

INDIAN TRAILS GOLF COURSE



CITY OF
GRAND
RAPIDS



OPERATIONAL AUDIT & BUSINESS PLAN DEVELOPMENT

JANUARY 2012

pros consulting
LLC

Table of Contents

CHAPTER ONE - EXECUTIVE SUMMARY	1
1.1 SCOPE OF PROJECT	1
1.2 KEY QUESTIONS AND RECOMMENDATIONS OF THE PROJECT	2
1.3 THE BENEFITS TO BE DERIVED	5
CHAPTER TWO - STRATEGIC PLAN	6
2.1 WHY ARE WE HERE?	6
2.2 CREATING A VIABLE SELF-SUSTAINING ASSET	7
2.3 CORE – ESSENTIAL - DISCRETIONARY SERVICES	8
2.4 WHAT IS A STRATEGIC PLAN?	10
2.5 SERVICE-LEVEL TARGET	13
CHAPTER THREE - GLOBAL PERSPECTIVES	15
3.1 THE CURRENT ECONOMIC OUTLOOK	15
3.2 WHAT ARE THE IMPLICATIONS FOR GOLF?	17
3.3 THE BUSINESS OF GOLF	20
3.4 A CLOSER LOOK AT ACTUAL DEMAND: WHO IS THE CUSTOMER?	21
3.5 THE ROLE OF GOVERNMENT IN GOLF	25
3.6 THE ORGANIZATIONAL CHART OF MUNICIPAL GOLF	26
CHAPTER FOUR - THE CITY OF GRAND RAPIDS	28
CHAPTER FIVE - STRATEGIC, TACTICAL AND OPERATIONAL ANALYSIS	32
5.1 THE GEOGRAPHIC LOCAL MARKET ANALYSIS	32
5.2 WEATHER IMPACT STUDY	37
5.3 TECHNOLOGY REVIEW	40
5.4 FINANCIAL METRICS	45
5.5 ARCHITECTURAL, AGRONOMY AND MAINTENANCE	49
5.6 OPERATIONS	61
5.7 CUSTOMER PREFERENCE ANALYSIS	70
5.8 CUSTOMER LOYALTY ANALYSIS	76
CHAPTER SIX - OPTIONS FOR PRIVATIZATION	78
6.1 GOLF COURSE ORGANIZATIONAL STRUCTURES	78
6.2 WHY RETAIN AN INDEPENDENT MANAGEMENT COMPANY?	79
6.3 WHAT ARE THE RISKS?	80
6.4 LIKELY TERMS AND DEAL STRUCTURE	80
CHAPTER SEVEN - STRATEGIC RECOMMENDATIONS	82
7.1 ORGANIZATIONAL PHILOSOPHY	82
7.2 VISION STATEMENT	83
7.3 CONFLICTS AMONG STAKEHOLDERS	84
7.4 OPTIONS	85
7.5 MUTUAL BENEFITS	89



Indian Trails Golf Course

As part of the Operational Audit and Business Plan for Indian Trails Golf Course, the following research was provided to the City of Grand Rapids for implementation:

Task	Document	Date
Step 1 - City of Grand Rapids - Geographic Local Market Analysis	Power Point	10/27/2011
Step 1 - City of Grand Rapids - Statistical Analysis and Competitive Market Review	Excel	10/27/2011
Step 2 - Weather Playable Days	Adobe Acrobat	9/18/2011
Step 2 - Playable Day Analysis vs. Management Performance	Excel	11/20/2011
Step 4 - Financial Comparison to National - State Benchmarks	Excel	12/5/2011
Step 4 - 2008 - 2011 Operating Statistics Review	Excel	12/5/2011
Step 4 - Financial Model 2010 – 2020	Excel	3/4/2011
Step 4 - 2010 & 2011 Budget vs. Actual Financial Performance	Excel	10/24/2011
Step 4 - 2012 Financial Proforma	Excel	1/5/2012
Step 5A - Herford Norby Architectural Report	Adobe Acrobat	11/20/2011
Step 5A - Capital Investment - Tiering Priorities	Microsoft Excel	11/20/2011
Step 5B - Deferred Capital Analysis	Microsoft Excel	11/20/2011
Step 5C - Equipment Inventory Review	Microsoft Excel	11/20/2011
Step 6A - Competitive Course Rates	Adobe Acrobat	10/28/2010
Step 6B - Grand Rapids Metroplex Competitive Secret Shopper Review - Photo Essay	Adobe Acrobat	12/1/2011
Step 6C - Indian Trails Secret Shopper Review - Photo Essay	Adobe Acrobat	12/1/2011
Step 7A - Indian Trails Patron Customer Survey	Adobe Acrobat	11/20/2011
Step 7B - Raw Data Files - - Survey Summary 10212010	Microsoft Excel	11/20/2011
Step 8 - Indian Trails Patron Customer Loyalty Analysis	Power Point	11/20/2011
Initial Staff Presentation	Power Point	10/26/2011
Management Presentation	Power Point	12/10/2011
City Commission Presentation	Power Point	1/24/2012

CHAPTER ONE - EXECUTIVE SUMMARY

1.1 SCOPE OF PROJECT

The PROS Consulting Team was hired by the City of Grand Rapids to develop an Operational Audit and Business Plan for Indian Trails Golf Course.

Indian Trails is a 5,190 yard, par 68, slope rated 118 golf course that serves new entrants to the game, the less accomplished golfer and families seeking recreation. Because the facility serves this narrow market it is augmented with 9-hole league play during the evening yet the course has been consistently losing money over the past several years:

	2009	2010	2011
Revenue	\$533,092	482,391	\$424,110
Expense	535,087	578,215	513,135
Net Income	(1,995)	(95,824)	(89,025)

With inadequate maintenance facilities, the lack of full-time employees, significant fringe benefit compensation, and deferred capital expenditures exceeding \$1.4 million to render the facility current, the long-term viability of this enterprise fund activity is of concern.

Consequently, the City desired an audit and business plan to guide the operations and management of the golf course for the future. As part of the scope of services, The PROS Consulting Team evaluated the following elements of the golf course operations:

- Geographic and Local Market Analysis
- Weather Impact
- Tactical Technology Assessment
- Key Metrics, Financial Modeling, Yield Management
- Operations of Facilities and Maintenance
- Customer Franchise Analysis
- Architectural and Agronomic Review
- Golf Operational Management of Maintenance, Marketing and Operations Review

This business process has been consistently applied to facilitate a clear vision for the highest and best use of a municipal golf course and to structure the optimum management model to ensure a valuable recreational amenity can be provided to the citizens on a basis that is fiscally self-sustaining.

1.2 KEY QUESTIONS AND RECOMMENDATIONS OF THE PROJECT

The objectives of this review were to examine five key questions listed below. The conclusion of this study is that the Indian Trails Golf Course, under the current operating model managed with City employees, will require an annual subsidy exceeding \$100,000 for the foreseeable future. This amount can vary slightly from year to year based on weather as was seen in 2011 whereby \$45,000 in income was not gained due to poor weather in the spring.

To the extent that the City believes investing those resources to provide a recreational amenity to its citizens to enhance their quality of life is prudent - that is an option. It is not the option we support. The highest priority to create a self-sustaining asset is to remedy the broken operational model by:

- 1) Exploring the opportunity to partner with Kent County to assume management of golf operations.
- 2) Outsourcing the golf operations to a private operator who assumes capital responsibility, insures the benefit of any profits that may be garnered in exchange for a rental fee as a percentage of gross income generated.

This recommendation was reached by thoroughly examination of the five key questions posed in the Request for Proposal.

Key Question/Objective	Key Recommendation
<p>1. Assess how the golf course can operate in a more efficient manner.</p>	<p>City’s payroll structure with fringe benefits approaching 48% of base pay precludes the successful financial operation of the golf course.</p> <p>Further, the Cemetery division charges the golf course upwards of a \$90,000 rental fee. This charge is unsustainable and in our opinion, unsupported.</p>
<p>2. Determine if the operations of the golf course are being managed appropriately as they apply to staffing costs, equipment costs, supply cost and concessions management.</p>	<p>The golf course is not being managed appropriately regarding the use of use of technology, managing equipment and carts, marketing and promoting, and managing the maintenance of the golf course. A schism exists between course management and senior leadership. The lines of communication are definitely broken.</p>

Key Question/Objective	Key Recommendation
<p>3. Ascertain if the pricing of the golf course is appropriate for the value received and should the city market a season pass.</p>	<p>The price of the golf course is appropriate for the level of experience provided. However, 70% of the rounds played are nine (9) hole rounds, which generate a low yield per round.</p> <p>Thus, selling season passes, season pass will only further dilute the low revenue per round realized and is not recommended.</p>
<p>4. Assess the level of customer satisfaction with existing players and evaluate ways to draw new players to the golf course.</p>	<p>The level of customer satisfaction is acceptable for the price and value received by the players.</p> <p>While the loyalty of the patrons was significantly below national averages, only one course in the Indian Trails competitive set, L. E. Kaufman, had a superior ranking. This bodes well.</p>
<p>5. Determine what improvements could be made to the golf course that could enhance play, revenues and support a more sustainable operation.</p>	<p>With a judicious investment the city has several viable options that would restore the course as a valuable recreational amenity that is fiscally self sustaining. These options include:</p> <ol style="list-style-type: none"> 1. Buying additional land and lengthening the course. 2. Investing in the infrastructure to resolve deferred issues including irrigation, tree mitigation and bridge repair. These property issues have liability potential for patrons from personal injury claims. 3. Converting the short 18 course to a more competitive 9-hole facility with a driving range, teaching facility, and miniature golf to possibly attract a broader base of interest.

While selling the golf course would produce the highest return on investment, that option is not viable politically and would require a vote from the citizens before enacted. In the survey we conducted and as an integral part of this review, there was less than 2% support for this idea amongst the citizens.

Therefore, from the alternatives available, we believe option 3 to convert the facility to a 9-hole golf course with a driving range will produce the greatest return on investment. Since fully scrutinizing this idea is beyond the scope of this operational review, we advocate that a master plan be developed at a cost of \$15,000.

A possible new routing for the golf course is shown in the configuration below:



Our preliminary research indicates that an investment of \$500,000 from Transformation Funds, based on the architectural review we conducted, will produce supplemental net income of \$75,000 annually. Thus, the long-term debt could be paid off in less than 7 years. Our belief is rooted in the following facts:

- 1) Strong local demographics. The demand for golf within 10 miles of the Indian Trails golf course exceeds course availability.
- 2) The course location is superior on a major highway with heavy commercial and residential traffic.
- 3) Elimination of acres maintained will reduced maintenance costs.
- 4) Current clubhouse facilities are appropriate for the refined scope of operations.

1.3 THE BENEFITS TO BE DERIVED

The Indian Trails Golf Course is a valuable City asset dating back to 1928. It is located in a neighborhood ideally suited for the type of golf experience it provides.

By exploring the possibility of having the course professionally managed in partnership with Kent County, many benefits emerge:

Benefits to City of Grand Rapids	Benefits to Kent County
Retain Ownership	Diverse Recreational Amenity
Lower Labor Cost	Lower Labor Cost
Improve Management	Year Round Management with improved work force stability
Greater Visibility	Greater Marketing opportunities with an 18 hole, 9 hole, and two driving ranges in different sections of town
Equipment and Fertilizer economies of Scale	Economies of Scale – Agronomy
Intergovernmental Cooperation	Intergovernmental Cooperation

Kent County’s L.E. Kaufman Golf course is profitable with gross revenue of \$701,146 generating net income of 53,210 for the year ending December 31, 2011. These numbers are impressive considering Kaufman does not have a Class C Liquor License nor offer evenings leagues. The addition of these items would boost their revenue by \$250,000 and increase profits significantly. Regardless, Kent County is an efficient operator with payroll fringe benefits at only 26.5% of salaries and wages contrasted to 48.2% for the City of Grand Rapids.

With the City of Grand Rapids and Kent County jointly marketing the diverse recreational opportunities available, both entities will benefit.

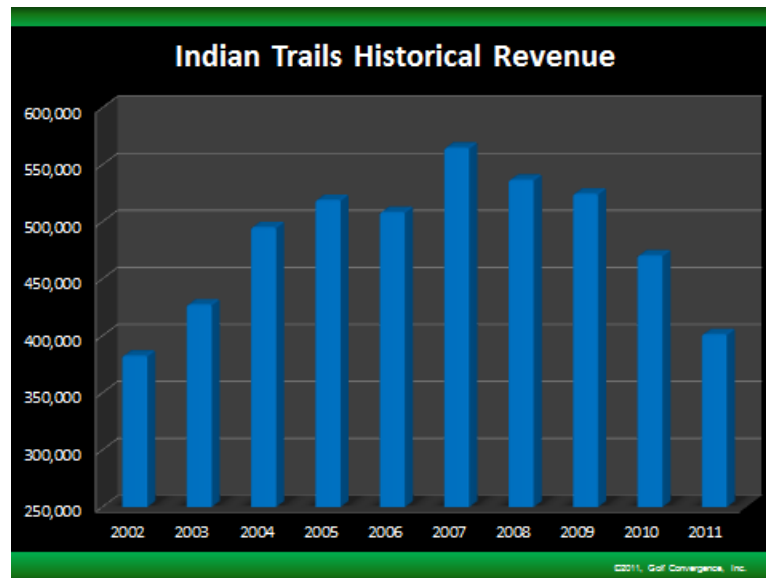
We therefore, recommend transferring the golf operations to Kent County be explored concurrent with the investment of the requisite capital to revitalize a prized City asset.

CHAPTER TWO - STRATEGIC PLAN

2.1 WHY ARE WE HERE?

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 be made 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 deterioration of the financial condition was evident as noted below:



Revenue is slightly falling while expenses are accelerating. Thus, from the operating losses being generated, financial support from the City's General Fund will be required. That option is economically and politically unacceptable.

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 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 environment of the economy, that proposition is not popular, especially considering the demographical statistics of a golfer tend to be older with greater discretionary financial resources.

Category	Indicator	Amount
Market Supply	Undersupplied	8.6%
Weather	Increase in playable days	3.1%
Rounds	Decrease in Rounds over Past 5 years	27.2%
Value	Price > Experience	38.9%

©2012 Golf Convergence, Inc.

What crystallized the need to craft a clear vision for the Indian Trails golf course was its financial performance during the past 5 years while considering a favorable market supply and positive weather contrasted with a precipitous slide in number of rounds played. The value proposition has fallen 38.9% during this period of time.

Thus, the role of this project was to determine if and how the Indian Trails Golf Course could become a self-sustaining asset.

2.2 CREATING A VIABLE SELF-SUSTAINING ASSET

The goal of this Operational Assessment and Business Plan Development is to define the golf course's future direction.

This Business Plan will map out a defined strategic vision the City of Grand Rapids should seek to achieve, and a precise path to implement the recommendations contained herein that are consistent with the City's value system.

This Plan will also provide direction on how to maximize revenue, increase operational efficiency and enhance customer service.



2.3 CORE – ESSENTIAL - DISCRETIONARY SERVICES

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

Indian Trails Golf Course is 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 Golf Division is governed by the City of Grand Rapids Public Services Department. Though designed to operate as a private business, the Golf Division's operating flexibility is restricted.

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

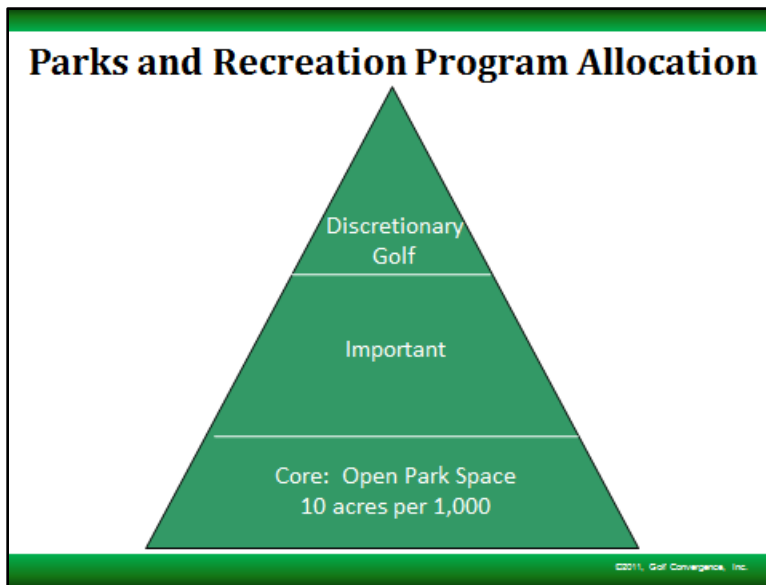
Further, it is a concern noted that the Golf Division is operating with an inverted organizational structure in which the Director of Golf is operating within a clearly burdensome bureaucratic process and in some cases, subject to arcane rules.

To illustrate, as part of this engagement, we requested a typographical map of the golf course. The Engineering Division declined to provide information unless their Division was reimbursed for the service. Second, the Golf Manager has to have a check drawn weekly for food and beverage supplies because the vendor has the golf course as a collect on delivery account – not credit extended.

As a consequence, the initial quandary we faced in undertaking the research was to evaluate whether the underperformance of the Golf Enterprise Fund is a function of the burdensome bureaucratic process, or the ineffectiveness of the current leadership within the Golf Division.

The Department needs to understand and have a clear philosophy on how it manages specific services they offer. This process has not been determined for Grand Rapids Parks and Recreation. It needs to apply to all levels of services.

Park 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, includes park maintenance, security, administration and essential park 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, individual instructional classes and lessons listed as examples of Value Added/Discretionary services.

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

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

2.4 WHAT IS A STRATEGIC PLAN?

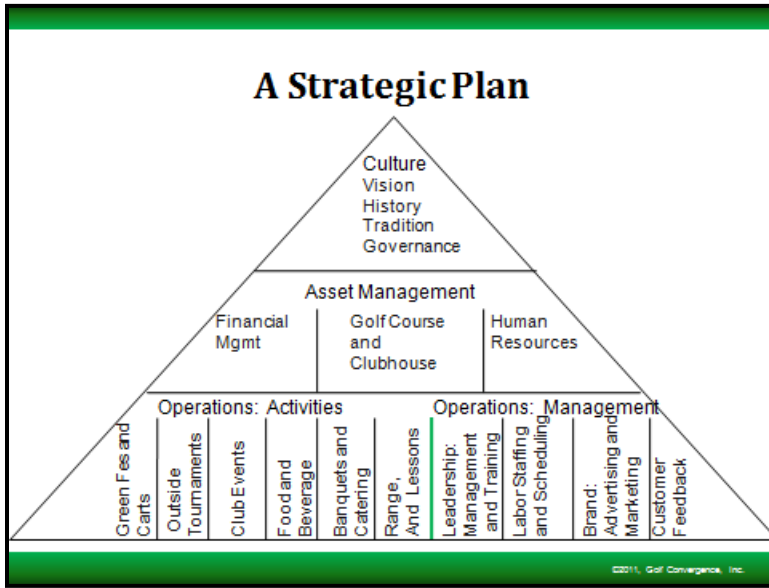
A strategic plan is a written document that defines the golf course's future direction. It is a beacon with which elected officials, Parks and Recreation Department management, the Golf Enterprise Fund, staff, golfers, and the taxpayers can see the value proposition for the enterprise. A strategic plan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

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 all golf courses share: there's 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.



This study for the City of Grand Rapids was developed through the cooperative efforts of the Public Works Division, Golf Course management, and more than 400 Indian Trails Golf Course users whose input was solicited via a comprehensive electronic survey. Thus, the strategic plan was created utilizing this framework:

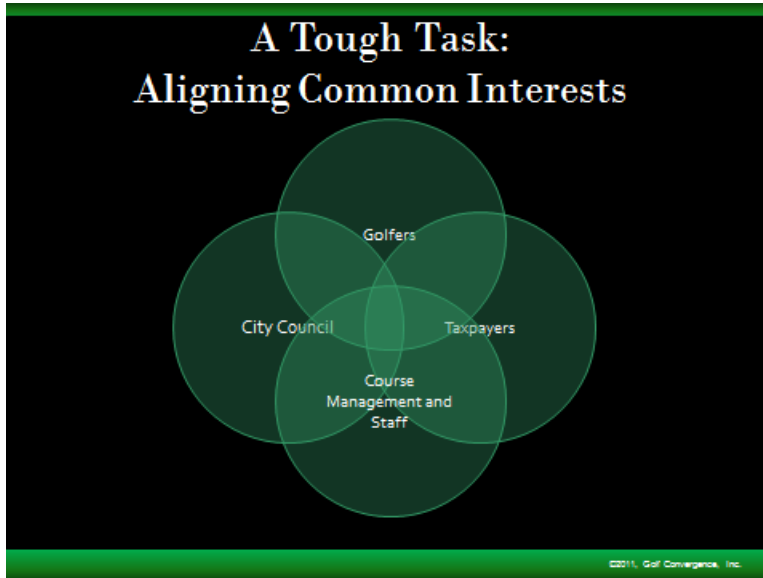
Step	Function	Description	Knowledge Gained
1	Strategic	Geographic Local Market Analysis	Is there sufficient demand with appropriate demographics to meet the available supply? Are the age, income, ethnicity, and population density sufficient to sustain a golf course?
2		Weather Impact Analysis	What impact 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 fifteen 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 Commission, Course Management and Staff, Golfers, and Taxpayers. The conflict of these questions is noted below:

- City Commission wants a self-supporting golf course that services 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 the golfers, and be recognized and rewarded for their hard work to achieve everyone’s expectations
- Golfers want great course conditions and good customer service for a fair price
- Taxpayers do not want to subsidize golfers at their expense

With various entities and their contributions, melding them together for a positive outcome is paramount in this strategic plan.



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

2.5 SERVICE-LEVEL TARGET

In crafting a strategic plan, the selection of the vision and mission of the golf course is determined by many factors, including financial assets, personnel resources, and the market demand for a specific product. It is important to understand what the possible financial goal for a municipal course is.

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 Performance Track
©2011, Golf Convergence, Inc.



Indian Trails Golf Course

Based on the financial performance of other municipal golf courses, Indian Trails is in the bottom quintile.

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

Why is this relevant for the City of Grand Rapids?

The resources invested determine the experience created. The experience delivered defines the price that can be charged. The price charged ultimately determines the investment return.

Customers are value conscious. To the extent the experience equals or exceeds the price, customer loyalty is created. Conversely, if the price charged exceeds the experience, customer attrition results.

The customer attrition that is occurring at Indian Trails is simple a function of the price charged exceeds the experience. Unfortunately, due to the inherent cost structure in operating the golf course, it is caught in a death spiral that without investment is unlikely to reverse.

CHAPTER THREE - GLOBAL PERSPECTIVES

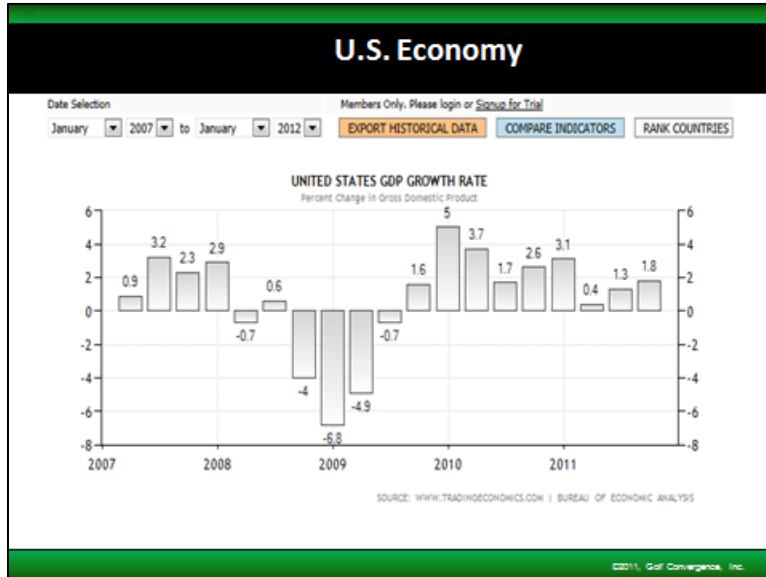
3.1 THE CURRENT ECONOMIC OUTLOOK

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

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

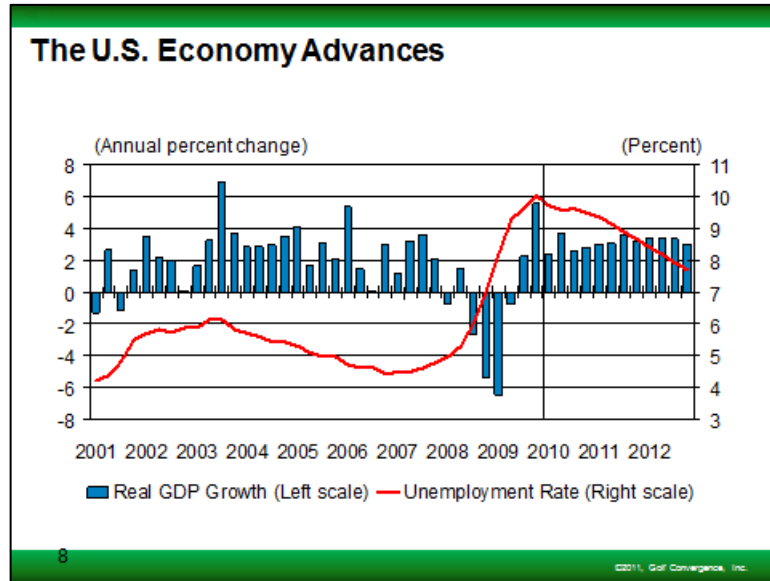
The speaker, Chris Holling, Vice President of IHS Global Insight, presented the case that the U.S. economy was at a crossroads. Negative factors included high unemployment, reduced asset values, tight credit, and high debt burdens. Countering those factors are real income growth, low inflation, low interest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

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

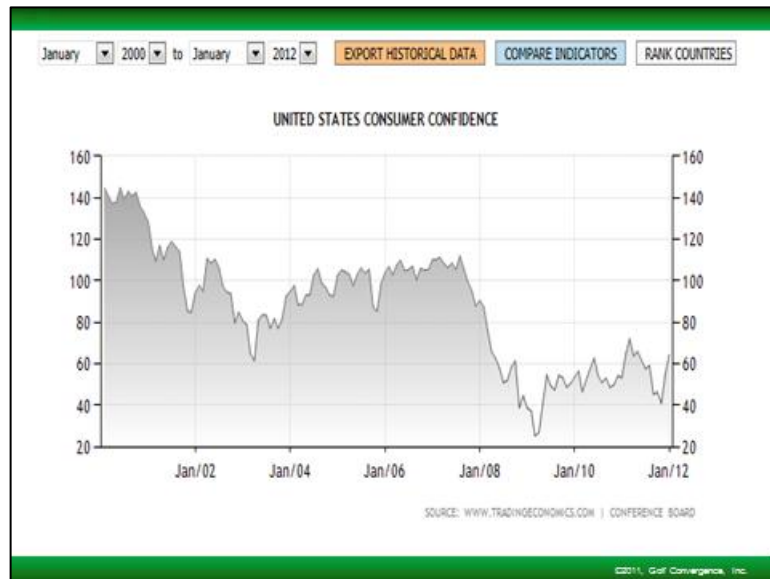


¹ IHS Global Insight, “Economic and Capital Markets and Homes and Overseas,” April 29, 2010, Slide 4

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 US consumer confidence index statistics 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 April 2011.

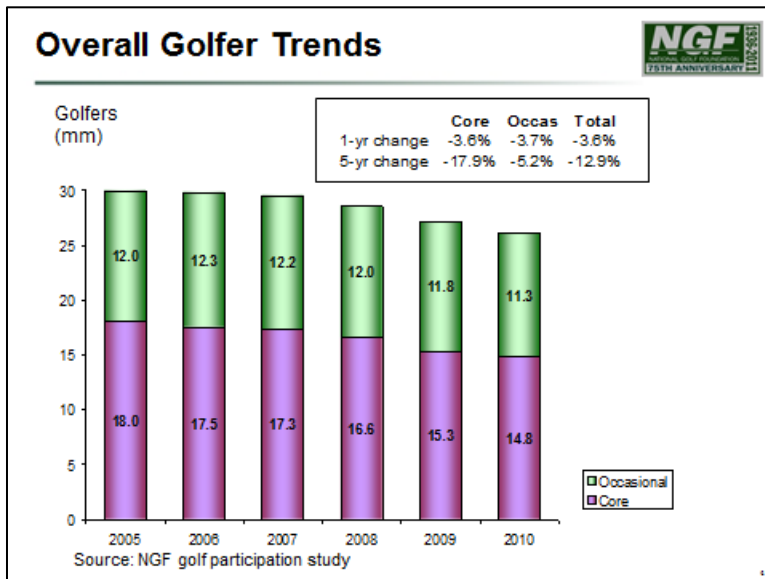
Looking ahead, consumers are more optimistic that business conditions, employment prospects, and their financial situations will continue to get better. While consumers are ending the year in a somewhat more upbeat mood, it is too soon to tell if this is a rebound from earlier declines or a sustainable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

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

3.2 WHAT ARE THE IMPLICATIONS FOR GOLF?

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.

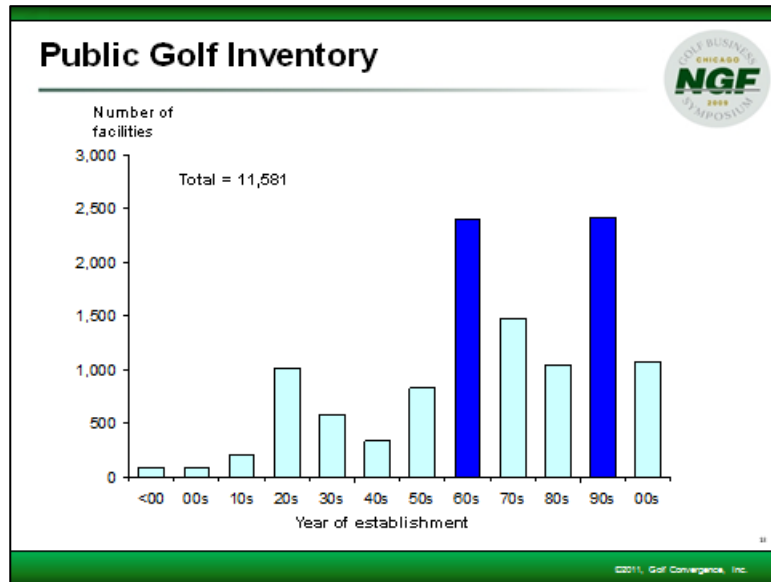
Those conclusions are reached based on overall golfer trends, as reflected below:



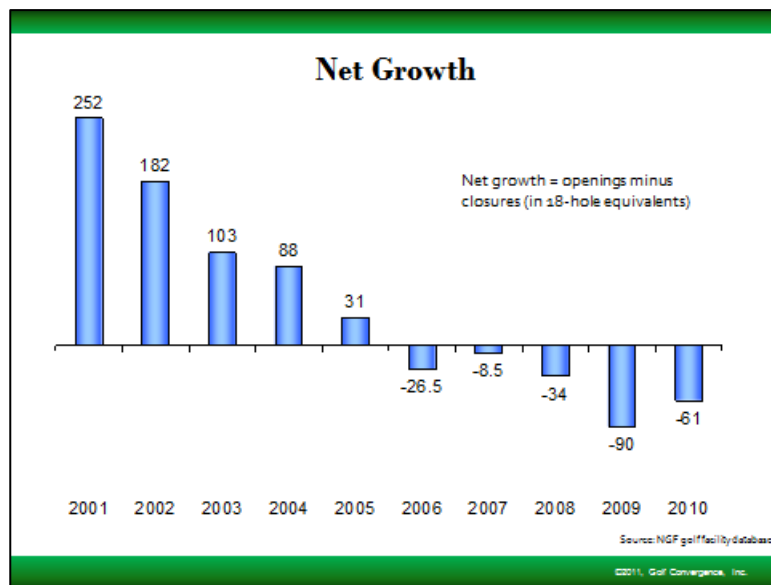
The net decrease of 1.5 million golfers from 2009 to 2010 included 5.2 million golfers who left the game; their numbers were not offset by the 1.7 million beginners and the 2.0 million former golfers who returned to the sport.

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 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 Grand Rapids the opportunity to grow based on a surge in demand or a dramatic restriction of supply.

The National Golf Foundation in 2009 published an extensive study on “The Future of Public Golf in America,”² which cited that 15% of the golf courses rated their financial health as extremely poor. Of those golf courses, 56% of daily fee golf courses were considering closing and selling, and 26% of municipal golf courses were evaluating the same alternatives. Uniformly, with rounds and revenue off, losses increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were employed to boost rounds. Grand Rapids Parks and Recreation has experienced the same situations.

As a result, the NGF concluded that from 500 to 1,000 golf courses will close or be sold during the next five years. The golf courses most at risk³ were:

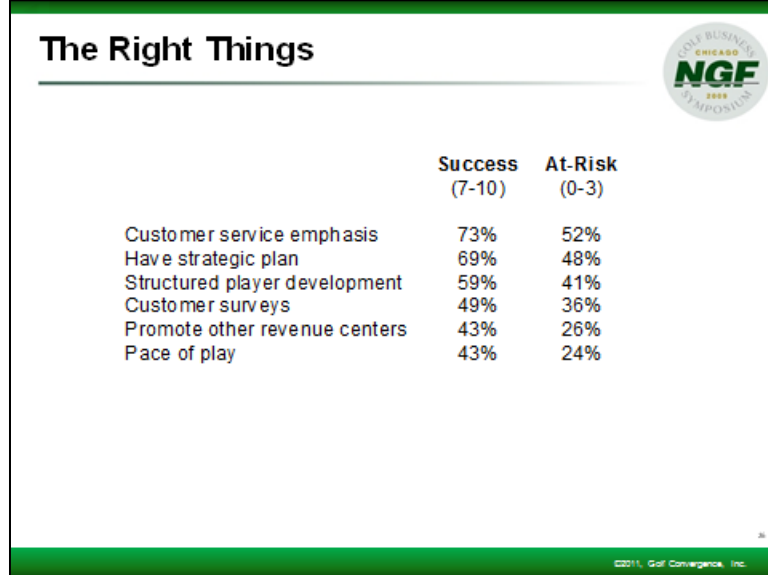
- Facilities with lower price points
- Alternative facilities
- Facilities in less-populated areas

While the lower price point of Indian Trails is a concern, the location in a major metropolitan area mitigates the risk.

² National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slides 1 -43.

³ National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slide 21.

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:⁴



	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%

©2011, 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 Grand Rapids Parks and Recreation does engage in such activities, the use of these tools could be significantly expanded. Fortunately, as discussed in detail in Step 3 of this report, Information Systems Technology is in place, so these deficiencies are correctable presuming the staff is properly trained in the most effective use of the software.

3.3 THE BUSINESS OF GOLF

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

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).

⁴ National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slide 26.

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

An understanding of macroeconomics as they relates to supply and demand and the underlying performance, structure, and behavior of the golf industry create 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.

3.4 A CLOSER LOOK AT ACTUAL DEMAND: WHO IS THE CUSTOMER?

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

In order to compute the number of golfers and the number of rounds, we first need to define “golfer.” The National Golf Foundation defines a “golfer” as an individual, age 6 or older, who played at least one round in the past year. “Core golfers” are defined as those adults 18 or older who play between eight and 24 rounds per year. The term “avid golfer” is used for those golfers who play more than 24 rounds per year. Other industry research groups use 12 years or older as the benchmark for

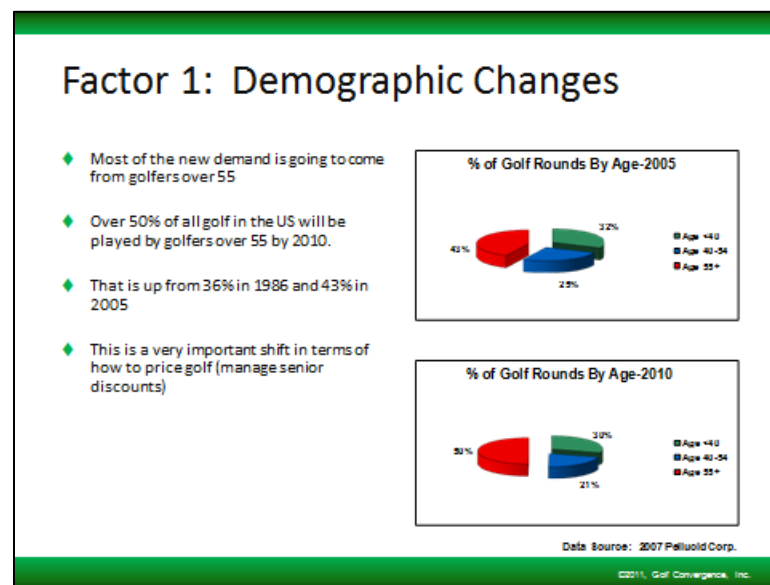
what constitutes a golfer. Again, the golf industry's methods of gathering statistics are not standardized.

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

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

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

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



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

Factor 2: Golf is Expensive

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

Data Source: 2007 Palladium Corp.
©2011, Golf Convergence, Inc.

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

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

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

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

While the demand/supply imbalance bodes poorly for golf, such imbalance masks a more subtle and pervading problem that is retarding the growth of the game. That problem is the significant change in the demographics of how our society functions in the United States. Sociologists track seven major categories to determine the

nature of a society, some of which are technology (i.e., medicine, computers), social trends (reduced social conformity), and demographics (i.e. baby boomers and Gen X).

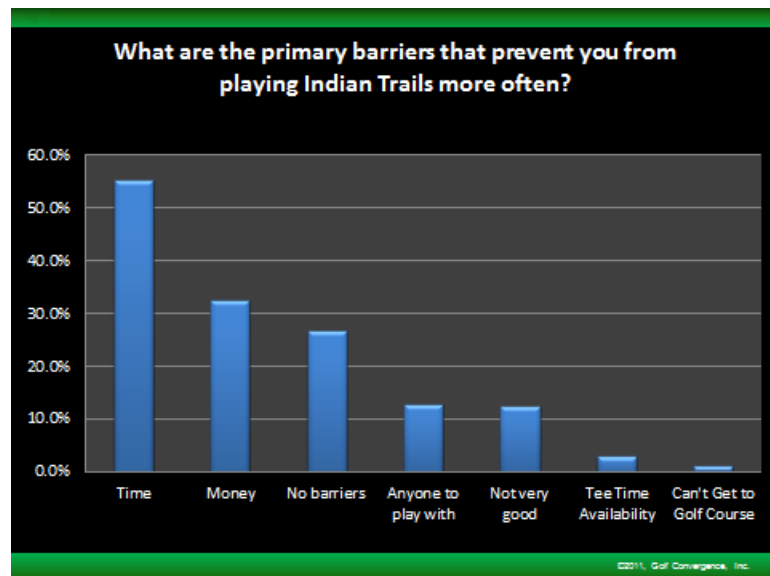
Within the seven categories, when three or more become altered significantly, society changes. That is what has occurred during the past seven years. Labeled the “time crunch,” societal changes include the following:

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.

© 2011, Golf Convergence, Inc.

The time crunch, in which 50% of all families are divorced and 80% of existing families have dual wage earners, has completely redefined the concept of leisure. In a survey conducted for the City of Grand Rapids, we asked, "What are the primary barriers to playing golf?" The survey results are outlined below:



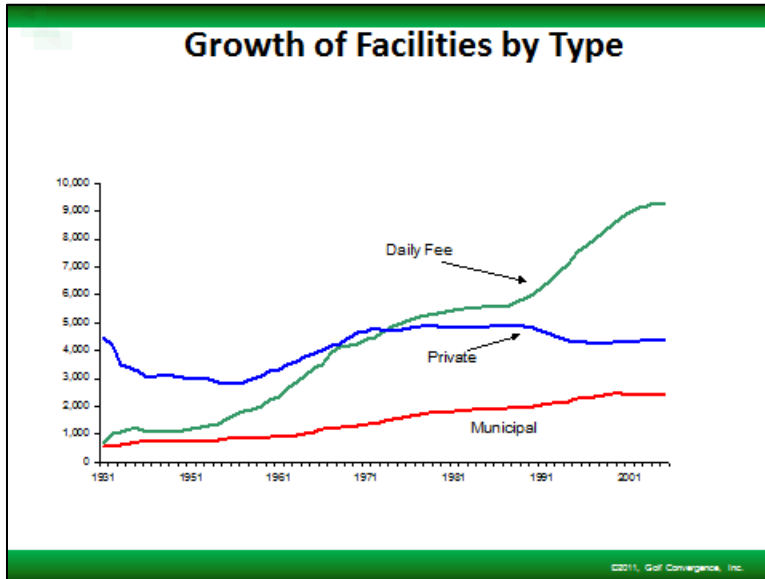
The survey results for City of Grand Rapids are not encouraging. Those who might like to play more find time the constraint. The survey for the City of Grand Rapids also confirmed that the individuals who utilize the golf courses mirror the national demographic trends regarding age and household income.

The factors of golf's lessening popularity and changes within our societal framework have created the downward environment that the City of Grand Rapids' golf course is experiencing.

3.5 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 Grand Rapids for golf as a recreational sport.

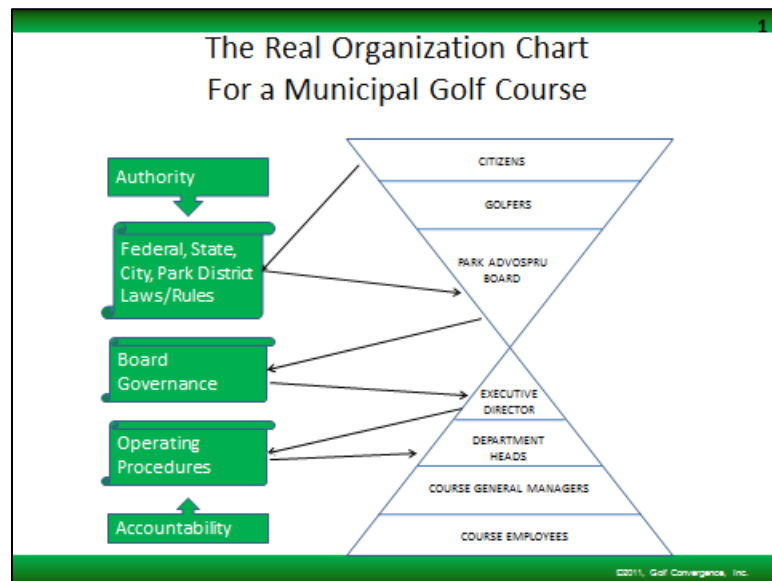
3.6 THE ORGANIZATIONAL CHART OF MUNICIPAL GOLF

Municipal golf courses serve various constituencies, including: City of Grand Rapids 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 Grand Rapids. 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 Grand Rapids, this much is clear— if the Public Works Department is to provide golf, they must do so in a way that ensures that the golf courses are financially self-sustaining and free from general fund support.

There are two beacons of hope 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 a stasis:



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.

©2011, Golf Convergence, Inc.

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, forty-three percent 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.

Grand Rapids facing the same challenges with respect to labor costs. Therefore, the recommendation to seek a governmental alliance to achieve economies of scale or a third party to manage Indian Trails is consistent with industry trends.

CHAPTER FOUR - THE CITY OF GRAND RAPIDS

Grand Rapids is the county seat of Kent County, the second largest city in Michigan, and the 115th largest in the United States. It is located approximately 30 miles east of Lake Michigan and 65 miles west of Lansing, the State Capital. The City was incorporated on April 2, 1850.



The population is 188,040 based on the 2010 census. In the Grand Rapids metropolitan area, the population soars to 1,321,557.

Known as the "Furniture City," the community is economically diverse. Grand Rapids has long been a center for furniture, automobile, and aviation manufacturing; American Seating, Steelcase, Haworth and Herman Miller, major manufacturers of office furniture, are based in the Grand Rapids area. Grand Rapids is also home to a number of well-known companies that include Amway, Highlight Industries, Spartan Stores, Meijer and GE Aviation.

In 2010 Grand Rapids was named the "most sustainable midsize city in the U.S." by the U.S. Chamber of Commerce Civic Leadership Center and Siemens Corp.

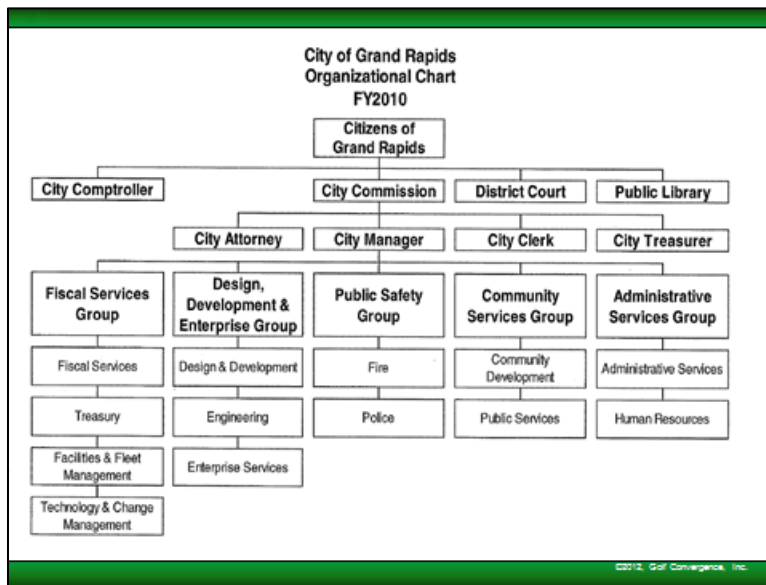
The Commission-Manager form of government was adopted by Grand Rapids voters in 1916. Since then, the political leadership of elected officials has been effectively combined with the managerial experience of a City Manager. Because the City Commission is a legislative body, its members are the community's policy-makers. The Manager is hired by the Commission to serve as the City's chief administrator.

The City of Grand Rapids provides its citizens with a full range of services including police, fire, inspection, economic development, street lighting, street maintenance, refuse collection, parks and recreation, and libraries. In addition, the City operates a water and sewer system that provides retail service to some 75,000 customers in the City of Grand Rapids and suburban communities, as well as wholesale service to other communities that operate their own municipal water and sewer systems.

The City's Traffic Safety Department is responsible for the maintenance of traffic signals throughout Kent and eastern Ottawa Counties. The Auto Parking System maintains over 7,500 off-street parking spaces.

Approximately one-half of the City's governmental revenues are derived from local property taxes and the City income tax.

The organization chart of the City of Grand Rapids is shown below:



The City is outperforming the nation in many areas as reflected in the June 30, 2010 Consolidated Financial Accounting Report which states;

“This is truly the best of times for our community and the worst of times for its government.

The rise of downtown Grand Rapids as a regional entertainment destination has brought an urban vitality that has been missing since the rise of the suburban shopping malls and the migration of jobs to the suburbs. Over the past decade, in areas near downtown, blight has radically decreased; vacant and underutilized structures have been replaced or repurposed into housing, offices and entertainment venues; and streetscapes have noticeably improved.

Shifting attention to the government's financial statements, a different picture emerges. The lingering effects of the international financial meltdown in 2008 are having a continuing negative impact on the City's finances.

The City of Grand Rapids has three intangibles that suggest the current problems are likely to be temporary.

Importantly, the local economy is highly diversified. The ten largest taxpayers in the City of Grand Rapids represent several industries and collectively account for less than ten percent of the total taxable property within the city. The City is not dependent on any particular industry reviving



to trigger future growth. Second, private companies are key components of the local economy. As a consequence, local business leaders look not at the next quarter, but at the next generation. Over twenty years ago, a group of local leaders laid the groundwork for the transformation and revitalization of downtown. Last, the community combines a strong work ethic with fiscal conservatism which should help new enterprises survive the typically rocky first few years.”⁵

At June 30, 2010, total assets of the City of Grand Rapids were over \$1.4 billion with net assets exceeding liability by nearly \$827 million. The unrestricted portion which may be used to meet the City’s ongoing obligations to citizens and creditors exceeds \$125 million.

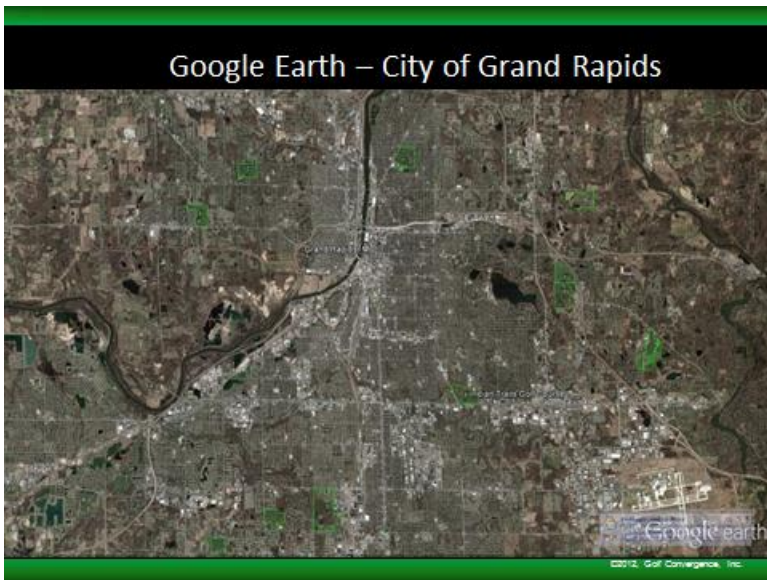
The City’s income statement reflects gross revenues of \$287 million as noted below, and amazingly, the City’s net decrease in assets (net loss) was only \$57,549 for the fiscal year ending June 30, 2010:

Revenue		
Program Revenues:		
	Charges for services	135,341,256
	Operating grants and contributions	15,886,419
	Capital grants and contributions	2,602,288
General Revenues:		
	Property Taxes	38,551,862
	Income Taxes	52,656,179
	State shared taxes	32,731,782
	Unrestricted investment earnings	4,110,040
	Miscellaneous	4,052,991
	Gain on sale of assets	1,759,429
Total Revenue		287,692,246

⁵ City of Grand Rapids Consolidated Financial Accounting Report, June 30, 2010, page 4.

While the City is in sound condition, the Parks and Recreation Department is financially having a major adverse impact. The Parks and Recreation Department generated \$2.668 million in revenues but incurred expenses of \$6.923 million for the fiscal year ending June 30, 2010.

The Parks and Recreation Master Plan indicates that the City manages 1,209 acres in 71 city-owned park sites; and 350 acres in 48 park-school sites.



The City of Grand Rapids Parks and Recreation Master Plan States,

“Parks, public spaces and recreation programs are critical core city services and need to be prioritized as such. Unfortunately, the Parks and Recreation Department has experienced drastic cuts in the past eight years. Park maintenance budgets have shrunk by 40% since 2002. 2010 staffing levels are down 68% compared to 2002.”

Since 2002, the Parks and Recreation Department’s spending per resident per year fell from \$38 to an estimated \$23 (This figure does not include the 21st Century Learning Centers grant for after school programming.) During this same period, spending on park infrastructure has been minimal. The consequences of further delays means there will be more extensive and costly improvements in the future. This amount of spending does not allow adequate funding to maintain the existing level of service, much less provide a sustainable high quality system of parks and recreation services necessary for our community to grow and prosper. This downward trend needs to be reversed.”⁶

Hence, the great concern about this division and the golf course becoming more self-sustaining.

⁶ City of Grand Rapids 2010 Parks and Recreation Master Plan, January 5, 2012, pg 1 -1

CHAPTER FIVE - STRATEGIC, TACTICAL AND OPERATIONAL ANALYSIS

5.1 THE GEOGRAPHIC LOCAL MARKET ANALYSIS

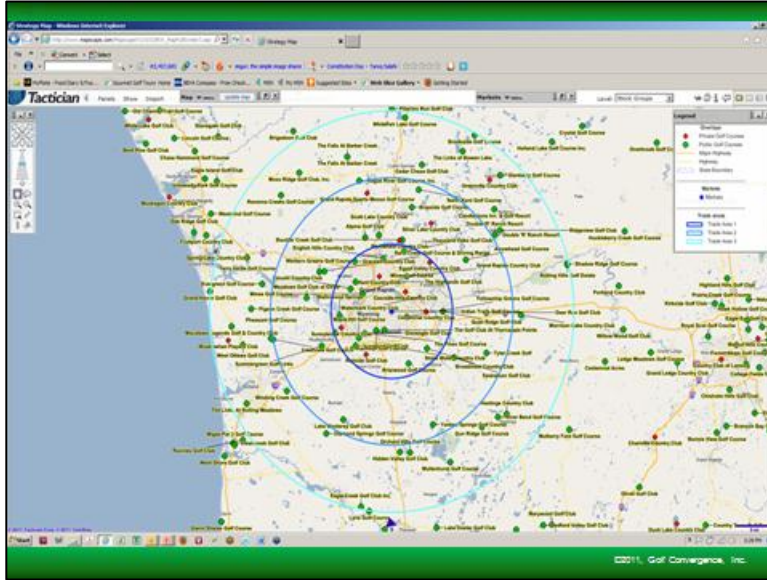
For this business plan, we conducted intensive research of the demographic trends, the local golfer base, supply levels, current supply/demand balance, and the impact of historical supply dilution. This analysis is undertaken because, in conducting strategic analysis for over 200 golf courses, certain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



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

Consequently, in determining the competitive forces surrounding the Parks and Recreation facilities, golf courses that are located within a 10/20/30-minute drive from the City of Grand Rapids were evaluated.

The competitive map outlines the golf courses within 10 miles of Indian Trails Golf Course. This includes golfers’ age, income, ethnicity and population within 10 miles of the golf course. These are predictors for 95% of all golf courses. Only resorts escape precise classification based on these factors.



5.1.1 SUPPLY FACTORS – POSITIVE

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

Presented below is a summary of the supply factors found near the Indian Trails Golf Course:

Supply Mix					
Category	10 Mile	20 Mile	30 Mile	Michigan	US
Private/Public Mix	27%	21%	15%	15%	27%
Premium/Value Mix %	10%	7%	5%	18%	25%
Premium >\$71	3%	2%	2%	8%	11%
Value \$40-\$70	47%	35%	30%	31%	33%
Price <\$40	47%	62%	68%	69%	56%

Source: Longitudes Group
©2012, Golf Convergence, Inc.



Indian Trails Golf Course

This chart reflects the market for golf in Grand Rapids has a dearth of high-end daily fee courses comparable to the State and the Nation, and that the market for courses under \$40 is also undersupplied.

These tendencies will be examined in further depth, and contrary to a widely held but incorrect perception, the market within 10 miles of the Indian Trails golf course is UNDERSUPPLIED as noted below:

Supply					
Supply	10 Miles	20 Miles	30 Miles	Michigan	United States
Total Facilities	26	47	78	825	15,869
If Market In Balance	43	61	87	885	14,882
Golfers Per Facility	2,392	1,906	1,633	1,568	1,659
Public Facilities	19	37	66	700	11,603
If Market In Balance	30	44	62	630	10,594
Golfers Per Facility	3,273	2,421	1,930	1,848	2,269
Private Facilities	7	10	12	125	4,266
If Market In Balance	12	18	25	255	4,289
Golfers Per Facility	8,883	8,956	10,615	10,350	6,170

©2012 Golf Convergence, Inc.

The avid golf intensity index is more than 50% higher within the 10 mile radius of the golf course than the state of Michigan and the United States. This is excellent for building golfer loyalty at Indian Trails Golf Course.

5.1.2 POPULATION DEMOGRAPHICS – INCOME AND ETHNICITY ARE POSITIVE, AGE NEUTRAL

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

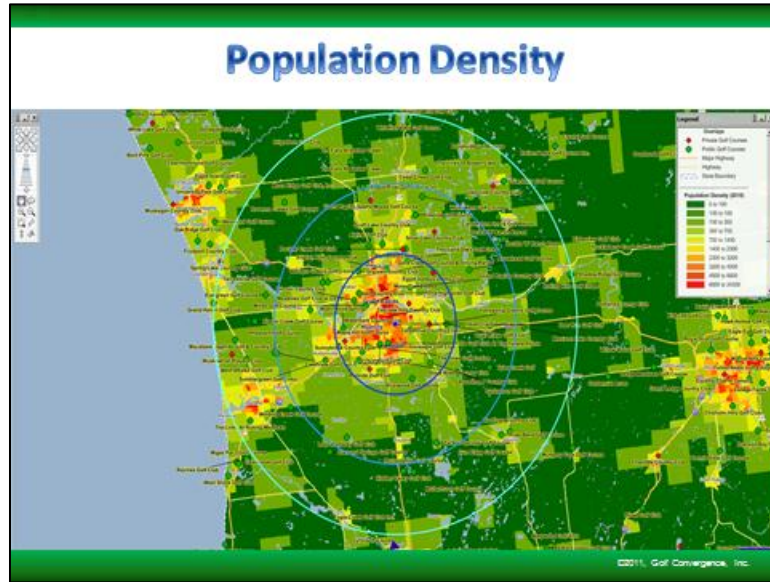
Category	10 Mile	20 Mile	30 Mile	Michigan	US
Golf Participation	12.43%	12.25%	12.45%	13.01%	8.57%
Avid Household Index	152	120	110	106	100
Age (Index)	94	94	94	103	100
Income (Median)	95	102	101	96	100
Ethnicity Index	107	114	115	107	100

Source: Longitudes Group
©2012, Golf Convergence, Inc.

The chart reflects that golfer demographics are very favorable in the City of Grand Rapids. While the age is 6% younger and median income 5% less than the general population, the participation of the population that plays golf is significantly higher than national averages.

The younger age and lower income is a perfect mix for the Indian Trails Golf Course that is oriented to serve the new entrant and less accomplished golfer.

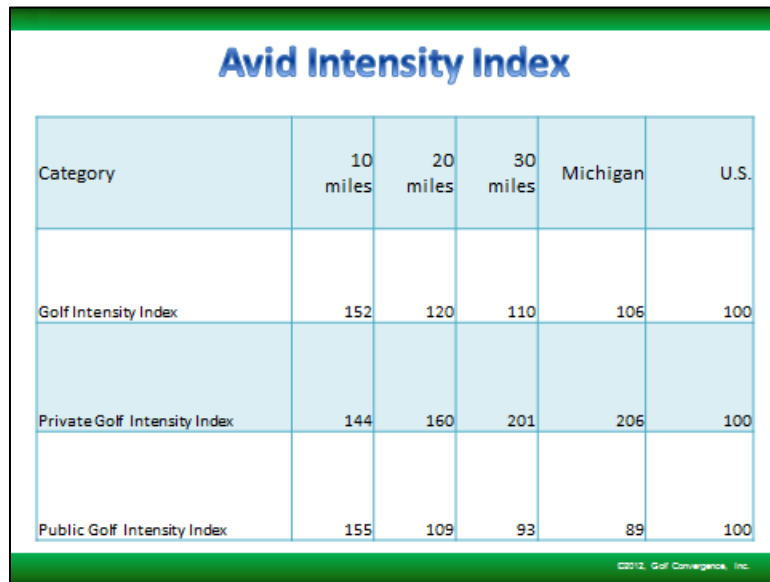
What really accounts well for the City of Grand Rapid’s Indian Trails Golf Course is the population density highlighted below:



The population is sufficient to financially sustain the golf course.

5.1.3 BALANCING SUPPLY AND DEMAND: AVID INTENSITY INDEX

The net result is that when calculating the supply of golf courses in the Grand Rapids area measured against the demand for golf, is a golf intensity index. For the City of Grand Rapids, the general golfer intensity is shown in the chart below:



Category	10 miles	20 miles	30 miles	Michigan	U.S.
Golf Intensity Index	152	120	110	106	100
Private Golf Intensity Index	144	160	201	206	100
Public Golf Intensity Index	155	109	93	89	100

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

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

5.2 WEATHER IMPACT STUDY

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

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.

5.2.1 ANNUAL GOLF PLAYABLE DAYS

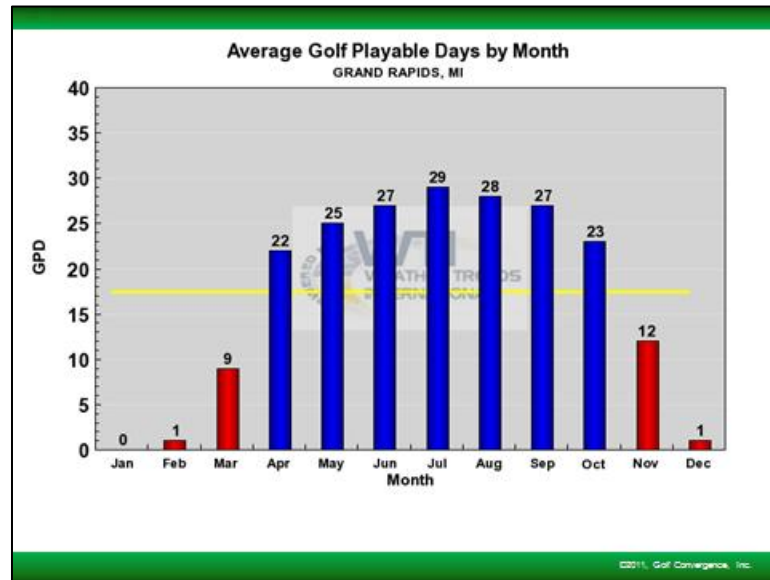
The amount of playable days at Indian Trails was excellent in years 2009 and 2010 and exceeded the 180 day level by 17 and 18 days each year. 2011 also slightly exceeded the 10 year historical average:



Therefore, revenue should have increased in 2009 – 2011 over prior years if the facility was appropriately managed.

5.2.2 VIABLE OPERATING SEASON

A second analysis of weather playable days determines what is the appropriate operating season. The chart below reflects the operating schedule from the 1st week of April to the 2nd week of November is appropriate for the Indian Trails Golf Course:

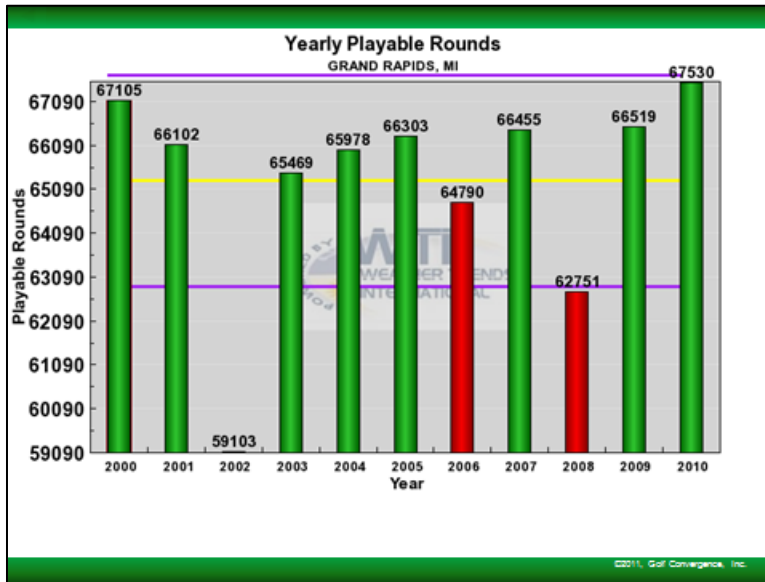


5.2.3 YEARLY PLAYABLE ROUNDS

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

The capacity of Indian Trails annual rounds played is 65,500. Unfortunately, since 2002, the course has average 22,878 rounds. Accordingly, the golf course is operating at 34.9% capacity in contrast to a national average for golf courses of 52.1%

The chart highlighting the course’s capacity is below:



5.2.4 PLAYABLE DAYS ANALYSIS

The purpose of analyzing the annual playable days, determining if the course’s operating schedule is consistent with the seasonal forecast, and measuring utilization against capacity is to determine if management is under or over-performing against the weather.

Presented below is an analysis of Indian Trail’s revenue compared to the number of playable days from 2002 through the completion of the fieldwork for this project on October 31, 2010:

Weather: Playable Days Analysis									
Indian Trails Calendar Year Revenue Totals 2002-2011						Playable Days			
Year	Concessions	Pro-shop	Carts	Greens Fees	Totals			Rounds	Yield Per Round
2002	\$ 20,201	\$ 11,465	\$ 92,442	\$ 258,520	\$ 382,628	168	\$ 2,279	21,000	\$18.22
2003	\$ 23,861	\$ 23,336	\$ 101,956	\$ 278,343	\$ 427,496	189	\$ 2,262	23,000	\$18.59
2004	\$ 28,417	\$ 35,035	\$ 70,150	\$ 361,688	\$ 495,290	193	\$ 2,566	24,500	\$20.22
2005	\$ 47,786	\$ 41,651	\$ 80,960	\$ 348,767	\$ 519,164	194	\$ 2,676	25,300	\$20.52
2006	\$ 60,877	\$ 45,985	\$ 88,867	\$ 312,760	\$ 508,489	197	\$ 2,581	24,500	\$20.75
2007	\$ 64,636	\$ 36,664	\$ 74,149	\$ 389,480	\$ 564,929	192	\$ 2,942	23,800	\$23.74
2008	\$ 61,628	\$ 44,063	\$ 69,370	\$ 342,783	\$ 536,806	180	\$ 2,982	22,800	\$23.54
2009	\$ 64,056	\$ 58,436	\$ 103,452	\$ 251,170	\$ 524,648	197	\$ 2,663	19,000	\$27.61
2010	\$ 64,749	\$ 44,272	\$ 65,338	\$ 289,371	\$ 470,510	198	\$ 2,376	22,000	\$21.39
2011	\$ 62,681	\$ 35,709	\$ 65,406	\$ 237,679	\$ 401,475			17,200	\$23.34

This analysis revealed in 2009 that while management outperformed the weather by \$14,009, it underperformed the weather in 2010 by \$42,846. In 2011, poor weather attributed to a loss of revenue of \$45,000. The golf course would have performed at the expected budget for green fees for the year.

The causes for this underperformance were examined as part of the tactical and operational review.

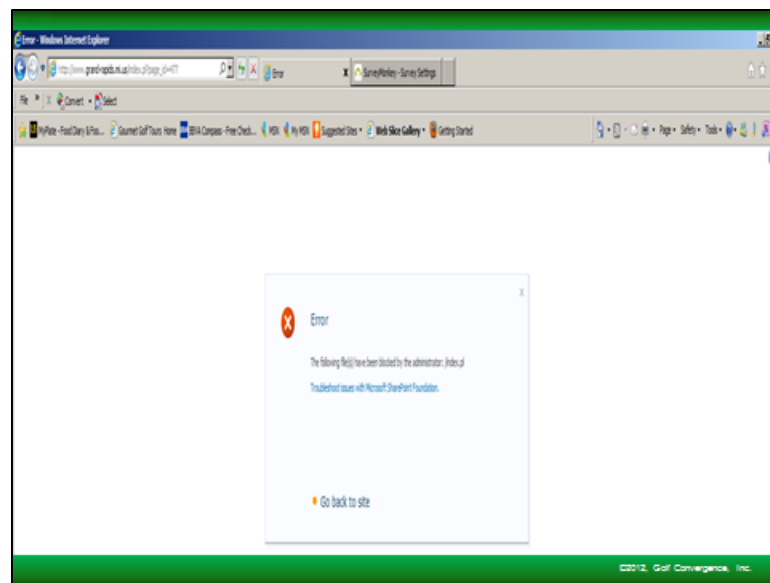
5.3 TECHNOLOGY REVIEW

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.

In 2008, Indian Trails installed Fore Reservations, a superior POS sale system and also recently activated an impressive website in which on-line booking was available to the patrons.

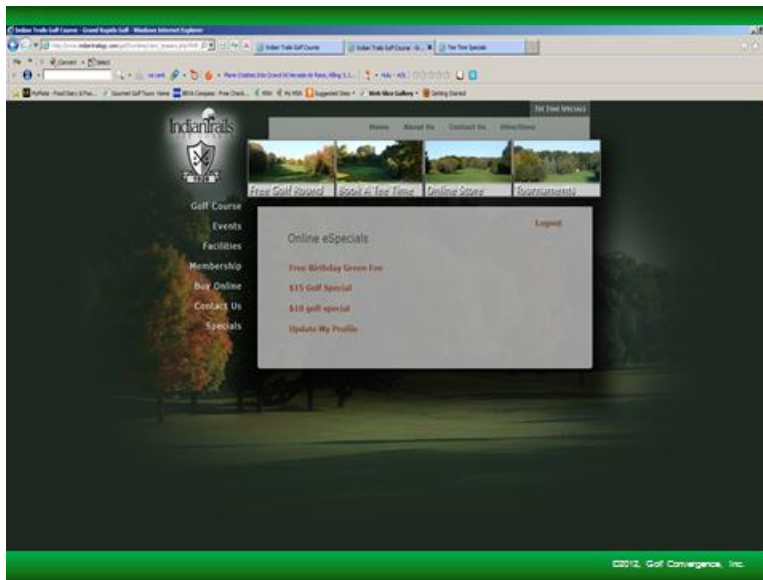
While the golf course has great technology resources, their proper use is woefully under used.

First, we noted broken links from the City's website connecting to the Indian Trails web site as highlighted below:



Further, if you use Google to locate the Indian Trails website, the title and meta tags are not properly constructed such that Indian Trails does not appear on the first page of results. Using Google to find the Indian Trails website is a challenge.

Beyond the technical challenges of the website, there is an over emphasis on discounting noted here:



One can note the emphasis on birthday specials, \$15 specials, \$10 specials, and discounts. This brand message creates a discount mentality in the mind of the consumer resulting in a lower average daily rate realized.

Beyond the challenges noted with the website, the Fore Reservation POS is not being properly utilized:

- Monthly financial reports are not prepared in accordance with generally accepted accounting principles for golf courses.
- Only 338 customer emails have been captured while using the system for the past 5 years. The typical golf course collects 2,000 in the first year of use and ultimately aggregates 4,000 active email addresses.
- When a customer calls the golf course, there is no information about future programming or events or how to connect with a representative. Instead, it directs inquiries to the City's website.
- The course does not know their customer base as it applies to gender, age, rounds played, how far users travel, frequency of rounds played, and how to communicate with them directly.

- No effective marketing programs are being conducted because the central database does not delineate between acquired, core, and defector golfers.
- The SKUs are used interchangeable by staff personnel and by season. To illustrate, because various SKUs have the same price associated, the clerk merely hits any key, i.e., 9 hole round, twilight, league, or other selection that represents the correct price but not necessarily the proper round category being purchased. As a result, no meaningful financial analysis of rounds, players, or other information was possible during this operational review. Below is an analysis of the inconsistency in data entry produces:

Data Extract – Unreliable Financial Records

Top 5 Revenue Categories: 2008 to 2011

	Rounds	Revenue	% of Gross Revenue	Yield Per Round
9 Walk Twilight	13,441	122,182	12.70%	9.09
One 9 Hole Volunteer/w/Cart	8,463	118,430	12.31%	13.99
18 Holew W/cart Weekend	10,094	118,276	12.29%	11.72
9 Hole Twilight	8,409	84,182	8.75%	10.01
9 Hole W Cart Weekend	3,314	55,526	5.77%	16.75

©2012, Golf Convergence, Inc.

- Nearly all 15 key financial reports that would be analyzed to properly manage the facility were not being used by golf course personnel. Those reports are presented below:

Information Reduces Risk...

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

©2012, Golf Convergence, Inc.

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

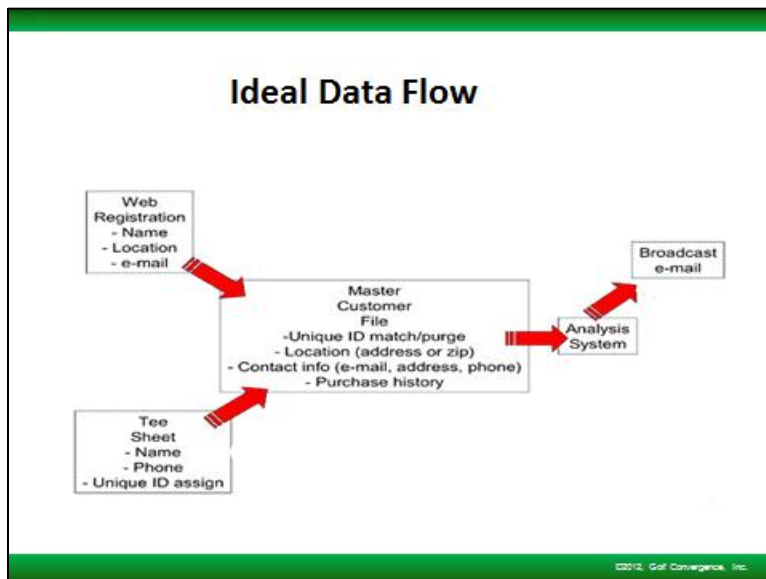
5.3.1 INFORMATION SYSTEMS TECHNOLOGY RECOMMENDATIONS

The Golf Enterprise Fund has the technology to create the critical information needed to effectively manage its golf courses, but they are untrained and perhaps unwilling to use the software correctly.

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

- Create a customer database.
- Integrate the Tee-Time Reservation System with POS.
- Issue identification cards and/or capture golfers' email addresses.
- Communicate with your customers via an opt-in email marketing program.
- Display tee times by best available time or price (maximum two times displayed).
- Center a marketing focus on your website.
- Develop a consolidated reporting system, and monitor the 15 key management reports.

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





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

The City of Grand Rapids will also be able to engage in Customer Franchise Analysis to identify retained customers, defectors, and new acquisitions. Targeted messages to appropriate golfer segments can be automatically created and delivered monthly. *(Note: as a general rule of thumb, a course should only send an email to its entire list of golfers two or three times per month.)*

The correct deployment of technology will yield the following benefits:

- Maximize Revenue
 - Web-based marketing presence
 - Reservation cards sold for premium access
 - Dynamic yield management
 - Create distinct City of Grand Rapids Parks and Recreation brand
- Increase Operational Efficiency
 - Better internal control
 - Timely and more meaningful reporting
 - Elimination of repetitive tasks by staff
- Enhance Customer Service
 - 24-hour access to tee-time reservations
 - Email communication of promotions, tournaments, and updates
 - Sell prepaid gift cards online

Also, the management and staff should be encouraged to attend the annual Fore Reservation user meeting.

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

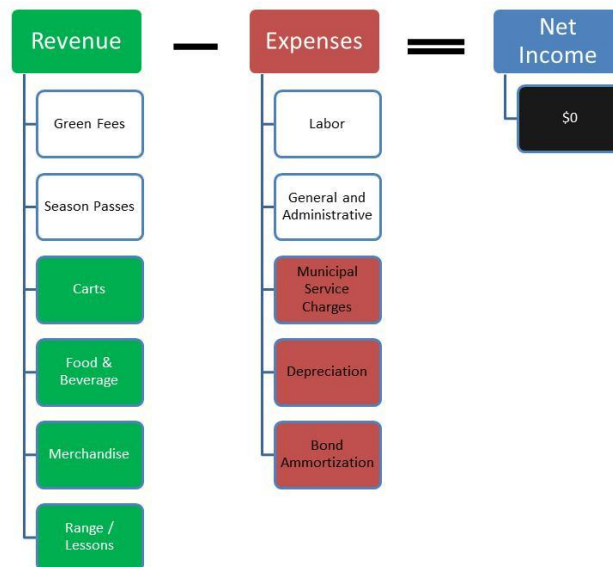
5.4 FINANCIAL METRICS

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

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

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

Limited Options: Only White Shades Boxes Are Really in Play



In contrast, the City of Grand Rapids consolidates the maintenance and pro shop expenses. Utilities costs are calculated in the aggregate, and not by facility.

5.4.1 FINANCIAL METRICS

The foundation of a business plan centers on financial statements and metrics. It is important that the staff has a clear understanding of each line of business provided within the golf course and be able to plan, execute, and forecast what is occurring on the golf course in each business center.

A financial comparison of the Parks and Recreation Department’s financials to industry benchmarks is presented below⁷:

Description	Indian Trails	Municipal	Daily Fee/Semi-Private	Private
Total Rounds Played	22,807	37,087	30,985	23,000
Total Facility Revenues	482,391	1,133,333	1,300,000	2,800,000
Revenue Per Round Utilized	21.15	30.56	41.96	121.73
Course Maintenance Payroll	Can Not Determine	270,000	227,819	409,043
Pro Shop Operations	Can Not Determine	273,468	230,000	289,000
Net Income (EBITDA)	-95,824	206,000	200,000	250,000
Net Income as a % of Gross	-19.87%	18.17%	15.38%	8.92%

The underperformance of Indian Trails is evident from these benchmarks. An analysis of the general ledger accounts for the golf course were exposed and made it difficult for the golf course to become self-sustainable.

- The overtime hours on the golf course were budgeted at 2,400 hours. This is not an efficient use of staff resources.
- The staff exceeded that amount by 754 hours which is a 31% increase over the amount budgeted for the year.
- Retail inventory exceeded the amount budgeted for by \$6,318.
- Revenues were down \$115,609 from player rounds, concessions, and pro shop sales.
- Staffing costs for Greens-keeper and Golf Course Manager with legacy costs are 58% of the total salary. This amount is unsustainable.

⁷ PGA PerformanceTrak,
<http://apps.pgalink.com/professionals/apps/memberinfor/AOSurvey/index.cfm>.

Payroll: Base and Benefits Unsustainable

Greenskeeper		2012	2013	2014	2015	2016	
703	Retiree Health Care	9,564.92	10,245.76	11,009.46	12,014.59	13,036.17	
706	Permanent Employee	44,821.56	46,487.12	48,735.98	51,170.43	53,551.77	
712	Unemployment Compensation	62.75	65.08	68.23	71.67	75.32	
715	Employers Social Security	3,428.85	3,556.26	3,728.30	3,916.13	4,115.84	
719	Hospitalization Insurance	13,433.16	14,660.42	15,847.91	17,131.59	18,519.25	
721	Longevity Pay	.00	.00	.00	20.83	250.00	
722	Retirement Fund Contribution	9,053.95	10,836.15	13,290.30	14,077.60	14,795.49	
100% Allocated		80,365.19	85,850.79	92,680.19	98,402.85	104,343.84	51.3%
Golf Course Manager		2012	2013	2014	2015	2016	
703	Retiree Health Care	13,495.70	13,987.98	14,479.06	15,192.12	15,839.46	
706	Permanent Employee	62,866.34	62,866.34	63,495.00	64,129.95	64,771.29	
712	Unemployment Compensation	88.54	88.85	89.73	90.62	91.52	
715	Employers Social Security	4,837.96	4,855.18	4,903.27	4,951.84	5,000.90	
719	Hospitalization Insurance	13,433.16	14,660.42	15,847.91	17,131.59	18,519.25	
721	Longevity Pay	375.00	600.00	600.00	600.00	600.00	
722	Retirement Fund Contribution	12,774.75	14,794.00	17,478.71	17,800.74	17,977.10	
100% Allocated		107,871.45	111,852.77	116,893.68	119,896.86	122,799.53	52.7%

The fringe benefits paid to City staff, particularly the Course Manager and Greenskeeper, exceed 48% of total compensation. The golf course cannot sustain this level of benefits and be financially sustainable.



5.4.2 FINANCIAL STRUCTURE AND PRO FORMA

The following pro forma is developed from available information. The assumptions are summarized below the pro forma presentation. The Department should account for revenues and expenditures in a format, and at the level of detail presented in the pro forma.

Pro Forma						
	2012	2013	2014	2015	2016	2017
Revenues:						
Green Fees	\$241,027.20	\$248,258.02	\$255,705.76	\$263,376.93	\$271,278.24	\$279,416.58
Carts	\$69,712.80	\$71,804.18	\$73,958.31	\$76,177.06	\$78,462.37	\$80,816.24
Merchandise	\$38,729.33	\$39,891.21	\$41,087.95	\$42,320.59	\$43,590.21	\$44,897.91
Concessions	\$67,776.33	\$69,809.62	\$71,903.91	\$74,061.03	\$76,282.86	\$78,571.35
Interest & Rents	\$350.00	\$360.50	\$371.32	\$382.45	\$393.93	\$405.75
Operating Transfers In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$417,595.67	\$430,123.54	\$443,027.24	\$456,318.06	\$470,007.60	\$484,107.83
Expenditures:						
Salaries, Wages & Benefits	\$279,764.77	\$288,157.71	\$296,802.44	\$305,706.52	\$314,877.71	\$324,324.04
Operating Expenses						
Supplies	\$105,661.55	\$108,831.39	\$112,096.34	\$115,459.23	\$118,923.00	\$122,490.69
Other Services and Charges	\$93,509.07	\$96,314.34	\$99,203.78	\$102,179.89	\$105,245.28	\$108,402.64
Capital Outlay	\$1,768.93	\$1,768.93	\$1,768.93	\$1,768.93	\$1,768.93	\$1,768.93
Transfers Out	\$46,666.67	\$48,066.67	\$49,508.67	\$50,993.93	\$52,523.74	\$54,099.46
Total Operating Expenses	\$527,370.98	\$543,139.04	\$559,380.14	\$576,108.48	\$593,338.67	\$611,085.76
Revenues Over (Under) Expenditures	-\$109,775.31	-\$113,015.50	-\$116,352.90	-\$119,790.42	-\$123,331.07	-\$126,977.93

These projections presumed that revenues and expenses would increase by 3% per annum. The 2012 rounds were forecast at 19,365 which the yield per round is consistent with those achieved in 2011 of \$21.55 per round.

The annual loss is forecasted, without investment, to exceed \$100,000 for the next six (6) years.

5.4.3 ACCOUNTING RECOMMENDATIONS

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

- The golf course should consider classifying its revenues and expenses using the basic golf definitions created by the PGA, NGCOA and USGA. These classifications would align the Division's financial data through generally accepted reporting practices used by the golf industry and provide the opportunity to undertake the financial analysis required to properly manage the facilities.
- Create monthly reports for the operational staff highlighting course utilization revenue per available tee time (REVPATT) by five profit centers (green fees, carts, merchandise, food and beverage, and other), and also by core customer spending, customer retention, composition of golfers, and season-pass rate analysis.
- Compare the monthly operational information to national benchmarks prepared by Golf Datatech and PGA PerformanceTrak by participating in these national services.

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

5.5 ARCHITECTURAL, AGRONOMY AND MAINTENANCE

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

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

5.5.1 MAINTENANCE: A WIDE RANGE OF COSTS

An average 18-hole golf course covers 150 acres, of which only 100 acres are maintained turf grass.⁸ A golf course also includes these following areas:

Anatomy of a Golf Course

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

©2012, Golf Convergence, Inc.

The quality of the golf course can be reduced to a study of the four principal elements:

- 1) cost of labor, which is the largest expense
- 2) water, fertilizer, chemicals
- 3) constant cycle of capital improvements
- 4) equipment required to maintain the course

⁸ GCSAA, "Golf Course Environmental Profile, 2007," Page 12. Note: In published report, averages were utilized which don't necessarily summarize to total.

The cost of maintaining the various types of golf courses, usually laid out on about 150 acres of land, can vary from \$200,000 to more than \$2.5 million. The National Golf Foundation reported the following total maintenance costs in a report titled, “Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.”⁹

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

As a component of this operational year, the following was examined:

- Maintenance Equipment Inventory Assessment and Needs
- Maintenance Practices required to achieve operational costs desired and player loyalty
- Agronomic Review with recommendations
- Capital Improvement Needs to support a greater return on investment
- Staffing Requirements to achieve financial sustainability

5.5.2 INDIAN TRAILS – TIRED ASSETS; THE NATURAL REPLACEMENT CYCLE

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

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

The Golf Course Superintendents Association of America estimates that the amount of capital improvements required as part of a golf course’s natural replacement

⁹ National Golf Foundation, “Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.,” 2006 edition, pages 4, 10, 17, 24



Indian Trails Golf Course

cycle is \$2,952,215, and a prudent golf course should create an annual capital improvements allowance of \$132,038.

Presented below are the estimated life spans of the various components of a golf course, as estimated by the GCSAA and the Golf Course Builders Association of America and applied to measure the deferred capital expenditures at the Indian Trails Golf course. This demonstrates the importance of having set capital improvements that are scheduled to keep the golf course in good condition and positioned well for the future.

Golf Course		Indian Trails						
Component		Years Minimum	Years Maximum	Estimated Cost to Replace	Years Since Asset Replaced		Annual Capital Reserve	
Greens		15	30	775,000	30	657,761	25,839	
Bunker Sand		5	7	44,800	7	44,800	6,400	
Irrigation System		10	30	314,000	28	106,400	10,467	
	Irrigation Control	10	15	171,000	10	80,667	11,400	
	PVC Pipe	10	30	329,600	20	206,400	10,987	
	Pump Station	15	20	425,000	0	0	21,250	
	Corrugated Pipe	15	30	398,180	0	0	13,279	
Cart Paths	Asphalt	5	10	93,350	10	93,350	9,339	
Cart Paths	Concrete	15	30	146,685	0	0	4,890	
Practice Range Tees		5	10	37,680	0	0	3,768	
Tees		15	20	150,720	20	150,720	7,536	
Bunker Drainage Pipes		5	10	65,000	10	65,000	6,500	
Mulch		1	3	1,200	1	400	400	
Grass		Varies	Varies	N/A	99			
Total Deferred Capital				2,952,215		1,405,498	132,038	

Excluding clubhouse renovations and the construction of an appropriate maintenance facility, an investment of \$1.4 million is suggested to refurbish the course.

5.5.3 MANAGEMENT WISH LIST

Beyond the required capital expenditures for the course, management believes the following equipment is also required to make the facility competitive. These requests total over \$500,000.

Item	Request
1	Re-design concession area in club house (put on an addition for possible full liquor license).
2	Enlarge and re-surface current parking lot to increase first brand image for customer.
3	Build new pole barn 30x40 for maintenance building including heat and bath room.
4	Replace old broken mowers by purchasing two zero turn mowers to maintain grounds.
5	Purchase backhoe attachment for our tractor to do drain work/repair.
6	Pave all 18 cart paths to eliminate loss of revenue during wet months.
7	Purchase two tow behind buffalo blowers to maintain leaves and clean off fairways.
8	Purchase used Triplex mower to reduce mowing time and allow for back up machine.
9	Set aside \$10K for marketing program.
10	Redo tees and add Jr. Tees.
11	Purchase used fairway mower to reduce mowing times, and allow for a back- up machine.
12	Change cart lease to get newer carts.
13	Purchase equipment lift for maintenance. A building to allow us to do maintenance on equipment.
14	Ask for the golf course to be its own enterprise account separate from the Cemetery Fund. That would eliminate rent paid to the cemetery fund, and allow us to earn capital money.
15	Change Craig’s winter responsibilities so that he can work year round at the golf course doing drain repair, maintenance, and other jobs.

5.5.4 SIGNIFICANT DEFERRED EXPENSES

This analysis reaches a clear conclusion that investment is required in order to sustain Indian Trails.

Golf Course Architect, Kevin Norby, who was retained for this engagement commented,

“The initial impression of Indian Trails Golf Course is that it has a nice routing with nice elevation change and generally good sightlines. The course is relatively easy to walk and the original green complexes and tees were nicely positioned to offer good visibility and an enjoyable experience. The elevated tees and greens and the undulating fairways are typical of golf courses built in the 1920s when only horses and carts were used to shape the course and little earthwork was done. Some remnants of the original sand bunkers can still be seen on around the greens on holes such as No. 2, 3 and 7. The original “push-up” putting greens are quite small averaging only about 3,000 square feet but, given the shorter length of the holes, this is somewhat appropriate provided that there are adequate pin positions.

Although the course plays as a par 68 at 5,190 yards from the back tees, this may actually be a good thing. Many of the other public courses in the area are regulation courses of par 71 or 72. Indian Trails is uniquely positioned as a shorter course which is more appealing to the



“average / high-handicap golfer”, senior golfer, women and youth. Although these shorter courses are not as appealing to the more accomplished single-digit handicap golfer who may be in search of a challenging golf experience, these shorter courses tend to appeal to the much larger percentage of golfers who are merely seeking a social experience with their friends or family. In addition, these shorter courses are less expensive to maintain, less expensive to play and take less time to play. The issue for Indian Trails is one of perception and conditioning and not an issue of length. Because of the

prevailing opinion that Indian Trails is poorly maintained, the Consulting Team suspects that most residents have not played the course.

Indian Trails is now some 80 years old, and with the exception of regular maintenance and some minor revisions over time, it appears that little or no money has been reinvested into the golf course. There are four major issues with the golf course today: driving range, tees, irrigation, and sand bunkers.”

Mr. Norby’s analysis of these four critical comments are as follows:

5.5.4.1 DRIVING RANGE AND PRACTICE FACILITIES

The course lacks a driving range or practice facility and therefore is missing a significant source of revenue.

The addition of a full-length driving range with 20 to 30 stations would not only provide a significant source of revenue, but would also likely have the added benefit of attracting more golfers to play the course.

It is important that a driving range be located near the clubhouse and parking lot so that it is convenient for both golfers who wish to play before their round and for golfers who would visit the course only to practice.

Constructing a driving range would likely require that three to four holes be repositioned or realigned to accommodate the range. It may also require relocating the maintenance facility.

5.5.4.2 NEW TEES

The course currently utilizes a two-tee system of red and white with an occasional gold tee on league days.

Unfortunately most of the forward or red tees are simply areas which are mowed to indicate a teeing area. Many of the forward tees (most notably No. 1, 5 and 7) are too long and too difficult for the average women golfer or beginning golfer.

The Consulting Team would suggest that the City consider shortening the red tees, adding new junior tees and a new third set of tee markers which would make the course even more enjoyable for a still wider percentage of the golfing public. On many holes this is simply a matter of adding a new marker on the existing tee. On other holes, it may require actually grading and building a new tee.

5.5.4.3 THE IRRIGATION SYSTEM

The irrigation system is an old single-row hydraulic system which was installed in 1985. The life cycle of an irrigation system is generally considered to be 20 to 25 years.

Although the course is not plagued by too many leaks or breaks, the system has outlasted its life expectancy and any improvements or changes in course routing should include an update to the irrigation system. A new system with improved coverage and more efficient sprinkler heads would not only improve course conditioning but allow the maintenance staff to more effectively manage and potentially reduce the amount of water used at the course.

5.5.4.4 SAND BUNKERS

Sand bunkers are visually one of the most important elements on a golf course. They visually frame and define each hole and influence the playability and challenge of each hole. Bunkers are also often times one of the highest maintenance issues on a golf course.

Over the years, the bunkers at Indian Trails Golf Course have been edged so that they are now considerably larger and more difficult to maintain than the original bunkers. Over time, as the bunkers are edged and the native soils erode into the bunker, the sand becomes contaminated.

There exists a unique opportunity to re-brand Indian Trails by completing a bunker renovation to enhance the “classic” character of the course.

The Consulting Team would recommend removing some bunkers, reposition some bunkers and add some new bunkers. The new bunkers would be much smaller and much easier to maintain. This new look, combined with some tree removal, a new practice facility, and some new forward tees would provide an experience which is typically found only at private country clubs.

5.5.5 ARCHITECTURAL, AGRONOMY AND MAINTENANCE RECOMMENDATIONS

It is the Consulting Team’s understanding that it is the City’s policy to shift the maintenance staff to other departments during the winter months rather than allow them to stay employed at the golf course.

This is very unusual and the Consulting Team would recommend that the maintenance staff be allowed to remain at the golf course during the winter months to address normal off-season tasks such as equipment repair and maintenance, repainting of tee markers and ball washers, ordering materials and formulating maintenance schedules, licensing and certification testing and reprogramming of irrigation coverage.

Without the opportunity to address regular repair and maintenance issues in the off-season the staff will continue to struggle with equipment neglect, course conditioning and declining public perception.

The Department shall establish and implement a grounds maintenance program, along with agronomic and horticultural operations to assure the proper playing conditions. The purpose of these policies will be to fix current conditions illustrated amongst the recommended standards:



The policies that will govern minimum standards for maintenance operations include but not are limited to:

- Customer Service
 - Hole signs with yardage, par, and other signs be properly positioned



Indian Trails Golf Course

- Ball washers are operational, kept full of solution, and changed every 3 days
- Towels are available at ball washers and changed daily
- Player tee benches are adequate in number and well placed
- Trash containers are available on the course and emptied at appropriate intervals
- Ice water with drinking cups is available on the course at several locations
- Restrooms are available on golf course at up to 3 locations, depending upon the size of the golf course
- Shoe cleaners are available at alternate holes and the clubhouse

- Grounds
 - Entrance is clearly visible with appropriately placed road signs to access the golf course
 - Entrance is well landscaped with a “Welcome To” sign in place
 - Parking lot is clean and well maintained
 - Parking lot has designated handicapped slots
 - Area surrounding the clubhouse is neatly groomed and landscaped
 - Area surrounding the maintenance building is neatly groomed and landscaped
 - Interior of the maintenance building is neat and clean
 - First and tenth tees are nicely landscaped and exceptionally attractive
 - Tee boxes are well maintained with multiple markers where space allows forward tees for beginner players
 - Grass seed and sand mix is available
 - Tee markers are moved at least 2 times a day by course rangers
 - Grounds and bunkers are consistent in speed, appearance, and playability
 - Greens are consistent in speed, appearance, and playability
 - Fairways are distinguishable from rough

- Maintenance Centers and Barns
 - All buildings shall be maintained in a fashion which is consistent with fire and safety code regulations. All storage tanks above ground must comply with containment requirements. All below-ground tanks must be pressure treated at mandated intervals.
 - Maintenance yards and buildings shall be kept in a neat and orderly fashion. Tools, supplies, and equipment will be organized in an orderly fashion.
 - Chemical storage shall be reported to the Department on an annual basis as part of SARA III reporting requirements. All

- chemicals shall be stored in a fashion consistent with local/state pesticide storage recommendations.
- The staff shall keep true, accurate, and complete records of golf cart maintenance, fertilizer, chemical, and pesticide applications, and should make those records available for inspection by the Department.
- Greens, Practice Putting Greens, and Nurseries
 - A minimum of six days per week at a height of 1/8" – 7/32". Mowing height on collar or apron of green should be the same as height of tee-box.
 - Change cup locations on all greens and practice putting greens daily during the active season; March 1 through October 31 of each year. Cup location will be moved at least twenty feet from the previous placement and will be determined by the weekly/daily cut placement plan. As a rule, 6 cups will be set back, 6 will be set middle and 6 will be set front.
 - Repair ball marks, divots, or any other damaged turf on or near greens and practice greens daily. Rangers are to assist with repairs.
 - Aerify all greens, practice putting greens, and nurseries a minimum of two times annually, or as dictated by conditions.
 - Topdress all greens, practice putting greens, and nurseries as needed to maintain a smooth surface and manage thatch. Topdressing will only be of 100% sand, meeting the specifications for a USGA root zone.
 - Light vertical mowing of all greens, practice putting greens and nurseries shall be performed as appropriate to smooth and true the putting surfaces.
 - Spiking of all greens shall be performed as needed between aerifications to maintain water infiltration and algae control.
 - All greens, practice greens, and nurseries shall receive complete fertilization in a consistent manner to deliver 3 to 5 pounds of nitrogen per year.
 - All greens, practice greens, and nurseries shall have appropriate fungicide applications to prevent and/or control fungal disease activity.
 - Pre-emergent herbicides shall be used in the appropriate amounts and times to prevent intrusion into turf areas of weeds difficult to eradicate.
 - All greens, practice greens, and nurseries shall be maintained virtually free of undesirable weedy plant types. When necessary, turf shall be treated with plant protectants to guard turf grass health and vigor, in accordance with the integrated pest

- management philosophy. All plant protectant applications will be administered and recorded according to state laws.
- All greens, practice greens, and nurseries shall be treated as necessary to prevent or halt insect damage. This shall be accomplished by using an integrated pest management philosophy.
 - The green speed shall be maintained consistently throughout the course. Speed shall be further determined with regards to the surface contours and size of the greens. Green speed may change during periods of stress, aerification, or for certain events.
- Tees
 - All tees shall be mowed at a height of .35" - .50" at least 3 times a week during growing season.
 - Worn areas on tees shall be top-dressed weekly, or more often if needed, to fill divots and level tee surface.
 - Tee areas shall be over seeded annually, using a suitable species or blend.
 - Tee markers and all the equipment shall be moved daily for proper teeing, and control of turf wear. Placement of tees shall be done in conjunction with pin positions and a weekly plan.
 - Tees shall be kept weed free to an extent of at least 98% of the area by the proper and timely application of post-emergent herbicides.
 - All tees shall be vertically mowed as necessary to control mat, thatch build-up, or uneven growth.
 - Core aerify all tees a minimum of once per growing season, or as conditions dictate.
 - All tees shall receive fertilizer at a rate, which promotes consistent, healthy growth and recuperation.
 - Fairways (All areas of play except, greens, tees, and natural growth areas)
 - Fairways shall be mowed at least 3 times per week at a height of .375" - .675" during the growing season.
 - Core aerify all fairways a minimum of once per growing season, or as conditions dictate.
 - Fairways shall be fertilized with a complete fertilizer per soil test results to promote healthy growth and recuperation.
 - Fairways will be vertically mowed as necessary to control mat or thatch build-up.
 - Undesirable weedy plant types, diseases, and insects will be monitored and assessed regarding their effects on conditions. When necessary, fairways shall be treated with plant protectants to protect turf grass health and vigor, in accordance with the

integrated pest management philosophy. All plant protectant applications will be administered and recorded according to state laws.

- Divots will be filled with sand to promote healing and playability of the surface. An appropriate (sand/seed/soil) mix may be used
- Overseeding of the golf course is mandatory in all areas sparse of grass annually in the fall of each year.

5.6 OPERATIONS


5.6.1 CREATING VALUE

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

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

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

Value Gap
Customer Expectations v. Assets

	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW	 Golf Course Management		Hyundai
Examples	Pine Valley Seminole Whispering Pines	Cherry Hills, Los Angeles Riviera			Brookhaven Pinery
Cost (green fee + cart)	Over \$250 per round	\$175 to \$500 per round			\$50 or less
Access	By Invitation	Waiting List			Open Access
Style	Formal	Professional			Loose
Social Status	Generational Wealth	Upper Class			Anyone

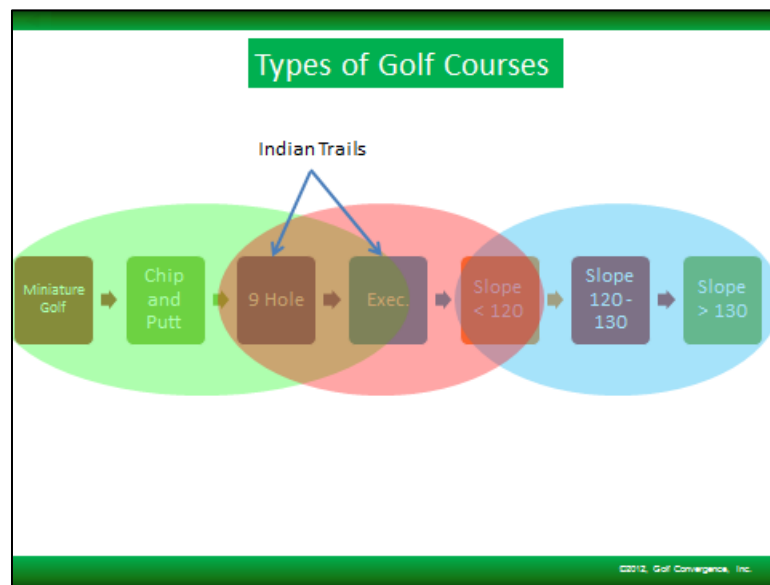
©2010, Golf Convergence, Inc.

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

1. Entrance to Property and Flowers (aesthetically pleasing)?
2. Clubhouse Size (appropriate for the course and in good condition)?
3. Signage (welcoming rather than punitive)?
4. Parking Lot Paving (no potholes and well kept)?
5. Striping Patterns Observed (Greens and Fairways, if any)?
6. Type of Grass on Course (bent or rye)?
7. Fairway Bunkers (many or few)?
8. Presence of Natural Hazards (trees, lakes, etc.)?

As part of this operational review, we photographed these aspects of the Indian Trails Golf Course and those of its top 17 competitors. The photographs were shared with management and staff.

Based on the type of players the golf course attracts, its position in the market place is an entry level golf course. The level of play that has occurred over a number of years and the price point existing, golfers feel is appropriate for the golf course. The Consulting Team feels the best option for the future of the course is to look at a nine hole golf course with a driving range.



From the various studies completed, it is our opinion, that many people within the golf industry, including management and staff at Indian Trails, have become seduced by the "game" of golf at the expense of their success in the "business" of golf.

Management and staff often forget that the golf course is a meeting place for businesspeople that work hard and want to be catered to and made to feel special in a beautiful setting. Course personnel need to recognize that golf provides families

with a place to bond, friends with an opportunity to extend and deepen their camaraderie, juniors a venue to learn the values of discipline and ethics, seniors a well-earned hobby, and men’s and ladies’ groups the opportunity to meet and compete. Today’s savvy businessperson knows the golf course is an office, a lunch meeting, a conference room—it is common ground.

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

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

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

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

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

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

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

- Organizational Culture
- Labor Scheduling and Reporting of the following departments
 - Pro Shop Staffing
 - Starters
 - Player Assistants
 - Cart / Range Attendants
 - Lessons
- Infrastructure
 - Snack Bar and Beverage Carts
 - Merchandising
 - Miscellaneous
- Revenue Management and Demand Pricing
- Marketing

5.6.2 ORGANIZATIONAL CULTURE

It is our professional opinion that a schism exists between the golf course management/staff and senior leadership.

With only 2 full-time seasonal workers, during interviews conducted, it was clearly stated that field managers and staff feel disenfranchised from the City's support network and resources.

The vision and mission for the course has never been explained to them. Request for meetings to craft a business plan were denied. Requisitions for additional financial resources were not considered.

Based on the significant financial losses the Parks and Recreation Department is occurring, it is understandable how a rift could emerge.

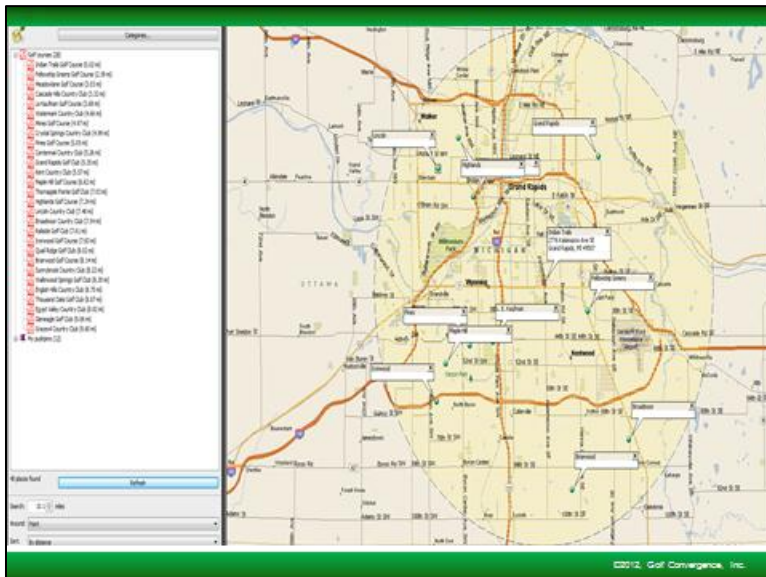
It is our professional opinion, that the field staff does not have the depth and breadth of experience in the “business of golf” to adequately operate the golf course as entrepreneurs. The lack of a concerted marketing effort and the inadequate use of technology are two very telling signs.

Therefore, our recommendation to create an alliance with Kent County is founded on the belief that new leadership at the course will:

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

5.6.3 COMPETITIVE SET OF COURSES

In undertaking revenue management, the first step is to prepare a list of the competitive set of golf courses. The Grand Rapids metroplex was divided into the following tiers: platinum, gold, silver, bronze and steel. Within this market, no “platinum” courses such as Bethpage or Torrey Pines exist. The competitive market set for the City of Grand Rapids was determined based on a 10 mile radius as reflected below:





Indian Trails Golf Course

Indian Trails is clearly in the bottom quartile with respect to price. A list of the direct competitors and their distance from Indian Trails is shown below:

<u>Dist.</u>	<u>Company Name</u>	<u>Total Holes</u>	<u>Year Open</u>	<u>Peak Green Fee</u>
0	Indian Trails Golf Course	18	1928	\$32
2.6	Fellowship Greens Golf Course	18	1979	\$26
3	The Golf Club At Thornapple Pointe	18	1997	\$65
3.7	Cascade Hills Country Club	27	1984	\$67
3.8	L.E. Kaufman Golf Course	18	1960	\$45
5	Watermark Country Club	18	1954	\$65
5.4	Stone Water Country Club	18	1989	\$60
5.4	Mines Golf Course	18	2005	\$49
5.6	The Pines Golf Course	18	1965	\$33
5.6	Kent Country Club	18	1896	\$92
5.7	Centennial Country Club	18	1986	\$49
5.8	Grand Rapids Country Club	18	1922	\$33
6.7	Maple Hill Golf Course	18	1968	\$35
7.4	The Highlands Golf Club	18	1908	\$55
7.6	Lincoln Country Club	18	1922	\$25
7.7	Railside Golf Club	18	1991	\$61
7.9	Ironwood Golf Club	18	1974	\$32
8	Broadmoor Country Club	18	1963	\$40
8	English Hills Country Club	18	1970	\$0
8.2	Briarwood Golf Course	27	1963	\$40
8.5	Quail Ridge Golf Club	18	1999	\$65
8.6	Wallinwood Springs	18	1991	\$45
8.6	Sunnybrook Country Club	18	1955	\$60
9.2	Thousand Oaks Golf Club	18	1999	\$87
9.6	Egypt Valley Country Club	36	1990	\$85
9.7	Gracewil Country Club	36	1929	\$40
9.8	Gleneagle Golf Club	18	1971	\$38

Those highlighted in bold were deemed to be the direct competitors of Indian Trails.

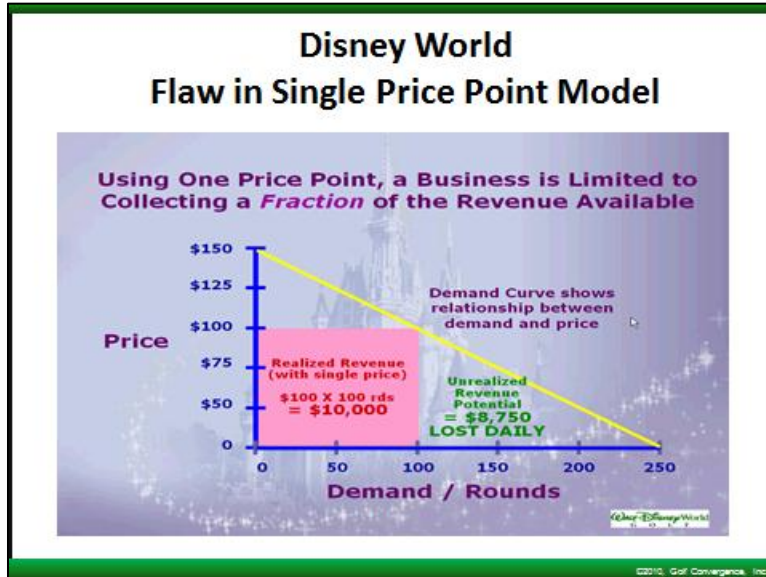
5.6.4 YIELD MANAGEMENT

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

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

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

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



Unfortunately, using the current software, we were unable to calculate the yield per hour or the yield by rate type. Both of these are essential to properly manage a golf course.

In essence, management of the Golf Enterprise Fund is flying blind due to the lack of information. How can you manage a golf course enterprise if you don't know who your customers are? The efficiency of the City of Grand Rapids is significantly below

national standards. Most golf courses have tracked at least 60% of their customers. This is a stark contrast to less than none of the customers being tracked by Indian Trails.

5.6.5 MARKETING

There is a significant opportunity to improve all aspects of marketing these properties. The City of Grand Rapids Parks and Recreation serves a defined niche; the value-oriented golfer. This niche is largely filled by new entrants to the game; those seeking recreational rather than competitive entertainment, as well as senior golfers.

A comprehensive marketing plan should be developed. This campaign should embrace the theme that everyone in the community is a valued customer and welcome at the facility.

Understanding the challenges faced, installing and fine tuning the software needed to facilitate customer data to be captured at the POS terminal, Indian Trails should engage in new marketing initiatives based on the following priorities:



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

Conversely, the use of email, Twitter, and Facebook updates to the Parks and Recreation database, initially and ultimately added to an expanded Parks and

Recreation customer database, is advised. What should not be continued is the reliance on a marketing firm headquartered out of state.

5.6.6 OPERATIONAL RECOMMENDATIONS

In summary, the evaluation of operations noted the following:

Management/Staff	
+	-
Friendly	Lack of knowledgeable leadership
Well Intended	Course manager needs additional training
Web Site	Departmental infighting
Email newsletters	Fringe benefits (48%) unsustainable
	No Voice Mail
	Lack of Golfer emails
	Accounting records: SKU inaccurate
	No Departmental Accounting
	Not trained on POS
	POS system lacking integrated marketing component for 2 years

With the number of weaknesses highlighted, changing the leadership of the golf course is advised. With new leadership, it is advocated that the City of Grand Rapids undertake the following initiatives to integrate its culture into the national golf community:

- Engage in bi-weekly email marketing to the core/acquired and defectors with targeted messages to stimulate incremental play. Typically, twelve percent (12%) of the customers generate 60% of the revenues; 25% generate 85% of the revenues. Many daily fee golf courses have at least 50 customers who spend in excess of \$4,000 annually. While only half the golfers who played a course one year will return the next, identifying your core customers provides the foundation for your marketing program.
- Join the National Golf Course Owners Association and participate in the Association’s online Listserv forum, through which key employees can answer queries concerning best practices.
- Membership in the National Golf Foundation is also advocated; the Foundation’s monthly newsletter offers a broad perspective about industry changes and appropriate responses to those changes.

- Finally, the City of Grand Rapids Parks and Recreation Department should send a representative to the PGA Merchandise Show or to the NGCOA Annual conference, where numerous outstanding educational sessions are provided. These week-long educational programs for golf managers would be beneficial, especially since training of the staff has mostly been inadequate and only from internal resources.

5.7 CUSTOMER PREFERENCE ANALYSIS

5.7.1 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 or visited a golf practice facility.
- More than 45 percent of golfers (11.9 million) are between the ages of 18 and 39. Seniors (ages 50 and over) comprise another 33 percent or 8.6 million.
- There are 5.76 million female golfers, which is 22 percent of all golfers. There are 6.1 million juniors.

There are 16,057 facilities, 11,690 of which are open to the public.

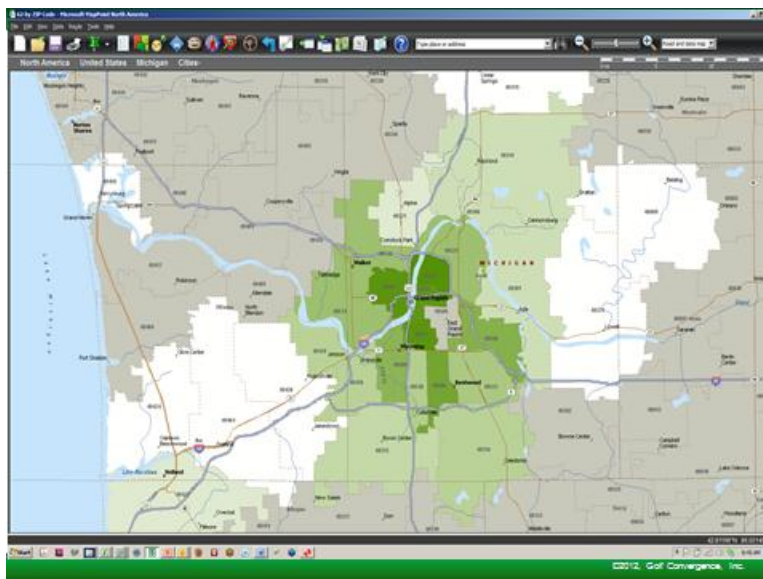
- Only 22 percent of all golfers regularly score better than 90 for 18 holes on a regulation-length course. For females, the percentage is just 7 percent...and for males it is 25 percent.
- The average 18-hole score is 97 for men and 114 for women. It's an even 100 for all golfers.
- The average scores have changed very little over the years.

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

We conducted a survey of the golfers in the City of Grand Rapids metroplex. The survey was challenging in that the golf course did not have an adequate list of emails; only 338. We utilized the City of Grand Rapids Park and Recreation database as well and received the very generous cooperation of Kent County who mailed the survey to their golfers. The survey received the following electronic responses:

Collector Name (Method)	Status	Responses	Last Response	Actions
Kent County (Web Link)	OPEN	58 responses	November 20, 2011 6:17 AM	Edit Clear Delete
Mundwiler Distribution Link (Web Link)	OPEN	19 responses	November 19, 2011 3:24 PM	Edit Clear Delete
Web Site Link (Web Link)	OPEN	7 responses	November 16, 2011 2:56 PM	Edit Clear Delete
RecTrac Customer List (Web Link)	OPEN	243 responses	November 19, 2011 6:25 PM	Edit Clear Delete
Indian Trails Golf Course (Web Link)	OPEN	64 responses	November 20, 2011 8:01 AM	Edit Clear Delete

The survey remained open for 12 days, providing a 90% confidence factor and a margin of error on the results of 1% +/- . The completion rate for those starting the survey was 87.5%; an acceptable average that suggests the survey was well-constructed. The zip codes of respondents were as follows:



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

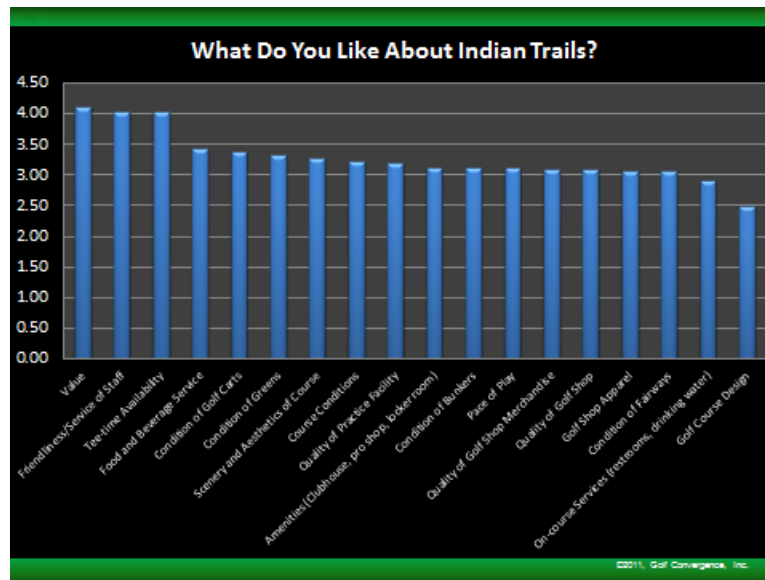
5.7.2 WHO IS THE CUSTOMER?

The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the City of Grand Rapids golfers were likely to be Caucasian, slightly older, and above average income. The survey confirmed that fact. The respondents average 44.7 years of age, had median household income of \$67,366, and 88% were Caucasian who played 24.4 rounds annually.

The survey revealed that these golfers’ play 6.6 different courses annually and believe that \$27.58 is a good value for 18 holes with cart. It should be noted that the national average 18 hole green fee is \$40.00.

5.7.3 WHAT DO THEY LIKE ABOUT INDIAN TRAILS

The golfers were asked to rate 23 attributes of the City’s golf courses. What always surprises us about these surveys is the golfers always get it right.



Note that value, friendliness of the staff and tee time available were rated highest, while the condition of the fairways (which have many irrigation leaks), on-course facilities, i.e., availability of bathrooms and the golf course design were rated low.

Golfers like the location; it is an entry door into golf at a fair price. The revenue potential of the golf course is limited. The Clubhouse needs improvement. The layout of the golf course needs to be addressed. Deferred tree trimming and stump removal needs to be addressed. Course conditions need to be improved as they apply to drainage, bridge improvements, maintenance facility improvements, carts need to be replaced, the need for on-course restrooms, lack of a driving range are necessities and amenities desired. The cemetery lease is a financial burden on the golf course.

Indian Trail Golfer Evaluation	
+	-
Location	Revenue Potential
Entry Door	Clubhouse
Price	Layout
	Deferred tree trimming/removal
	Course Conditions: - Drainage - Bridge - Facility - Equipment/tools
	Cemetery Lease Rental
	Carts – old and dirty
	On course porta-potties
	Lack of Driving Range

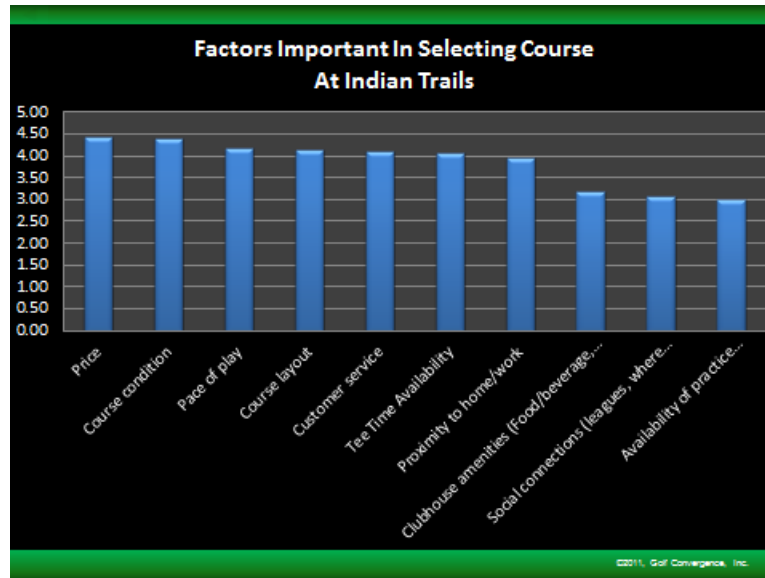
©2012, Golf Convergence, Inc.

In summary, they would like the following improvements:

- Driving Range
- Course Conditions
- Lengthen the golf course
- Bathrooms on the golf course

5.7.4 WHAT IS IMPORTANT?

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



Since a large part of the "experience" equation is the conditioning of the golf course, this should be no surprise. Of concern is the fact that the survey respondents ranked “price” as the most important criterion for choosing what course to play.

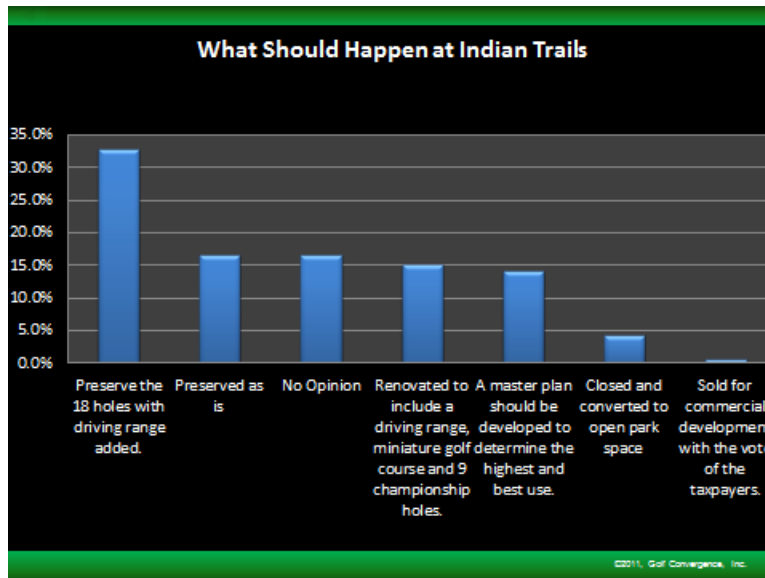
Golfers often maintain that if the prices were lowered, the increase in rounds would offset the lower fees. Such a trade-off is perilous, as noted in the chart below:

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 Indian Trails. Preservation of rates should be the mantra for 2012.

One of the most interesting insights was to the seven possible responses to the question, “What should happen at Indian Trails?” Thirty-three wanted to preserve the 18 hole golf course and have a driving range added. Unfortunately, that response is logistical impossible based on the available acreage at the course and adjacent to the property.

The other responses are listed below:



5.7.5 LESSONS LEARNED

With 83.5% of the survey respondents indicating that they are likely or very likely to play Indian Trails golf course again, it is important that the central conclusion of the survey be carefully considered by management:

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

Value is made up of many components and the value formula is straightforward. To the extent that when 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 Grand Rapids has the opportunity to profit by focusing on affordability as well as tee time availability.

5.8 CUSTOMER LOYALTY ANALYSIS

5.8.1 CUSTOMERS' 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, greatly minimize their revenue opportunities.

A leading golf course management company¹⁰ 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 Indian Trails Golf Course have comparable profiles. However, without the use of a functional golf management system, measuring any of the key metrics is not possible at this time.

¹⁰ Peter Hill, Billy Casper Golf Management, “Programming for Profit,” February 4, 2009 presented at NGCOA Multi-Users Conference.

5.8.2 CUSTOMER FRANCHISE ANALYSIS

The customer franchise analysis (CFA) provides operators with the first tool to win the share-of-golfer battle caused by the current oversupply environment in many markets. The CFA leverages information in the operator’s point-of-sale (POS) or electronic tee sheet system to understand and target key customer groups, as described in Step 4 regarding financial metrics. The CFA measures customer franchise health, such as the number of unique guests acquired, retained, and lost, as well as the spending level of each group and down to the individual customer level.

As a result, Grand Rapids Parks and Recreation is lacking critical metrics needed by a golf course to identify core customers, spending patterns, customer retention, turnover frequency of golfers, zip code distribution, course utilization, revenue per available tee time, and revenue per tee time purchased.

However, we were able to ascertain those factors that are vital to golfers at City of Grand Rapids Parks and Recreation golf courses. With the national average being 26, these courses received loyalty scores from 56 to -70, as noted below:



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

Why are those loyalty share numbers important? Loyalty correlates to wallet share, and the percentage of wallet share a course receives from its golfers is a highly

predictive factor of success. Higher wallet share equals higher revenue; equals higher net income. Wallet share represents the percentage of a golfer's money spent at each golf course versus the total amount spent annually by the golfer.

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

CHAPTER SIX - OPTIONS FOR PRIVATIZATION

6.1 GOLF COURSE ORGANIZATIONAL STRUCTURES

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

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

- 1) Exclusively employees of Park Authority. Leading municipalities like Monmouth and Morris County, New Jersey use this method very successfully, producing a superior golf experience profitably. Milwaukee County is also a good example of this management structure.
- 2) Exclusively employees of the Park Authority except for food and beverage, which is always a money loser; (Park Authority of Los Angeles).
- 3) Employees of the Park Authority for Administration and Pro Shop, with maintenance contracted; (Park Authority of Anaheim, Park Authority of Modesto, Park Authority of Ocala).
- 4) Each course managed by different concessionaires via a lease or management agreement; (Park Authority of Indianapolis).
- 5) All courses are managed by a single concessionaire via a lease or management agreement; (Park Authority of Chicago, Park Authority of New York, Cook County, Forest Preserve District).

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

profit inures to the benefit of the owner, who pays a management fee to the third party as an integral component of the operational expense.

The City of Grand Rapids currently manages all aspects of its operation.

For the City of Grand Rapids exclusive use of municipal employees would accelerate expenses, particularly labor, and thus options 1, 2, and 3 are not viable. Option 4 (using different concessionaires) is also not viable for managing a single course. Thus, option 5, either management or lease agreements, by default, becomes the recommendation of choice.

6.2 WHY RETAIN AN INDEPENDENT MANAGEMENT COMPANY?

During the heyday of golf expansion in the 1990’s, management companies flourished by leasing golf courses from municipalities. A typical arrangement was for the Park and Recreation Department to receive up to 10% of gross revenues, property taxes would be paid, capital investment accounts funded, and the Park Authority would receive a portion of the net income in excess of \$200,000.

In seeing the profits made during good times during the last decade, many golf course owners, including municipalities, opted for a “management contract” under which the golf course would pay upwards of \$200,000 in professional fees for independent management. Unfortunately, with the downturn in the golf industry, surplus profits became massive deficits. Now the pendulum has swung to a place where lease arrangements are becoming more attractive as operating options for golf services.

How can third-party management generate a profit when a municipality is challenged to do so? Presented below is a summary and weaknesses of entering into such arrangements:

Strength:	Weaknesses
<p>Professional management skills are more diverse and better refined.</p>	<p>Contract compliance. Requires retention of contract administrator by the Park Authority.</p>
<p>Proven systems, policies and procedures can be implemented faster, particularly in the areas of technology, marketing, and staffing.</p>	<p>Financial stability. The ability of a third party to meet its contract obligations are predicated on having a solid financial position and the willingness to provide a superior product. Third-party management companies have often been categorized as “sucking the paint off the walls.”</p>

Strength:	Weaknesses
<p>Efficient labor structure in number of personnel used and wages paid.</p>	
<p>Flexibility in contract negotiation and timeliness as well as cost efficiency of completing capital improvements.</p>	
<p>Stakeholders aligned more easily. Currently the Park Authority has a concessionaire, volunteers of concessionaire, Park Authority management, Park Authority staff, Park Authority Volunteers. These five groups can be reduced to two with a singular focus achieved.</p>	

6.3 WHAT ARE THE RISKS?

There are risks that should be understood.

There may not be a huge appetite for management companies to assume all the risk that a traditional lease has, because there are currently far too many opportunities to pick up properties in distress. Thus, a shared-risk arrangement, a new hybrid, is far more likely. Also, a lease proposal may generate more interest among local third-party management companies than those with a national presence.

6.4 LIKELY TERMS AND DEAL STRUCTURE

Should a private management company be retained, it would likely require the following:

- 1) The transition of the majority of current management and staff elsewhere in the Park and Recreation Department. Typically, the private operator would want to deal with only one person or a very small committee.
- 2) Complete control over all hiring decisions (including which, if any, of the current staff to retain), pay rates, operating expenditures, ongoing capital expenditures, and other expenses.
- 3) Total control over virtually all aspects of the courses, since the financial operations of the courses is in need of a significant turnaround.
- 4) The flexibility to convert the operations into a market-rate experience, while improving the conditioning, service levels, and overall operations, as

justification for the increased prices charged. Generally, golf consumers are willing to trade their hard-earned dollars for an improved experience. An annual green fee increase of \$1.00 per round would be automatic, as well as 4.0% increases in all merchandise, food, and beverage pricing.

- 5) Elimination of all general overhead in exchange for the management company accepting line-item responsibility. This would require that the Park Authority make changes to its existing staff and cost structure to eliminate these costs from its overall operations, since it would no longer have the ability to “charge” allocated costs to the golf operations.
- 6) At least a 15-year lease in exchange for a capital investment of perhaps \$1.0 million.
- 7) Management Company would have the unlimited capacity to book tournaments and outings during prime time.

CHAPTER SEVEN - STRATEGIC RECOMMENDATIONS

7.1 ORGANIZATIONAL PHILOSOPHY

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

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

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



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

7.2 VISION STATEMENT

This Operational Analysis recommends the following Vision Statement for the City of Grand Rapids:

**City of Grand Rapids
Golf Enterprise Fund Vision Statement**

We will provide golf as a recreational component of our leisure programs in a fiscally responsible manner consistent with the standards of the leading municipalities with respect to green fees, maintenance, and administrative operations in order that, as prudent stewards of these government-owned assets, we maximize revenue, increase operational efficiency, and ensure optimum customer service.

©2012, Golf Convergence, Inc.

7.3 CONFLICTS AMONG STAKEHOLDERS

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

These conflicts are highlighted below:

Constituency	Sensitive Issue
City Commission	Allocation of resources to achieve vision
Golf Management	Directing execution of implementation
Golf Staff	Decreasing staff, salaries or increasing responsibilities and/or work hours
Golfers	Increase in rates or accessibility to golf course
Taxpayers	Increase in taxes and allocation therefore

However, this is where the golf course's leadership will be tested as they attempt to build an effective consensus for the operational issues facing the City of Grand Rapids. The organizational and management structure is entrenched, the overhead cost structure is largely fixed, and the deferred capital expenditures are significant.

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

7.4 OPTIONS

In reaching a conclusion and formulating recommendations based on the study performed, beyond the operational and tactical recommendations contained here, the following strategic options were evaluated:

Ranking	Option	Viability
6	Invest (2) million in the golf course by acquiring additional land, adding a driving range, renovating the golf course and making it longer.	Investment return cannot be substantiated
5	Swap golf courses with the Mines Golf Course and Indian Trails Golf Course	Practically and political unrealistic. Would require the sale of some acres at Indian Trails.
4	Continue to heavily subsidize the golf course by the city at more than \$200,000 a year.	Can't be supported by on massive losses occurring with Parks and Recreation.
3	Seek a third party lease to manage the golf course now with limited improvements made by the city and provide the lessee with a long term contract.	City has a negative experience with this option a decade ago. However, there is substantial, credible private party interest for this option.
2	Add a driving range, reduce the size of the golf course to 9 holes because currently 70% of all rounds are 9 hole rounds, and the course is considered an entry level golf course in the region.	Current course manager believes 18 holes are necessary to accommodate leagues. However, 70% of rounds are 9 holes and this option should be pursued.
1	Seek Kent County Affiliation support to manage the golf course for the City with the city making improvements to the golf course in terms of irrigation, turf improvements, maintenance shop improvements and adding a driving range.	Both parties benefit from affiliation.

The following recommendations are brought forward by the Consulting Team to reposition Indian Trails for the future and meet the goals of becoming self-sufficient while still meeting the needs of entry level golfers in the Grand Rapids region.

7.4.1 FORMAL PROCEDURAL STEPS FOR CITY COMMISSION ACTION

- The City Commission needs to accept the Operational Audit and Business Plan report.
- From the two key recommendations, the City Commission will need to determine which direction they will want the staff to move forward with for the future.
- The City Commission needs to allocate the necessary capital dollars necessary to enhance the golf course irrigation system, maintenance shop improvements, and driving range improvements.
- The City Commission will need to work with the staff in the development of a management lease for Kent County to operate and manage the course through an operational lease. Otherwise, direct the staff to develop a Request for Proposal to lease out the golf course with specific directions for the lease management company to follow based on the results of this Operational Audit and Business Plan.
- Hire a golf course designer to redesign the course to a nine hole operation with a driving range.

7.4.2 OPERATIONAL PROCEDURES FOR STAFF TO FOLLOW IN IMPLEMENTING THE RECOMMENDATIONS

- Work with the City Manager and City Commission to hire a golf course architect to redesign the golf course with a driving range facility. Develop design specifications and contract improvement documents to redevelop the golf course based on the design.
- Meet with Kent County to determine the level of interest in managing the golf course and what improvements need to be made by the city for the County to accept the management of the facility.
- If an agreement for managing the golf course can't be completed with Kent County, then develop a request for proposal to outsource the management of the golf course with a selected set of improvements to be made by the contractor and the city.

- Keep the two full time staff members on to prepare the golf course this winter while the golf course management elements are being discussed and finalized.
- Retrain the staff on the Point of Sale System. Develop a realistic budget and implement a marketing strategy for increasing play for the golf course in the coming year.
- Implement the maintenance standards outlined in the report, implement the management plan for the golf course, and incorporate operational standards and staffing standards for the course if the city decides to self-operate in 2012 to assist them through the transition.
- Develop performance outcomes that focus on tracking users effectively through the point of sale system and a communication plan to inform and promote play at the golf course. Key outcomes that need to be established should include the following: Play increase by 10% in number of rounds of golf played at the course, revenue increase of 20% from promoting the golf course playing opportunities, increase play of existing golfers and with new golfers who have never played the golf course, reduce staff overtime by 75% by using part-time and seasonal staff more effectively, attain customer satisfaction levels at 90% for value and price, increase concession revenue by 15%, increase outings by 30% through effective recruiting of outings, develop and enhance the customer communication in the pro-shop with phone messaging, web-connectivity and direct email communications. Restructure volunteer free use of play with carts to a set level of no more than 5% of rounds played with no play on weekends, maintenance standards meet 85% of customer satisfaction levels for course conditions.

7.4.3 STAFF STRUCTURE CHANGES IF NECESSARY

- Teach and retain the golf manager on the changes needed at the golf course while he is in charge.
- Implement an outcome tracking system to measure the key elements in managing the golf course.
- Teach and train key management personnel on how to run effective operational and financial reports on a monthly basis.



Indian Trails Golf Course

- Develop a yield management program for effective pricing. Do not price below what it cost to produce a round of golf.
- Develop a program plan for the golf course for each month the course is open.
- Clean up the maintenance shop and storage area.
- Lease improved golf carts until a new management strategy is developed and put into place.
- Reduce the amount of benefits for the staff to within 25% versus 48%.
- Incorporate a concession menu that aligns with customer needs.
- Retrain golf course volunteers on customer service practices and assistance in golf course care.
- Develop a customer service plan for the golf course and train all staff and volunteers to utilize it.

7.4.4 FINANCIAL PROCEDURES THAT NEED CHANGED TO MAXIMIZE EFFICIENCY AND REVENUE

- Work with the City's finance department to restructure the financial reporting and auditing processes.
- Track rounds of play and dollars spent by golfers on the golf course.
- Incorporate yield management pricing on the golf course.

7.4.5 INFRASTRUCTURE NEEDS AND PRIORITIES

- Develop priorities with the city manager regarding infrastructure improvements.
- Locate an irrigation company to repair the golf course system.
- Hire a tree crew to make tree trimming changes on the golf course and a stump grinding company to remove stumps.
- Hire a bridge repair company to repair the bridges on the golf course.

- Repair signs, fencing, and cart paths on the golf course.
- Update and paint the clubhouse and modernize the space.
- The benefits for the city to outsource the management of the golf course to Kent County would be for them to retain ownership, reduce labor costs, acquire a proven manager who understands effective golf management, exhibit greater visibility by cross marketing with the county golf course, utilize improved agronomy with shared equipment between the county course and the city course, and demonstrate intergovernmental cooperation.
- The risk the city has it may take some time to get the golf course profitable and they will still have to put in the capital improvements outlined in this business plan.

7.5 MUTUAL BENEFITS

With the course professionally managed in partnership with Kent County, many benefits emerge:

Benefits to City of Grand Rapids	Benefits to Kent County
Retain Ownership	Diverse Recreational Amenity
Lower Labor Cost	Lower Labor Cost
Improve Management	Year Round Management with improved work force stability
Greater Visibility	Greater Marketing opportunities with 18 hole, 9 hole, and two driving ranges in different sections of town
Equipment and Fertilizer economies of Scale	Economies of Scale – Agronomy
Intergovernmental Cooperation	Intergovernmental Cooperation

With the City of Grand Rapids and Kent County jointly marketing the diverse recreational opportunities available, both entities will benefit.

We therefore, recommend that transferring the golf operations be explored concurrent with the investment of the requisite capital to revitalize a prized City asset. This process should commence with the creation of a master plan to reinforce converting the facility to a 9-hole golf course with a driving range, which will produce the greatest return on investment.