Executive Summary

City and County of Denver
Parks and Recreation Department

Strategic Plan – Golf Division

Aqua Golf
City Park Golf Course
Evergreen Golf Course
Harvard Gulch Golf Course
J. F. Kennedy Golf Course
Overland Golf Course
Wellshire Golf Course
Willis Case Golf Course

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July 1, 2011

We are pleased to accept the Denver Golf Strategic Assessment and Recommendation Plan as a vision and framework for the future of the City and County of Denver's Golf facilities.

Recognized as an active city with re-known yet aging golf courses, Denver is taking significant steps, as outlined in the Strategic Plan, to upgrade existing golf facilities, improve staffing, streamline concession opportunities, and establish important partnerships. While Denver's Golf system is exceptional, it is time to invest the labor, money and bold vision to make it extraordinary.

Through an intensive process and interagency collaboration, we now have a publicly endorsed vision for Denver's Golf courses. This plan will guide future decision making, prioritize funding and implementation, and encourage development of facilities through partnerships based on the feedback from the outreach process.

As Denver anticipates increased population in the coming years, improved Golf facilities will continue to be a great need. Together with these recommendations and the promise of new partnerships, the Department looks forward to enhancing these Denver park resources for forthcoming generations of enthusiastic residents and guests.

Sincerely,

Chantal Unfug

Chantal Unfug
Manager
Denver Parks and Recreation

Scott Rethlake
Director
Denver Golf

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Step 1 - Denver Golf Market Analysis revised 12 13 Draft	Microsoft Word 97	12/13/2010
Step 2 - Weather Playable Days	Adobe Acrobat Doc	8/18/2010
Step 4 - 2007 - 2010 Financial Statements Recast to GAAP for Golf	Excel	3/4/2011
Step 4 - Financial Model 2010 - 2020	Excel	3/4/2011
Step 4 - External vs. Internal Financing Options	Excel	3/4/2011
Step 5A - J.F. Kennedy Architectural Review 11 1 Final Draft	Microsoft Word 97	11/1/2010
Step 5A - Architectural Rate of Return Calculations	Microsoft Excel	2/27/2010
Step 5A - Capital Investment - Tiering Priorities	Microsoft Excel	11/1/2010
Step 5A - City Park Architectural Review - 11 1 Final Draft - Herfort/Norby Draft	Microsoft Word 97	11/1/2010
Step 5A - City _ Park_Architectural_Review - 11 1 Final Draft	Microsoft Word 97	11/1/2010
Step 5A - City_Park_Architectural_Review_10_27_10_-_Final Draft	Microsoft Word 97	11/1/2010
Step 5A - Evergreen Architectural Review 11 1 Final Draft	Microsoft Word 97	11/1/2010
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Executive Summary

Assets Managed

Facts: This study encompasses the creation of a strategic plan for the Golf Division pursuant to a request for proposal issued on March 3, 2010 by the City and County of Denver (collectively referred to hereinafter as City, City and County, or Denver).

In undertaking these consultant services, a comprehensive analysis of the financial and operating performance of the City and County of Denver's Golf Enterprise Fund, which consists of Aqua Golf, City Park, Evergreen, Harvard Gulch, J. F. Kennedy, Overland, Wellshire, and Willis Case golf courses (collectively referred to hereafter as Golf Enterprise Fund, or Golf Division) was undertaken.

With total assets of $14.238 million, the Golf Enterprise Fund generated over $8.744 million in revenue, with net operating income of $1.131 million for 2010, as reflected in year-end financial statements.

The purpose of the Request for Proposal was to ensure prospectively that the assets of the Golf Division were optimally managed and that a value-based golf experience was provided to the citizens.

The Key Questions of the Request for Proposal

The scope of work encompassed five key questions which are listed below and the associated conclusions resulting from this study:

Objective	**Key Recommendation**
1. Assess the optimum governance options for management of the City's golf courses.	The Golf Division, as an enterprise fund, will optimally operate independent of the organizational limitations of the City and County of Denver's policies. The Denver Zoo and the Denver Botanical Gardens are two examples of City assets that are operated independently.

Objective	Key Recommendation
2. Conduct an operational review of each of the eight facilities with respect to: a) Course Conditions; b) Amenities; c) Demographics of surrounding area; d) Competitive position; e) Fee comparison; f) Capital investment; g) 10-year cash flow projections	Denver's courses, being centrally located, provide the desired demographics for the operation of financially sustainable golf courses. Historically, the assets have been under-managed, and appropriate capital investment has been deferred. As a result, the competitive position of the courses has weakened. An investment of $9.45 million is suggested over the next decade. A $3.27 million investment should be allocated to the enhancement of City Park ($1,950,00), Wellshire ($902,500), Willis Case ($667,500) and Overland ($500,000) golf courses within the next three years. Such capital will produce a superior investment return. In 2011, $1 million is being invested in total at Evergreen and at the Wellshire clubhouse.
3. Determine if the pricing at the courses should be tiered commensurate with the varying experiences provided.	Tiering of prices, establishing four tiers, is recommended after renovations are completed.
4. Ascertain the highest and best use for the Overland Golf Course, considering the density of the population and the requirement for additional open park space. Also re-confirm that the course should be converted to nine holes, as recommended in a prior master plan for the Platte River area.	Overland should remain as an 18-hole facility for the next decade. As additional park space is now required, it is recommended that Harvard Gulch be transitioned to open park space to relieve the burden on Washington Park. Closure of nine holes at JF Kennedy is also advised. Long-term, it is recommended that in cooperation with the City of Englewood, the viability of closing of either Broken Tee or Overland be explored.

Objective	Key Recommendation
5. Is the construction of a golf course at Stapleton fiscally prudent and consistent with the master plan for redevelopment of the former airport site?	The construction of a golf course at Stapleton is not recommended until investment is first made in the other Denver courses, the economy improves, and demand for such a facility (currently lacking) exists.

Scope

Opinion: Supporting the key questions of the study, the Department of Parks and Recreation sought the creation of a strategic plan to guide the operation of the Golf Division for the next decade.

This report, by the request of the Parks and Recreation Department, is focused principally on the future, without reference to the operational assessment that was undertaken pursuant to the RFP. Reporting on the historical causes that have resulted in the current challenges has been limited by design, as has the impact of the Golf Division on the Denver Parks and Recreation Master Plan.

Fact: Since Denver Mayor John Hickenlooper's election as Governor of Colorado in in November, 2010, there has been significant turnover within the Parks and Recreation Department. Both the Director of Parks and Recreation and the Assistant Director of Parks and Recreation have departed. The field work for this study was completed during the tenure of those two employees.

The current Acting Director of Parks and Recreation will resign in July, 2011 with the installation of the new Denver Mayor.

Opinion: This turnover is one of the weaknesses of a mayoral form of government, and it has an adverse impact on the operation of the Golf Division.

To illustrate, the field work for this report was completed on December 8, 2010. The issuance of the report was delayed until June 30, 2011. Meetings with members of the Business, Workforce and Sustainability Committee to review the findings of the report were planned, but they never occurred. Proposed fee increases for 2011, which would have required City Council approval, were never implemented. We were informed that City Council members would not vote on such fee increases in an election year. The deferral of an appropriate fee increase will cost the Golf Division an estimated $250,000 in revenue in 2011. A marketing director was not retained. Recommendations to improve the playability of the courses were not implemented pending final review of this report by the new Manager of Parks and Recreation scheduled to assume office in July, 2011.

In essence, the recommendations of this report will be delayed significantly by the Golf Division operating under the mayoral form of government; hence, our conclusion that the Golf Enterprise Fund should operate independently.

The Golf Division – An Enterprise Fund

Fact: An enterprise fund is one established by a government to account for activities, *similar to private business operations*.

The intent is that fees to users will generate sufficient revenue to provide goods or services to the public such that the enterprise fund is fiscally self-sustaining without support from the City's General Fund. By definition, an enterprise fund can only receive taxpayer support annually to the extent of 10% of the Enterprise Fund revenues. It is important to note that the Denver Golf Division has not received any such allocation of funds for the past decade.

This form of governance provides conflict in addressing fundamental questions of operation:

1) Is the Enterprise Fund required to provide a golf experience to golfers at every level of playing ability or only those who are financially self-sustaining?
2) Should the Enterprise Fund be obligated to make short-term investments in programs such as junior golf, in which the financial return is at best long-term and perhaps largely unknown? In 2010, the Golf Division subsidized a $187,995 loss in operating junior golf programs. While the support of junior golf is a "feel-good story," it requires a significant investment to serve a narrow customer niche, requiring the allocation of resources from a larger customer base whose financial support provides the economic sustainability for the Enterprise Fund.
3) What influence should the Mayor or City Council have on the daily operation of the golf courses?

Opinion: The answers to these questions can be debated.

The Golf Division is governed by the Parks and Recreation Department, primarily a general fund activity. Though designed to operate as a private business, the Golf Division's operating flexibility is restricted.

This report was crafted with the perspective that the Golf Division should only engage in those goods and services that are fiscally self-sustaining. To the extent that the Mayor or City Council wants to implement programs or activities that aren't self-sustaining, the source for such funding should arise from the general fund.

It is our opinion that the intent of an enterprise fund is to allow operation free of political influence and taxpayers' desires. Currently, such influence exists. Further, the ability to set rates should not be subject to the approval of City Council, though that is currently required by Charter.

Further, it is a concern noted that the Golf Division is operating with an inverted organizational structure in which the Director of Golf is operating within a clearly burdensome bureaucratic process and in some cases, in our opinion, is subject to arcane rules.

To illustrate, it appears that the Director of Golf has little influence on marketing, purchasing, accounting, or legal issues, and is limited by the very restrictive Career Service Authority rules numbered 3 (selection), 14 (separation other than dismissal), and 16 (discipline and dismissal).

For such services, the Golf Enterprise Fund is charged a "central service allocation" designed to reflect the fair market value of services provided. It is our opinion, that such charges to the Golf Division, while supportable by calculation, are inflated over the cost for which such services could be obtained by way of private enterprise. The Golf Administrative Division of the Enterprise Fund reported a net operating loss of $1.212 million for the year ending December 31, 2010, principally from internal service charges which were far in excess of the value derived. The administrative cost of most comparable municipal golf operations is less than $300,000.

As a consequence, the quandary is whether the underperformance of the Golf Enterprise Fund is a function of the burdensome bureaucratic process or the ineffectiveness of the current leadership within the Golf Division? There are no meaningful instruments available to quantify that answer, but it is our opinion that the organizational structure is masking the management weaknesses we observed within the Parks and Recreation Department and the Golf Division. This opinion was derived from personal observation and from interviewing leadership with the City and the Park and Recreation Department. Many expressed the belief that the underperformance of the Golf Division was a result of the current manager's ineffectiveness.

The Process

Fact: With the scope defined and the limitations of current governance recognized, within those constraints, the purpose of this report is to craft a strategic vision, develop appropriate tactical plans, and recommend policies and procedures for effective operational execution. The aim is to ensure that the citizens of Denver are provided an appropriate golf experience as a recreational component of the City's leisure programs, considering the assets that currently exist, on a basis that is financially self-sustaining.

This study for the Denver Golf Enterprise Fund was developed using the Golf Convergence WIN™ formula through the cooperative efforts of the Denver Parks and Recreation Department, the associated Advisory Board, management and staff of the Golf Enterprise Fund, and more than 2,000 Denver golfers whose input was solicited via a comprehensive electronic survey. Thus, the strategic plan was created utilizing the framework of the **Golf Convergence WIN™ Formula,** which is made up of the following steps:

1) **Strategic: Geographic Local Market Analysis -** Age, income, ethnicity within 10 miles of the golf courses
2) **Strategic: Weather Impact -** Management performance v. weather
3) **Tactical: Technology -** An integrated foundation to identify the insights required to manage
4) **Tactical: Key Metrics, Financial Modeling, Yield Management -** Comparing financial performance to competitive local golf courses
5) **Operational: Facilities and Maintenance -** Equipment and Capital Benchmarks
6) **Operational: Customer Franchise Analysis -** Who are the golf course's best customers and how loyal are they?
7) **Operational: Customer Surveys** - Barriers, Price Points, Brand Image
8) **Operational**: **Management, Marketing and Operation Review –** The entrance, staffing, organizational structure, merchandising, food and beverage, advertising, marketing, and public relations are evaluated and compared to the industry's best management practices.

In undertaking this research, it is important to note the following operational challenges that were being properly addressed at the outset of this engagement: 1) $5.8 million in long-term debt; 2) Confusion regarding the assignment of responsibilities for proper forestry practices; 3) Labor issues; 5) Contracts with concessionaires; and 6) A recently installed golf management system that is underperforming. Golf Convergence coordinated the research presented herein and facilitated the creation of this strategic vision. It did so with a recognition of the historical cash flow performance as noted below:

	2007	2008	2009	2010
Rounds	369,583	371,385	361,079	340,680
Yield Per Round: Green Fees	15.44	16.40	16.91	17.41
Yield Per Round: Carts	2.53	2.47	2.30	3.40
Yield Per Round: Merchandise	1.25	1.12	0.97	1.43
Yield Per Round: Range	0.52	0.53	0.95	1.93
Yield Per Round: Other	2.29	2.11	2.00	2.18
Yield Per Round: Total	22.03	22.63	23.13	26.35
Green Fees	5,705,262	6,091,118	6,104,647	5,931,644
Carts	935,721	915,932	832,275	1,157,030
Merchandise	463,643	415,801	350,932	485,626
Range	192,338	197,409	342,937	658,476
Other	845,337	784,796	722,051	743,970
Total Revenue	8,142,300	8,405,055	8,352,842	8,976,746
Cost of Goods Sold				
Food and Beverage				
Merchandise	350,672	299,264	299,329	348,058
Total Cost of Goods Sold	350,672	299,264	299,329	348,058
Net Operating Income	7,791,628	8,105,791	8,053,514	8,628,689
Administrative Salaries	439,947	531,352	562,406	778,182
Maintenance Salaries	3,845,330	4,031,874	2,775,257	2,243,016
Pro Shop Salaries			997,439	1,204,073
Salary Roll-Up Variance	0	0	134,654	0
	4,285,278	4,563,226	4,469,756	4,225,271
Operating Expenses				
Administrative Expenses	228,438	134,272	146,536	288,927
Pro Shop Expenses	-45,443	485,426	299,228	449,493
Maintenance Expenses	1,257,367	1,175,207	1,050,655	891,399
Operating Expenses	1,440,362	1,794,906	1,496,419	1,629,820
Total Operating Expenses	5,725,639	6,358,132	5,966,175	5,855,091
EBITDA	2,065,988	1,747,659	2,087,339	2,773,598
Equipment Related Charges				161,631
City Related Charges				
Capital Investment - Recurring	201,966	-16,699	1	0
Capital Investment - Servicing New Debt	0	0	0	0
Central Service Charge	362,390	381,030	352,080	307,368
Cart Lease (Principal and Interest)	0	0	0	156,249
Depreciation	24,548	0	0	0
Equipment Loan	-1,860,478	0	0	0
Gain on Sale of Asset	1,434,323	0	0	0
Investment Income(Expense)	-152,081	-153,335	-8,728	0
Utilities	230,305	305,735	273,377	345,079
Long Term Debt Service (Principal and Interest)	686,865	682,465	682,295	681,895
Miscellaneous	183,310	198,798	196,573	291,586
Year End Audit Adjustment	-1,292,239	0	0	0
Total Enterprise Expenses	-181,091	1,397,995	1,495,599	1,782,176
Positive Cash Flow	2,247,080	349,664	591,740	829,790

Note: The above represents a "cash flow statement" and includes capital expenditure, cart lease payment, and long term bond pricing. It should be noted that a year-end audit adjustment was posted in 2007 for excessive depreciation charged to the Golf Division in prior years. This one-time adjustment creates the incorrect appearance that the financial performance in 2008 and 2009 was beyond industry standards. This adjustment merely underscores the arbitrary and capricious process by which the Golf Division financial statements are prepared, a process which greatly impairs any meaningful financial analysis of the actual financial performance.

The Goal of a Strategic Plan

Fact: A strategic plan is a written document that defines the golf course's future direction. It is a beacon with which elected officials, Parks and Recreation Department management, the Golf Enterprise Fund, staff, 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.

Opinion: Without a defined strategic vision, effective tactical plans cannot be developed. Without tactical plans, efficient operational execution cannot occur.

This guidepost for the implementation of the strategic vision is founded with an understanding of the value provided to the customer. To the extent that the experience exceeds the price, value is created and customer loyalty 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 that all golf courses share: there's the physical infrastructure - property, plant, and equipment (the course, the clubhouse, and maintenance equipment); and there's the human element – the personnel. How these resources, as depicted below, are applied determines the experience created.

Vision Statement

Recommendation:

For Denver's golf courses, the adoption of the following vision statement is advocated:

As important as stating your vision is a clear understanding of what your vision is not. There is not a mandate to provide a golf experience for every level of ability, nor is there a mandate for the Golf Enterprise Fund to subsidize any special interest group utilizing the facilities.

To execute this strategic vision from its current position, the ***following interim steps*** are appropriate:

Focus	Subject Matter	Recommendation
Strategic	Governance	Parks and Recreation Department should regain responsibility for all golf courses. All existing concession licenses should be amended to co-terminate. Outstanding licenses include Evergreen Golf Course, Overland Pro Shop, and the various food and beverage concessions. Upon regaining operational control, the Administration can then evaluate the best form of governance, i.e., under the general fund, enterprise fund, independent, management company or leases to a third party. Whatever option is selected, all golf courses should be governed under the same framework. The food and beverage operations would be optimally leased to a single concessionaire. This report does not advocate Parks and Recreation operating the food and beverage concession.
Tactical	Capital Investment	Beyond the $1 million being invested in 2011, an additional $8.545 million commitment to the renovation of the golf courses should be established. It is our recommendation that the capital improvements should be funded with external rather than internal funding. Funding capital improvements through available cash flow creates an uncertainty as to the availability of capital that will likely result in the underperformance of the courses.
Operational	Tiering of Courses.	Each golf course should have a clear vision of the market niche that that facility can achieve within five years. We believe the potential for each facility is as follows: “silver” (Wellshire, City Park), “bronze” (JF Kennedy and Willis Case), and “steel” (Evergreen and Overland),
Operational	Establishment of Rates	The Golf Division should have unilateral authority to set rates.

Focus	Subject Matter	Recommendation
Operational	Marketing	Golf Division should be able to create a uniquely branded web site and be given the flexibility to communicate with media and customers without oversight by the Parks and Recreation Department personnel. A marketing director should be retained for the Golf Division. This recommendation is based on the current manager's stated lack of interest in personally engaging in the appropriate community activities to bolster the brand recognition of the Denver golf courses.
	Junior Golf	This should be required to be self-sustaining by 2012, or the program should either be transferred to the Parks and Recreation Department, supported exclusively by the general fund, or abandoned.
	First Tee	Wellshire and Willis Case First Tee courses should be opened to all players as short-game practice facilities. First Tee participants should have priority, but not exclusive access, to those facilities. City Park, in contrast, has a marvelous short-game facility. Access to the First Tee facility by patrons would not enhance customer service materially.

The Investment

Recommendation: Investment in the golf courses should commence based on the following priorities:

Course	Project	Amount	External Financing	Internal Financing
Evergreen	Bridge	200,000	2011	2011
Evergreen	Clubhouse	400,000	2011	2011
Wellshire Inn	Clubhouse	400,000	2011	2011
Overland Park	Tees - On Course Bathrooms	500,000	2012	2019
Willis Case	Tees - On Course Bathrooms	667,500	2013	Beyond 2019
Wellshire	Ross Renovation, Fixing Lake and 1st and 10th holes	902,500	2014	Beyond 2020
City Park	Driving Range/Maintenance Bldg/Course Renovation	1,950,000	2015	Beyond 2021
JF Kennedy	New Clubhouse	4,525,000	2017	After 2023
Wellshire	Clubhouse Renovation	5,000,000	After 2022	After 2028

External financing is the clear choice. Why are the capital investment schedules so markedly different? Superficially, the conclusion appears illogical based on historical cash flow statements.

A near term capital investment through external financing provides a return far greater than the capital costs. This return on investment from enhancing depleted assets will cover the annual sinking requirements for normal course improvements and also provide coverage for the annual cart leases. These items were budgeted in the cash flow forecasts prepared for this strategic plan for the first time. Historically, these expenses haven't been budgeted. Without the investment to boost the Golf Division's short-term return, the cash flow becomes totally absorbed by these newly budgeted expenses.

Also, note that within the long-term capital request, $5.0 million was designated for the renovation of the Wellshire Clubhouse in the next decade.

The current relationship with the contract licensee at Wellshire is, in our opinion, highly acrimonious, legally contentious, and unduly burdensome on the Parks and Recreation Department management. The resources required to manage the agreement are unduly taxing for the value derived. It is our recommendation that the Department of Parks and Recreation regain operational control of this facility as an integral part of this strategic plan. Consideration should be given to transferring the operational responsibility for this asset to the Events Facilities Division of Parks and Recreation.

The capital investment in the Wellshire Clubhouse is intended to create an asset to enable the Parks and Recreation Department to achieve the following objectives:

1) Provide a recreational and entertainment venue commensurate with the facility's potential.

2) Generate efficiencies between the golf operation and the food and beverage facilities with respect to daily play, tournaments, outings, and league events.

3) Create leverage and flexibility in selecting a more desirable form of governance, ranging from self-operation to a contracted service.

With external funding, the golf courses can more quickly be renovated. The projected rates of return and the adjustment in the green fees that can result from the improvement of the golf experience at these courses are reflected below:

The Investment Return

Course	Fair Price	Renovated Price	Capital Investment	Annual EBITA Increase	ROI %
City Park	$34	$35	1,950,000	355,000	12.70%
Evergreen	$32	$40	3,987,500	228,500	-9.02%
Kennedy	$35	$40	4,525,000	260,000	-6.86%
Overland	$34	$35	500,000	87,500	11.73%
Wellshire	$38	$45	902,500	440,000	47.77%
Willis Case	$34	$34	667,500	72,035	0.87%
			12,532,500	1,443,035	9.53%

Note: The fair price represents the current value of the entertainment experience provided.

Of the capital investment listed above, the investment of $3,987,500 to renovate the Evergreen Golf Course, while desirable, is not deemed feasible and is excluded from the requested capital investment budget of $8.545 million.

The cash flow projections prepared through 2019 fully support this level of investment, and they predict a positive net operating income throughout the duration.

The Justification for Investing

Recommendation: Our recommendation to invest in the core infrastructure of the Denver golf courses is unwavering. The City and County of Denver Parks and Recreation Department's investment will fully service the debt, the risk level is low, and the Golf Enterprise Fund will become financially self-sustaining, as reflected below:

	Consolidated Financial Statements: City and County of Denver								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Revenue	9,206,281	9,390,407	9,578,215	9,769,779	9,965,175	10,164,479	10,367,768	10,575,123	10,786,626
Total Revenue with Investment	9,213,286	9,668,258	10,201,197	10,709,882	10,924,080	11,142,561	11,924,401	12,162,889	12,406,147
Value of Capital Investment Return	7,005	277,851	622,981	940,102	958,905	978,083	1,556,633	1,587,766	1,619,521
Total Cost of Goods Sold	355,019	362,119	369,361	376,749	384,284	391,969	399,809	407,805	415,961
Net Operating Income	8,858,268	9,306,139	9,831,835	10,333,133	10,539,796	10,750,592	11,524,592	11,755,084	11,990,186
Salary Expense	4,352,030	4,513,490	4,648,895	4,788,362	4,932,013	5,079,973	5,232,372	5,389,344	5,551,024
Total Operating Expenses	6,014,446	6,209,155	6,378,473	6,552,531	6,731,466	6,915,415	7,104,523	7,298,937	7,498,809
EBITDA	2,843,822	3,096,984	3,453,362	3,780,602	3,808,330	3,835,177	4,420,069	4,456,147	4,491,376
Equipment Related Charges	247,296	252,242	257,287	262,432	267,681	273,035	278,495	284,065	289,746
City Related Charges	2,276,187	2,652,638	2,677,960	2,703,789	2,730,134	2,757,006	2,784,416	2,812,374	2,840,891
Positive Cash Flow	320,339	192,105	518,116	814,381	810,515	805,136	1,357,158	1,359,708	1,360,739

These capital flow forecasts include $6.0 million in additional debt, financed at 4% on a 10-year loan. The cash flow forecast provides for a 3% annual increase in salaries as well as a 2% increase in expenses. More importantly, it includes over $1.0 million in expenses annually for cart leases, appropriate replacement of the equipment fleet, and a $100,000 annual investment per course in the capital improvements for the course based on the depreciation of its components, i.e., greens, tees, bunker, irrigation, etc. Self-financing was evaluated and deemed not viable.

The Comprehensive Plan

This Executive Summary has outlined the critical path for the City and County of Denver's Golf Division. To be successful, detailed tactical plans and enhanced operational procedures need to be established. These detailed plans are presented in the body and the appendices of this report.

In summary, the Golf Division has many strengths, and they serve as a firm foundation for future growth. The physical location of the golf courses within a major metropolitan area of golf enthusiasts is the principal foundation for the successful operational of the Golf Enterprise Fund.

But the challenges ahead are not trivial. The organizational and management structure is entrenched, the overhead cost structure is largely fixed, the depth and breadth of the labor is weak, particularly in marketing, and the deferred capital expenditures are significant. However, with the investment of capital and personnel leveraging the investment in technology via proactive marketing, the Denver Golf Division can withstand the current woes plaguing the golf industry.

While a substantial number of citizens believe that golf, like tennis and swimming pools, should be supported by the taxpayers, and that a profit focus for golf is inappropriate, golf is adequately handled by other entities within the local market at a wide range of price points. If taxpayers subsidize the golf operations, that benefit will be for approximately 14% of the taxpayers. In the current environment, that proposition is not popular.

Thus, for the Golf Division to achieve its full potential as a fiscal sustaining resource providing value-based entertainment to the citizens, it should be established as an independent entity apart from the General Fund, free from the burdens of Civil Service regulations and the encumbrances of oversight from the mayoral form of government.

Strategic Plan – Golf Enterprise Fund

City and County of Denver
Parks and Recreation Department

Aqua Golf
City Park Golf Course
Evergreen Golf Course
Harvard Gulch Golf Course
J. F. Kennedy Golf Course
Overland Golf Course
Wellshire Golf Course
Willis Case Golf Course

Field Work Completed:	December 8, 2010
Financial Statement Information as of:	May 26, 2011
Published:	June 30, 2011

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An Operational Review: The Process

Why Was Golf Convergence Retained?

Strategists are often retained because of the following scenarios: 1) when there is a change in management and those who are now accepting accountability seek to benchmark the current operation upon their entrance; 2) when the deterioration of the financial condition of the operation is clear to all; and/or 3) when leadership is proactive in seeking to outperform the competition to ensure that the full potential of the golf courses is realized.

This review was requested by staff, as of September 1, 2010, as the leadership of Denver Parks and Recreation wanted to ensure that the full potential of the golf courses was achieved in the future. This study was commissioned specifically to research the following:

1) Assess the optimum organization structural for management of the City's golf courses.

2) Conduct an operational review of the 8 facilities with respect to:
    a) Course Conditions
    b) Amenities
    c) Demographics of surrounding area
    d) Competitive position
    e) Fee comparison
    f) Capital investment
    g) 10-year cash flow projections

3) Determine if the pricing at the courses be tiered commensurate with the varying experience provided.

4) Ascertain the highest and best use for the Overland Golf Course considering the density of the population and the requirement for additional open park space. Re-confirm that the course should be converted to 9-holes, as recommended in a prior master plan for the Platte River area.

5) Evaluate if the construction of a golf course at Stapleton would be fiscally prudent consistent with the master plan for redevelopment of the former airport site.

It should be highlighted that Denver Parks and Recreation has maintained its cash flow during the difficult economic times for golf and the golf industry, as noted below:

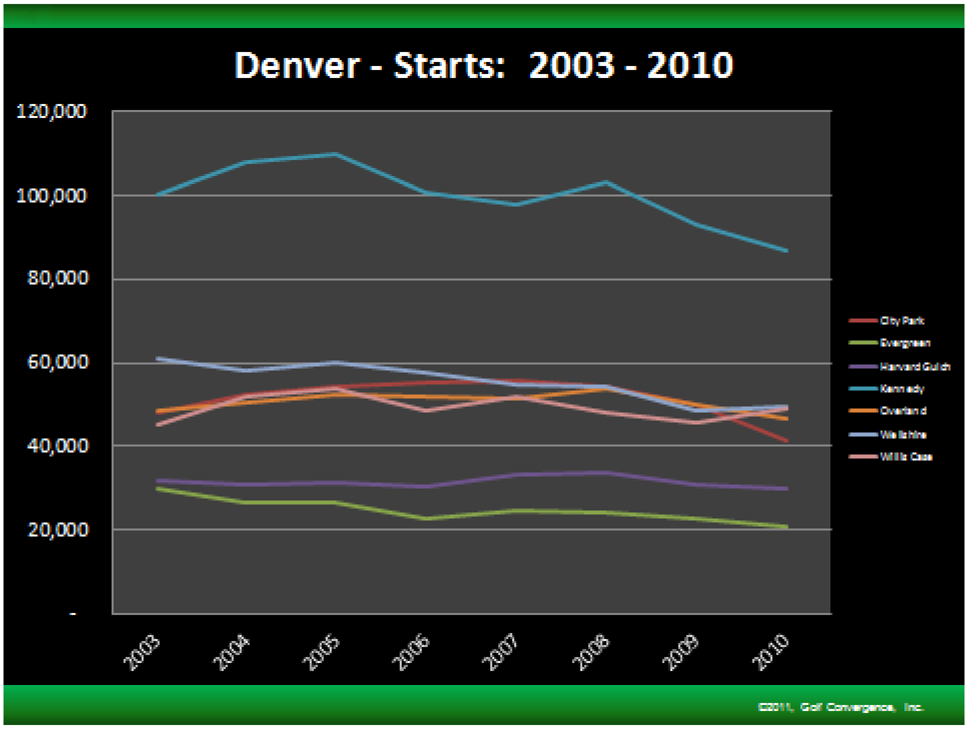
Operational X-Ray

Category	Indicator	Amount
Market Supply	Oversupplied	6.2%
Weather	Decline in playable days	2.3%
Rounds	Decrease in Rounds over Past 8 years	6.5%
Value	Experience > Price	2.0%

Note: Rounds nationally decreased by 9% during same period.

This chart reflects that though the market is oversupplied, the number of playable days declined during the past 8 years from 265 to 259, and the value created by the Golf Enterprise Fund still slightly exceeds the prices paid by consumers.

The decrease in rounds, presented below, can be attributable to the uncontrollable factors of over-supply, slightly adverse weather, the controllable factors of a tepid marketing program, and under-use of technology.



How does one stem this decline? That is the purpose of this golf course study. The question posed to Golf Convergence was “What organizational structure will provide the greatest financial return to Denver Parks and Recreation while maximizing the customer experience?”

The Process of Examination Adopted

The goal for this engagement was simple. To craft a vision that articulately communicates the strengths and weaknesses (internal) and the opportunities and threats (external) for Denver Parks and Recreation's golf courses, a vision that can be easily understood by all interested groups.

To accomplish this, the **Golf Convergence WIN™ Formula** was engaged**;** it includes the following steps:

1) **Strategic: Geographic Local Market Analysis -** Age, income, ethnicity within 10 miles of the golf courses
2) **Strategic: Weather Impact -** Management performance versus weather
3) **Tactical: Technology -** An integrated foundation to identify the insights required to manage
4) **Tactical: Key Metrics, Financial Modeling, Yield Management -** Comparing financial performance to competitive local golf courses
5) **Operational: Facilities and Maintenance -** Equipment and capital benchmarks
6) **Operational: Customer Franchise Analysis -** Who are the golf courses' best customers and how loyal are they?
7) **Operational: Customer Surveys** - Barriers, Price Points, Brand Image
8) **Operational**: **Management, Marketing and Operation Review** - The entrance, staffing, organizational structure, merchandising, food and beverage, advertising, marketing, and public relations are evaluated and compared to the industry's best management practices.

The formula results in the development of viable recommendations ranging from creating a new strategic vision for the golf courses, to tactical plans focused on finances, to human relations and technology, to operational suggestions centered on agronomy, to maintenance, to pro shop operations including customer service, to yield management and marketing.

For the client to understand this process of examination, it is first necessary to gain a macroeconomic view of the nation's economy, the current factors affecting the business of golf, and to learn the golfers' preferences and the barriers to their increased play.

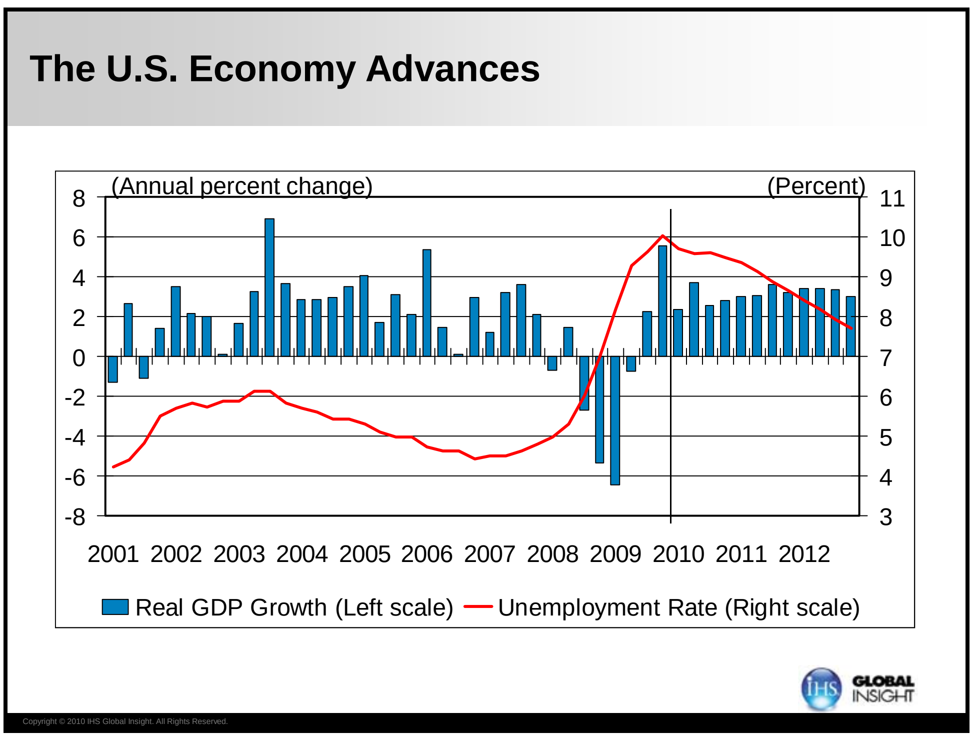
Global Perspectives

The Current Economic Outlook

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

The financial prosperity of golf is indirectly correlated to the world economy. To measure the impact of the current economic conditions on the golf industry, in April, 2010, the National Golf Foundation (NGF) included at its annual symposium a presentation titled, “Economic and Capital Markets at Home and Overseas.”[1]

The speaker, Chris Holling, Vice President of IHS Global Insight, presented the case that the U.S. economy was at a crossroads. Negative factors included high unemployment, reduced asset values, tight credit, and high debt burdens. Countering those factors are real income growth, low inflation, low interest rates, and the stock market rally. The net result of those factors becomes reflected in the U.S. GDP growth rate, as highlighted below:



Of great concern is that the economy is considered at full employment when unemployment is 4%. Unemployment is expected to exceed 7.5% for the next three years. That factor alone has

[1] IHS Global Insight, “Economic and Capital Markets and Homes and Overseas,” April 29, 2010, Slide 4

a significant impact on consumer confidence and on the average disposable income available for recreation and entertainment.

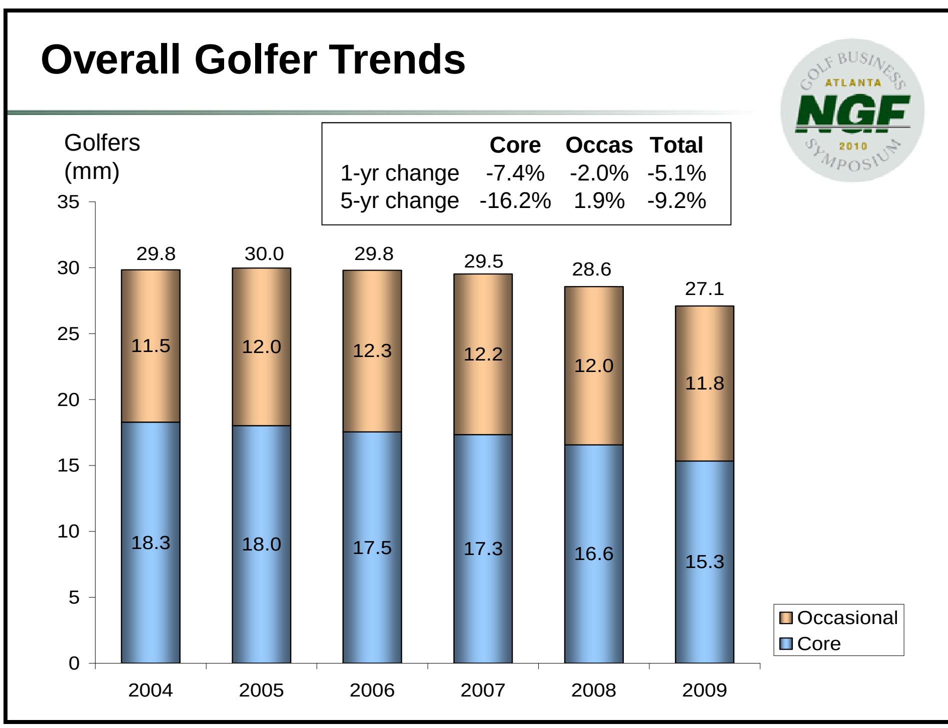
Interestingly, among those who play golf; this recreational activity consumes 3% of disposable per capita income ($32,000[2]) or $960 annually.

What Are the Implications for Golf?

In 2010, revenue decreased 3%, based on a 2.3% decline in rounds volume and a 0.9% decrease in the green fee median rate.[3] Six of every seven golf courses lost money. Rounds in 2011 are likely to stabilize consistent with the national economy and the rebound in the stock market, though unemployment remains troubling. The utilization of golf courses in 2010 was at 53%.

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:



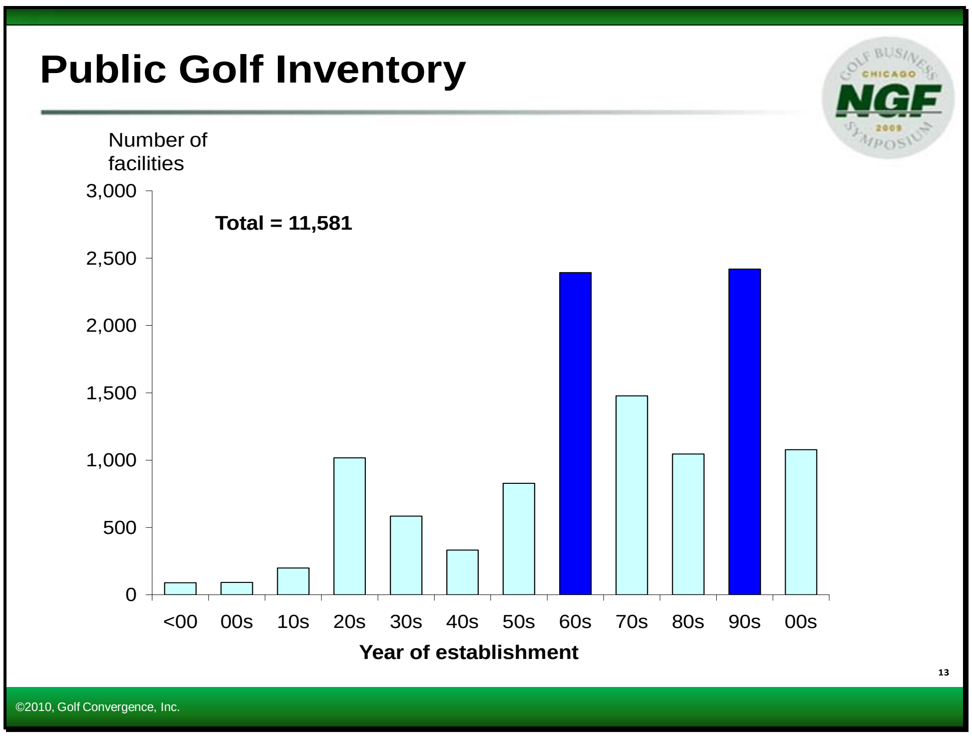
[4]

[2] http://www.bea.gov/briefrm/percapin.htm
[3] PGA PerformanceTrak, http://www.pgalinks.com/index.cfm?ctc=1717
[4] National Golf Foundation, "State of the Industry," April 29, 2010, Slide 4.

The net decrease of 1.5 million golfers from 2008 to 2009 included 5.2 million golfers who left the game; their numbers were not offset by the 1.7 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 32,640 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 opened during the 60's and the 90's, as reflected below:



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

[5]

Thus, the largest contributing influences are "uncontrollable factors" at a national level, and a quick reversal is not likely. Therefore, there are no foreseeable changes which will provide Denver Parks and Recreation the opportunity to grow based on a surge in demand or a dramatic restriction of supply.

The National Golf Foundation in 2009 published an extensive study on "The Future of Public Golf in America,"[6] which cited that 15% of the 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 increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were employed to boost rounds. Denver Parks and Recreation has experienced the same.

As a result, the NGF concluded that from 500 to 1,000 golf courses will close or be sold during the next five years. The golf courses most at risk[7] were:

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

[5] National Golf Foundation, "State of the Industry," April 29, 2010, Slide 15.
[6] National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slides 1 -43.
[7] National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slide 21.

Fortunately, none of those traits are found at Denver golf courses, and the fact that nine-hole facilities are in jeopardy dissuades us further from recommending such a conversion of Overland Golf Course.

The NGF study further revealed significant differences between how successful golf courses were operating in contrast to those courses that were financially challenged. These differences are reflected below:[8]

The Right Things

	Success (7-10)	At-Risk (0-3)
Customer service emphasis	73%	52%
Have strategic plan	69%	48%
Structured player development	59%	41%
Customer surveys	49%	36%
Promote other revenue centers	43%	26%
Pace of play	43%	24%

26

Maintaining customer databases, engaging in email marketing, and publishing newsletters are additional traits of successful facilities that have been widely recognized over the years. While Denver Parks and Recreation does engage in such activities, the use of these tools could be significantly expanded. Fortunately, as discussed in detail in Step 3 of this report, Information Systems Technology is in place, so these deficiencies are correctable presuming the cooperation of the current software vendor to cure the numerous faults within the installed software.

The Business of Golf

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

[8] National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slide 26.

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

Thus, the goal of the golf course owner should be to blend the following triad:

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

But to achieve that strategic goal, the 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 a strategic plan 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 Actual Demand: Who Is the Customer?

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.

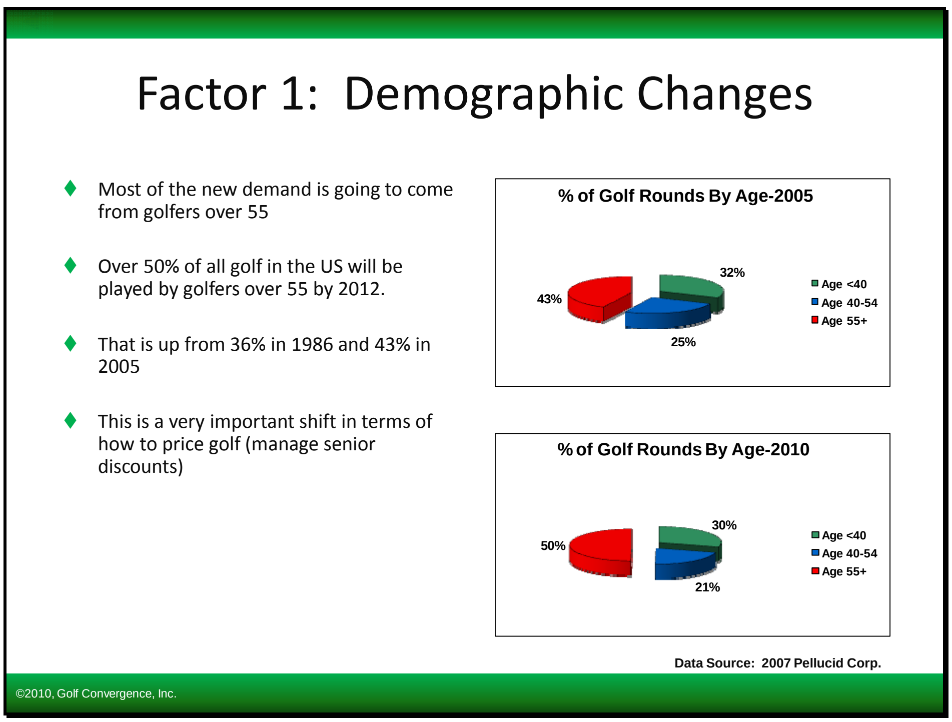
In order to compute the number of golfers and the number of rounds, we first need to define “golfer.” The National Golf Foundation defines a “golfer” as an individual, age 6 or older, who played at least one round in the past year. “Core golfers” are defined as those adults 18 or older who play between 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:

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:



Not only is golf a game whose participants are aging, golf is also a game of the wealthy, and the sport is clearly losing its middle-class appeal, as reflected below:

Factor 2: Golf is Expensive

Inc. Group	’00 % Golfers	’00 % HHs	Index	’05 % Golfers	’05 % HHs	Index
Upper Class $75K+	27%	23%	115	49%	34%	144
Middle Class $35-$74.9K	43%	36%	119	35%	35%	100
Working Class <$35K	30%	41%	73	16%	31%	52

Data Source: 2007 Pellucid Corp.

This chart reflects that using a baseline index of 100, the upper class constitutes a greater portion of golf’s participants, while the relative frequency of participation by the middle class and the working class is decreasing.

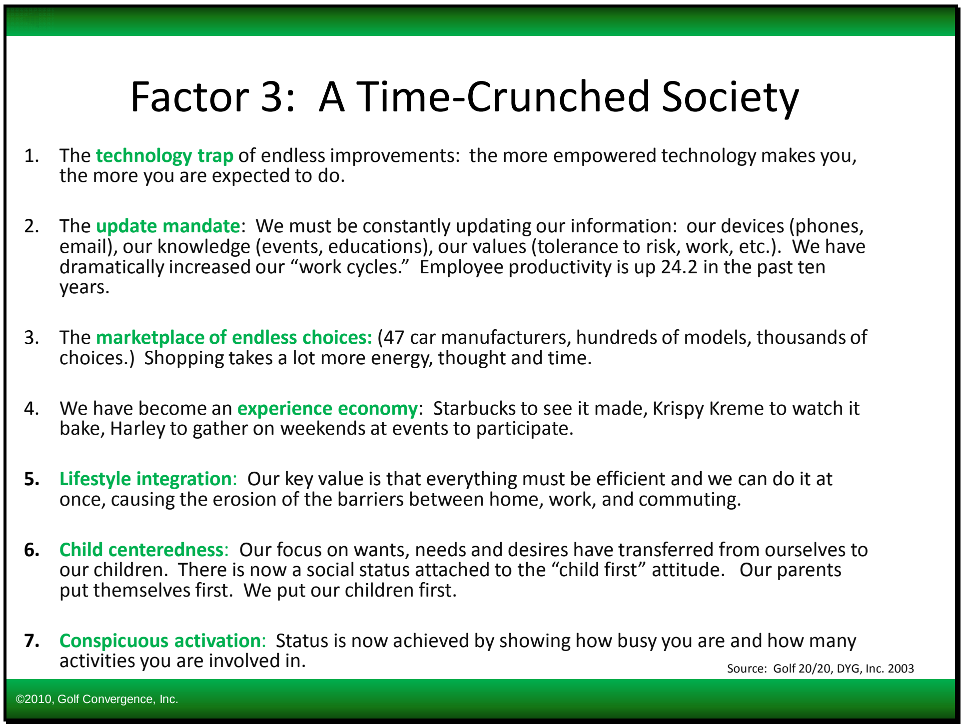
The fact that golf is an elitist game is clearly demonstrated with the statistic that indicates that those with incomes of less than $34,999 play only 3.45 rounds per year, while those with incomes greater than $75,000 play 431% more, or 14.89 rounds per year. Golf is clearly losing its middle-class appeal.

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.

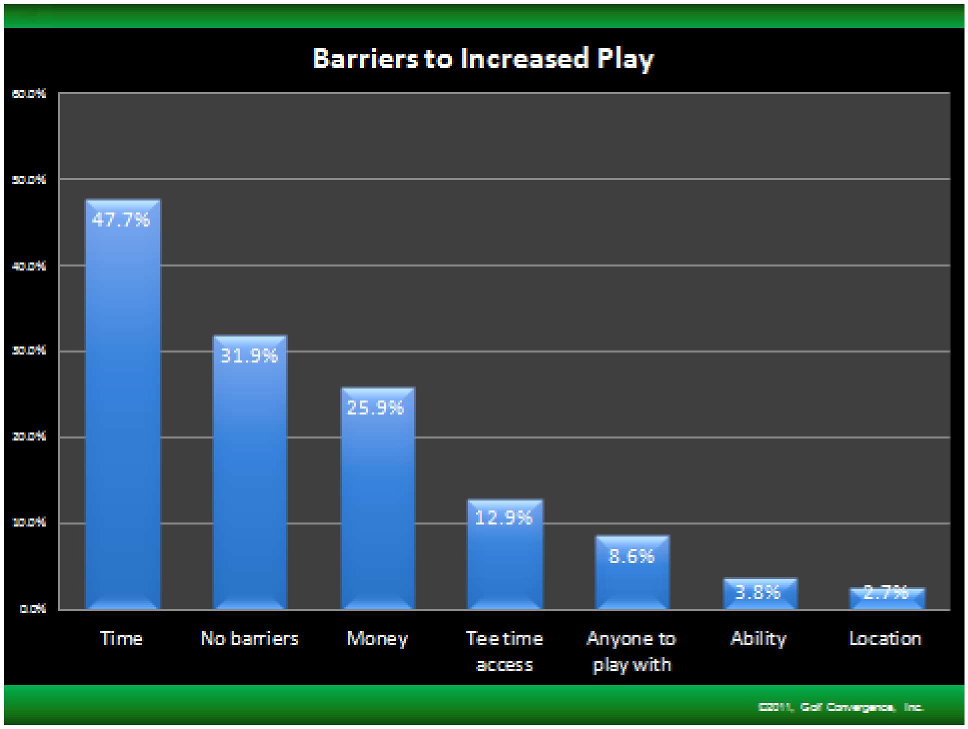
While the demand/supply imbalance bodes poorly for golf, such imbalance masks a more subtle and pervading problem that is retarding the growth of the game. That problem is the significant change in the demographics of how our society functions in the United States. Sociologists track seven major categories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



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.

In a survey conducted for Denver’s Parks and Recreation Department, we asked, "What are the primary barriers to playing golf?” The survey results are outlined below:



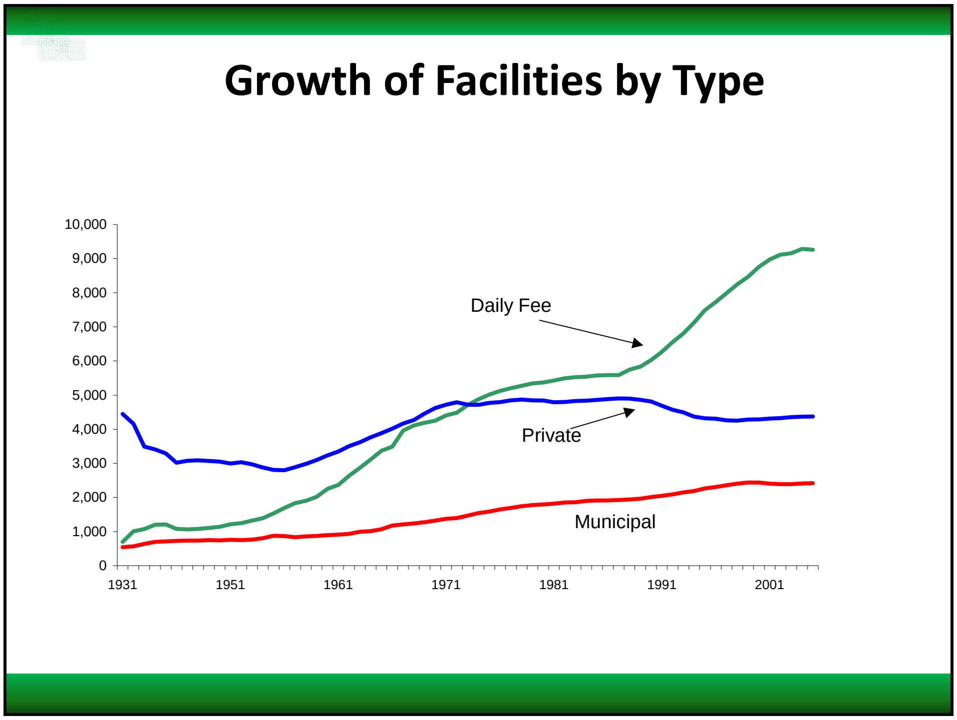
The survey results for Denver golfers are not encouraging. Those who might like to play more find time the constraint. The "no barrier to play" result indicates the demand for golf is at capacity. The survey for Denver Parks and Recreation also confirmed that the individuals who utilize the golf courses mirror the national demographic trends regarding age and household income.

The factors of golf's lessening popularity and changes within our societal framework have created the static environment that the Denver Parks and Recreation golf courses are experiencing.

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 America 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 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 the finding of this report (as presented later in detail in Step 1, Geographic Local Market Analysis) that supply from private enterprise and other municipal entities nearly meets the needs of the citizens of the City and County of Denver for golf as a recreational sport.

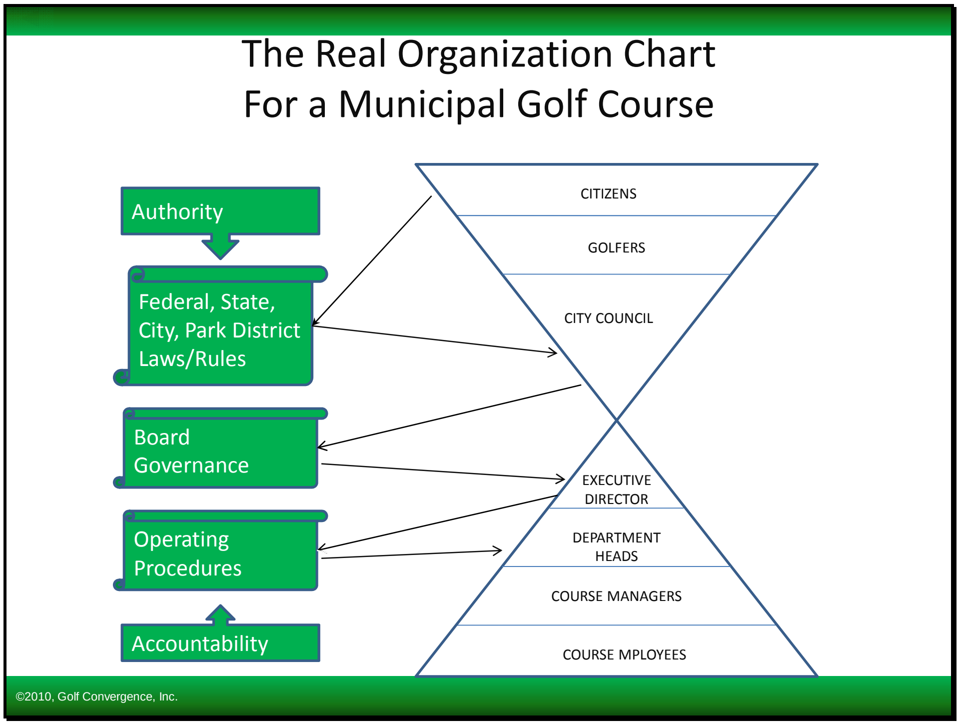
The Organizational Chart of Municipal Golf

Municipal golf courses serve various constituencies, including: City and County of Denver City Council, Management/Staff, Golfers, and, ultimately, Residents.

The mission statement of a municipal golf course can range from generating the largest possible return on investment, 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 in with Denver Parks and Recreation golf courses, where, in the aggregate, management and staff are dedicated, hardworking, and passionate about creating value for their constituency. 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 a municipal golf course is as follows:



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

The Client: An Overview

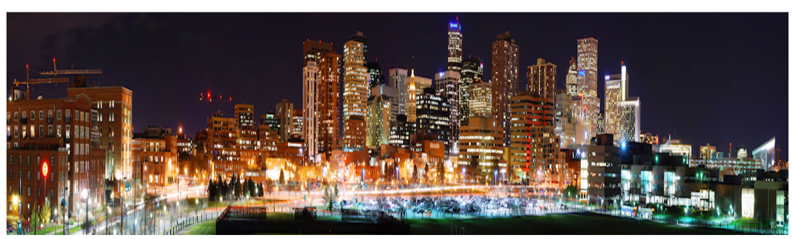
The City and County of Denver

The City and County of Denver, known as the "Mile High City" because its official elevation is exactly one mile, or 5,280 feet, above sea level, is the capital of the state of Colorado and is located on the western edge of the High Plains just 12.3 miles east of the Front Range of the Rocky Mountains.

Wikipedia describes the history of Denver as follows:

> "Denver City," as it was called, was founded in November 1858 as a mining town during the Pikes Peak Gold Rush in western Kansas Territory , and it was incorporated on November 7, 1861.
>
> Between 1880 and 1895, the city experienced a huge rise in corruption, as crime bosses, such as Soapy Smith, worked side-by-side with elected officials and the police to control the elections, gambling, and bunko gangs.
>
> In 1901 the Colorado General Assembly voted to split Arapahoe County into a new consolidated City and County of Denver, Adams County, and the remainder as South Arapahoe County. The City and County of Denver was officially created on November 15, 1902.[9]

The City, based on its location, has grown to become the 24th largest City in the U.S. The 12-county Denver-Aurora-Boulder Combined Statistical Area had an estimated 2009 population of 3,110,436 and ranked as the 16th most populous U.S. metropolitan area.[10]



The weather of the city and surrounding area is influenced by the proximity of the Rocky Mountains to the west, and it can be very unpredictable. The average temperature in Denver is 50.0 °F, and the average yearly precipitation is 15.81 inches.[11]

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[9] http://en.wikipedia.org/wiki/City_and_County_of_Denver
[10] http://www.census.gov/popest/metro/files/2009/CSA-EST2009-alldata.csv
[11] http://www.crh.noaa.gov/bou/?n=normals

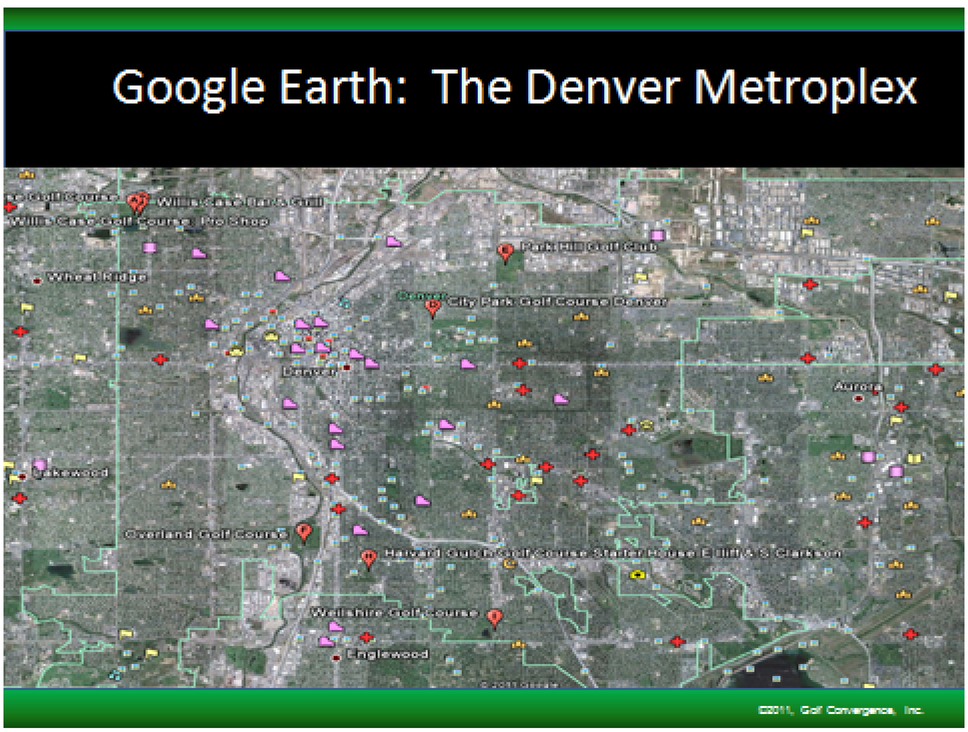
Denver is a consolidated city-county with a mayor elected on a nonpartisan ballot, a 13-member city council, and an auditor. The Denver City Council is elected from 11 districts with two at-large council members. Denver has a strong mayor/weak city council government. [12]

The City and County of Denver has defined 80 official neighborhoods that the city and community groups use for planning and administration. The median age of the residents is 33, and the median household income is $41,767. Mexican Americans comprise 31.2% of the City's population.[13]

Parks and Recreation Department

Denver has over 200 parks, from small mini-parks throughout the city to the giant 314-acre City Park. Denver also has 27 recreation centers that provide places and programming for residents' recreation and relaxation.[14]

A Google Earth map of the Denver Metroplex is shown below:



In addition to the parks within Denver itself, the city acquired land for mountain parks starting in the 1910s. Over the years, Denver has acquired, built and maintained approximately 14,000 acres of mountain parks, including Red Rocks Park, which is known for its scenery and for the

[12] http://www.denvergov.org/DenverCityGovernmentAnOverview/tabid/424414/Default.aspx
[13] http://quickfacts.census.gov/qfd/states/08/08031.html
[14] http://www.denvergov.org/TabId/37910/TopicId/1434/default.aspx

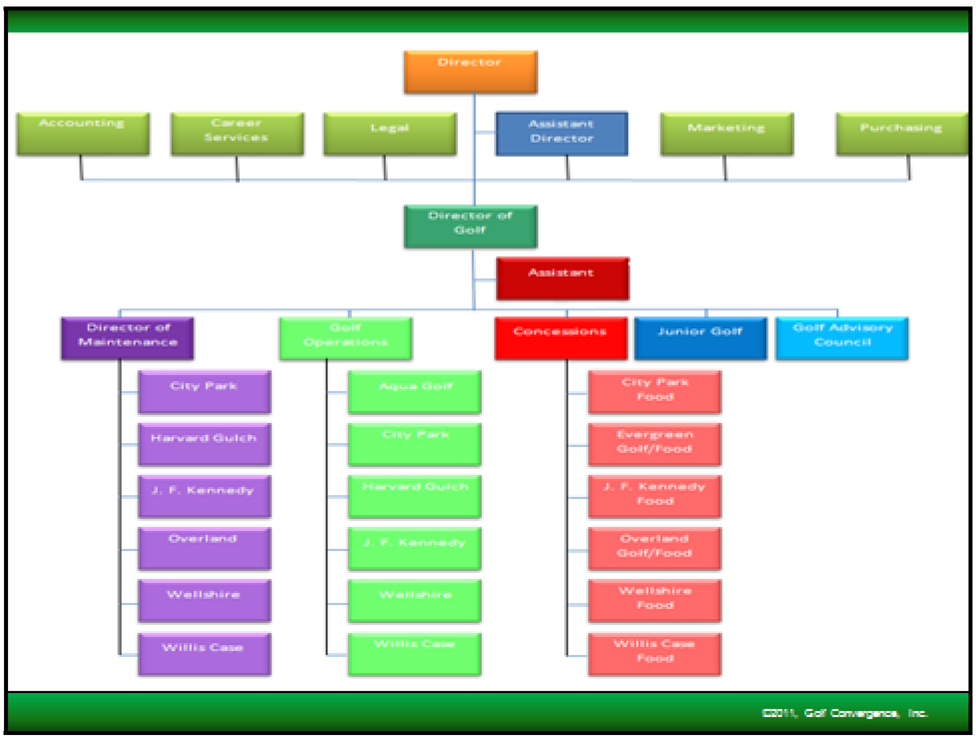
musical history revolving around the unique Red Rocks Amphitheatre.[15] Denver also owns the hill on which the Winter Park Resort ski area is operated in Grand County, 67 miles west of Denver.[16] Canadian corporation Intrawest LLC has operated the resort since 2002.

City parks are important places for both Denver's citizens and visitors, inciting controversy with every change.[17]

Golf Enterprise Fund

The Golf Enterprise Fund is a division of the Parks and Recreation Department. With total assets of $13.342 million as of December 31, 2009, the fund generated over $8.685 million in revenue with a positive cash flow of $1.229 million for 2010, as reflected in preliminary year-end financial statements as of February 15, 2011.

The functional organizational chart of the Enterprise Fund is shown below:



Functional is the operative word. The Director of Golf does not directly influence, control or manage accounting, personnel, legal, marketing or purchasing. These constraints effectively limit the Director's ability to be fully accountable for the operating results of the Division.

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[15] http://web.archive.org/web/20071013125051/http://www.denvergov.org/Mountain_Parks
[16] http://findarticles.com/p/articles/mi_m1216/is_1_204/ai_58517783
[17] http://en.wikipedia.org/wiki/City_and_County_of_Denver

Another concern regarding the organizational structure is that the Executive Directors of the Colorado Golf Association and the Colorado Women's Golf Association serve on the City and County of Denver Golf Advisory Board. Though these individuals are very talented, because they operate a golf course in direct competition with the City's facilities, there is an inherent conflict of interest that should be eliminated by their resignation.

Assets Managed

The Golf Enterprise Fund has averaged $8.469 million during the past four years operating the following facilities:

Course	Description	Par	Slope	2010 Gross Revenue	Management Oversight
Aqua Golf	Driving Range/Miniature Golf	N/A	N/A	$304,285	Golf Enterprise
City Park	18 Holes and Short Driving Range	72	122	1,421,200	Golf Enterprise
Evergreen	Championship	69	111	228,920*	Concessionaire
Harvard Gulch	Par 3	27	N/A	255,036	Golf Enterprise
J. F. Kennedy	27Championship Holes, Par 3, Miniature Golf, Driving Range	71	126	2,533,827	Golf Enterprise
Overland	18 Holes and Driving Range	72	123	1,082,987	Golf Enterprise + Concessionaire
Wellshire	18 Holes	71	125	1,599,936	Golf Enterprise
Willis Case	18 Holes	72	119	1,520,746	Golf Enterprise

* Represents income from concessionaire pursuant to a lease.

To provide a frame of reference, there are basically four types of golf courses: municipal (including military and corporate golf courses), daily fee, private clubs, and resorts.

Municipal golf courses can be operated with a "general fund" or an "enterprise fund," also known as a "special fund." The enterprise fund, used by a slight majority of facilities in North America, is accounted for as a separate economic entity in which profits and losses are separately measured but which ultimately can receive financial support from the "general fund" when circumstances turn dire. As such, an enterprise fund can and should operate independent of Parks and Recreation Department influence. Such is not the case with the Denver Golf Enterprise Fund.

Currently, the Denver's Parks and Recreation golf courses, while accounted for separately, are subject to numerous charges which they can neither influence nor control.

The Strategic Planning Pyramid

Undertaking the eight-step Golf Convergence WIN™ formula requires an extensive analysis of the golf courses, including all of the following elements:

Service-Level Target

In crafting a strategic plan, the selection of the vision and mission of the golf course is determined by many factors, including financial assets, personnel resources, and the market demand for a specific product.

Golf courses and their associated service standards can be classified as follows: “platinum, gold, silver, bronze, and steel,” as reflected in the chart below:

Definition of Market Segments

	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW	Volvo	Chevrolet	Hyundai
Examples	Pine Valley, NJ Seminole, FL	Cherry Hills, CO American Club, WI	TPC Clubs Bandon Dunes, OR	Lakewood, CO Bethpage, NY	Brookhaven, TX City Park, Anywhere
Cost	Over $350 per round	$200 to $500 per round	$100 to $250 per round	$60 to $125 per round	$75 or less
Carts	Caddies Mostly	Caddies + Electric Carts	Caddies Rare: Electric Carts plus Pull Carts	Electric or Gas Carts plus Pull Carts	Gas Carts plus Pull Carts
Access	By Invitation	Waiting List	Available	Seeking	Open Access
Style	Formal	Professional	Relaxed	Very Casual	Loose
Social Status	Generational Wealth	Upper Class	Upper Middle Class	Middle Class	Anyone
Championships	USGA/PGA	USGA/PGA	USGA/ PGA State Golf Assoc.	State Golf Associations	None

Other factors that determine the appropriate service level include gender/ethnicity, dress standards, whether carts are required, smoking regulations, tipping and gift policies, and other activities offered.

Why is this relevant for the City and County of Denver's Parks and Recreation Department?

The resources invested determine the experience created. The experience delivered defines the price that can be charged. The price charged ultimately determines the investment return. Presented below is an analysis of the City and County of Denver's golf course assets, based on the evaluation of more than 3,000 public golf courses in North America[18]:

[18] PGA PerformanceTrak, "2009 Operating Profiles"

Public Club – Asset Base

	Platinum Top 10%	Gold Top 25%	Silver Median	Bronze 3rd Quintile	Steel - Bottom 25%
Rounds Played	30,000	35,000	40,000	45,000	Over 50,000
Full Time Employees	> 40	>20	> 10	> 5	< 5
Total Revenues	> $3.5 million	> $2 million	>$1.5 million	> $1 million	< $1 million
Green Fes, Guest, Cart, Trail	> $1.8 million	> $1.0 million	$750,000	>$500,000	< $500,000
Merchandise	> $300,000	$200,000	$100,000	> $75,000	< $75,000
Maintenance	> $800,000	> $700,000	> $500,000	> $400,000	< $400,000
Annual Renovation	> $800,000	> $700,000	> $85,000	> $50,000	< $50,000
EBITDA	> 1,200,000	> $600,000	> $400,000	> $200,000	< $200,000

This chart illustrates the following points:

1) Based on gross revenues, the Golf Department's golf courses would be deemed to be:

	Currently	Potential
Aqua Golf	N/A	N/A
City Park	Bronze	Silver
Evergreen	Steel	Steel
Harvard Gulch	Steel	Steel
J. F. Kennedy	Silver	Silver
Overland	Steel	Bronze
Wellshire	Silver	Gold
Willis Case	Silver	Silver

2) There is a great inconsistency in the classifications between the rounds played, the gross revenue of the associated courses, maintenance budgets, and the EBITDA achieved.

There is a breach between the expectations of management, the assets (as measured by gross revenue plus capital), and the customer experience that ultimately determines value and leads to customer loyalty or customer attrition.

What has caused this gap?

In the case of City Park, the lack of an adequate driving range, green complexes that are unfair on 1/3 of the holes, and the historical brand image of being located in a less affluent section of the City, has limited its potential.

Regarding Evergreen, this mountain course is a novelty designed for the recreational player. With many blind shots, uneven lies, and average maintenance conditions, the course, as it currently exists, has limited potential. While the surrounding neighbors have the ideal demographic profile for golf, for Denver to invest near $5 million to renovate a course that largely serves golfers who are not Denver residents is impractical, especially considering the limited capital resources available.

Harvard Gulch is a lovely setting designed for entrants to the game. Profitable and centrally located, Harvard Gulch was selected by *Golf Range Magazine* as one of its "Top Short Courses in America 2010." Notwithstanding the profits and the accolades, since golf is a discretionary resource within Parks and Recreation and the need for open park space is a higher priority, closing this facility is advisable.

J.F. Kennedy complex presents numerous challenges: two clubhouses that are significantly outdated and in need of repair, golf course layouts on the Babe Lind and the West 9 that are mundane, a changing demographic that finds a slightly older population with less household income, and the significant addition to supply in the last 10 years with the addition of the Common Ground Course and several new facilities by the neighboring City of Aurora. The investment to cure the infrastructure challenges would exceed $4.525 million; that would include a new clubhouse, retaining the par 3, closing 9 holes, and renovating of the other nine holes.

Overland, second oldest course west of the Mississippi, is a hidden gem that perhaps offers Denver the greatest opportunity for renovation. The core layout offers the potential to create an outstanding championship golf course. Because of the need for open park space in that corridor, with resolution of that issue unlikely to be quick, this golf course is an outstanding 18-hole golf course with a niche market of beginners, women, and senior golfers. To better accommodate that core market, additional front tees should be constructed and on-course bathrooms built, eliminating the need for the porta-potties which are offensive to many.

Wellshire Golf Course, built in 1926, is only one of three Donald Ross golf courses in Colorado. While a complete renovation to Ross' design ideals is not possible because of safety issues involving Hampden Avenue, the golf course and the clubhouse offer great potential that could be realized with an appropriate investment in curing the questionable 1st and 10th holes, the latter with its leaking dam and poorly positioned lake from a golfer's strategic perspective, and the elimination of most of the trees on the complex. While the City and County of Denver has an initiative to ensure that the planting of trees is encouraged, such correct political agendas should understand that a golf course is a living organism that requires the maintenance and the trimming or removal of trees that compromise the golf experience.

Willis Case has seen a resurgence in play in 2010 with the construction of a new clubhouse. But the demographics surrounding the golf course limit its upside potential, and the on-course facilities are in dire need of replacement. The capital required for these improvements is recommended in this report.

Like most municipal golf enterprises, because of the central location of its physical facilities, upside potential exists with judicious investment.

The 2011 – 2019 Strategic Plan

After conducting an operational analysis, the product of which is a strategic recommendation for a client, a plan can be constructed based on numerous factors, including political considerations, financial resources, organizational/cultural, and history and tradition.

In this engagement, the following questions were posed to members of City Council, the Manager of Parks and Recreation, and the Parks and Recreation Staff to better understand the scope within which politically viable and financially beneficial solutions could be crafted.

1) **Does the City and County of Denver Parks and Recreation Department want to continue to provide golf at the current levels of supply to its citizens**? Yes.

2) **Can any of the Parks and Recreation Department Golf Courses be sold**? Yes, but unlikely due for requirement for ballot issue.

3) **Is City and County of Denver willing to increase property taxes to fund necessary improvements?** Unlikely.

4) **Is the City and County of Denver willing to increase the general fund transfer to fund the necessary improvements?** Yes, under extreme circumstances, but unlikely.

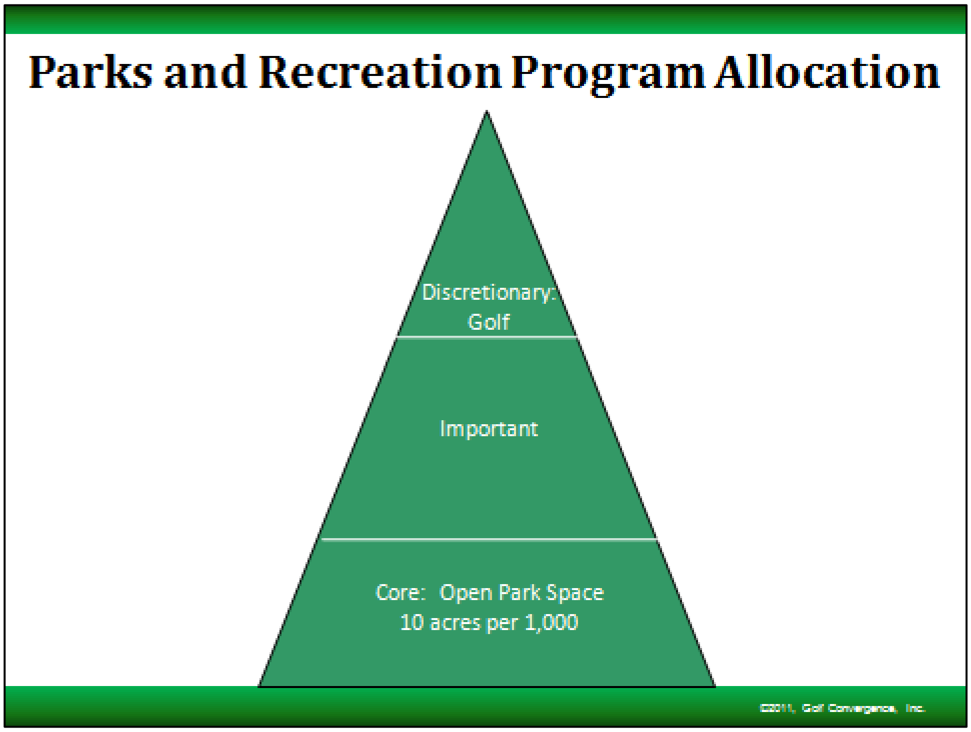
5) **Is City Council willing to transition the Golf Enterprise Fund from a division of Parks and Recreation Department to an independent agency similar to the Denver Zoo or Denver Botanical Gardens?** Perhaps, but unlikely.

6) **Is the City and County of Denver Parks and Recreation Department willing to make any substantive changes to its business practices in 2010?** Perhaps.

7) **Is the Parks and Recreation Department willing to invest in the golf courses beyond ordinary repairs and maintenance?** Historically, the answer has been no. This is a current realization of the need to do so that is under current evaluation.

8) **Can the wage scale be renegotiated to provide wage concessions?** Perhaps, current wages are defined and largely unchangeable.

What is often lost in the debate on the viability of municipal golf courses is that “golf” is a discretionary program. This analysis was completed with the awareness that the allocation of the City’s Park and Recreation Department resources should be consistent with national standards. The allocation of resources for the Parks and Recreation Department is determined by a matrix of core, important, and discretionary areas of importance, as highlighted in the chart below:



The first priority of the Parks and Recreation Department is to ensure that the entire community has open park space at a minimum of 10 acres per 1,000 in population. Golf is clearly discretionary, as private enterprise adequately provides this recreational amenity to the community at-large.

It is often falsely perceived that the role of government is to provide all things to all sectors. That is just not the case. There is a clear mandate that the community’s needs outweigh those of a smaller sector. Thus, there is not a mandate for government to provide a golf experience for every level of ability, nor is there a mandate, for example, for government to subsidize a special interest group such as junior golf, which is now draining $187,988 from the Enterprise Fund’s limited resources in 2010.

Thus, in crafting a strategic vision, the harsh political and financial reality is that there are numerous constraints, largely unchangeable, that will preclude crafting the optimum plan that has a realistic chance of being implemented in the foreseeable future. Such limitations are why 15% of all municipal golf courses privatized their operations in 2010.

With the various constraints defined above, the role of this engagement became focused on determining what is the best strategic vision for the capital improvement of the golf courses on a basis of short-term borrowing at competitive interest rates solely where the investment either generates an immediate positive return on investment or cures a blighted eyesore to appease the public.

Strategic Analysis

Step 1: Geographic Local Market Analysis

Supply trends are negative

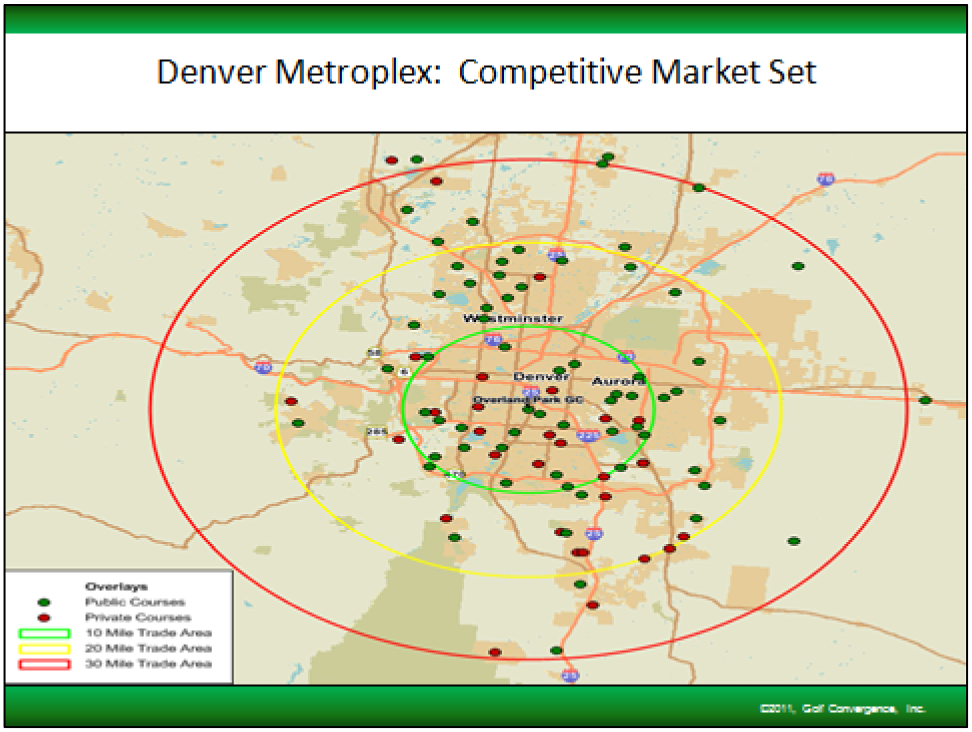
For this business plan, we conducted intensive research of the demographic trends, the local golfer base, supply levels, mix, current supply/demand balance, and the impact of historical supply dilution. This analysis is undertaken because, in conducting strategic analysis for over 200 golf courses, certain characteristics, as highlighted below, are predictable:

Just the Facts: Industry

90% Rounds	30 Minutes
12% golfers	60% revenue
Distinct Customers	4,000: 4 to 7
Barrier	Time
Defectors	50%
Game	Caucasian, Rich, Old

Ninety percent of all golf rounds originate from customers who live or work within 30 minutes of the golf course. Twelve percent of those customers generate 60% of the course's revenue. Those golfers play 4 to 7 different courses, and each course serves a median of 4,000 different customers who cite time as the biggest barrier to more frequent play, as confirmed again in the City and County of Denver survey. We know that 50% of the customers who play at a facility in a given year will not return the next. Furthermore, we know that the game of golf largely attracts Caucasians who are rich and older than the general population.

Thus, in determining the competitive forces surrounding the Parks and Recreation facilities, golf courses that are located within a 10/20/30-minute drive from the City and County of Denver's courses were evaluated. The competitive map, which is presented to determine the market potential of the golf course, is reflected below for the City and County of Denver, centered on the City and County of Denver building:



Note 1: Data sources for this analysis included: Tacticians licensed annual consumer survey (2009), state-level facts on participation and frequency, National Golf Foundation database of 16,000 US golf facilities (not including stand-alone driving ranges), licensed U.S. Census data, 2000 actual, 2010 estimate and 2015 projections.
Note 2: The center point of the map is drawn from 1500 Broadway, Denver, CO 80202.

When considering price, quality, proximity, and accessibility to Denver Parks and Recreation golf courses, golfers have many viable alternative courses to play. However, proximity from work/home to the golf course is a determining factor in measuring the viability of a golf course and its tendency to prosper. A detailed list of these courses, as well as all research deliverables, is listed in the Table of Contents.

Presented below is a summary of the supply factors found within the City and County of Denver metroplex:

Supply Mix

Category	10 Mile	20 Mile	30 Mile	Colorado	US
Private/Public Mix	32% / 68%	32% / 68%	32% / 68%	26% / 74%	28% / 72%
Premium/Value Mix %	6% / 94%	13% / 87%	15% / 85%	36% / 64%	25% / 75%
Premium >$71 %	4%	10%	11%	21%	9%
Value $40-$70 %	65%	65%	65%	38%	28%
Price <$40 %	30%	25%	24%	41%	63%

Source: Longitudes Group

Note 1: Green Fee rate represents prime time weekend with cart
Note 2: Map centered on 1500 Broadway, Denver, CO 80202

This chart reflects that the market for golf in the City and County of Denver is oriented toward mid-tier facilities. The going rate for Denver's facilities is $35 plus cart charge of $15 at all courses except Evergreen and Harvard Gulch.

The market is prone to discounting, in which the premium and the numerous value facilities have the flexibility to create a great golf experience for a reduced fee. AvidGolfer, Golfnow.com, Golfhub and GolfViews are some of the third-party discount programs that have an adverse effect on the market. The overall point is that golf in this area is *highly* competitive.

Population Demographics – Income and Ethnicity Are Positive, Age Neutral

To understand the potential growth opportunities for golf within a market, a study of the age, income, and ethnicity of the population within a 30-minute drive time is essential. Presented below are those statistics for City and County of Denver Parks and Recreation Department:

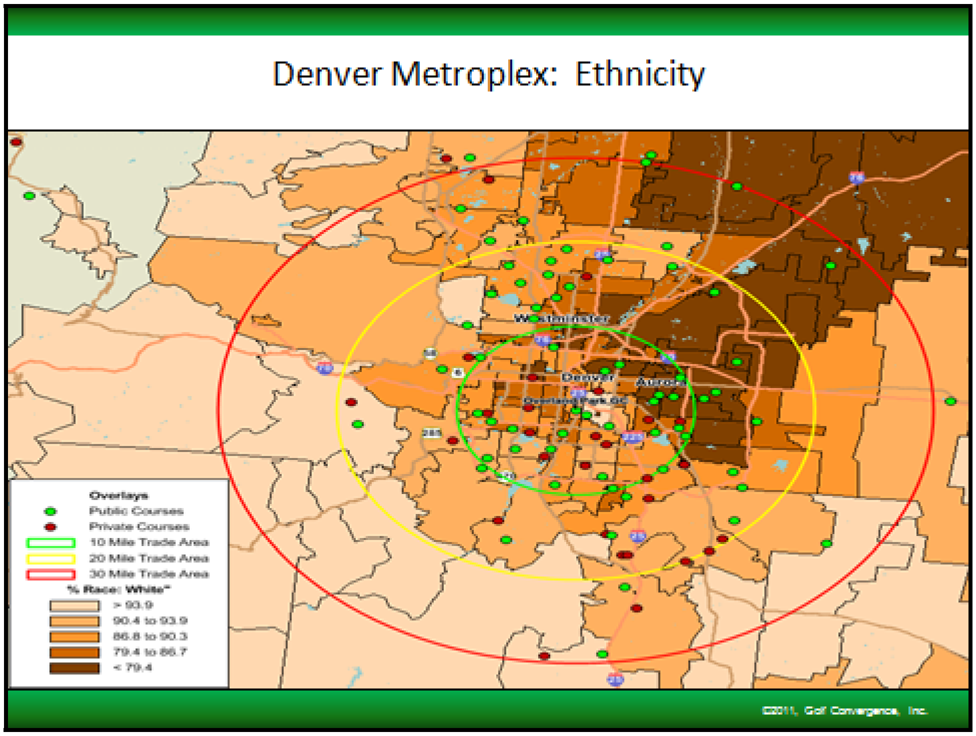
Market Share Analysis

Category	10 Mile	20 Mile	30 Mile	Colorado	US
Golf Participation	14%	15%	15%	13%	11%
Avid Household Index	151	173	171	141	100
Age Index	101	98	98	98	100
Income Index	106	124	127	115	100
Ethnicity Index	113	112	113	115	100

Source: Longitudes Group

The chart reflects that golfer demographics are very favorable in the City and County of Denver market. While the population is 2% younger than the national average, the income and ethnicity are very favorable to attracting sufficient customers.

The distribution of ethnicity is reflected in the chart below:



The chart below reflects the fact that while the City and County of Denver has held its own, the City of Aurora's financial prospects have tumbled during the last seven years, as reflected below:

CITY of Aurora
Golf Division

	Projected 2010	2002	$ Chg	% Chg
Rounds	249,300	320,012	(70,712)	-22%
Revenue	8,251,925	9,565,716	(1,313,791)	-14%
Irrigation Water Costs	915,330	507,200	408,130	80%
Operating Income before Debt & Capital Improvements	299,870	1,916,273	(1,616,403)	-84%
Debt Service	794,430	1,211,573	(417,143)	-34%
Net Income before Capital Improvements	(494,560)	704,700	(1,199,260)	-170%

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Net Result – Supply Exceeds Demand

In examining the income, population density, ethnicity and age in 5/10/15-minute drive times from each Denver facility, the following patterns were noted:

Course	Demographics
CITY PARK	The income levels are a significant concern that precludes a mid or higher tier golf course.
	The participation rates and the golfers per 18 holes are very favorable.
EVERGREEN	The age, income, ethnicity are all very positive
	The participation rate and golfers per 18 holes are slightly positive.
	The course length and the availability of land for renovations are significant concerns.
	No public alternative is close.
	The course length and the availability of land for renovation are significant concerns.
J. F. KENNEDY	The age and ethnicity are positive but the household income levels are a concern.
	There is an abundant supply of competitive courses within 15 minutes.
	While participation rates are high, the number of golfers per 18 holes is negative.
OVERLAND	Income levels are a concern.
	Participation rates and numbers of golfers per 18 holes are also negative.
WELLSHIRE	While the age and ethnicity are positive factors, surprisingly, income is comparable to the US average.
	Income is neutral because while great wealth is south of the course, within 2 miles west Englewood is touched and east of Colorado is below the national median income.
	Participation rates are excellent.
	Within five minutes of the course, there is great demand.
WILLIS CASE	Age, income, ethnicity are all golf negative, improving as one moves "away" from golf course.
	Participation rates and golfers per 18 holes are very negative close to the facility.
	There is very little upside for this golf course, as the supply of courses vastly exceeds the demand.

The net result is that when calculating the supply of golf courses in the City and County of Denver Parks and Recreation market measured against the demand for golf when considering the local demographics, the result is a golf intensity index.

For the City and County of Denver metroplex, the general golfer intensity is shown in the chart below:

Market Share Analysis
Denver: General Golfer Intensity

SUPPLY	5 Min.	10 Min.	15 Min.	Colorado	U.S.
City Park	154	120	69	119	100
Evergreen			207	119	100
J.F. Kennedy	60	99	71	119	100
Overland	40	94	102	119	100
Wellshire	206	131	113	119	100
Willis Case	37	82	116	119	100

Source: Longitudes Group

Note: The Intensity indexes are a calculation made by Longitudes Group which contrasts the supply of golf courses against the demand for golf as measured by age, income, population and ethnicity

The conclusion is that segments in the City and County of Denver market are vibrant, in contrast to the rest of the United States.

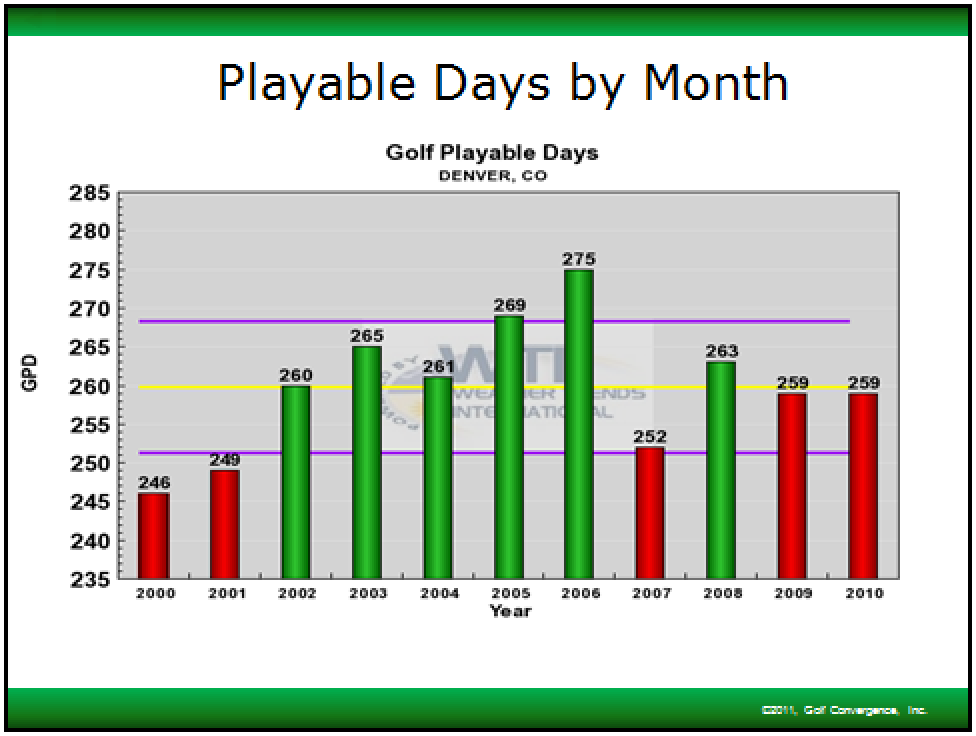
This chart reflects that renovations at City Park and Wellshire are likely to produce a positive return on investment. This chart also reflects that due consideration should be given to closing 9 holes at J.F. Kennedy, as the immediate market is oversupplied and the demographics are becoming adverse. Finally, while an appropriate public golf course is likely to strive in the Evergreen market, few City and County of Denver residents would benefit; therefore an investment that would near $5 million is not recommended.

In conclusion, the City and County of Denver is well situated to offer enjoyable, value-based entertainment to golfers while keeping its golf operations financially self-sustaining.

Step 2: Weather Impact Analysis (WIA)

A key measure in determining if the revenue potential of a golf course is being realized is correlating the number of playable golf days to revenue. Measuring numerous variances, including Season Days, Golf Playable Hours, Equivalent Golf Playable Days, and Corporation Rounds in total, allows us to measure the efficiency of management in maximizing the course's potential.

The chart below has been prepared for the City and County of Denver Parks and Recreation Department:



During the past decade, Denver averaged only 259 playable days per year.

The second step in determining whether the utilization of the golf course is industry-appropriate is to determine course capacity, based on the number of playable days the golf course could have achieved.

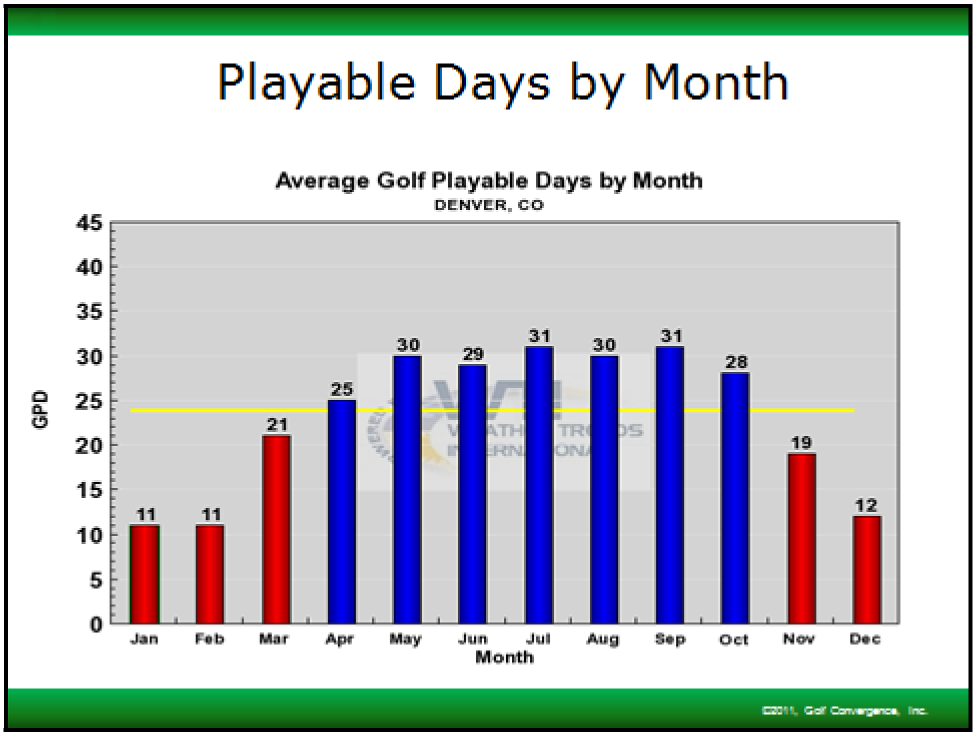
Presented below are the rounds played in 2010 contrasted against capacity to determine course utilization.

Courses	2010 Starts	Capacity	Utilization
City Park	41,280	80,533	51.26%
Evergreen	20,655	80,533	25.65%
Harvard Gulch	30,043	80,533	37.31%
JF Kennedy	86,966	201,333	43.20%
Overland	46,760	80,533	58.06%
Wellshire	49,580	80,533	61.56%
Willis Case	49,134	80,533	61.01%
	324,418	684,531	47.39%

Note 1: Capacity was calculated based on the number of playable days per year times 276 rounds per day representing 8-minute tee time intervals for the average 11½ hours of daylight during which a start might be recorded.

The rounds potential in 2010 was 684,531 rounds. Considering that Denver Parks and Recreation courses' actual annual rounds-played count is 324,418, the actual course utilization of 47.39% is below the 2010 national course utilization rate of 53%.

Rounds fell in 2010 by 20,399. Most feel that the decrease was attributable to a wet spring. A review of the data doesn't support that conclusion, as reflected below:



Play was evenly balance throughout 2010. The number of days the temperature exceeded 90 degrees and the number of frost days, both of which would adversely affect play, were comparable to 10-year historical averages.

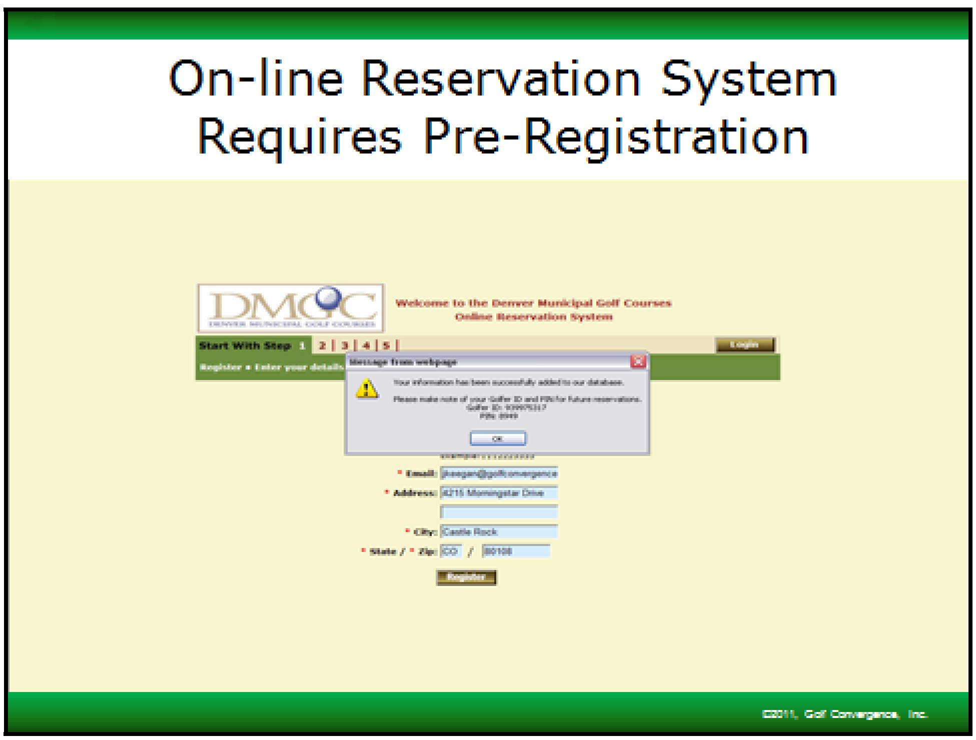
Tactical Analysis

Step 3: Information Systems Technology

A fundamental test for any business is identifying who its customers are and what they are spending. Thus, we reviewed the use of technology by analyzing the Golf Department's internet use, the integration of tee time reservations with the POS, and the deployment of email-based communication.

In 2010, the City and County of Denver implemented US eGolf throughout its entire Parks and Recreation golf services. This vendor is an insignificant player that serves only seven municipal golf complexes in the United States.[19] The system was touted to integrate the tee time reservation system, which also features online Internet reservations with the POS systems. The leading U.S. vendor, Active Network, was instructed by the Director of Golf not to bid.

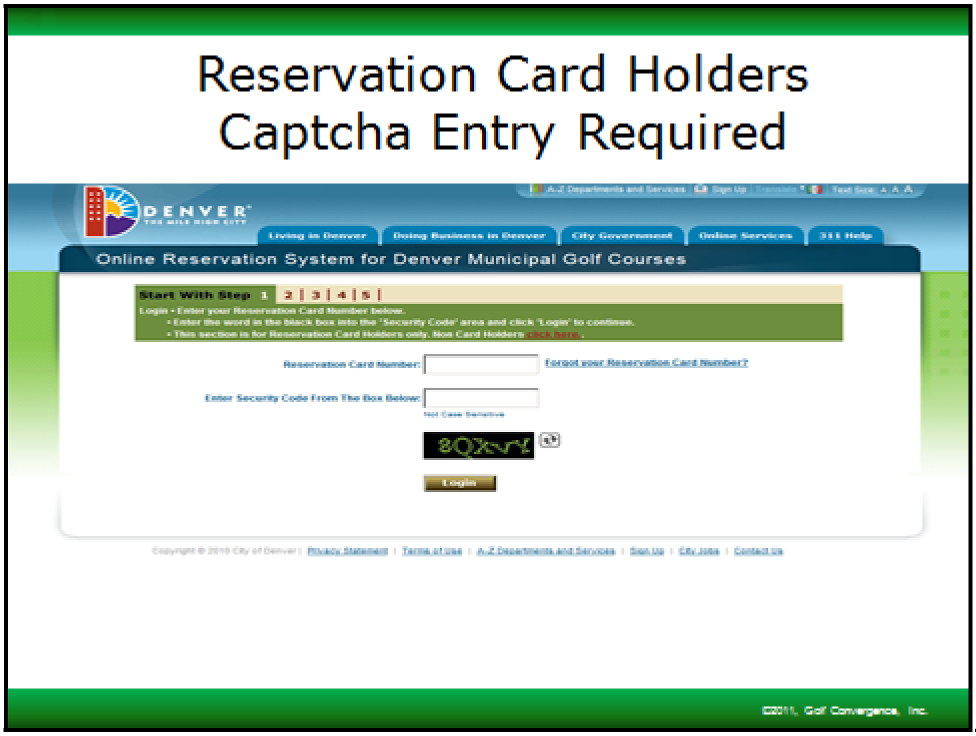
It should be noted that the online system was installed (replacing teetimes.com) in April 2010, and it still has some "bugs" (in February, 2011) that need to be resolved as shown below:



[19] http://www.usedirect.com/usegolf/index.asp

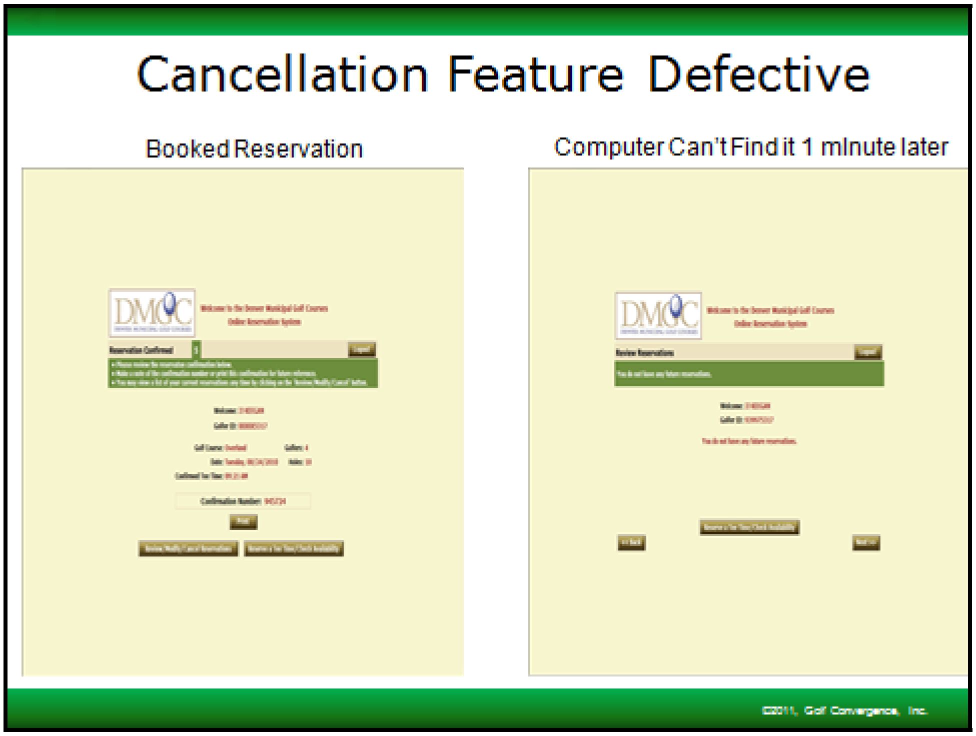
Would you register to enter any retail store, such as Nordstrom's, before being permitted to see the merchandise that is available? Would you think the assignment of a random 9-digit number with a 4-digit PIN number that is required for future entrance to the store is customer-friendly? The answer is clearly no. Few golfers will register before being first allowed to view the availability tee times.

If a golfer purchases a Denver reservation card, a captcha entry is still required, as illustrated below:



This customer-unfriendly system has one direct impact: the reduction of revenue. The amount of rounds lost in 2010 may have largely been attributable to this system, for the prior system booked in excess of 20,000 rounds annually. This transition was further complicated in that the City and County of Denver failed in advance to transfer the url from the prior vendor; thus, golfers were not correctly redirected to the new site for more than 30 days.

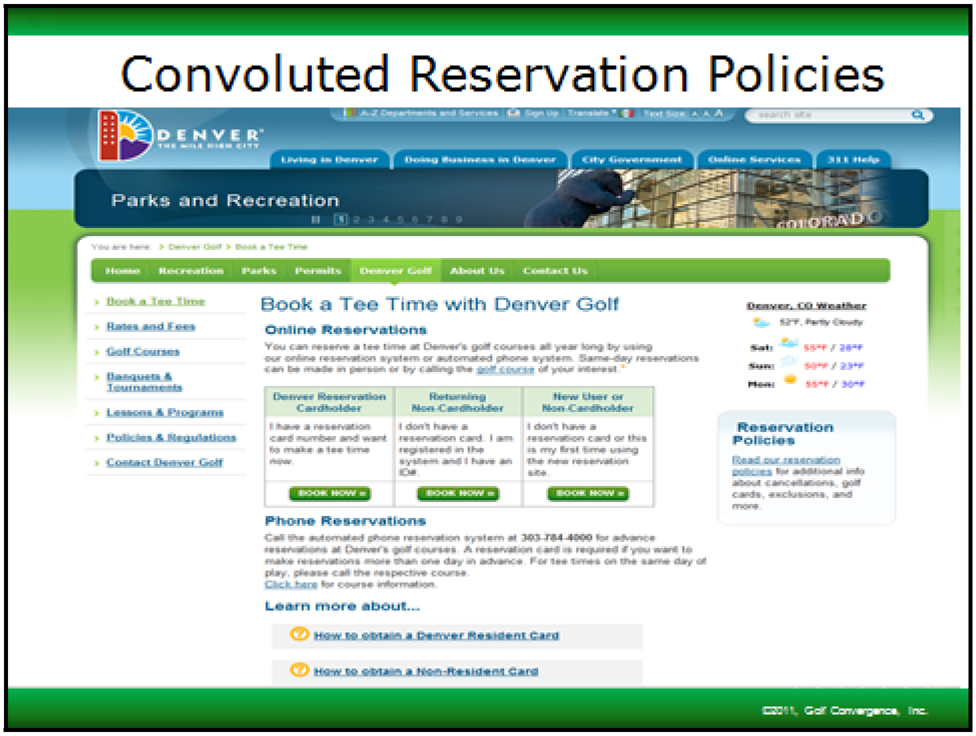
A further flaw within the system when it was tested in August, 2010, was that the cancellation of a booked reservation was defective. As noted below, a reservation was made and then an attempt was made to cancel; the computer was unable to identify the existing tee time, as shown below.



Nearly all customers in such circumstances will not call the pro shop to cancel. Thus, it is highly likely that the no-show rates soared in 2010. Unfortunately, the software's reporting system doesn't accurately track this vital statistic.

The Golf Enterprise Fund currently generates nearly $100,000 from the sale of reservation cards which provide preferred tee time access seven days in advance. Non-resident card holders can book six days in advance, and the general public three days in advance.

This policy is regressive. Equal access to tee time reservations should be given to all golfers. A tee reservation should be secured by a credit card, in case of no-shows, but is only charged upon the arrival of the golfers at the course. The Golf Enterprise Fund's polices are reflected below:



While we recognize the value of the advanced registration cards and the premium access it provides, it was the correct intent of the Director of Golf to implement a loyalty program in 2011 to expand the tee time access. Unfortunately, the features promised by US eGolf have yet to be delivered, and full implementation is likely to be delayed until 2012.

The Golf Enterprise Fund is restricted by Denver Parks and Recreation to creating its own Web site with relevant information in a contemporary format because of the City's rigid design standards, which clearly fail to provide meaningful information in an efficient manner to the golfers. Such policies further constrain revenue.

Beyond the challenges noted with the Web site, the US eGolf System currently in use doesn't provide for the capture of all the information needed to effectively manage a golf course. We noted the following deficiencies:

- Monthly financial reports are not prepared in accordance with generally accepted accounting principles for golf courses.

- No effective marketing programs are being conducted, because the central database does not delineate between acquired, core, and defector golfers.

- During installation, credit card processing duplicated many charges and reversed others in error. Staff exhausted extensive amounts of labor in April – June, 2010 to correct fundamental credit card postings.

- Nearly all 15 key financial reports by which to properly manage the facility are not available to golf course personnel, as summarized below:

15 Key Management Reports

Customer Analysis				
Customer Distribution	Yes		No	✓
Customer Demographics (Via Survey)	Yes		No	✓
Customer Retention	Yes		No	✓
Customer Spending By Class (Via VSI)	Yes		No	✓
Customer Spending By Individual	Yes	✓	No	✓
Zip Code Analysis	Yes		No	✓
Facility Analysis				
Merchandise Sales By Vendor (Via Acct.)	Yes		No	✓
Reservations By Booking Method	Yes		No	✓
Reservations By Day Of Week (Via VSI)	Yes	✓	No	
Revenue Benchmarks	Yes		No	✓
Revenue Per Available Tee Time (Via Acct.)	Yes		No	✓
Revenue Per Department (Via Acct.)	Yes	✓	No	
Revenue Per Hour (Via VSI)	Yes		No	✓
Round Per Revenue Margins	Yes		No	✓
Utilization	Yes		No	✓

These reports, when gathered properly, provide the financial benchmarks necessary to maximize the investment return of a golf course. They provide precise insights on the key performance indicators for a golf course, including customer demographics, spending patterns, frequency of play, revenue per tee time, and course utilization. Lacking such information, the adjustment of rates, the efficacy of email programs, and the astute financial management of a golf course is pure guesswork.

Information Systems Technology Recommendations

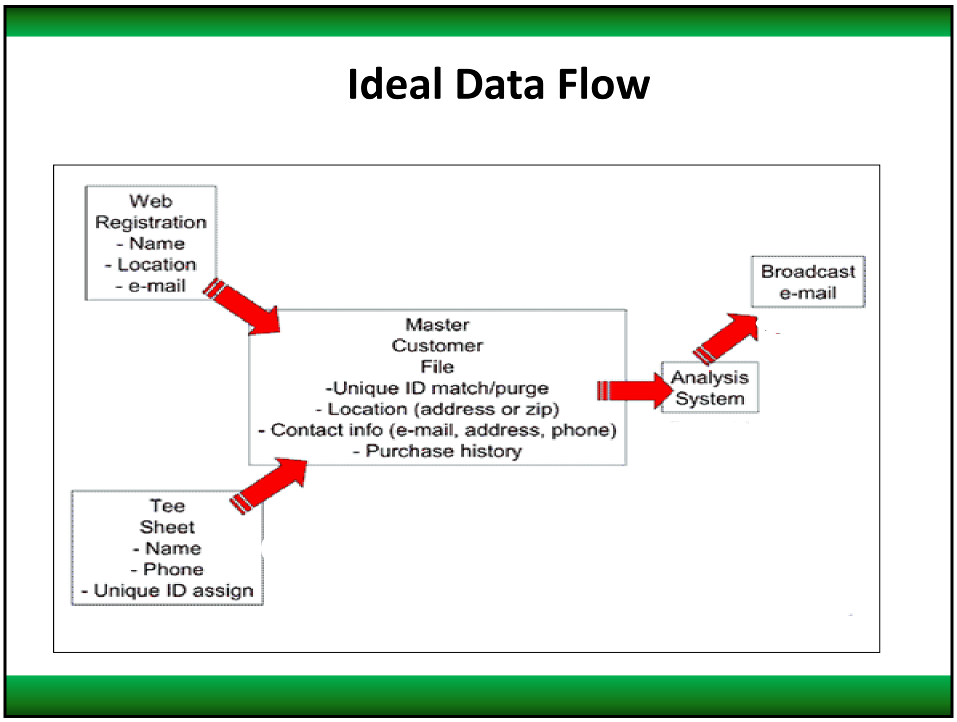
The Golf Enterprise Fund lacks the critical information needed to effectively manage its golf courses. There are no good solutions to the dilemma faced. A cure for the deficiencies, based on the lack of cooperation from the vendor during the past 10 months, is unlikely to occur in the short-term. With $150,000 invested in the system, abandoning it comes at great cost. Filing litigation for damages is costly, and since the vendor appears to be thinly capitalized, such a filing might only result in bankrupting the company.

As a result, the Golf Enterprise Fund will financially underperform until a resolution is found which is beyond the scope of this strategic review. It would be our recommendation to abandon the system, file for damages, and begin the process anew.

What is the rationale for this recommendation? The formula to profitably operate the course is simple and consists of the following steps:

- Create a customer database.
- 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 reports.

As noted in the list above, the Golf Department is still a long way from ideal in its utilization of technology. The ideal system will have the following components:



An online registration system that is integrated into the POS system can identify specific golfer interests, such as last-minute tee times, tournaments, etc.

Denver Parks and Recreation will also be able to engage in Customer Franchise Analysis to identify retained customers, defectors, and new acquisitions. Targeted messages to appropriate golfer segments can be automatically created and delivered monthly. Note: as a general rule of thumb, a course should only blast to its entire list of golfers two or three times per month.

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
  - ✓ Create distinct City and County of Denver Parks and Recreation brand

- 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, updates
  - ✓ Sell prepaid gift cards online

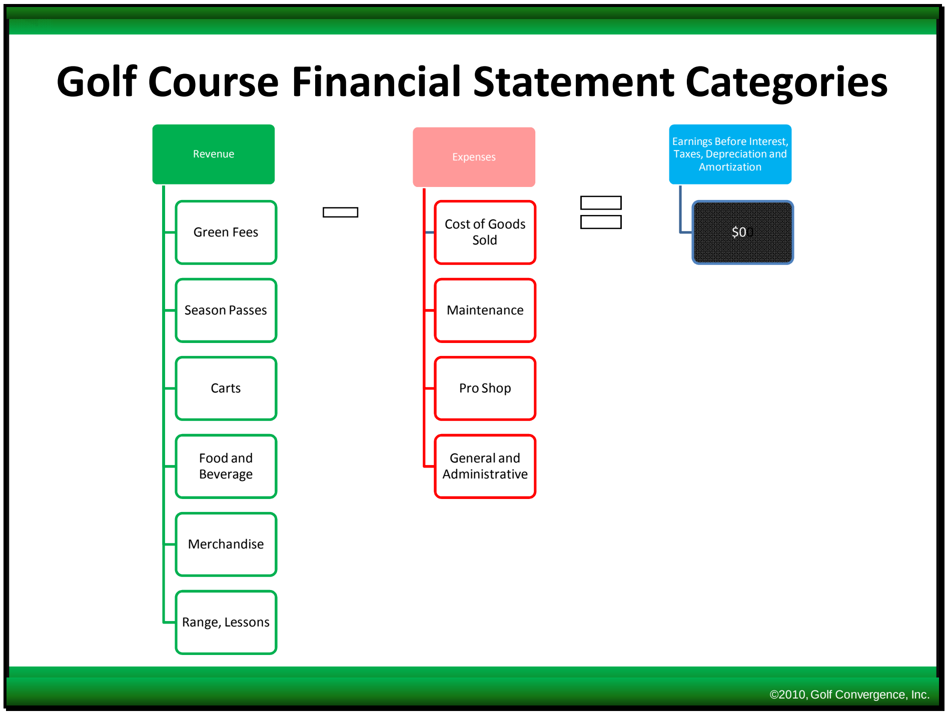
In conclusion, the proper use of technology is to create a management and marketing advantage. The creation of a unique selling proposition (such as affordability) that is communicated to the existing customer base will boost revenues. This can only be done effectively if technology is properly installed and utilized.

Step 4: Financial Metrics

The foundation of a business is its financial statements. For management and staff, being able to plan, execute, and forecast accurate and meaningful financial information is imperative.

The financial statements prepared for Denver Parks and Recreation are based on accounting principles consistent with Parks and Recreation policies, but they differ from generally accepted accounting principles used by successful golf courses.

The financial statements for a golf course are usually organized as follows:



In contrast, the City and County of Denver consolidates the maintenance and pro shop expenses. Utilities costs are calculated in the aggregate and not by facility. The General and Administrative is burdened with a central service charge. After the calculation of net operating income, the City lathers on indirect costs with questionable justification. Between years, different methods of allocation are used such that while the financial statements look comparable between years, they are actually prepared in a different way every year. Thus, the Director of Golf effectively has no control over the net income.

We reconstructed Denver's financial statement to be closely aligned with generally accepted accounting principles for golf courses that are presented below:

	2007	2008	2009	2010
Rounds	369,583	371,385	361,079	340,680
Yield Per Round: Green Fees	15.44	16.40	16.91	17.41
Yield Per Round: Carts	2.53	2.47	2.30	3.40
Yield Per Round: Merchandise	1.25	1.12	0.97	1.43
Yield Per Round: Range	0.52	0.53	0.95	1.93
Yield Per Round: Other	2.29	2.11	2.00	2.18
Yield Per Round: Total	22.03	22.63	23.13	26.35
Green Fees	5,705,262	6,091,118	6,104,647	5,931,644
Carts	935,721	915,932	832,275	1,157,030
Merchandise	463,643	415,801	350,932	485,626
Range	192,338	197,409	342,937	658,476
Other	845,337	784,796	722,051	743,970
Total Revenue	8,142,300	8,405,055	8,352,842	8,976,746
Cost of Goods Sold				
Food and Beverage				
Merchandise	350,672	299,264	299,329	348,058
Total Cost of Goods Sold	350,672	299,264	299,329	348,058
Net Operating Income	7,791,628	8,105,791	8,053,514	8,628,689
Administrative Salaries	439,947	531,352	562,406	778,182
Maintenance Salaries	3,845,330	4,031,874	2,775,257	2,243,016
Pro Shop Salaries			997,439	1,204,073
Salary Roll-Up Variance	0	0	134,654	0
	4,285,278	4,563,226	4,469,756	4,225,271
Operating Expenses				
Administrative Expenses	228,438	134,272	146,536	288,927
Pro Shop Expenses	-45,443	485,426	299,228	449,493
Maintenance Expenses	1,257,367	1,175,207	1,050,655	891,399
Operating Expenses	1,440,362	1,794,906	1,496,419	1,629,820
Total Operating Expenses	5,725,639	6,358,132	5,966,175	5,855,091
EBITDA	2,065,988	1,747,659	2,087,339	2,773,598
Equipment Related Charges				161,631
City Related Charges				
Capital Investment - Recurring	201,966	-16,699	1	0
Capital Investment - Servicing New Debt	0	0	0	0
Central Service Charge	362,390	381,030	352,080	307,368
Cart Lease (Principal and Interest)	0	0	0	156,249
Depreciation	24,548	0	0	0
Equipment Loan	-1,860,478	0	0	0
Gain on Sale of Asset	1,434,323	0	0	0
Investment Income(Expense)	-152,081	-153,335	-8,728	0
Utilities	230,305	305,735	273,377	345,079
Long Term Debt Service (Principal and Interest)	686,865	682,465	682,295	681,895
Miscellaneous	183,310	198,798	196,573	291,586
Year End Audit Adjustment	-1,292,239	0	0	0
Total Enterprise Expenses	-181,091	1,397,995	1,495,599	1,782,176
Positive Cash Flow	2,247,080	349,664	591,740	829,790

Findings: Industry Benchmarks and Analysis

Why use benchmarks? Simply, they provide a frame of reference on which an operation can be reviewed.

A financial comparison of the Parks and Recreation Department's financials to industry benchmarks is presented below[20]:

Description	Denver (7 Course Average)	Municipal	Daily Fee/Semi-Private	Private
Total Rounds Played	42,585	37,087	30,985	23,000
Total Facility Revenues	1,085,720	1,133,333	1,300,000	2,800,000
Revenue Per Round Utilized	25.49	30.56	41.96	121.73
Course Maintenance Payroll	285,554	270,000	227,819	409,043
Pro Shop Operations	204,539	273,468	230,000	289,000
Net Income (EBITDA)	153,538	206,000	200,000	250,000
Net Income as a % of Gross	14.14%	18.17%	15.38%	8.92%

While these financial numbers appear in line, the net loss incurred by the Golf Administration Department for the year ending December 31, 2010 was $1,212,153 with labor of $488,153. The total Golf Administration expenses rarely exceed $250,000.

Accounting Recommendations

As part of achieving the financial goal of becoming self-sustaining, we recommend that the following enhanced accounting and budgeting policies and procedures be implemented:

- The Golf Department should consider classifying its revenues and expenses using the basic golf definitions created by the PGA, NGCOA and USGA. These classifications would align the Division's financial data through generally accepted reporting practices used by the golf industry and provide the opportunity to undertake the financial analysis required to properly manage the facilities.

- Create monthly reports for the operational staff highlighting course utilization revenue per available tee time (REVPATT) by five profit centers (green fees, carts, merchandise, food and beverage, and other), and also by core customer spending, customer retention, composition of golfers, and season-pass rate analysis.

[20] PGA PerformanceTrak, http:apps.pgalinks.com/professionals/apps/memberinfor/AOSurvey/index.cfm.</FN>

- Compare the monthly operational information to national benchmarks prepared by Golf Datatech and PGA PerformanceTrak by participating in these national services.

  These services will provide management the immediate feedback needed as to whether the recommended rate changes are having the desired effect of increasing the effective yield. This service compares your operation against comparable golf courses in the local, regional, and national markets.

Operational Analysis

Step 5: Architectural and Agronomic Review

Background – Agronomy

The scope of this engagement was limited to revenue-based initiatives, and does not include a comprehensive analysis of all aspects of the golf operation. However, to craft a strategic plan, it is necessary to undertake, on at least a limited scope, an architectural and agronomic review of the course and the associated maintenance. These have a significant impact on revenue.

Why? Turf grass is a living, breathing organism which will not stop growing. Courses face the challenges of proper staffing levels, adequate equipment to maintain prescribed levels of conditioning, and a budget that facilitates keeping turf conditions at a level that will attract daily play throughout the golf calendar year.

Maintenance: A Wide Range of Costs

An average 18-hole golf course covers 150 acres, of which only 100 acres are maintained turf grass [21] and a course includes the following:

21 GCSAA, "Golf Course Environmental Profile, 2007," Page 12. Note: In published report, averages were utilized which don't necessarily summarize to total.

An Anatomy of a Golf Course

		Acreage	%
Turf grass	Rough	51	34.0
	Fairways	30	20.0
	Driving Range/Practice Areas	7	4.7
	Greens	3	1.3
	Tees	3	1.3
	Clubhouse House	3	1.3
	Nurseries	1	.7
	Total	100	63.3
Non-Turf grass	Non-turf grass landscape	24	16.0
	Water	11	87.3
	Building	6	4.0
	Bunkers	4.5	2.9
	Parking Lots	4.5	2.9
		50	33.1

The quality of the playing field can be reduced to a study of the four principal elements: 1) the cost of labor, which is the largest expense, 2) water, fertilizer, chemicals, 3) the constant cycle of capital improvements, and 4) the equipment required to maintain the course.

The 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. The National Golf Foundation reported the following total maintenance costs in a report titled, "Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S."[22]

Description	Annual Maintenance Costs
Public Mid-Range Frostbelt	$377,160
Public Mid-Range Sunbelt	540,660
Public Premium Frostbelt	555,460
Public Premium Sunbelt	825,640
Private Mid-Range U.S.	611,240
Private Premium U.S.	1,412,720

Presented below is a labor and capital overview of Denver Parks and Recreation:

[22] National Golf Foundation, "Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.," 2006 edition, pages 4, 10, 17, 24

		2010		
Department	**Course**	**Total Salary**	**Expenses**	**Total Expense**
Maintenance	City Park	424,502	219,990	644,492
	Harvard Gulch	125,008	13,893	138,900
	J. F. Kennedy	619,200	408,620	1,027,820
	Overland	413,714	220,061	633,775
	Wellshire	403,950	156,466	560,416
	Willis Case	298,055	287,829	585,885
	Total	2,284,430	1,306,859	3,591,288
Gross Revenue		8,874,230		8,874,230
% of Gross Revenue		25.74%		40.47%
Average for 18-hole equivalents		351,451		552,506

The City and County of Denver Parks and Recreation maintenance costs are higher than the NGF industry average per 18-hole equivalent of $377,160 for a public frost belt golf course. Of greater concern is that the condition of the golf courses in the survey conducted was rated as average. Also important, there is significant deferred maintenance in fundamental projects, such as tree trimming and removal of dead trees.

Denver Parks and Recreation – Tired Assets; the Natural Replacement Cycle

Since a golf course is a living organism that is changing daily, creating a capital budget and providing an annual reserve to replace the vital components of a golf course is prudent and is accomplished via a reserve for a sinking fund.

Unfortunately, as golf courses begin losing money in a competitive market, the first cuts are always made by deferring capital expenditures. While understandable because of the large investment required to maintain each course, these cuts are often made without the continuing recognition that the condition of the golf course remains the number-one requirement of golfers.

The Golf Course Superintendents Association of America estimates that the amount of capital improvements required as part of a golf course's natural replacement cycle is $2,200,086, and that a prudent golf course should create an annual capital improvements allowance of $101,104.

Presented below are the estimated life spans of the various components of a golf course, as estimated by the GCSAA and the Golf Course Builders Association of America:

Capital Investment Matrix

Golf Course - Estimated Deferred Capital Expenditures: Conservative Approach					
c		Years Minimum	Years Maximum	Estimated Cost to Replace	Annual Capital Reserve
Greens		15	30	657,761	21,925
Bunker Sand		5	7	44,800	6,400
Irrigation System		10	30	114,000	3,800
	Irrigation Control	10	15	121,000	8,067
	PVC Pipe	10	30	309,600	10,320
	Pump Station	15	20	97,790	4,890
Cart Paths	Asphalt	5	10	93,350	9,335
Cart Paths	Concrete	15	30	146,685	4,890
Practice Range Tees		5	10	37,680	3,768
Tees		15	20	150,720	7,536
Corrugated Pipe		15	30	398,180	13,273
Bunker Drainage Pipes		5	10	65,000	6,500
Mulch		1	3	1,200	400
Grass		Varies	Varies	N/A	
Total Deferred Capital				2,200,086	101,104

As part of this analysis, using the matrix presented above, a detailed financial review of the deferred capital expenditures on the Parks and Recreation Department's golf courses was conducted. Excluding required clubhouse renovations, it is estimated that the deferred capital expenditures are now close to $11 million, itemized as follows:

Sinking Fund Reserve Goal: 2010

Course	Deferred Capital Expenditures
City Park	$1,755,366
Evergreen	$2,237,766
Harvard Gulch	906,471
J. F. Kennedy	1,413,991
Overland	1,306,294
Wellshire	1,577,794
Willis Case	1,777,232
Total	$10,974,914

It should be highlighted that this sinking fund estimate represents the amount for capital improvement of the course infrastructure, but excludes the clubhouse facilities and parking lots at each golf course. It should also be noted that a historical calculation of the deferred capital expenditures for a sinking fund reserve is different that the desired capital investment recommended within this report.

It has been the policy of Denver Parks and Recreation to defer capital improvements; hence, the increasing deferred capital investment required. It is recommended that a sinking fund be created to ensure that the golf course infrastructure remains competitive with industry standards.

Architectural Review of Denver Parks and Recreation Golf Courses

A deferred capital budget nearing $11 million is daunting. To properly frame the priorities, this strategic review undertook the following:

A. A detailed analysis of each golf course, documenting with photographs items that should warrant the attention of management. Pictures were taken from every tee, fairway and green on each of the City's golf courses.

B. A comprehensive review of each clubhouse facility documenting the review in photographs.

The narrative reviews of each golf course and the associated photo essays were submitted as an integral part of this engagement. Based on that research, we believe the priorities for each facility should be:

Facility	First priority	Second Priority	Third Priority	Fourth Priority
City Park	Safety: 1 - 3, 6, 14 - 18	Maintenance Building	Renovation	Greens 1 - 3
Evergreen	Safety: 4, 7, 12 - 16	Concession Contract	Clubhouse	Renovation
J. F. Kennedy	Close 9	Clubhouse	Tree Removal/Pruning	Turfgrass
Overland	Tee Expansion	On Course Bathrooms	Tree Removal/Pruning	Turfgrass
Wellshire	Safety: 15 - 17	Dam/Water: 1, 7, 10	Trees	Clubhouse
Willis Case	Safety: 11 - 14, 16	On Course Bathrooms	Water Source	Fairways

A cost study was undertaken to ascertain the probable return on the investment required for each project. This analysis further crystallized the schedule of capital investment the City and County of Denver should follow, as illustrated below:

The Investment Return

Course	Fair Price	Renovated Price	ROI %
City Park	$34	$35	12.70%
Evergreen	$32	$40	-9.02%
Kennedy	$35	$40	-6.86%
Overland	$34	$35	11.73%
Wellshire	$38	$45	47.77%
Willis Case	$34	$34	0.87%
			9.53%

Undertaking the sympathetic Donald Ross renovation at Wellshire is with substantial merit. It is unfortunate that the project will meet with substantial resistance, because beyond the capital investment, the removal of nearly 300 trees is mandated on the interior of the property, and the restoration of numerous vacated bunkers is necessary. Redirecting holes 15 – 17 for safety reasons is imperative, because frequently balls hit cars on Hampden Avenue. A tragic accident will happen eventually if the routing on these holes is not improved. are not redirected.

The other very exciting project with great investment return potential is the renovation of City Park Golf Course. Adjacent to the Denver Zoo, the maintenance building is near collapse. The current driving range is underperforming by nearly $200,000 year. The re-routing of holes, the leveling of severely tiered greens (1 – 3, 6, 12, 13) will prepare that facility to become the crown jewel of the City's golf assets because of its superior downtown location.

Presented below is a concept developed by Golf Convergence in association with Herfort-Norby. It has been vetted with and endorsed by the Golf Advisory Committee.

This strategic plan strongly advocates that the City Park and Wellshire renovations be completed by the 2013 golf season. Not to do so would have a substantial negative impact on the investment return of the Golf Enterprise Fund.

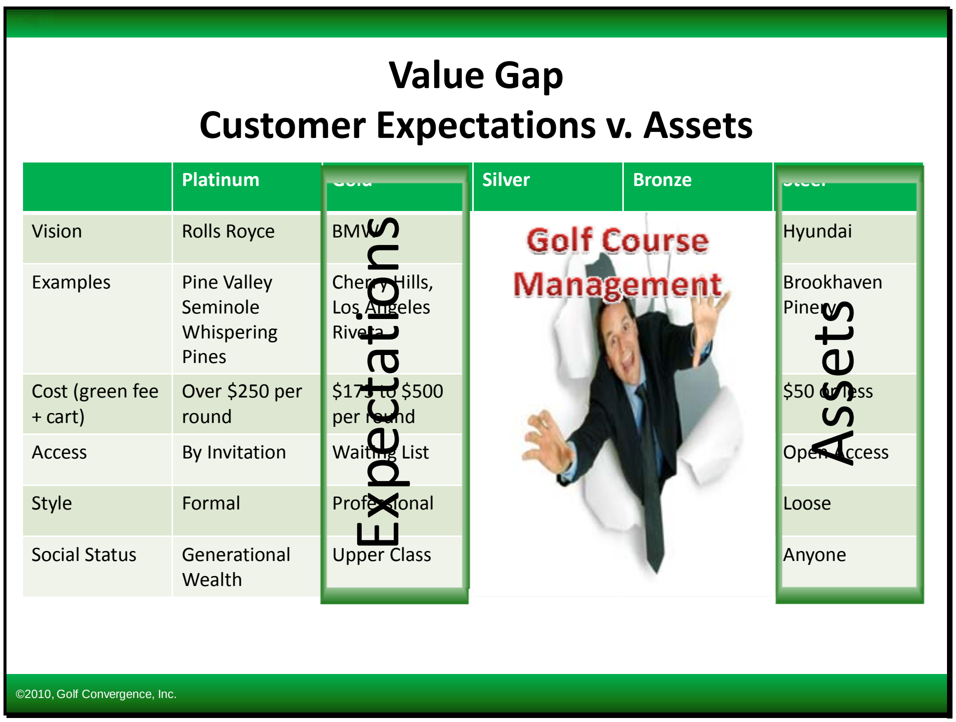
Step 6: Golf Operations

Creating Value

The formula for a successful golf course is simple; value = experience – price. To the extent that the experience created equals or exceeds the price, loyal customers are developed. To the extent that the price exceeds the experience derived, attrition occurs.

The potential experience that can be created is based on the start-up capital invested, the revenue generated, and the capital reserves that may be additionally required to sustain the operation.

Where the customer expectations exceed the assets committed, the results create customer consternation, which results in customer attrition and disappointing financial results; these are depicted below:


Value Gap
Customer Expectations v. Assets

	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW			Hyundai
Examples	Pine Valley Seminole Whispering Pines	Cherry Hills, Los Angeles Riviera			Brookhaven Pinery
Cost (green fee + cart)	Over $250 per round	$17[illegible] to $500 per round			$50 or less
Access	By Invitation	Waiting List			Open Access
Style	Formal	Professional			Loose
Social Status	Generational Wealth	Upper Class			Anyone

A golfer's perception of value is quickly determined based on the following:

1. Entrance to Property and Flowers?
2. Clubhouse Size?
3. Signage (welcoming rather than punitive)?
4. Parking Lot Paving?
5. Striping Patterns Observed on Greens and Fairways, if any?
6. Type of Grass on Course (bent or rye)?

7. Fairway Bunkers (many or few)?
8. Presence of Natural Hazards (trees, lakes, etc.)?

As part of this operational review, we photographed those aspects of the City and County of Denver Parks and Recreation golf courses and those of its top 20 competitors. Those photographs were shared with management and staff.

In doing so, we concluded that many within the golf industry have become seduced by the "game" of golf at the expense of their success in the "business" of golf.

Management and staff often forget that the golf course is a meeting place for businesspeople who work hard and want to be catered to and made to feel special in a beautiful setting. Course personnel need to recognize that golf provides families with a place to bond, friends with an opportunity to extend and deepen their camaraderie, juniors a venue to learn the values of discipline and ethics, seniors a well-earned hobby, and men's and ladies' groups the opportunity to meet and compete. Today's savvy businessperson knows the golf course is an office, a lunch meeting, a conference room—it is common ground.

At its most basic, golf is simply entertainment, and golf courses are like theme parks—no two courses are identical, and each one offers a different thrill ride every time a customer plays.

Golf operations can be viewed as an "assembly line" in which each golfer proceeds, depending on the type of golf course, to 13 "touch points" which combine to identify the customer value experience: advertising, reservations, directions, club entrance, club house, golf shop, cart, range, starter, golf course, bathrooms, cart return, and restaurant. The following table illustrates the "Assembly Line of Golf."

Touch Point	Municipal	Daily Fee	Resort	Private Club	Military
Reservations	X	X	X	X	X
Club Entrance	X	X	X	X	X
Bag Drop		X	X	X	
Cart: GPS		X	X		
Locker Room Before Round			X	X	
Pro Shop	X	X	X	X	X
Range	X	X	X	X	X
Starter & Marshalls	X	X	X	X	X
Beverage Cart Attendant		X	X	X	
Halfway House			X	X	
Cart Return—Club Cleaning			X	X	
Locker Room After Round			X	X	
Bar/Restaurant	X	X	X	X	X
Likely # of Contact Points	**6**	**9**	**13**	**12**	**6**

As expected, the higher the price per round of golf, the greater the number of anticipated touch points a golfer will experience. Thus, the exclusive private club, the high-end daily fee course, or exclusive resorts are likely to take advantage of many opportunities and to continue efforts to further enhance the overall impression.

Each golf course operation is a series of interconnected processes, the end product of which is a challenged, entertained, and satisfied customer. By understanding and exceeding your customers' unique needs and desires, customer loyalty can be created—and it will lead to financial success.

Therefore, the success of a course is measured by how much fun the customer has, and how his or her perception of personal service was met or exceeded. By understanding and exceeding each customer's unique needs and desires, customer loyalty is created, and that customer loyalty is essential to increasing revenue.

To properly analyze these touch points from an operational perspective, the following components are analyzed:

- Organizational Culture
- Labor Scheduling and Reporting of the following departments
    1. Pro Shop Staffing
    2. Starters
    3. Player Assistants
    4. Cart / Range Attendants
    5. Lessons

- Infrastructure
    1. Snack Bar and Beverage Carts
    2. Merchandising
    3. Miscellaneous
- Revenue Management and Demand Pricing
- Marketing

Organizational, Cultural, Labor, and Infrastructure

The City and County of Denver Parks and Recreation Department uses a bi-furcated organizational structure, as summarized below:

Responsibility	Parks and Recreation Personnel	Golf Enterprise Fund	Concessionaire City Park, Kennedy, Wellshire, Willis Case	Concessionaire Evergreen	Concessionaire Overland
Revenue Management		X		X	X
Marketing	X	X		X	X
Maintenance		X		X	
Pro Shop Staff		X		X	X
Starters		X		X	X
Player Assistant		X		X	X
Cart/Range Attendants		X		X	X
Lessons		X		X	X
Snack Bar and Beverage Carts			X	X	X
Food and Beverage			X	X	X
Merchandising		X		X	X
Accounting & Budgeting	X				
Legal	X				
Personnel	X				
Procurement	X				

Note 1: Evergreen contract expires 12 31 12
Note 2: Overland contract expires 12 31 14

The principal limitation of this organizational culture is that the goals of Parks and Recreation and the Golf Department are not fully aligned.

Correctly, it is already the goal of Parks and Recreation to bring all principal concessions, except for food and beverage at City Park, Kennedy, and Willis Case, under their dominion.

It is our professional opinion that the consolidation of the operational responsibilities under the management of the Director of Golf, whose focus is the business of golf, not the game of golf, will accomplish the following:

- Increase revenues
- Improve employee satisfaction
- Enhance marketing
- Improve customer service
- Improve operational efficiencies
- Increase customer access to the golf course

Revenue Management and Demand Pricing

In undertaking revenue management, the first step is to prepare a list of the competitive set of golf courses. The Denver metroplex was divided into the following tiers: platinum, gold, silver, bronze and steel. Within this market, no "platinum" courses such as Bethpage or Torrey Pines, exist.

The competitive market set for the City and County of Denver, based solely on price, was determined to be:

Denver Metroplex: Competitive Market Set

Silver

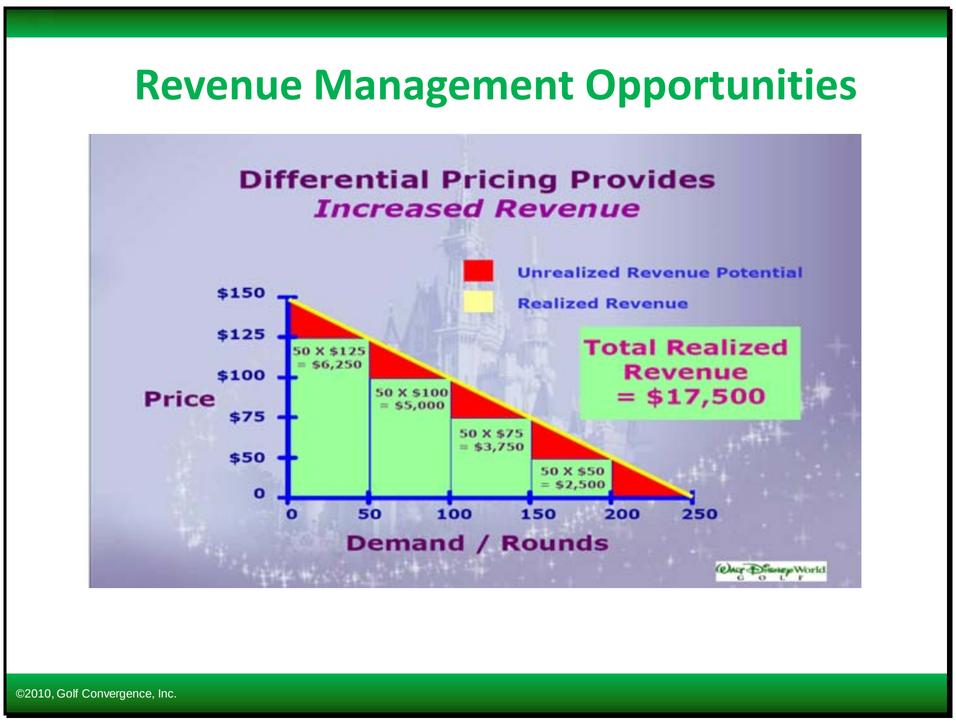
Course	Rate	Cart	Senior	18 Hole Green Fee	Cart Fee	Range Balls	GPS
Aurora Hills	39	14	62	Yes	No	No	No
Foothills	39	Not Specified	62	Yes	No	No	No
Ute Golf Course	39	15	Not Specified	Yes	No	No	No
Hyland Hills	37	13	Not Specified	Yes	No	No	No
Applewood	36	13	60	Yes	No	No	No
Links at Highland	36	16	60	Yes	No	No	No
Littleton Golf	35	15	65	Yes	No	No	No
City Park	**35**	**Not Specified**	**62**	Yes	No	No	No
Kennedy	**35**	**Not Specified**	**62**	Yes	No	No	No
Meadow Hills	35	14	62	Yes	No	No	No
Overland	**35**	**Not Specified**	**62**	Yes	No	No	No
Park Hill	35	5	55	Yes	No	No	No
Wellshire	**35**	**Not Specified**	**62**	Yes	No	No	No
Willis Case	**35**	**Not Specified**	**62**	Yes	No	No	No
Evergreen	**32**	**Not Specified**	**62**	Yes	No	No	No

Yield management is the art of establishing rates by time of the day, day of the week, and time of the year by the golfer type and to thereby maximize revenue.

It is perceived that the prices set by municipalities serve as the "buoy" by which all prices are set in the market. Should a municipality raise its prices, the daily fee golf courses will also adjust their prices upward to reflect the incremental value the golfer experiences. Unfortunately, with so many viable alternatives available, the ability of Parks and Recreation to continue to raise prices is limited because of the experience offered.

Because of these factors, there has been a lack of focus on driving revenues by measuring utilization, by determining revenue per available tee time realized, and by calculating the revenue generated by each price category versus rounds consumed.

The goal of revenue management is simple: sell the right tee time to the right golfer at the right time at the right price. The failure to engage in dynamic yield management results in lost profit opportunities. Presented below is an example of how Walt Disney World creates tiered buckets to ensure revenue is maximized.



Denver Parks and Recreation has the same price point for each golf course: $35 prime time weekends except for $32 at Evergreen. This is proper, as there is relatively little difference in the experience created at each golf course.

It is regrettable that the creation of meaningful reports is not an easy process with the current software. With significant data recalculation, we were able to recreate the yield per round, as illustrated below:

Denver

Yield Management

	City Park	Harvard Gulch	Kennedy	Overland	Wellshire	Willis Case
Round	41,228	30,043	86,966	46,760	49,580	49,134
Revenue	1,435,074	252,876	2,454,212	1,070,188	1,608,058	1,515,292
Yield	34.81	8.42	28.22	22.89	32.43	30.84
Rack Rate	35	10	35	35	35	35
Yield	99.45%	84.17%	80.63%	65.39%	92.67%	88.11%

Unfortunately, from the current software, we were unable to calculate the yield per hour or the yield by rate type. Both of these are essential to properly manage a golf course. Of concern is the Overland yield at 65.39%, which reflects a larger percentage of nine-hole play and that golf carts are not used with the same frequency as at other courses. Kennedy at 80.63% is also a concern that remains largely unexplained due to the inability to drill into the data because of limitations within the City's golf management software.

In essence, management of the Golf Enterprise Fund is flying blind due to the lack of information, as highlighted below:

Golf Enterprise Fund
Missing Data: Flying Blind

Name	Customer Visits Tracked within Software	Total	Efficiency
Customers	8,767	50,000	17.53%
Visits	65,969	340,680	19.36%
Dollars Spent	3,074,597	8,529,397	36.05%

How can you manage a golf course enterprise if you don't know who you customers are? The efficiency of the City and County of Denver's golf courses is significantly below national standards. Most golf courses have tracked at least 60% of their customers. This is in contrast to the 17.53% tracked by Denver.

Marketing

There is a significant opportunity to improve all aspects of marketing these properties. The City and County of Denver Parks and Recreation golf courses 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.

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 is very talented; however, his workload and his adverse predilection for this type of work precludes this task from being effectively executed.

As a result, the Golf Enterprise Fund sporadically completed independent promotions with outside entities. This underscore the weakness of not having a coordinated marketing plan led by a dedicated professional. The perils of such were clearly demonstrated in the Groupon marketing promotion conducted on December 11-12, 2010, as shown below:

1,643 coupons were purchased for a total gross revenue of $310,527. Groupon's commission was 50%. The promotion as published failed to:

1) Print the restriction that golf carts were required.
2) Differentiate between group and individual lessons.
3) Mention that tee times were restricted to Sunday-Thursday after 12 p.m.

In addition to the commission paid Groupon, Jintu received nearly $50,000 in fees for administering this promotional campaign.

While Denver officials defended the promotion because it generated new customers and year-end balancing sheet puffing to bolster cash, selling 13,144 rounds of golf and 16,430 lessons from which the course yields less than $12.00 per round is not a good strategy. We are hard-pressed to defend a promotion that we, and the golf industry at-large, feel is highly ill-advised. Rounds would have to increase by 100% for such a promotion to "break-even."

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 based on the following priorities:

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 and County of Denver Parks and Recreation 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 and County of Denver Parks and Recreation Department 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.

- The financial interests of Parks and Recreation and the Golf Division should be aligned based on gross revenue, or preferably, net income.

- Engage in bi-weekly email marketing to the core/acquired and defectors with targeted messages to stimulate incremental play.

Step 7: Golfer Survey

In creating a strategic plan, it is vital to understand 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 National Golf Foundation:

- 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, which is 22 percent of all golfers. There are 6.1 million juniors.

There are 16,057 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.

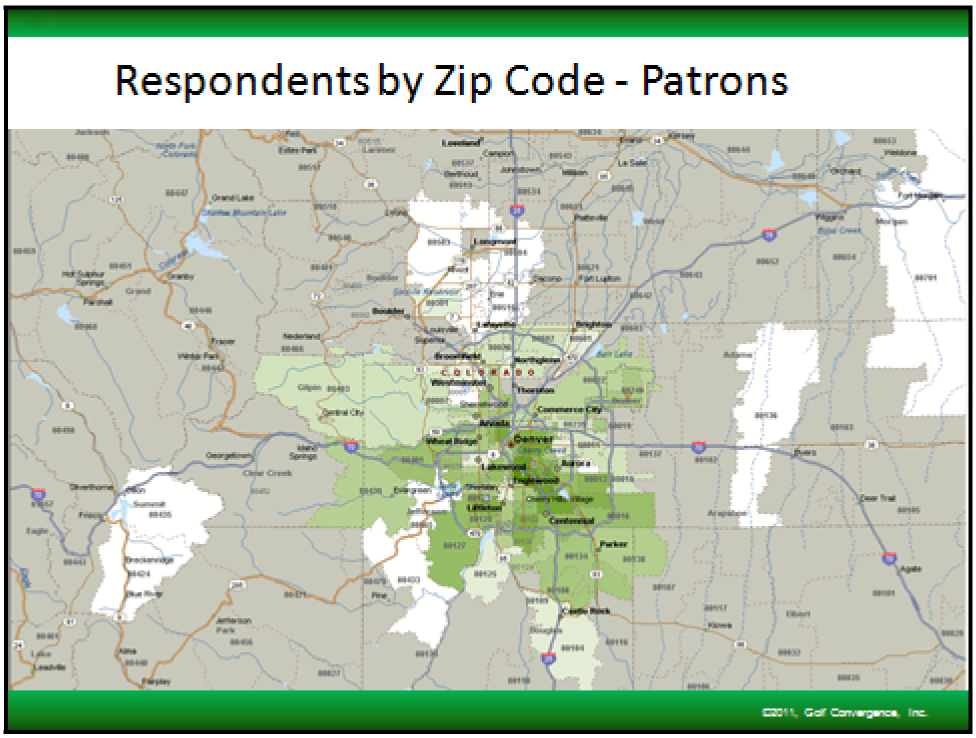
In conducting an operational analysis, obtaining a current perspective of the customer database by identifying customer's age, gender, net income, ethnicity, playing frequency, favorite golf courses, and price point barriers is valuable. The key point being measured is the opportunity to increase current market share.

For the Golf Department, we conducted two surveys and retained the National Golf Foundation to conduct a third. These surveys polled the following:

Name	Denver Customers – Golf Convergence	Denver Metroplex – Golf Views	Denver Customers – National Golf Foundation
Sample Size	9,450	130,000	9,450
Responses	1,022	452	881
Respondent completed all questions	92.3%	83.1	90.1%

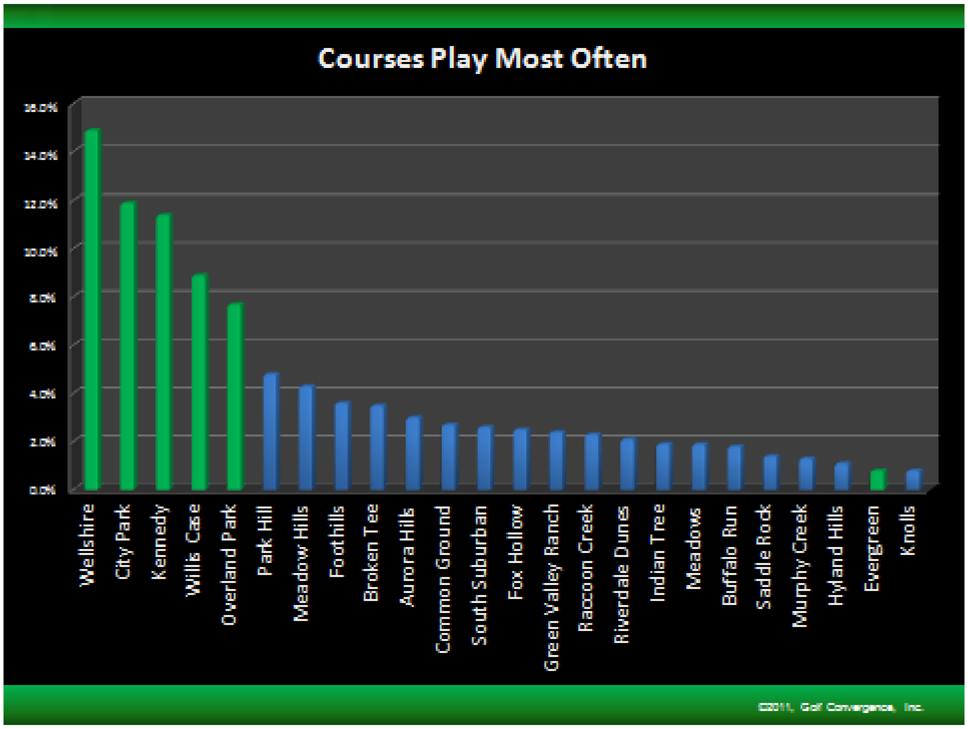
The survey remained open for 12 days, providing a 99% confidence factor and a margin of error on the results of 1% +-, which indicates that the results achieved are statistically valid. The completion rate for those starting the survey was 87.5%, an acceptable average that suggests the survey was well-constructed.

The zip codes of respondents were as follows:



Key: Respondents per zip code ranged from one (white) to 70 (dark green).

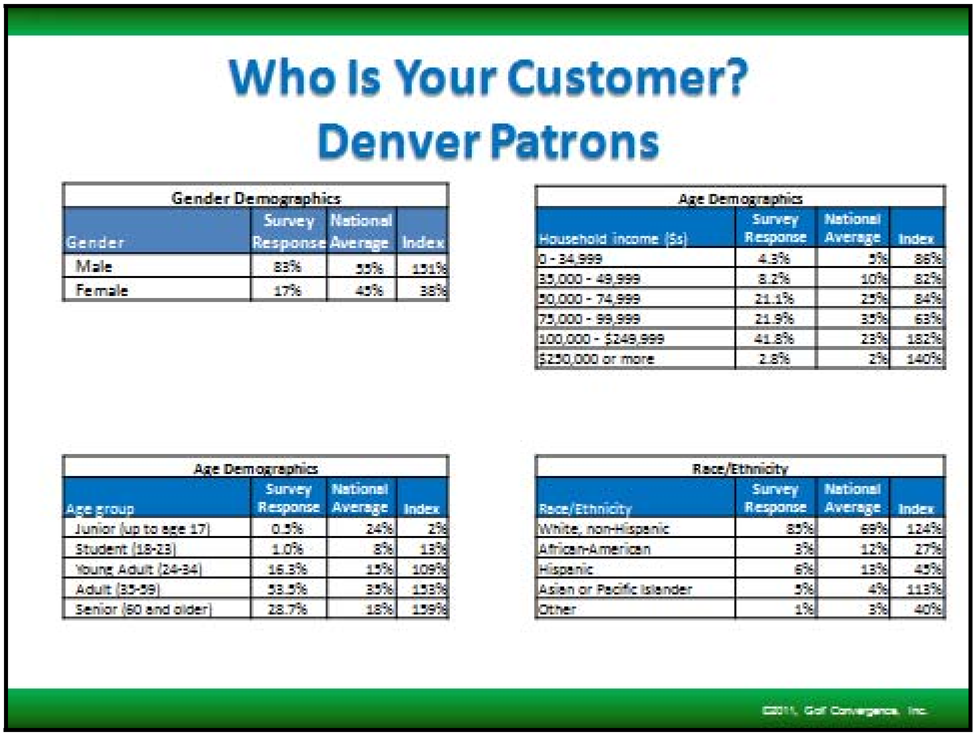
The respondents indicated that the courses they played most often were:



Who is the Customer?

The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the City and County of Denver Parks and Recreation Department golfer was likely to be Caucasian, slightly older, and very wealthy. The survey confirmed that fact.

The statistics were confirmed in a survey of Denver Parks and Recreation golfers. Survey respondents have the following demographic profile:



Who Is Your Customer? Denver Patrons

Gender Demographics			
Gender	Survey Response	National Average	Index
Male	83%	55%	151%
Female	17%	45%	38%

Age Demographics			
Household income ($s)	Survey Response	National Average	Index
0 - 34,999	4.3%	5%	86%
35,000 - 49,999	8.2%	10%	82%
50,000 - 74,999	21.1%	25%	84%
75,000 - 99,999	21.9%	35%	63%
100,000 - $249,999	41.8%	23%	182%
$250,000 or more	2.8%	2%	140%

Age Demographics			
Age group	Survey Response	National Average	Index
Junior (up to age 17)	0.5%	24%	2%
Student (18-23)	1.0%	8%	13%
Young Adult (24-34)	16.3%	15%	109%
Adult (35-59)	53.5%	35%	153%
Senior (60 and older)	28.7%	18%	159%

Race/Ethnicity			
Race/Ethnicity	Survey Response	National Average	Index
White, non-Hispanic	85%	69%	124%
African-American	3%	12%	27%
Hispanic	6%	13%	45%
Asian or Pacific Islander	5%	4%	113%
Other	1%	3%	40%

City and County of Denver Parks and Recreation customers are older and wealthy – both great demographics for golf. Their penchant to play the Parks and Recreation Department golf courses emphasizes that cost is an important determinant in that decision.

The survey revealed that of these golfers, 38% visit four to seven golf courses to play between 19 and 40 rounds annually. 66% play more than 19 rounds per year, which puts them in the category known as core golfers. A slight majority prefer to pay between $46 and $85 for a weekend green fee and cart.

What Do They Like About the Parks and Recreation Courses?

The golfers were asked to rate 23 attributes of the Denver Parks and Recreation golf courses. What always surprises us about these surveys is the golfers always get it right.

Illustrated below are the top four favorable rankings for each of the golf courses:

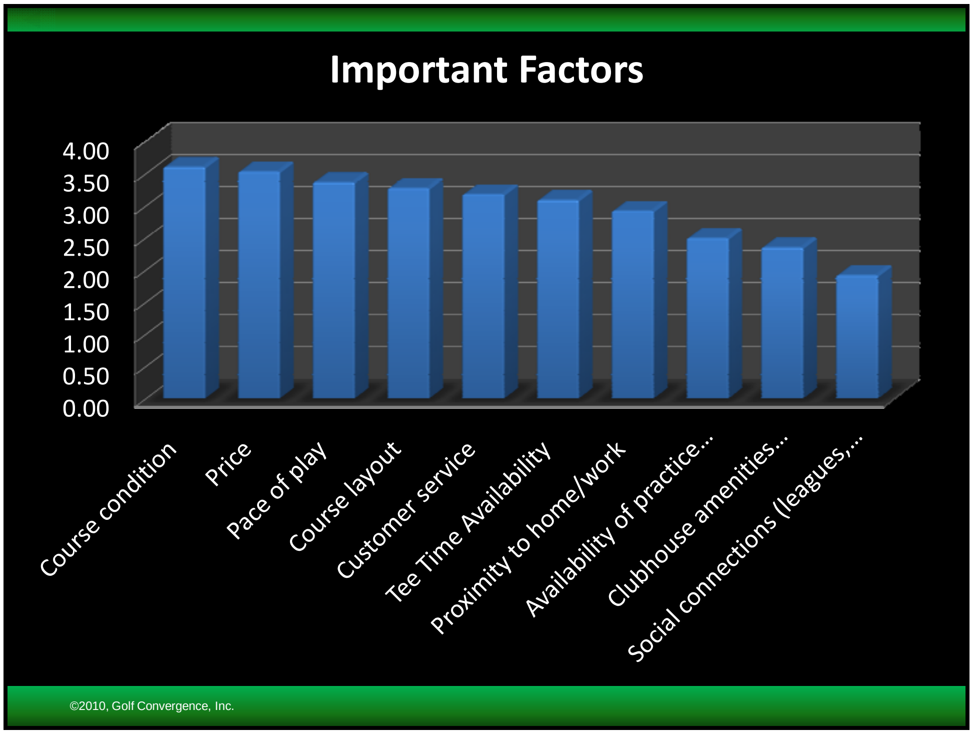
Course	#1	#2	#3	#4
City Park	Scenery	Value	Staff	Value
Evergreen	Scenery	Value	Affordability	Staff
Kennedy	Value	Affordability	Tee Time Availability	Staff
Overland	Value	Affordability	Tee Time Availability	Greens
Wellshire	Value	Design	Scenery	Affordability
Willis Case	Clubhouse	Scenery	Staff	Value

As important as what the City is doing correctly, is what areas that the Golf Enterprise Fund should concentrate on to improve the customer experience:

Course	**#1**	**#2**	**#3**	**#4**
City Park	Practice Facilities	Bunkers	Pace of Play	Golf Shop
Evergreen	Practice Facilities	On Course Services	Bunkers	Golf Shop
Kennedy	Practice Facilities	Clubhouse	Pace of Play	On Course Services
Overland	Bunkers	On Course	Pro Shop	Pace of Play
Wellshire	Practice Facilities	On Course Services	Bunkers	Tee Time Availability
Willis Case	Practice Facilities	On Course Services	Bunkers	Pace of Play

What Is Important?

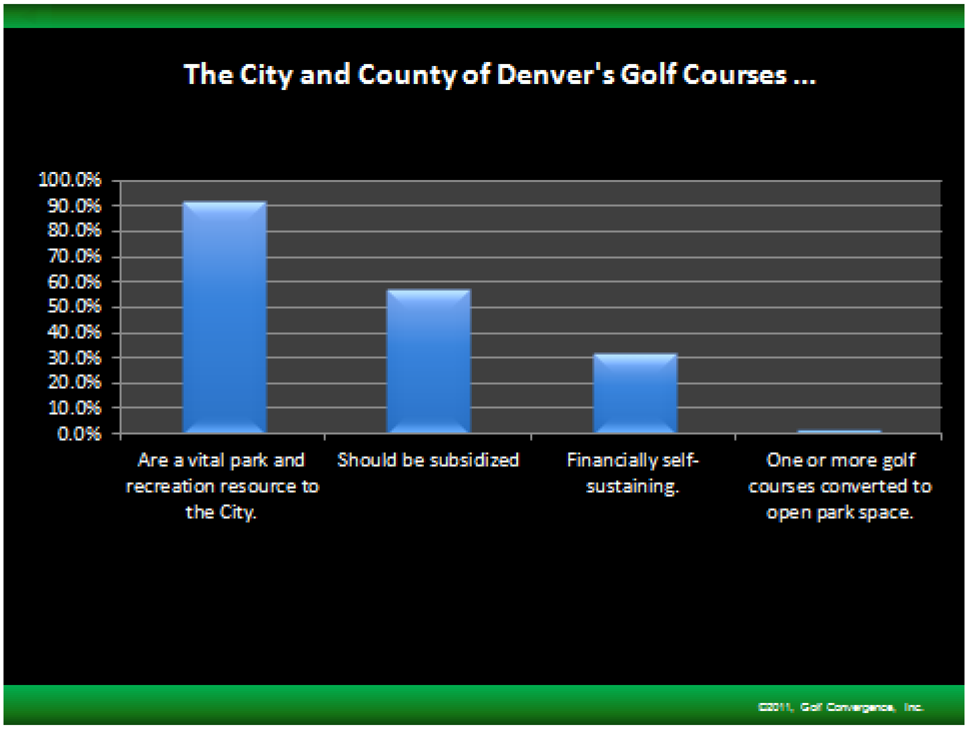
When asked, "What factors are important to you in selecting one course over another, the results of the City and County of Denver Golf Course survey are consistent with other surveys conducted by Golf Convergence and by leading trade organizations such as the Golf Course Superintendents Association of America. Conditioning and value (price/experience delivered) predict success as shown below:



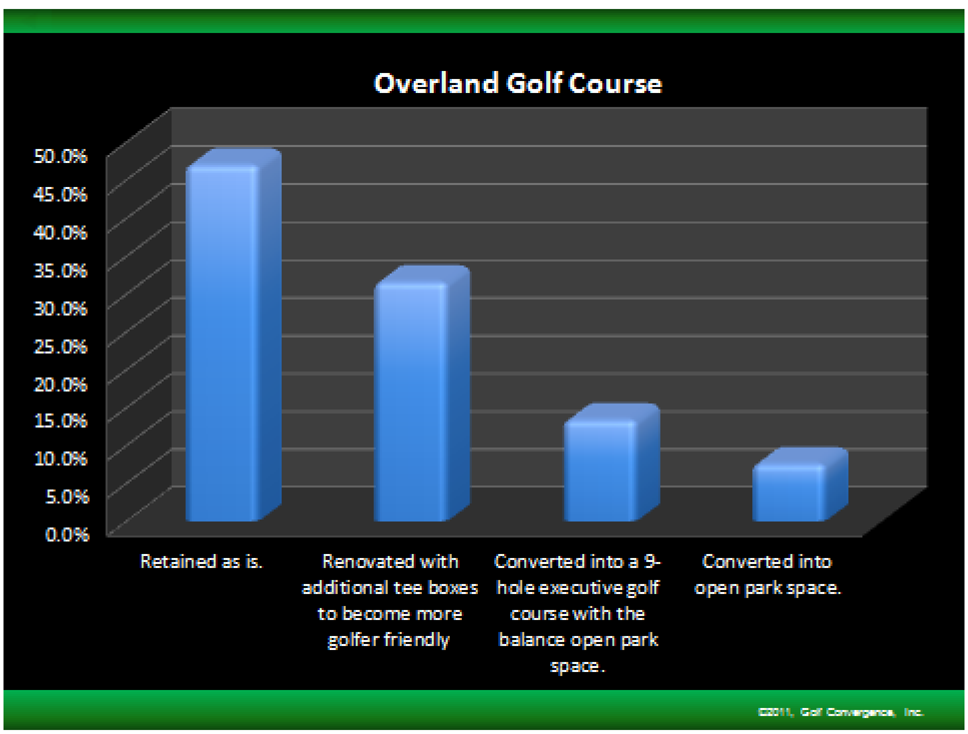
Since a large part of the "experience" equation is the conditioning of the golf course, this should be no surprise.

When asked would they pay $5 more per round if the City was to invest in course improvements, a clear mandate, 65% voted yes. The majority also felt that pricing at the golf courses should be tiered based on value received.

While golfers are willing to pay more, protecting their self-interests, they also believe, incorrectly, that the golf courses should be subsidized by the City, as reflected below:



Golfers also felt very strongly about the future status of Overland. Over 80% felt that the golf course should be retained as is or improved as noted below:



Very few agreed with the City's current plans to convert the facility to 9 holes or to open park space.

The golfers also felt very strongly (over 90%) that construction of a golf course at the former Stapleton Airport site should be deferred until demand is clear or at least five years from now.

Of concern is the fact that the survey respondents ranked "price" as the second most important criterion for choosing what course to play. Golfers often maintain that if the prices were lowered, the increase in rounds would offset the lower fees. Such a trade-off is perilous, as noted in the chart below:

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%

Lessons Learned

With 83.5% of the survey respondents indicating that they are likely or very likely to play the Golf Department's golf courses again, it is important that the central conclusion of the survey be carefully considered by management:

> "Capital improvements as outlined in this strategic plan should be implemented very quickly, as course conditions and price were cited in the golfer survey as significant concerns, and since the survey indicated that a majority of golfers (65%) are willing to pay $5 more per round for such improvements."

Value is made up of many components. The value formula is straightforward. To the extent that the customer experience exceeds price, loyalty is created. To the extent that the price exceeds customer experience, loyalty is lost. Thus, while conditioning remains a dominant factor, being able to play quickly on the day and time desired continues to highlight the fact that we function within a time-crunched society. The City and County of Denver Parks and Recreation has the opportunity to profit by focusing on affordability and the tee time availability.

Step 8: Customer Loyalty

Customers' Key Benchmarks

Knowing who your customers are, their spending preferences, and their 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, which Denver Parks and Recreation lacks, most golf courses greatly minimize their revenue opportunities.

A leading golf course management company[23] 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 merely once per year.
4) 50% of those who play will not return next year.
5) Only 13% will play six or more times.
6) Customers average six rounds played at a specific course per year.
7) A golf course will have a 20% wallet share of 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.

It is fair to conjecture that golfers at the City and County of Denver Parks and Recreation courses have comparable profiles. However, without the use of a functional golf management system, measuring any of the key metrics is not possible at this time.

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, as described in Step 4 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.

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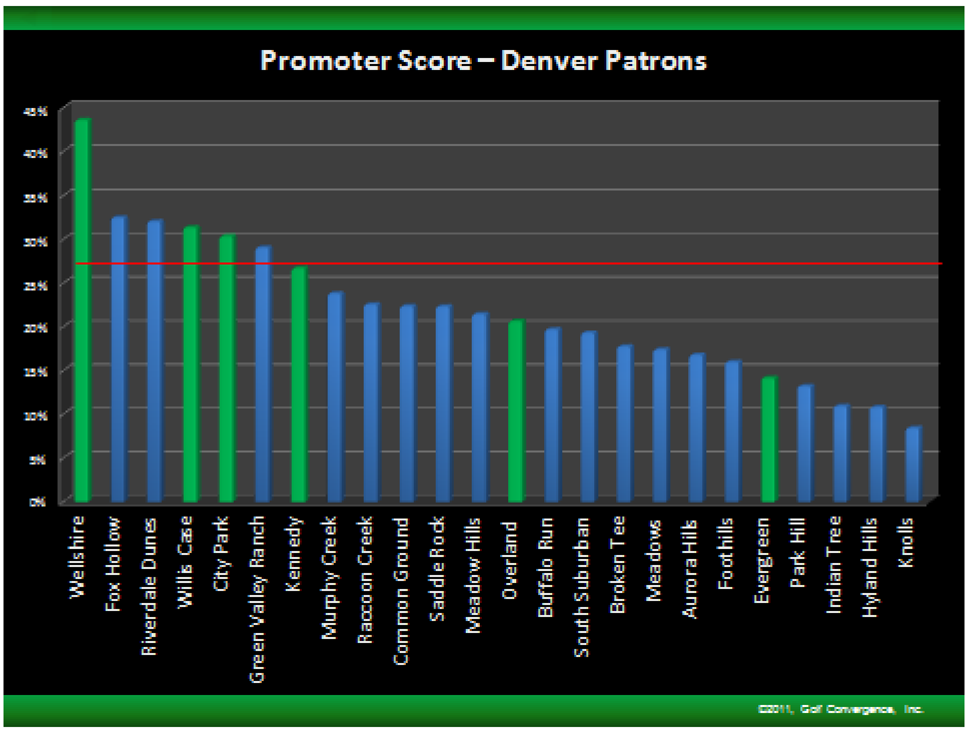
[23] Peter Hill, Billy Casper Golf Management, "Programming for Profit," February 4, 2009 presented at NGCOA Multi-Users Conference.

Unfortunately, this analysis also could not be completed for the City and County of Denver Parks and Recreation because, as has been noted, the tee sheet and the POS only began seamless integration in April, 2010; thus, the data was not available to undertake the requisite analysis.

As a result, Denver Parks and Recreation is lacking critical metrics needed by a golf course to 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.

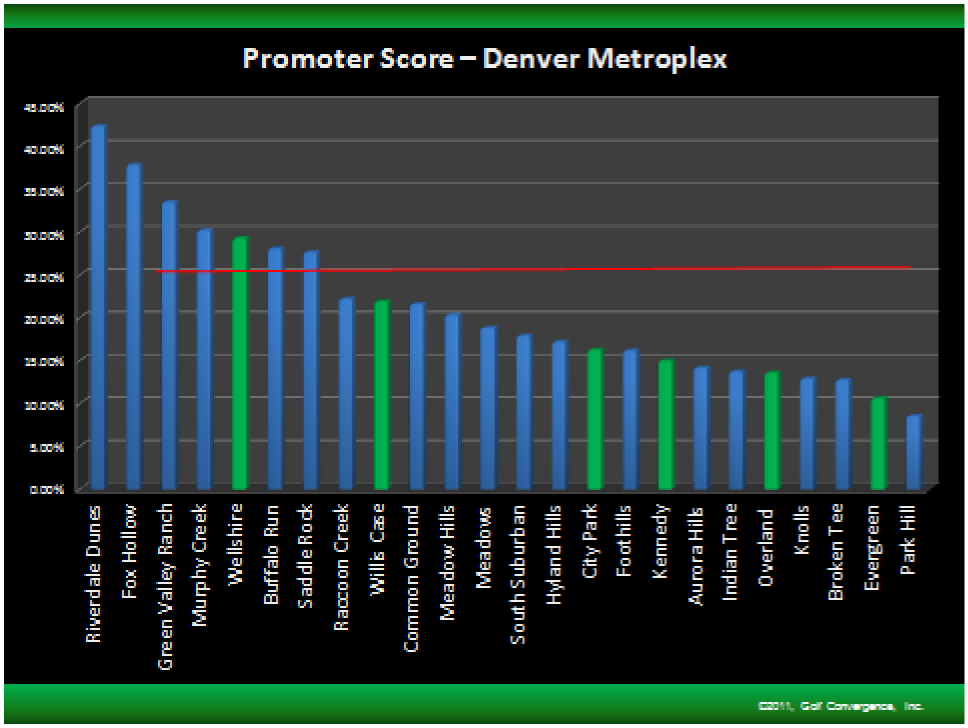
However, we were able to ascertain those factors that are vital to golfers at City and County of Denver Parks and Recreation golf courses. With the national average being 26, these courses received loyalty scores from 43 to -20, as noted below:



Note: "Promoter Score" is a term to measure the loyalty of a customer to a facility, i.e., are they "promoters" of that enterprise. The national average is 26.

While Denver's scores are favorable in the aggregate, Overland's ranking does lend support to the notion of an alternative use at that facility. Evergreen's low ranking is reflective of its location, and the course is more novelty for the social entertainment among friends than a true golfing experience.

Interestingly, we separately polled the view of golfers within the metroplex from utilizing the email database of *Golf Views*, a local golf trade publication. Presented below are the promoter's scores of that survey group:



Interestingly, the City and County of Denver's golf courses are ranked in the same order of loyalty amongst their own customers compared to the golfers in the metroplex.

It should be noted that the only golf courses listed in the survey were those likely to compete against the City and County of Denver's facilities (municipalities or comparably priced daily fee facilities). The platinum and gold golf courses located on the Front Range (Bear Dance, Ridge at Castle Pines, Arrowhead, Fossil Trace, etc.) were not included. Had they been listed, they would have clearly ranked higher than those listed above.

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.

Is Privatization an Option?

Golf Course Organizational Alternatives

In evaluating the issues brought forward in this report, it is vital to understand the various organizational structures utilized in the management of a golf course.

There are five primary organizational structures to manage a multi-course municipality facility:

1) Exclusively employees of Parks and Recreation Department. Leading municipalities like Monmouth and Morris County, New Jersey use this method very successfully, producing a superior golf experience profitably. Milwaukee County is also a good example of this management structure.

2) Exclusively employees of the Parks and Recreation Department, except for food and beverage, which is always a money loser; (Parks and Recreation Department of Los Angeles).

3) Employees of Parks and Recreation Department for Administration and Pro Shop, with maintenance contracted; (Parks and Recreation Department of Anaheim, Parks and Recreation Department of Modesto, Parks and Recreation Department of Ocala).

4) Each course managed by different concessionaires via a lease or management agreement; (Parks and Recreation Department of Indianapolis).

5) All courses are managed by a single concessionaire via a lease or management agreement; (Parks and Recreation Department of Chicago, Parks and Recreation Department of New York, Cook County, Forest Preserve District).

   It should be noted that under a lease, the third-party management company pays a rent measured as a flat fee or a percentage of gross revenues and inures to the profit. Under a management agreement, the profit inures to the benefit of the owner, who pays a management fee to the third party as an integral component of the operational expense.

The City and County of Denver Parks and Recreation Department currently manages all aspects of the golf operation under a hybrid of those organizational alternatives identified above.

Because of various permutations that now exist, Denver is, in essence, operating its golf facilities in combination with over 4 different concessionaires. To implement the optimum organizational structure, regaining operational control of the golf operations at Evergreen and Overland is a first priority.

Once the Golf Enterprise Fund has full operational control over the golf operation, at that time, based on the market conditions that then exist, the City can ascertain if the formation of an independent golf entity, as exists with the Denver Botanical Garden and the Denver Zoo, is viable and whether the requisite leadership to invoke such a transition is in place.

Thus, the option of “status quo” until the expiration of the Evergreen and Overland golf course leases, while not ideal, is the best alternative in the short term.

In the “perfect world,” the financial and operational responsibility for the Evergreen golf course could be transferred to the Evergreen Park District on a basis that secured the facility’s future for the residents in that area and generated the rental income stream from which the City and County of Denver currently profits.

The Critical Path: Recommendations for Implementation

Strategic Vision

The foundation to operate a municipal golf course for the recreational benefit of its citizens must be based on a clear vision as to the purpose of those facilities, their organizational culture, and the financial expectations. This foundation is predicated on the formation of a clearly defined vision.

A Vision Statement guides all decisions regarding the operation of the facility. This statement serves as a lighthouse that provides a frame of reference for the City and County of Denver City Council, the Park and Recreation Advisory Board, Management, Staff, Golfers, and Taxpayers.

In developing a vision statement, history, tradition, and governance determine the golf course's operational philosophy, balancing an emphasis between the business of golf and the game of golf. The differences in these philosophies are highlighted below:

This strategic plan heralds an emphasis on the business of golf. The goal is to maximize revenue, increase operational efficiency, and enhance customer experience.

Vision Statement

This Operational Analysis recommends the following Vision Statement for the City and County of Denver Parks and Recreation Golf Enterprise Fund be adopted:

Conflicts among Stakeholders

It should be understood that in creating this vision and in implementing the recommendations, achieving unanimous consent by all stakeholders is nearly impossible for several reasons. First, change is required. Second, each constituency has a strong proclivity to protect its own vested interests at the expense of the group's best interest.

These conflicts are highlighted below:

Constituency	Sensitive Issue
Board of County Supervisors	Accountability for fulfilling strategic mission
City Council	Allocation of resources to achieve vision
Golf Management	Directing execution to being directed
Golf Staff	Decreasing staff, salaries or increasing responsibilities and/or work hours
Golfers	Increase in rates or accessibility to golf course
Taxpayers	Increase in taxes and allocation therefore

However, this is where the Golf Department's leadership will be tested as they attempt to build an effective consensus for the operational issues facing City and County of Denver Parks and

Recreation Department. The organizational and management structure is entrenched, the overhead cost structure is largely fixed, and the deferred capital expenditures are significant.

Therefore, the recommendations herein should be adopted in order to achieve financial solvency within the Golf Enterprise Fund.

Recommendations

Thus, our recommendation to invest in the core infrastructure of the Denver golf courses is unwavering. The City and County of Denver Parks and Recreation Department's investment will fully service the debt, the risk level is low, and the Golf Enterprise Fund will become financially self-sustaining, as reflected below:

	Consolidated Financial Statements: City and County of Denver								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Revenue	9,206,281	9,390,407	9,578,215	9,769,779	9,965,175	10,164,479	10,367,768	10,575,123	10,786,626
Total Revenue with Investment	9,213,286	9,668,258	10,201,197	10,709,882	10,924,080	11,142,561	11,924,401	12,162,889	12,406,147
Value of Capital Investment Return	7,005	277,851	622,981	940,102	958,905	978,083	1,556,633	1,587,766	1,619,521
Total Cost of Goods Sold	355,019	362,119	369,361	376,749	384,284	391,969	399,809	407,805	415,961
Net Operating Income	8,858,268	9,306,139	9,831,835	10,333,133	10,539,796	10,750,592	11,524,592	11,755,084	11,990,186
Salary Expense	4,352,030	4,513,490	4,648,895	4,788,362	4,932,013	5,079,973	5,232,372	5,389,344	5,551,024
Total Operating Expenses	6,014,446	6,209,155	6,378,473	6,552,531	6,731,466	6,915,415	7,104,523	7,298,937	7,498,809
EBITDA	2,843,822	3,096,984	3,453,362	3,780,602	3,808,330	3,835,177	4,420,069	4,456,147	4,491,376
Equipment Related Charges	247,296	252,242	257,287	262,432	267,681	273,035	278,495	284,065	289,746
City Related Charges	2,276,187	2,652,638	2,677,960	2,703,789	2,730,134	2,757,006	2,784,416	2,812,374	2,840,891
Positive Cash Flow	320,339	192,105	518,116	814,381	810,515	805,136	1,357,158	1,359,708	1,360,739

This capital flow forecast includes $9.545 million in additional debt, financed at 4% on a 10-year loan. The cash flow forecast provides for a 3% annual increase in salaries as well as 2% increase in expenses. More importantly, it includes over $1.0 million in expenses annually for cart leases, appropriate replacement of the equipment fleet, and a $100,000 annual investment per course in the capital improvements for the course, based on the depreciation of its components (greens, tees, bunker, irrigation, etc.).

We evaluated, and deemed not feasible, self-financing the capital improvements, as projects will likely be delayed for numerous reasons and adversely impact the investment return.

Thus, as evidenced, this return mandates that the City and County of Denver enhance the quality of the facilities for its citizens in order to improve the quality of life for Denver's residents.

Strategic Options

We understand that change often meets with much resistance. Denver Parks and Recreation can implement progressively the recommendations below to boost the annual incremental increase to the Golf Enterprise Fund:

1) The current philosophy of the Parks and Recreation Department is to regain responsibility for all golf courses, eliminating the various concessionaires. We endorse this vision, for it creates great future flexibility in managing the enterprise in the aggregate.

2) The Golf Enterprise Fund's role of providing a value-based golf experience to each market segment (from accomplished to entrant), though not a mandate, should be emphasized. Each Enterprise Fund golf course should have a clear vision of the market niche that facility can achieve <u>within five years</u>: "silver" (Wellshire, City Park), "bronze" (J.F. Kennedy and Willis Case), and "steel" (Evergreen and Overland), as later defined in this report.

3) The Golf Enterprise Fund should be removed from the auspices of the Parks and Recreation Department and created as a separate economic entity comparable to the Denver Zoo and the Denver Botanical Gardens.

4) The Overland Golf Course should remain an 18-hole complex for the next decade.

5) The investment in the creation of a new golf course pursuant to the master plan at Stapleton should be deferred until 2020 and then re-evaluated. Currently, it is an unsound investment.

6) Junior Golf should be required to be self-sustaining by 2012, after which the program should either be transferred to Parks and Recreation or abandoned. This program serves up to 1,500 golfers to the detriment of the other 50,000 customers. Hence, further allocations of green fees to support junior golf should not be considered.

Tactical Options

The following tactical recommendations are advanced:

1) Investment in the golf courses should commence in 2011 according to the following priorities:

Course	Project	Amount	External Financing	Internal Financing
Evergreen	Bridge	200,000	2011	2011
Evergreen	Clubhouse	400,000	2011	2011
Wellshire Inn	Clubhouse	400,000	2011	2011
Overland Park	Tees - On Course Bathrooms	500,000	2012	2019
Willis Case	Tees - On Course Bathrooms	667,500	2013	Beyond 2019
Wellshire	Ross Renovation, Fixing Lake and 1st and 10th holes	902,500	2014	Beyond 2020
City Park	Driving Range/Maintenance Bldg/Course Renovation	1,950,000	2015	Beyond 2021
JF Kennedy	New Clubhouse	4,525,000	2017	After 2023
Wellshire	Clubhouse Renovation	5,000,000	After 2022	After 2028

The cash flow projections prepared through 2019 fully support this level of investment, with a positive net operating income throughout the duration. The projected rates of return from these investments are reflected below:

The Investment Return

Course	Fair Price	Renovated Price	ROI %
City Park	$34	$35	12.70%
Evergreen	$32	$40	-9.02%
Kennedy	$35	$40	-6.86%
Overland	$34	$35	11.73%
Wellshire	$38	$45	47.77%
Willis Case	$34	$34	0.87%
			9.53%

Pricing at the golf courses, each of which currently provides a comparable experience to each of the others, should be become tiered AFTER capital investment in the golf courses, as detailed in this report. Prime time green fees should range from $32 at Evergreen to $45 at Wellshire.

2) The Evergreen Golf Course presents quite a conundrum in which no real solutions exist. It is our recommendation that Parks and Recreation dispose of this asset for fair market value.

3) The Wellshire Clubhouse is a building with great historical significance. As stately an image as the exterior of the building projects, the interior is dysfunctional.

   We therefore recommend that the contract of the current concessionaire be redeemed and the clubhouse renovated to better serve the interest of the golfers and those seeking private dining or catered events for tournaments, weddings, or family occasions.

4) A notice of contract default should be sent to the current POS vendor providing the vendor 90 days to cure the numerous deficiencies that exist with the software installed. Failure to cure all faults should result in a lawsuit filed for damages from revenue lost and expenses incurred from the resulting operating inefficiencies of such a convoluted process.

5) Accounting reports should be prepared consistent with generally accepted principles for golf courses which emphasize departmental revenue (green fees, carts, merchandise, food and beverage, range, and other) and expense (maintenance, pro shop, administration) reporting.

6) Maintenance crews should be reduced to three employees per course during the period from November through February. Further, the Wellshire Pro Shop salary expenses remain higher than those at other golf courses, and they exceed industry norms.

7) During the past five years, the Golf Enterprise Fund leadership has largely disengaged with all golf media including the *Denver Post* and leading trade publications including *Avid Golfer*, *Colorado Golfer* and *Golfviews*. The promotion of a brand message on a consistent basis is essential to reestablish the image of Denver golf as a vibrant golf enterprise.

Operational Execution

Currently, the Denver golf courses produce comparable experiences. The client base at each is largely determined by residence or business location.

The highest priority for the Golf Enterprise Fund should be to first improve the quality of the golf courses, as outlined in the tactical plan.

During this process, it is advocated that the following operational recommendations be adopted.

1) Prime-time rack rates should be increased $1 in 2011.

2) Pricing at the golf courses should become tiered AFTER capital investment in the golf courses, as detailed in this report. Prime-time green fees should range from $32 at Evergreen to $45 at Wellshire.

3) Electronic marketing efforts via email, Facebook, and Twitter should be emphasized. Consideration might also be given to advertising via Google Adwords.

4) Emphasis should be placed on expanding the already impressive database of 18,000 names, creating customer segmentation by golf course.

5) Electronic Marketing for the golf courses should focus on the individual facilities and not, except where cross-over play exists, on the aggregation of the seven golf courses. Ninety percent of all golfers who play a given course live/work within a 10-mile radius of the golf course.

6) A full-time Director of Marketing should be retained.

What is Achievable?

Denver Parks and Recreation will be required to make a number of difficult decisions. The challenges ahead are not trivial. The leadership has much strength that should serve as a firm foundation for future growth. They possess the talent required to implement the recommendations in this report, should it be adopted by the City Council.

Benefits

The capital investment, long overdue, has the potential to increase the Golf Enterprise Fund balance substantially during the next decade to provide a stable financial platform for future capital investment and to greatly enhance the value of the golf experience to the residents of the City and County of Denver.

Therefore, we advocate the total adoption of this strategic plan.