

City of Atlanta

Strategic Vision

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FINAL REPORT

Submitted by:

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Executive Summary - Golf Course Strategic Review

Background

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; 3) when leadership is proactive in seeking to outperform the competition to ensure that the full potential of the golf courses is realized.

For this engagement, the leadership of the City of Atlanta sought to proactively measure the full potential of the golf courses to ensure that citizens were being properly served.

Revenues have fallen from \$4.77 million in 2009 to a projected \$4.28 million in 2012. Of growing concern are the losses at some facilities, ensuring the highest and best use of the real estate at each, and whether the increasing deferred capital expenditures to render the courses competitive are becoming dauntingly large. The fact that rounds have fallen from 176,111 in 2009 to a projected 146,360 in 2012 has created concern regarding whether the golf courses can be financially self-sustaining when considering the increasing capital investment requirements.

Notwithstanding these facts, the results of which are largely due to uncontrollable factors, such as the economic downturn and severely adverse weather in the local market during the past couple of years, the City of Atlanta's golf enterprise is vibrant and the envy of many other cities around the United States. With proper capital investment, citizens will benefit from a value-based recreational amenity.

Conclusion

There is a great opportunity for the City of Atlanta to provide a valued recreational golf experience to its citizens on a basis that is fiscally self-sustaining.

Three of the City's six golf courses—Bobby Jones, Browns Mill, and North Fulton—have the potential to be highly profitable and therefore support the other facilities whose economic prospects are dim. The full benefit of these facilities being in a central location with prized demographics hasn't been realized.

Infrastructure Needs

The infrastructure, the clubhouse, and the course, at each facility are in need of repair. The current cost to renovate an 18-hole golf course is \$2.9 million for irrigation systems, green complexes, tees and bunkers. Thus, for the City of Atlanta's golf courses, representing 90 holes, to be brought current, the capital reserve account should have a balance of \$14.5 million. In addition, the cost of clubhouse renovations could exceed, in the aggregate, an additional \$3.0 million. A lump-sum investment of that scale is neither physically practical nor financially prudent.

However, to ensure that the facilities will remain competitive and to optimize the City's golf assets, \$3.875 million should be invested within 36 months, as follows:

Facility	Investment Recommended	Course	Clubhouse	Total
Alfred Tup Holmes	Commission study to investigate merger of Alfred Tup Holmes and John A. White courses			
Bobby Jones	Proceeds allocated to Bobby Jones will correct the flood plain issues and restore the course and clubhouse to its former luster	\$1,250,000	\$250,000	\$1,500,000
Browns Mill	Minor course restoration and clubhouse renovation.	250,000	250,000	500,000
Candler Park	Additional equipment to ensure adequate playing conditions	75,000	0	75,000
North Fulton	Minor course restoration and clubhouse renovation	1,250,000	250,000	1,500,000
John A. White	Course renovations, driving range extension and upgrade of practice facilities	250,000	50,000	300,000
Total		\$3,075,000	800,000	\$3,875,000

The Value on Investment

The annual revenues at Bobby Jones and North Fulton are likely to increase at each facility by \$300,000, as these courses are performing at 70% of potential.

The return on investment will be less at Browns Mill, though there is a case to be made that the Browns Mill course, with a \$2.0 million renovation, could be a jewel on the south side of Atlanta. In the golfer survey completed, this course has the highest loyalty rating of the City's golf courses.

Candler Park, as a prized community asset, should acquire equipment to restore the golf course to an adequate playable condition. If, after two years, the course is not operating at a profit, it should be converted to open park space. A committee called "The Friends of Candler Park," to which we presented this plan, concurred with this recommendation, including raising the green fee and season pass rates for 2012. The concept of changing the facility to a driving range will not produce the hoped-for return on investment.

John A. White, a First Tee facility, serves an important role in the community as an introduction to the game of golf and its life-lessons. The role of municipal golf as the entry door to the game should be reinforced.

Alfred Tup Holmes, a course that commemorates Atlanta's rich civil rights history and leadership, is projected to continue being financially challenged. That said, the potential synergies between John A. White and Alfred Tup Holmes need to be investigated.

Funding Capital Improvements

Funding \$3.875 million is not a trivial undertaking. Over the next 36 months, funds can be derived from the following sources:

1. The City of Atlanta receives from American Golf Corporation, which leases of the City's golf operation, 16% gross rent representing \$675,000. Upwards of \$500,000 from this revenue source should be reinvested annually in the golf courses.
2. Pursuant to the golf course lease, approximately 2% of revenue (\$90,000) is invested by American Golf in annual capital improvements.
3. The balance of capital improvements (\$2.105 million) could be funded by a loan from the City's PRCA capital reserve account or private sources such as conservancies.

The golf courses are "living organisms" that require constant investment, but they have been allowed to depreciate excessively, creating the "death spiral" in which the golf courses find themselves.

The Ownership of the Intellectual Property Is a Prized Asset

The City of Atlanta's golf course customer database (customer names, spending patterns, email addresses) is valued at \$600,000. The 1986, 2000, 2006, and 2010 lease agreements and their amendments were "silent" with respect to ownership of this intellectual property. American Golf Corporation has taken the position that they have leased the "economics" of the golf course and that such assets inure to their sole and exclusive benefit.

It is essential that the ownership of the golf course database inure to the benefit of the City. This issue needs to be clarified.

Return on Investment

While the City of Atlanta could generate in excess of \$6.0 million in revenue if the courses were brought current, with a cash flow exceeding \$1.0 million after the three year capital investment program, the ultimate goal for a parks and recreation department must be the ability to answer annually the following question:

"Has the City provided value to its citizens in operating a recreational forum welcoming to all that enhances the quality of their lives and is fiscally self-sustaining, with adequate capital generated from reinvestment to preserve the City's treasured assets?"

To the extent that the answer to that question is "Yes," then it could be debated if a further financial return is mandated.

Why? A municipal golf course serves a vital role in a City, providing value-based recreation and leisure entertainment to its citizens.

It serves as the entry door to the game as it introduces individuals to the game, its rules, and its defining culture. It is the only sport in which professionals are role models who demonstrate that referees are not necessary for an event to be fair and fun.

For families and friends, golf is an opportunity to enjoy each other's company via a walk through nature's preserve. For the competitive athlete, it is an arena to demonstrate one's ability. For business men and women, it is an office, and for those who are retired, it serves as a place to meet, exercise, and enjoy the reward for a life of diligent effort.

Thus, the goal of management cannot be merely be a quantitative return on money invested. It must also include in that goal the intangible value of enhancing the quality of its citizens' lives.

Formal procedural steps

In drafting a strategic vision, it is common to create a never-ending list of strategic goals, tactical plans, and operational revisions that must be reviewed and debated, with citizen input included, before approval is ultimately forthcoming. Such a method serves little purpose.

For this strategic review, it is recommended that the City adopt the following philosophy with respect to the operation of its golf courses, and that this philosophy be implemented consistently by its management team:

- 1) Prices established will be based on the value provided. Historically, uniform pricing has been provided at each facility. The prices at Alfred Holmes could be decreased by \$2 per 18-hole prime time round. The prices at Bobby Jones, Browns Mill, Candler Park, and North Fulton might be raised \$2, \$1, \$2, and \$3 respectively, after the proposed capital investment is completed. A slight majority of Atlanta's golfers support a tiered price structure based on value provided.
- 2) The golf course is a living organism that requires continual investment in order to provide value-based recreation to the citizens. First, \$3.875 million from the Department of Parks, Recreation & Cultural Affairs (DPRCA) capital fund should be invested in the golf courses over the next three years. The incremental earnings from this investment should be placed in a capital reserve to preserve, protect and enhance these valued City assets.
- 3) The City will protect its real and intangible property equally. With the advent of computer technology during the term of the existing third-party lease, the names, addresses, spending frequency, and social media handles of each customer are the intellectual property of the City.
- 4) The City should actively support the operation of its golf courses through the City's web site with direct links to the existing online reservation systems provided by American Golf Corporation.

Strategic Vision for Golf – City of Atlanta

Analysis of regional and local trends in public golf including supply and demand

Geographic Local Market Analysis

For this business plan, we conducted intensive research of the demographic trends, the local golfer base, supply levels, 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:

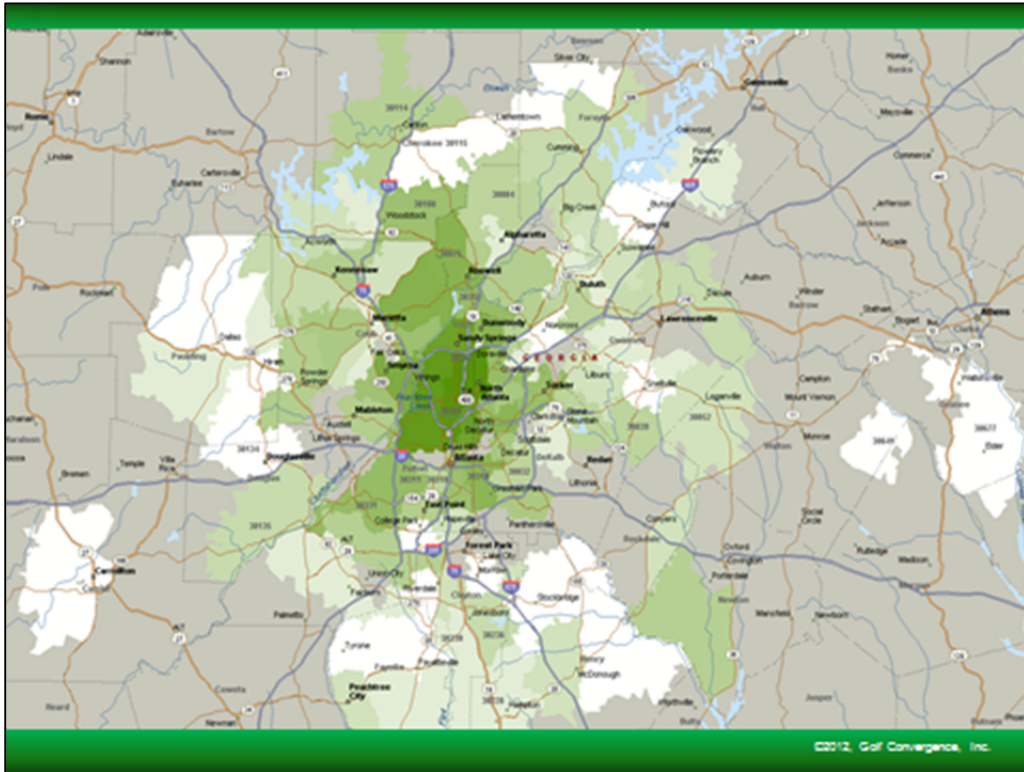
Just the Facts: Industry

- 90% of rounds are played by golfers who work/live within 30 minutes of course
- 12% of golfers generate 60% of revenue
- A golf course hosts 4,000 distinct customers annually who play 4 to 7 different courses
- Time is a golfer's biggest barrier to playing more frequently
- 50% of golfers who play a course one year do not return and play that course the next year
- The majority of golfers are Caucasian, with a household income exceeding \$75,000, and a median age of 43

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As an integral part of crafting this strategic vision, a 25-question electronic survey was emailed to 20,000 Atlanta golfers. 1,201 responses were received, and 94% of the respondents answered all questions. Thus, we are 90% confident of the results, plus/minus 5%.

Respondents were from the following areas:

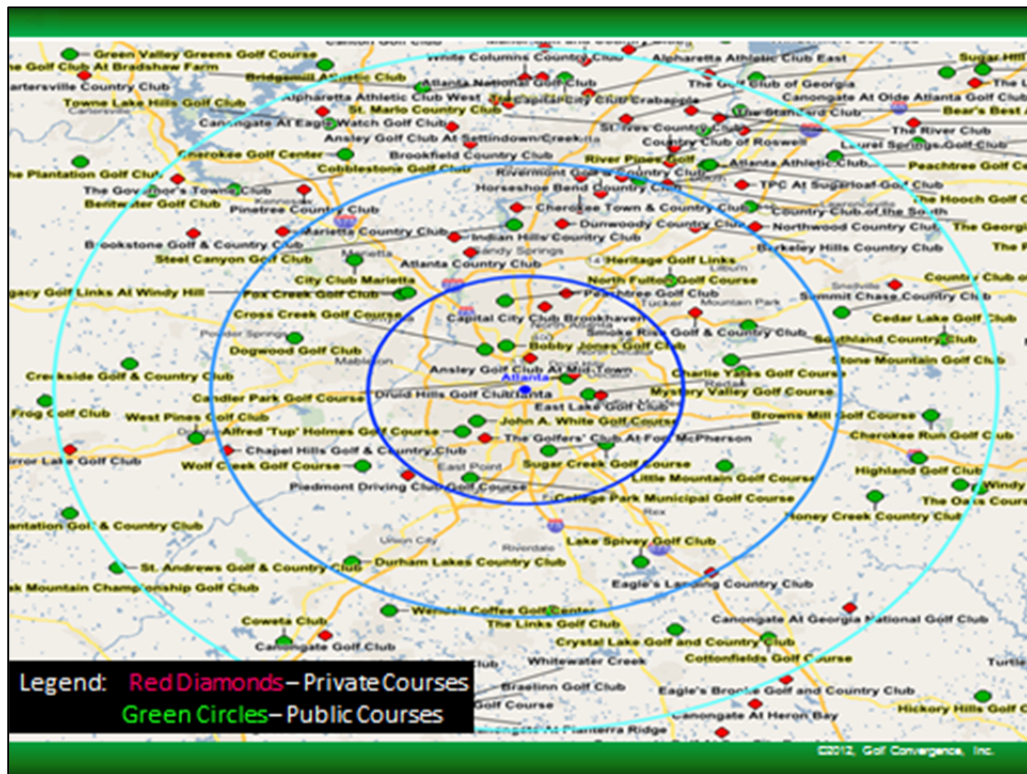


Based on the survey of Atlanta's golfers, it was enlightening to compare their responses and the statistics they represent to the responses and statistics gathered nationally.

Nationally, 90% of all golf rounds originate from customers who live or work within 30 minutes of the golf course. For the City of Atlanta, golfers indicated that they were willing to drive 21 miles to play a championship golf course. Nationally, golfers play 4 to 7 different courses. Atlanta golfers play 8.6 courses annually.

Consequently, in determining the competitive forces surrounding the Parks, Recreation and Cultural Affairs facilities, golf courses that are located within a 10/20/30-minute drive from the City of Atlanta were evaluated. Because the City of Atlanta has many "micro climates," we also evaluated the demographics within a 5/10/15-minute drive from the facilities.

The competitive map outlines the golf courses within 30 miles of downtown Atlanta.



Demand

The City of Atlanta golf market is very unique. The Interstate highway system, I-20 (east to west), and I-285 loop perimeter divides the area into two distinct markets, each with widely different investment potential for a golf course. In the metropolitan area, the population of Atlanta is younger with lower household income and is far more economically diverse when contrasted to the population of the United States or the top 100 cities.

The golf market is “under-supplied” inside of the I-285 loop and north of I-20. Conversely, the market is “oversupplied inside the I-285 loop and south of I-20. Why? The financial potential for a golf course north of I-20 is over two times greater than it is south of I-20, due to the median household income to the north exceeding \$70,000 and contrasting to a median household income of \$32,000 south of I-20. (See Step 1 for a detailed demographic analysis of each golf course.)

To create a viable strategic vision for the City of Atlanta’s golf courses, it is necessary to first measure the potential for each course individually, and second, to consolidate those financial projections to create a concentric perspective for the enterprise.

Presented below are the geographic local market demographics for the City of Atlanta:

Golfer Demographics - Summary	US	Core Based Statistical Area (CBSA): (Largest 100 US Metropolitan Areas)	Atlanta
Age (Median)	37	36	35
Age (Index)	100	98	95
Income (Med Hhld)	53,908	59,178	50,267
Income (Median)	100	110	93
Disposable Income (Med Household)	45,301	49,128	42,648
Disposable Income (Median)	100	108	94
Ethnicity (% Caucasian.)	74%	68%	39%
Ethnicity Index	100	91	53

Note: The index is based on a comparison to the demographic characteristics of the United States. For example, an age index of 95 represents that the population is 5% younger than the U.S. population.

The need to analyze the market by individual clusters is evident by the geographic local market analysis for the City of Atlanta's golf courses when centered on five-mile radii around the facilities, as evidenced below:

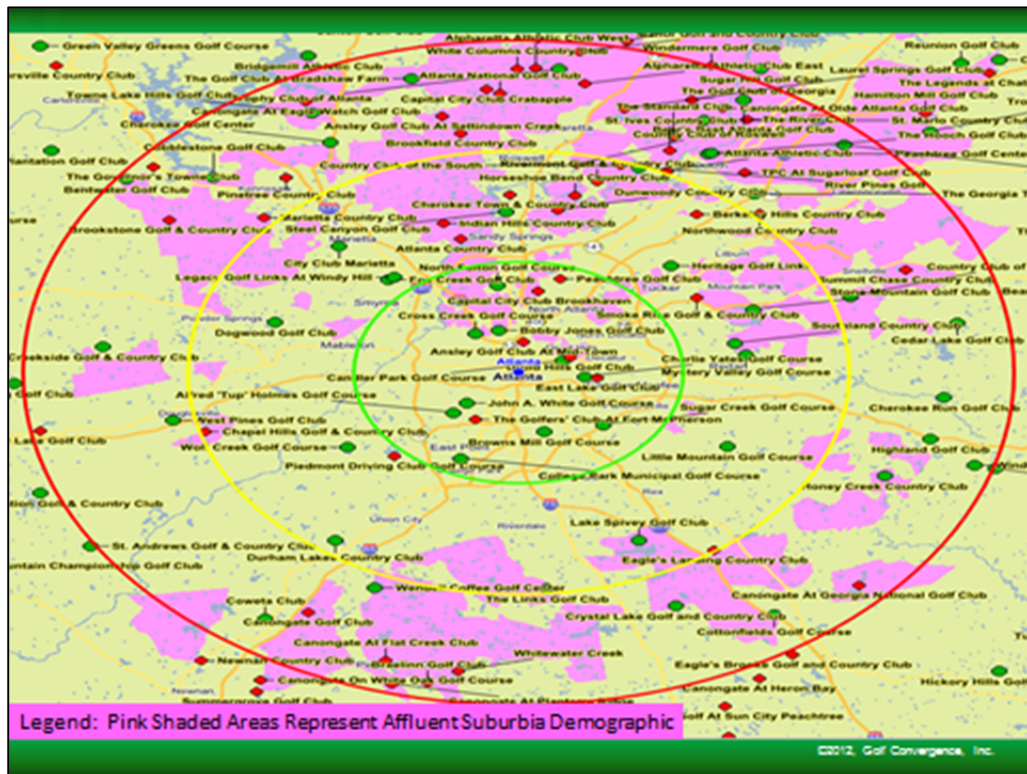
Golfer Demographics - Detailed	Tup Holmes /White	Bobby Jones/North Fulton	Browns Mill	Candler
Age (Median)	35	36	35	36
Age (Index)	94	96	93	96
Income (Med Hhld)	32,397	72,951	34,651	54,868
Income (Median)	60	135	64	102
Disposable Income (Med Hhld)	28,281	59,041	30,670	45,928
Disposable Income (Median)	62	130	68	101
Ethnicity (% Cauc.)	8%	69%	20%	51%
Ethnicity Index	11	96	28	70

These statistics measure demand. The demand for golf at Tup Holmes and Browns Mill is low. It's moderate at Candler and very strong for the Bobby Jones/North Fulton golf courses.

The unique nature of the Atlanta market is seen from an analysis of the MOSAIC® lifestyle database. MOSAIC is a geo-demographic segmentation system developed by Experian and marketed in more than 20 countries worldwide. Block groups are classified into 12 segments on a wide range of demographic characteristics.

The basic premise of geo-demographic segmentation is that people tend to gravitate towards communities with other people of similar backgrounds, interests, and means.

The vast majority of golfers are part of the affluent suburbia and upscale American segments. There are 12 segments including: affluent suburbia, upscale American, small-town contentment, blue-collar backbone, American Diversity, Metro Fringe, Remote American, Aspiring Contemporaries, Rural Villages and Farms, Struggling Societies, Urban Essence and Varying Lifestyles. For the City of Atlanta, the affluent suburbia groups were located as follows:



You will note that Bobby Jones and North Fulton fall within the segments defined; hence, their economic potential. None of the City of Atlanta's other golf courses are found within the leading demographics supportive of golf.

A final measurement of demand in a market is the avid intensity index. It calculates the number of avid golfers within a geographic local market and compares that number to the national average. The core-based statistical areas of the Top 100 largest cities were utilized. For the City of Atlanta, the facts are very positive, as evidenced below:

Avid Intensity Index

Intensity Index - Atlanta	10 miles	20 miles	30 miles	Georgia	US
Golf Intensity Index – CBSA	223	210	127	75	100
Avid Golfers per 18 Holes	1,388	1,310	791	465	623
Public Golf Intensity Index	238	250	180	77	100
Avid Golfers per Public 18	2,286	2,396	1,733	743	960
Private Golf Intensity Index	195	155	81	69	100
Avid Golfers per Private 18	3,533	2,808	1,456	1,240	1,808

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The avid golf intensity index is more than 100% higher within the 10-mile radii of the golf courses than in the nation. This fact demonstrates that if diverse golf experiences are created, they are likely to be very successful financially.

The deduction is that segments in the City of Atlanta are vibrant, in contrast to the rest of the United States. In conclusion, the City of Atlanta is well situated to offer enjoyable, value-based entertainment to golfers while keeping its golf operations financially self-sustaining.

Supply

When considering price, quality, proximity, and accessibility Atlanta’s Department of Parks, Recreation & Cultural Affairs golf courses, golfers have many viable 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 of golf courses in the Atlanta metroplex.

Supply of Golf Courses

Supply of Golf Courses	US	CBSA 100	Atlanta	Alfred Holmes /White	Bobby Jones /North Fulton	Browns Mills	Candler
18-Hole Equivalents	14,882.0	7,370.5	14.0	4.0	6.0	3.5	5.0
Public 18-Hole Equiv.	10,593.5	4,777.5	8.5	2.0	3.0	2.5	2.5
Private 18-Hole Equiv.	4,288.5	2,537.4	5.5	2.0	3.0	1.0	2.5

Source: Teclian and National Golf Foundation

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Note: The City of Atlanta was defined as having a 30-mile radius, while the competing courses for the City's facilities were measured within a 5-mile radius.

While the above chart reflects the number of 18-hole equivalents, a standard measure of golf course supply within a local market, the segmentation of those courses by price point and public/private status allows for greater insight as to the potential of an individual facility. For the Atlanta market, these statistics are presented below:

Profile of Atlanta Courses

Private/Public Mix	US	CBSA 100	Atlanta	Alfred Holmes /White	Bobby Jones /North Fulton	Browns Mills	Candler
Private/Public Mix	27%	33%	38%	40%	50%	25%	50%
Premium/Value Mix%	25%	25%	0%	0%	0%	0%	0%
Premium >\$71 %	11%	8%	0%	0%	0%	0%	0%
Value \$40-\$70 %	33%	42%	60%	33%	67%	67%	67%
Price <\$40 %	56%	44%	40%	67%	33%	33%	33%

Source: Tactician

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This chart reflects that the market for golf in City of Atlanta has a lack of high-end daily fee courses comparable to the Top 100 Metropolitan Areas and the Nation. Conversely, the market for courses under \$40 is under-supplied. The price is based on a weekend green fee, inclusive of cart. The real opportunity this analysis presents is for the Browns Mill, Bobby Jones, Candler Park, and North Fulton courses.

Demand versus Supply – Is the Market in Balance?

To evaluate the economic potential of a golf course, it is appropriate to examine the demand demographics within a 5-mile radius from each facility, measuring the number of avid golfers, total participation, golfing fees and golf fees per round. These statistics for Atlanta are presented below:

City of Atlanta – Golf Participation

Demand	US	Atlanta	Top Holmes /White	Bobby Jones /North Fulton	Browns Mills	Candler
Avid Golfers	5,830,900	19,433	4,286	5,911	3,531	7,222
Total Golfers	26,322,000	72,511	15,994	22,055	13,175	26,948
Rounds Played	498,326,240	1,389,529	284,111	462,111	233,343	499,431
Rounds Played Locally	279,190,432	804,568	146,153	287,758	120,455	294,316
% of Rounds Played Locally	56.03%	57.90%	51.44%	62.27%	51.62%	58.93%
Rounds Played Per Golfer	18.93	19.16	17.76	20.95	17.71	18.53
Population	307,156,296	859,842	195,898	224,892	170,697	328,431
Golfing Households	21,219,240	58,952	13,003	17,931	10,711	21,909
Golfing Fees	\$20,179,122,176	\$52,473,132	\$11,109,601	\$17,273,122	\$8,963,143	\$19,357,632
Golfing Fees Per Household	\$950.98	\$890.10	\$854.39	\$963.31	\$836.82	\$883.55
Golf Fees Per Round	\$40.49	\$37.76	\$39.10	\$37.38	\$38.41	\$38.76
Avid Golfers/Total Participation	1.90%	2.26%	2.19%	2.63%	2.07%	2.20%
Golf Participation	8.57%	8.43%	8.16%	10.0%	7.72%	8.21%

Source: Teclolan and National Golf Foundation ©2012, Golf Convergence, Inc.

These demand statistics are measured against the supply of golf courses to determine the relative balance of demand versus supply.

Demand versus Supply

	10 miles	20 miles	30 miles	Georgia	CBSA (Top 100 Cities)	US
Supply						
Total Facilities	16	41	102	397	7,303	15,869
If Market In Balance	14	43	110	402	7,315	14,882
Public Facilities	10	23	50	259	4,863	11,603
If Market In Balance	9	24	50	251	4,778	10,594
Private Facilities	6	18	52	138	2,440	4,266
If Market In Balance	6	20	60	151	2,537	4,288

Source: Teclolan and National Golf Foundation ©2012, Golf Convergence, Inc.

Despite the woes of many operators that insist the Atlanta market is vastly oversupplied with golf courses, that is not the case. While within 10 miles of downtown, the market is slightly oversupplied with golf courses, the market is actually undersupplied within a 30-mile radius.

However, if the focus is narrowed to within a 5-mile radius of each facility, the weaknesses in the City of Atlanta’s golf franchise are seen:

Supply	Alfred Holmes/White	Bobby Jones/North Fulton	Browns Mills	Candler
Total Facilities	5	6	4	6
Adjusted Market based on Age / Income/ Ethnicity	1	15	1	10

Note 1: this calculation is meant to measure the **relative strength and potential** within 5 miles of each golf course. Because the calculation is based on the number of avid golfers and doesn’t weigh the relative importance of age, income, ethnicity or general population density, it would be inappropriate to conclude an actual number of courses that should be built or closed.

Note 2: Total facilities counts 9-hole and 18-hole courses as separate entities and represents a different measurement than 18-hole equivalents.

The supply versus demand figures presented reflect that there is only a need for one golf course within five miles of Tup Holmes and Browns Mill. The market is similarly oversupplied nearby. However, the competitive analysis for Bobby Jones, North Fulton and Candler Park suggests that there is a great financial opportunity to be had by providing value-based recreation that is fiscally self-sustaining.

On a consolidated basis, there is a great opportunity for the City of Atlanta to provide a valued recreational golf experience to its citizens.

Such opportunity will arise from investing in the golf courses with the highest potential investment return and reallocating the positive cash flow from those courses to support those facilities that, regardless of the investment made, are unlikely to generate net profits in the short-term (less than 2 years) or in the intermediate term (2 to 5 years).

To optimize the City’s golf assets, \$3.0 million should be invested within 36 months at Bobby Jones and North Fulton. Proceeds allocated to Bobby Jones will correct the flood plain issues and restore the course and clubhouse to its former luster. North Fulton will benefit from a minor course restoration and clubhouse renovation. The annual revenues are likely to increase by \$300,000 at each facility, as these courses are performing at 70% of potential. The full benefit of these facilities being in a central location with prized demographics isn’t being realized.

Alfred (Tup) Holmes holds a special place in Atlanta history. Dr. Hamilton M. Holmes Sr., his sons Alfred (Tup) and Oliver Wendell, and family friend Charles T. Bell Jr., took on the white establishment and won one of the first integration victories in the South. *Holmes v. Atlanta*, 350 U.S. 879 (1955), was a per curiam order by the Supreme Court of the United States that summarily reversed an order by the Georgia Court of Appeals that permitted the city of Atlanta to allocate a municipal golf course to different races on different days. It's no wonder, then, that a golf course in Atlanta is named in honor of Tup.

While the Holmes family holds a special and properly revered place in Atlanta history, the golf course named in Tup's honor only generates \$400,000 in revenue, is losing significant money, has a significant deferred capital investment, and is located in section of Atlanta that is oversupplied with golf courses. Therefore, it is recommended that a study be commissioned to determine the highest and best use of this golf course but that preserves the legacy of the Holmes family. The consolidation of John A. White and Alfred Tup Holmes is an option, based on proximity.

Should that study identify a higher and better use other than a golf course, the property should continue to honor the Holmes legacy. Capital currently covering the annual loss might then be reallocated to John A. White and Browns Mill. John A. White, as a First Tee facility, serves an important role in the community by introducing the game of golf and the life-lessons associated with the sport. The role of municipal golf as the entry door to the game should be reinforced. There is a case to be made that Browns Mill, with a \$2.0 million renovation, could be a valuable jewel on the south side of Atlanta because it has the appropriate acreage for an 18-hole golf course, clubhouse, driving range, and adequate parking.

Candler Park, as a prized community asset, should acquire equipment to restore the golf course to an adequate playable condition. If, after two years, the course is not operating at a profit, it should be converted to open park space. The concept of changing the facility to a driving range will not produce the hoped-for return on investment

FINAL REVIEW

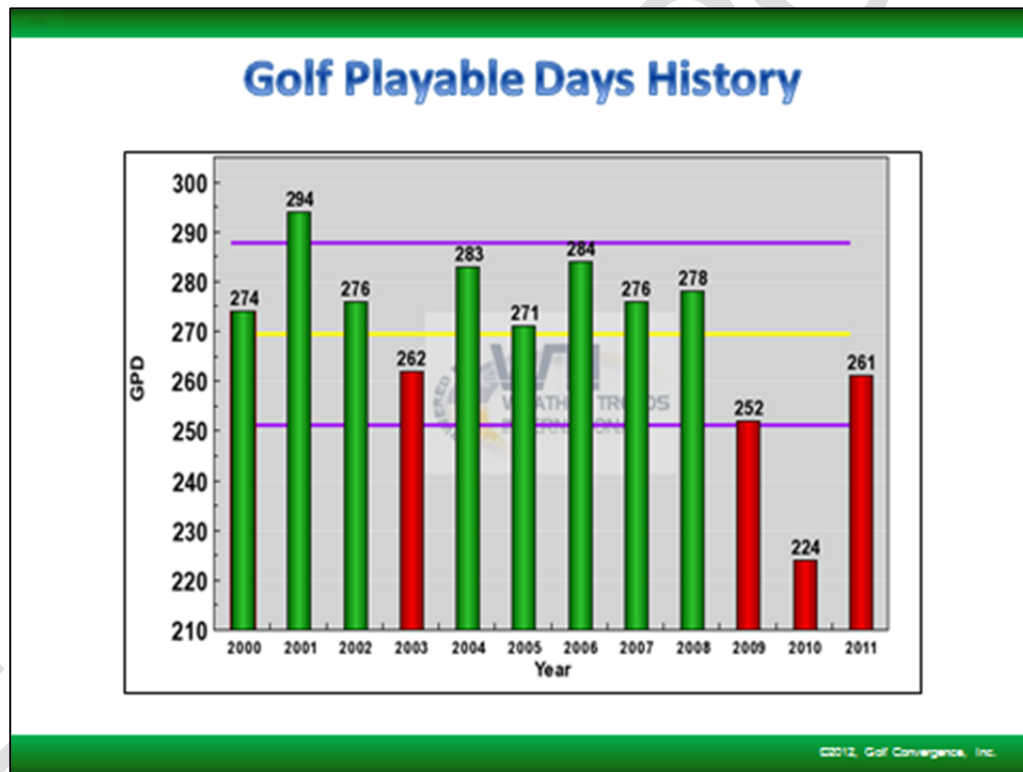
Weather Impact Study

The axiom that “if rounds are up, it’s because of good management and if rounds are down, it’s because of bad weather” is a standard joke, but golf is an outdoor sport. Experts estimate that over 90% of rounds are played when the temperature is between 55 and 90 degrees.

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

Annual Golf Playable Days

From 2009 through 2011, the amount of playable days at the City of Atlanta’s golf courses was significantly below Atlanta’s 10-year average. That is very comforting and provides insight as to an uncontrollable factor in the decline in golf course gross revenue, one that shouldn’t continue on a regular basis. On average, there are 270 playable golf days per year in Atlanta, as illustrated below:



Based on this chart, and the knowledge that weather to date for 2012 has been very favorable, it would be reasonable to expect a resurgence of revenue in 2012. This forecast would support a capital investment to enhance the players’ experiences, further accelerating revenue growth.

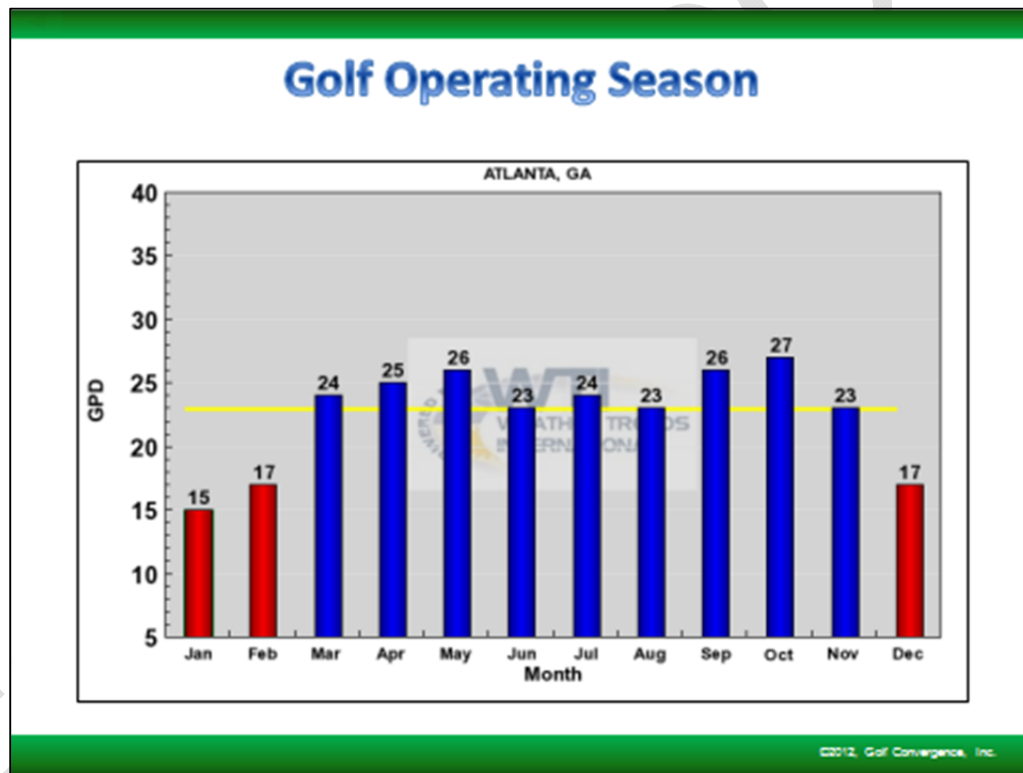
If the weather pattern returned to “normal,” what could be expected in revenue growth? The answer is impressive, as charted below:

Description	Amount
10 Year Average Playable Days	270
2008 - 2011 Playable Days	254
Unfavorable Weather Last 4 Years Measured in Days Per Year	16
Revenue Per Playable Day	16,765
Potential Incremental Revenue from Normal Weather	268,238

It would not be unexpected if revenue increased from \$4.2 million achieved in 2011 to over \$4.5 million in 2012, if the weather pattern followed the 10-year historical average.

Viabale Operating Season

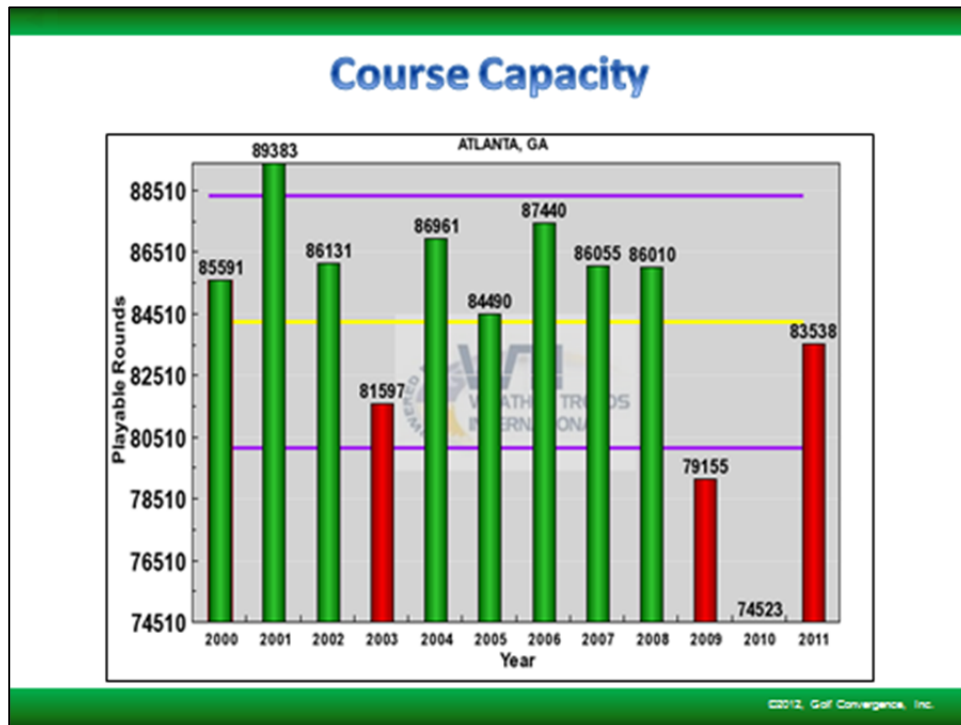
A second analysis of weather playable days concludes that the City of Atlanta effectively has a 12-month golf season, as illustrated below:



A golf facility that is open 12 months per year, while it provides the greatest revenue potential, comes with the limitation of limiting the use of seasonal workers who can be paid lower wages.

Yearly Playable Rounds

A third analysis was undertaken to determine the efficiency of management by comparing actual rounds played to the course's theoretical capacity based on weather patterns.



The capacity of a golf course is defined by its potential number of starts from sunrise to two hours before sundown on the number of playable days available, presuming a starting interval of 8 minutes.

In contrast to the airline and hotel industry, in which 2011 utilization exceeded 70%, the utilization of the golf course industry was measured at 52% utilization. The utilization for the City of Atlanta's courses is summarized below:

Capacity	84,510	100.00%
Alfred Tup Holmes	19,335	22.88%
Bobby Jones	44,615	52.79%
Browns Mill	32,357	38.29%
Candler Park	13,720	32.47%
North Fulton	51,262	60.66%
John A. White	8,871	20.94%

Note: Candler Park and John A. White are 9-hole golf courses and utilization was adjusted accordingly.

Thus, the utilization at Alfred Tup Holmes, Browns Mill, Candler Park, and John A. White were significantly below industry averages, further confirming the recommendation made based on the geographic local market research; an alternative use should be considered for Tup Holmes, and if, after two years, there is not a resurgence at Candler Park, that course should be re-purposed.

The Physical Assets – Resources on Which to Grow

The City of Atlanta’s six facilities provide a diverse array of golf experiences, from alternative facilities to potential championship golf courses.

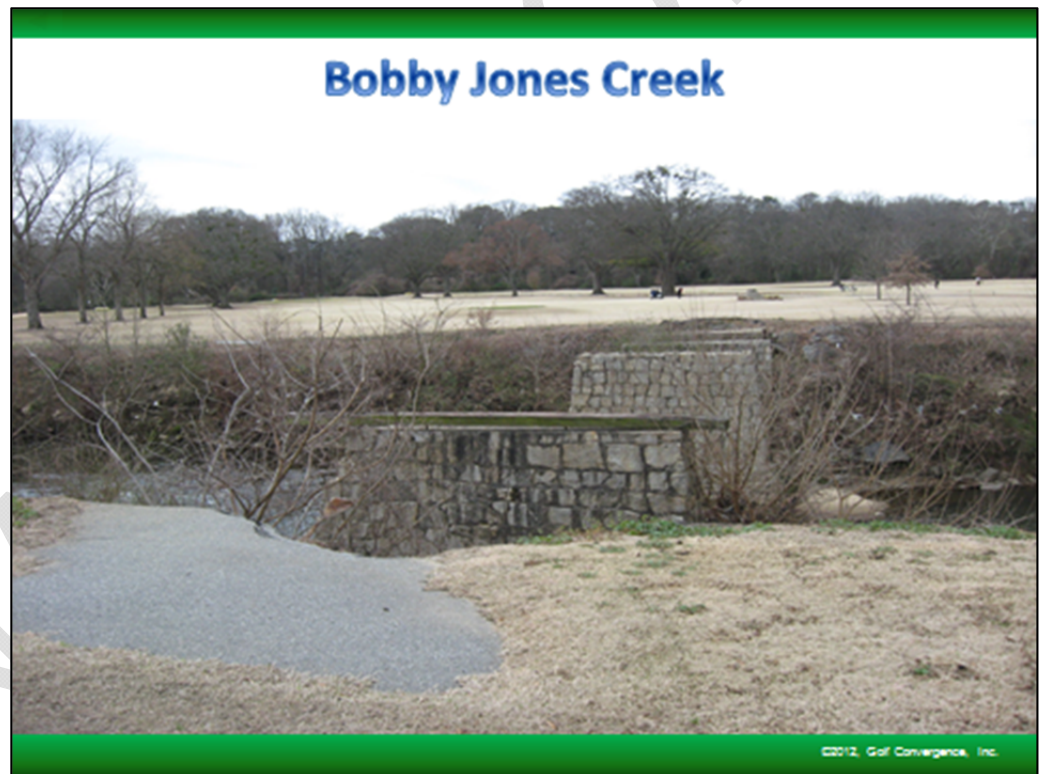
As an integral part of this strategic review, an on-site review of each facility was conducted. See Steps 6A – 6F for a photo essay reflecting the current conditions observed.

While we observed deferred capital investment requirements at each facility, the requirements at two drew our attention for further detailed analysis; Bobby Jones and Candler Park.

Golf Courses in Flood Plains – The Financial Impact

The Bobby Jones golf course lies within a flood plain. Frequently, the golf course is required to close because of heavy rains. Presented below is a picture of the creek, the bridge that washed out from one of the floods, and the low-lying area for holes 1-3, 9-11, and 13-18.

Each time the north side of Atlanta receives more than two inches of rain within a 24-hour period, the course is likely to flood. Therefore, as part of this strategic review, Golf Convergence retained Bob Cupp, a prominent national architect, current President of the American Society of Golf Course Architects, and Atlanta resident to review the golf course to determine cost-effective options to correct this problem.



During the past 20 years, as shown on the next page, it rained more than 2 inches on 104 days, on 29 days it rained more than 3 inches, and on 12 days it rained more than 4 inches. A total of 192 playable days were lost; 2 days of play because of a 2-inch rain, 4 days of play with a 3-inch rain, and 6 days of play with 6 inches of rain.

While these estimates create some illusion of precision, what can’t be measured precisely is the deterioration of the turf conditions during each flood, the amount of silt deposited, and the time it takes each time for the grass to regrow consistent with the standards of a golf course.

Below is the 20-year analysis of rainfall in Atlanta.

Time-frame	More than 2"	More than 3"	More than 4"	Lost Days
1992	6	2	0	20
1993	0	0	0	0
1994	4	2	0	16
1995	2	1	1	14
1996	3	0	0	6
1997	2	1	0	8
1998	3	1	0	10
1999	0	0	0	0
2000	0	0	0	0
2001	1	0	0	2
2002	2	0	0	4
2003	2	0	0	4
2004	4	2	2	28
2005	5	2	2	30
2006	4	1	0	12
2007	0	0	0	0
2008	1	0	0	2
2009	6	2	1	26
2010	5	0	0	10
2011	0	0	0	0
Total Occurrences	50	14	6	192
Days Lost	2	4	6	
	100	56	36	192

Note: that rain exceeding 2" or more may result in multiple days lost days per occurrence.

The historical average of revenue per day for Bobby Jones is \$5,361. Considering that it lost 192 days during the past 20 years, it is estimated that the failure to implement a corrective solution has cost \$1,029,312 in lost revenue. While a comprehensive solution directed by the engineers might cost upwards of \$1 million, an interim solution proposed by Bob Cupp might cost only an estimated \$300,000, as detailed below:

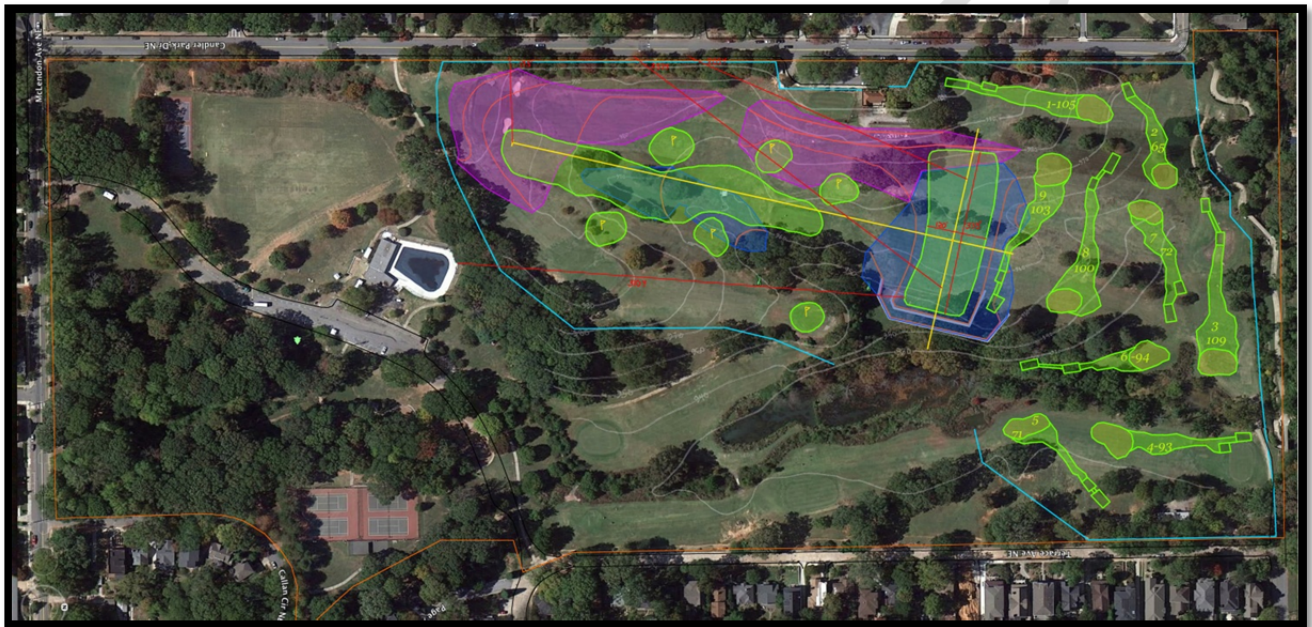
Project Description	Cost
Cut all trees and shrubs to the roots and remove bridge abandoned. This would eliminate the unsightly debris currently hanging and increase water flow.	\$50,000
Expand width of creek based on engineer's recommendation by 15' on each side.	150,000
Sod creek banks with zoysia to create stable creekside bed similar to other Atlanta courses designed by Bob Cupp	100,000
	\$300,000

Based on the projected investment compared to the potential return, undertaking this capital improvement project, using the capital reserves of the City of Atlanta, is advocated.

Candler Park – A 9-Hole Golf Course, Driving Range or Open Park Space

At the outset of this engagement, a priority assigned was the determination of the highest and best use of this facility. With the lack of a competitive driving range or short-game facility within the I-285 loop, it was speculated that the conversion of Candler Park would fulfill this need.

Currently, Candler Park is losing \$70,000 per annum, is in poor condition, and lacks the requisite equipment to maintain the golf course properly. Bob Cupp evaluated Candler Park and determined it was physically feasible to convert the facility to a driving range and a short 9-hole par-3 golf course. Presented below is the routing plan:



Key:

- ◆ Green - new golf
- ◆ Red - critical dimensions
- ◆ Light blue - proposed fence
- ◆ Orange – proposed contours
- ◆ Faded white - existing contours from map
- ◆ Gray - concrete abutment walls
- ◆ Purple - cut area
- ◆ Dark blue - fill area
- ◆ The orange line on the perimeter is the boundary, according to the map.
- ◆ The maximum wall height is 13' in one spot, mostly about 10'.
- ◆ There are two walls. Top wall is 10' from end to end around the east end of the range tee.
- ◆ There would be a strip of synthetic on the range tee, and the par-3 holes should also have synthetic tees because there is not enough space for tees large enough to keep turf.

While the driving range is physically possible, the larger question is whether it would be economically viable and politically popular.

The driving range would cost about \$500,000 to construct. The par-3 course would add an additional \$500,000. Neither is likely to generate a satisfactory return on investment.

Politically, the thought of converting to anything other than a 9-hole golf course would be highly debated. “The Friends of Candler Park” had already posted signs within the neighborhood advocating saving the golf course, as illustrated here.



Market Positioning

Ineffective Use of Technology Dilutes Brand

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 course's internet use, the integration of tee time reservations with the POS, and the deployment of email-based communication.

The third-party management company, American Golf Corporation, utilizes a superior golf management software program provided by the Chicago-based firm, EZ Links. Their call center and yield market system are without peer in the golf industry. They recently launched a new POS system that will correct a weakness in their POS solution.

The City of Atlanta's Web site has a listing for its golf courses, as shown below:



This site serves little purpose and is very ineffective. At a minimum, the City's golf Web site should include links to each of the golf course Web sites created by the third-party management companies.

The key to market positioning is establishing strong, exclusive brand recognition. This is not occurring for the City of Atlanta's golf courses. While one might address the ineffective use of title and meta tags in promoting the City's golf courses or their weak positioning in Google searches, presented below are two different entities, www.golfatlanta.com operated by Full Swing Marketing and <https://bookteetimes.ezlinks.com/TeeTimeSearch.asp?1=americangolf2>. Both promote the City's golf courses:

The Golf Atlanta web site is a division of Full Swing Marketing.
An Atlanta based golf marketing company established in 1992.

Golf Atlanta
Your Gateway To Atlanta's Daily Fee And Resort Courses!

HOME ABOUT US CONTACT US SITE MAP SITE FEEDBACK

Learn more about Atlanta Area Courses through these info sections of the site...

ASK A QUESTION about our Courses

GOLF OUTING Assistance

JOIN OUR MAIL LIST or one of the Courses

GOLF ACADEMIES and Instruction

COURSE FORUM Write your Comments

CITY OF ATLANTA COURSES

American Golf [web site](#)
Price Range: Value (Under \$50)
Locations: ALL 4 courses close to Downtown

Alfred Tup Holmes Golf Course
2300 Wilson Drive, Atlanta
404.753.6158

Browns Mill
480 Cleveland Avenue, Atlanta,
404.366.3573

Bobby Jones
384 Woodward Way, Atlanta
404.355.1009

North Fulton
216 W. Wieuca Road, Atlanta
404.255.0723

New Champion Greens currently at ALL 4 City Courses!

The City of Atlanta owns four courses, all of which are managed by American Golf and are among the most popular courses in the metro area. North Fulton Golf Course, located at Chastain Park, and Bobby Jones, which is extremely convenient to intown residents and those who work in town, are the best known of the city courses, but Browns Mill, located on Atlanta's south side, is very well respected for the quality of its layout.

North Fulton GC also features an excellent layout, with enough length to provide a reasonable challenge for lower handicappers while remaining playable for its many players of lesser ability. A handful of very strong par 4s and creeks that wind through the course and impact several holes provides much of the challenge, and makes North Fulton a solid test from tee to green. The routing has changed a time or two over the years, but the traditional layout has retained its integrity.

Bobby Jones is considerably shorter and tighter, with some imposing trees jutting out along fairways that place an emphasis on accuracy. The terrain is hillier than you'd expect for a course so close to downtown, and with Nancy Creek snaking through the course, trouble looms in a few spots along the way. Some significantly uphill shots will make you think the course is longer than it is, but distance is rarely a concern on an enjoyable layout with a few different twists.

Browns Mill is a respected layout of moderate length and difficulty, with a little room off the tee and minimal trouble around the sizeable greens. The terrain is on the gentle side, with the tree lines set slightly back from the fairways. An exception is the long and demanding par-4 third, one of the area's stronger holes. Browns Mill also offers a driving range.

The Affinity Golf Club offers a shag bag full of free benefits for you, our loyal customers.

Web Specials:
Free Gift Entire Month of Your Birthday
Rewards Program
Affinity Tour
Exclusive Member's Great Demo Days

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American Golf Corporation
Web Site on which on line tee times may be booked for the City of Atlanta's courses

Atlanta Golf Courses	Location & Contact Info
 <p>The Golf Club at Bradshaw Farm (semi) Visit www.TeeTimesATL.com for details on our great membership program! The Golf Club at Bradshaw Farm is set against the backdrop of the North Georgia Mountains and is one of Atlanta's finest golf experiences. This unique 2 Play golf in Woodstock, GA</p>	<p>3030 Bradshaw Club Drive Woodstock, GA 30188 Phone: 770.592.2222 www.bradshawfarm.com</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS
 <p>Trophy Club of Atlanta (semi) Ranked one of Golf Digest's Best Places to Play for 2008-'09! Visit www.TeeTimesATL.com for details on our great membership program! The Trophy Club of Atlanta Golf Course is located in the beautiful, unspoiled Play golf in Alpharetta, GA</p>	<p>15135 Hopewell Road Alpharetta, GA 30004 Phone: 770.343.9700</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS
 <p>Trophy Club of Apalachee (semi) Visit www.TeeTimesATL.com for details on our great membership program! The Trophy Club of Apalachee was carved out of heavily wooded and rolling terrain and is set along the Apalachee River in Decatur, Georgia. The Journey 1 Play golf in Decatur, GA</p>	<p>1005 Decatur Road Decatur, GA 30019 Phone: 770.822.9220 www.trophyclubofapalachee.com</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS
 <p>North Fulton Golf Course (public) North Fulton Course was first designed in 1937 by Chandler Egan in collaboration with Walter Hagen and Atlanta's greatest golfer, Bobby Jones. Located in the heart of Chastain Park, Atlanta's largest park, North Fulton Golf C Play golf in Atlanta, GA</p>	<p>216 W. Wieuca Road Atlanta, GA 30342 Phone: 404.255.0723 ext. 3</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS
 <p>Bobby Jones Golf Course (public) Bobby Jones Golf Course, recently renovated with new Champion Bermuda greens, is an 18 hole public golf course that rests in the heart of Buckhead and just ten minutes from downtown Atlanta. Built in 1932, the John Van Play golf in Atlanta, GA</p>	<p>384 Woodward Way Atlanta, GA 30305 Phone: 404.355.1009</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS
 <p>Browns Mill Golf Course (public) Browns Mill Golf Course was originally designed by George Cobb, who designed the par three course at Augusta National. Conveniently located, Browns Mill is only 10 minutes from downtown Atlanta. The 18 hole, open design cou Play golf in Atlanta, GA</p>	<p>480 Cleveland Avenue Atlanta, GA 30354 Phone: 404.366.3573</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS
 <p>Alfred Tup Holmes Golf Course (public) Alfred Tup Holmes Golf Course is a historical golf site with rolling hills and many elevation changes. The site of a Civil War battlefield, the course is named after the civil rights pioneer who paved the way to desegregating Play golf in Atlanta, GA</p>	<p>2300 Wilson Drive SW Atlanta, GA 30311 Phone: 404.753.6158 alfredtup.americanagolf.com</p> <ul style="list-style-type: none"> BOOK A TEE TIME TEE TIME SPECIALS COURSE DETAILS EMAIL SPECIALS DIRECTIONS

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The fact that the City of Atlanta's courses are not listed exclusively on a proprietary Web site causes great concern, and we believe this missing Web site is diminishing the value of the City's golf franchise. The current positioning raises the following questions:

- 1) Who owns the City of Atlanta's customer information –the City or the third-party provider? In a recent national survey conducted by Golf Convergence, the value of a customer's database was valued at 12% of gross revenue. Is the City willing to forfeit intangible property worth in excess of \$600,000 to American Golf Corporation merely because they assert ownership to the City's golfer information?

The lease signed with American Golf Corporation is silent regarding customer database ownership in this landlord/tenant relationship.

- 2) To what extent can the third-party provider use that database to market other golf courses they manage in the local marketplace?
- 3) Is the City's revenue being maximized if a golfer is provided a choice, beyond booking the City's courses, to conveniently book, perhaps at a more value-based rate, other courses such as Bradshaw Farm, Trophy Club of Apalachee, or Trophy Club of Atlanta?

Intellectual Property Threatened

These questions need to be answered. The lack of control of the intangible property threatens the City's strategic position with respect to the operation of its golf courses.

Course owners who enter into a management agreement do so to optimize their investment return from the operation of that facility, recognizing their own organizational strengths and weaknesses. They are providing a third party the opportunity, through that firm's expertise, to profit, but not at the long-term expense or detriment of the owner. The golf course owner hopes the relationship is mutually beneficial.

Upon termination of the current lease, it is likely that the City of Atlanta will lack any demographic information regarding their customers and will have no ability to contact them via email. In essence, the City will be placed at serious disadvantage in continuing to operate that golf course in any way, whether through internal management or the retention of another firm.

The unintended consequence of the evolution of technology is that the City of Atlanta actually placed itself at a significant disadvantage by using a third-party management company.

We believe that the City of Atlanta has a unilateral ownership of not only its tangible assets (courses, clubhouses, etc.) but also its intellectual property and intangible assets (customer database information, brand image, etc.).

The City of Atlanta would be well-served to retain legal counsel for addressing comprehensively the ownership of intellectual property prior to entering into any management agreement. It is therefore recommended that the City's internal counsel be engaged to resolve this matter in 2012.

Customer 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, visited a golf practice facility, or a driving range.
- 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 15,869 facilities, 11,603 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 customers' ages, genders, net incomes, 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.

We conducted a survey of the golfers in the City of Atlanta

The survey remained open for 14 days, generated 1,201 responses, and provided a 90% confidence factor and a margin of error on the results of 1% +/- . The completion rate for those starting the survey was 94%, an acceptable average that suggests the survey was well-constructed.

Who Is the Atlanta Golfer?

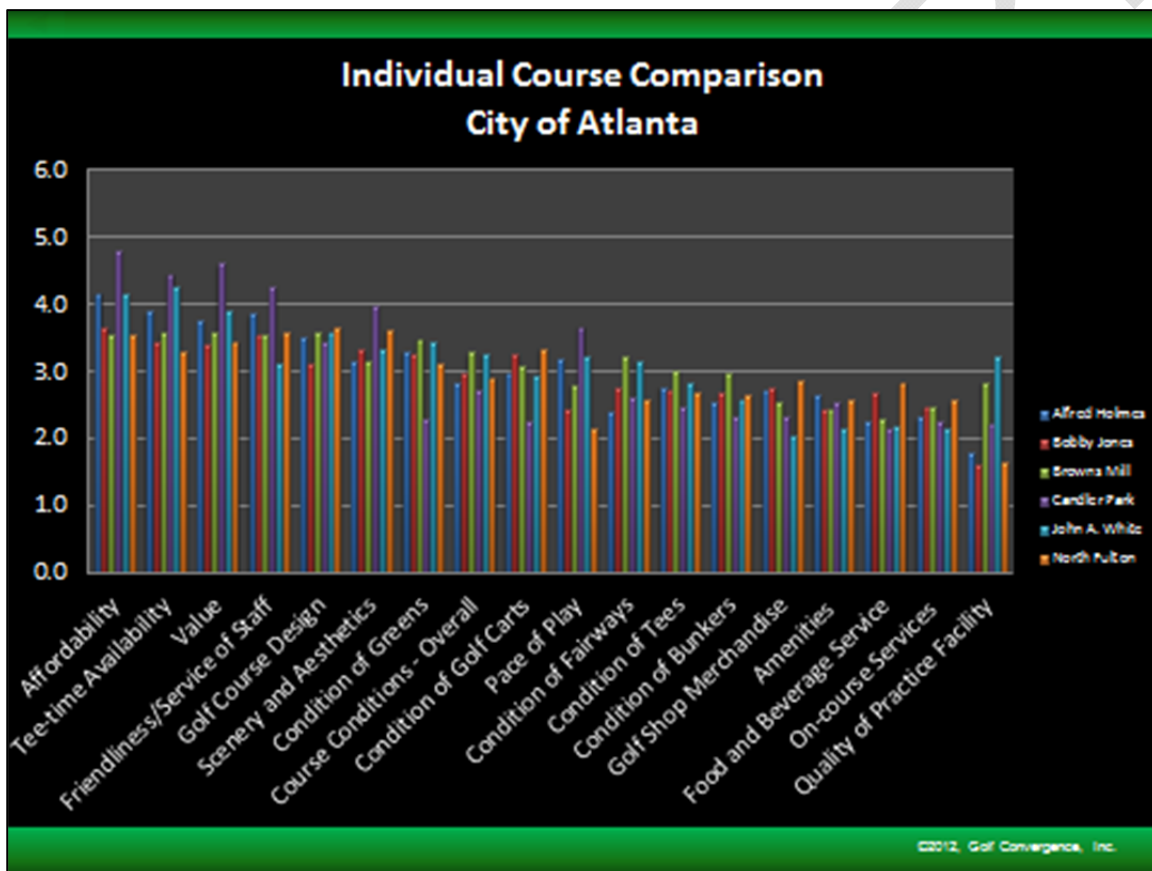
The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the City of Atlanta's golfers were likely to be Caucasian, slightly older, and of above-average income. The survey confirmed that fact.

The respondents averaged 45.8 years of age, had median household income of \$137,135, were 95% male and 78% Caucasian, and played 35.1 rounds annually.

Three factors stand out. Nationally, 78% of golfers are male, and the median household income of golfers is \$81,157. Locally, golfers frequenting the City's courses were 78% Caucasian, compared to a general population of 39% Caucasian in Atlanta.

What Do They Like about the City of Atlanta's Golf Courses?

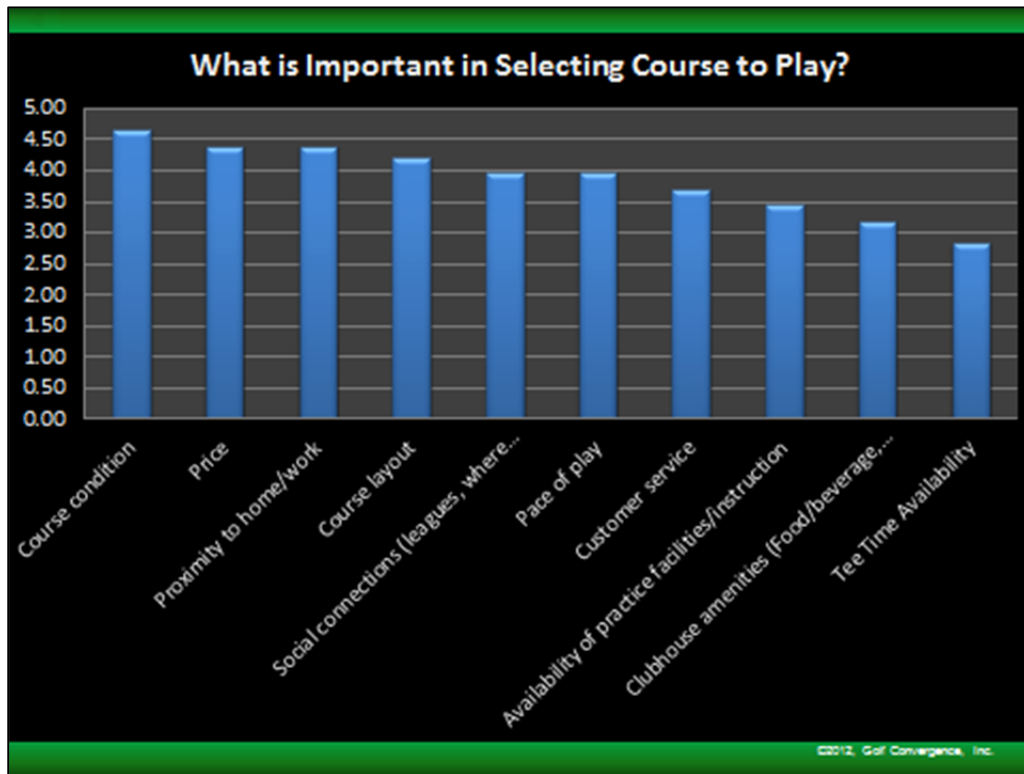
The golfers were asked to rate 21 attributes of the City's golf courses. What always surprises us about these surveys is the golfers always get it right. Presented below is a comparison of each course based on these factors:



Affordability and accessibility were rated high. Course conditions, driving ranges and practice facilities, clubhouse renovations and food quality were cited as deficient.

What Is Important?

When asked, "What factors are important to you in selecting one course over another, the results of the City of Atlanta survey was 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. Of concern is the fact that the survey respondents ranked "price" as the 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:

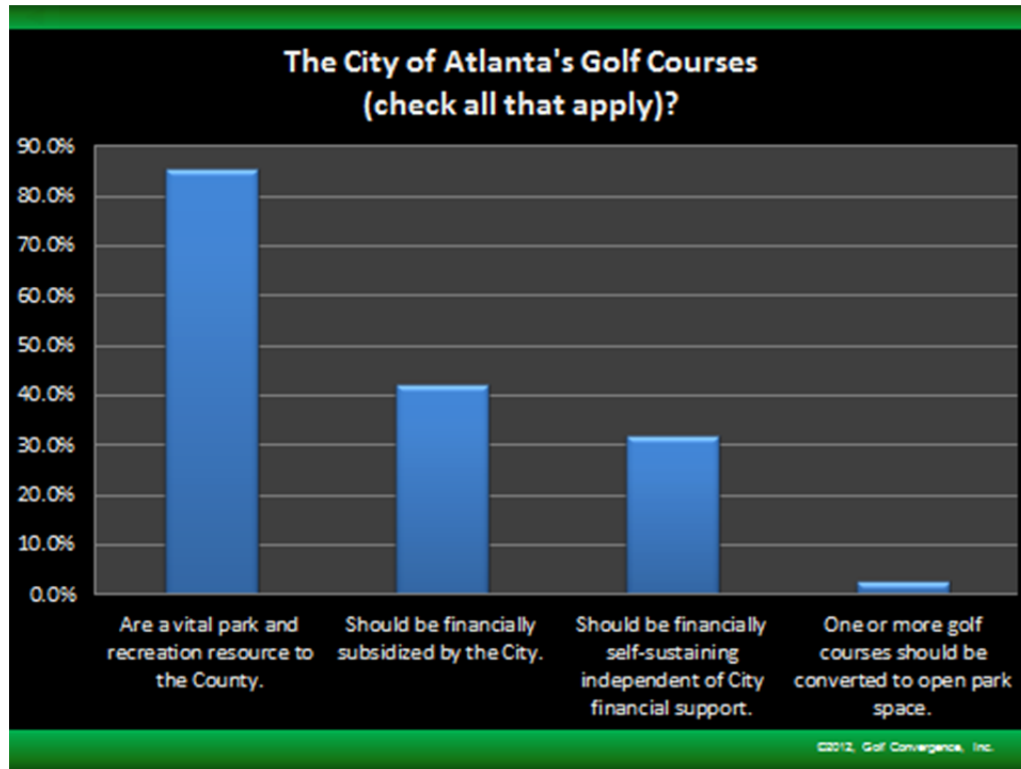
Decrease in Price	Number of Additional Rounds Required to Offset Discount
5%	5.26%
10%	11.11%
15%	17.65%
20%	25.00%
25%	33.33%
30%	42.86%
35%	53.85%
40%	66.67%
45%	81.82%
50%	100.00%

It would make no economic sense to discount the already low green fees charged at the City of Atlanta's golf courses. Considering that the median household income reported is \$137,135, a rate increase could easily be absorbed by the constituents.

One of the most interesting insights was the answer to the question, "Should the greens + cart fee be the same for Alfred Holmes, Bobby Jones, Browns Mill, and North Fulton? Fifty-one

percent responded, “No.” In the supplemental narrative responses provided, golfers felt that the green fee should be established primarily based on value received.

Interestingly, though the golfers felt the City’s courses offered value, were affordable, and are vital park resources, more golfers felt that the facilities should be financially supported by the City rather than self-sustaining, as noted below:



Clearly, the golfers are seeking to transfer the financial responsibility for their entertainment to the City.

Value is made up of many components, and the value formula is straightforward. To the extent that the customer experience exceeds price, loyalty is created. When 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 of Atlanta has the opportunity to profit by focusing on affordability as well as tee time availability based on the central location of its facilities.

Key Benchmarks

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

A leading golf course management company¹ 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 of Atlanta have comparable profiles. However, without access to the golf management system used by American Golf Corporation, measuring any of these 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 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 and even each customer.

In crafting this strategic vision, a golf course must identify core customers, spending patterns, customer retention, turnover frequency of golfers, zip code distribution, course utilization, revenue per available tee time, and revenue per tee time purchased. These critical metrics were not provided by American Golf Corporation.

However, we were able to ascertain those factors that are vital to golfers in the City of Atlanta. With a national average being 26, these courses received loyalty scores from 38 to -43, as noted below:

¹ Peter Hill, Billy Casper Golf Management, “Programming for Profit,” February 4, 2009 presented at NGCOA Multi-Users Conference.



Note: The “Promoter Score” is a measure of the loyalty of customers to a facility. The Promoter Score answers the question, “Are they ‘promoters’ of that enterprise.” The national average is 26. A negative score indicates that the facility has more detractors than loyal customers.

Browns Mill is the highest-rated Atlanta golf course with respect to golfer loyalty. Not surprisingly, Alfred Tup Holmes and Candler Park were the lowest-rated of the City’s facilities.

Why are those loyalty share numbers important? Loyalty correlates to wallet share, and the percentage of wallet share a course receives is a very accurate predictor of its success or failure. 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.

The insights provided from this survey reinforced the recommendation contained here regarding the allocation of capital resources.

Financial Analysis

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

The financial prospects, as self-sustaining golf courses, for Alfred Tup Holmes, Browns Mill (without renovation), Candler Park and John A. White are dim. Conversely, Bobby Jones and North Fulton offer great potential upside with an appropriate investment to revitalize these worn and dated facilities.

Historical Financial Performance

The historical financial performance of the golf courses managed by American Golf Corporation is estimated as follows:

Three-Year Average	Alfred Holmes	Bobby Jones	Browns Mill	North Fulton	Total (4)
Revenue*	425,149	1,356,760	862,298	1,548,289	4,192,497
Rounds*	19,335	44,615	32,357	51,262	147,568
Yield Per Round*	21.99	30.41	26.65	30.20	28.41
Cost of Goods Sold	45,543	243,810	45,543	243,731	578,627
Net Operating Income	379,606	1,112,951	816,755	1,304,558	3,613,869
Golf Shop	125,000	175,000	150,000	200,000	650,000
Maintenance	300,000	400,000	350,000	425,000	1,475,000
Administration	20,000	40,000	37,500	40,000	137,500
Total Operating Expenses	445,000	615,000	537,500	665,000	2,262,500
EBITDAR	-65,394	497,951	279,255	639,558	1,351,369
Total Property Rent	68,020	217,068	137,959	247,711	670,757
EBITBA	-133,413	280,883	141,296	391,847	680,612
Capital Expenditures	7,500	45,000	21,250	67,530	141,280
Capital Contribution	0	0	0	0	0
Cash Flow	-140,913	235,883	120,046	324,317	539,332

*Based on data provided. All other line items **estimated** based on 2010 PGA PerformanceTrak financial profiles for municipal golf courses.

We estimate that the third-party vendor historical earnings for 2009 through 2011 have been \$539,332 annually from its operating of the City of Atlanta's golf courses. In contrast, the City earned \$670,757.

It should be emphasized that the third-party management company declined to provide us its expense information with respect to the City of Atlanta's golf courses. We have estimated expenses likely to be incurred based on 2010 PGA PerformanceTrak financial profiles for municipal golf courses and the 2011 National Golf Foundation Operating and Operating and Financial Profiles report.

While it is rumored that American Golf Corporation earns over 50% of net operating income on some leases, which would represent \$1,806,934 in annual earnings, we believe that level of earnings is unlikely due to the challenged revenue potential of Alfred Holmes and Browns Mill and the deferred capital investment throughout the enterprise, which is greatly compromising the value experienced by the City of Atlanta's golfers.

Interestingly, the rounds played at Alfred Holmes and John A. White (1.6 miles apart) are almost exclusively played by residents who live within five miles of those facilities. Only Bobby Jones and North Fulton are profitable, despite significant deferred capital expenditures needed, particularly with respect to the clubhouses.

The historical financial performance for all of the City of Atlanta's golf courses is estimated as follows:

Three Year Average	AGC Leased Facilities	Candler Park – Managed by AGC	John A. White – Managed by Atlanta-Fulton County Recreation Authority	Total
Revenue	4,192,497	154,935	179,084	4,526,515
Rounds	147,568	13,720	8,871	170,159
Yield Per Round	28.41	11.29	20.19	26.60
Cost of Goods Sold	578,627	5,971	3,551	0
Net Operating Income	3,613,869	146,973	174,349	3,935,191
Golf Shop	650,000	36,354	0	686,354
Maintenance	1,475,000	425,000	0	1,900,000
Administration	137,500	69,797	0	207,297
Total Operating Expenses	2,262,500	193,446	464,605	2,920,551
EBITDAR	1,351,369	-46,473	-290,257	1,014,640
Total Property Rent	670,757	0	0	670,757
EBITBA	680,612	-46,473	-290,257	343,883
Capital Expenditures	141,280	0	0	141,280
Capital Contribution	0	0	281,382	281,382
Cash Flow	539,332	-46,473	-8,874	483,985

The low rounds at Candler Park and John A. White render neither sustainable without financial subsidy.

Change in the Composition and Role of the Golf Courses

The role of municipal golf, from its early historical vestiges, is to be the entry door to the game, providing citizens an affordable opportunity to enjoy this form of recreation.

It is important that the City provide golfers convenient access to a facility. Fortunately, as highlighted below, each of the facilities are geographically close to each other:

**The City of Atlanta's Golf Courses
In Close Proximity to Each Other**

Matrix	Alfred Holmes	Bobby Jones	Browns Mills	Candler Park	John A. White	North Fulton
Alfred Holmes	X	12.64 - 24 minutes	7.80 - 15 minutes	9.70 - 20 Minutes	1.63 - 4 minutes	16.64 - 34 Minutes
Bobby Jones	12.64 - 24 minutes	X	13.56 - 22 Minutes	8.22 - 16 Minutes	11.17 - 20 Minutes	5.04 - 12 Minutes
Browns Mills	7.80 - 15 minutes	13.56 - 22 Minutes	X	8.01 - 18 Minutes	8.26 - 16 Minutes	18.47 - 29 Minutes
Candler Park	9.70 - 20 Minutes	8.22 - 16 Minutes	8.01 - 18 Minutes	X	8.24 - 17 Minutes	9.12 - 23 Minutes
John A. White	1.63 - 4 minutes	11.17 - 20 Minutes	8.26 - 16 Minutes	8.24 - 17 Minutes	X	16.25 - 27 Minutes
North Fulton	16.64 - 34 Minutes	5.04 - 12 Minutes	18.47 - 29 Minutes	9.12 - 23 Minutes	16.25 - 27 Minutes	X

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In full consideration of the role of municipal golf in the life of Atlanta's citizens, it is our professional opinion that **John A. White**, as a First Tee facility, provides a valuable contribution to the citizens of Atlanta. The ability to introduce minorities and under-privileged youth to the game is a very worthwhile enterprise. We recommend that to further support the current outstanding programs, an investment be made in this facility to extend the driving range and to reclaim cart paths that have degraded.

John A. White would benefit from the expansion of the driving range, the capping of a culvert, and the replacement of cart paths.

A study should be commissioned to investigate the merger of the **Alfred Tup Holmes** course with the **John A. White** course.

While a complete course renovation of **Browns Mill** could be justified based on the condition, character, and ample acreage of the course, the demographics suggest that an aggressive incremental approach of a \$150,000 annual commitment over the next five years would be

more prudent and generate positive cash flow that could be further reinvested to make this a superior asset for the City of Atlanta on the south side of I-20. Thus, the City's financial commitment to the south side will remain consistent and be supportive of and convenient to these citizens who want to enjoy the game of golf.

Candler Park, a nine-hole, 1,981-yard facility, caters to an eclectic group of neighbors. The losses incurred there are a function of this "alternative facility" (as defined by the National Golf Foundation), which is poorly maintained and lacks proper equipment.

One of the tasks which this review was to study was the feasibility of converting the property into a driving range. While such use is physically possible, the financial return on investment is likely to be negative due to the lack of parking and poor access to the facility from the Interstate highway system.

The biggest hurdle the City would face in converting Candler Park would be a political quagmire involving local residents. Therefore, an investment in equipment in 2012 to determine if the course's financial future can be revitalized is suggested. As agreed to by a citizen's group we met with, if the course is not profitable by 2014, additional options regarding the facility will be explored at that time. The citizens were very cognizant of the City's responsibility to ensure that the facility is not a financial drain on other vital City projects.

The key benchmark to measure is, "Is the operating loss from Candler Park less than the cost to maintain open park space." To the extent the answer is yes, continuing Candler Park as a golf course is advised. Conversion of the facility to a driving range, at an estimated cost of \$500,000, is unlikely to produce a positive return on investment.

Bobby Jones and **North Fulton**, because of their prime locations, are prized assets. Investments in each property, nearing \$2.0 million in course and clubhouse improvements, will generate a positive return on investment. Currently, each facility is operating at an estimated 70% of its gross revenue potential. For Bobby Jones, the dated clubhouse and the creek which frequently floods are significant deterrents. North Fulton, with modernization and expansion of the clubhouse and with a sympathetic renovation of the golf course, would be an attractive facility drawing public golfers from north of I-20 inside of I-285. It is forecast that the return on these investments would occur within seven years.

Fee Structure: Same Price – Vastly Different Value

The price of a green fee can vary based on the time of the day, day of the week, time of the year, the age of the golfer, how the tee time was booked, and how good the customer is at scouring out value-based rates.

The greens fee schedule for Alfred Holmes, Bobby Jones, Browns Mill and North Fulton are identical; the same price for each golf course: \$23 for 18 holes on the weekend plus \$14 for a cart.

Usually, the prices charged by municipal golf courses serve as the "buoy" from which all other area golf courses determine their fees. Such is not the case in Atlanta.

Atlanta is a unique market because the downward pressure from daily fee golf courses is suppressing prices. For the same fee charged by the City of Atlanta, the golfer could elect to play many other golf courses that offer a superior experience, as noted below:



The image shows a promotional graphic for Stone Mountain Golf Club. At the top is the club's logo, which includes a stylized mountain and a golf club. Below the logo, the text reads "NOW AVAILABLE: 2012 Golf Memberships & Preferred Player Passes". Underneath this is a table titled "Golf Rates" with three columns: "Dec-Feb", "Mon-Fri", and "Sat-Sun". The table lists various golfing options and their corresponding rates. At the bottom right of the graphic, there is a small copyright notice: "©2012, Golf Convergence, Inc."

	Dec-Feb	Mon-Fri	Sat-Sun
18 Holes		\$39	\$49
9 Holes/Twilight		27	37
Walk for Health		25	25 (Twlt)
Senior (60 & up)		29	n/a
Junior (17 & under)		20	29
Replay		20	29

Stone Mountain offers an impressive clubhouse overlooking a lake and the “mountain,” a scenic location inside a State Park, a 36-hole championship layout that will test the accomplished golfer, and turf conditions that are usually superior to those provided by the City of Atlanta.

Why is the price of competitive courses so low? Golf course owners are experts in citing uncontrollable factors for their financial woes. The economy, weather, third-party intermediaries, the perceived excess supply of golf courses, over-demand—all are cited as contributing causes to the artificially low prices posted in the Atlanta metroplex.

The current market hangs in favor of the golfer. Since the ratio of golfers to courses has declined during the past 20+ years, the competitive environment is allowing today's players to secure unprecedented values in terms of the quality of golf they can get for their money. Golf courses are using these factors as justification for delaying necessary capital investment.

However, the prime tee time fees posted within the state slightly exceed national averages. Presented below are statistics comparing courses in the United States to those in Georgia:

Type of Course	United States		Georgia		Holes	Median Age	Average Age	Median Fee	Average Fee
	Courses	% of Total Courses	Courses	% of Total Courses					
Daily Fee	9,210	58.10%	212	52.22%					
Municipal	2,393	15.06%	52	12.81%					
Private Equity	2,602	16.40%	67	16.50%					
Private Non-Equity	1,632	10.28%	73	17.98%					
Private – Other	32	0.20%	2	0.49%					
Total Private	4,266	26.84%	142	34.98%					
Total Georgia			406	100.00%	7,371	1989	1978	44.00	54.65
Total US	15,869	100.00%			268,254	1969	1965	41.00	52.05

Note 1: Average fee defined as 18 holes and cart during prime time on weekends.

Note that the State of Georgia has far fewer daily fee and municipal golf courses. Conversely, Georgia has far more private non-equity clubs. The fact that 74% more private non-equity clubs exist in Georgia than nationally contributes to the slightly higher posted median fee for golf.

Surprisingly, there are no high-end daily fee courses within the Atlanta I-285 loop. The posted prices for the best courses, Bear's Best (\$114), Cobblestone (\$69), Heritage Links (\$55), and Stone Mountain (\$55), are geographically inconvenient for metropolitan residents to access.

All of these have their unique challenges: The potential of Cobblestone and Bear's Best are constrained by remote locations more than 25 miles away from downtown. Heritage Links is a very difficult golf course that is being managed by a receiver, Affiniti Group. They have met with strong price resistance and believe \$39 (including cart) is the current fair market value for the experience. Stone Mountain's location, rumored poor agronomic conditions, and the perceived need to buy a State Park Pass have constrained that course's potential. (See Steps 6G – 6L, for a comprehensive pictorial essay on the Atlanta metropolitan golf courses).

Why would a golfer play the City of Atlanta's golf courses when superior alternatives at comparable prices exist? The central location of the City's golf courses provides a viable alternative to the golfer in the time-crunched society in which we live. If the City invested in these courses, the central location would ensure a fiscally self-sustaining enterprise.

What is the proper price for the City of Atlanta's courses? The proper price is determined by the value offered to the golfer. To the extent the price charged exceeds the experience, customer attrition occurs.

The City of Atlanta charges the same price for each golf course, so the assumption is that each course offers a similar experience. Such is not the case. The experience, and in turn, the value, at each course varies quite significantly.

The green fee at Alfred Tup Holmes should be decreased by \$2. The prices at Bobby Jones, Browns Mill, and North Fulton should be raised by \$2 concurrent with the completion of the deferred capital investment. The season unlimited-play pass at Candler Park should be increased from \$400 to \$500. The daily 9-hole green fee for residents should be raised from \$9 to \$11 with the improvement in course conditions. When the prices are comparable to the experience provided, a golf course will thrive.

FINAL REPORT

Summary – A Neglected Franchise with Great Potential

The creation of a strategic vision for the City of Atlanta’s golf courses necessitated the evaluation of the potential of the facilities, the future investment required, the highest and best use of each property, and if the experience offered to golfers was consistent; all of these were evaluated with the goal of creating financially self-sustaining entities where possible.

Our evaluation of the City of Atlanta’s golf courses concluded that challenges exist as noted below:

Project	Tup Holmes	Bobby Jones	Browns Mill	Candler Park	North Fulton	John A. White
Strategic						
Vision - Competitive Mix	Red	Yellow	Yellow	Red	Green	Yellow
Demographics	Red	Green	Red	Yellow	Green	Red
Weather - Recent	Red	Red	Red	Red	Red	Red
Tactical						
POS/TTRS	Green	Green	Green	Red	Green	Red
Web Site	Yellow	Yellow	Yellow	Red	Yellow	Red
Financial	Red	Green	Yellow	Red	Green	Red
Operational						
Course Layout	Yellow	Red	Green	Red	Green	Yellow
Agronomic	Yellow	Red	Yellow	Red	Red	Yellow
Deferred Capital	Yellow	Yellow	Yellow	Red	Yellow	Yellow
Clubhouse	Yellow	Red	Yellow	Red	Red	Red
Range/Short Game	Red	Red	Green	Red	Red	Green
Food and Beverage	Red	Red	Red	Red	Red	Red
Tournament/Outing Site	Yellow	Yellow	Yellow	Red	Yellow	Red
Parking	Yellow	Yellow	Green	Red	Yellow	Red
Golf Playing Preferences	Yellow	Yellow	Green	Red	Yellow	Red
Customer Loyalty	Yellow	Yellow	Green	Red	Yellow	Yellow

Key: Red – negative
 Yellow – neutral
 Green – positive

Alfred Tup Holmes, a storied course with a competitive layout for a municipal golf course, has long been financially challenged. The course’s location, its lack of a driving range, and its dated clubhouse in need of repair has all contributed to its financial woes. Unfortunately, the capital investment required to bring current this fine facility isn’t likely to create a positive return on investment. Thus, commissioning a study to determine the highest and best use of the facility is recommended.

Bobby Jones, named after the famed Atlanta East Lake golfer whose storied golf career included winning the Grand Slam of Golf, is centrally located and offers potential.

Lying in a flood plain, the course's turf quality and agronomic conditions have suffered, as noted here. Though the architectural integrity of the course has been compromised, the course still performs in the top 25% of municipal golf courses.

To optimize this City's golf assets, \$1.250 million should be invested within 24 months to correct the flood plain issues and restore the course and clubhouse to its former luster. In the perfect world, an additional \$800,000 would be invested in an irrigation system. Currently, only the greens and tees are watered. If this investment was made, the annual revenues would likely increase

by \$300,000, as this course is performing at 70% of potential. The full benefit of this facility's central location and prized demographics isn't being fully realized.



Browns Mill, based on the availability of land and the existing course design, offers the City of Atlanta perhaps the best opportunity to create a championship golf course experience for its citizens that would be an attractive venue for corporate tournaments and outings. A two-million dollar renovation could create a jewel on the south side of Atlanta.

Candler Park is a prized community asset, and its quirky 9-hole golf course should acquire equipment to restore it to adequate playable condition. If, after two years, the course is not operating at a profit, it should be converted to open park space. A meeting with a "citizen's committee" confirmed their concurrence with this recommendation.

While a driving range is physically possible, it is unlikely to produce a desired return on investment, as access to the facility from the freeway is challenging. The projected cost of \$500,000 would likely be a sunk cost, as operating profits are unlikely. Some municipal driving ranges with superior locations generate \$300,000 in revenue, but the average facility only produces \$75,000 in gross income. The political rancor that would have to be absorbed to change the purpose of this facility further supports the conclusion to use it to provide open park space if the facility is not breaking even within two years.

North Fulton offers the greatest financial potential of any facility, based on its superior location in a neighborhood with median household income exceeding \$75,000 and with no competitive facilities in close proximity. To realize that potential, Fulton will benefit from a minor course restoration, parking lot expansion, and clubhouse renovation in order to be able to sponsor tournaments and corporate outings.

Currently, the clubhouse is in dire need of repair, as evidenced here.

Though the golf course is performing in the top 25% of municipal golf courses nationally, it is operating at only 70% of its potential. An investment of \$1.0 million will aid this golf course in reaching its full potential of serving citizens on a basis that is financially self-sustaining.



John A. White is a prized asset of the City of Atlanta, serving a vital role as the entry door to the game. John A. White, as a First Tee facility, serves an important role in the community, introducing the game of golf and the life-lessons associated with the sport.

An investment in this facility is recommended. The culvert at the end of the driving range should be covered, some trees judiciously removed and possible lighting added. This facility has a fabulous potential to meet an underserved niche within the community; the role of municipal golf as the entry door to the game should be reinforced.

APPENDIX A

Research Performed

These conclusions have been reached based on the evaluation of:

- ◆ Financial statements
- ◆ Physical layout and condition of each site
- ◆ Fee structures
- ◆ Capital improvement needs
- ◆ Lease agreements
- ◆ Management structures and alternatives

The analysis also included a review of the market and financial performance of each course as well as analysis of national, regional and local trends in public golf including supply and demand.

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

The chart below summarizes the research performed from which the conclusions and recommendations in this report were formed. This data was presented to the City of Atlanta as a supplement to this report:

Task	Document	Date
Step 1 - City of Atlanta - Geographic Local Market Analysis	Power Point	2/15/2012
Step 1 - City of Atlanta - Statistical Analysis and Competitive Market Review	Excel	2/15/2012
Step 2 - Weather Playable Days	Adobe Acrobat	2/15/2012
Step 2 - Playable Day Analysis vs. Management Performance	Excel	3/15/2012
Step 4 - Financial Comparison to National - State Benchmarks	Excel	3/16/2012
Step 4 - 2009 - 2011 Operating Statistics Review	Excel	3/16/2012
Step 5A - Bob Cupp Architectural Report - Bobby Jones	Adobe Acrobat	3/16/2012
Step 5B - Bob Cupp Architectural Report - Candler Park	Adobe Acrobat	3/16/2012
Step 5C - Capital Investment - Tiering Priorities	Microsoft Excel	3/16/2012
Step 6A - Competitive Course Review : Alfred Tup Holmes	Adobe Acrobat	2/25/2011
Step 6B - Competitive Course Review : Bobby Jones	Adobe Acrobat	2/26/2012
Step 6C - Competitive Course Review : Browns Mill	Adobe Acrobat	2/25/2012
Step 6D - Competitive Course Review: Candler Park	Adobe Acrobat	2/26/2012
Step 6D - Competitive Course Review: North Fulton	Adobe Acrobat	2/26/2012
Step 6E - Competitive Course Review: John A. White	Adobe Acrobat	2/25/2012
Step 6F - Atlanta Metroplex Competitive Secret Shopper Review - Photo Essay	Adobe Acrobat	2/26/2012
Step 6G - Competitive Course Review: Charles Yates	Adobe Acrobat	2/26/2012
Step 6H - Competitive Course Review: City Club of Marietta	Adobe Acrobat	2/26/2012
Step 6I - Competitive Course Review: College Park	Adobe Acrobat	2/26/2012
Step 6J - Competitive Course Review: Fox Creek	Adobe Acrobat	2/26/2012
Step 6K - Competitive Course Review: Heritage Links	Adobe Acrobat	2/26/2012
Step 6K - Competitive Course Review: Legacy	Adobe Acrobat	2/26/2012
Step 6K - Competitive Course Review: Little Mountain	Adobe Acrobat	2/26/2012
Step 6K - Competitive Course Review: Mystery Valley	Adobe Acrobat	2/26/2012
Step 6K - Competitive Course Review: Stone Mountain	Adobe Acrobat	2/26/2012
Step 6L - Competitive Course Review: Sugar Creek	Adobe Acrobat	2/26/2012
Step 7A - City of Atlanta Customer Survey	Adobe Acrobat	3/31/2012
Step 7B - City of Atlanta Raw Data Files - - Survey Summary 3 31 2011	Microsoft Excel	3/31/2012
Step 8 - City of Atlanta Patron Customer Loyalty Analysis	Power Point	3/31/2012

Limitations of Study and Caveats

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

- ◆ Lack of access to the expense data at Alfred Holmes, Bobby Jones, Browns Mill, and North Fulton; thus, a complete review of the financial statements with benchmarking to key industry statistics was not possible.
- ◆ The inability to conduct a comprehensive golfer survey asking key strategic questions based on political and economic factors. Questions include the future

economic viability of Alfred Tup Holmes and whether Candler Park should be converted to a driving range. Thus, the public acceptance of our forthcoming recommendations is unknown.

- ◆ The uncertainty regarding the ownership of intellectual property necessary to properly manage the golf courses, i.e., the customer database including names, spending, etc. For purposes of this review, we have “assumed” that the intellectual property is an asset of the City of Atlanta under a “landlord/tenant” relationship. Should the City of Atlanta not prevail in the assertion of its intangible property rights, that result would have dire consequences on the projected return on investment forecast within this report.
- ◆ In conducting a public survey, we were not provided information regarding size of database contacted, open rates, bounces, unsubscribes, etc. precluding our ability to precisely determine the strength of the City’s golf franchise.

What Is a Strategic Plan?

A strategic plan is a written document that defines a golf course’s future direction. It is a beacon with which elected officials, Department of Parks, Recreation & Cultural Affairs management, the Golf Enterprise Fund, staff, golfers, and taxpayers can see the value proposition for the enterprise. A strategic plan provides a consensus for future direction, one that can be measured and evaluated.

Without a defined 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 shared by all golf courses: the physical infrastructure - property, plant, and equipment (the course, the clubhouse, and maintenance equipment); and secondly, the human element - the personnel.

How these resources, as depicted below, are applied determines the experience created.



The Goal

The DPRCA was seeking to conduct a high-level operational audit and market feasibility study to assess the operational and financial viability of each City-owned golf course. Additionally, the goal was to develop a business plan and implementation strategy for the plan to improve financial performance and citizen satisfaction. This strategic review was to include:

- 1) National, regional and local trends in public golf
- 2) The market and financial performance of each course.
- 3) A critical review of current operations at the Courses, including, but not limited to:
 - Financial statements
 - Physical layout and condition at each site
 - Fee structures
 - Capital improvement needs
 - Lease agreements
 - Management structures and alternatives

Golf Convergence employs a precise methodology of eight steps involving the above tasks and more to craft a strategic vision. These steps and the knowledge gained from each are summarized:

Step	Function	Description	Knowledge Gained
1	Strategic	Geographic Local Market Analysis	Is there sufficient demand with appropriate demographics to meet the available supply? Are the age, income, ethnicity, and population density sufficient to sustain a golf course?
2		Weather Impact Analysis	What impact has weather played on rounds versus management policies?
3	Tactical	Technology	How effectively has an integrated golf management solution been deployed to create the aggregation of data required to properly manage?
4a		Key Metrics	How does the operational performance compare to the 15 industry benchmarks that measure strengths and weaknesses?
Step	Function	Description	Knowledge Gained
+4b		Financial Modeling/ Revenue Management	Have accurate financial models that support proactive decision-making been developed? What debt service can the golf course cover? What is the current utilization and REVPAR? Is there a gap between the fees charged and the value experienced?
5	Operational	Golf Operation and Course Agronomic Review	The golf course design, agronomic and turf practices, and equipment levels are evaluated against best practices. What is the highest and best use for the property?
6		Management, Marketing, and Operational Review	Does the value provided equal or exceed the associated fees? Are the proper operating procedures consistently deployed through each step of the “assembly line of golf”? The entrance to the clubhouse, staffing, organizational structure, merchandising, food and beverage, advertising, and marketing are evaluated and compared to the industry’s best practices.
7		Customer Preferences	Who are your core customers and how much do they spend? What is the annual retention of golfers?
8		Customer Loyalty	What are the barriers to increased play, what is the golfer’s perceived value, and what is the primary reason one course is selected over another? How loyal are your customers?

These questions have a single purpose – to align the common interest of City Council, Course Management and Staff, Golfers, and Taxpayers. The conflict of these questions is noted below:

- The City Commission wants a self-supporting golf course that serves a local community need.
- The Staff wants to work in an environment where they have the tools, equipment, and financial support to maximize the value of the golf course. They want to provide a great service to golfers, and be recognized and rewarded for working hard to achieve everyone’s expectations.

- Golfers want great course conditions and good customer service for a fair price.
- Taxpayers don't want to subsidize golfers.

Melding the varied interests and contributions of several entities to achieve a positive outcome is paramount in this strategic plan.



It is our hope that this strategic plan achieves this goal of aligning common interests.

Service-Level Targets

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. It is important to understand the possible financial goal for a municipal course.

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

Municipal Golf Courses What's Possible

	Platinum Top 10%	Gold Top 25%	Silver Median	Steel - Bottom 25%
Rounds Played	55,000	43,000	31,957	23,260
Full Time Employees	22	13	8	4
Total Revenues	\$2,050,619	\$1,500,000	\$994,720	\$650,000
Green Fees	\$1,200,000	\$793,000	\$476,204	\$231,958
Cart Fees	\$387,000	\$300,000	\$200,962	\$120,000
Merchandise	\$247,222	\$150,000	\$90,000	\$51,500
Golf Shop	\$736,000	\$464,514	\$284,329	\$160,225
Maintenance Salaries	\$587,000	\$400,000	\$251,085	\$167,000
Total Maintenance Costs	\$1,594,081	\$1,063,320	\$620,347	\$387,000
EBITDA	\$1,069,716	\$600,000	\$197,500	\$70,000

Source: 2011 PGA PerformanceTrak
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Based on the financial performance of other municipal golf courses, Bobby Jones and North Fulton would be classified as gold, Browns Mill as silver and Alfred Tup Holmes, Candler Park, and John A. White as steel.

Another method to differentiate between golf courses and the experiences they provide is based on the length of the golf course and the associated service standards, such as dress standards, whether carts are required, smoking regulations, tipping and gift policies, and other activities offered.

Why is this relevant for the City of Atlanta?

The City of Atlanta sought a “recommendation for the appropriate market positioning for City Courses in the future.”

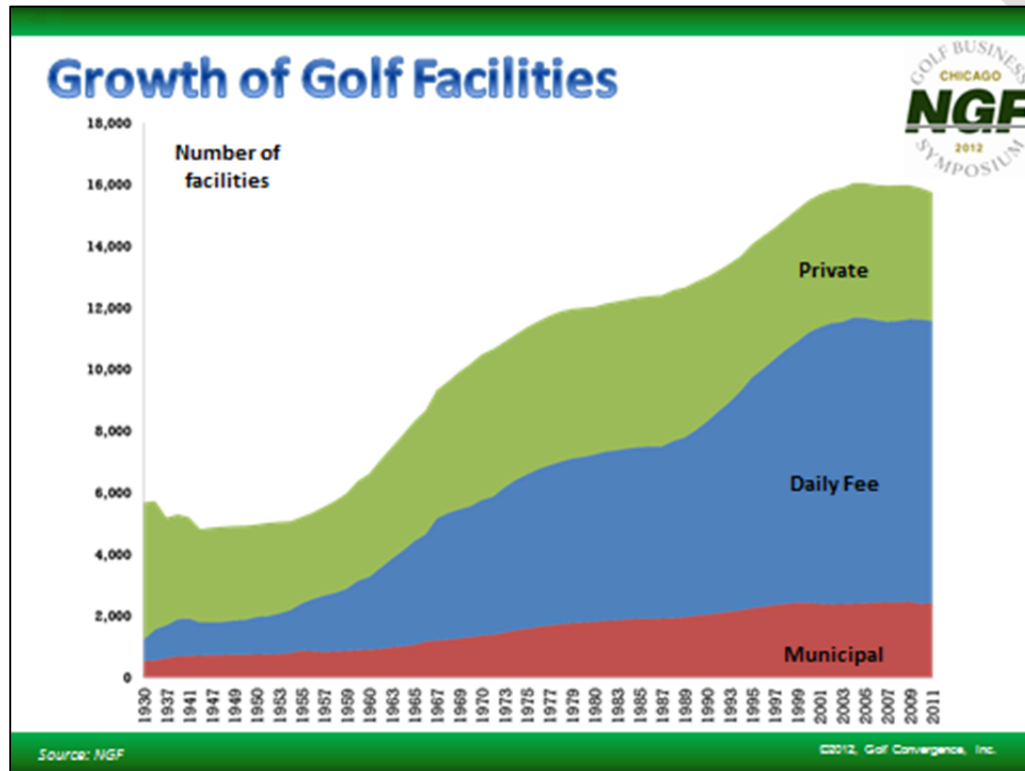
With investment, Bobby Jones and North Fulton have the potential to achieve the financial performance of the top 10% of municipal golf courses. Browns Mill could achieve “gold” while unfortunately, Alfred Tup Holmes, Candler Park and John A. White are likely to be mired in the bottom 25% of municipal financial performance for the foreseeable future.

The customer attrition that is occurring at the City of Atlanta’s golf courses is simply because the price charged exceeds the experience. Unfortunately, due to the inherent cost structure in operating the golf courses, they are caught in a death spiral that without investment is unlikely to reverse.

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 of Atlanta for golf as a recreational sport.

The Organizational Structure of Municipal Golf

Municipal golf courses serve various constituencies, including: City of Atlanta City Commission, Management/Staff, Golfers, and ultimately, Residents.

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

The national brand image of municipal golf courses often gets a bad rap, especially those facilities viewed as an entry door to the game; they often are downtrodden and degrading. Such is not the case in the City of Atlanta. The management and staff is 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 of Atlanta, this much is clear— if the Department of Parks, Recreation & Cultural Affairs is to provide golf, it must do so in a way that ensures that the golf courses are financially self-sustaining and free from general fund support.

Two beacons of hope indicate that this can be achieved.

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



National Golf Foundation Reports
November 16, 2011

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

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Second, municipalities recognizing that labor expenses and the associated fringe benefits are the source of many of their financial challenges in operating golf courses are seeking privatization of those operations.

By December, 2011, 43% of all municipal golf courses have privatized. This trend is accelerating, as 15% of municipalities have privatized their golf operation during the past 12 months. Wisely, the City of Atlanta began utilizing a third-party management company in 1986. Thus, this liability that is faced by many other municipalities currently is a non-issue for the City. Therefore, the continued use of a third-party management company is advocated as part of this strategic report.

The Role of Municipal Golf

During the past few years, and specifically since 9/11, the decision for the allocation of municipal funds has been to provide police and fire with the highest financial priority, while other municipal services compete for the remaining resources.

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. If taxpayers subsidize the golf operations, the benefit will be for approximately 12.4% of the taxpayers.

In the current economic environment, that proposition is not popular, especially considering the fact that the golfers tend to be older and have greater discretionary financial resources.

To craft a strategic plan, it is first essential to understand the organizational framework in which the golf course operates.

The City of Atlanta's golf courses operate within an Enterprise Fund. 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 the agency's policy.

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

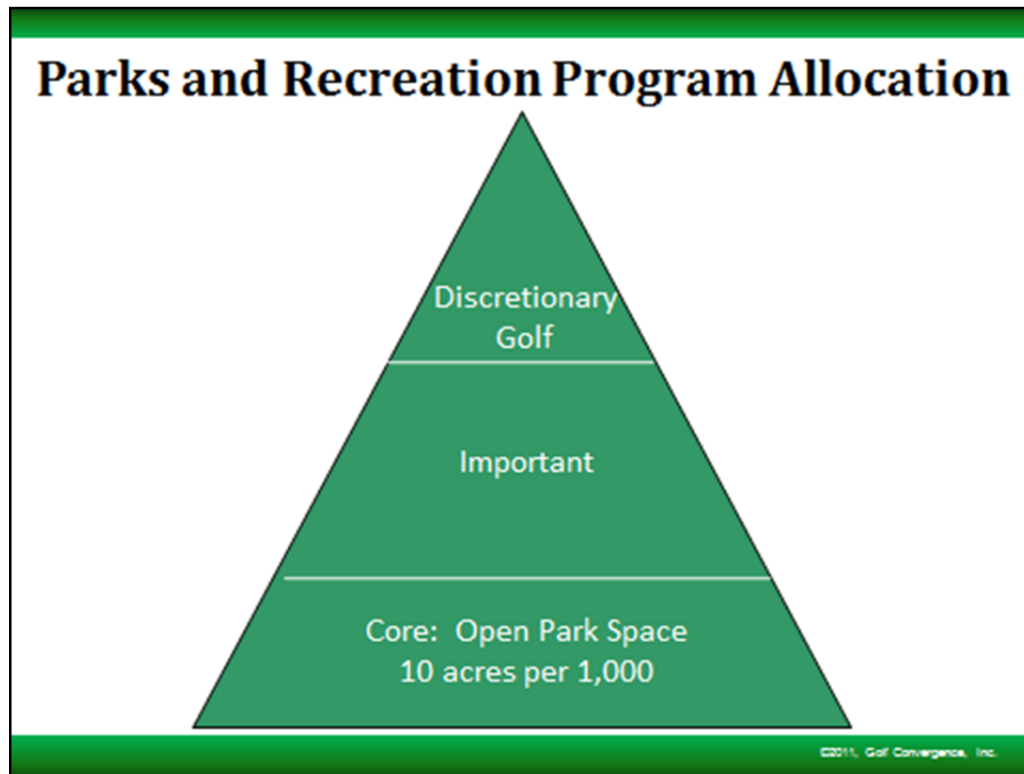
- 1) Is the Enterprise Fund required to provide a golf experience to golfers at every level of playing ability or only those who are financially self-sustaining?
- 2) Should the Enterprise Fund be obligated to make short-term investments in programs such as junior golf, in which the financial return is at best long-term and perhaps largely unknown? 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 Commission have on the daily operation of the golf courses?

The answers to these questions can be debated.

The City of Atlanta's golf courses are managed by the Department of Parks, Recreation & Cultural Affairs.

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 Commission wants to implement programs or activities that aren't self-sustaining, the source for such funding should arise from the general fund.

Parks and Recreation systems across this country provide three types of services:



- **Core Essential Services:** These are services the city must provide in managing parks. They would include providing parks and open space for no cost, park maintenance, security, administration, and essential parks-related duties that are considered totally public good services. These types of services are typically supported by tax dollars.
- **Important Services:** These are services where there is public good and private good involved in the same service. Examples of Important Services would include programs such as swim lessons, summer day camps, and after-school programs.
- **Value-Added/Discretionary Services:** These are services that are nice to provide if money is available to support the services and if the community is willing to invest in them through user fees. These services would include **golf**, senior trips, fitness programs, and individual instructional classes and lessons.

With golf clearly a value-added/discretionary service, the investment in this asset needs to be judicious and appropriate, especially since private enterprise can adequately fulfill this need for the citizens.

It is with this understanding that this Strategic Vision was crafted.

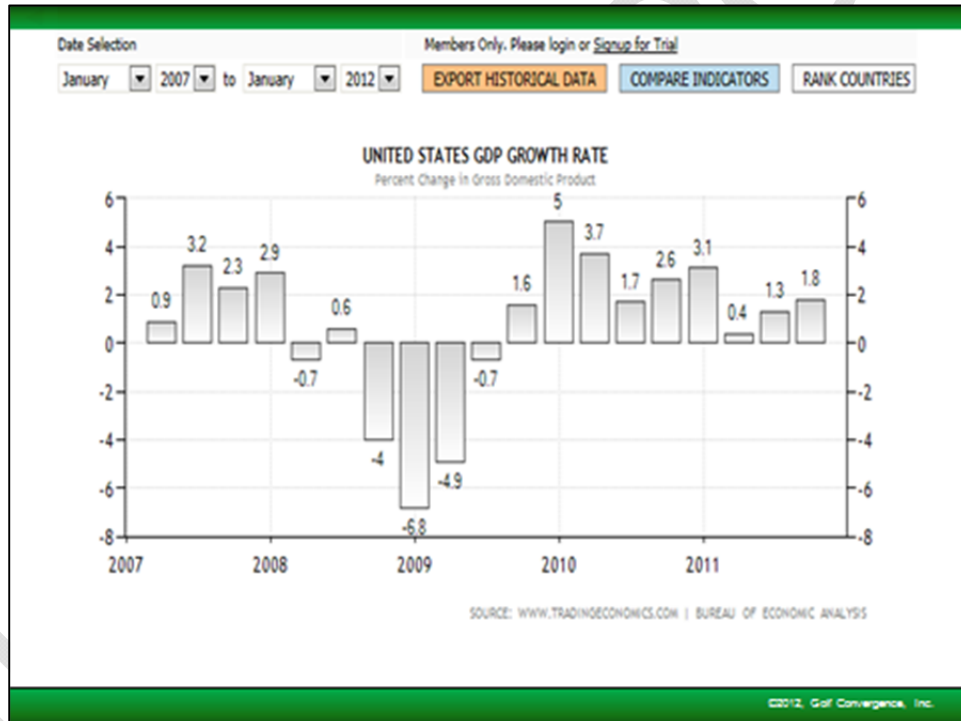
Global Perspectives – Current Economic Outlook

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.”²

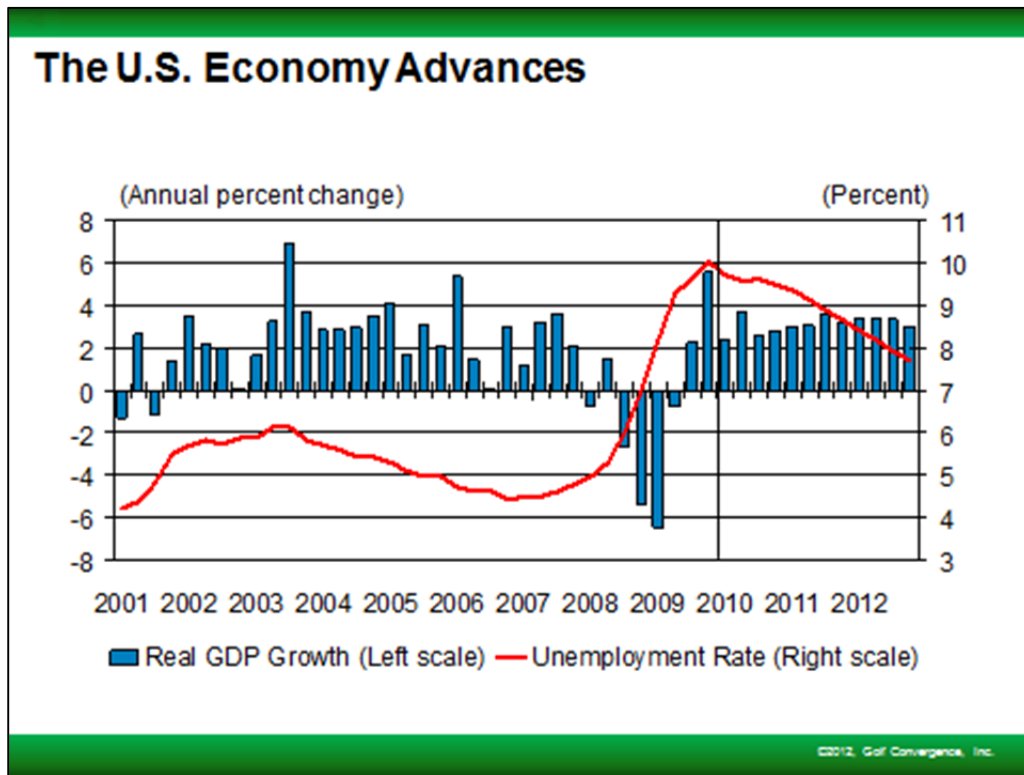
The speaker, Chris Holling, Vice President of IHS Global Insight, presented the case that the U.S. economy was at a crossroads. Negative factors included high unemployment, reduced asset values, tight credit, and high debt burdens. Countering those factors are real income growth, low inflation, low interest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

The net result of those factors becomes reflected in the U.S. GDP growth rate, as highlighted below:



² IHS Global Insight, “Economic and Capital Markets and Homes and Overseas,” April 29, 2010, Slide 4

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



Another important economic measure is the Consumer Confidence Index. Presented below is the U.S. Consumer Confidence Index sourced from the Conference Board:



After two months of considerable gains in November and December, the Consumer Confidence Index is now back to levels seen in April 2011.

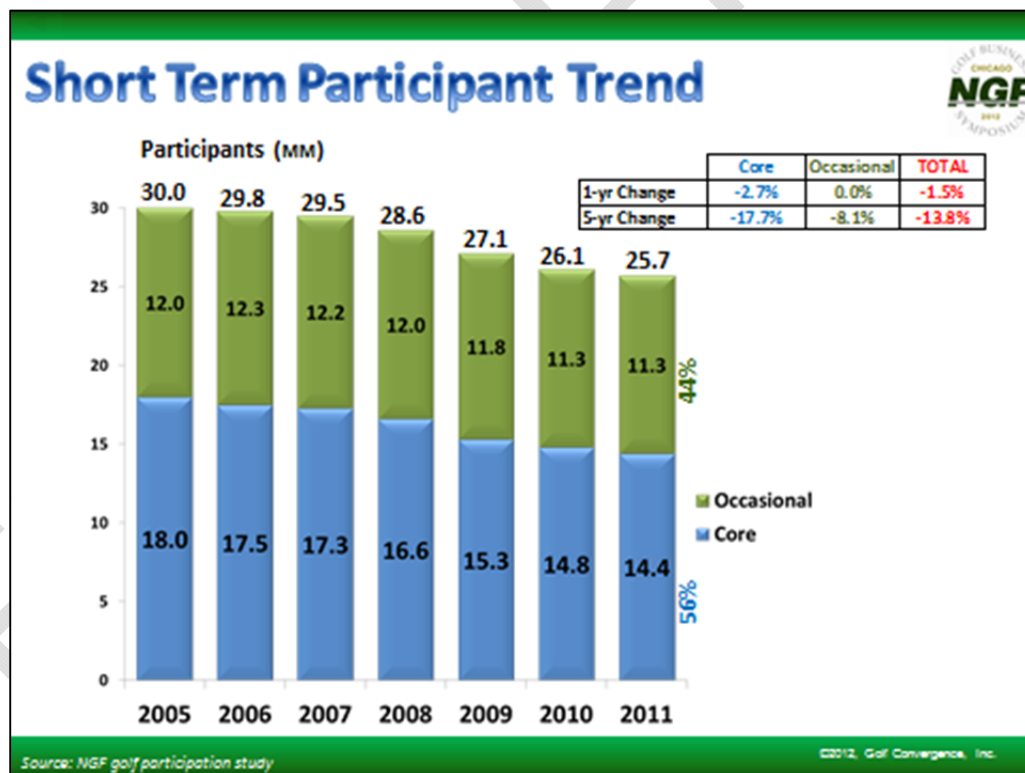
Looking ahead, consumers are more optimistic that business conditions, employment prospects, and their financial situations will continue to get better. While consumers are in a somewhat more upbeat mood, it is too soon to tell if this is a rebound from earlier declines or a sustainable shift in attitudes. While consumer confidence improves, it remains far below the levels achieved a decade ago.

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

Analysis of National Trends in Public Golf including Supply and Demand

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

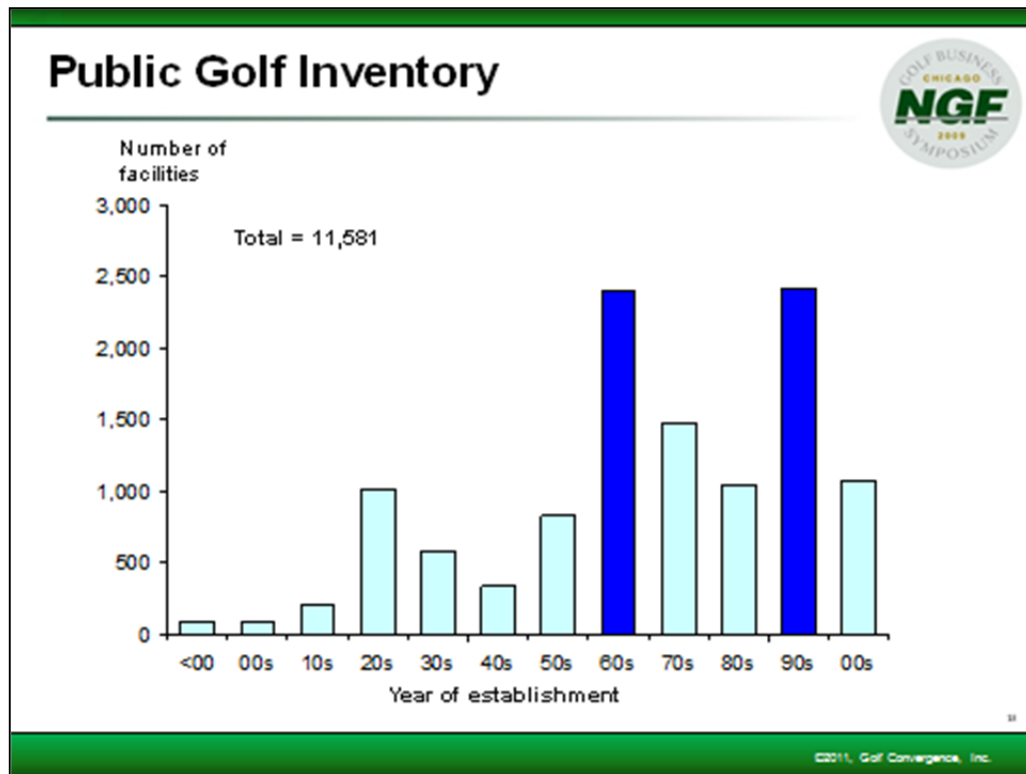
Those conclusions are reached based on overall golfer trends, as reflected below:



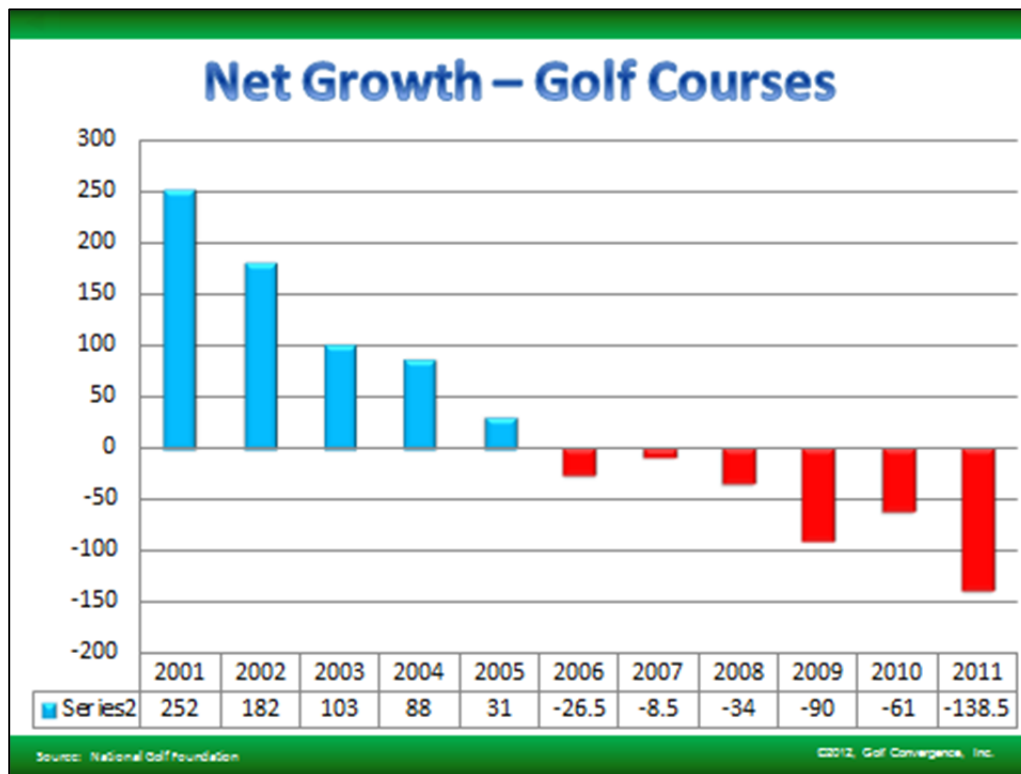
The net decrease of 1.5 million golfers from 2009 to 2010 included 5.2 million golfers who left the game; their numbers were not offset by the 1.7 million beginners and the 2.0 million former golfers who returned to the sport.

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



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

Fortunately, the City of Atlanta’s golf courses are located within the I-285 loop. While the market is oversupplied nationally, within the City of Atlanta, the market is actually undersupplied. Sixty-five percent of the golfers reside within the Top 100 CBSA (core based statistical areas, i.e., large cities) but only 46% reside within city limits. As a nation, there is an undersupply of golf courses within the Top 100 CBSA.

The National Golf Foundation in 2009 published an extensive study on “The Future of Public Golf in America,”³ which cited that 15% of golf courses rated their financial health as extremely poor. Of those golf courses, 56% of daily fee golf courses were considering closing and selling, and 26% of municipal golf courses were evaluating the same alternatives. Uniformly, with rounds and revenue off, losses had increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were being used to boost rounds. Atlanta’s Department of Parks, Recreation & Cultural Affairs has experienced the same situations.

As a result, the NGF concluded the golf courses most at risk⁴ were:

³ National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slides 1 -43.

⁴ National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slide 21.

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

The price points of all the City of Atlanta golf courses are low. Candler Park and John A. White could be deemed by some to be alternative facilities. Fortunately, the location of the golf courses in a major metropolitan area mitigates some of the risk, presuming the demographics near each facility can support such a 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:⁵

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%

Source: National Golf Foundation ©2012, Golf Convergence, Inc.

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 the City of Atlanta, via its relationship with a third-party management company, does engage in such activities, the use of these tools could be significantly expanded. Fortunately, Information Systems Technology is in place at all courses except for Candler Park, so these deficiencies are correctable.

⁵ National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slide 26.

The Business of Golf – Balancing Demand and Supply

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.

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.

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

An understanding of macroeconomics as it relates to supply and demand and the underlying performance, structure, and behavior of the golf industry creates the essential perspective necessary to craft 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 Demand – What Is the Profile of a Golfer?

In 1899, when 307 golf courses existed in the United States, Thorstein Veblen, the author of *The Theory of the Leisure Class*, expressed his opinion that golf was a game in which individuals participated to demonstrate their conspicuous consumption of leisure⁶. In essence, individuals were attracted to the sport to demonstrate their superior financial position and to

⁶ Thorstein Veblen, *Theory of the Leisure Class* (Oxford, Oxford University Press), 1899. http://en.wikipedia.org/wiki/The_Theory_of_the_Leisure_Class.

flaunt their lack of need for work as America transitioned from an agrarian to an industrial society.

From that meager beginning, golf in the United States has grown to a \$24.8 billion industry in which 26 million golfers play 460 million rounds while frequenting 15,882 facilities.

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

The harsh economic environment combined with adverse weather during the past several years, particularly in Atlanta, has contributed to the fact that golf is a struggling industry in which the supply of facilities exceeds demand. Over the past six years, 257 more U.S. courses have closed than opened. To balance the industry, we forecast that 1,659 facilities should close in the United States.

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.

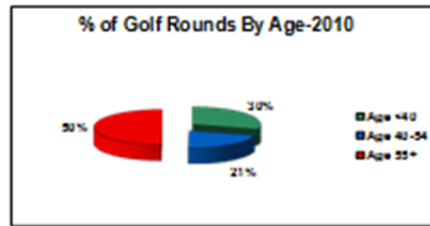
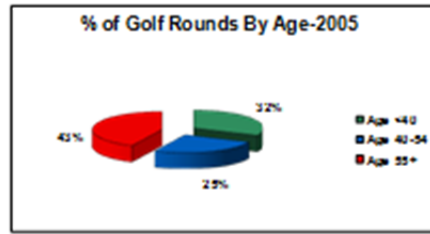
With the term golfer now defined, a further analysis reveals that the game of golf is all of the following:

- 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:

Factor 1: Demographic Changes

- ◆ Most of the new demand is going to come from golfers over 55
- ◆ Over 50% of all golf in the US will be played by golfers over 55 by 2010.
- ◆ That is up from 36% in 1986 and 43% in 2005
- ◆ This is a very important shift in terms of how to price golf (manage senior discounts)



Data Source: 2007 Pollard Corp.

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The City of Atlanta's population is younger than national averages.

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 Pollard Corp.

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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.

The median household income within five miles of Alfred Tup Holmes, Browns Mill, Candler Park, and John A. White is less than \$34,999. The median household income within five miles of Bobby Jones and North Fulton exceeds \$75,000. Those statistics define the market potential for each golf course.

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 (medicine, computers), social trends (reduced social conformity), and demographics (baby boomers and Gen X).

Within the seven categories, when three or more become altered significantly, society changes. That is what has occurred during the past seven years. Some of the societal changes of our time-crunched society are listed below:

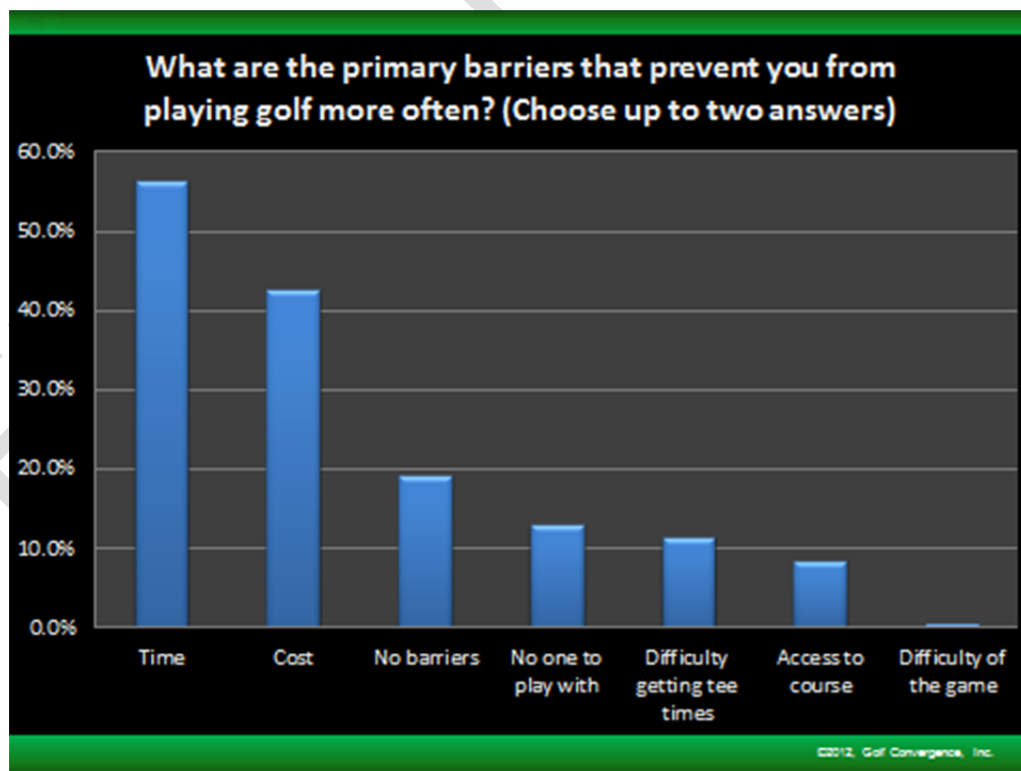
A Time Crunched Society

1. The **technology trap** of endless improvements: the more empowered technology makes you, the more you are expected to do.
2. The **update mandate**: We must be constantly updating our information: our devices (phones, email), our knowledge (events, educations), our values (tolerance to risk, work, etc.). We have dramatically increased our "work cycles." Employee productivity is up 24.2 in the past ten years.
3. The **marketplace of endless choices**: (47 car manufacturers, hundreds of models, thousands of choices.) Shopping takes a lot more energy, thought and time.
4. We have become an **experience economy**: Starbucks to see it made, Krispy Kreme to watch it bake, Harley to gather on weekends at events to participate.
5. **Lifestyle integration**: Our key value is that everything must be efficient and we can do it at once, causing the erosion of the barriers between home, work, and commuting.
6. **Child centeredness**: Our focus on wants, needs and desires have transferred from ourselves to our children. There is now a social status attached to the "child first" attitude. Our parents put themselves first. We put our children first.
7. **Conspicuous activation**: Status is now achieved by showing how busy you are and how many activities you are involved in.

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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.

To craft a strategic vision for the City of Atlanta's golf courses, we asked, "What are the primary barriers to playing golf?" The survey results are outlined below:



The survey results are not encouraging. Those who might like to play more find “time” to be the constraint. The survey for the City of Atlanta 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 sinking usage and revenue that the City of Atlanta’s golf courses are experiencing.

FINAL REPORT