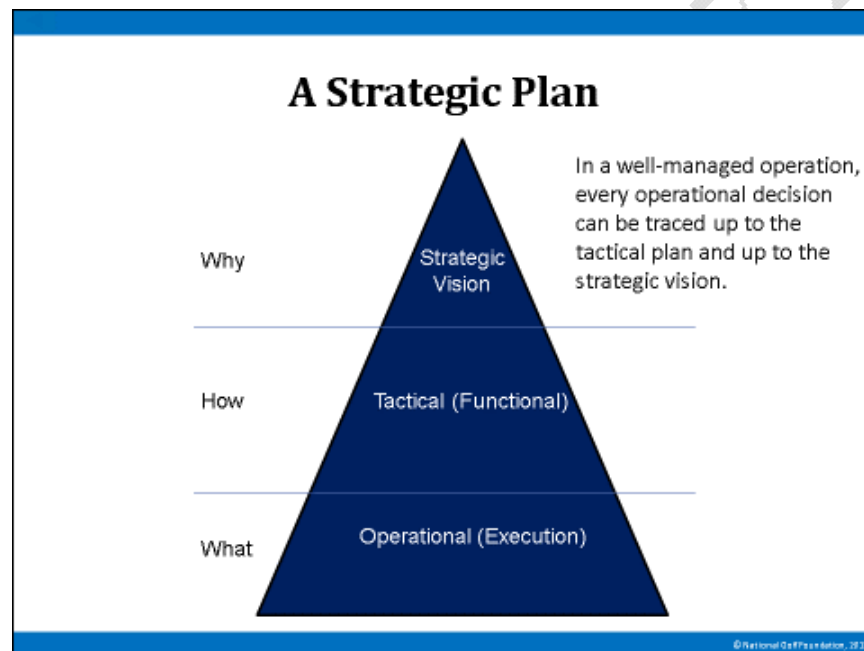
Thus, the foundation for a feasibility study must be an understanding of the strategic vision for the golf course and whether its creation and its actual operation are consistent with that vision. If those elements are out of alignment, the financial potential of the course is severely impacted.

Understanding the interrelationships is important because this report has a dual purpose. Regardless of the decision made with respect to the proposed transaction, it is the sincere intent of the Carmel Clay Parks & Recreation Department, should it not acquire the golf course, to help the City of Carmel understand the current challenges that Brookshire Golf Club faces to become financially self-sustaining and to provide a roadmap in the form of a strategic plan that could be implemented to achieve that goal.

All Courses Must Have a Strategic Vision

All of the storied golf courses of the world have one thing in common: a rigid discipline to adhere to the strategic vision for the facility.

The mission statement is an important part of such a vision; it defines the tactical resources required and the operational policies and procedures to be implemented to achieve the financial result desired. In a well-managed operation, every operational decision can be traced up to the tactical plan and then up to the strategic vision, as illustrated below:



To illustrate, the concept of the integration of operational policies to tactical resources to the strategic vision, would you expect valet parking at a low-end municipal golf course? Not hardly. Would you expect bottled water, free range access, ball repair tools, carts with GPS, and towels at a golf course charging in excess of \$200? Very likely.

Without a defined strategic vision, effective tactical plans cannot be developed. Without tactical plans, efficient operational execution cannot occur. The result of this lack of strategic planning is highly predictable—policies, procedures, and practices become based on the ever-changing whims of owners, management, and staff, or upon the opinions and suggestions of golfers.



Management and staff, as best they can, will only respond to the latest self-imposed crisis or artificially defined priority. As the saying goes, “Vision without action is a daydream. Action without vision is a nightmare.” Either way, chaos ensues.

“Strategic,” “tactical,” and “operational” are three buzzwords in the business lexicon that make most people’s eyes glaze over. Succinctly, they mean the following:

- ◆ **Strategic:** *culture*; vision, history, tradition, and governance.
- ◆ **Tactical:** *asset management*; comprising the facilities (golf course, clubhouse and other physical entities, finances, and human resources).
- ◆ **Operational:** *activities* (green fees, tournament, merchandise, food and beverage and range) and *management* (leadership, staffing and scheduling, marketing, and customer interaction).

The interrelationship of these components creates the anatomy of a golf course operation, as illustrated here:





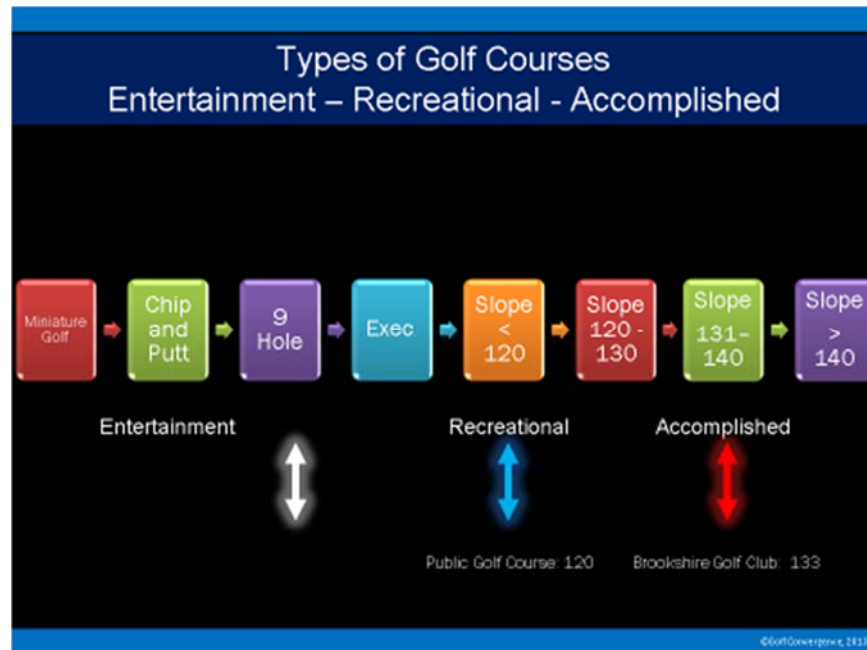
Golf Convergence noted that the vision and mission statements for the golf course were not addressed on the course Web site, which calls the course “Hamilton County’s best value.”

The original vision for the Brookshire Golf Club was that it would be a private club. That type of facility attracted the more accomplished and skilled golfers who were willing to pay a premium for a superior golf experience, convenience, unfettered access to prime tee times, and a social environment consistent with their lifestyle.

The vast majority of municipal golf courses are designed as entry-level offerings, each providing a value-based experience that players of diverse abilities can successfully navigate. The prime-time cost of green fee and cart averages \$42 nationally. Many championship golf courses built in the 1990s were constructed to provide a “country club experience” for a day. Those facilities are able to post rack rates starting at \$75, netting an effective yield per round of \$45.00.

Brookshire Golf Club is currently focused on providing value-priced golf, with a summer rack rate of \$47.00 that yields \$22.70 per round. While that fee is what the City realizes, the actual cost to the golfer playing Brookshire Golf Club is a lot higher because it is speculated that the typical golfer loses 4 to 5 balls per round, and thus increasing the cost by \$11 to \$15. That qualifies the Brookshire Golf Club as an expensive proposition and an inferior experience.

Hence, at its core, the purpose for which the Brookshire Golf Club was created (a private club) versus how it is currently operated (a public value-based golf course) are in conflict, as illustrated below:



Even without further examination, for the Brookshire Golf Club to be financially successful, the course has to be made easier for the masses to attract a higher volume of rounds, or the course layout and conditioning need to be enhanced and the clubhouse renovated to attract and retain accomplished golfers. As currently constituted, the 1st, 3rd, 7th, 8th, 10th, 15th and 18th holes are too difficult for the typical public golfer.

The formula for a success of a golf course is simple. Value = experience – price. To the extent that the experience equals or exceeds the price, customer loyalty is created. To the extent that the price charged exceeds the experience, customer attrition occurs.

Thus, an investment is required by the City to either:

- 1) Make the golf course more player-friendly through the removal of trees, reduction of forced carries, etc., or
- 2) Improve the playability of the course for accomplished golfers by enhancing the course layout, by conditioning the course, and by renovating the clubhouse.



We are confident that if no investment is made, operating losses will continue regardless of who manages the facility.

While the options of selling or leasing the golf course are discussed herein, this report is principally designed to help City Council select between these two options should they elect not to pursue the alternatives with greater risk and lower probability of successful consummation.

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Step 1: Analysis of regional and local trends in public golf, including supply and demand

Macro-Economic Analysis: MOSAIC Profile

How do Nordstrom, Neiman Marcus, Outback, Starbucks, Four Seasons, Ritz Carlton, and every other department store, restaurant, and hotel chain determine the locations for their businesses? They evaluate demographics.

To determine the location of their retail locations, they use the MOSAIC™ lifestyle database, which in 2012 had 12 lifestyle groups, as illustrated below:

MOSAIC Lifestyle Data - 12 Lifestyle Groups					
	Life Style Groups	Examples - 1	2	3	4
1	Affluent Suburbia	America's Wealthiest	White-collar Suburbia	Enterprising Couples	Small-town Success
2	Upscale America	Status-conscious consumers	Affluent Urban Professionals	Urban Commuter Families	Second-generation Success
3	Small-Town Contentment	Second City Homebodies	Prime Middle America	Suburban Optimists	Family Convenience
4	Blue-Collar Backbone	Neuvo Hispanic Families	Working Rural	Lower-income Essentials	Small-City Endeavors
5	American Diversity	Ethnic Urban Mis	Urban Blues	Professional Urbanities	Mature America
6	Metro Fringe	Steadfast Conservatives	Southern Blues	Urban Grit	Grass-roots living
7	Remote America	Hardy Rural Families	Rural Southern Living	Coal and Crops	Native Americana
8	Aspiring Contemporaries	Young Cosmopolitans	Minority Metro Communities	Stable Careers	Aspiring Hispanics
9	Rural Villages and Farms	Industrious country living	America's Farmlands	Comfy Country Living	Hinterland Families
10	Struggling Societies	Rugged Rural style	Latino Nuevo	Struggling City Centers	College Town Communities
11	Urban Essence	Unattached Multi-Cultures	Academic Influences	African-American Neighborhoods	New Generation Activists
12	Varying Lifestyles	Military Family Life	Major University Towns	Gray Perspectives	

What is the objective of the MOSAIC Lifestyle typology?

- To classify neighborhoods in a way that provides the most powerful description of consumers' behavior, lifestyles, and attitudes.
- To identify lifestyle groups in a way that is as recognizable and meaningful as possible to marketers.

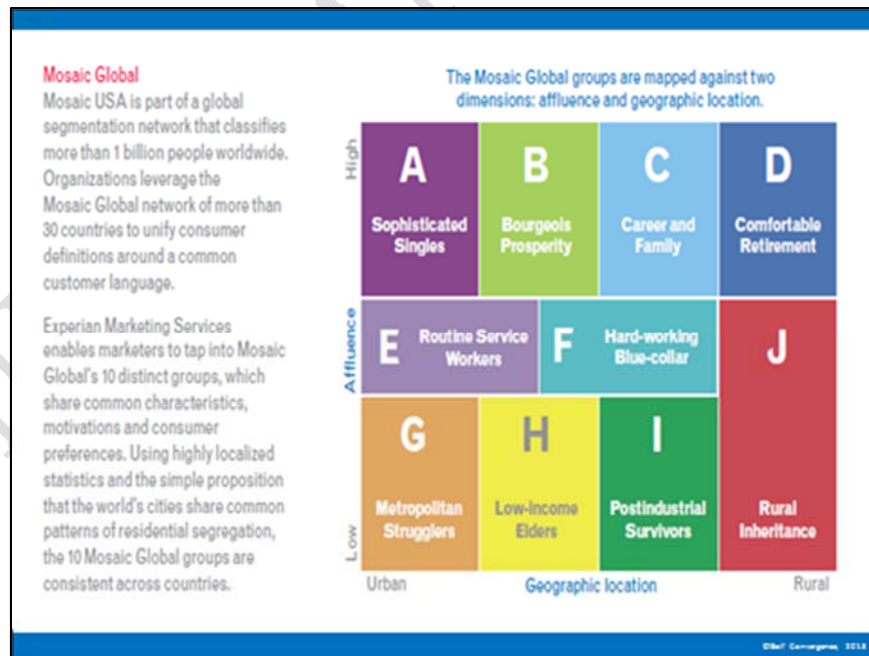


- To ensure that each of the named groups contain sufficient numbers of households to be statistically reliable for most analyses.
- To ensure that each cluster is homogeneous in terms of demographics and consumer behavior.
- To avoid an excessive concentration of individual U.S. MOSAIC types within particular geographic regions, except where appropriate.”

MOSAIC is useful when determining the financial potential of a golf course and the type of course layout best suited for the local community.

The majority of golfers can be classified in the top three tiers of the MOSAIC lifestyle database. Thus, golf courses that are located in the lifestyle groups classified as “Affluent Suburbia, Upscale American, and Small-Town Contentment,” are likely to outperform those located in the areas classified as “Blue-collar Backbone, Rural Villages and Farms, or Struggling Societies.”

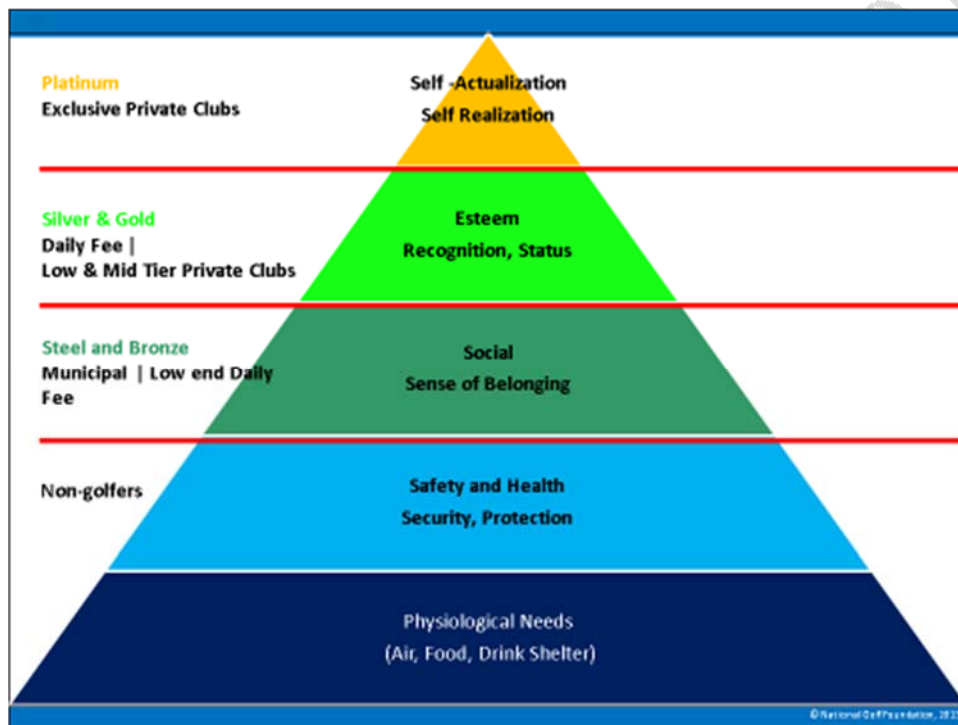
Interestingly, in February 2013, the MOSAIC Clusters were divided into 12 new broad global categories, as illustrated below:





Again the vast majority of golfers within the United States fall within the “sophisticated singles,” “bourgeois prosperity,” “career and family,” or “comfortable retirement” categories.

Having defined the segments of society that are likely to be attracted to the game of golf, the actual facilities to which they are attracted, surprisingly, can be traced to Maslow’s Hierarchy of Needs, as shown here:



It is important to match the client’s expectations with the experience created by the golf course management team and the associated course layout.

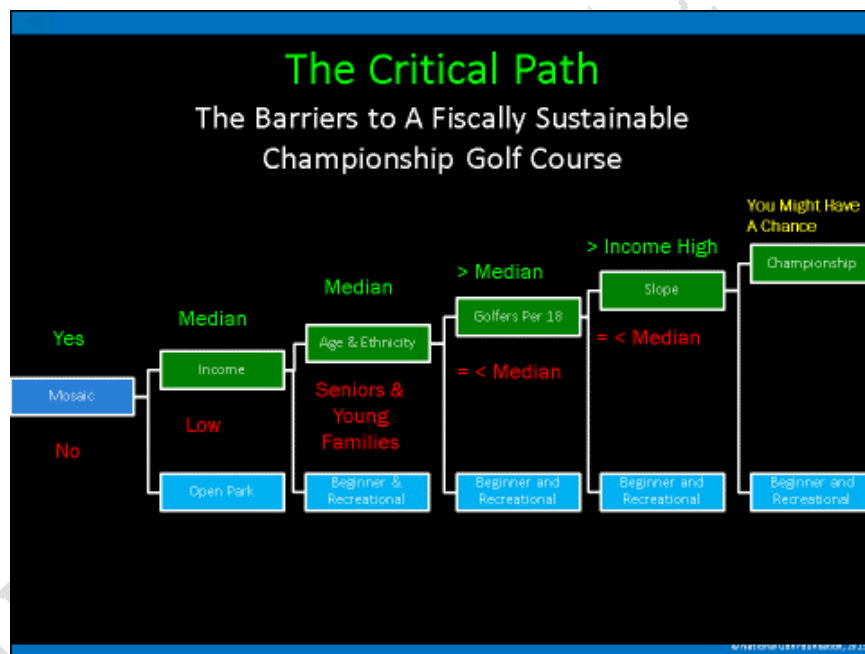
Most golf course operators believe that their course is unique in the challenges it presents to generating a sustainable financial return. From the demographic profile of the customers, to the diverse supply of golf courses in a given competitive set, to the impact of weather, to course layout, to the diversity of the labor pool, and to the capital available to invest, no two courses offer identical experiences.

However, there are six statistics gathered from within a five-mile radius of a golf course that determine its potential.



- 1) Concentration of sophisticated singles, bourgeois prosperity, **carrier** and family, and comfortable retirement, as defined by Experian's MOSAIC global profile of 12 categories.
- 2) Median household income.
- 3) Median age.
- 4) Number of African-Americans, Asian-American, and Hispanics.
- 5) Number of golfers per 18 holes.
- 6) Slope rating.

If these statistics are applied, the type of golf course best suited for the local market and the financial potential of a golf course can be determined based on the following thresholds:



To clarify, where there is low income a low number of golfers per facility, and a high slope rating, a facility will be consistently financially challenged. Even where income is high, if the number of golfers per 18 holes is low, the course will face challenges. Also, if the income is high, the number of golfers per 18 holes is stable, and the local community is ethnicity very diverse, the golf course will be financially challenged, depending on the type of course layout and the golf experience provided.



The demographic profile surrounding the Brookshire Golf Course is as follows:

	5	10	15	20	25	30
	66.90%	55.80%	37.00%	34.20%	33.70%	34.30%
Sophisticated Singles	3.90%	2.00%	0.60%	-0.30%	-0.70%	-0.90%
Bourgeois Prosperity	19.90%	17.90%	12.20%	11.40%	11.80%	12.20%
Career and Family	43.10%	35.90%	24.20%	23.10%	22.60%	23.00%
Comfortable Retirement	2.00%	1.10%	0.70%	1.60%	3.10%	3.30%
Routine Service Workers	2.40%	7.60%	11.00%	10.90%	11.40%	11.70%
Hard Working Blue Collar	-2.10%	-0.80%	3.20%	7.00%	7.60%	7.70%
Metropolitan Strugglers	6.00%	9.50%	18.10%	15.10%	12.60%	11.20%
Low Income Elders	-2.10%	-1.90%	-1.60%	-1.70%	-1.70%	-1.80%
Post Industrial Survivors	-2.10%	-0.40%	2.70%	3.60%	3.70%	3.40%
Rural Inheritance	-3.10%	-3.10%	-2.90%	-2.70%	-2.20%	-1.70%

The MOSAIC profile for the City of Carmel contains some of the most positive numbers seen by Golf Convergence in conducting strategic reviews for golf courses across the United States.

Can the Course Be Self-Sustaining?

Studies performed by Golf Convergence have established that a golf course should have a +20% rating on the MOSAIC profile index when compared to the U.S. population in order for a golf course to have the potential to be financially sustaining.

Thus, Brookshire Golf Club meets the first threshold that defines the potential for a golf course.

However, the existing course isn't compatible with the MOSAIC profile. The original vision of the developer for a private golf course was correct. Unfortunately, the product created included many forced carries, was poorly conditioned, offered an inferior clubhouse, and therefore faced financial challenges. A difficult course at a value price, as suggested by the strategic vision, is a poor match.



That raises the question, “Should a golf course that is not economically self-sustaining as currently constituted be shuttered?”

What Is the Role of Municipal Golf?

To answer to that question, the focus must be centered on the answer to the question, “What is the role of municipal golf?”

Historically, municipal golf courses are often viewed as the entry door to the game—including the stereotypical inexpensive, affordable golf. Average course conditions, small clubhouses, and limited food service cater mainly to seniors, juniors, season pass holders, and new golfers. During the past decade, this stereotype has changed, as many municipal courses now offer high-quality experiences; examples of these are apparent in the Indianapolis area, with golf courses such as Bear Slide, Prairie View, Purgatory, and the Fort.

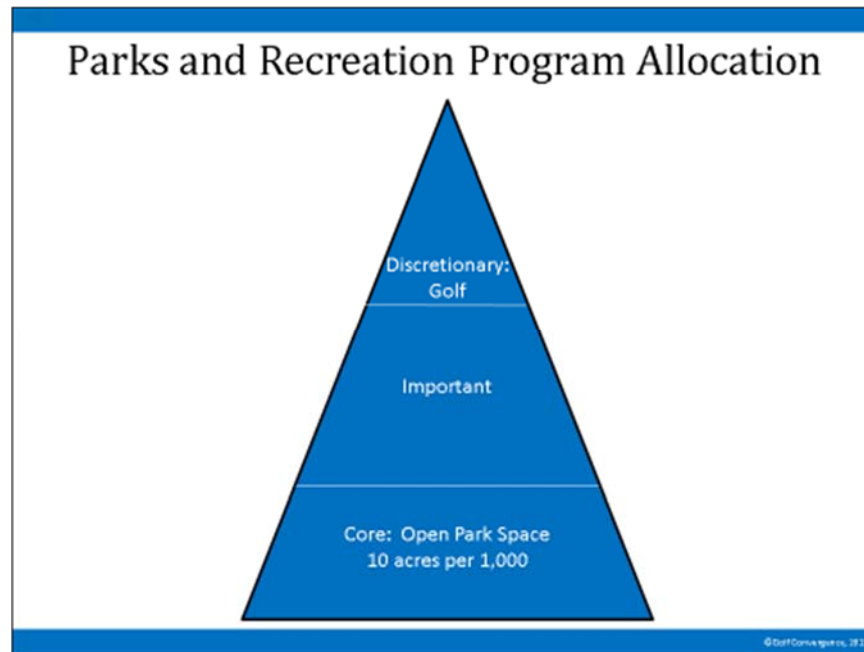
While looking to provide a recreational experience to its citizens, municipal golf encompasses a number of goals and functions:

- ◆ Provides an appropriate return on investment with a value-based recreational activity for the citizens.
- ◆ Serves as an entry door to the game as it introduces individuals to the sport, its rules, and its defining culture. Golf is the only sport in which professionals are role models who demonstrate that referees are not necessary for an event to be fair and fun.
- ◆ Provides an opportunity for families and friends to enjoy each other’s company via a walk through nature’s preserve. For the competitive athlete, golf is an arena to demonstrate ability. For business men and women, golf is an office, and for those who are retired, golf serves as a place to meet, exercise, and enjoy the reward for a life of diligent effort.

What is often lost in the debate about the viability of municipal golf courses is that golf is classified as a discretionary program by most people. The allocation of resources for parks and



recreation departments is determined by a matrix of core, important, and discretionary areas of importance by national standards, as highlighted in the chart below:



Thus, it is essential to understand the organizational framework in which the golf course operates within a City's defined charter of providing leisure services. Parks and Recreation systems across this country provide three types of services:

- **Core Essential Services:** These are services the city must provide to manage parks. They would include providing parks and open space for no cost, park maintenance, security, administration, and essential parks-related duties that are commonly considered public good services. These types of services are typically supported by tax dollars. Carmel Clay Parks & Recreation maintains 5.4 acres of park space per 1,000 in population.
- **Important Services:** These are services which provide for both the public good and the private good. Examples of Important Services would include programs such as swim lessons, summer day camps, and after-school programs.



- **Value-Added/Discretionary Services:** These are services that are nice to provide if money is available to support the services and if the community is willing to invest in them through user fees. These services would include **golf**, senior trips, fitness programs, and individual instructional classes and lessons.

With golf clearly a value-added/discretionary service, the golf course needs to be **fiscally self-sustaining**, especially since private enterprise can adequately fulfill this need for the citizens. It is with this understanding that the recommendations within this report were framed.

It is essential that the type of golf experience offered and the associated investment by the City be consistent with the demographic profile of the immediate community.

Tendencies and Preferences that Influence Demand and Supply

For this operational review, we conducted intensive research of the local golfer base, supply levels, the current supply/demand balance, and the impact of historical supply dilution.

This analysis is undertaken because Golf Convergence has learned from conducting strategic analyses for more than 400 golf courses nationally that certain characteristics are predictable, as highlighted below:

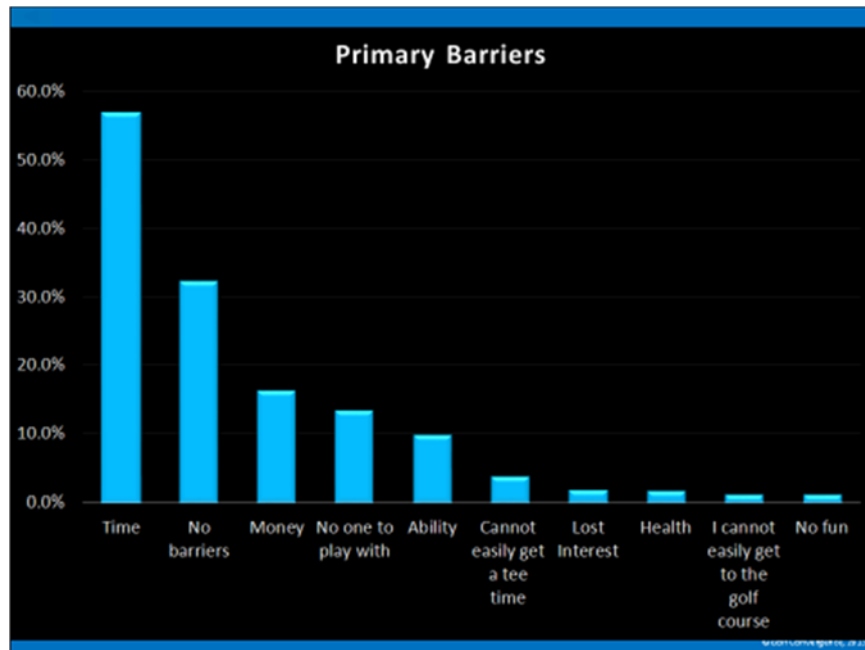


Just the Facts: The Industry	
90% Rounds	Live or work within 30 minutes of golf course
15% of Customers	Core golfers generate 60% of revenue
Defectors	50% play course once and don't return within 12 months
Distinct Customers	6,000 golfers play 4 to 7 courses annually
Barriers to playing more	Time or "No Barriers". Money is cited less than 20% of time
Game	Caucasian, Well-to-do, Older than General population

©GolfConvergence 2013

In essence, 60% of a golf course's revenue is generated from 15% of the customers. This 15% represent an average of 6,000 distinct customers who play 4 to 7 different golf courses, resulting in the fact that more than 30,000 rounds per year are played at the average golf course. What is always fascinating is that 50% of the golfers who play a golf course one year will not return the next, especially if the golf course is not utilizing effective email communication. Those defectors are replaced by a new set of golfers who are playing the first time or returning after a one-year absence or greater.

When asked to identify their barriers to increased play in the consumer survey conducted for this facility study, respondents cited the "lack of time" or, surprisingly, "no barriers," answers common to every survey by Golf Convergence.



The expense of the sport, while ranked third, is selected by only 17% of the respondents, who are most likely among the often frequent golfers those who proclaim, often loudly, that the solution to the current problem is to lower fees. They, speak from a platform of self-interest, hoping to cajole a City into lowering rates and subsidizing their leisure.

The chart below highlights the perilous path that discounting offers:



Decrease in Price	Number of Additional Rounds Required to Offset Discount
5%	5.26%
10%	11.11%
15%	17.65%
20%	25.00%
25%	33.33%
30%	42.86%
35%	53.85%
40%	66.67%
45%	81.82%
50%	100.00%

The key to financial success in managing a golf course is not focusing on price but rather on the value created by the experience offered. Where the experience equals or exceeds the rate charged, customer loyalty is created. Where the experience is less than the price charged, customer attrition occurs.

It is the belief of Golf Convergence that the recent drop in rounds at Brookshire, while influenced by the weather, is also a result of a declining experience provided to the golfer, this due to the lack of capital investment.

Understanding the experience sought by the golfers is rooted in realizing what motivates a golfer to play? This subject has been extensively studied by Golf Convergence.

In 2012, the National Golf Foundation reported that those who make up what is called “the latent demand” (those who have never played and have an interest or those who played in the past but now are not actively engaged) are primarily attracted to the sport to “spend time outdoors” and “for exercise and fitness.”



In 2013, the NGF expanded its research to current golfers, asking them why they play the game. The responses were very insightful and consistent with those who have an interest but do play golf currently, as highlighted in the following figure.

Why We Play	Not and Fringe	Casual	Hooked and Nuts	Average
Time outdoors	43	54	63	53
Social aspect	33	46	53	44
The exercise	32	44	48	41
Ball striking	23	40	59	41
The challenge	18	36	66	40
The courses	20	28	52	33
Stress relief	19	36	43	33
Mental game	10	23	39	24
Values of the Game	9	23	39	24
The competition	6	13	34	18
Keeping score	6	10	35	17
History & Traditions	6	9	27	14
Practicing	5	9	26	13

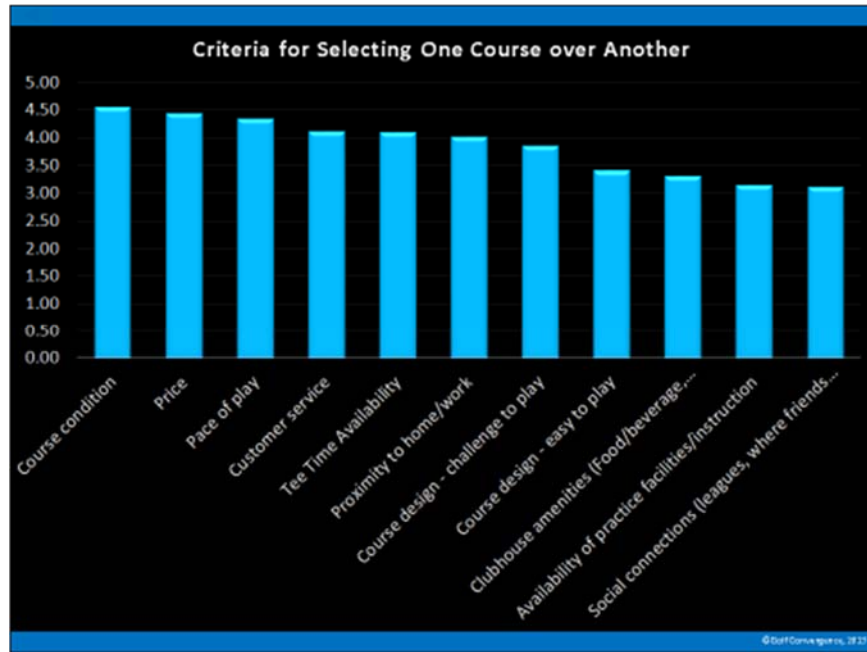
So despite all the commercials you see about longer, straighter, fewer strokes, they only matter to a small segment of those who play golf. And despite the PGA Tour, the Golf Channel, and the plethora of talk shows focused on championship golf, all segments of golfers are attracted to the sport by the opportunity to spend time outdoors, the social aspects of the game, and exercise. History and traditions, the competition, and ball striking don't make the top three categories.

There is a disconnect between the brand image of the game in the minds of the public at large (reinforced by the industry through its advertising) and what is actually sought by golfers; a lesson to be learned. Those three themes—spending time outdoors, the social aspects of the game, and exercise—should be hallmarks for the industry and the mantra of every golf course to attract and retain players to a game that still, at its core, is a game of the wealthy.

Thus, with the primary motivation of golfers known, understanding why golfers select one course over another provides insights into what causes the demand for a facility.



Golf Convergence surveys, including the survey conducted for this review of Brookshire Golf Club golfers, indicate that golfers select a course based on the following criteria:



This survey response from the City of Carmel respondents provides the first clue as to the possible solutions; either to invest to make the course easier to increase rounds or to create a championship golf course at a higher price point. With golfers selecting price as the second most important criteria, a value-based golf course, may be the path of choice for the City of Carmel, because it is doubtful that the City will have enough capital to invest in creating and maintaining championship playing conditions.

What Is the Demand for Golf?

Presented below are the geographic market demographics within a 15-mile radius around the Brookshire Golf Club:



Category	5	10	15	Indiana
Demographics				
Age (Median)	37.70	36.10	35.10	37.30
Age (Index)	102	97	95	101
Income (Med Household)	\$72,002	\$63,818	\$ 50,433	\$46,690
Income (Median)	135	120	95	88
Ethnicity (% Caucasian)	85.50%	74.90%	65.70%	84.30%
Ethnicity Index	118	103	91	116
Hispanic	4.80%	5.80%	8.10%	6.40%
Hispanic Index	28	34	47	37
Black	5.10%	16.50%	24.60%	9.10%
Black Index	40	130	194	72
Asian	5.40%	3.50%	2.70%	1.60%
Asian Index	110	71	55	33

Source: Tactician

Note: An age index of 102 represents that the population is 2% older than the U.S. population or an Asian index of 110 represents that the Asian population is 100% greater than the United States population in the aggregate.

These statistics reflect that age, income, and ethnicity are very supportive of golf in the City of Carmel; thus, the Brookshire Golf Club “passes” the median household income, median age and ethnicity thresholds to operate a successful golf course, representing the second, third and fourth barriers to success of a golf course.

It should be noted that the typical golfer in the United States is 41.5 years of age, has a median household income of \$85,800, and is Caucasian. For every one round played by a Hispanic American or a Black American, seven rounds are played by Caucasians. For every one round played by an Asian American, four rounds are played by Caucasians.

Demographics provide a crisp analysis of a golf course’s potential. The National Golf Foundation conducts extensive national consumer surveys measuring participation rates, the number of avid golfers, total participation, golfing fees, and golf fees per round. These statistics for Brookshire Golf Club are presented below:



Golf Course Feasibility Study

Demand	5	10	15	Indiana	100 CBSA	U.S.
Avid Golfers	5,468	18,990	30,319	185,553	5,222,533	6,878,980
Total Golfers	20,402	70,857	113,130	692,363	19,487,062	25,667,835
Golfing Households	14,573	50,612	80,807	494,545	13,919,330	18,334,168
Rounds Played	298,052	1,019,759	1,615,474	11,092,138	331,605,184	424,452,832
Seasonal Rounds	2,895	7,215	9,988	214,497	10,318,159	22,052,904
% of Rounds Played Outside Local Market	1%	1%	1%	2%	3%	5%
Rounds Played Per Golfer	14.61	14.39	14.28	16.02	17.02	16.54
Golf Participation	14.11%	13.50%	12.11%	10.57%	9.60%	8.31%
Total Population +18	108,434	387,318	688,212	4,954,867	155,687,588	239,719,509
Population > 18%	75%	74%	74%	76%	77%	78%
Population	144,629	524,937	934,092	6,550,038	203,040,187	308,745,538
Households	59,489	208,904	370,958	2,528,271	75,901,326	116,716,292
Population/Household	2.43	2.51	2.52	2.59	2.68	2.65
Golfers per 18 Holes	1,855	2,249	2,407	1,672	2,644	1,737

What do these statistics mean? The rounds played per golfer (14.61) and the golf participation rate (14.11%) are greater in the Carmel area than among the general population in the United States, but those who play, play less frequently than golfers elsewhere. This would suggest that a gentler, kinder golf course would be preferred by the majority. Unfortunately, that is not the experience provided at Brookshire.

The “golfers per 18 holes” statistic is very telling because it is significantly below national averages within the 5/10/15-mile market segments. While nationally, there are 1,737 golfers per 18 holes, like all national averages, this number unto itself can be deceiving. The top 100 core-based statistical areas (large cities) actually have 2,640 golfers per 18 holes. Within the five-mile radius here, there are only 1,855 golfers per 18 holes, indicating that supply exceeds demand by more than 30% in the immediate Carmel market. The ownership of a golf course is fraught with peril.



To determine what niche of this overcrowded market could be targeted, the segmentation of courses by price point and public/private interrelationship provides a deeper insight as to the potential within this market:

Category	5	10	15	Indiana	100 CBSA	U.S.
Premium >\$71	1	1	4	10	691	1,313
Value \$40-\$70	3	9	13	82	2,035	3,893
Price <\$40	4	7	14	272	2,137	6,438
Private/Public Mix	33%	47%	35%	17%	33%	26%
Premium/Value Mix %	25%	10%	24%	11%	25%	25%
Premium >\$71 %	13%	6%	13%	3%	14%	11%
Value \$40-\$70 %	37%	53%	42%	23%	42%	33%
Price <\$40 %	50%	41%	45%	75%	44%	55%

These statistics unfortunately indicate that the market looks pretty balanced as far as the private/public mix and the distribution of courses by price point. It is a little disconcerting that the low end of the market is over-supplied, as that may have been the path of least resistance for Brookshire Golf Club to pursue.

Appropriate Green Fees

With the numbers per 18 holes for the Brookshire Golf Club golf courses significantly below national benchmarks, it becomes imperative that the facility’s appropriate green fee be established.

The median household income within the competitive local market determines the base green fee that can be achieved. While extraneous elements such as national famed course designer, scenic views, comprehensive amenity packages, and upscale clubhouse can upwardly influence the green fee that can be realized, lacking such components, green fees are determined by surrounding median household income. It is of note that the median household income in the US is \$53,214 and that the average green fee with cart prime time is \$40 (0.00075%).

In the competitive performed concurrent with this analysis, none of the attributes that would positively influence the green fee price were noted. Lacking those, using the median household



income benchmark test would suggest that the appropriate fee for Brookshire Golf Club, all other things being equal, would be \$54.00.

The macro-economic analysis of green fee pricing provides a first look, but not a definitive perspective, of if the green fees charged are appropriate. Other factors that need to be considered are the quality of the course layout and the competitive market pricing.

Since the golf course's highest rate is 13% less than the benchmark suggests, the quality of the experience offered is inferior. As noted in Step 6, Golf Convergence evaluated the golf experience reported by survey respondents at 11 direct competitors and found that all but one, (Mohawk Hills) were said to provide a superior experience to that offered at Brookshire Golf Club.

But the ability to adjust the price upward based on the current product offering is heavily constrained by market conditions.

Step 1: Conclusion

For Brookshire Golf Club, does the City invest in a money-losing operation in the hopes of attracting recreational golfers who play infrequently and seek a low price-point experience? Or does the City invest in changing the course layout to attract skilled and accomplished golfers?

Neither of these are good options because the capital invested will exceed the mitigation of losses that may result from such investment. Therefore, the GLMA suggests that an incremental approach of improving the playability of the golf course through removing trees and working with the Department of Natural Resources to improve sight lines is cautious but necessary first steps, as these will address the needs of the two disparate segments that a strategic vision might be crafted on.



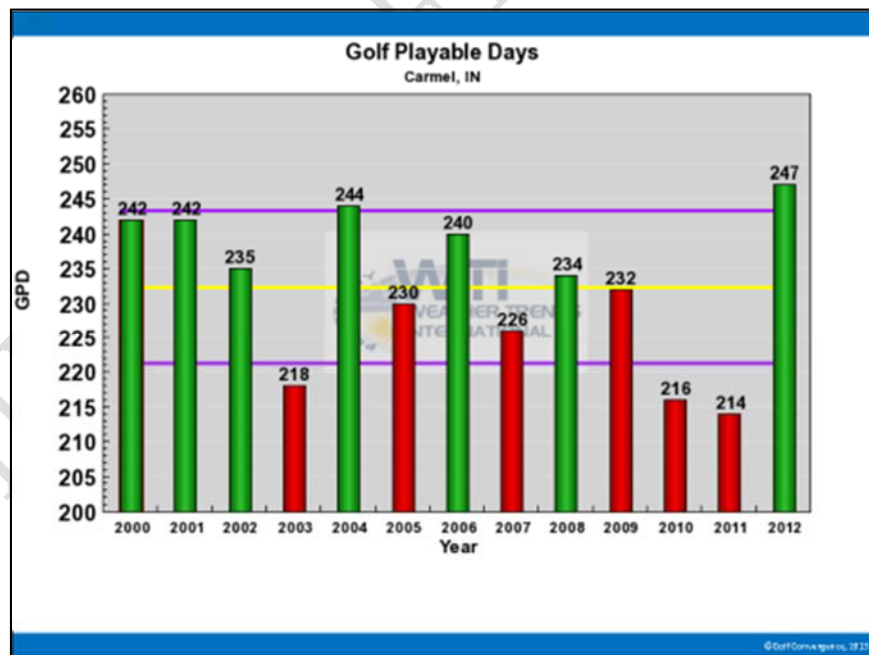
Step 2: Weather Impact Study

The axiom that “if rounds are up, it’s because of good management, and if rounds are down, it’s because of bad weather,” is a standard joke. But golf is an outdoor sport. Experts estimate that over 90% of rounds are played when the temperature is between 55 and 90 degrees. Rain, snow, and wind are mitigating factors that reduce the number of playable days.

Monitoring the number of playable golf days in a year compared to a 10-year trend allows an analyst the opportunity to filter the financial information to clearly differentiate between the impact of weather and the impact of management on a course’s performance.

Annual Golf Playable Days

In three of the past four years (2009 – 2012), the amount of playable days at Brookshire Golf Club was significantly below the City of Carmel’s 10-year average. On average, there are 232 playable golf days per year in Carmel, as illustrated below:





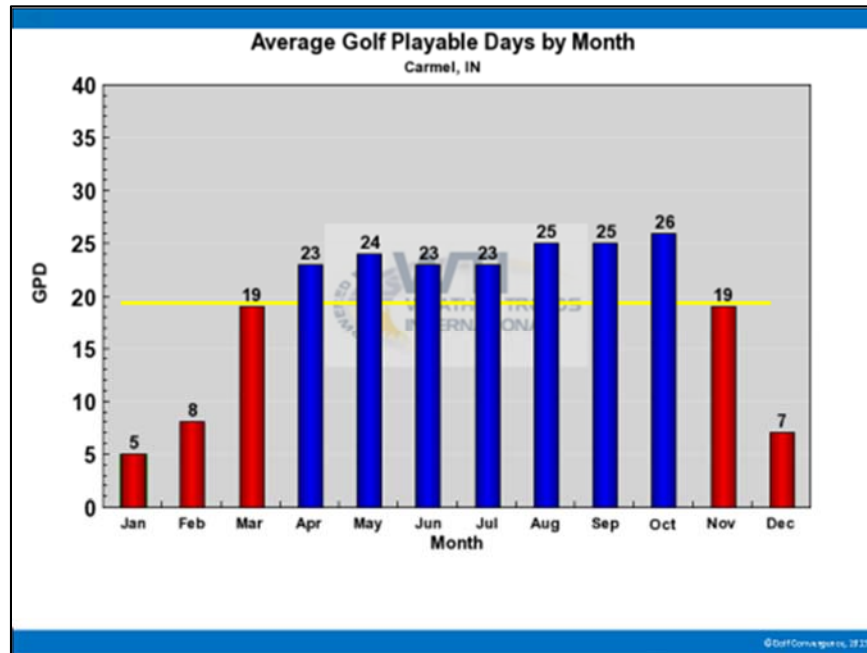
Based on this chart, and on the knowledge that the weather to date for 2013 has been unfavorable, it would be reasonable to expect that revenues in 2013 are likely to be at least 5% below those achieved in 2012.

	Year	Revenue	Revenue/Day
2007	226	760,831	3,367
2008	234	966,508	4,130
2009	232	820,122	3,535
2010	216	850,592	3,938
2011	214	790,112	3,692
2012	247	928,753	3,760
	228	852,820	3,737

The superficial observer often attributes the financial performance of a golf course solely to weather and believes that management’s efforts are consistently appropriate. What represents a 15% variance from the lowest revenue per day (2007 – 3,367) versus the highest (2008 – 4,130) can often be determined by other elements, such as a new irrigation system, improved conditioning, introduction of technology, creation of a customer database, implementation of email marketing, etc.

Viabale Operating Season

A second analysis of weather-playable days reveals that the Carmel area effectively has only an eight-month golf season, as illustrated below:

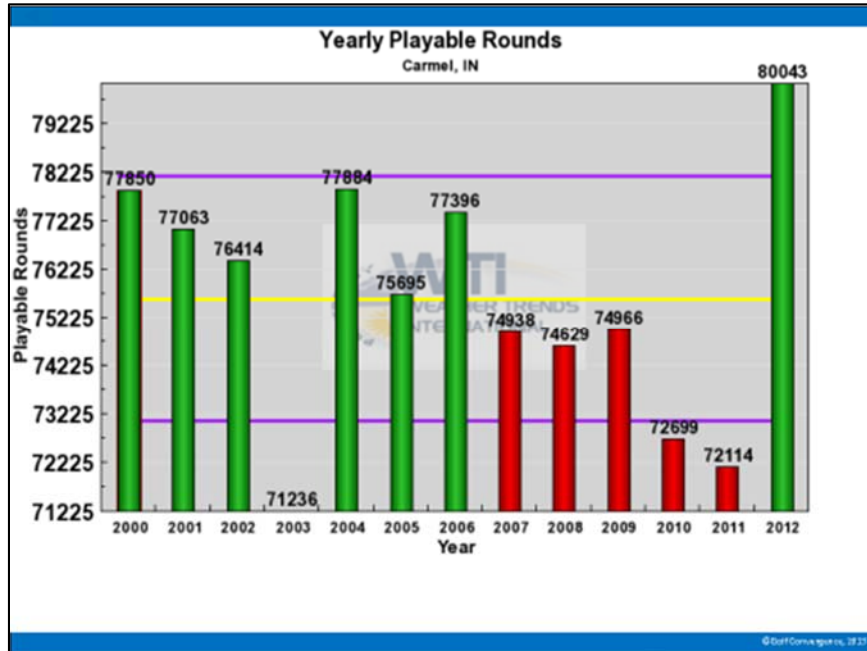


A Golf Playable Day (GPD) is defined as a day when the maximum heat index (a combination of temperature and humidity) is below 97 and above 45, and there is less than 0.20 inches of rainfall. This variable is quite subjective, as golfers in different parts of the country may be hardier when it comes to the weather in which they play golf, but this should capture just about all “normal” golfers. These numbers can be used to compare “good” years with “not good” years. Monthly values can help owners and managers determine when to have the most staff and plan for the most rounds.

A golf facility that is open slightly over eight months per year comes with the operational challenges of balancing full-time and seasonal staff. The temptation is to use a lot of seasonal staff to avoid benefits. However, these employees, who are the lowest paid and the least vested in ensuring a superior customer experience, are the employees who most frequently interact with the customers and therefore define the customer experience.

Yearly Playable Rounds

A third analysis has been undertaken to determine the efficiency of management, this by comparing actual rounds played to the course’s theoretical capacity, based on weather patterns.



As can be seen in the chart below, Brookshire Golf Club is operating at 37.74% of theoretical capacity, in contrast to the national average of 48%,

	Year	Capacity	Utilization	
	2010	27,479	72,699	37.80%
	2011	23,767	72,114	32.96%
	2012	33,982	80,043	42.45%
		28,409	74,952	37.74%

Outperforming the Weather

Analysis of weather-playable days can reveal whether management is under- or out-performing the weather, as reflected below:



	Base Averages	2008	Variance	2009	Variance	2010	Variance	2011	Variance	2012	Variance
Gross Revenue	871,217	\$966,500	\$95,291	\$820,122	\$(51,095)	\$850,592	\$(20,625)	\$790,112	\$(81,105)	\$928,753	\$57,536
Playable Days (Weather Friends International)	232	234	2	232	0	216	(16)	214	(18)	247	15
Revenue Per Playable Day	\$3,731	\$4,130	399	\$3,535	(196)	\$3,938	207	\$3,692	(39)	\$3,760	29
Revenue Change that Should Have Been Attributable to Weather			\$7,463		0		\$(59,701)		\$67,163		\$55,969
Under Performance by Management			N/A		\$(51,095)		N/A		\$(13,942)		N/A
Over Performance by Management			\$87,828		N/A		\$39,875		N/A		\$1,766

Brookshire management, over the past five years, has **outperformed the weather** in the aggregate by \$63,432 which is a reflection of the General Manager/Superintendent’s passion for producing a superior experience with very limited resources and a physical property that is a challenge.

While most golf course managers cite changes in revenue as being largely attributable to uncontrollable factors such as the economy or the weather, it is the opinion of Golf Convergence that changes are **as just** attributable to controllable factors.

The fundamental question is, “How can revenues be positively influenced?” While the course requires capital investment, leveraging technology through segmentation of data and implementing yield management with dynamic pricing should be considering. Further the use of short- and long-range weather forecasting can add to the efficiency of managing the facility.



Storm Clouds Ahead

Short- and long-term weather forecasting provides a golf management team the opportunity to adjust its operational practices. Examples of such are presented below:

- 1) Knowing season start times on a city-by-city basis will improve revenue forecasting and enhance the strategic planning process.
- 2) Production profiles for clubs, balls, apparel and other golf-related merchandise should be adjusted to better manage a possible overstock scenario and soften the need for dramatic markdowns.
- 3) Inventory allocation should be adjusted to place the most product in areas of the country with the most favorable weather.
- 4) Caution should be exercised in offering off-season rates in the spring, thinking that the revenue can be made up in the summer.
- 5) Outings and events should be scheduled for days on which the probability for rain is low.
- 6) Advertisements in local media should be placed during weekends when the weather is to be favorable.
- 7) If a superintendent knows that in 48 hours it is going to rain 1¼ inches, he or she should avoid using 400,000 gallons of water on the golf course, and thus save as much as \$600 in water expenses.
- 8) In those circumstances, a superintendent should also defer a fertilizer application that could cost upwards of \$10,000, knowing that the fertilizer would likely be washed away by heavy rains.

To illustrate, the 36-week advanced weather forecast for the Carmel, Indiana area is illustrated below. Note that in 2014 it appears that spring will be late; the maximum temperature doesn't



exceed 50 degrees until the week of March 24. Fifty degrees is an important benchmark, since that is the temperature required for the germination of most grasses to begin.



Note: The areas on the chart that are dark blue represent that temperatures will be approximately 15% colder than the year before. Green represents 200% more precipitation than the previous year

The 2014 spring forecast for Carmel is that it will be slightly warmer with more rain than in 2013; the hopes for a vibrant start to the season look dim.



Step 3: Technology

Many Applications – Integration Lacking

Many view the adoption of technology at a golf course as a new way to document transactions and facilitate the creation of income statements and balance sheets. Technology, when properly deployed, is one of the most valuable tools available to a golf course management team to create incremental revenue. Technology defines and guides the marketing strategy to build a larger customer database, create customer loyalty, and boost revenue.

Today Brookshire Golf Club’s utilization of technology is basic: a Web site (Golfers Guide Web) with tee sheet and with the POS system (Fore Reservation Systems) featuring online booking (Golf Channel Solutions), with newsletter registration, Facebook links, and Twitter integration that the course frequently uses effectively. The Web site, created by Golfer’s Guide Web, is a template-based system on which the fundamental static page information is displayed. The Web site of this Web site designer is pretty dismal, as only a phone number is available to contact the firm. Biographies of the principals are not included, nor is the address of the company.

Some of the more technologically savvy golf courses are engaged in dynamic variable yield pricing based on demand and bi-weekly emailed targeted messages to a segmented database.

Opportunities to Leverage Technology to Boost Revenue

While Brookshire Golf Club use of technology is comparable to many of its peers, this review formulated many suggestions. The following opportunities to further leverage their use of technology:

Opportunities to Further Leverage Technology	The Benefit
The customer database is not effectively segmented to determine the age, income, ethnicity, and playing habits of your customers as measured by the number of courses played, rounds played per year, and dollars spent annually.	Matching the golf experience provided to the demographics of a course’s database is an important step toward maximizing the revenue potential of each facility.
The number of distinct customers that play each facility is unknown. More importantly, the names, zip codes, and email addresses of the core, acquired, and defectors, while available with the existing POS system, are not leveraged.	Knowing the zip code distribution of your customer database facilitates the selection of appropriate print media. The key to effective marketing is crafting tailored marketing messages. Sending one email to a valued customer thanking him for his loyalty while sending a different email to those who haven’t played your course in 90 days creates loyalty and repeat purchases.



Opportunities to Further Leverage Technology	The Benefit
<p>Registration kiosks are not available at POS terminals to facilitate golfers registering for targeted emails.</p>	<p>The creation of a customer database at the POS terminal is always a challenge. Provide separate kiosks where golfers can self-register. This helps expand the database.</p>
<p>The starter doesn't utilize table-based software to facilitate check-in and tendering of fees. For an example of how this technology is now becoming vogue within the golf industry, view: http://static.webgravity.com/golfconvergence/video/g1_ipad.mp4</p>	<p>An evolving trend in other businesses, such as Apple stores, is the use of tablet-based POS software to accelerate the processing of a sale and to enhance customer convenience. Golf Channel is launching "G1" to enhance the customer touch points at a golf course.</p>
<p>The tee time reservation booking engine on the Brookshire Golf Club site requires too many clicks in order to book. The process is not located on the home page in the upper left hand corner.</p> <p>Most golf courses use a Web site to post static, rather than dynamic, content. Every airline, car rental company, and hotel realizes that customers go to the Web to book a reservation. As such, these companies all have their booking processes in the upper left hand corner of the screen because people read from left to right and from top to bottom.</p>	<p>Organizing the Web site to facilitate customer transactions will enhance service, encourage greater Internet booking, and save pro shop labor needed to process reservations.</p> <p>With only 12% of tee times booked online, this is a great opportunity for growth that will facilitate an increase in the customer database without requiring internal labor.</p>
<p>The current phone number, address, and office hours for the Brookshire Golf Club are not featured on the home page and an interactive map is not utilized to assist golfers in locating the course.</p> <p>Each space on a Web site has a different value. Placing the course's phone and address in the upper right hand corner of the web page is optimum.</p>	<p>Having the phone number in the upper right corner of the Web site, we believe is the most convenient location for a golfer who is seeking to call for additional information.</p> <p>The goal is to make the process of interacting with the Brookshire Golf Club as convenient as possible.</p>



Opportunities to Further Leverage Technology

The Brookshire Golf Club is ranked 3,809,111 by Alexa.

Alexa Traffic ranks a Web site’s popularity. The rank is calculated using a combination of average daily visitors to a site and page views on a site during the past three months. The site with the highest combination of visitors and page views is ranked #1, often Google, MSN, etc.

Alexa also develops a profile of who is visiting the site by age, education, geographic location, etc. The Brookshire site is so infrequently used that none of its viewing demographics were available.

Brookshire Golf Club’s Web site is not effective. The bounce rate is not measured, customers view only 2.0 pages on average, and spend only 3.09 minutes on the site.

It is ironic that most people who are directed to the Brookshire Golf Club site arrive by accident in their search for other businesses named Brookshire, as illustrated below:



Keyword	Percent of Search Traffic
1. brookshire	27.70%
2. brookshire inn williamston mi	24.98%
3. brookshire inn	18.95%
4. brookshire williamston mi	17.78%

The Benefit

Understanding how golfers are using the Web site provides effective feedback to ensure that the site is properly constructed.

Currently, the ranking of this site is far below that of the typical golf course. To illustrate, Bethpage State Park in 2012 was ranked as high as 8,642.

The creation of a Web site that processes consumer transactions efficiently will boost customer loyalty and revenue.

THIRD



Opportunities to Further Leverage Technology	The Benefit
<p>The Web site grader score is unknown by the Brookshire staff.</p> <p>In running the analysis for this report, the following comments were received from http://www.grademyseo.com/</p> <p><i>“1. No meta description tag was found for your website.</i></p> <p><i>2. OVERALL PAGE CONTENT IS HURTING - Your website is lacking the bare minimum amount of respected content. If adding content to your website will disrupt visitor flow, think of creative ways to mouse over text, instead of display.</i></p> <p><i>3. Your link to content ratio low - THIS IS TERRIBLE! - Fix this by adding more unique sentences and paragraphs and content to the desired page.</i></p> <p><i>4. You did not set a content type in your meta tags.”</i></p>	<p>Creating a Web site that is transaction-oriented, rather than information-based, will enhance customer service and will have the potential to create incremental revenue.</p>
<p>The Hubspot marketing grade score was 37 out of 100. In running this analysis for Brookshire, Golf Convergence noted the lack of mobile application, lead generation, and SEO optimization, and the underutilization of social media and blogging. .</p>	<p>Unless a Web site and email are properly constructed and effectively implemented, the brand image created and the marketing message sent create little value.</p>

While the list presented above seems daunting in its message and might be perceived as an unfavorable critique on current practices, realize that the use of technology at golf courses is in the nascent stage of development.

The biggest barriers that Golf Convergence observes in conducting strategic reviews are the defensive attitudes of management and staff to suggestions made to help clients enhance their operation.

Golf Convergence believes that by addressing the issues listed above, opportunities abound to increase the size of the customer database, enhance customer loyalty, and increase revenue; the customer survey revealed significant weaknesses in the quality of the Brookshire Golf Course database, as illustrated below:



Name	Launch Date	Sent	Open	Click	Bounce	Unsubscribe
Carmel Clay Parks & Recreation - BCG DNO	Sep 10, 2013 11:31PM	1,945	8.84%	4.22%	12.34%	0.26%
Carmel Clay Parks & Recreation- BCG ODNC	Sep 10, 2013 4:55AM	315	57.78%	13.97%	0.63%	0.63%
Carmel Clay Parks & Recreation - ODNC	Sep 10, 2013 4:52AM	2,730	56.78%	4.10%	0.04%	0.81%
Carmel Clay Parks & Recreation - DNO	Sep 10, 2013 4:52AM	8,428	13.72%	1.86%	0.50%	0.45%
Carmel Clay Parks & Recreation	Sep 05, 2013 3:51AM	12,737	24.66%	2.80%	8.64%	0.66%
Carmel Clay Parks & Recreation - BGC	Sep 05, 2013 3:41AM	3,608	14.63%	7.15%	30.76%	0.36%

Note: BGC = Brookshire Golf Club database
 DNO = Recipient of email did not open the initially emailed received.
 ODNC = Recipient of initial email opened the email but elected not to take golfer survey

The average golf course maintains 3,484 email addresses, and on the surface, it appears that the Brookshire Golf Club has a comparable database. Unfortunately, the quality of the database is poor; 30.76% of the email addresses (1,110) bounced in the initial mailing and 0.36% unsubscribed.

Two effective marketing tricks Golf Convergence has observed are described here:

- 1) Send a duplicate email five days after a broadcast message is launched with customization of the message acknowledging whether the recipient did not open the initial email, open but not click, or opened and clicked but did not consummate a transaction. The usual response to a second email sent is very much worth of the effort.
- 2) Fine-tune your marketing message using A/B testing or multi-variant testing. The essence of this method is that the call to action (the enticement for the customer to act) is different even though the all other elements of the email's copy and layout are identical. By monitoring which campaign produces the highest click-through rate, you will be able to communicate more effectively in future campaigns.



Best Practices

While it is easy to list what is wrong, what follows is a treatise illustrating best practices for technology and supporting why its proper use is important. From Golf Convergence's assessment, there were three areas identified which, if improved, would greatly aid the Brookshire Golf Club's marketing initiatives and thereby stimulate revenue:

- ◆ Customer database segmentation through enhanced reporting.
- ◆ Email practices integration with social media, emphasizing open, bounce, and click-through rates.
- ◆ Web site remodel to focus dynamic transaction-based orientation versus static page.

Customer Database Segmentation - Who Is the Customer?

A fundamental test for any business is identifying who its customers are and what they are spending.

Knowing who your customers are, their spending preferences, and their playing frequency is fundamental to maximizing your net income, increasing your operational efficiency, and enhancing your customer service. This knowledge is the essential foundation for a meaningful marketing program. Without this information, most golf courses greatly minimize their revenue opportunities.

A leading golf course management company³ that serves more than 100 public golf courses has identified certain predictable characteristics:

- 1) A golf course, on average, has 8,000 distinct customers, from a minimum of 3,500 to a maximum of 11,000.
- 2) 10% to 20% of those customers are "initiators" and make the tee time.
- 3) 50% of those customers play the course only once per year.
- 4) 50% of those who play will not return the next year.
- 5) Only 13% will play six or more times per year.

³ Peter Hill, Billy Brooklyn Park Golf Management, "Programming for Profit," February 4, 2009 presented at NGCOA Multi-Users Conference.



- 6) Customers average six rounds played at a specific course per year.
- 7) 20% of a golf course’s wallet share will come from core golfers who play 40 rounds per year.
- 8) Customers become at risk of not returning when they haven’t played your course in 90 days.
- 9) The response rate from customers offered a 20% off coupon, a 10% off coupon, or merely receiving acknowledgement that they are missed is nearly the same.

Thus, we reviewed the use of technology by Brookshire Golf Club analyzing the golf course’s internet use, and its integration of tee time reservations with the POS.

Why is the integration of the tee time reservation with the POS system important? There are two byproducts of such integration:

- 1) A meaningful set of insights by which to manage the facility.

While the reservation system installed by Fore Reservations is a superior golf management software program which offers valuable reports required to operate a golf course efficiently. Unfortunately, the key insights available within this system are not been leveraged by management, as reflected in the chart below:

The Key Reports	
Customer Analysis	Report Available
Customer Distribution: stratifies golfers into 10 segments by number and spending	No
Customer Demographics: age, income, and ethnicity of your customers	No
Customer Retention: core, new and lost customers	No
Customer Spending by Class: SKU generates highest yield per transaction	Yes
Customer Spending by Individual: the best customers by frequency and spending	No
Zip Code Analysis: residential and business location of customers	Partial
Facility Analysis	Report Available
Merchandise Sales by Vendor: rank vendors orders by inventory, sales and turnover	Yes
Reservations by Booking Method: customer reservation preferences, i.e., phone, internet, etc.	Yes
Reservations by Day of Week: highlights demand by day to facilitate proper pricing	Yes
Revenue Benchmarks: benchmarks (green fees, carts, etc.) to compare to competitive norms.	Yes
Revenue Per Available Tee Time: established net rate per round by time slot	No
Revenue by Department: focuses on revenue centers	Yes
Rounds per Revenue Margins: customer frequency versus yield per customer	No
Course Utilization	No

Fore Reservations has many pre-written queries that can be used to refine the marketing focus to emphasize customer-specific messaging.

Why is this important? From analyzing the customer database at over 400 golf courses, Golf Convergence has found it is beneficial if the foundation of a marketing program is based on using technology to identify and segment the following target markets:



Currently, such segmented marketing is not occurring.

- 2) Fore Reservations also provides the opportunity to engage in dynamic yield management pricing. In 2014, Golf Channel Business Solutions will offer yield management capabilities that will be easy to implement to ensure increased utilization of existing tee time inventory.

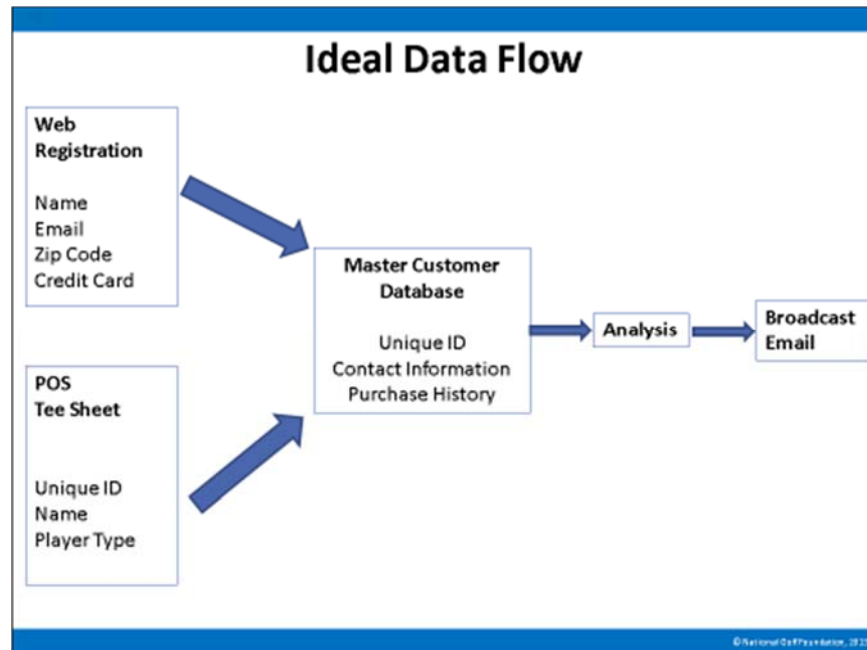
Integrate email practices with social media

One of the most cost-effective methods for marketing is email. In more than 200 surveys conducted by Golf Convergence, and as further confirmed as part of this strategic review, golfers consistently **to learn** about the golf and playing opportunities via emails and the golf course Web sites, as shown here:



It is the suggestion of Golf Convergence that Brookshire adopt **and** email marketing platform that integrates the customer database with social media platforms. Whether Vertical Response, Constant Contact, or another leading email marketing program is adopted, analyzing the opens, clicks, bounces, and un-subscribes is fundamental to building a successful email program.

The ideal data flow for a golf course is reflected below:



The lesson of targeted email marketing is that it shows concern for your customers. Such a practice will reap rewards. The importance of correctly mining your email list and segmenting it properly into core (frequent golfers), acquired (new golfers that year), and defectors (former customers who haven't returned) cannot be over-emphasized.

Dynamic Transaction-Oriented Web Site

One of a golf course's most valuable marketing tools is its Web site. It is the belief of the National Golf Foundation that the home page of a Web site should include the following elements:

- ◆ Why Statement
- ◆ Phone Number
- ◆ Flash of Pictures
- ◆ Online Reservations
- ◆ Minimum Below Fold
- ◆ Email Registration
- ◆ Search Functionality: Title Tags, Meta Tags
- ◆ Social Media Marketing Icons



The Why? statement represents the “unique selling proposition for each golf course.” The “Why?” speaks more to the emotional experience you are likely to feel when playing at a course.

The marketing messages by many golf courses are rarely consistent, and they largely represent a “broadcast” message for everyone to come play our course. Each course is unique and appeals to a narrower set, not to “everyone.” Some possible “why” statements include the following:

Option 1: “We deliver a convenient and affordable recreational experience for those who play just for fun.”

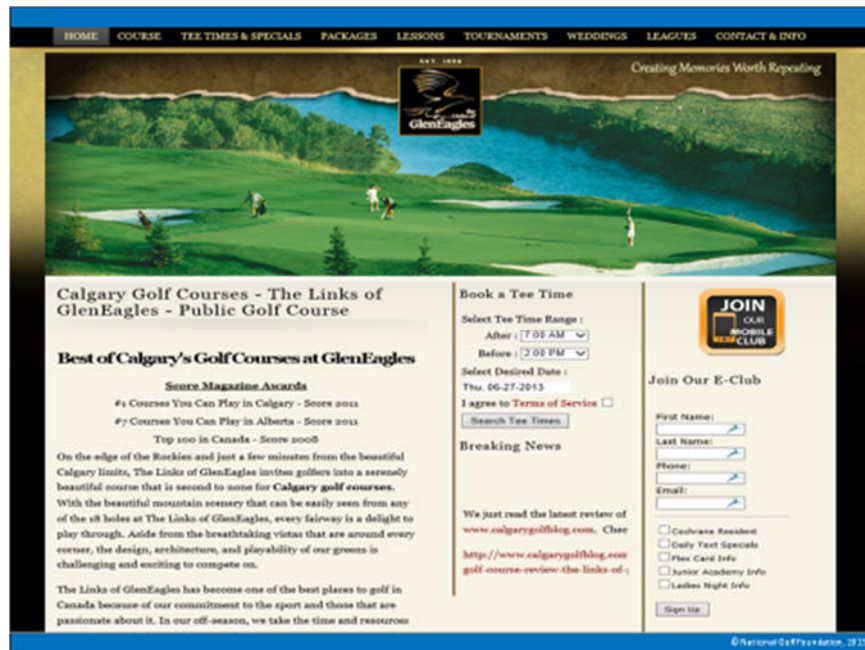
The subtle message here is that frequent customers who act as though this is their private club should sense the equality in the message and perhaps play elsewhere if they don’t want to encounter beginners. And conversely, beginners and many women might feel more welcome reading this “why.”

Option 2: “We are here to provide a cauldron to allow you to learn how good you are at golf and how much you appreciate the traditions of the game.”

This would be appropriate wording for a course with a slope rating greater than 140. The subtle message here is to bring your game, and that this is not the facility for rank amateurs who don’t appreciate the challenges golf offers and the traditions so respected in golf that shape the culture of the game.

The creation of a unique selling proposition that is communicated to the existing customer base will boost revenues. Currently, the unique selling proposition for the golf course is not defined on the Brookshire Golf Club Web site.

A Web site that captures many of the desirable elements (why statement, online booking on home page, email registration with opportunity to define your specific interests) is shown here:



A multi-course operator that displayed tee time on the home page is illustrated here:



The key to market positioning is establishing strong, exclusive brand recognition. It is the suggestion of the National Golf Foundation that converting the Brookshire Golf Club's site from static pages to transaction-oriented pages would bolster the City's golf brand and create



incremental revenue. With this re-positioning, embedding Meta and title tags in every page to ensure heightened visibility on search engines is recommended. In a search for “Brookshire Golf Club”, the City’s course appears high in the search results, along with Brookshire Golf Club, a facility located in Michigan. Consideration might be given to branding the golf course, after investment in a new name to lose the historical stigma attached to a facility long failing and to the confusion with other facilities with like names.

Why Free Can Be Expensive

The Brookshire Golf Club uses Golf Channel Business Solutions for online tee times through barter. Brookshire Golf Club provides third-party vendor tee times daily to liquidate at whatever price they deem appropriate and thereby generating revenue.

There is no greater issue in the golf industry than the impact of barter trade creating customer disintermediation. The National Golf Course Owners Association has issued multiple white pages advocating a series of “best practices.”

Presented below is an analysis of the perceived advantages and disadvantages of working with third parties:



<i>Perceived Advantages</i>	<i>The Disadvantages of Third Parties</i>
May claim to provide a means of marketing your facility at no direct out-of-pocket expense.	You lose control of managing the relationship with your customers. The golf consumer may be trained to look for and pay for only discounted golf. The perceived “value” of your golf course is diminished in the consumers’ eyes and their willingness to pay full rack rate or book in advance is discouraged.
May claim to be a means to reach new channel of customers and fill holes in your tee sheet. Claims to bring in incremental business, e.g., out-of-town golfers that you would not normally see.	Some third-party wholesalers/discounters in specific geographic areas control so much of the tee time inventory they have gained leverage over the owner/operators, similar to hotels.com, expedia.com.
In many cases, the third party will handle the technology needs of the program.	Third parties can and have separated the owner/operators from their customer bases. Separation from your customer base may fracture any emotional ties and sense of loyalty that is key in establishing repeat business.
	Operating yields decrease. Third parties can and have generated advertising and other revenues by selling access to customers (“eyeballs”) that come to their portals to book tee times at your course. This revenue is not shared with the golf course or golf courses in that market area.

It is suggested that the Brookshire Golf Club monitor the value of liquidated tee times and considering paying cash for the services rendered when the annual fees exceed \$15,000.

The “Goals to Be Achieved Formula” for Proper Adoption of Technology

The formula to the proper adoption of technology:

- ◆ Create a customer database of upwards of 4,000 names per 18 holes.
- ◆ Integrate the Tee-Time Reservation System with POS.
- ◆ Issue identification cards and/or capture golfers’ email addresses.
- ◆ Communicate with your customers via an opt-in email marketing program.
- ◆ Display tee times by best available time or price (maximum two times displayed).
- ◆ Center a marketing focus on your Web site.
- ◆ Develop a consolidated reporting system, and monitor the 15 key management benchmarks.



An online registration system integrated into the POS system can identify specific golfer interests, such as last-minute tee times, tournaments, and other course activities.

The correct deployment of technology will yield the following benefits:

- Maximize Revenue
 - Web-based marketing presence
 - Reservation cards sold for premium access
 - Dynamic yield management
 - A distinct brand for the golf course
- Increase Operational Efficiency
 - Better internal control
 - Timely and more meaningful reporting
 - Elimination of repetitive tasks by staff
 - Enhance customer service
 - 24-hour access to tee-time reservations
 - Email communication of promotions, tournaments, and updates
 - Sell prepaid gift cards online

In conclusion, the proper use of technology should create a management and marketing advantage.



Step 4: Financial Analysis

While the geographic local market analysis and weather impact study evaluate the strategic investment opportunity from a macroeconomic perspective, a financial analysis and a market review look at the microeconomic perspective of each golf course as a stand-alone entity.

A summary of the financial performance of Brookshire Golf Club is presented below:

	2007	2008	2009	2010	2011	2012
Revenue	760,832	966,509	820,123	850,592	790,112	928,753
Expenditures	1,184,282	1,382,619	1,278,090	1,101,372	1,190,785	1,054,807
Net Income	-423,451	-416,110	-457,967	-250,780	-400,673	-126,054

The accumulated loss since acquisition of the golf course by the City of Carmel is \$2,075,035.

The golf course owners purchased equipment at a cost of \$894,804. Purchases included 82 carts valued on the financial statements at \$262,400; they were purchased in 2008 and are at the end of their functional life cycle.

A general “rule of thumb” is that a golf course cannot successfully amortize from golf operations any debt that exceeds \$1.0 million, due to the ongoing capital investment of nearly \$220,000 annually for course components and equipment.

The golf course is encumbered by the need to repay the following loans from cash flow:

Outstanding Debt	Original Debt	Current Balance	Maturity Date	Annual Payments
Irrigation	\$803,500	\$443,445	4/1/2017	\$139,150
Maintenance Equipment	221,225	56,536	3/01/2015	39,438
Pump Station	141,253	30,875	9/01/2014	31,700
	\$1,165,978	\$530,856		\$210,288



The Benchmarks

Financial benchmarks serve as the guiding light to determine if a facility is performing to its potential. They highlight the strengths of an operation and identify potential variances warranting detailed examination.

Type of Course	Courses	%	Courses	%	Holes	Median Age	Avg. Age	Median Fee	Avg. Fee
United States	United States		Indiana			United States			
Daily Fee	9,199	62.00%	302	68.95%	150,948	1972	1971	37	45.19
Municipal	2,445	15.63%	62	14.16%	41,022	1964	1961	38	39.79
Private Equity	2,415	15.43%	37	8.45%	42,255	1949	1946	72	74.60
Private Non-Equity	1,561	9.98%	36	8.22%	30,024	1974	1968	75	79.76
Private – Resort	27	0.17%	1	0.23%	432	1973	1981	38	47.00
Total Private	4,003	25.58%	74	16.89%	72,711	1961	1955	73	76.44
Indiana			438	100.00%	7,479	1967	1962	34	38.85
Total	15,647				264,681	1969	1965	41	52.34

The age of Brookshire Golf Club is several years younger than the national average, while the average green fee at \$46 on weekends with cart is higher than the average fees in Indiana or the United States.

With some municipalities generating \$1 million in earnings before interest, taxes, depreciation and amortization (EBITDA), and with the median EBITDA of municipalities at \$142, 406, it is a concern that the results at Brookshire Golf Club indicate that \$126,054 was lost for the year ending December 31, 2012, as reflected below:



Financial Performance - Municipal Golf vs. Brookshire Golf Club					
	Platinum Top 10%	Gold Top 25%	Silver Median	Steel - Bottom 25%	Brookshire Golf Club
Rounds Played	53,793	40,198	32,000	24,500	28,341
Full Time Employees	18	10	6	4	4
Revenues	\$2,200,000	\$1,477,085	\$1,000,000	\$650,000	\$928,753
Membership Fees	350,000	159,000	96,000	52,944	70,549
Green Fees	1,179,575	732,500	468,323	235,000	503,281
Cart Fees	400,000	285,000	205,000	131,120	108,415
Merchandise Revenue	211,000	140,745	85,236	51,698	58,060
Range	60,860	42,843	21,000	7,000	52,889
Food and Beverage	1,000,000	275,000	62,500	16,518	118,536
Total Payroll	988,356	676,017	437,507	270,000	581,535
Golf Operations Payroll	468,000	288,427	190,000	120,000	Consolidated
Golf Operations Expenses	300,000	197,000	100,000	71,604	70,773
Maintenance Payroll	515,356	387,590	247,507	150,000	Consolidated
Maintenance Expenses	416,000	272,044	200,000	110,000	281,329
Clubhouse Expenses	200,000	82,710	25,000	7,927	14,167
Water Expenses	192,922	72,500	27,463	12,000	5,159
Golf Course Renovation	200,000	80,000	30,000	15,000	0
EBITDA	\$1,000,000	\$572,541	\$142,406	\$50,000	\$(126,054)

Source: PGA Performance Trak 2012 survey conducted in 2013 | © Golf Convergence Co. 2015

Comparing the operating performance of a golf course to national or state benchmarks provides opportunities for great insights and introduces great risk into the comparison process.

A superficial review of the above information might lead to the quick, but erroneous, conclusion that the net losses being generated at Brookshire Golf Club are attributable to high labor costs and maintenance expenses.

While the first is likely true, the second conclusion regarding maintenance expenses is probably not.

Several challenges are evident with respect to the accounting procedures employed by the City of Carmel. While it is possible to reconstruct the financial statements in accordance with generally accepted accounting principles for golf courses, as prepared and utilized on a daily basis, we noted the following opportunities to create more meaningful reports:

- 1) Revenue should be recorded as green fees, carts, merchandise, range, food & beverage and other. Currently, those categories have various general ledger accounts that are not subtotaled for quick comparison to industry benchmarks.



- 2) Expenses should be recorded as administrative (labor, other expenses), pro shop (labor, other expenses), maintenance (labor, other expenses). Currently, the general ledger accounts are not subtotaled for quick comparison to industry benchmarks.

Like many municipalities, the City of Carmel maintains the financial statements in a manner that is not in compliance with generally accepted principles for golf courses. The key to being able to accurately identify revenue opportunities and expense overruns for golf courses is precise departmental accounting.

To illustrate, the salary expenses of the four full-time and 29 seasonal workers are consolidated into omnibus accounts for salary and wages, FICA, unemployment taxes, health insurance, dental insurance and pension expense. Thus, easily determining the actual wages incurred by department for management review and control is not possible. For example, what is the proper allocation for the General Manager/Superintendent's salary between the appropriate departments? What is comforting is that total fringe benefits comprise only 28.57% of salary and wages. For many municipalities, total fringe benefits exceeding 40% of wages is often seen.

Further, expenses incurred by all three departments are aggregated into many accounts, including cleaning services, equipment rental, insurance, lease expenses, telephone, utilities, etc.

Are maintenance expenses the real culprit? With respect to maintenance, the annual cost of maintaining the various types of golf courses, usually laid out on about 150 acres of land, can vary from \$200,000 to more than \$2.5 million. Presented below are the industry medians based on a 2013 survey performed by Golf Course Industry Magazine:



	18 Hole Facilities		
	PUBLIC	PRIVATE	ALL
Total Maintenance Budget	\$458,071	848,961	651,392
Salaries	298,098	588,171	445,592
Line Item Components:			
Water	12,484	20,390	16,499
Fuel	22,260	33,876	28,174
Mowing Equipment	25,335	50,649	37,644
Handheld Equipment	1,702	4,419	3,066
Course Accessories	3,804	5,294	4,561
Electricity and Natural Gas	17,990	20,088	19,046
Shop tools	1,878	3,284	2,568
Irrigation Parks, heads and maintenance	5,948	9,876	7,918
Fungicides	22,163	44,476	33,461
Herbicides - Preemergent	5,109	7,603	6,369
Herbicides - Post emergent	3,613	4,144	3,869
Insecticides	3,694	6,570	5,141
Granular fertilizers	15,203	20,244	17,723
Liquid fertilizers	7,315	13,088	10,231
Wetting agents	3,129	5,669	4,399
Plant Growth regulators	4,309	5,982	511
Seed	4,127	5,138	4,620
Aquatic weed contro/water quality issues	1,635	2,145	1,890
Total Line Item Components	160,063	260,790	205,800

Industry surveys are subject to variance. However, in comparing the PGA Performance Trak statistics and the Golf Course Industry survey, there is a third data point that confirms that the Brookshire Golf Club maintenance budget is askew. Club Benchmarking, while doing extensive analysis of more than 1,000 private clubs, has determined that there is a direct correlation between golf course revenue and maintenance expense. Throughout the nation, maintenance expenses lie within a very narrow band width of 31% of revenue. That would suggest the maintenance budget for Brookshire Golf Club should be \$295,120 for the revenue generated.

Throughout this report, we have posed the suggestion that capital investment is first required before there can be any hope of fiscal sustainability. The question is, “Of the capital requirements, what is critical, what is necessary to render the golf courses competitive, and what would comprise a comprehensive renovation of the existing facilities to ensure they are sustainable for the intermediate and long term?”

Investments always comprise two components: the quantitative financial return and the qualitative intangible value created by providing a recreational amenity that improves the lifestyle and environment within a community that is rich in values and deep in fellowship. Where the fulcrum rests on that pendulum of financial return versus intangible asset is a value statement as a personal philosophy of an individual, or of management, or of a City Council. A research consulting firm such as Golf Convergence cannot empirically determine where that



balance lies for a community. Its responsibility is to present the quantitative reality from which a qualitative decision can be made.

The Black Hole

Of valid concern is that the EBITDA of a typical 18-hole municipal golf course in the United States is \$142,406, which contrasts to the financial performance of Brookshire Golf Club, which lost \$126,054. That reflects underperforming by \$268,460. That gap **allow should be** sufficient to fund capital improvements without financial subsidy from the general fund.

Actually, the loss is understated in comparison to how most municipalities account for golf course operations. Many will charge the golf course upwards of \$75,000 in common service allocation costs, representing expenditures made by the general fund on behalf of the golf course for human relations service, legal, payroll, technology, etc. Brookshire Golf Club is fortunate not to be assessed such fees.

Where are the shortfalls occurring? To delve into that answer, analysis was performed on each entity individually and in the aggregate. Leased equipment, at a cost of \$126,382, is being charged as an expense in the calculation of E.B.I.T.D.A. That line item, usually representing the repayment of principal and interest, is deducted after the industry standard benchmark.

The PGA PerformanceTrak report suggests that the aggregate payroll costs of \$583,535, which represent 62.6% of total revenues, contribute to the aggregate loss. In contrast, the median golf course spends \$437,507, or 43.8% of total revenue. Further, the median total expenses for a municipal golf course are \$789,970, contrasted to the \$1,054,807 incurred by Brookshire Golf Club in 2012, while the revenue for the median course is \$1,000,000 contrasted \$928,753 for Brookshire.

The Aggregate Veil Pierced

When considering where capital investment should be allocated, the quick conclusion is that the golf course should be closed. But such a quick decision ignores the quality of life issues that this facility engenders and the fact that it is embedded within a neighborhood where property values and therefore property taxes collected would be adversely impacted if the course were closed. Further, it needs to be recognized that the mere closure of the golf course would require the maintenance of the property as “open space,” which would cost about \$100,000 annually for 150 acres.



Thus, it could be argued that to the extent that the net operating loss of the golf course, after capital investment, is less than the cost to maintain the open park space, the golf course should remain operational.

With the Insights Properly Organized, Future Cash Flow Forecasts Can Be Determined

The financial statements at a golf course are dependent on very few variables. With respect to revenue, the rounds and the rack rate green fee are key. Carts, merchandise, range, and food & beverage are merely dependent variables to the basic rounds played.

Any forecast reflects the bias of its author. The foundation for the projection prepared was rooted in the historical performance of the golf course based on revenue per round. Realizing that significant capital investment is unlikely to occur in the short-term, the following statistics were utilized to create a probable five-year cash flow forecast:

Effective Yield	2012	2014	2015	2016	2017	2018
Rounds	28,500	28,500	29,070	29,651	30,244	30,849
Green Fees	20.13	21.80	22.24	22.97	23.93	25.25
Carts	3.80	4.24	4.32	4.40	4.49	4.58
Merchandise	2.04	2.04	2.08	2.12	2.16	2.21
Food and Beverage	4.54	4.52	4.52	4.52	4.52	1.27
Range	1.86	1.86	1.89	1.93	1.97	2.01
Other	0.21	0.21	0.22	0.22	0.23	0.23

With respect to expenses, a few variables need to be defined to project the future operating performance: number of full-time and seasonal staff, fringe benefits, 120 different maintenance expenses, and an estimate of overhead.

Cash Flow Forecasts

Utilizing the historical performance of the golf course, presuming an increase in inflation, the requirement to cover debt service, and no changes in the organizational structure or current philosophy of operations, a five-year projection shows:



Brookshire Golf Club	Actual	Financial Projections				
CATEGORIES	2012	2014	2015	2016	2017	2018
Green Fees Total	\$ 573,831	\$ 621,300	\$ 646,401	\$ 681,175	\$ 723,710	\$ 778,984
Carts Total	\$ 108,415	\$ 120,700	\$ 125,556	\$ 130,608	\$ 135,863	\$ 141,330
Merchandise	\$ 58,061	\$ 58,061	\$ 60,407	\$ 62,847	\$ 65,386	\$ 68,028
Food and Beverage - Banquet	\$ 10,609	\$ 10,000	\$ 10,200	\$ 10,404	\$ 10,612	\$ 10,824
Food and Beverage	\$ 118,837	\$ 118,837	\$ 121,214	\$ 123,638	\$ 126,111	\$ 28,500
Range	\$ 52,889	\$ 52,889	\$ 55,026	\$ 57,249	\$ 59,562	\$ 61,968
Other	\$ 6,111	\$ 6,111	\$ 6,358	\$ 6,615	\$ 6,882	\$ 7,160
Total	\$ 928,753	\$ 977,898	\$ 1,014,960	\$ 1,062,131	\$ 1,117,513	\$ 1,085,970
Cost of Goods Sold						
Merchandise	39,956	37,740	\$ 39,264	\$ 40,851	\$ 42,501	\$ 44,218
Food	36,284	\$ 41,593	\$ 42,425	\$ 43,273	\$ 44,139	\$ 9,975
Liquor	30,763	\$ 23,767	\$ 24,243	\$ 24,728	\$ 25,222	\$ 5,700
Total Cost of Goods Sold	\$ 107,003	\$ 103,100	\$ 105,932	\$ 108,852	\$ 111,862	\$ 59,893
Net Operating Income	\$ 821,750	\$ 874,798	\$ 909,029	\$ 953,279	\$ 1,005,651	\$ 1,026,077
Operations - Expenses						
Administration & Clubhouse	\$ -	\$ 25,000	\$ 25,500	\$ 26,010	\$ 26,530	\$ 27,061
Maintenance	\$ 644,417	\$ 547,450	\$ 559,378	\$ 571,585	\$ 584,076	\$ 596,860
Golf Shop	\$ 303,387	\$ 396,750	\$ 405,557	\$ 414,576	\$ 423,811	\$ 433,269
Total Expenses	\$ 947,804	\$ 969,200	\$ 990,435	\$ 1,012,170	\$ 1,034,417	\$ 1,057,191
EBITDA Before Cap. Reserves	\$ (126,054)	\$ (94,402)	\$ (81,407)	\$ (58,891)	\$ (28,766)	\$ (31,114)

In reviewing a financial projection there are many litmus tests. The first is—Does it look right? Though created independently, the consistency will prior years is striking. The real question is, How can Brookshire Golf Club become financially self-sustaining? In preparing these analysis we noted several anchors that are weighing heavily on the future financial performance of the golf course.

1. The average age of the golfer at Brookshire Golf Club is 50.2 years of age. Golfers qualify for senior rates at 55. While that threshold is often set by the competitive set of courses in the marketplace, the proper benchmark should be established at 65 years of age. Seniors historically are accorded a 27% discount from the rack rate.
2. The cart income is significantly below industry averages. Though the fair market value of a cart for a single rider is \$15, Brookshire offers carts for \$5 and an unlimited season cart pass for \$100. While suggesting an increase in those rates seems obvious, the harsh reality is that the basic green fee rate is inflated based on the experienced provided. Hence, adjusting the cart rate upward would imply the basic green fee rate should be slightly lowered.



- While maintenance expenses are projected to be slightly higher than industry averages, reductions in maintenance expenses are likely to precipitate an accelerating decrease in rounds played. The course layout requires substantial care and remediation of the trees and creek banks to remain **remote** competitive. Thus, the course is caught in the proverbial Catch-22.

Capital Requirements

While the projection reflects an improvement in the negative cash flow, such projection is prior to the deduction for interest and principal payments for prior investments and the creation of an adequate reserve. If those accounts are considered, the picture becomes bleak as to the ability of the Brookshire Golf Course to be self-sustaining, as shown here:

	Actual	Financial Projections				
	2012	2014	2015	2016	2017	2018
EBITDA Before Cap. Reserves	\$ (126,054)	\$ (94,402)	\$ (81,407)	\$ (58,891)	\$ (28,766)	\$ (31,114)
Capital Reserves		\$ -	\$ -	\$ -	\$ -	\$ -
Les Bolstad		\$ 132,000	\$ 132,000	\$ 132,000	\$ 132,000	\$ 132,000
		\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
		\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -
		\$ 222,000	\$ 222,000	\$ 222,000	\$ 222,000	\$ 222,000
Cash Flow before Debt Service		\$ (316,402)	\$ (303,407)	\$ (280,891)	\$ (250,766)	\$ (253,114)
Interest Expense		\$ 24,366	\$ 19,462	\$ 14,308	\$ 8,889	\$ 3,193
Principal Repayment		\$ 95,849	\$ 100,753	\$ 105,907	\$ 111,326	\$ 117,021
Cash Flow After Debt Service		\$ (436,617)	\$ (423,622)	\$ (401,106)	\$ (370,981)	\$ (373,328)
Cumulative Cash Flow After Debt		\$ (436,617)	\$ (860,239)	\$ (1,261,344)	\$ (1,632,326)	\$ (2,005,654)

You might ask, how were the capital reserves determined? The Golf Course Superintendents Association of America, in cooperation with the Golf Course Builders Association of America, recognizing that golf courses are living organisms and depreciable assets, analyzed the components of golf courses, their life expectancy, and the annual capital reserve required to ensure that courses remained viable. Presented below in Step 5 is a chart that highlights that an 18-hole golf course should allocate \$132,038 per 18-hole golf course for capital reserves:



Beyond the reserves for the golf course, equipment must be maintained, and that, in this case, requires a suggested level of investment of \$90,000 per year.

And so, without substantial changes to the quality of the golf experience, it is probable that the golf course will lose nearly \$2.0 million over the next five years.

Furthermore, the investments in capital improvements required of a prudent operation are likely to be deferred, sending the golf course into an accelerating death spiral that will be addressed at some future date.

Step 4 - Conclusion

The sole criterion for a capital investment is that it produces an economic asset that is self-sustaining. But in this case, the cash flow models suggest that such a goal is not readily feasible and that such investments must be made based on the criteria of creating an intangible asset that improves the lifestyle of its citizens, criteria comparable to those considered when funding libraries, parks, and other recreational activities that are otherwise supported by general fund resources.

For Carmel Clay Parks & Recreation, with only \$5 million in encumbered funds, acquisition of the golf course comes with substantial peril.



Step 5: The Physical Assets – Resources on Which to Grow

A Snapshot of an Asset Now Requiring Capital Investment

The City of Carmel Brookshire Golf Club is a 6,782-yard, par 72 golf course with a slope rating of 133.

The average slope rating for U.S. golf courses built prior to 1980 is 120. Since 1980, the U.S. slope rating for new courses built has increased to 127. Slope ratings range from 85 to 155. Brookshire Golf Club would be considered one of the most challenging golf courses.

As part of this review, the greens, tees, fairways, sand, bunkers, bridges, equipment and labor expenses were examined.

Brookshire Golf Club represents a middle-tier municipal golf facility (despite the yeoman efforts of the maintenance department), it does not offer a pleasurable playing experience due to poor turf conditions on some greens and tees. The general appearance creates the impression that there is a lot of deferred maintenance requiring immediate attention. Unfortunately, until investment is made, rounds and revenue will suffer.

The capital investment required to renovate the golf course is estimated at \$3,652,500. In that a golf course is a living organism that requires constant capital, based on the accumulated depreciation of the course's infrastructure, to render the course "competitive," \$2,496,843 should already be funded in a capital reserve account.

Greens, tees, fairways, sand bunkers, irrigation, drainage, water features, cart paths, and associated buildings on the golf course all have a useful life.

It is highly recommended that a golf course architect be consulted prior to any major golf course work. It should be noted that golf course maintenance employees and managers should not be relegated or required to do major golf course construction. Please note that Ron Kern, a member of the American Society of Golf Course Architects, is a resident of Carmel who lives within blocks of Brookshire Golf Course. His father assisted Bill Diddle in the construction of Brookshire. Mr. Kern's, prepared when the course was acquired by the City, a thorough master plan of the changes required to make the golf course competitive. Review of those documents is advised.



This capital would be allocated to the repair or renew past deferred items such as tees, sand bunkers, bridges, cart paths and drainage is shown below:

Golf Course Name: Brookshire Golf Club				Input Field			
Component	Component - Sub Group	Years Min.	Years Max.	Cost to Replace	Years Since Replaced		Annual Capital Reserve
Greens (1970)	20 greens = 85,000 sq. ft.	15.00	30.00	875,000	43	\$ 875,000	\$ 29,167
Bunker Sand		5.00	12.00	44,800	10	37,333	3,733
Irrigation System							
	Irrigation Control	10.00	15.00	189,000	3	37,800	12,600
	PVC Pipe, Wire, Sprinkler Heads	10.00	30.00	525,000	3	52,500	17,500
	Pump Station	15.00	20.00	135,000	3	20,250	6,750
Corrugated Pipe		15.00	30.00	150,000	44	150,000	5,000
Cart Paths	Asphalt	5.00	10.00	25,000	15	25,000	2,500
Cart Paths	Concrete	15.00	30.00	45,000	15	22,500	1,500
Practice Range Tees		5.00	10.00	15,000	44	15,000	1,500
Tees	= 65,000 sq. ft.	15.00	20.00	130,000	44	130,000	6,500
Bunker Drainage Pipes ¹		5.00	10.00	0	0	0	0
Mulch		2.00	5.00	1,200	4	960	240
Turf Care Center							
	Main Building	20.00	30.00	650,000	35	650,000	21,667
Bridges²							
	Hole #1	30.00	50.00	60,000	30	36,000	1,200
	Hole #3 - near tee	30.00	50.00	85,000	30	51,000	1,700
	Hole #3 - approach (concrete pipe)	30.00	50.00	2,500	30	1,500	50
	Hole #5 - near green	30.00	50.00	80,000	30	48,000	1,600
	Hole #6 - near tee	30.00	50.00	80,000	5	8,000	1,600
	Hole #7 - 130 yds. from green	30.00	50.00	80,000	30	48,000	1,600
	Hole #8 - 210 yds. from green	30.00	50.00	80,000	30	48,000	1,600
	Hole #10 - 250 yds. from green	30.00	50.00	80,000	30	48,000	1,600
	Hole #10 - 135 yds. from green, left	30.00	50.00	80,000	30	48,000	1,600
	Hole #13 - par 3	30.00	50.00	80,000	30	48,000	1,600
	Hole #15 - 140 yds. from green	30.00	50.00	80,000	30	48,000	1,600
	Hole #17 - near tee	30.00	50.00	80,000	30	48,000	1,600
				\$ 3,652,500		\$2,496,843	\$ 126,007

While the irrigation system was replaced within 5 years, the remaining components of the course including greens, tees, bunkers, tree removal, creek enhancements require investment if a comprehensive renovation of the course was desired. An annual capital reserve nearing \$130,000 would be appropriate.

One of the critical uncontrollable factors that is having an adverse impact on the golfer's playing experiences is the DNR controlled Cool Creek corridor. There are shade, air movement, flood issues presented by the Environmentally Sensitive Designation (ESD) are an obstacle to proper turf growth and the playable of the golf course.

Golf course maintenance equipment will be required to be "refreshed" soon. An annual reserve of \$90,000 should be dedicated to retire equipment that has served its useful life. Every seven-to-ten years most specialized, mainline turf mowing equipment should be considered to be an asset that has been used to its full life.



A Course is “The Sum of its Parts”

The purpose of this facet of the study was to investigate current conditions and assess limiting factors present in achieving proper golf course conditions based upon resources available.

Overall, the golf course appeared to be in good condition. With mild temperatures and favorable rainfall during the beginning of the 2013 golf season, turf exhibited good color and density, with few exceptions. The Golf Course Manager / Superintendent is to be commended on working his magic with limited resources.

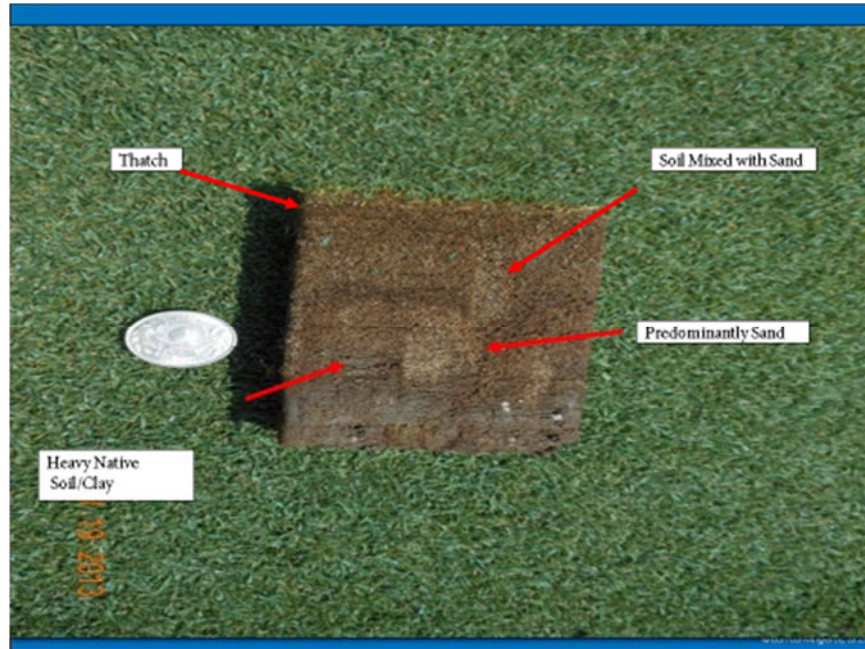
These limited resources, however, are creating a golfer experience less than desired for the green fees charged. A comprehensive agronomic **performed** completed by Michael Vogt, Certified Golf Course Superintendent, retain for this study is presented in the Appendices.

Presented below is a summary of that report.

Greens

The most important attribute by which golfer's select one course over another conditioning with greens **the** highest priority followed by tees and fairway.

Greens profile are consistent throughout the course, as shown in the representative green, root-zone photograph below.



Through the years sand topdressing has modified the upper two to three inches of the green root-zone. Sand topdressing adds many favorable characteristics to the green and the ability to cultivate a more superior turf.

Ideally, regular sand topdressing should also take place to dilute organic matter in the root-zone. Light weekly topdressing works especially well and is not a distraction to golfers. If sand is applied lightly to greens on a weekly basis, immediately after mowing, a quick irrigation cycle or rolling will remove the sand from the turf canopy into the thatch layer illustrated. The Brookshire Golf Club lacks the labor resources to undertake the optimum maintenance task.

One of the biggest challenges is growing health turf on the greens is the shade created by many of the surrounding trees on #1, #2, #7, #8, #10, #11, #13, #15, #16, and #17 holes.

As illustrated below at #1 one green, two fans are positioned to enhance air flow across the green surface. Both of the fans are in poor repair and are not sized properly for the area receiving this treatment. Maintaining turf on number one green is problematic.



Note: One of two fans on number one green, too small for intended purpose

Promoting a healthier turf environment through improved air circulation and the alleviation of heat stress are the primary reasons most golf course superintendents use fans on their greens.

Solar heat can have a devastating effect on turf grass. When a green's subsoil temperature reaches high levels, turf grass roots begin to shrink, greatly diminishing the quality of the putting surface. University studies has shown putting green fan use can lower the surface temperature of a green up to 10° F, which in turn, lowers the soil temperature approximately 4° to 6° F.

Additionally, fan use increases turf grass transpiration, cooling the plant internally and keeping it healthier overall. As an added benefit, fans can be used to evaporate excess moisture from heavy morning dew. Although thinning trees works best, fans have shown to improve the quality of shaded greens.

Brookshire Golf Club should remove upwards of 250 trees to improve the quality of the green putting surfaces to prevent possible of turf which in turn will quickly impact green fee revenue.



Tees

The result of an overabundance of trees is poor turf quality, as illustrated below in a photo of #2 tee.



“Heavy shade” areas will not support healthy tee turf with reliability.

The biggest challenge facing the golf course is the Indiana Department of Natural Resources (DNR), which has restricted the ability of Brookshire Golf Club to properly maintain the golf course.

The entire length of Cool Creek, which meanders alongside or through 13 holes at Brookshire Golf Club, is protected from any maintenance or disturbance, except for the control of state-recognized noxious weeds. These restrictions dictate playability, in some cases, severely. For example, as shown below, the #3 tee has overgrowth blocking the fairway; the majority of this tee is unusable, forcing golfers to aim straight into the tree line.



Poor tee turf conditions due to shade, and also Cool Creek overgrowth, **diminish** golf hole sightlines. These problems are consistent throughout the golf course, as further illustrated here on the 8th tee:





Sand Bunkers

Sand bunkers at Brookshire Golf Club are in poor repair and lack defined edges. Sand contaminated with gravel, silt and clay adds to the crusting of the sand and makes the consistency from bunker to bunker less than acceptable, as shown here at the #4 green:



A complete sand bunker renovation is on the list of improvements required to render the course competitive. The cost of a sand bunker renovation is highly variable; these are the factors to consider before a comprehensive renovation begins:

- The correct type of sand, locally available;
- Properly working drainage;
- Continuity of shapes and styles;
- Depth of bunker;
- Ongoing maintenance considerations;
- Proper placement;
- Construction type (lined, polymers spray on gravel, polymers spray on soil, native soil, etc.);
- Elimination of bunkers currently not in play.



The Other Components Are Cracking

While the fairway turf has a medium to full sun exposure, the effects from Cool Creek will be the limiting factor to fine turf conditions, as well as proper drainage.

Presented is a representative snapshot of what a golfer experiences while playing at Brookshire Golf Club:



Deferred maintenance on an eroded culvert on #3, cart path in need of repair on #5, poor turf conditions on #8, and a bridge near failure on #13.

Cart paths are an important feature of the modern golf facility. Properly designed, the paths can direct traffic away from sensitive turf areas and allow play and cart rental, when the golf course would be normally closed due to wet conditions.

Safety is yet another issue that a properly designed and maintained system of paths should be considered. Gravel, although expeditious for cart path repair should never be used as is the frequent practice at the Brookshire Golf Club. Commercial rotary mower blades that come into contact with rock from a gravel path may produce a projectile at a very high rate of speed and cause injury to workers and patrons. Additionally, gravel that becomes lodged between a reel



mower and a bed-knife could easily cost hundreds of dollars in repairs to that mower. It is for these reasons and many more that gravel should never be used as a temporary or permanent solution to cart path material.

With Cool Creek running through the center of Brookshire’s Golf Course, many bridges must be utilized for equipment, carts and pedestrian traffic. Bridge on #13 is in very poor repair and is a liability for the City of Carmel.

We conducted a visual evaluation of bridge structures, with each one’s condition ranked from 1 to 5, 5 being “no repairs or replacement needed” and 1 being “the structure should be studied for safety and structural integrity” and noted the following:

Bridge Location	Visual Condition / Rating 1 - 5
Hole #1, Near Green	3
Hole #3, Near Tee	3
Hole #3, Near Green Approach	1, Severe Wash-Out
Hole #5, Near Green	4
Hole #6 Near Tee	5
Hole #7, 130 From Green	3
Hole #8, 210 From Green	3
Hole #10, 250 From Green, Right	3
Hole #10, 135 From Green, Left	2
Hole #11, Near Tee	3
Hole #13	1
Hole #15, 140 From Green	2
Hole #17, Near Tee	3
Hole #18	2, Share Bridge with #10, Left

The estimated cost to replace the bridges rated 1 or 2 in the above table would approach \$240,000. It is recommended that a structural engineering firm must be consulted to determine the bridge integrity. The liability to the City if a bridge fails suggests that a prudent and timely review of these course components, particularly #13 bridge, be conducted soon.



Labor Expense

An examination of essential labor hours to operate the golf course was compiled. We estimate that **that** man hours are required to maintain the golf course annually is as follows:

Input Your Typical Season length, In Red Cell First in WEEKS, Then in Blue Cell, the MONTHS.		38		7.5			
		WEEKS		MONTHS			
Task (Routine Golf Course Maintenance)	Detail	Weekly	Monthly	Yearly	Hours Per Task	Total Hours	
Administration	Record Keeping	4			2	304	
Bunkers	Rake	2			16	1,216	
Hole Cups/Set-Up	Tees and Greens	3			10	1,140	
Mowing	Greens	6			5	1,140	
	Approaches, Tees, Par 3, FW-Clean-up	2			10	760	
	Fairways	2			16	1,216	
	Rough	1			16	608	
	Fairways - Courtesy Cut/Intermediate	2			5	380	
	Clubhouse Grounds		4		5	150	
Trimming	String Trimming, Flymo, Rotary		4		8	240	
Applications	Chemical/Fertilizer		4		8	240	
Repairs	Repair and Maintenance Equipment	5			8	1,520	
	Irrigation		2		8	120	
	Irrigation Blow-Out/Restart			2	32	64	
Golf Carts	Clean, Stage, Store	7			8	2,128	
Divots	Fairways	2			4	304	
	Tees	2			4	304	
Special Projects	Sod work-Bunkers		5		8	300	
Aerification	Greens			2	200	400	
	Tees			2	150	300	
	Fairways			1	225	225	
	Select Rough Areas			1	150	150	
Top Dress			2		6	90	
	Greens		2		8	120	
	Tees		2		20	300	
	Fairways			2	80	160	
						0	
Tree Trimming	Rough Areas			1	300	300	
Spring Clean Up				1	400	400	
Fall Springs Clean Up				1	400	400	
Sod Work	Resurface Range Tee			1	350	350	
Drainage				1	225	225	
Cart Path	Concrete work around 1st tee			1	100	100	
						0	
						0	
					Total Man Hours Required ->	15,654	

It is not possible to isolate precisely the actual maintenance costs in maintaining the Brookshire Golf Course, as labor and expenses are not recorded on a departmental basis but rather consolidated in the financial statements maintained for the golf course. However, it is reasonable to estimate that the 2013 maintenance budget for the golf course was \$463,172,



utilities were at \$32,208, and lease expenses were \$139,150 for the irrigation system debt. Presented below is an estimate of an appropriate maintenance budget for the Brookshire Golf Club.

Average 18-Hole Maintenance Budget for the North Central Region						
	2010 Actual		2011 Actual		2012 Budget	
Total	\$490,030		\$490,220		\$525,474	
Line Items						
Labor	\$288,202	58.8 %	\$287,500	58.6 %	\$290,085	55.2 %
Power Irrigation	\$18,333	3.7%	\$18,647	3.8%	\$19,424	3.7%
Utilities Maintenance Building	\$9,390	1.9%	\$9,234	1.9%	\$9,445	1.8%
Equipment Lease Expense	\$14,321	2.9%	\$12,904	2.6%	\$13,203	2.5%
Repair / Maintenance Equipment	\$24,978	5.1%	\$25,672	5.2%	\$24,918	4.7%
Fertilizer	\$21,339	4.4%	\$20,951	4.3%	\$22,419	4.3%
Herbicides	\$3,644	0.7%	\$3,638	0.7%	\$3,571	0.7%
Fungicides	\$37,020	7.6%	\$36,510	7.4%	\$36,083	6.9%
Insecticides	\$3,717	0.8%	\$3,751	0.8%	\$3,850	0.7%
Growth Regulators	\$3,442	0.7%	\$3,738	0.8%	\$3,690	0.7%
Wetting Agents	\$2,825	0.6%	\$2,872	0.6%	\$2,857	0.5%
Fuel and Lubricants	\$21,195	4.3%	\$25,516	5.2%	\$25,533	4.9%
Small Tools	\$2,117	0.4%	\$2,063	0.4%	\$2,082	0.4%
Equipment Rental	\$1,444	0.3%	\$1,527	0.3%	\$1,599	0.3%
Irrigation Repairs and Maintenance	\$5,820	1.2%	\$5,927	1.2%	\$5,466	1.0%
Refuse / Waste Removal	\$1,423	0.3%	\$1,410	0.3%	\$1,463	0.3%
Sand / Soil	\$8,051	1.6%	\$8,079	1.6%	\$8,546	1.6%
Seed / Sod / Sprigs	\$3,071	0.6%	\$3,339	0.7%	\$3,223	0.6%
Continuing Education / Travel	\$1,773	0.4%	\$1,748	0.4%	\$1,933	0.4%
Dues / Subscriptions	\$881	0.2%	\$940	0.2%	\$1,016	0.2%
Service Agreements	\$3,235	0.7%	\$3,454	0.7%	\$3,780	0.7%
Golf Course Accessories	\$3,248	0.7%	\$3,263	0.7%	\$3,158	0.6%
Office and Building Supplies	\$2,891	0.6%	\$2,876	0.6%	\$2,773	0.5%
*Water (12% Purchase Water)	\$37,545	7.7%	\$35,034	7.1%	\$33,679	6.4%
*Overseeding (0% Overseed)	\$0	0.0%	\$0	0.0%	\$0	0.0%

Source: GCSAA Survey results for 18-hole maintenance budget for North Central Region



Step 6 – Operations

The Assembly Line of Golf

From the time an individual contemplates playing golf to the time that golfer leaves the golf course, there are a number of touch points through which the customer experience is defined, as highlighted below:

Touch Point	Municipal	Daily Fee	Military	Resort	Private Club
Reservations					
Club Entrance					
Bag Drop					
Locker Room					
Pro Shop					
Cart					
Range					
Starter					
Course					
Beverage Cart Attendant					
Half Way House					
Cart Return					
Locker Room					
Bar/Restaurant					
Likely # of Points of Contact	9	11	9	12	14

It is ironic that the lowest paid workers often frame the customer’s experience.

Our review of the Brookshire Golf Club indicated that each customer touch point has the opportunity to enhance customer service. The fundamental challenge from which nearly all golf course customer problems emanate is the poor positioning of the clubhouse and its interior layout. A customer’s first impression when entering Brookshire Golf Club is confusion, as depicted below:



What Is Important – Secret Shopper Review?

How does a golfer select which course to play? In surveys conducted by Golf Convergence, across the United States and as confirmed in the survey of City of Carmel golfers, golfers are asked the same question, and they give very similar answers.

“What is the primary reason you choose one course over another?” they are asked. And they answer “course conditioning, price, location and course layout,” as the most important reasons for choosing a course..

Secret Shopper Review

To determine if the Brookshire Golf Club was competitive based on those criteria, Golf Convergence, for this report, retained a Golf Magazine Top 100 Course Rater to undertake the following analysis:

- ◆ Secret shopped the Brookshire Golf Club to measure value received, considering the course layout, customer service, pace of play, availability of practice facilities, and clubhouse amenities; all these compared to the price paid. Our associate played golf at Brookshire, taking more than 100 pictures of the facility to document the customer



- experience. Those photographs were provided to the Carmel Clay Parks & Recreation to provide them the perspective of a visiting golfer.
- ◆ Visited 12 direct competitors of the Brookshire Golf Club to assess the customer experience, course layout, and pricing at each facility. Our associate took upwards of 25 pictures per facility and visited with staff at each course to ascertain their perceptions regarding Brookshire Golf Club. Those photographs were provided to the Carmel Clay Parks & Recreation to provide them a perspective of the competitive market forces.

The focus of this review was to determine the value received by the golfer. The standard formula for financial success at a golf course is usually straightforward: value = experience – price. To the extent that experience exceeds price, there is the possibility for success. To the extent that price exceeds the experience, customer attrition is very likely.

Value for a golfer is determined by the slope rating, the strategy required to navigate the course, course conditioning, turf texture (bent, bluegrass, rye, etc.), ambience (clubhouse, vistas, etc.), and amenities (tees, divot repair tools, bottled water, etc.).

The secret shopper analysis as part of this study included more than 200 components of the operation.

As the expression goes, a guest sees more in an hour than a host sees in a year. Such was the case in the secret shopper review performed at Brookshire Golf Club. While reviews like this are patently unfair, as they picture only one place, one time, and one day, they are indicative of the experience a customer will generally receive.

Competitors; Often a Superior Experience Is a Formidable Foe

As part of this secret shopping review, to determine the competitive forces, facilities that are located within 5/10/15 miles radius from the Brookshire Golf Course were evaluated. A detailed analysis of the 50 golf courses within a 15-mile radius reveals that there are 34 municipal and daily fee golf courses. Presented below is an analysis of the golf courses visited (highlighted in blue) detailing number of holes, year open, price point, type of course (municipal or daily fee), prime time prices for an 18 hole green fee and cart.



Golf Course Feasibility Study

<u>Distance</u>	<u>Course Name</u>	<u>Total Holes</u>	<u>Year Open</u>	<u>Price Point</u>	<u>Type</u>	<u>Peak Green Fee</u>
0	Brookshire Golf Club	18	1971	B	MU	46
1.1	Mohawk Hills Golf Club	9	1972	C	DF	22
1.8	Plum Creek Golf Club	18	1998	B	DF	69
2.7	Sunrise Golf	9	1992	C	DF	21
2.8	Prairie View Golf Club	18	1997	A	DF	90
2.8	River Glen Country Club	18	1990	B	DF	52
3.2	Shortee's Golf	18	2000	C	DF	14
3.9	William Sahn Golf Course	18	1962	C	DF	36
5.5	Pebble Brook Golf Course	36	1972	B	DF	49
6.5	Ironwood Golf Club	27	1965	B	DF	48
6.8	Wood Wind Golf Club	18	1990	B	DF	61
7.8	Forest Park Golf Course	9	1927	C	MU	20
8.1	Gray Eagle Golf Club & Academy	18	1993	B	DF	45
8.3	Fox Prairie Golf Course	27	1970	B	MU	47
8.4	The Fort Golf Course	18	1997	B	MU	69
8.6	Stony Creek Golf Club	27	1990	B	DF	45
9.1	Zionsville Golf Course	9	1967	C	MU	17
10.3	Saddlebrook Golf Course	18	1992	C	DF	36
10.4	Winding Ridge Golf Club	18	2000	C	DF	39
11.1	Douglass Golf Course	9	1922	C	MU	15
11.1	Riverside Golf Academy	9	1996	C	MU	9
11.3	Bear Slide Golf Club	18	1993	A	DF	72
11.6	Riverside Golf Club	18	1901	C	MU	35
11.7	Hickory Bend Golf Course	9	1996	C	DF	16
12.2	Purgatory Golf Club	18	2000	A	DF	75
12.5	Coffin Golf Club	18	1995	B	MU	42
13.1	Maple Creek Country Club	18	1961	B	DF	50
13.1	Pleasant Run Golf Course	18	1922	C	MU	35
13.1	South Grove Golf Course	18	1902	C	MU	34
14.2	Brickyard Crossing Golf Course	18	1993	A	DF	90
14.2	Eagle Creek Golf Course	36	1975	B	MU	49
14.6	Morning Star Golf Course	18	1990	C	DF	30
14.7	Golf Club of Indiana	18	1974	B	DF	58



The consumer has many choices. Thus, providing an experience that matches or exceeds the price paid is essential. Matching the course layout to the consumer's preference as to the challenge to be encountered is also an important component to a successful golf course operation.

Activity Levels

From national reporting sources, the activity at these golf courses is likely to fall within the following parameters:

Rounds Played	Top 10%	Top 25%	2012 Median	Bottom 25 %
United States – All Facilities	42,000	32,000	23,000	16,192
United States – Municipalities	43,730	34,000	25,000	18,000
Indiana – All Facilities	31,000	23,000	20,000	13,852
Indiana – Municipalities	32,000	32,000	22,724	20,343

Source: PGA PerformanceTrak

Brookshire Golf Course has averaged 28,409 from 2010 to 2012, which is above reported national and state numbers. However, the utilization of the course is only at 37.74% utilization of capacity.

A more telling statistic is that the revenue realization, 48.50% (\$22.31/\$46.00) indicates that the Brookshire Golf Club is discounting the rack rate in order to attract golfers, which speaks to the quality of the course experience, which is rated as poor, as shown in Step 5, The Physical Assets.

The implication of these statistics is that while the golf courses have greater theoretical capacity to generate additional revenue, such increases are likely to be incremental and not exponential until the customer experience is improved through course renovations or clubhouse modernization.

The Uniqueness of the Market

While every market is different, Brookshire is unique in the quality of its championship golf course, a course that is reflective of the strong income demographics of the area.

With the City of Indianapolis dominating the municipal segment, the City of Carmel will have to constantly balance the philosophical issue of providing golf at an affordable price versus creating



a pricing matrix that is likely to ensure that Brookshire Golf Club is financially self-sustaining. Such goals are often at odds. Brookshire Golf Club represents an intangible asset that creates a value that often cannot be quantified when considering the quality of life generated. The result of that philosophical debate is that prices may understate fair market value for the experience provided.

In setting prices, it appears that golf courses are determining rates based on what competitors are charging rather than the differential value provided to the consumer. That is illogical, and it also creates a substantial risk if the City of Carmel were to invest in improving its golf course experience. A financial return on investment is not likely to be recaptured through an increase in green fees.

The Competitors' Strengths

The review of the competitors' courses provided the following insights:

- 1) For accomplished golfers seeking a competitive course layout to test their game, there are many outstanding alternatives: Bear Slide, Prairie View, Purgatory, the Fort. Each of these offers a superlative golf experience, and although their prices are higher than Brookshire Golf Club's prices, the value received is far better.





- 2) Prairie View, Purgatory, and the Fort have clubhouses conducive to corporate outings and business golf, with a plethora of merchandise and relaxed dining opportunities available, as illustrated here:



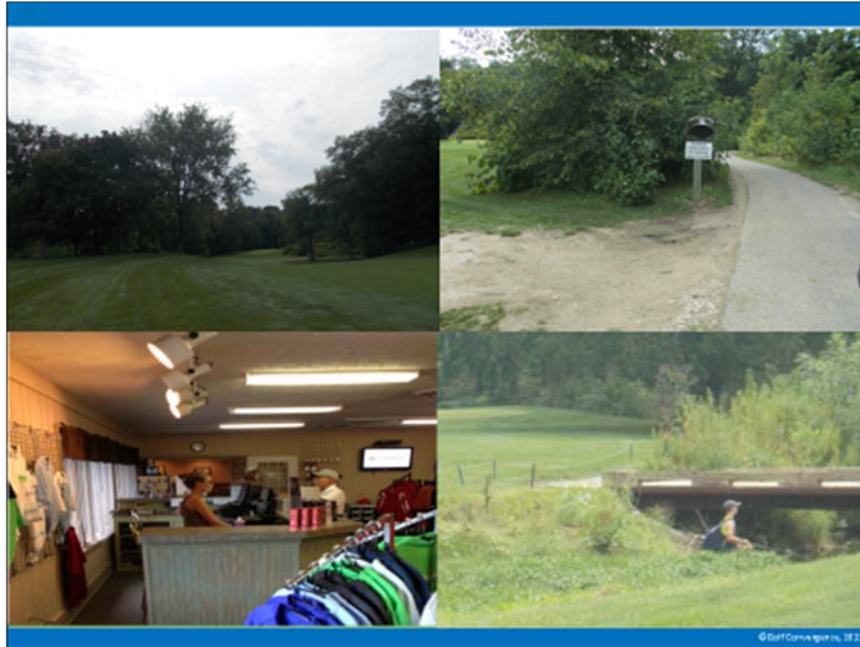
- 3) Surprising, many of the clubhouses are pedestrian in relationship to the quality of the on-course experience.



Notwithstanding the differences offered in a clubhouse experience, there are a plethora of great opportunities to play golf in the Carmel marketplace.

Brookshire Golf Club: It Is Not Only Location, Location, Location

The secret shopper review of Brookshire Golf Club revealed that they are at a competitive disadvantage with respect to course layout and clubhouse amenities. While many pictures were taken, the four presented below are representative of what a golfer may experience in registering and playing the course:



The clubhouse is tired, dated, and dysfunctional. The food offered is basic. The golf course experience can be rated on a scale of platinum (5 stars), gold (4 stars), silver (3 stars), bronze (2 stars) and steel (1 star). Brookshire Golf Club, notwithstanding the 4-star rating provided by Golf Digest, is a 2-star experience when considering the retail price asked.

What was consistent was the customer service experience. Each staff person encountered was courteous, helpful, and engaging. Each engaged in “small talk” to make the visitor feel welcome. Many times at municipal golf courses, staff can make the golfer feel that they are an inconvenience. Such was not the case at the Brookshire Golf Club.

The principal asset of the Brookshire Golf Club is their central location to a dense population base within the area.

From the secret shopper analysis performed, presented below are summary comments regarding Brookshire Golf Club. It should be noted that the perspective from which these comments were drafted was from the **GOLFER experience** offered.

- ◆ **Strengths:** An extensive practice facility, a course to challenge the very accomplished player in a central location within the City.



Weaknesses: The course is unfair with the lack of tree removal and the maintenance of creek corridors compromising the quality of the playing experience. Bridge safety issues and the uncontrollable factor of being in a flood plain limit the economic upside to this asset. The clubhouse creates a negative first impression. The name of the facility, Brookshire Golf Club; “club” suggests a private facility not open to the public. Golf carts are gas-powered, are noisy, and don’t provide a smooth ride.

Marketing

There is a significant opportunity to improve all aspects of the marketing of the Brookshire Golf Club. This course serve a defined niche; the value-oriented golfer. This niche is largely filled by new entrants to the game, those seeking recreational rather than competitive entertainment, and seniors. Thus, capital improvements are required to make the course friendlier and gentler.

A comprehensive marketing plan should be developed. This campaign should embrace the theme that everyone in the community is a valued customer and welcome at the facility. As part of this comprehensive marketing plan, a Director of Marketing should be retained, and one has been budgeted within the cash flow forecasts developed for this strategic plan. The Director of Golf/Golf Superintendent is very talented; however, his workload precludes his ability to effectively execute this task.

Understanding the challenges faced, Parks and Recreation, upon installing and fine-tuning the software needed to facilitate customer data capture at the POS terminal, should engage in new marketing initiatives segmenting the customer database.

With financial resources limited, it is often not where funds are invested that matters but where funds are conserved. It is suggested that generic brand advertising in local media be suspended. The funds invested are unlikely to produce incremental returns.

Conversely, the use of email, Twitter, and Facebook updates to the Parks and Recreation database, initially, and ultimately to an expanded Parks and Recreation customer database, is advised. What should not be continued is the reliance on a marketing firm headquartered out of state.



Recommendations

It is advocated that the City of Carmel undertake the following initiatives to integrate its culture into the national golf community:

- ◆ Join the National Golf Course Owners Association and participate in the Association's online Listserv forum, through which key employees can answer queries concerning best practices.
- ◆ Membership in the National Golf Foundation is also advocated. The Foundation's monthly newsletter offers a broad perspective about industry changes and appropriate responses to those changes.
- ◆ Finally, the City of Carmel should send a representative to the PGA Merchandise Show or to the NGCOA Annual conference, where numerous outstanding educational sessions are provided. These week-long educational programs for golf managers would be beneficial, especially since training of the staff has mostly been from internal resources.
- ◆ Engage in bi-weekly email marketing to the core/acquired and defectors with targeted messages to stimulate incremental play.

Step 6 - Conclusion

In a crowded market, the Brookshire Golf Club is undistinguished and represents the typical "municipal golf experience." Upside potential on this golf course is limited without further capital investment to enhance the golf experience.



Step 7 - Customer Survey

Creating an operational review requires a clear understanding of the golf industry and the unique characteristics that define the sport.

Presented below are some statistics regarding golf in the United States provided by the Golf Convergence:

- There are 26.2 million golfers in the United States.
- 36.7 million Americans are golf participants, defined as anyone ages 5 and above who either played a round of golf or visited a golf practice facility.
- More than 45 percent of golfers (11.9 million) are between the ages of 18 and 39. Seniors (ages 50 and over) comprise another 33 percent, or 8.6 million.
- There are 5.76 million female golfers; they represent 22 percent of all golfers. And 6.1 million juniors play golf.
- There are 16,057 golf facilities, 11,690 of which are open to the public.
- Only 22 percent of all golfers regularly score better than 90 for 18 holes on a regulation-length course. For females, the percentage is just 7 percent, and for males, it is 25 percent.
- The average 18-hole score is 97 for men and 114 for women. It's an even 100 for all golfers.
- The average scores have changed very little over the years.

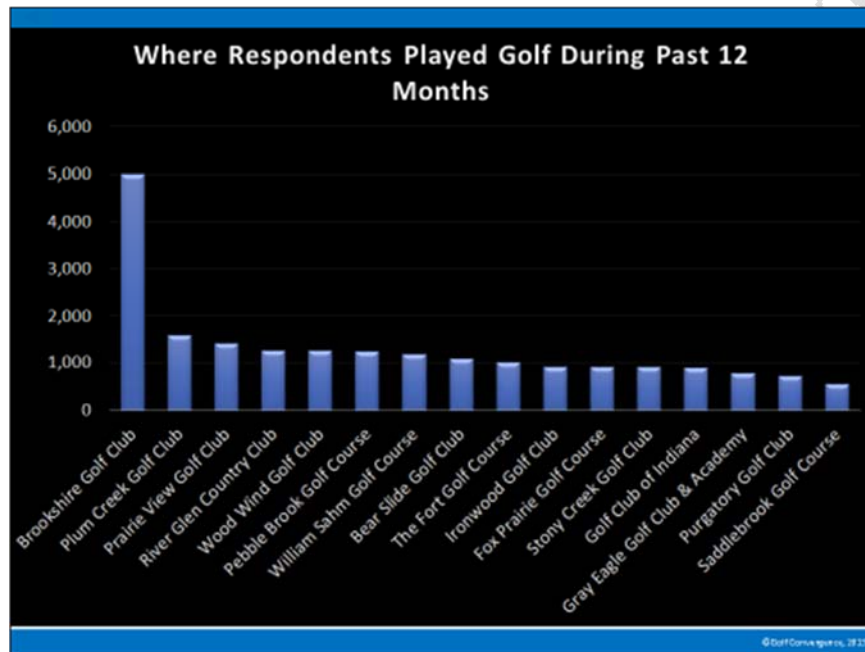
In conducting a feasibility study, it is invaluable to obtain a current perspective of the customer database by identifying customers' ages, genders, net incomes, ethnicities, playing frequency, favorite golf courses, and price point barriers. The key point being measured is the opportunity to increase current market share.

We conducted a survey of the golfers in the City of Carmel Brookshire Golf Club database (3,608) as well as the Carmel Clay Parks & Recreation Department customer database (12,737).



The 31-question survey remained open for 10 days and generated 1,000 responses from a survey sample size of 16,335 email addresses, providing a 90% confidence factor and a margin of error on the results of 5% +-. The completion rate for those starting the survey was 77.6%, an acceptable response rate.

The respondents have played the following number of rounds during the past 12 months:

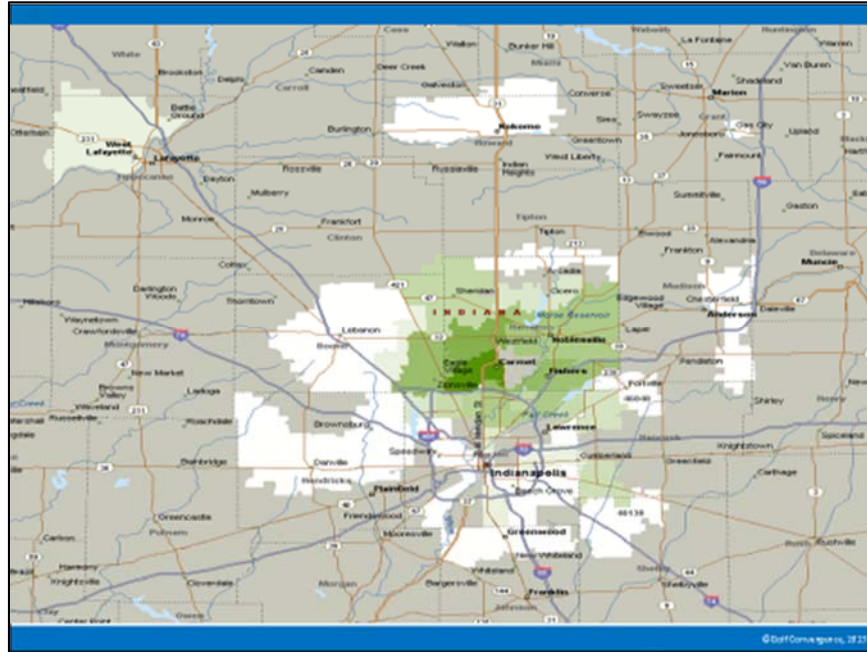


It was heartening that the respondents represented over 20% of all rounds played at the Brookshire Golf Club during the past 12 months

Who Are the City of Carmel's Golfers?

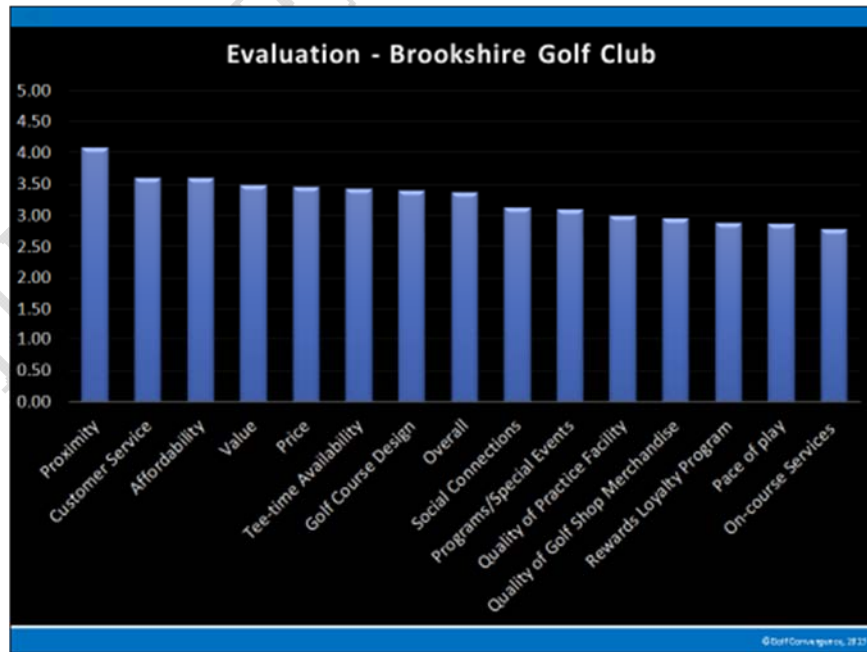
The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the Brookshire Golf Club's golfers were likely to be Caucasian, slightly older, and earn above-average income. The survey confirmed that fact.

The respondents average 50.2 years of age, have median household incomes of \$109,920 (over 52% higher than the average income of a City of Carmel's residents), are 69.2% male and 95% Caucasian, and play 23.8 rounds on 6.0 different courses. The respondents work or reside in the following locations:



What Do Golfers Like about Brookshire Golf Club?

The golfers were asked to rate 21 attributes of Brookshire Golf Club. Presented below is a comparison of these factors:





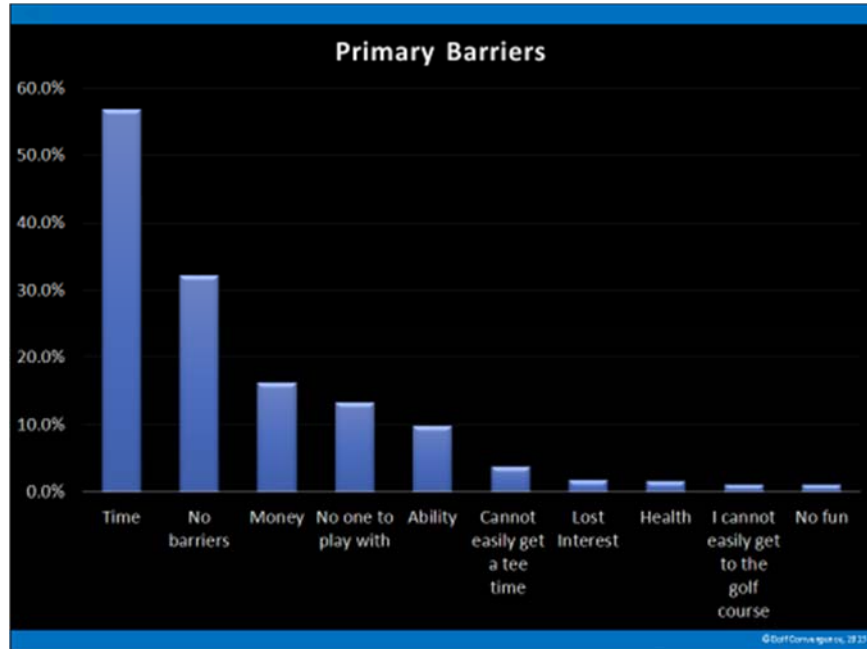
Proximity, customer service, and themes related to cost finished in the Top 3, which is an accurate reflection of the potential of this golf course – “convenience at an affordable price.”

On-course services were rated lowest, and it is not hard to figure out why looking at the photo below of the on-course bathrooms:



Barriers to Playing More?

When asked, “What are the barriers to playing more golf? Understandably, in a thriving upscale community, time is the biggest barrier, as shown here:



The answers “time” and “no barriers” are troubling in that they are uncontrollable factors. Considering that the median household income reported is \$109, 920 among golfers, the customer certainly has the ability to pay a higher green fee if the value provided is also increased.

Customer Franchise Analysis

The customer franchise analysis (CFA) provides operators with the first tool to win the share-of-golfer battle caused by the current oversupply environment in many markets. The CFA leverages information in the operator’s point-of-sale (POS) or electronic tee sheet system to understand and target key customer groups regarding financial metrics. The CFA measures customer franchise health, such as the number of unique guests acquired, retained, and lost, as well as the spending level of each group down to the individual customer level.

In undertaking this operational review, a golf course must identify core customers, spending patterns, customer retention, turnover frequency of golfers, zip code distribution, course utilization, revenue per available tee time, and revenue per tee time purchased. These critical metrics have not been created by Brookshire’s third-party contractor.

However, we were able to ascertain those factors that are vital to golfers in the City of Carmel. With a national average loyalty rating being 26, the Brookshire Golf Club scored 9.8%:



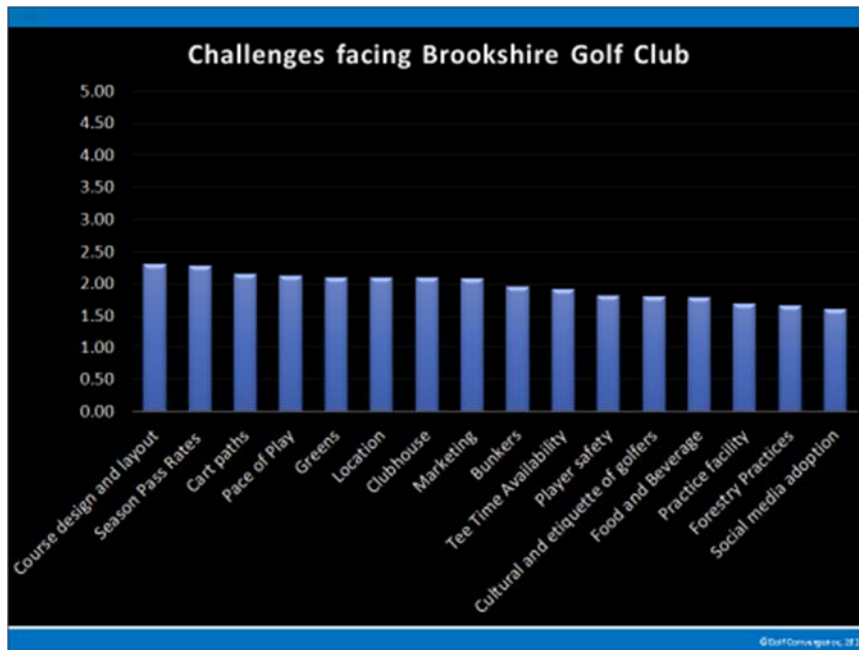
Note: "Promoter Score" is a term to measure the loyalty of customers to a facility. Are they "promoters" of that enterprise? The national average is 26. A negative score represents that the facility has more detractors than loyal customers.

This rating from the Brookshire Golf Club customer base is very disappointing.

Why are those loyalty share numbers important? Loyalty correlates to wallet share, and the percentage of wallet share a course receives from its golfers is a highly predictive factor of success. Higher wallet share equals higher revenue equals higher net income. Wallet share represents the percentage of a golfer's money spent at each golf course versus the total amount spent annually by the golfer.

It is much easier to attract a greater wallet share of an existing customer through building loyalty than it is to attract a new customer to the golf course. Promoters refer five golfers per year to the facility, while strong detractors can provide up to five negative references.

When asked what were the challenges facing the golf course, the response was crystal clear as shown here:



What was curious in the survey response was the high ranking of season passes, because 89% of the golfers indicated that they preferred to pay-as-you-go.

That is why addressing the challenges identified in the survey is important to sustain the loyalty to Brookshire Golf Club. It should be noted that the course design and pace of play are correlated. The difficulty of the course extends the time required to play.

The course design and layout challenges reflected in this report during our agronomic and secret shopper review were confirmed by the survey respondents as the principal barrier to the successful financial operation of the golf course.

There were some glimmers of hope in the survey. When Brookshire golfers were asked which area courses were “best in class,” Brookshire finished first in two categories, as shown below:



	1st	2nd	Brookshire
Conditioning	Prairie View	Bear Slide	7th out of 16
Course Layout	Bear Slide	The Fort	4th out of 16
Customer Service	Brookshire	River Glen	1st out of 16
Food Service	River Glen	Plum Creek	15th out of 16
Merchandise	Prairie View	Purgatory	16th out of 16
Practice Facilities	Glen Eagle	Wood Wind	6th out of 16
Price	Brookshire	William Sahn	1st out of 16

Unfortunately, it appears the attraction of the course is its low price and friendly service. The pace of play due to the difficulty of the course limits the number of rounds that can be played and therefore the revenue required to achieve fiscal stability.

THIRD DRAFT



Summary – A Community Asset of Costly Potential

Undertaking a feasibility study for the Carmel Clay Parks & Recreation Department necessitated the evaluation of the potential of the facility, the future investment required, the highest and best use of the property, and whether the experience offered to golfers was consistent. All of these were evaluated with the goal of creating a financially self-sustaining entity, if possible.

Our evaluation of the Brookshire Golf Club concluded that substantial challenges exist, as noted below:

Project	Brookshire Golf Club
Strategic	
Vision - Competitive Mix	Red
Demographics	Green
Weather – Recent	Yellow
Tactical	
POS/TTRS	Yellow
Web Site	Yellow
Financial	Red
Operational	
Course Layout	Red
Agronomic	Yellow
Deferred Capital	Red
Clubhouse	Red
Range/Short Game	Yellow
Food and Beverage	Yellow
Tournament/Outing Site	Yellow
Parking	Green
Golf Playing Preferences	Red
Customer Loyalty	Red

Key: Red – negative
 Yellow – neutral
 Green – positive

Brookshire Golf Club is in need of capital investment and is likely to see short-term operational losses. The limited playing season and customer expectations of low-priced value golf render a significant up-front capital investment, a hazardous financial proposition.



However, the core assets have the potential, with the creation of the proper vision, the allocation of the appropriate resources, and the consistent execution of operational policies and procedures, to become a marginally sustaining asset whose intangible value may contribute to the lifestyle of the City's citizens.

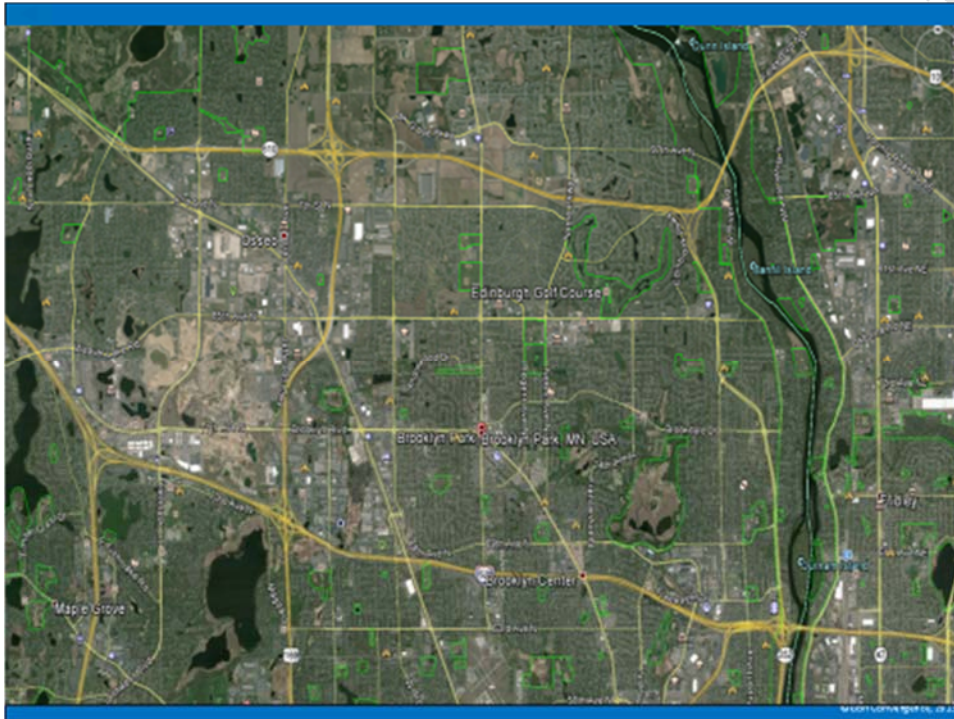
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Appendix A – Supporting Documentation

Scope of Work

The Carmel Clay Parks & Recreation Department was seeking to determine the viability and the ongoing responsibilities of managing the Brookshire Golf Club, which is pictured below:



The conclusions contained in this report have been reached based on the evaluation of:

- Step 1 – Geographic Local Market Review
- Step 2 – Weather Playable Day Review
- Step 3 – Technology Evaluation
- Step 4 – Financial Benchmarking and Model
- Step 5 – Architecture and Agronomy
- Step 6 – Customer Operations
- Step 7 – Golfer Preferences and Loyalty

Attached to this report are the research and data that support the conclusions presented.



The chart below summarizes the research from which the conclusions and recommendations in this report were formed. This data was presented to the Carmel Clay Parks & Recreation Department as a supplement to this report.

Task	Document	Date
Step 1 – City of Carmel - Geographic Local Market Analysis	Power Point	8/12/2013
Step 1 - City of Carmel - Geographic Local Market Analysis	Excel	7/5/2013
Step 1 – NGF Golf Demand Report: 10 20 30 Miles	Adobe Acrobat	7/5/2013
Step 1 - NGF Golf Supply Report	Adobe Acrobat	7/5/2013
Step 1 – NGF Facility Report: 10 20 30 Miles	Adobe Acrobat	7/5/2013
Step 1 – Tactician Demographic Trend Report	Adobe Acrobat	7/5/2013
Step 1 – Tactician Income and Disposable Income Report	Adobe Acrobat	7/5/2013
Step 1 – Tactician MOSAIC Comparative Population Report	Adobe Acrobat	7/5/2013
Step 1 - Tactician Population Greater than 18: 10 20 30 Miles	Adobe Acrobat	7/5/2013
Step 2 - Weather Trends International Playable Days Report	Adobe Acrobat	7/29/2013
Step 2 - Playable Day Analysis vs. Management Performance	Excel	12/2/2013
Step 4 – Marcus & Millichap Broker’s Opinion of Value	Adobe Acrobat	11/4/2013
Step 4 - Financial Comparison to National - State Benchmarks	Excel	12/3/2013
Step 4 - 2010 - 2012 Operating Statistics Review	Excel	12/3/2013
Step 5A – Agronomic Review – Mike Vogt, CGCS	Adobe Acrobat	9/7/2013
Step 6A - Competitive Course Review : Brookshire Golf Club	Adobe Acrobat	9/15/2013
Step 6B - Competitive Course Review : Carmel area competitive golf courses	Adobe Acrobat	9/15/2013
Step 7A – Brookshire Golf Club – email database	Microsoft Excel	8/28/2013
Step 7B – Carmel Clay Parks & Recreation - email database	Microsoft Excel	8/18/2013
Step 7C - Brookshire Golf Club golfer survey	Power Point	9/12/2013
Step 7D – Brookshire Golf Club golfer survey – raw data	Microsoft Excel	9/12/2013

This analysis also included review of:

1. 2007 – 2012 Brookshire Golf Club Financial Statements
2. 2010 – 2012 Historical Data, by G/L account code, for Brookshire Golf Club
3. 2010 – 2012 financial data by line item – unaudited



4. Meeting with City staff, Park and Recreation Department management, and Golf Course management to discuss questions/issues arising from review of the above.
5. Identifying any contractual or use-permit compliance issues.
6. Preparing findings and recommendations, including a plan for financing improvements and achieving financial stability.
7. Conducting site visits on August 12 – 14, August 19 - 20, September 18 – 20, and October 22 – 23.
8. It is our hope that this operational review achieves the goal of aligning common interests.

Limitations of Study and Caveats

This feasibility study engagement, like many, has taken many twists and turns, creating some unanticipated challenges, including the following:

- ◆ The City has not created a strategic business plan for the golf courses, so the vision for the facilities isn't defined.
- ◆ The facilities' adoption of technology, including meaningful customer tracking, was lacking. A thorough yield management analysis to determine the revenue potential of the facility was therefore restricted in scope.
- ◆ The Clubhouse's ownership structure and its architecture are challenged. These issues present some unique ongoing operational challenges that were beyond the scope of this limited golf course review. The ability of the City to successfully resolve these operational issues will have a direct impact on the sustainability of the golf course.



Appendix B: What Is the Future for the Golf Industry?

A feasibility study aims to objectively and rationally uncover the strengths and weaknesses of the existing business or proposed venture, opportunities and threats presented by the environment, the resources required to carry through, and ultimately the prospects for success.

In its simplest terms, the two criteria to judge feasibility are 1) cost required and 2) value to be attained.

A feasibility study is the precursor to the development of a strategic plan, which is a written document that defines a golf course's future direction. It is a beacon with which elected officials, the facility's lessee, management and staff of the golf course, golfers, and the taxpayers can see the value proposition for the enterprise. A strategic plan provides a consensus for future direction, one that can be measured and evaluated.

Without a defined feasibility study, effective tactical plans cannot be developed. Without tactical plans, efficient operational execution cannot occur.

This guidepost for the implementation of the strategic plan is an understanding of the value provided to the customer. To the extent that the experience exceeds the price, value is created and customer loyalty is developed. Conversely, to the extent that the price exceeds the experience created, value is squandered and customer attrition occurs.

Value in golf derives from two basic components shared by all golf courses: the physical infrastructure—property, property, plant, and equipment or the course, the clubhouse, and maintenance equipment); and secondly, the human element—the personnel.

How these resources are applied determines the experience created.

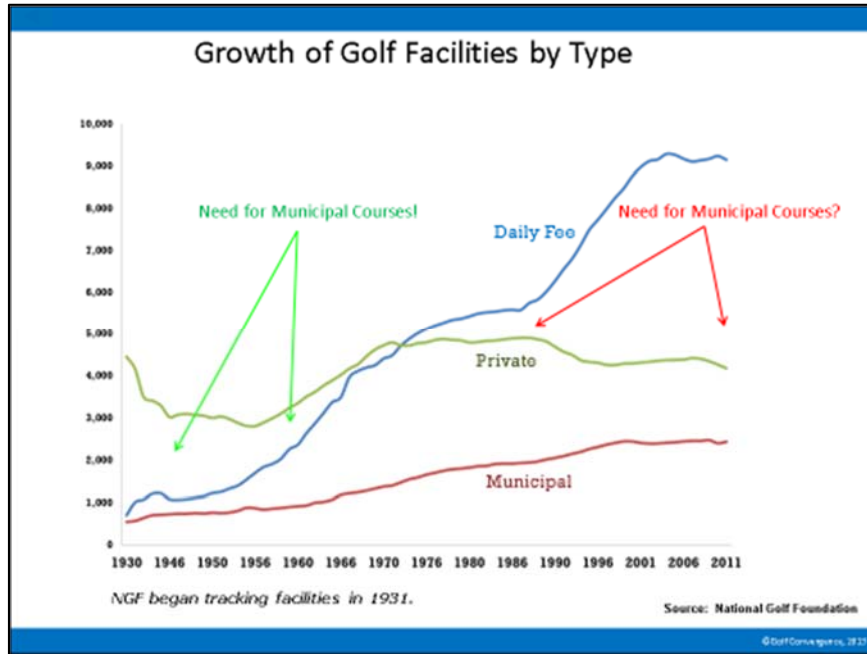
The Role of Government in Golf

Golf started in North America in the late 1880's. Access was largely through private country clubs.

Because of the origins of the game within the U.S. as private and club-based, municipalities filled the void for the public by building golf courses as part of their Parks and Recreation programs. The need for municipalities to continue to operate golf courses has been largely eliminated by the



evolution of daily fee golf courses — those open to the public via private enterprise — which became a significant factor starting in the 1960's, as illustrated below:



The current debate: Is providing golf to citizens an essential function of government?

The role of government is to provide those essential services to a society, services that could not otherwise be provided efficiently or effectively by private enterprise. Hence, police, fire, water, sanitation, and highways are usually within the bailiwick of government. But if a need of the citizens is adequately met by private enterprise, should the government provide that service if it is not essential to the health and welfare of its citizens?

It is impractical for a government funded by all its taxpayers to sustain losses from the operation of a golf course that serves only a small portion of the electorate.

The Organizational Structure of Municipal Golf

Brookshire Golf Club serves various constituencies, including: City of Carmel, Carmel Clay Parks & Recreation, Management/Staff, Golfers, Owners of homes on and near the course, and ultimately, Taxpayers.

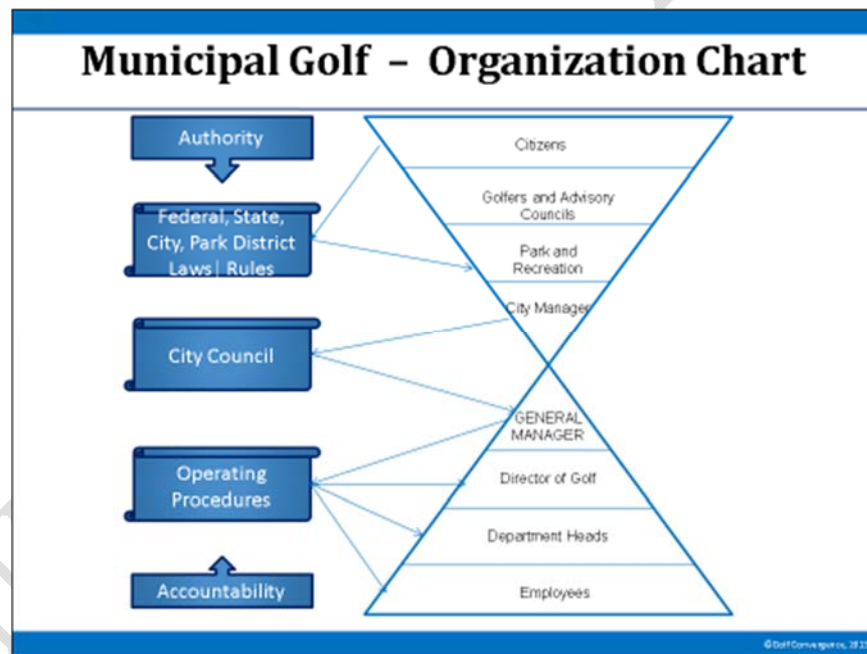


The mission statement of a municipal golf course can range from generating the largest possible return on investment to merely creating a value-based recreational opportunity, or alternatively, catering to the perceived needs of niche groups. Some golf courses also emphasize the value of teaching core values to young golfers.

The national brand image of municipal golf courses often gets a bad rap, especially those facilities viewed as an entry door to the game; they often are downtrodden and degrading.

Such is not the case at the City of Carmel or the Carmel Clay Parks & Recreation Department. Both management and staff are dedicated, hardworking, and passionate about creating value. But decision-making in response to the uncontrollable factors reported, as well as the lack of resources, often impairs their ability to execute.

With that considered, the real organization chart for most municipal golf courses is as follows:



With this understanding of the macroeconomic factors prevalent in our nation, the microeconomic influences affecting the local golf course, and the current political, economic, and financial environment observed in the Carmel Clay Parks & Recreation Department, this much is clear— if the City is to provide golf, it must do so in a way that ensures that the golf course is financially self-sustaining and free from general fund support.



Two beacons of hope for the future of golf suggest that perhaps in the intermediate, and maybe even in the long term, Brookshire Golf Club might be viable.

First, on November 16, 2011, the National Golf Foundation reported positive developments that suggest the golf industry has reached some balance, as noted below:

National Golf Foundation Reports November 16, 2011

- Latent demand – millions of non-golfers interested in taking up the game
- Dedicated PGA of America Golf 2.0 initiatives to help activate interested non-golfers
- Economic recovery should aid increases in rounds played and spending
- The expected net closure of golf facilities over the next decade should help improve the dilution of demand at the golf course level
- We expect the combined result of these factors to reverse the trend and provide a rise in golfers and rounds per 18 holes.

© Golf Course & Co. 2011

Second, municipalities, recognizing that labor expenses and the associated fringe benefits are the source of many of the financial challenges in operating golf courses, are seeking privatization of those operations. By December, 2011, 43% of all municipal golf courses had privatized.

Wisely, Carmel Clay Parks & Recreation has leased its associated restaurant to a third-party firm. Thus, this liability, one that is carried by many other municipalities, is a non-issue for the City.

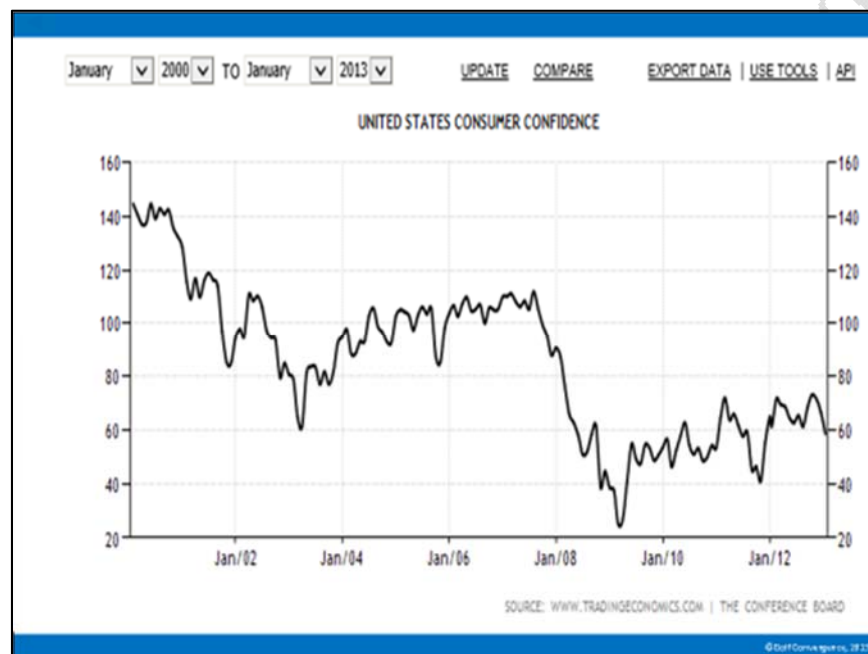
Understanding the global perspectives on the economy and the **micro-economic** forces impacting the golf industry provided the appropriate framework within which of the recommendations contained within this report were made.



Global Perspectives – Current Economic Outlook

Golf is a recreational sport that consumes the disposable income of its patrons. It competes for the entertainment dollars of its consumers.

Clearly, the economy in 2013 and our confidence in it are not at the levels they were in 2000, as reflected in the following Conference Board Consumer Confidence Index:



Why is consumer confidence important? Since golf is a recreational activity that consumes disposable per capita income, the higher consumer confidence is, the greater is the probability that entertainment activities, such as golf, will be sustainable.

The signals are mixed. In January, 2013, it was announced that the U.S. economy contracted at the annual rate of 0.01%, the first decline since the second quarter of 2009. On the same day, it was announced that “Home sales rebounded to the strongest level in five years in 2012, as home building bounced back to levels not seen since early in the recession. Near record low mortgage rates, rising home prices, and a drop in foreclosures have combined to bring buyers back to the market.”⁴ The headlines the next day were “Personal incomes post biggest gain in eight years.”⁵

⁴ <http://money.cnn.com/2013/01/27/news/economy/housing-economic-growth/index.html>

⁵ <http://www.foxbusiness.com/news/2013/01/31/personal-income-posts-biggest-gain-in-eight-years/>



We get absorbed by the daily details that flood our consciousness, and we lose sight of the major trends. Merely reflect on the tremendous changes that have occurred in the U.S. during the last four years, as evidenced in the following table, to realize that a lot has changed.⁶

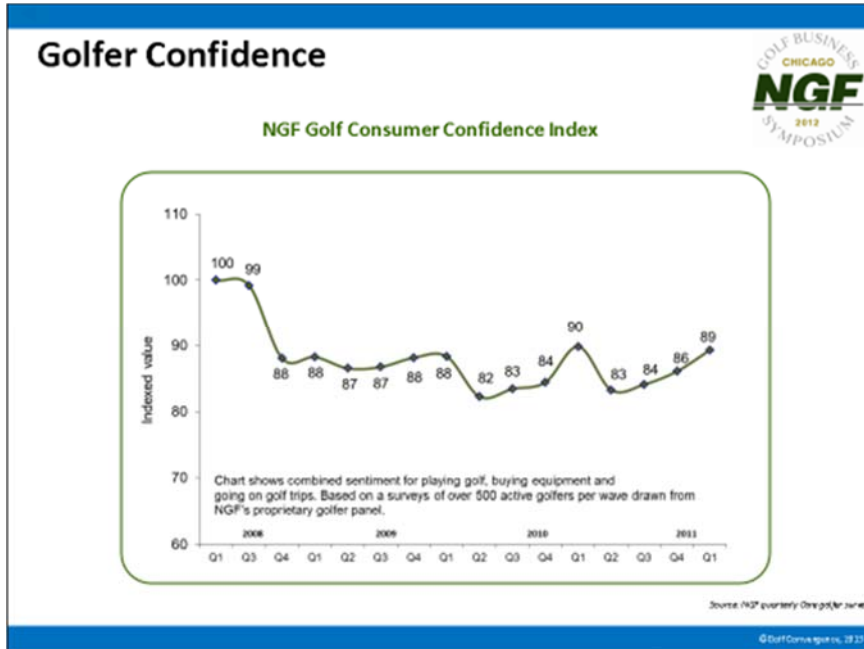
Category	2009	2012
Annual Consumer Price Index	-0.10%	1.70%
Consumer Spending	-1.60%	1.60%
Economic Growth	-5.30%	3.10%
Foreclosure	66,777	53,054
Gas Prices	\$1.62	\$3.29
Government Spending (Billions)	\$3,517	\$3,540
Housing Prices	\$175,500	\$189,000
Interest Rates (10-Year Treasury)	2.46%	1.86%
Job Growth	-818,000	114,000
Manufacturing (Industrial Production Index)	87.4	98.1
National Debt	54.10%	72.80%
Standard and Poor Stock Index	931.8	1472.6
Unemployment	7.80%	7.80%

The economy in 2013 is performing at a level comparable to the year the recession began. Sit on an airplane or wait in a Red Carpet room and the fact that the economy is a lot better is apparent.

Looking ahead, consumers are more optimistic that business conditions, employment prospects, and their financial situations will continue to get better. While consumers are in a somewhat more upbeat mood, it is too soon to tell if this is a rebound from earlier declines or a sustainable shift in attitudes.

The consumer confidence of golfers is increasing, as noted below:

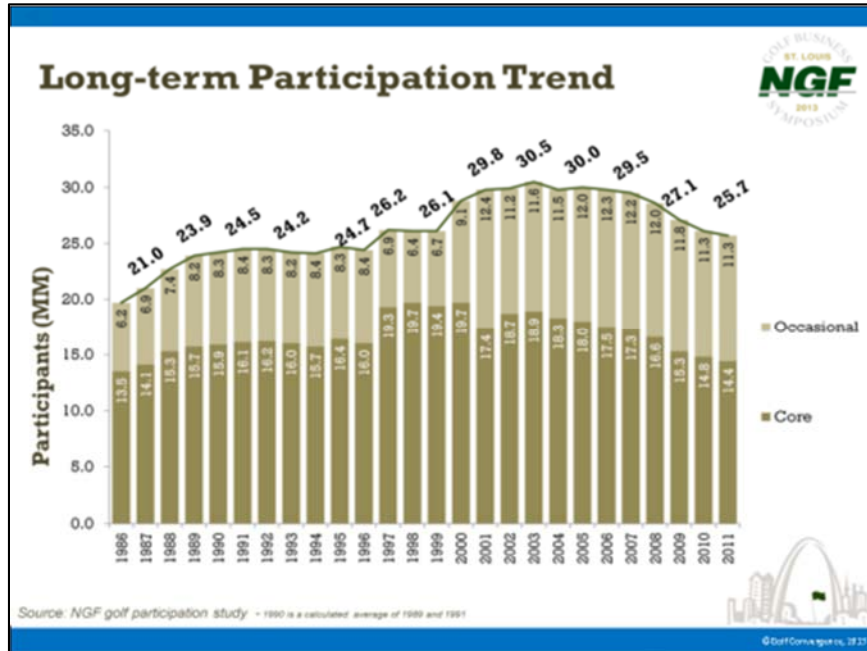
⁶ <http://money.cnn.com/galleries/2012/news/economy/1206/gallery.Obama-economy/13.html>



Analysis of National Trends in Public Golf, including Supply and Demand

All economic forecasts from leading industry research groups forecast a “flat industry” for the foreseeable future. For the next decade, the sport is likely to remain at 25 to 30 million participants, and revenue growth will only come from market share increases (stealing your competitors’ customers) or price increases.

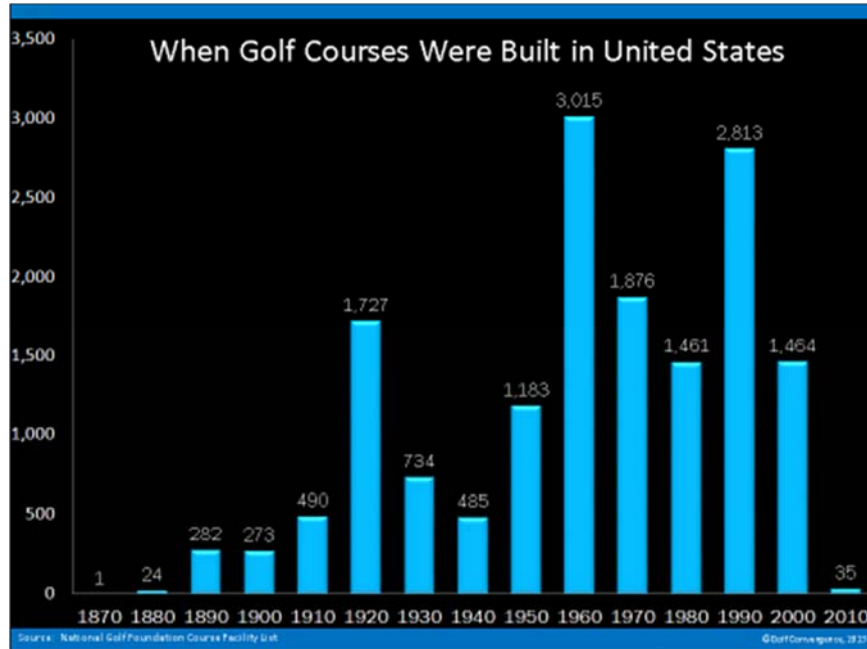
Those conclusions are reached based on overall golfer trends, as reflected below:



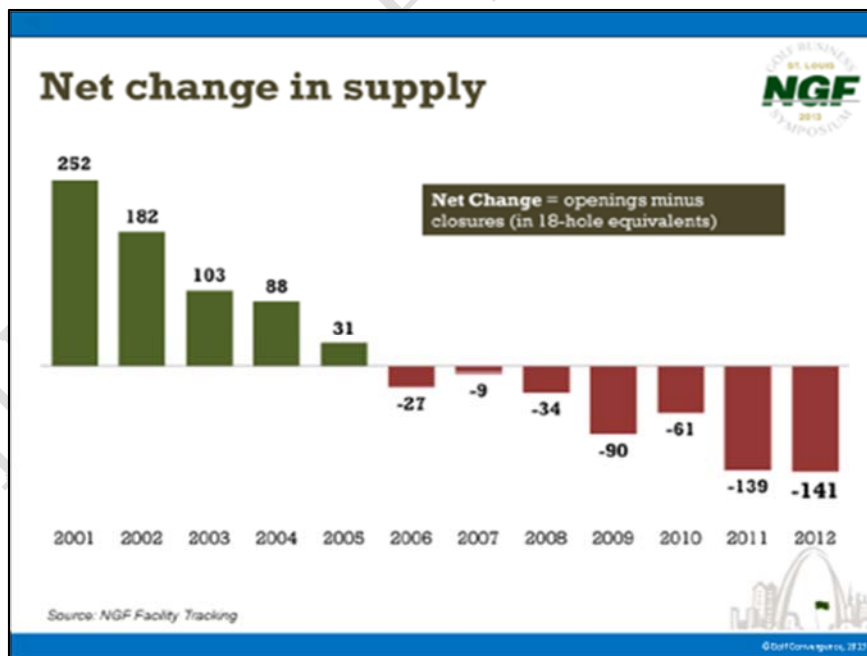
The net decrease of 1.4 million golfers from 2009 to 2012 included 5.2 million golfers who left the game; their numbers were not offset by the 1.8 million beginners and the 2.0 million former golfers who returned to the sport.

Since 1990, the growth in the number of golf courses is up 24%, while the number of golfers has increased only 16%. As a result, rounds played at each golf course have fallen from 40,400 in 1990 to 31,303 today. During this same period, while the number of golfers has fallen 9.2%, rounds volume has fallen 2.7%.

Today's supply imbalance is attributable to the golf courses that opened during the '60's and the '90's, as reflected below:



For the past seven years, and for the first time in history, more U.S. courses have closed than opened, as evidenced in the following chart:



Thus, the largest contributing influences are “uncontrollable factors” at a national level, and a quick reversal is not likely. And there are no foreseeable changes which will provide the City of



Carmel the opportunity to grow its golf course operation based on a surge in demand or a dramatic reduction of supply.

In 2009, the National Golf Foundation published an extensive study on “The Future of Public Golf in America,”⁷ which cited that 15% of golf courses rated their financial health as extremely poor. Of those golf courses, 56% of daily fee golf courses were considering closing and selling, and 26% of municipal golf courses were evaluating the same alternatives. Uniformly, with rounds and revenue off, losses had increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were being used to boost rounds. The City of Carmel has experienced the same situations.

As a result, the National Golf Foundation concluded the golf courses most at risk⁸ were:

- Facilities with lower price points
- Alternative facilities
- Facilities in less-populated areas

The NGF study further revealed significant differences between how successful golf courses were operating in contrast to those courses that were financially challenged.

Maintaining customer databases, engaging in email marketing, and publishing newsletters are additional traits of successful facilities that have been widely recognized over the years. As long as the City of Carmel doesn't fully engage in such activities, these missing marketing activities increase its risk of failure.

The Business of Golf -- Balancing Demand and Supply

In theory, business is actually very simple. It is balancing supply against demand. By establishing the price that correctly balances the value delivered commensurate with market demand, net income is maximized.

Business can be made very complicated. The permutations of operating a successful golf course increase quickly when one considers the factors that impact supply (the number of golf courses)

⁷ Golf Convergence, “The Future of Public Golf in America,” April 22, 2009, Slides 1 -43.

⁸ Golf Convergence, “The Future of Public Golf in America,” April 22, 2009, Slide 21.



or those factors that affect demand (course conditioning, price, weather, service, and customer demographics and preferences).

In a perfect market, customers purchase products that satisfy their needs or desires for prices they determine to be the best value. Golfers purchase a round of golf for the price that creates the social status they seek, for the networking they want to achieve, for convenience to home or business, and for the recreational and leisure experience.

Unfortunately, capitalism is not about perfect markets. Inadequate information, undisciplined decision making, and government intervention can create aggregate failure. The essence of capitalism is for the successful entrepreneur to gain a strategic advantage over competitors within an imperfect market.

The goal of the golf course owner should be to blend the following:

- 1) Superlative information
- 2) Disciplined decision making
- 3) Crisp execution

But that first component, superlative information, starts with an understanding of the breadth and depth of the golf industry.

An understanding of macroeconomics as it relates to supply and demand and the underlying performance, structure, and behavior of the golf industry creates the essential perspective necessary to craft an operational review as part of an operational analysis for which this study was commissioned. In the previous pages, we have examined macroeconomic supply and demand changes, but it is necessary to take a microeconomic perspective regarding demand.

A Closer Look at Demand — What Is the Profile of a Golfer?

In 1899, when 307 golf courses existed in the United States, Thorstein Veblen, the author of *The Theory of the Leisure Class*, expressed his opinion that golf was a game in which individuals participated to demonstrate their conspicuous consumption of leisure⁹. In essence, individuals

⁹ Thorstein Veblen, *Theory of the Leisure Class* (Oxford, Oxford University Press), 1899. <http://>



were attracted to the sport to demonstrate their superior financial position and to flaunt their lack of need for work as America transitioned from an agrarian to an industrial society.

From that meager beginning, golf in the United States has grown to a \$24.8 billion industry in which 26 million golfers play 463 million rounds while frequenting 15,882 facilities.

Despite that growth, more than 110 years later, golf has not lost its elitist brand. Two-thirds of golf rounds are played by those with a household income of at least \$85,500, and whose median age is 41.9. The national median household income is \$51,618, and the national median age is 37.1. For every round played in the U.S. by someone who is Hispanic or African American, Caucasians play seven rounds. For every round played by a female, men play 5.1 rounds. The fact that Generation Y is playing 58% less than baby boomers is hardly the foundation for an industry hoping for dynamic growth.

The financial health of the business of golf can be measured by many numbers. Three of the most effective are the relationship between the number of golf courses, the number of golfers, and the number of rounds played. Many factors influence those three components.

In order to compute the number of golfers and the number of rounds, we first need to define “golfer.” The National Golf Foundation defines a “golfer” as an individual, age 6 or older, who played at least one round in the past year. “Core golfers” are defined as those adults 18 or older who play between eight and 24 rounds per year. The term “avid golfer” is used for those golfers who play more than 24 rounds per year. Other industry research groups use “12 years or older” as the benchmark for what constitutes a golfer. Again, the golf industry’s methods of gathering statistics are not standardized.

Another term that causes much debate is “round.” When you play a “round,” have you played nine or 18 holes? The most common use of the word “round” merely means “a start.” In other words, a golfer teed off on at least one hole.

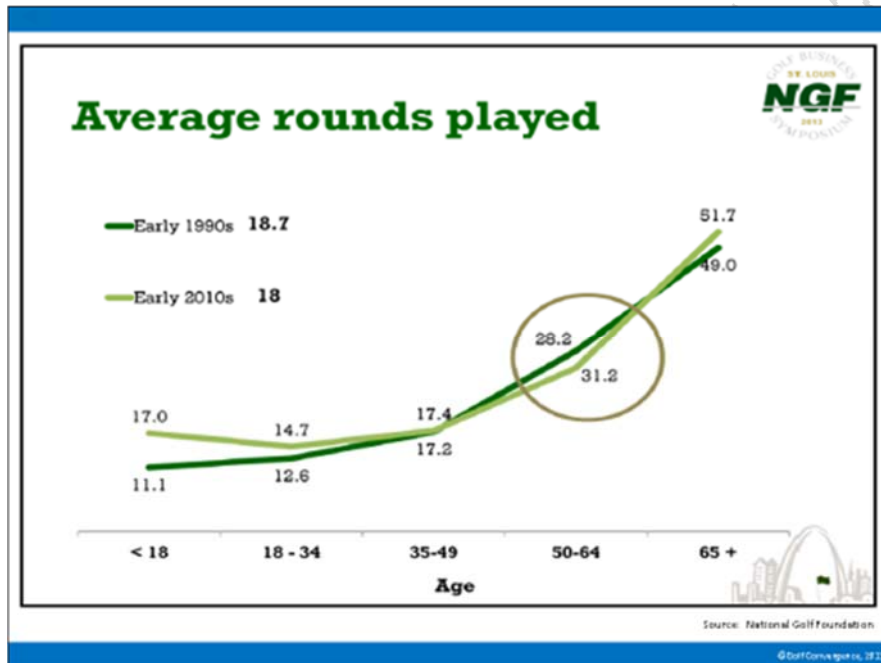
With the term “golfer” now defined, a further analysis reveals that the game of golf is all of the following:

en.wikipedia.org/wiki/The_Theory_of_the_Leisure_Class.

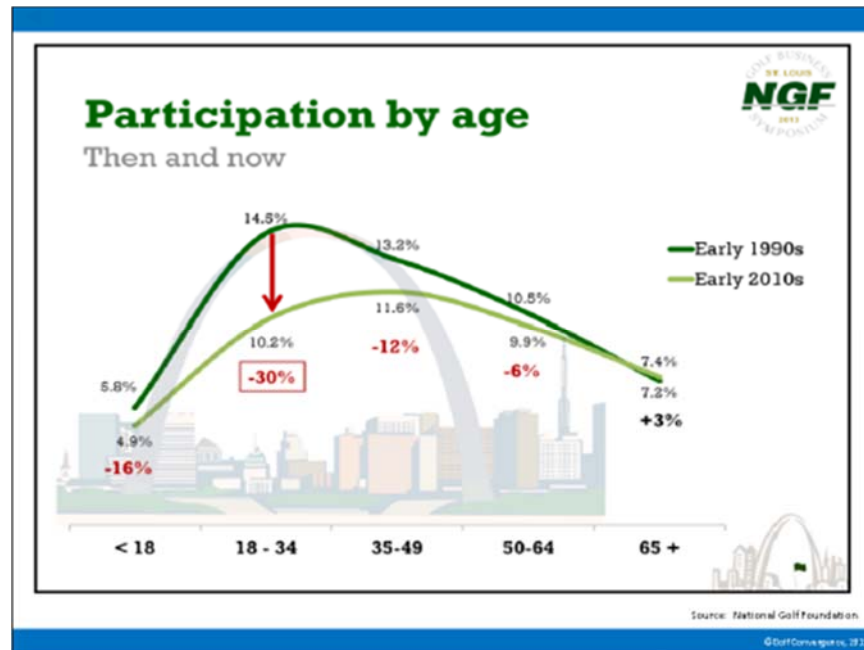


- 1) Golf is a game of the aging population.
- 2) Golf is a game of the wealthy.
- 3) Golf's growth is constrained by the time-crunched nature of our society.

As has been demonstrated in economic surveys conducted throughout the world, golf thrives in cities where the population is aging. Over 68% of all golf rounds are played by those older than 43 years of age, as reflected below:



The Carmel Clay Parks & Recreation Department's population is 4% younger than the national average. Not only are more rounds played by an older generation, but the participation rate by age reflects that over the 20 years, those between the ages of 18 – 34 played far less, as shown here:



All of this begs the question as to why golf is not more popular among the young, middle, and working classes.

First, the game is difficult to learn, and if you're not very good at it, it isn't a lot of fun. Second, the cost to even begin playing is high—clubs, shoes, golf balls. It's not uncommon to invest at least \$500 to more than \$3,000 to start. Third, a round of golf consumes the better part of a day. Fourth, the attitude present in many male-dominated pro shops creates a harsh and unfriendly environment for many women. Finally, many golf course personnel believe that they are "members" of the club, not "workers" at the club.

While the demand/supply imbalance bodes poorly for golf, such imbalance masks a more subtle and pervasive problem that is retarding the growth of the game. That problem is the significant change in the demographics of how our society functions in the United States. Sociologists track seven major categories to determine the nature of a society, some of which are technology (medicine, computers), social trends (reduced social conformity), and demographics (baby boomers and Gen X).

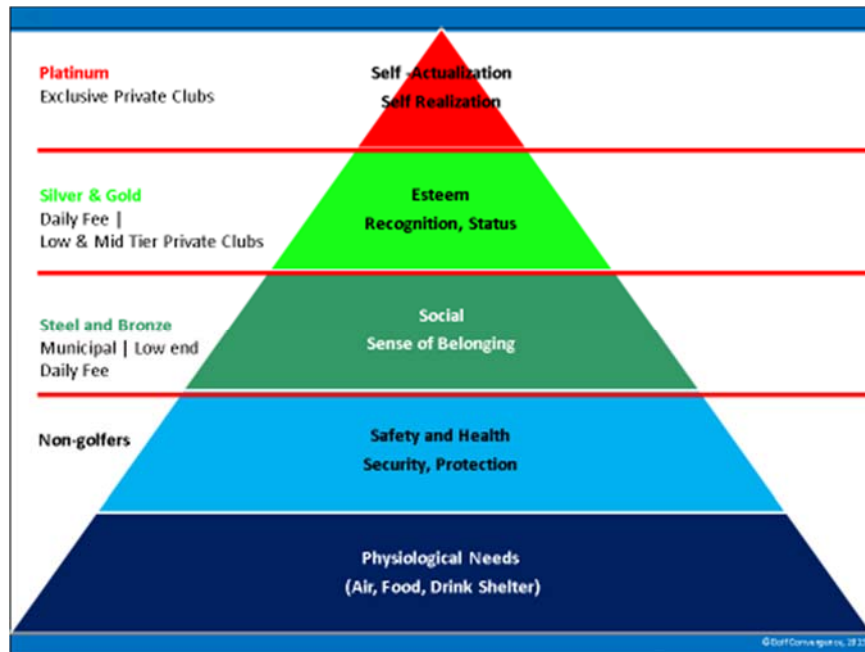
Within the seven categories, when three or more become altered significantly, society changes. That is what has occurred during the past seven years. Labeled the "time crunch," societal changes include the following:



- 1) The technology traps of endless improvements;
- 2) The update mandate (email, Twitter, texting, etc.) of our knowledge of events, education, and our values (tolerance to risk, work, etc.);
- 3) The marketplace of endless choices;
- 4) An experience economy of going to Starbucks to see it made, Krispy Kreme to watch it bake, and Harley events together on weekends to participate;
- 5) Lifestyle integration: The common value that everything must be efficient and we can do it all at once, causing the erosion of the barriers between home, work, and commuting;
- 6) Child centeredness: Focus on wants, needs, and desires has transferred from ourselves to our children. There is now a social status attached to the “children first” attitude. Our parents put themselves first. We put our children first.
- 7) Conspicuous activation. Status is now achieved by showing how busy you are and how many activities you are involved in.

The time crunch, in which 50% of all families are divorced and 80% of existing families have dual wage earners, has completely redefined the concept of leisure.

All of these, as well as the selection of a golf course by a consumer, can be traced to Maslow’s Hierarchy of Needs, as shown below:



As such, for the game of golf to grow and be successful, it must focus on the elements of time spent outdoors, the social aspect of the game, and the exercise opportunities golf offers.

THIRD DRAFT