



Minneapolis Park Board

Golf Course Operational and Financial Consulting Review

Presenting a 10 Year Vision

“History Respected, Renewed and Revitalized”

Columbia
Ft. Snelling
Gross National
Hiawatha
Meadowbrook
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Executive Summary

The Purpose

The question posed was, “What is the appropriate 10-year strategic vision for the golf courses operated by the Minneapolis Park Board that will ensure that value is created for the citizens on a basis that is fiscal self-sustaining?”

Since 2000 when rounds played peaked at 324,647, use of the Park Board’s golf courses has dramatically fallen 46.49%. Only 173,699 rounds were played in 2013. During this period, net income has fallen from \$1,845,849 in 2000 to a preliminary reported net loss of \$532,481 in 2013.

Many will cite the uncontrollable factors, i.e., forty-three golf courses have opened in Minnesota, the weather has been consistently unseasonably cold and rainy, as the primary causes for the decline. Such a simplistic explanation overlooks the complexity of a golf operation and the myriad of controllable factors that must be consistently executed for financial success. If value is not provided to the golfer, every golf enterprise will suffer.

With cash flow from operations forecast for 2014 at \$250,000, this capital, combined with the estimated fund balance as of January 1, 2014 of \$469,260, is insufficient to properly address the deferred capital improvements that now exceed \$34 million to ensure that the facilities remain competitive.

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

In its golf courses, the Minneapolis Park Board has unique assets. From 2016 – 2029, each of the golf courses will reach their centennial of providing 100 years of athletic competition, entertainment, leisure and outdoor recreation to the citizens of Minneapolis and the surrounding suburbs.

As the #1 rated park system in the United System based on The Trust for Public Land’s ParkScore® index, the Minneapolis Park is committed to “permanently preserve, protect,

maintain, improve, and enhance its natural resources, parkland, and recreational opportunities for current and future generations”¹.

This plan focuses on how the history of these golf courses can be respected to create a vision for their renewal and revitalization on a real foundation that leverages today’s optimum business models for the successful operation of golf courses.

Who Should Be Served?

The heart of the question before us considered, “What is the role of municipalities to provide golf to its citizens when such activity is adequately provided by private enterprise?” Should the assets, particularly those not located with City boundaries, be sold or leased to generate the requisite capital to be allocated to the remaining facilities?

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

The core role of government is to provide:

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

With that understanding of government’s role, the question reframed becomes, “To what extent should a governmental entity subsidize the leisure of a recreational asset that is utilized by less than 15% of the population whose average age is 41.5 years of age, who have median household income of \$85,800 and 80% of which are Caucasian?” Those statistic represent the profile of today’s golfer in America.

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

¹ Minneapolis Park Board, “Superintendent’s 2014 Recommended Budget,” Pg. 6

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

Background

The golf courses operate within an enterprise fund. The Enterprise Fund is a self-supporting fund established to account for all business-type operations including golf courses, concessions, ice arenas, permits. Net income from operations provides general fund support, capital rehabilitation, construction or improvements as well as debt service. The 2013 Approved Budget is summarized below for the fund:

	Total	Use and Events	Concessions	Sculpture Garden and Cowles Conservatory	Golf Operations	Ice Arena	Parking	Winter Recreation	Other
Charges for Services	7,798,078	865,000	600,500		5,248,929	792,449		291,200	
Parking Lot Meters	1,254,000						1,254,000		
Commissions and Rents	1,609,930	132,500	512,000	51,900	910,530		3,000		
	10,662,008	997,500	1,112,500	51,900	6,159,459	792,449	1,257,000	291,200	
Wages	4,477,453	396,953	86,705	103,955	3,160,464	289,139	69,421	370,816	
Operating	3,810,008	70,212	78,562	148,598	2,758,955	525,057	134,781	93,843	
Improvements	1,125,000								1,125,000
Debt Service	633,405								633,405
General Fund Transfer	200,000								200,000
	10,245,866	467,165	165,267	252,553	5,919,419	814,196	204,202	464,659	1,958,405
Operating Income	416,142	530,335	947,233	-200,653	240,040	-21,747	1,052,798	-173,459	-1,958,405

The philosophy of the enterprise fund has been to:

“Finance its capital improvement program with profits generated in the current year.
If profits generated in a particular year were not sufficient to cover the costs of all

scheduled projects the projects would be deferred or cancelled based on prioritized need.”²

It is now recognized that this financing model, annual subsidies to the general fund, debt obligations along with the uncontrollable factors cited that capital improvement projects, particularly for the golf courses, have reached a critical stage.

The activity of the Minneapolis Park Board is accounted for through a “General Fund. The 2014 recommended budget is \$66,051,956. These funds are provided by property taxes assessed residents of the City of Minneapolis (72.1%), other governmental aid (13.6%), and fees and revenues collected forecast at \$9,431,151 (14.3%).

The Assets in Question

Golf Operations includes the following facilities and programs:

- ◆ Five eighteen hole golf courses: Columbia Golf Club, Gross National Golf Club, Hiawatha Golf Club, Meadowbrook Golf Club, Wirth Golf Club
- ◆ A nine hole par three at Wirth;
- ◆ A nine hole executive golf course at Fort Snelling;
- ◆ Three learning centers:
 - Columbia Learning Center (a 42 station learning center/driving range),
 - Gross National Learning Center (an 18 station learning center/driving range)
 - Hiawatha Learning Center (a 53 station learning center/driving range).

The golf operation also operates the First Tee of Minneapolis Junior Golf Program, a LPGA/USGA Girls Golf Program and Adult Golf Schools and Clinics. Golf Operations operates two banquet/reception facilities, Columbia Manor Reception Hall and the Wirth Fireplace Reception Hall. In addition, the golf course

The golf course has provided recreation for an estimated 30,000 golfers averaging 244,312 rounds of annually since 2000. The strengths, weakness, opportunities and threats to the Minneapolis golf courses summarized below:

² Minneapolis Park Board, “Superintendent’s 2014 Recommended Budget,” pg. 21

Strengths	Weaknesses	Opportunities	Threats
Density of golfers within 5 mile radius of courses	Deferred capital maintenance	Community theme of “history respected, renewed and revitalized”	Competition
Favorable MOSAIC profiles within 15 miles of courses with centralized location to freeways.	Clubhouses: dated & disgusting	Adept marketing department could rebrand facilities with enhanced utilization of technology.	Capital requirements
Historic course architecture	Drainage issues at each facility	Leveraging third party capital to improve citizen’s golf experience	Organizational inflexibility

A financial snapshot of the golf operations recent perform is presented below:

	2009	2010	2011	2012	2013
Revenue	6,539,922	6,107,021	5,211,683	6,051,990	4,716,032
Net Income	555,345	231,567	-512,984	519,678	-532,481
Capital Investment	N/A	29,595	5,973	16,625	21,880
Playable Golf Days	221	201	205	220	179
Revenue Per Playable Day	29,593	30,383	25,423	27,509	26,347

Note 1: Capital Investment represents items allocated to operations. There has been other capital committed via the General Fund that is not reflected in the golf operations financial statements.

Note 2: We have great reservation how costs are allocated to each golf course such that we are not confident that the financial statements as provided for an individual golf course are in compliance with generally accepted accounting principles and truly reflect the operation performance of an individual golf course. We are extremely skeptical as to the accuracy of the starts (rounds) played in the information provided to Golf Convergence.

Note 3: We have great reservation regarding the accuracy of the financial statements in the aggregate as revenues reported in the Active Network golf course POS did not reconcile to the Compass Park and Recreation Department accounting system. The variance, in some cases, was as great as 10%.

The cost to renovate the golf course to competitive condition was estimated as part of this analysis. Annually, \$126,007 for course improvements and \$90,000 for equipment replacement should be reserved. Nominal reserves have been established.

A Deep Hole

Course	Critical	Competitive	Comprehensive	Total
Columbia	\$2,010,000	\$795,000	\$1,490,000	\$4,295,000
Ft. Snelling	\$575,000	\$620,000	\$900,000	\$2,095,000
Gross National	\$1,930,000	\$1,160,000	\$1,270,000	\$4,360,000
Hiawatha	\$2,335,000	\$2,375,000	\$1,470,000	\$6,180,000
Meadowbrook	\$3,035,000	\$1,270,000	\$4,610,000	\$8,915,000
Wirth	\$4,225,000	\$1,615,000	\$2,810,000	\$8,650,000
Total	\$14,110,000	\$7,835,000	\$12,550,000	\$34,495,000

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The \$34 million comprehensive number includes thorough course renovations including rebuilding green and tee complexes, irrigation systems, fixing the numerous drainage issues that exist on nearly all of the golf courses reseeding fairway, clubhouse extension at Gross National and Hiawatha, a new clubhouse and range at Meadowbrook, and massive changes at Wirth including adding a range and re-rerouting the current back 9 with the elimination of the Par 3 golf course to better serve a wide portion of the surrounding population.

The only consent that was easily obtained in conducting their six month review was that Park Board officials, management and staff, and the respondents to the survey conducted by Golf Convergence agreed (70% of public respondents and 75% of golfers) believed that the renovations should occur sequential and not incremental at each facility.

But the harsh reality is that the lack of capital and conflicting interests that render the ability to create a consensus amongst all, even after resource consumptive efforts, renders the likely probably that unless exponential change is adopted, incremental change will continue the slow death spiral on which the golf courses' find themselves immersed.

Why is that?

The Hand Dealt

In crafting a 10-year operational plan for the Minneapolis Park Board golf courses, it is the acknowledged responsibility of Golf Convergence to construct recommendations to ensure that fiscal stability is achieved within the Golf Department, irrespective of the political consequences that often limit thought and options.

The hand Golf Convergence was dealt, based on interviews conducted individual Park Board Members, resulted in the recognition that the 10-year strategic plan has to be crafted to consider the following factors:

- ◆ The willingness of the Park Board to invest in the golf courses only when and if critical capital repair is required.
- ◆ The philosophy that the needs of the masses takes precedence over the desires of niche groups.
- ◆ Recreation activities offered should be broad based to attract and benefit the entire community.
- ◆ The winter activities, particularly at Theodore Wirth, is of equal importance to summer recreation.
- ◆ The Loppet Foundation, who “provides opportunities and creates passion for year-round outdoor activities and adventures in the Minneapolis area, especially among inner city youth,”³ is an important long-term strategic partner to provide infrastructure.
- ◆ Labor union resources should be utilized where practical and cost competitive.
- ◆ Priority should be given to MPB Board facilities that are located within the City’s geographical boundaries.

While citizens, particularly golfers, may disagree with the parameters on which this plan was framed, ultimately the responsibility in a democratic society for the positions taken by elected officials rests solely within the citizens. If current elected official don’t represent their individual interests, the only assured recourse a citizen has is to elect individuals whose beliefs and philosophies mirrors theirs.

Disagreement with respect to the proper capital allocation and operational management of the golf course is not far from the surface. The Park Board, management and staff, the golfers and the

³ <http://www.loppet.org/>

public have widely divergent and conflicting opinions as to the optimum on which the golf courses should proceed.

Two questions asked in survey conducted by Golf Convergence for this golf course operational and financial consulting review highlight the divergent viewpoints between golfers and the public:

"Yes" Answers to following questions	Golfers	Public
Should the Minneapolis Park and Recreation Board CONTINUE TO OPERATE all seven golf courses regardless of their economic viability?	58.7%	37.5%
Should the Minneapolis Park and Recreation Board SELL THE GOLF COURSES not located within Minneapolis city limits to raise capital to invest in those courses within the City limits and for other parks and recreational opportunities?	40.6%	58.1%

It is the experience of Golf Convergence in conducting strategic reviews around the country that the answers to survey questions usually can be accurately predicted by understanding where each constituent's self-interest is based. Golfers usually are seeking a financial subsidy and lower prices while non-playing citizens usually oppose such. Thus, the answers to the questions posed do reflect each group's self-interest.

In crafting a strategic plan without recognizing what is fixed and unchangeable would be unproductive. While one's professional beliefs may differ, i.e., aggressive capital investment in Gross National and/or Meadowbrook has the potential to generate above average cash flow in comparison to industry benchmarks or the clubhouse at Hiawatha should be renovated as it is substandard for an appropriate golf experience today as the bathrooms are comparable to what you would find in a third-world nation, a client is not effectively served if a strategic plan is not constructed that attempts to amalgamate the divergent interest into a coherent whole.

A Cooperative Effort

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

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

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

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

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

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

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

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

It is our considered professional opinion that the centralized location of the golf courses within a Top 100 core based statistical area in the United States suggests that the internal management of Columbia, Hiawatha and Wirth are viable options as all are located within City limits. Because Gross National is in close proximity to downtown and as it is the premier course layout amongst the City courses, the continued management of this facility is advised. Gross National has the potential to fund the operational shortfalls of the three courses within the City. Only because the capital requirements are the largest in what is a superior demographic location for a golf course, and from the dearth of available capital, full consideration should be given to leasing Meadowbrook.

The Principal Strategic Recommendations

The goal of Golf Convergence is hoping to achieve majority support. Unanimous support is unlikely to be achieved for those whose self-interests were not served are likely to be cantankerous and oppose any or all of the recommendations and suggestions contained herein and be extremely consumptive of Park Board demand an exhaustive public debate. There is something to be said for a “benign dictatorship,” for that model operates the most exclusive of private golf clubs which are by invitation only in the United States.

The recommendations contained herein would be far different if the facilities were privately owned and available to the public. The potential exists for each facility to be self-sustaining if the correct course experience and associated customer experience matched the demographics of the market it serves.

With those constraints defined, and in a firm belief that exponential, not incremental change is required for the reasonable prospect of the Minneapolis Park Board golf operation to achieve self-sufficiency, the key strategic recommendations of this report include the following:

- 1) A 10-year capital investment program aggregating \$11 million should be undertaken under the theme of “History Respected, Renewed and Revitalized.” The golfers and the public are in unanimous accord one course at a time be closed for a complete renovation such that all courses will be renovated over 10 years.
- 2) The staged investment should be based on the following sequence
 - a. 2015: Gross National;
 - b. 2017: Hiawatha

- c. 2019: Columbia
 - d. 2021: Theodore Wirth.
- 3) Funding for the Hiawatha and Columbia renovations should come in part, storm water funding to mitigate the severe irrigation and drainage problems now existing.
 - 4) The divestiture of the Ft. Snelling Golf Course. The course has been, is, and will be a future drain on the available cash of the golf Department. If this recommendation isn't implemented, none other are likely to be, for this is the easiest of the choices to make from the options presented herein.
 - 5) Leasing Meadowbrook to a third party who has the capability of making the appropriate capital investment. It is regrettable that insufficient capital funds exist to invest in this facility, as its location and its positive historical financial performance justify capital investment to generate cash flow to sustain Columbia, Hiawatha and Wirth. If this course were privately-owned, based on its premier location within the metroplex, the net income potential is fabulous after a significant investment to cure the structural flaws in the course and the clubhouse.

Note that Golf Convergence, as part of this study, interviewed several experienced and capable third party management companies who be interested in leasing Gross National and Meadowbrook. Where there is blood in the water, the sharks will strike.

- 6) Reallocation of union labor to only those courses located with the City's boundary.

Labor unions serve a vital role in America. However, in our vast experience of serving municipal golf courses since 1989 in various capacities, we have yet to witness a golf course operation that was financially viable with union labor. We concede, however, that the political debate of privatization of labor isn't worth the brain damage likely to occur from opposing forces. It is with this realization that we acknowledge, and hopefully also the Park Board, that the golf course Department will never achieve its financial potential with the retention of union labor.

Thus, the research performed suggests that the revised golf course capital budget for the next 10 years is reduced from \$34 million to \$11.56 million as illustrated below that is support by the additional research in Steps 2 through 7:

Greatness in Your Grasp				
Course	Critical	Competitive	Comprehensive	Total
Columbia	\$2,010,000	Obtain \$1.5 million in Storm Water Funds to Fix Back 9 – Restore Lake Sandy: Invest \$610,000		
Ft. Snelling	Close			
Gross National	Best Option: Invest in Clubhouse Expansion, Course Improvements and Make Crown Jewel			
	Mediocre Option: Lease			
Hiawatha	\$2,335,000	\$2,375,000	Obtain \$1.5 million in Storm Water Funds to Fix Back 9. Invest \$2,375,000	
Meadowbrook	20 Year Lease – Redirect Labor Union Staff to Another Course			
Wirth	\$4,225,000	Driving Range, Miniature Golf, Close Par 3 Substitute 3 Holes, Enhance Winter Recreation		
Total	\$14,110,000	\$7,835,000	\$12,550,000	\$11,560,000

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While some may object to the recommendations proposed, the historical business model on which the golf courses have operated is dysfunctional.

For the strategic recommendations to be implemented to resuscitate the dying golf franchise, the Park Board will have to allocate capital resources whether through the general fund, via other governmental entities, i.e., storm water funds, or third parties, the attitude of management and staff will have to change to embrace customer service, golfers will have to agree to pay value for the experience provided upon renovation of the golf courses and the public will have to collegially agree that over \$66 million in funds are invested on their behalf annually for which the aggregate annual net operating loss excepting governmental property tax support nears \$55 million to provide them a fabulous park system in which all citizens benefit from an enhanced quality of life.

Presented in the body of this report are economic data, customer assessments, and professional analysis to support the recommendations summarized in the Executive Summary of this study and herein this Introduction to the report. The tactical and operational recommendations are contained therein.

The Great Fear

In undertaking this study from July, 2013 through early February, 2014, we were constantly amazed at the various constraints stated. While it usually takes Golf Convergence 90 days to craft a strategic vision, determine the tactical resources required and the operational policies and procedures that should be implemented to create value for a golfer on a financially self-sustaining basis, this engagement consumed over 7 months.

It is our sincere belief that there is a greater than a 70% probability nothing will change. Based on statutes that govern the Minneapolis Park Board, it is highly likely that there are restraints that preclude it from leasing any of the facilities that are located outside of the City boundary, i.e. (Gross, Meadowbrook). Park Board officials interviewed believe the access to storm water funding to improvement Columbia and Hiawatha is likely in the low seven figure range. Management of the Park Board believes that such funding is probably non-existent and if available, would only provide low six figure funding.

Further, the strong preference to utilize labor union personnel, though not certified as Class A Superintendents by the Golf Course Superintendents Association of America, is likely to result in current employees being exempted from such requirements or provided numerous years to bench the industry standard. Because the Park Board is dependent on City funding from property taxes, there is a great desire to accommodate the wishes and desires of those who make such allocations even though the impact of their personal private preferences cannot be economically justified by their adversely impact on the operation of the enterprise fund. The process of seeking citizen input has becomes so resource consumptive that it almost renders any new project financially prohibitive and certainly delays, by years, its implementation.

This report clearly defines a specific vision that can be achieved based on the location of the golf courses, the demographic profile of the residents, the ability to leverage weather and technology to create incremental revenue, the proper stewardship of the courses and establishing service standards commensurate with the experience desired and the fees posted.

If one doesn't have an open mind and is unwilling to embrace the revolutionary changes necessary for these courses to provide value based recreation to the citizens of Minneapolis on a basis that is potentially fiscally self-sustaining, one should read no further.



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The Supporting Research

Analysis and Research Performed

To undertake this management and operational review, Golf Convergence employed a precise methodology of seven steps. These steps and the knowledge gained from each are summarized below:

Step	Function	Description	Knowledge Gained
1	Strategic	Geographic Local Market Analysis	Do the demographics indicate that there is sufficient demand to meet the available supply of golf courses? Based on the age, income, ethnicity, and population density, what type of facility would create the highest probability of a fiscally sustainable golf operation?
2		Weather Impact Analysis	Are the current losses being realized a function of adverse weather or of management policies? Are there sufficient playable days to generate a return on the proposed investment?
3	Tactical	Technology	How effectively has an integrated golf management solution been deployed to create the collection of data required to properly manage the golf course?
4a		Key Metrics	How does the operational performance of MPB GOLF compare to the 15 industry management benchmarks that measure strengths and weaknesses and to regional and national indices?
4b		Financial Modeling/ Revenue Management	Are the proposed course renovations proposed by the MPB GOLF Department financially viable? What debt service can each golf course cover? Have accurate financial models that support proactive decision-making been developed. What is the current utilization and REVPAR?
5	Operational	Golf Operation and Course Agronomic Review	What is the current physical state of each golf course? What is the optimal and best use of the property? What are the recommendations for facility expansion and layout modification based on likely to produce a financial return or create supportable intangible value to the quality of life within the City?
6		Management, Marketing, and Operational Review	Does the value provided equal or exceed the associated fees? Are the proper operating procedures consistently deployed through each step of the “assembly line of golf” to create value for the golfer?

Step	Function	Description	Knowledge Gained
7a		Customer Preferences	Who are the core customers and how much do they spend? What is their annual retention rate of your golfers? What are the barriers to increased play? What are the primary reasons they select one course over another?
7b		Customer Loyalty	How loyal are your customers? What are the key loyalty drivers that create satisfaction, and what is the financial referral impact of promoters versus the negative impact of detractors?

These steps provide a comprehensive framework from which Golf Convergence has successfully crafted strategic plans for municipal golf courses across the United States.

As an integral part of this report, the following analysis and research was provided to the Minneapolis Park Board throughout the engagement. The chart below summarizes the research from which the conclusions and recommendations in this report were formed. This data for each of the five facilities was presented to the Minneapolis Park Board Department as a supplement to this report.

Task	Document	Pages	Date
Step 1 – Minneapolis Park Board - Geographic Local Market Analysis	Power Point	12	12/20/13
Step 1 – Minneapolis Park Board - Geographic Local Market Analysis	Excel	20	7/29/13
Step 1 – NGF Golf Demand Report: 5 – 10 – 15 – 20 – 25 – 30 Miles	Adobe Acrobat	8	7/20/13
Step 1 – NGF Golf Supply Report 5 – 10 – 15 – 20 – 25 – 30 Miles	Adobe Acrobat	5	7/20/13
Step 1 – NGF Facility Report: 5 – 10 – 15 – 20 – 25 – 30 Miles	Adobe Acrobat	30	7/20/13
Step 1 – Tactician Demographic Trend Report	Adobe Acrobat	12	7/20/13
Step 1 – Tactician Income and Disposable Income Report	Adobe Acrobat	4	7/20/13
Step 1 – Tactician MOSAIC Comparative Population Report	Adobe Acrobat	2	7/20/13
Step 1 – Tactician Population Greater than 18: 5 – 10 – 15 – 20 – 25 – 30 Miles	Adobe Acrobat	4	7/20/13
Step 2 – Weather Trends International Playable Days Report	Adobe Acrobat	10	7/29/13
Step 2 – Playable Day Analysis vs. Management Performance	Excel	1	1/6/14
Step 3 – Technology Integration Review and Assessment	Excel	2	1/4/14
Step 4 – PGA Performance Trak – National and State Benchmarks	Adobe	45	9/29/13
Step 5A – Architectural Master Plan Study Narrative – Herfort Norby	Adobe Acrobat	40	10/3/13
Step 5B – Agronomic & Maintenance Review – Mike Vogt, CGCS	Word	34	10/22/13
Step 5C – Irrigation Systems Analysis – EC Design	Word	23	10/22/13
Step 6A – Competitive Course Review: Minneapolis Park Board Courses: Photos	Adobe Acrobat	771	8/29/13

Task	Document	Pages	Date
Step 6B - Competitive Course Review: MPB area competitive golf courses	Adobe Acrobat	326	8/29/13
Step 7A – Minneapolis Park Board – golfer email database: 40,000+	Microsoft Excel	N/A	12/12/13
Step 7B – Minneapolis Park Board - email database: 15,000+	Microsoft Excel	N/A	12/12/13
Step 7C - Minneapolis Park Board Golfer survey	Power Point	100	12/23/13
Step 7D – Minneapolis Park Board Golfer survey – raw data	Microsoft Excel	1	12/12/13

This analysis also included review of:

1. 2000 – 2013 Minneapolis Park Board Enterprise Fund Financial Statements including revenue, expenses and rounds played since inception of the golf courses.
2. 2010 – 2013 Historical Data, by G/L account code, for Minneapolis Park Board Enterprise Fund.
3. 2010 – 2013 financial data by line item – unaudited.
4. Interviews with Park Board Officials to understand resources and priorities for allocation.
5. In person and Webinar based meetings with Park and Recreation Department management, and Golf Course management to discuss questions/issues arising from review of the above.
6. Community engagement meetings at each golf course (5) with a summary review of findings to Park Board headquarters.
7. Identifying any contractual or use-permit compliance issues.
8. Preparing findings and recommendations, including a plan for financing improvements and achieving financial stability.
9. Sixteen sites visit comprising 42 days from August 4, 2013 through September 30 by Golf Convergence, EC Irrigation Design, Herfort-Norby and Michael Vogt, CGCS.
10. It is our hope that this operational review achieves the goal of aligning common interests.

Limitations on Study and Caveats

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

- ◆ The Minneapolis Park Board has not created a strategic business plan for the golf courses, so the vision for the facilities isn't defined.
- ◆ The embedded political constraints by which the Minneapolis Park Board operates narrows and restricts the viable organizational, management and capital investment strategies.
- ◆ The recommendations contained in this report would be vastly different if the operator of the golf courses was operating as a private enterprise versus a municipality entity.
- ◆ The facilities' adoption of technology, including meaningful customer tracking, was lacking. A thorough yield management analysis to determine the revenue potential of the facilities was therefore restricted in scope.
- ◆ The lack of capital limits the viable options.

While each municipality is unique, there is a great similarity amongst all municipal golf courses with respect to how the mission and vision as defined by a Park Board or a City Council can be translated into a vibrant golf operation.

Understanding and applying the mission and vision statement of the Minneapolis Park Board is the foundation for the research, analysis and recommendations which follows.

The Mission and Vision Statement Frame the Operational Policies

The success of the storied golf courses of the world all have one thing in common: a rigid discipline to adhere to the strategic vision for the facility. Thus, in undertaking a management and operational review, understanding the client's broad vision must first be established.

For Minneapolis Park Board, the mission statement is defined as,

“The Minneapolis Park and Recreation Board shall permanently preserve, protect, maintain, improve, and enhance its natural resources, parkland, and recreational opportunities for current and future generations.

The Minneapolis Park and Recreation Board exists to provide places and recreation opportunities for all people to gather, celebrate, contemplate, and engage in activities that promote health, well-being, community, and the environment.”⁴

The Minneapolis Park Board functions with four vision themes designed to guide future development, operations, and maintenance of the Minneapolis park system into 2020. Regarding recreation, the vision is “inspire personal growth, healthy lifestyles, and a sense of community” with the following goals:

- ◆ “People play, learn, and develop a greater capacity to enjoy life.
- ◆ Residents, visitors, and workers enjoy opportunities to improve health and fitness.
- ◆ People connect through parks and recreation.
- ◆ Volunteers make a vital difference to people, parks, and the community.
- ◆ Parks provide a center for community living.”⁵

The Golf Department, while it does not have a defined mission statement, from interviews conducted, it was surmised that an appropriate mission statement for the golf courses is:

⁴ <http://www.minneapolisparcs.org/default.asp?PageID=53>

⁵ Ibid.

Functional Mission Statement For Golf Department

To provide a convenient and affordable golf experience that affords a variety of golf opportunities from entry level/practice facilities to a championship course. It is the desire of the Minneapolis Park and Recreation Board to grow the game of golf by providing instructional programs and services that allow residents to explore the pursuit of golf as a life time leisure activity.

© National Golf Properties, 2013

It is our professional opinion that such a philosophy of operation currently in practice represents a long-term strategy in which short-term losses requiring financial support from the General Fund are likely. Such is evidenced in the recent results for the Golf Department highlighted below which have been dismissal.



What is shocking is that the net losses for 2012 and 2013 are “overstated” by an estimated \$250,000. Cart expense for 2012 and for 2013 - neither bill has been paid; thus, it is likely to be

expenses in 2014 due to the fact the cart vendor hasn't been able to submit the associated paperwork properly to trigger payment. Go figure.

Are these the accurate numbers? While there are perhaps "fairly stated in all significant and material respects, there are valid concerns that the revenue reported through the Active Network POS doesn't reconcile to the Compass Park Board Central Accounting System as shown here for 2013 for Gross National.

Category	ActiveNet (Course POS)	Compass (Park Board Central Accounting System)
Revenue: Golf Revenue	1,119,295	\$979,000
Operating Expenses	1,023,000	\$1,023,000
Net Income	\$96,295	(\$43,000)

Note: It was beyond the scope of this report to review, reconcile, account and audit the books and records of the golf courses or the Minneapolis Park Board. We accepted the number provided as "fairly stated."

Presuming the expense numbers are reliable, the amount of capital investment in relationship to net income is embarrassingly paltry.

	Total			4 Year Average	
	2010	2011	2012	2013	
Wages	2,336,702	2,221,647	2,283,455	2,199,098	2,260,225
Fringe Benefits	834,611	878,382	770,257	743,868	806,779
Contractual	1,516,937	1,535,559	1,161,301	1,045,638	1,314,859
Materials & Supplies	1,157,609	1,083,107	1,300,673	1,238,030	1,194,855
Capital Investment	29,595	5,973	16,625	21,880	18,518
Total	5,875,454	5,724,667	5,532,311	5,248,513	5,595,236

Note: \$1,125,000 is allocated annually for the capital investment in Enterprise Fund. The allocation of those funds is subject to Park Board approval. Historically, the Golf Departments receives a scant portion of those resources.

While mission statements and vision statements provide a framework for operations, the key concept that supports lofty goals is the definition as to the operational standards and capital investment guidelines.

Specifically, what is the operational goal: to provide five star (platinum), four star (gold), three star (silver), two star (bronze) or one star (steel) experiences to the constituency? Are capital improvements to be made only when critical or to remain competitive or, at the highest standard, comprehensive to be on the forefront as the recognized leader within a competitive marketplace?

For the Minneapolis Park Board, the operational policies and capital investment philosophies are framed by their desire that “the current park and recreation needs be met without sacrificing the ability of future generations to meet their own needs.”⁶

That statement provides decisions will be supported “that provide services at a sustainable rate, such as providing infrastructure that can be reasonably maintained, setting realistic program and service delivery targets, or modifying land management techniques to increase efficiency.”

The recommendations contained in this report are framed by that philosophy of **practical prudence and efficiency**.

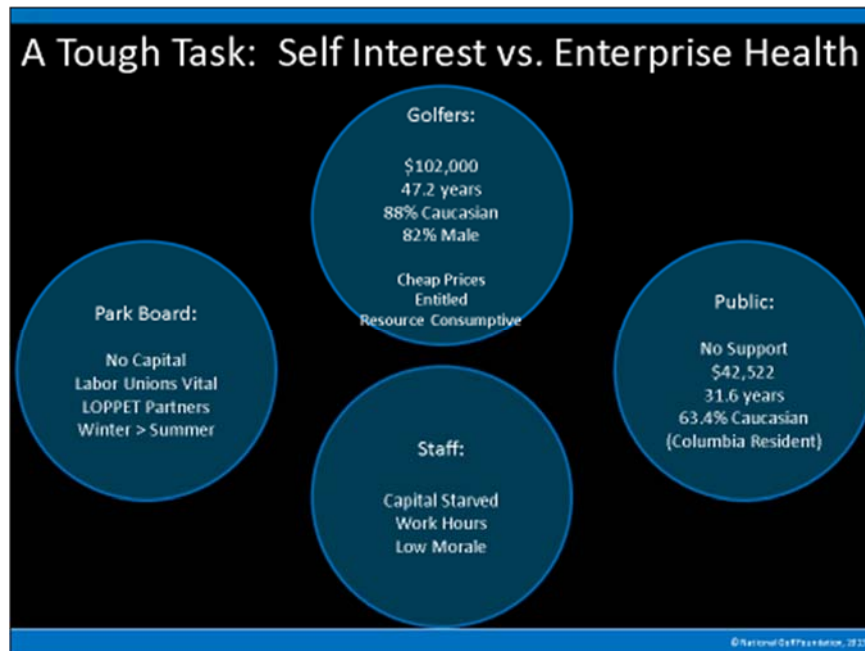
Creating A Consensus – The Interests Are Diverse

To effectively construct a 10-year vision for a municipal golf enterprise, it is vital to understand the divergent constituencies and ascertain where common interests are found.

Ideally, one would hope that though a Park Board seek an enterprise fund to be self- sustaining, capital funds would be available when required for critical investment. It seems equitable that management and staff will have the resources required to properly serve the customer and will enthusiastically commit to a professional level of service. The customer should be willing to pay for the fair value of the experience provided and not anticipate, expect or demand subsidized support for their recreational leisure. For those citizens who don't participate in a specific recreational activity, a collegial understanding exists that resources are appropriately allocated for those activities to which they participate.

Currently, it is the observation of Golf Convergence that there is a wide chasm between the interests of each constituency where self-interest, understandably yet regrettably, is prevailing over the collective community welfare as illustrated below:

⁶<http://www.minneapolisparcs.org/default.asp?PageID=53>



Note: Data based on survey conducted by Golf Convergence as an integral part of this review.

Regarding management and staff, we believe they are engaged in a repetitive cycle of defeat as illustrated here:



Not a winning formula. The foundation for a successful golf enterprise is found within a vibrant management team and staff focused on creating value for the customer.

Regarding the golfers, it is our independent and professional opinion that the Minneapolis Park Board has long been held hostage to the demands of various groups that are vastly more resource consumptive than financially contributing to the golf enterprise. There exist a narrow niche of citizens, who have champagne tastes on the Park Board's beer budget, that believe that being vocal and demanding compensates for rationale and reasoned thought in a democratic process. Their mantra of give us what we want is contrary to the Park Board's philosophy of providing recreational opportunities for the masses which takes precedence over capital investment for splinter groups.

Compounding the insatiable demands of a small group of citizens, the Park Board can't effectively control labor expenses.

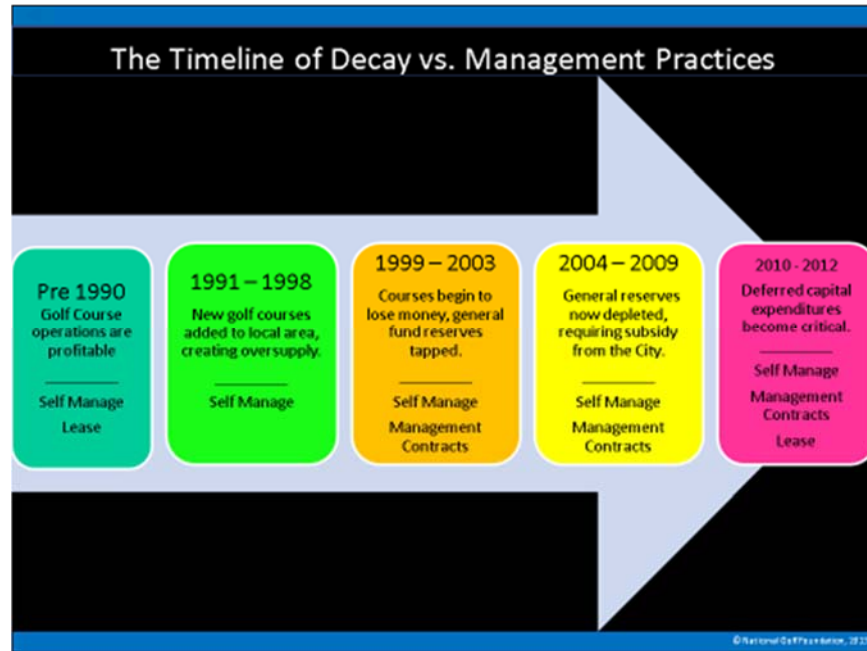
Labor unions serve a vital role in the United States, particularly for a five-day work week manufacturing or industrial enterprise. However, industry wage scale and work hour limitations are incompatible to effectively and efficiently serve a seasonal enterprise that requires long hours during limited months.

One reflection that the wage scale is too high is that fringe benefits for full-time employees is 40% - a critical threshold where privatization becomes a consideration.

	Wages				Fringe Benefits				Total Wages	Total Fringe Benefits	Fringe /Wages
	2010	2011	2012	2013	2010	2011	2012	2013			
Full Time	1,338,875	1,337,069	1,076,627	1,051,081	530,922	514,959	459,936	404,642	4,803,652	1,910,459	40%
Part Time	999,845	992,537	1,194,044	1,100,471	89,865	113,444	97,977	89,149	4,286,897	390,435	9%
Total	2,338,720	2,329,606	2,270,671	2,151,552	620,788	628,403	557,913	493,791	9,090,549	2,300,895	25%

Thus, the Minneapolis Park Board's golf Department is a failing enterprise where critical and competitive capital investment has long been deferred.

The insatiable, unreasonable and inflexible demands from its customers and the constraint of operating lacking the deftness of private enterprise, a devil's triangle has formed resulting in its golf operation spun into the death spiral which is chronicled below:



Some solace can be found in that the challenges faced in operating golf courses by the Minneapolis Park Board is not unique. As reported by the National Golf Foundation, regarding municipal golf courses only⁷:

- ◆ 70% cover operating expense
- ◆ 39% have debt
- ◆ 40% cover debt service
- ◆ 73% deferring capital improvements
- ◆ 39% lowering maintenance standards

The Minneapolis Park Board golf courses have current capital requirements exceeding \$34 million to remain competitive, as detailed below:

⁷ National Golf Foundation, “Maximizing the Economic Benefits of Municipal Golf Courses,” October, 2012, Slide 25

A Deep Hole

Course	Critical	Competitive	Comprehensive	Total
Columbia	\$2,010,000	\$795,000	\$1,490,000	\$4,295,000
Ft. Snelling	\$575,000	\$620,000	\$900,000	\$2,095,000
Gross National	\$1,930,000	\$1,160,000	\$1,270,000	\$4,360,000
Hiawatha	\$2,335,000	\$2,375,000	\$1,470,000	\$6,180,000
Meadowbrook	\$3,035,000	\$1,270,000	\$4,610,000	\$8,915,000
Wirth	\$4,225,000	\$1,615,000	\$2,810,000	\$8,650,000
Total	\$14,110,000	\$7,835,000	\$12,550,000	\$34,495,000

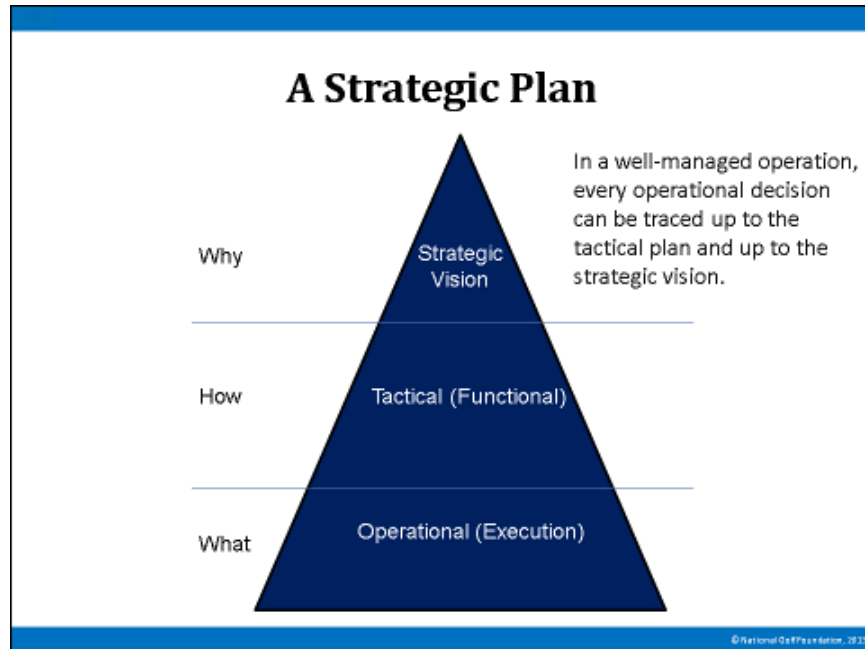
© National Golf Foundation, 2010

A solution can only be found from creativeness, compromise, and an exponential departure from the historical practices of the Golf Department. Incremental change will only result in continuation of the status quo.

Fiscal Sustainability is the Defined Goal

What is known is that the mission statement outlined by the Minneapolis Park Board has in the past, currently, and will in the future, determine the tactical resources required, the operational policies and procedures to be implemented and the capital investment that will be made.

In a well-managed operation, every operational decision can be traced up to the tactical plan and then up to the strategic vision as illustrated below:



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

Hence, the importance of the defined strategic vision. Without a defined strategic vision effective tactical plans cannot be developed. Without tactical plans, efficient operational execution cannot occur. The result of this lack of strategic planning is highly predictable—policies, procedures, and practices become based on the ever-changing whims of the owner, management, staff, or upon the influences created by golfers. Management and staff, as best they might, will only respond to the latest self-imposed crisis or artificially defined priority. As the saying goes, “Vision without action is a daydream. Action without vision is a nightmare.” Either way, chaos ensues.

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

- ◆ **Strategic:** *culture*; vision, history, tradition, and governance.
- ◆ **Tactical:** *asset management*; comprising the facilities (golf course, clubhouse and other physical entities, finances, and human resources).

- ◆ **Operational:** *activities* (green fees, tournament, merchandise, food and beverage and range) and *management* (leadership, staffing and scheduling, marketing, and customer interaction).

It is the interrelationship of these components that creates the anatomy for a golf course operation as illustrated here:



This review was framed by the mission statement for the Minneapolis Park Board Golf Department to ensure the consistency of current operations to the strategic vision for the golf courses as set by Park Board.

Some camps will strongly maintain that resources should be allocated to enhance the intangible value of the golf courses regardless of the financial return. Such positions are usually rooted in a deep self-interest to receive subsidized governmental support for their personal hobbies.

For Golf Convergence to advise that investment be made to enhance the intangible value of the assets without consideration of its financial return is beyond the scope of this report. Our responsibility was to craft a 10-year strategic plan consistent with the existing vision of practical prudence and efficiency.

Strategic - Step 1: Analysis of Regional and Local Trends in Public Golf

Macro-Economic Analysis: MOSAIC Profile

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

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

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

What is the objective of the MOSAIC Lifestyle typology?

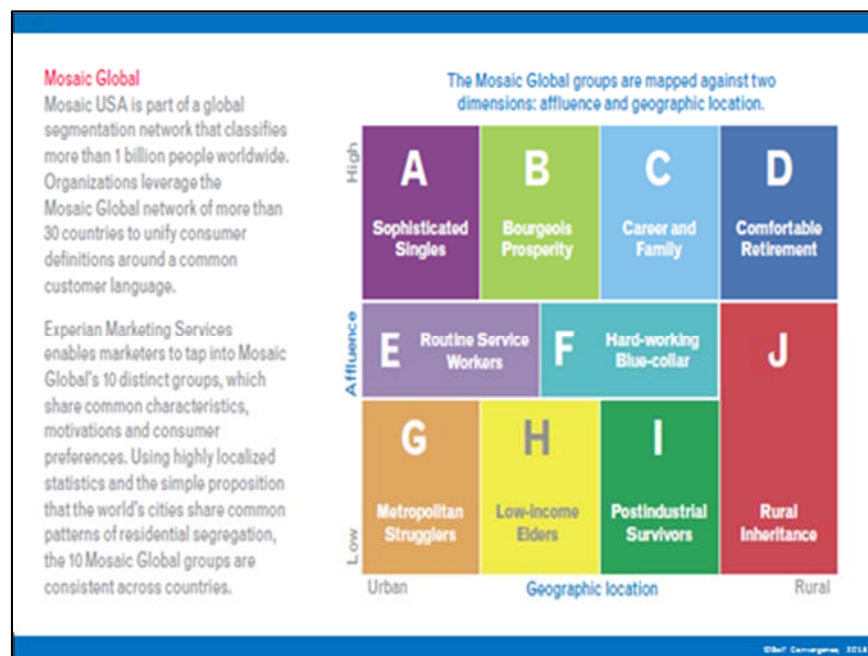
- To classify neighborhoods in a way that provides the most powerful description of consumers' behavior, lifestyles, and attitudes.
- To identify lifestyle groups that are as recognizable and meaningful as possible to marketers.
- To ensure that each of the named groups contain sufficient numbers of households to be statistically reliable for most analyses.
- To ensure that each cluster is homogeneous in terms of demographics and consumer behavior.

- To avoid an excessive concentration of individual U.S. MOSAIC types within particular geographic regions, except where appropriate.”⁸

This methodology is applicable to determining the financial potential of a golf course and the type of course layout best suited for the local community.

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

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



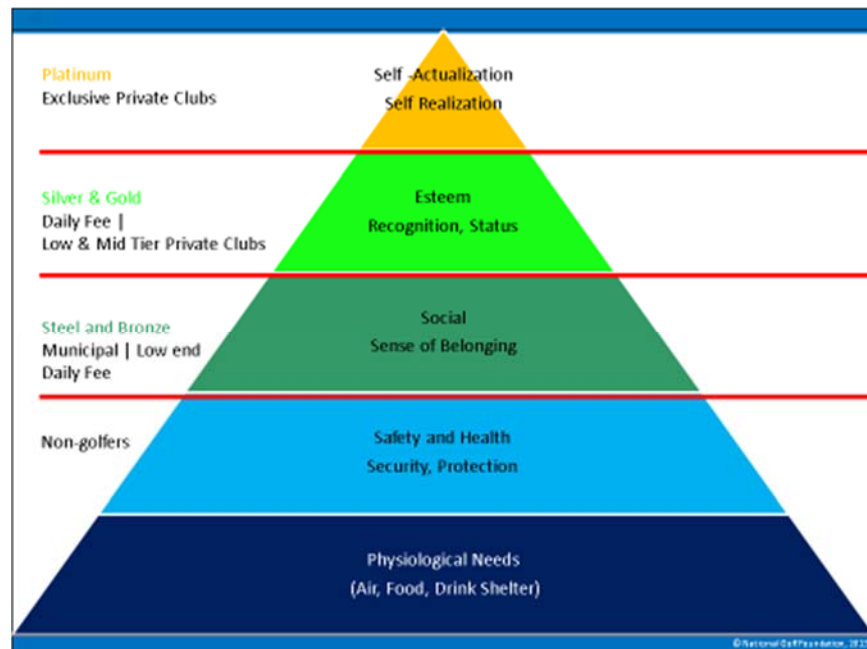
Again the vast majority of golfers within the United States fall within the “sophisticated singles,” “bourgeois prosperity,” “career and family,” or “comfortable retirement” categories.

For Minneapolis Park Board, the MOSAIC profile surrounding each golf course as measured by a 5 mile radius is reflected below:

⁸ <http://www.spatialinsights.com/catalog/product.aspx?product=80&content=1386>

	Columbia	Ft. Snelling	Gross	Hiawatha	Meadowbrook	Wirth
Global Ranking	-7.70%	12.90%	-6.80%	12.50%	29.90%	0.00%
Sophisticated Singles	5.80%	5.70%	2.90%	8.00%	9.00%	6.50%
Bourgeois Prosperity	-11.40%	4.50%	-3.00%	6.80%	21.10%	0.50%
Career and Family	-2.10%	2.70%	-6.70%	-2.30%	-0.20%	-7.00%
Comfortable Retirement	2.80%	0.10%	1.30%	-2.60%	0.90%	-1.20%
Routine Service Workers	-10.80%	-6.10%	-7.50%	-9.80%	-8.40%	-7.20%
Hard Working Blue Collar	13.60%	-1.80%	-1.60%	-5.80%	-9.50%	-2.80%
Metropolitan Strugglers	-5.30%	-2.90%	18.50%	10.70%	-3.80%	17.90%
Low Income Elders	-1.00%	0.70%	3.10%	3.00%	3.50%	2.70%
Post Industrial Survivors	15.90%	4.60%	0.40%	-0.30%	-5.10%	-2.00%
Rural Inheritance	-7.50%	-7.50%	-7.40%	-7.50%	-7.50%	-7.50%

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



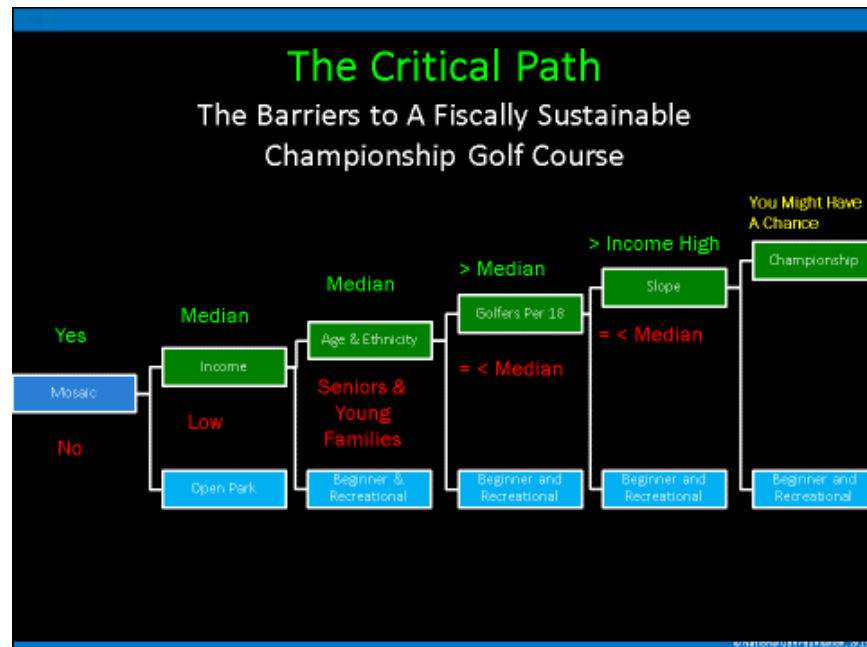
It is important to match the client's expectations with the experience created by the golf course management team and the associated course layout.

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

However, there are 6 numbers that determine the potential of a golf course within a 5 mile radius of the golf course:

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

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



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

A point of clarification is that for every one round of golf played by a Hispanic American or African American, a Caucasian plays 7 rounds of golf. For every round played by an Asian American, a Caucasian plays 4 rounds of golf.

For Minneapolis Park Board, the demographic profile surrounding each golf course is reflected below:

			Mosaic Profile			Source: Tactician and National Golf Foundation						
Golf Course	Opened	2010-2012 Net Income Per Course	5	10	15	Income	Age	Hispanic	African American	Asian	Golfers Per Facility	Slope
Columbia	1919	-57,886	-4.90%	-11.80%	-7.00%	\$42,522	31.6	7.20%	19.60%	8.00%	5,518	128
Ft. Snelling	1935	-72,910	13.00%	8.20%	13.80%	\$55,340	35.3	9.80%	16.30%	3.80%	4,471	104
Gross	1925	168,593	-5.50%	5.30%	12.30%	\$41,770	31.5	7.60%	18.30%	7.40%	6,124	126
Hiawatha	1929	33,328	9.90%	7.80%	14.00%	\$49,058	32.6	10.10%	12.50%	4.50%	8,316	130
Meadowbrook	1926	89,292	30.80%	16.00%	17.60%	\$63,612	38.9	4.60%	6.10%	4.40%	3,321	132
Wirth	1916	40,709	-1.20%	11.50%	13.90%	\$45,363	32.1	9.40%	18.60%	5.90%	6,398	135
Wirth Par 3	1958	15,055	-1.20%	11.50%	13.90%	\$45,363	32.1	9.40%	18.60%	5.90%	6,398	55

The chart above provides insights as to:

- 1) Which golf courses have the opportunity to financially self-sustaining based solely on local demographics?
- 2) Is the course layout and experience offered consistent with the neighborhood?

- 3) Is the relationship of demand vs. supply in balance?
- 4) Are the posted green fees appropriate for the neighborhood if standard golf operational practices are deployed?

Which Courses Can be Self-Sustaining?

In studies performed by Golf Convergence, it has been established that a golf course should have a +20% rating in its MOSAIC profile index compared to the US population for a golf course to have the potential to be financially sustaining by offering an upscale golf experience. Golf courses who ratings range between +10 to +20 have shown the proclivity to be able to support a recreational golf course priced between \$40 - \$50 for a prime tee time on the weekends with cart. Golf courses whose MOSAIC profile rating is negative within their 5-mile radius are challenged to attract and retain golfers beyond that radius to have the opportunity for sustainability.

As illustrated in the chart above, Meadowbrook Golf Course, all things being equal, has the greatest potential to be thrive. Ft. Snelling and Hiawatha, if they offered the appropriate golf experience matched to the MOSAIC profile should be self-sustaining. Columbia, Gross National and Theodore Wirth, if solely dependent on the immediate population within a five mile radius surrounding the golf course would be financially challenged. These facilities would need to offer something unique and compelling to attract and retain golfers from outside the five mile radius. It is our professional opinion that Gross National offers such an opportunity while Columbia doesn't. The demographics in the 5 to 10 mile radius from Wirth do provide a glimmer of hope.

Layout – Are the Existing Courses Compatible with the Neighborhood?

This analysis reveals that a championship course with an appropriate clubhouse to encourage daily fee play and host tournaments and outings are appropriate at only Meadowbrook.

Columbia is properly suited for its location though the upside potential with substantial investment will unlikely provide a financial return. Requiring to cross the railroad tracks on two occasions and the drainage issues create substantial hurdles.

Ft. Snelling, a 9-hole golf course bordering the airport runway, is the wrong product for the market. A diminished clubhouse, a goofy routing on the 1st hole, and the airplane traffic unfortunately renders this course a bad match for the neighborhood.

While the immediate neighborhood surround Gross National would suggest a course of a plebian character, the golf course is marvelous. Its proximity to downtown Minneapolis suggests that if the clubhouse facilities were more attractive to the business customer where corporate outings and tournaments could be hosted with appropriate food and beverage facility, the opportunity for Gross National would be exciting, especially if the range could be extended.

Hiawatha Golf Course is an enigma. The routing of the course, the practice facilities and the number of golfers per 18 holes suggests great potential. Unfortunately, the maintenance of the courses – largely caused by the irrigation and drainage issues with an inferior clubhouse create challenges.

It is our opinion that the challenging golf experience offered at Theodore Wirth, with a slope rating of 135 (the national average is 120 for golf courses constructed before 1980) is inconsistent with its location. The numerous opportunities to lose golf balls (1, 2, 3, 4, 5, 9, 10, 12, 13), the hilly back nine terrain all dissuade the casual golfer from playing there which is reflected in that the gross revenue of this facility has averaged at \$826,309 over the past four years. The revenue at Wirth has averaged from 2010 to 2012 \$247,852 less than Hiawatha and \$489,888 less than Gross National.

The location of the golf courses presents a political dilemma for the Minneapolis Park Board present a political dilemma. Only Columbia, Hiawatha and Theodore Wirth are located within the City limits. In desiring to provide golf to citizens to enhance their lifestyle and recreational opportunities, should the sole criterion for investment be the location of the golf courses or their opportunity to create a financial return? With a Park Board that has many identified projects far exceeding available capital, how does one justify the investments necessary?

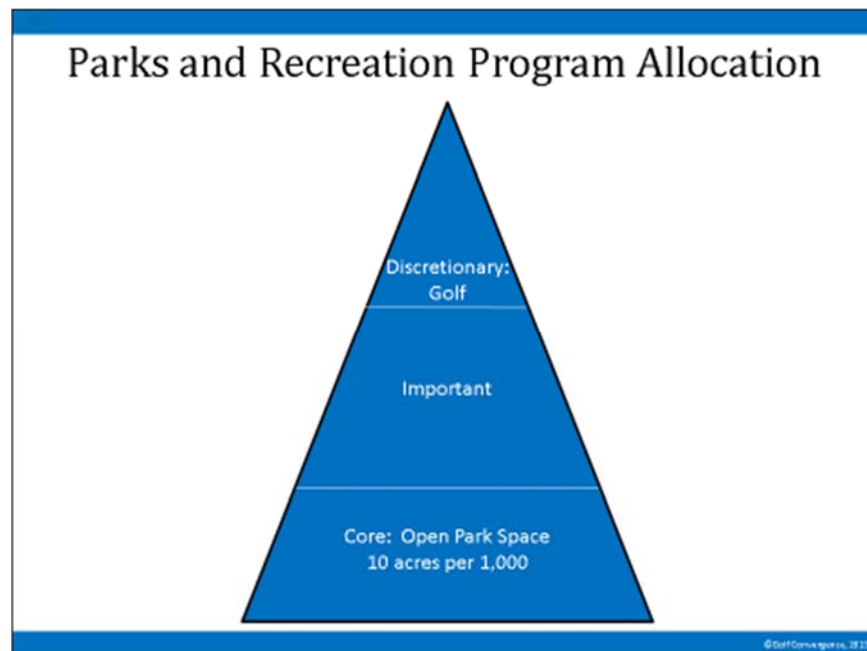
That raises the question, “Should those golf courses that are not economically self-sustaining be shuttered? The answer to that question, “What is the role of municipal golf?” is frequently debated especially when facilities are not economically viable.

Historically, municipal golf courses are often viewed as the entry door—the stereotype of inexpensive, affordable golf. Average course conditions, small clubhouses, and limited food service cater mainly to seniors, juniors, season pass holders, and new golfers. During the past decade, this stereotype has changed, as many municipal courses now offer high-quality experiences as is readily apparent in the Minneapolis Park Board market with impressive municipal facilities offered Brooklyn Park, Ramsey County, etc.

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

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

What is often lost in the debate on the viability of municipal golf courses is that golf is classified as a discretionary program. The allocation of resources for parks and recreation departments is determined by a matrix of core, important, and discretionary areas of importance by national standards, as highlighted in the chart below.



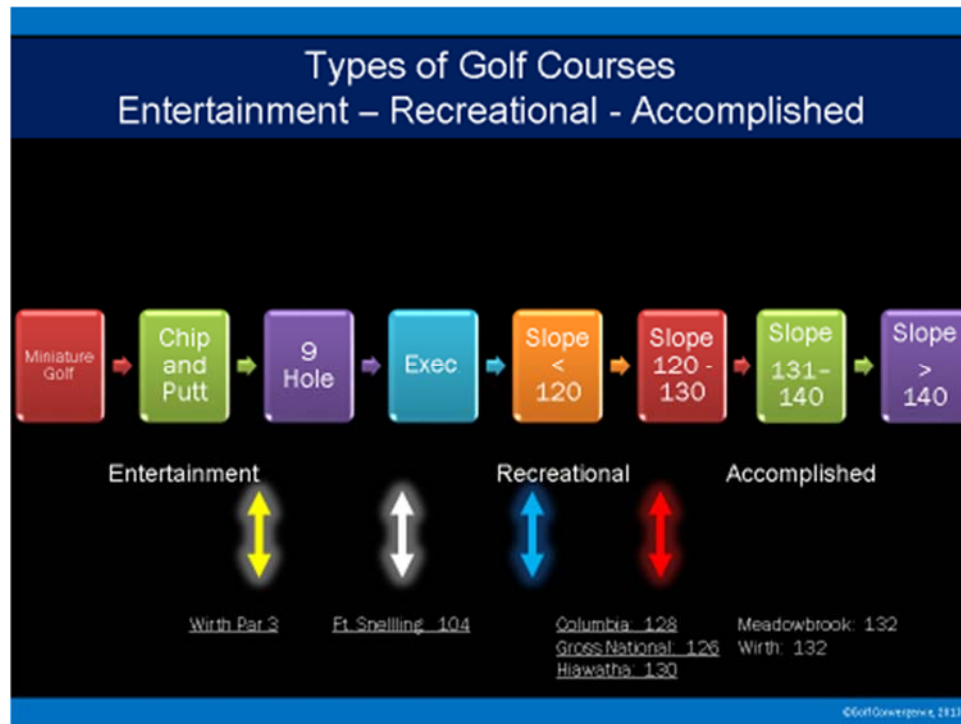
Thus, it is essential to understand the organizational framework in which the golf course operates within a City's defined charter of providing leisure services. Parks and Recreation systems across this country provide three types of services:

- **Core Essential Services:** These are services the city must provide to manage parks. They would include providing parks and open space for no cost, park maintenance, security, administration, and essential parks-related duties that are commonly considered public good services. These types of services are typically supported by tax dollars. The Minneapolis Park Board maintains __ acres per 1,000 in population.
- **Important Services:** These are services which provide for the public good and for the private good. Examples of Important Services would include programs such as swim lessons, summer day camps, and after-school programs.
- **Value-Added/Discretionary Services:** These are services that are nice to provide if money is available to support the services and if the community is willing to invest in them through user fees. These services would include **golf**, senior trips, fitness programs, and individual instructional classes and lessons.

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

While this report emphasizes the desire that an enterprise fund be financially self-sustaining, such may not be achievable due to uncontrollable factors such as the demographics of the courses' locations addressed herein compounded by the fluctuations in weather.

Therefore, it is essential that the type of golf experience offered and the associated investment by the City be consistent with the demographic profile of the immediate community. Currently, Minneapolis Park Board offers a broad spectrum of golf experiences as provided as shown below:



What Minneapolis Park Board has done reasonably well is that the type of golf experience offered is fairly consistent with the neighborhood in which the golf course is located. The appropriate adjustments to the facilities and the associated experience to be provided to the golfers as noted in this review are principally incremental and not radical, except for Theodore Wirth.

Where a comprehensive renovation of a course is recommended, i.e., Gross National, Hiawatha, Meadowbrook, Wirth, or a major clubhouse expansion, i.e., Gross National, Hiawatha, Meadowbrook, the foundation for those suggestions are based on the belief that such investment sustains one of the leading national park systems and that a respect for the historic nature of the golf courses – all approaching 100 years, may have the opportunity to generate a financial return as the number of golfers per 18 holes suggests the sufficient demand exists, if the appropriate experience is provided.

Such investment must consider the current tendencies and preferences of golfers in the local market and the supply of golf in Minneapolis Park Board herein.

Tendencies and Preferences that Influence Demand & Supply

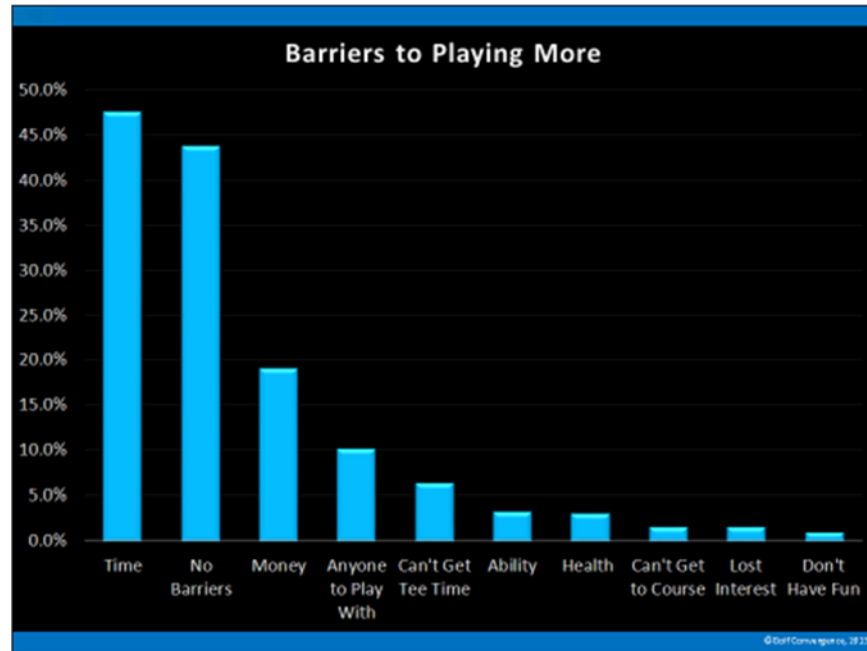
For this operational review, we conducted intensive research of the local golfer base, supply levels, the current supply/demand balance, and the impact of historical supply dilution.

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

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

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

When asked to identify their barriers to increased play, survey respondents cited the "lack of time" or, "no barriers," answers common to every survey by Golf Convergence.



The answers “time” and “no barriers” are troubling in that they are uncontrollable factors. Considering that the median household income reported is \$103,948 among golfers, the customer certainly has the ability to pay a higher green fee if the value provided is also increased.

The expense of the sport, while ranked third, is selected by only 18% of the respondents. Thus, who proclaim, often loudly at times and most often frequent golfers, that the solution to the current problem is to lower fees, speak from a platform of self-interest hoping to cajole the Park Board into lowering rates and subsidizing their leisure.

The chart below highlights the perilous path that discounting offers:

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

©GolfConvergence, 2011

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

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

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

In 2012, the National Golf Foundation reported that those who make up what is called “the latent demand” (those who have never played and have an interest or those who played in the past but now are not actively engaged) are primarily attracted to the sport to “spend time outdoors” and “for exercise and fitness.”⁹

In 2012, National Golf Foundation expanded its research to current golfers, asking them why they play the game. The responses were very insightful and consistent with those who have an interest but do play golf currently, as highlighted in the following figure.

⁹ National Golf Foundation, “Attrition and Attraction,” April, 2012, Slide 19.

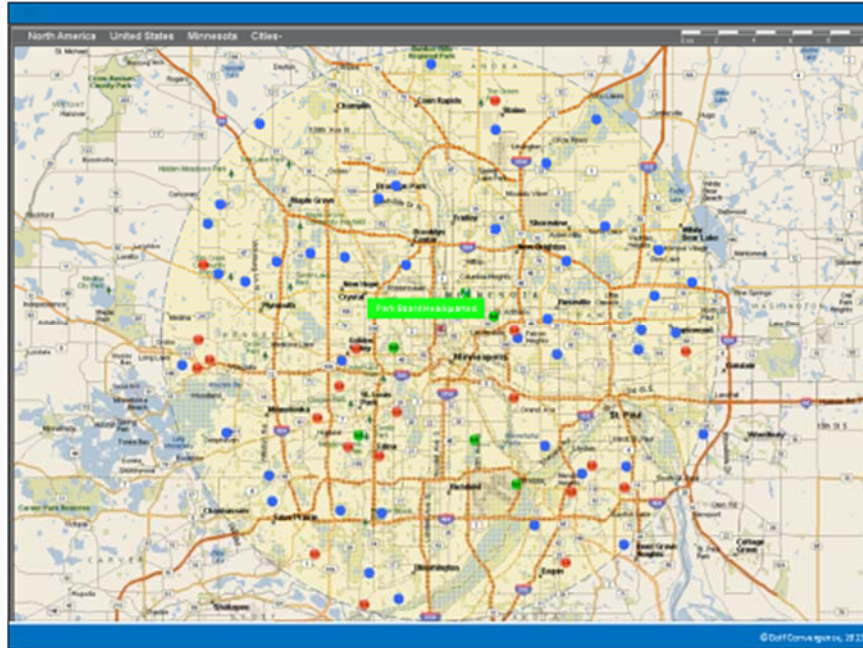
Why We Play	Not and Fringe	Casual	Hooked and Nuts	Average
Time outdoors	43	54	63	53
Social aspect	33	46	53	44
The exercise	32	44	48	41
Ball striking	23	40	59	41
The challenge	18	36	66	40
The courses	20	28	52	33
Stress relief	19	36	43	33
Mental game	10	23	39	24
Values of the Game	9	23	39	24
The competition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

© National Golf Foundation, 2013

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

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

As part of this management and operational review, to determine the competitive forces surrounding Minneapolis Park Board's golf courses, facilities that are located within 5/10/15 miles from the Minneapolis Park Board were evaluated. The competitive map locates the golf courses within 15 miles of MPB Golf Courses.



Key: Green dots – Minneapolis Park Board golf courses
Blue dots - Public golf courses
Red dots - Private clubs

With all those dots within 15 mile, the superficial observer might presume that the market is vastly oversupplied with too many golf courses. Actually, the opposite is more reflective of the data.

There are 1,737 golfers per 18 holes in the United States. If one considers just the top 100 core based statistical areas, there are 2,640 golfers per 18 holes. The concentration of golfers (demand) vs. the golf courses (supply) is illustrated below:

Golf Demand vs. Supply in Top 100 Core Based Statistical Areas					
	Nation	Top 100 Core Based Statistical Areas	% in Top 100 CBSA	Remaining USA	% in Non Top 100 CBSA
Households	18,334,168	12,017,942	65.55%	6,316,226	34.24%
Rounds	424,452,832	251,382,304	59.23%	173,070,528	41.85%
Rounds Per Household	23.15	20.92		27.40	
Courses	15,677	7,202	45.94%	8,475	54.06%
Rounds/Course	27,075	34,912		20,415	
Golfers > Courses			19.81%		-19.81%

Minneapolis has a great advantage in the number of golfers per 18 holes within five miles of their golf courses range from 3,321 at Meadowbrook to a high of 8,316 golfers living within five miles of Hiawatha.

In the Appendices to this report, we have presented a detail list of every golf course including address, number of holes, year opened, price, point, type of golf course, peak green | guest fee, and the sales per square foot in the clubhouse.

While demand exceeds supply, providing a superior experience -- not the lowest price — remain essential to ensure the fiscal sustainable of the golf courses. Matching the course layout to the consumer's preference as to the challenge to be encountered is also an important component to a successful golf course operation.

The Appropriate Green Fees

With the numbers per 18 holes for the Minneapolis Park Board golf courses significantly above national benchmarks, it becomes imperative that the green fee be established appropriately for each facility.

The median household income within the competitive local market determines the base green fee that can be achieved. While extraneous elements, i.e., national famed course designer, scenic views, comprehensive amenity packages, upscale clubhouse can upwardly influence the green fee

that can be realized, lacking such components green fees are determined by surrounding median household income. It is of note that the median household income in the US is \$53,214 and that the average green fee with cart prime time is \$42 (0.0008%).

In the competitive market review performed concurrent with this analysis, none of the attributes that would positively influence the green fee price were noted, save for possibly Gross National as it is a superior course layout. Thus, the likely ceiling for a prime time weekend tee time with cart are likely to be:

Golf Course	Income	Potential Green Fee	Golfer Perceived Value	Current Green Fee	Variance	Market Value Analysis
Columbia	\$42,522	\$35.16	\$36.44	\$44.00	\$8.84	Overpriced
Ft. Snelling	\$55,340	\$22.88	\$20.16	\$26.00	\$3.12	Overpriced
Gross	\$41,770	\$34.54	\$38.26	\$44.00	\$9.46	Overpriced
Hiawatha	\$49,058	\$40.56	\$33.69	\$44.00	\$3.44	Appropriate
Meadowbrook	\$63,612	\$52.60	\$37.88	\$44.00	(\$8.60)	Underpriced
Wirth	\$45,363	\$37.51	\$38.05	\$44.00	\$6.49	Overpriced
Wirth Par 3	\$45,363	\$18.75	\$17.36	\$17.00	(\$1.75)	Appropriate

Note 1: The potential green fee price for Ft. Snelling and Wirth Par 3 were determined by multiplying the 18-hole green fee price by 50%.

Note 2: The potential green fee represents the value provided by a recreational golf course.

Note 3: Golfer perceived value based on responses received from survey Golf Convergence.

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

As noted in Step 6, Golf Operations Review when the prices of 15 competitive courses were analyzed. The Minneapolis Park Board market is unique in offering the same price amongst its 18-hole golf course regardless of the vastly different experiences provided.

Setting green fees is a process determining a balance between the location of the golf course and the experience provided. The rates for each of the golf courses is the same. In the survey conducted by Golf Convergence as part of this strategic review, 70% of all respondents and 75% of golfers stated that they believed the rates should be set based on the experience provided illustrated here:



That citizen input would suggest that 2014 rates should be raised at Gross National and Meadowbrook, remain the same at Hiawatha and lowered at Columbia and Wirth.

Micro Economic Analysis:

To support the macro-economic conclusions, a detail analysis of the micro economic components of the market is warranted.

The Minneapolis Park Board market is very homogenous if measured from a 15 mile radius from **each golf course** as noted below:

Category	Columbia	Ft. Snelling	Gross National	Hiawatha	Meadowbrook	Wirth	Minnesota	U.S.
Demographics								2012 Data
Age (Median)	35.40	35.20	35.50	35.50	35.60	35.50	37.30	37.10
Age (Index)	95	95	96	96	96	96	101	100
Income (Med Hhld)	\$56,016	\$56,680	\$56,062	\$56,790	\$58,078	\$56,644	\$55,837	\$53,214
Income (Median)	105	107	105	107	109	106	105	100
Ethnicity (% Cauc.)	73.80%	74.00%	73.80%	73.50%	74.50%	73.60%	85.30%	72.40%
Ethnicity Index	102	102	102	102	103	102	118	100
Hispanic	7.00%	7.40%	7.00%	7.20%	6.90%	7.00%	4.70%	17.20%
Hispanic Index	41	43	41	42	40	41	27	100
Black	11.10%	10.70%	11.10%	11.10%	11.10%	11.20%	5.20%	12.70%
Black Index	87	84	87	87	87	88	41	100
Asian	7.50%	7.50%	7.60%	7.70%	6.90%	7.60%	4.00%	4.90%
Asian Index	153	153	155	157	141	155	82	100

While the population is slightly younger, the income and ethnicity reflect a demographic very supportive of golf.

While demographics provide a crisp analysis, the National Golf Foundation conducts extensive national consumer surveys measuring the participation rates, the number of avid golfers, total participation, golfing fees, and golf fees per round. These statistics for Minneapolis Park Board golf courses are presented below:

Category	Columbia	Ft. Snelling	Gross National	Hiawatha	Meadowbrook	Wirth	Minnesota	U.S.
Demand								
Avid Golfers	65,601	63,729	65,982	68,385	63,410	65,284	180,021	6,878,980
Total Golfers	244,780	237,796	246,200	255,167	236,604	243,597	671,719	25,667,835
Golfing Households	174,843	169,854	175,857	182,262	169,003	173,998	479,799	18,334,168
Rounds Played	3,696,733	3,563,545	3,708,938	3,837,108	3,554,079	3,678,124	11,481,272	424,452,832
Seasonal Rounds	25,402	23,230	24,996	26,779	31,517	28,375	718,678	22,052,904
% of Rounds Played Outside Local Market	1%	1%	1%	1%	1%	1%	6%	5%
Rounds Played Per Golfer	15.06	14.99	15.06	15.04	15.02	15.10	17.09	16.54
Golf Participation	13.12%	13.00%	13.10%	13.18%	13.79%	13.43%	12.66%	8.31%
Total Population *18	1,474,306	1,440,688	1,486,149	1,526,874	1,358,389	1,434,802	4,095,958	239,719,509
Population >18%	79%	79%	79%	79%	79%	79%	77%	78%
Population	1,865,980	1,828,971	1,879,883	1,935,964	1,716,000	1,813,628	5,303,925	308,745,538
Households	758,298	744,001	764,841	788,948	702,654	741,424	2,087,227	116,716,292
Population/Household	2.46	2.46	2.46	2.45	2.44	2.45	2.54	2.65
Golfers per 18 Holes	4,257	4,529	4,559	5,155	3,879	4,200	1,650	1,737
Avid per 18 holes	1,141	1,214	1,222	1,382	1,040	1,126	442	468
Avid Household Index	244	259	261	295	222	241	95	100

What do these statistics mean? The rounds played per golfer, ranging from 14.99 rounds per year at Snelling to 15.10 rounds per year at Wirth with golf participation rates ranging 13.00% at Ft. Snelling to 13.79% reflects that a great percentage of residents play golf compared to national benchmarks but for those who play, these play less frequently, i.e., are less committed, to the sport compared to national benchmarks for the Top 100 core based statistical areas and the United States.

However, the golfers per 18 holes and the number of avid golf per 18 holes are significantly above national averages within the 15 mile market. Those indices provide a hope that if the value proposition offered by the Minneapolis Park Board market exceeds the competitive market, it may be possible to increase rounds at the City's golf courses.

Those statistics, in the aggregate, become a standard measure of golf course supply within a local market, the segmentation of courses by price point and public/private interrelationship. This data facilitates a deeper insight as to the potential of an individual facility.

The demographic data suggest that within a 15-mile radius of the Minneapolis Park Board golf facilities there would be few golf courses price over \$70 and that the vast majority of golf courses would be priced in the value and price brackets. This relationship was confirmed and as illustrated below:

Category	Columbia	Ft. Snelling	Gross National	Hiawatha	Meadowbrook	Wirth	Minnesota	U.S.
Premium >\$71	1	1	0	0	4	1	23	1,313
Value \$40-\$70	23	22	22	18	20	20	181	3,893
Price <\$40	19	19	19	21	21	21	213	6,438
Private/Public Mix	30%	28%	29%	32%	34%	35%	11%	26%
Premium/Value Mix %	4%	4%	0%	0%	17%	5%	11%	25%
Premium >\$71 %	2%	2%	0%	0%	9%	2%	6%	11%
Value \$40-\$70 %	53%	52%	54%	46%	44%	48%	43%	33%
Price <\$40 %	44%	45%	46%	54%	47%	50%	51%	55%

As would be expected, the value (\$40 - \$70) and price (Under \$40) dominate the Minneapolis metroplex. Surprisingly, the private/public mix is slightly higher than United States averages private/public mix. The relative short golf season mitigates against a large capital investment indicating the strength in private clubs extends beyond golf to a culture of diverse recreational opportunities and fine dining in a private setting.

Step 1 - GLMA Conclusions and Recommendations

For Minneapolis Park Board, does the Park Board invest in a money-losing operation in the hopes of tracking recreational golfers who play infrequently and seek a low price-point experience? Or, should the Minneapolis Park Board raise price hoping to generate sufficient capital to reinvest to enhance the experience.

Neither of these are good options. Unless course improvements are made that will produce little short-term economic benefit, the losses are likely to accelerate at a greater rate than if the investment isn't made.

Is selling the golf courses an option? In today's golf market, buyer financing is scant. Further, the multiples on which golf course trade are low. We estimate the fair market value of the golf courses, based on current industry multiples ranging from 0.6 – 1.5 gross revenue and 8.0 – 12 earnings before interest, taxes, depreciation and interest. Applying these current industry metrics to the Minneapolis Park Board courses would suggest the following valuations:

Golf Course	Gross Revenue	Net Income	Valuation Based on Revenue	Valuation Based on Net Income
Columbia	996,494	-43,414	1,096,144	-434,143
Ft. Snelling	296,093	-54,682	325,702	N/A
Gross National	1,160,933	126,445	1,277,026	1,264,445
Hiawatha	966,713	24,996	1,063,384	249,962
Meadowbrook	1,000,134	66,969	1,100,148	669,690
Wirth	826,309	30,532	908,940	305,317

The value that could be obtained, based on operating as a golf courses, are de minimis. If there was a sincere intent to sell, rezoning the land would likely produce a great value from the sale of the asset. Thus, the consideration of selling the golf courses is rendered mute based on the low valuation and the political challenges that would be encountered.

The strengths and weaknesses of the individual golf courses are summarized here:

Course	Conclusion from Geographic Local Market Analysis
Columbia	Entry Level Golf Course for the Masses. Columbia Could Break Even if Back Nine Fixed and Conditioned Improved.
Ft. Snelling	Has Potential If the Course is Appropriate for Market. Nature of 9 Hole Golf Course Near Airport Suggest that the Facility Should be Closed
Gross National	Will Need to Draw from Outside of the Market If Course Superior to Achieve Higher Green Fee Price. This is A Great Course That Could be an Attractive. Draw from Downtown Metro.
Hiawatha	Has Potential If the Course is Appropriate for Market. Regretfully, the course will be consistently consumed by the lake requiring major soil every 10 years.
Meadowbrook	Home Run Championship Golf Could Command Premium. The numerous blind shots are a concern, the lack of a driving range, drainage, and a tired clubhouse will require a large investment to tap potential
Wirth	Entry Level Golf Course for the Masses to better serve local neighborhood. The par 3 should be converted to a practice facility and 12, 17 an 18 should be replaced.

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With those conclusion drawn, the viable option, based on the competitive local market analysis, is to determine at what level is the appropriate capital investment that is likely to generate a positive return on investment for the golf courses: critical, competitive, comprehensive.

Golf Course	Appropriate Course Layout	Justifiably Capital Investment
Columbia	Recreational	Critical
Ft. Snelling	Open Park Space	None
Gross National	Championship	Comprehensive
Hiawatha	Recreational	Competitive
Meadowbrook	Championship	Comprehensive
Wirth	Recreational	Competitive

Gross National, based on the course layout, and Meadowbrook, due to its layout and location, suggest a comprehensive update is appropriate. The construction of clubhouses to encourage tourists, tournaments and outings would be appropriate.

For Hiawatha and Wirth, competitive investment would better match the local demographics. For Columbia, the market suggests that any significant investment will have to be under the mantra of enhancing an intangible asset for a financial return is unlikely.

For Ft. Snelling, one should not ask for whom the bells tolls, for it tolls for that golf course. Any money invested is a sunk cost.

As to the sequence for investment, Gross National has demonstrated historically the ability to generate the highest cash flow. Investing in that facility first is appropriate. As the development of Wirth is dependent upon the amount and extent of Loppet raised capital, by default, improvements to that facility should be deferred until such financing is in place. The sequence for the investment in the other facilities is dependent the implementation of other recommendations within this report regarding the availability of storm water funding. To the extent that Columbia and Hiawatha can first secure such funding, that would suggest that facility should take precedence in renovation after Gross National.

Thus, the research performed in Step 1, suggests that the revised golf course capital budget for the next 10 years is reduced from \$34 million to \$11.56 million as illustrated below that is support by the additional research in Steps 2 through 7:

Greatness in Your Grasp				
Course	Critical	Competitive	Comprehensive	Total
Columbia	\$2,010,000	Obtain \$1.5 million in Storm Water Funds to Fix Back 9 – Restore Lake Sandy: Invest \$610,000		
Ft. Snelling	Close			
Gross National	Best Option: Invest in Clubhouse Expansion, Course Improvements and Make Crown Jewel Mediocre Option: Lease			
Hiawatha	\$2,335,000	\$2,375,000	Obtain \$1.5 million in Storm Water Funds to Fix Back 9. Invest \$2,375,000	
Meadowbrook	20 Year Lease – Redirect Labor Union Staff to Another Course			
Wirth	\$4,225,000	Driving Range, Miniature Golf, Close Par 3 Substitute 3 Holes, Enhance Winter Recreation		
Total	\$14,110,000	\$7,835,000	\$12,550,000	\$11,560,000

It should be noted that these recommendations are based SOLELY on Step 1, Geographic Local Market Analysis incorporating the capital requirements defined in Step 5, Architecture, Agronomy, and Irrigation that will be outlined in detail in that respective section as to justification and the amount of the capital investment advocated.

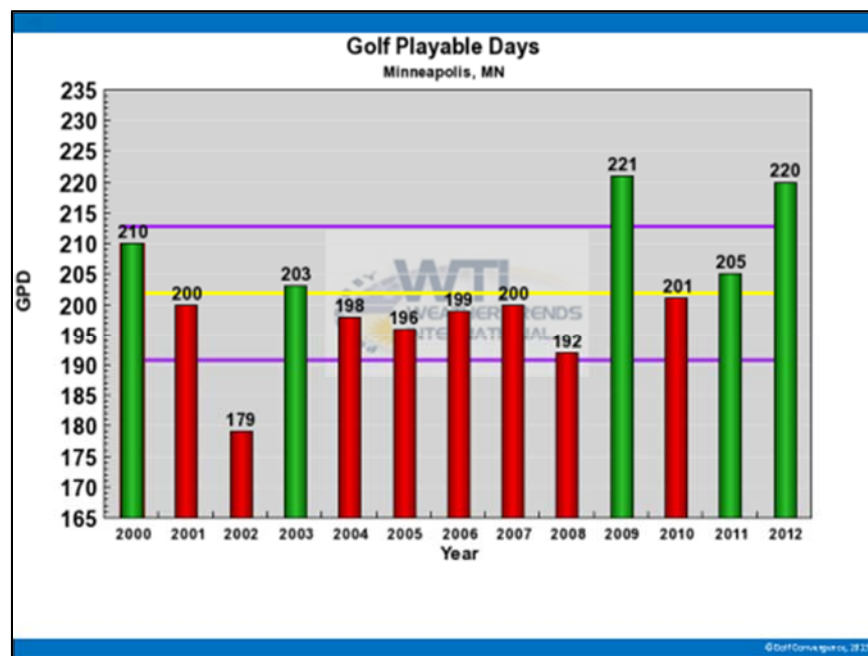
Strategic - Step 2: Weather Impact Study

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

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

Annual Golf Playable Days

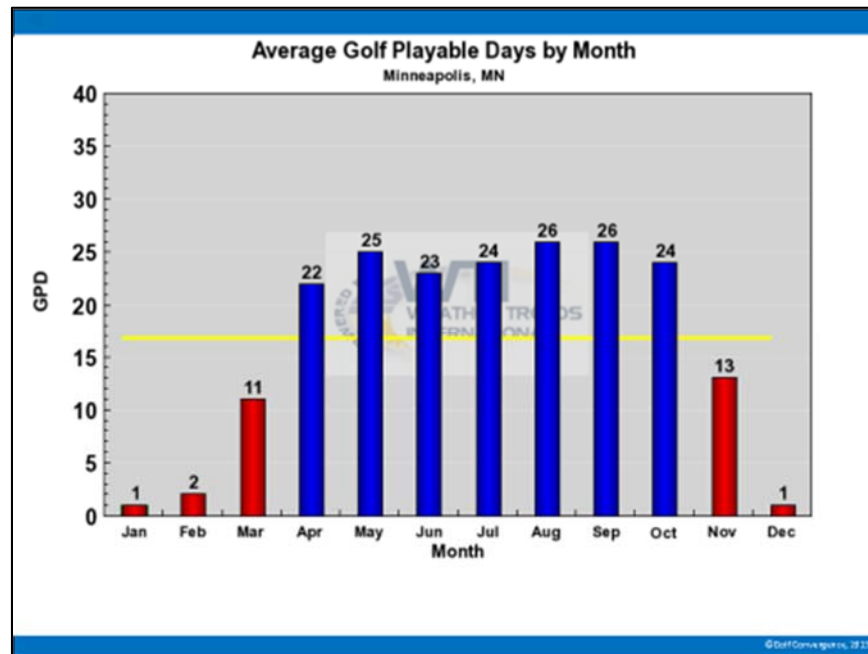
In three of the past four years (2009 – 2012), the amount of playable days at Minneapolis Park Board was above Minneapolis Park Board’s 10-year average. It should be noted that from 2004 through 2008 and in 2013, there were fewer playable golf days. On average, there are 202 playable golf days per year in Minneapolis Park Board, as illustrated below:



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

Viable Operating Season

A second analysis of weather-playable days reveals that the Minneapolis Park Board effectively has a seven-month golf season, as illustrated below:

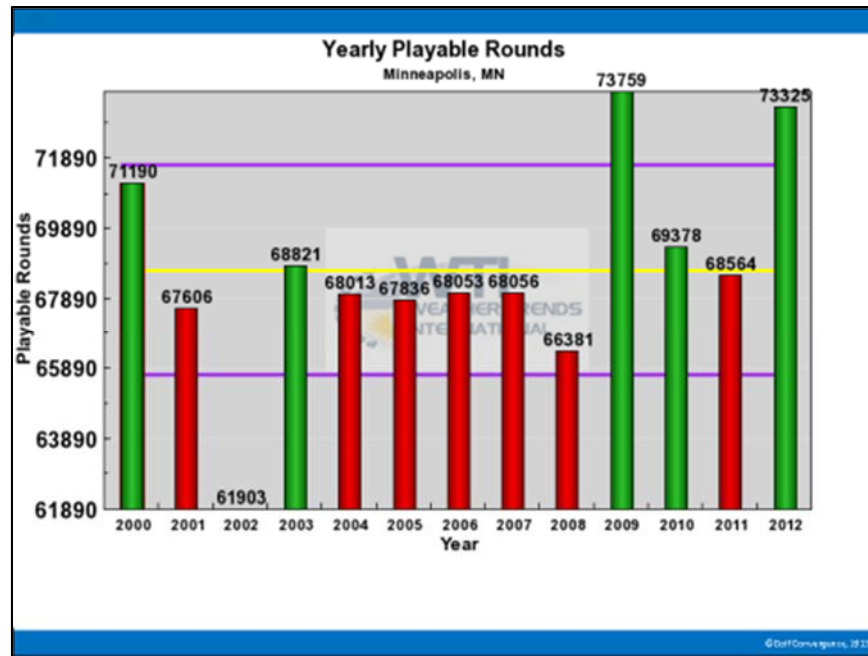


A Golf Playable Day (GPD) is defined as a day when the maximum heat index (a combination of temperature and humidity) is below 97 and above 45, and there is less than 0.20 inches of rainfall. This variable is quite subjective, as golfers in different parts of the country may be hardier when it comes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

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

Yearly Playable Rounds

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



As can be seen in the chart below, Minneapolis Park Board is operating at 47.69% of capacity illustrated here:

Course	2010 – 2013 Average Rounds	Teemaster Defined Capacity	Practical Capacity (based on playable days)	Utilization Based on Practical Capacity
Columbia	31,397	86,269	68,564	45.79%
Ft. Snelling	15,193	44,412	34,282	44.32%
Gross National	42,320	106,577	68,564	61.72%
Hiawatha	32,340	88,816	68,564	47.17%
Meadowbrook	35,135	91,336	68,564	51.24%
Wirth	27,697	79,352	68,564	40.40%
Wirth Par 3	15,109	44,412	34,282	44.07%
Total	199,190	541,174	411,384	48.42%

It should be noted that utilization of 48.42% is slightly below national averages of 49.7%.

Underperforming the Weather

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

	Base Averages	2009	Variance	2010	Variance	2011	Variance	2012	Variance	2013	Variance
Gross Revenue	\$5,725,130	\$6,538,922	\$813,792	\$6,107,021	\$381,891	\$5,211,683	(\$513,447)	\$6,051,990	326,860	\$4,716,032	-1,009,098
Playable Days (Weather Trends International)	202	221	19	201	(1)	205	3	220	18	179	(23)
Revenue Per Playable Day	\$27,034	\$29,588	\$2,554	\$30,383	\$3,349	\$25,423	(\$1,611)	\$27,509	\$475	\$26,347	(1,069)
Revenue Change that Should Have Been Attributable to Weather			\$513,647		(\$27,034)		\$81,102		\$486,613		(630,554)
Under Performance by Management			N/A		N/A		(\$511,835)		(\$159,753)		(\$378,543)
Over Performance by Management			\$811,239		\$378,543		N/A		N/A		N/A

While Minneapolis Park Board management outperformed the weather from 2009 – 2010, for the past three years the golf course appears to be undermanaged in relationship to the number of player days available. The calculation would suggest that revenue opportunities aggregating \$511,855, \$159,755 and \$378,543 have been lost during the past three years. It would appear that the potential of the Golf Department has been under-managed since 2011.

If the golf courses could be compared to a football, basketball, or baseball team, the fans might be calling for a change in management based on recent performance.

While Golf management would be quick to sight uncontrollable factors for such decline, i.e., the economy, it is the opinion of Golf Convergence that the decline is most likely attributable to controllable factors.

However, reports like these are dangerous. While based on empirical facts, we have a tendency to want to reach definitive conclusions where perhaps observations on trends serves the greater good.

Are the prices too high, the customer service too poor, marketing too inefficient, technology misapplied or is the experience provided to the golfer too inferior? In our search for a single reason on which action could be taken to correct, unfortunately, under-management is a myriad of issues. Rarely is there a single cause. And, if less frequently, can the deficiency be corrected without investment, whether in additional or different personnel or capital allocated.

The fundamental question is, “How can that be corrected?” The numbers suggest that the value proposition being offered is deteriorating; hence, the need for capital investment. Additional leveraging technology through segmentation of data and implementing yield management with dynamic pricing should be considering. Further the use of short- and long-range weather forecasting to efficiently manage the facility is advocated.

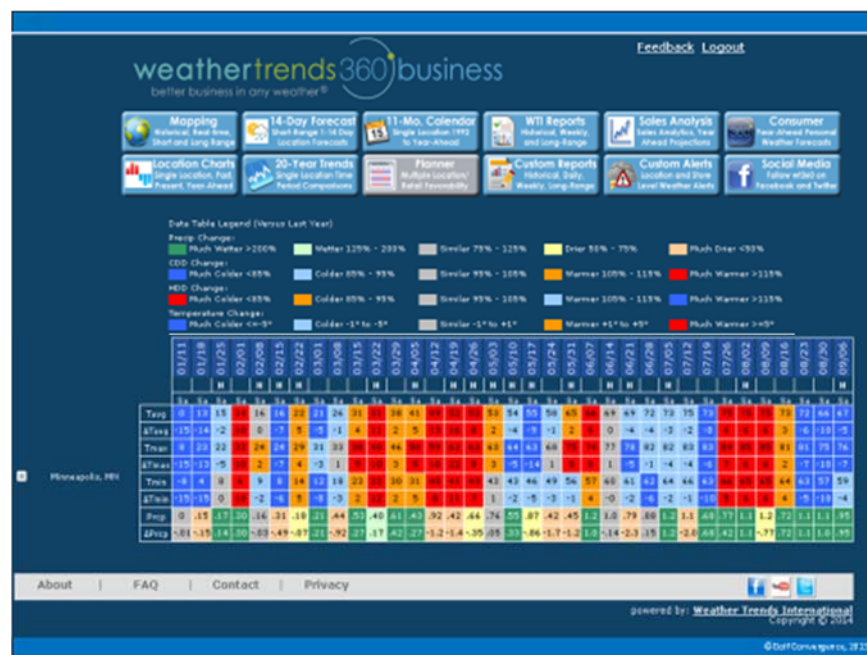
Storm Clouds Ahead

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

- 1) Knowing season start times on a city-by-city basis will improve revenue forecasting and enhance the strategic planning process.
- 2) Production profiles for clubs, balls, apparel and other golf-related merchandise could be adjusted to better manage a possible overstock scenario and soften the need for dramatic markdowns.
- 3) Inventory allocation could be adjusted to place the most product in areas of the country with the most favorable weather.
- 4) Caution should be exercised in offering off-season rates in the spring, thinking that the revenue can be made up in the summer.
- 5) Outings and events could be scheduled for days on which the probability for rain is low.

- 6) Advertisements in local media could be placed for weekends during which weather is to be favorable.
- 7) If a superintendent knew that in 48 hours it was going to rain 1¼ inches, using 400,000 gallons of water on the golf course could be avoided, saving as much as \$600 in water expenses.
- 8) A superintendent could defer a fertilizer application costing upwards of \$10,000 with the knowledge that it would likely be washed away by heavy rains.

To illustrate, the 36-week advanced weather forecast for the Minneapolis Park Board is illustrated below. Note that it appears that spring will be kinder than in 2013. However, the maximum temperature doesn't exceed 50 degrees until the week of April 5. Fifty degrees is an important benchmark, since that is the temperature required for the germination of most grasses to begin.



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

Of concern is that the fall season with far colder and rainier than in 2013 putting significant capital investment at risk for a short-term return. The 2014 forecast for the golf season doesn't look conducive for the sport.

Step 2 – Weather Playable Days Conclusions and Recommendations

“Weather” can be effectively managed to increase revenue and control expenses. Weather Trends International provides to golf courses numerous operational tools for an annual license fee of \$1,000 per 18-hole golf course.

We believe that the annual weather playable days report and the 11 month weather forecasting tool, using by most of the Top 100 corporations in the United States, has great applicability for golf courses. The leading golf course management companies are now licensing this tool. It is our suggestion that Minneapolis Park Board obtain an annual license to include delivery of the annual weather playable days report.

Tactical - Step 3: Technology

Many Applications – Integration Lacking

Many view the adoption of technology at a golf course to serve the singular function as documenting the historical transactions facilitating the creation of an income statement and balance sheet.

Technology, when properly deployed, is one of the most tools available to a golf course management team to create incremental revenue. Technology defines and guides the marketing strategy to build a larger customer database, create customer loyalty and boost revenue.

As part of this strategic review, the management of Minneapolis Park Board's Golf Department were provided the opportunity to self-assess their utilization of software based on a template developed as an integral component of a Ph.D. dissertation conducted in conjunction with the Clemson University PGA Professional Golf Management Program.

In comparison to its industry peers, the Golf Department is on par. The Park Board's score was 29 out of 50. In a 2013 Clemson University Ph.D. study conducted by Golf Convergence in which 10 astute golf operators overseeing 34 courses participated, the median score was 25.

As shown below, the various modules utilized to manage the golf courses are highlighted:

Your Rating of technology adoption		YOUR SCORE	29	INSTRUCTIONS: Check "Yes" for each question your golf course currently performs starting at Q30
Less than 25 "Yes". High School - potential to boost income greater than \$200,000. 25 - 35 "Yes". College - typical use by a golf course - potential to boost income greater than \$100,000. 35 - 40 "Yes". Graduate - in top 20% of golf courses - potential to boost income greater than \$50,000. More than 40 "Yes". Post graduate - top 1% of golf courses in US - potential to boost income greater than \$25,000.				
Software	Software Vendor	Software Vendor Point of Sale Open-to-Buy Tee time reservation system Report Writer Field Management Web Site Developer Email Marketing System, i.e., Vertical Response, Constant Contact Customer Survey tool, i.e., Survey Monkey Food and Beverage Hotel Reservation System		
Reports	Question - Do you know in GREAT DETAIL:	Question - Do you know in GREAT DETAIL: Customer Reports The 10% of your customer's by name who generate 50% of your revenue? The age, income, ethnicity and playing habits of your customers, i.e., number of courses played, rounds played per year, etc? How many distinct golfers played your course in 2012 delineating customers who returned, who were playing for the 1st time and who played in 2011 and didn't play in 2012? The 300 that generates the highest revenue per round? By customer how much does "value" per visit rank ordering your best customers by spending per visit? The top (postal) code distribution of your customers? Facility Reports By merchandise vendor sales, turnover rates, and levels of current inventory on hand? The allocation of tee time reservations made by staff in the pro shop, on your web site, by third parties, etc? Rounds played by hour, by day, by month for the entire year summarized on 1 page? Course utilization (% of capacity and revenue % of risk) by hour, by day, by month for the entire year summarized on 1 page? Revenue per round by green fees, carts, merchandise, food and beverage and other (range, lessons, etc)? Revenue by department for green fees, carts, merchandise, food and beverage and other (range, lessons, etc)? Rounds per Revenue Margin (by golfer type, who play the most in comparison to revenue earned, i.e., season passers, leagues, residents, etc)?		

Opportunities to Leverage Technology to Boost Revenue

While the City was on par with its peers in many ways with respect to the adoption of technology, this review formulated many suggestions. From this self-assessment, management noted the following opportunities to further leverage their use of technology:

Opportunities to Further Leverage Technology	The Benefit
The Teemaster tee sheet is not interfaced with the Active Network POS system.	Identification of exactly who is playing your golf course and what they are spending is fundamental to segment the database to commence effective targeted email marketing.
The tee sheet isn't the primary screen from which all transactions are entered. Thus, the capture of who is playing the golf course and their transaction spending is an opportunity foregone.	Using the POS system to merely record a green fee eliminates the opportunity to identify and measure unique customers and their spending patterns.
The software does not offer a query based report writer to create customer designed reports.	The "devil is in the detail." The ability to quickly identify core, acquired and defectors is essential to understand the needs, wants and desires of your customers.
The customer database is not effectively segmented to determine the age, income, ethnicity, and playing habits of your customers as measured by the number of courses played, rounds played per year and dollars spent annually	Matching the golf experience provided to the demographics of a course's database is important to maximize the revenue potential of each facility.
The number of distinct customers that play each facility is unknown. More importantly, the names, zip codes and emails addresses of the core, acquired and defectors, while available with the existing POS system, is not leveraged.	Knowing the zip code distribution of one's customer database facilitates the selection of appropriate print media. The key to effective marketing is crafting tailored marketing messages. Sending one email to a valued customer thanking them for their loyalty while sending a different email to those who haven't played one's course in 90 days creates loyalty and repeat purchases.
Registration kiosks are not available at POS terminals to facilitate golfer's registering for targeted emails.	The creation of a customer database at the POS terminal is always a challenge. Have a separate kiosks where the golfer can self-register helps expand the database.
The starter doesn't utilize tablet based software to facilitate check-in and tendering of fees. For an example of this technology now becoming vogue within the golf industry, view:	An evolving trend in other consumer stores, i.e., Apple stores, is the use of "tablet" based POS software to accelerate the processing of a sale and to enhance customer convenience. Golf Channel is launching "G1" to achieve enhance the customer touch points at a golf course. A video of this new technology is available at: http://static.webgravity.com/golfconvergence/video/g1_ipad.mp4

Opportunities to Further Leverage Technology	The Benefit
At least 10 different items are not purchased from each vendor?	Merchandise sales at municipal golf courses is largely an after-thought offering “consumables.” With a purchasing process that is often convoluted requiring vendor’s to register, the issuance of a purchase order can be time consuming. It is efficient to limit the number of vendors to a few per category to avoid the burdensome process of municipal purchasing.
<p>The tee time reservation booking engine on Minneapolis Park Board site requires extra clicks in order to book. The process is not located on the home page in the upper left hand corner?</p> <p>Most golf course use a web site to post static vs. dynamic content. Every airline, car rental company and hotel realize that customers go to the web to book a reservation. As such, these companies all have booking process in the upper left hand corner of the screen as individual read from left to right and from top to bottom.</p>	<p>Organizing the web site to facilitate customer transactions will enhance service, encourage greater Internet booking and save pro shop labor in processing reservations.</p> <p>With only 12% of tee times booked online, this is a great opportunity for growth that will facilitate an increase in the customer database without requiring internal labor.</p>
<p>Minneapolis Park Board, on their home page, has a link to book a tee time with a third party vendor. The entire branding promotes the third party – not the Minneapolis Park Board golf courses - and features advertisements from competitors.</p> <p>The current site (note that on line reservations are not offered from November to mid-March) requires additional clicks in order to identify and reserve a tee time.</p>	<p>The goal of technology is to increase customer service. Streamlining the reservation process will enhance increased customer use of this tool.</p>
The web site does provide the opportunity for a golfer to register for course newsletters, specials, tournaments or outings. However, the link is not prominently featured.	Building a customer database of 4,000 email address per 18-hole equivalent is the median currently within the golf industry. With 40,000 email addresses, the size of the Minneapolis Park Board database is in the “middle of the pack” compared to other golf courses. There is a great opportunity to expand the current customer file for one to one marketing is far more effective that generic print advertising.

Opportunities to Further Leverage Technology	The Benefit
<p>The current phone number, address and office hours for the Minneapolis Park Board golf Department is in the center of the page far below the fold.</p> <p>This location is far superior to where most golf courses place such information – embed within the site requiring multiple clicks.</p> <p>Each space on a web site has a different value. Placing the course's phone and address in the upper right hand corner of the web page is optimum.</p>	<p>Having the phone number in the upper reach corner of the web site, we believe is the most convenient location for a golfer who is seeking to call for additional information.</p> <p>The goal is to make the process of interacting with the Minneapolis Park Board Golf Department as convenient as possible.</p>
<p>The social media tools are not automatically integrated into email marketing initiatives. Therefore, for each message broadcast, it is necessary to separately post in duplicate each message to each distribution channel.</p> <p>Such consumes unnecessary labor.</p>	<p>Labor savings and economies of scale can be achieved through using an email delivery tool that automatically integrates to the leading social media forums, i.e. Facebook, twitter, Instagram, etc.</p>
<p>Minneapolis Park Board does not monitor the perceived trustworthiness of its email by monitoring its sender's score. Like a credit score, a Sender Score is an indication of the trustworthiness of an email source.</p>	<p>Understanding how an organization's emails are treated by the major ranking indexes ensure higher delivery rates and better search engine optimization placement. The Golf Department score is available at: https://www.senderscore.org/ upon entering the domain's IP address.</p>
<p>The ranking and consumer use of the Minneapolis Park Board golf web site is unknown.</p> <p>Alexa Traffic ranks a web site's popularity. The rank is calculated using a combination of average daily visitors to this site and page views on this site over the past 3 months. The site with the highest combination of visitors and page views is ranked #1.</p> <p>Minneapolis Park Board 's has a bounced rate of 54.30%, customers view only 3.00 pages on average and spend only 2.10 minutes on the site.</p>	<p>Understanding how golfers are using the web site provides effective feedback to ensure that the site is properly constructed.</p> <p>Currently, the Minneapolis Park Board site is ranked 449,016 globally and 96,043 in the United States.</p> <p>The creation of a web site that facilitates consumer transaction efficiently will boost customer loyalty and revenue.</p>

Opportunities to Further Leverage Technology	The Benefit
<p>The web site grader score is unknown by staff.</p> <p>In running the analysis for this report, the following comments were received from http://www.grademyseo.com/</p> <p>“1. No meta description tag was found for your website.</p> <p>2. OVERALL PAGE CONTENT IS HURTING - Your website is lacking the bare minimum amount of respected content. If adding content to your website will disrupt visitor flow, think of creative ways to mouse over text, instead of display.</p> <p>3. Your link to content ratio low - THIS IS TERRIBLE! - Fix this by adding more unique sentences and paragraphs and content to the desired page.”</p>	<p>Creating a web site that is transaction oriented, rather than information based, will enhance customer service and has the potential to create incremental revenue.</p>
<p>The Hubspot marketing grade score: (http://marketing.grader.com) was unknown.</p> <p>In running the analysis for this report, Minneapolis Park Board received a grade of 56 out of 100. Opportunities were noted to improve mobile communication, lead generation, search engine optimization and blogging.</p>	<p>Unless a web site and email are properly constructed and effectively implemented, the brand image created and marketing message sent create little value.</p>
<p>A smartphone application has not be developed nor can golfers receive text alerts broadcast from the email system.</p>	<p>The average person checks their cell phone 150 times per day. Having a mobile application facilitates connecting with the customer.</p>
<p>RFID loyalty customer recognition is not deployed?</p> <p>A customer favorite words he likes to hear is his name. Technology is available that through the use of smart cards, a customer's name appears on the POS register as they approach.</p>	<p>Just as staff wear name tags created a personal feeling, recognizing customer's by name creates loyalty.</p>

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

The biggest barrier Golf Convergence observes in conducting strategic reviews are the defensive attitudes of management and staff to suggestions made in sincerity to help a client enhance their operation.

Golf Convergence believes that by addressing the issues listed above, the opportunities to increase the size of the customer database, enhance customer loyalty and increase revenue abound. We believe it is the highest priority for the Golf Department to create its brand via a unique web site with on-line reservation capabilities. Reliance on a third-party to book tee times is a serious tactical flaw.

Best Practices

While it is easy to list what is wrong, what follows is a treatise illustrating best practices for technology supporting why its proper use is important. From the self-assessment, there were three areas identified focus on which would greatly aid the Golf Department's marketing initiatives to stimulate revenue:

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

Customer Database Segmentation - Who Is the Customer?

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

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

A leading golf course management 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 only once per year.
- 4) 50% of those who play will not return the next year.
- 5) Only 13% will play six or more times per year.
- 6) Customers average six rounds played at a specific course per year.
- 7) 20% of a golf course’s wallet share will come from core golfers who play 40 rounds per year.
- 8) Customers become at risk of not returning when they haven’t played your course in 90 days.
- 9) The response rate from customers offered a 20% off coupon, a 10% off coupon, or merely receiving acknowledgement that they are missed is nearly the same.

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

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

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

While the City installed a superior golf management software program provided by Active Network, many of the most valuable reports required to operate a golf course are available, but are not being utilized to optimize revenue as reflected in the chart below:

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

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

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With Active Network, utilizing a SQL database, the opportunity to export the database via a report writer exists. It is suggested that this opportunity be explored and that “template reports” be developed to refine management’s current marketing focus to emphasize customer specific messaging.

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



Currently, such segmented marketing is not occurring.

- 2) It provides the opportunity to engage in dynamic yield management pricing. Active Network's software has yield management capabilities that are easy to implement to ensure increased utilization of existing tee time inventory. The software is so flexible it allows for the distribution of tee times at different rates to different platforms. Leveraging Active Networks dynamic pricing module has the potential to increase the effective yield at each golf course based on historical demand.

Email practices integration with social media

One of the most cost effective methods for marketing is via email. In our review, we were concerned with what appeared to be a myopic focus of the Golf Department on social media utilizing Facebook, Pinterest, Instagram, etc.

Our concern is that while Facebook and other social media may be an effective method for attracting new entrants to the game, the customer profile of social media users and golfers are necessarily aligned. In over 200 surveys conducted by Golf Convergence, and as further confirmed as part of this strategic review, golfers consistently to learn about the golf and playing opportunities via email and the golf course web site as shown here:

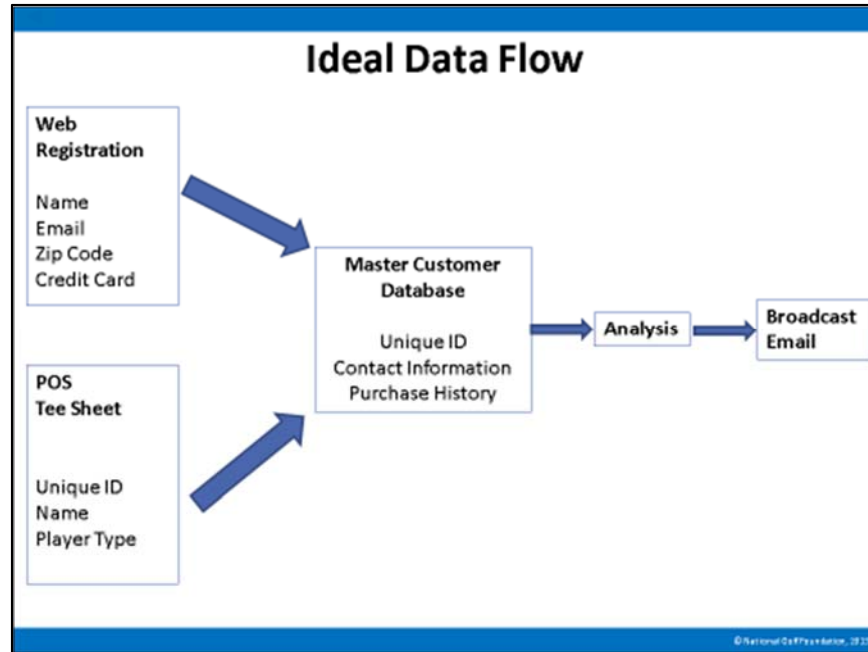


Minneapolis Park Board is fortunate to have a full time marketing staff person. Such is rare in the golf business. Such responsibilities are often handled by the golf course staff. Thus, leveraging this position to the greatest benefit is advised.

Two effective marketing tricks Golf Convergence has observed are:

- 1) Sending a duplicate email 5 days after a broadcast message is launched with customization of the message acknowledging whether the recipient did not open the initial email, open but not click or open and clicked by did not consummate a transaction. The response to a second email sent is very worth of the effort.
- 2) Fine tune your marketing message using A/B testing or multi-variant testing. The essence of this method is that the call to action (the enticement for the customer to act) is different even though the all other elements of the email's copy and layout are identical. By monitoring which campaign produced the highest click-through rate, you will be able to communicate more effectively in future campaigns.

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



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

Dynamic Transaction Oriented Web Site

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

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

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

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

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

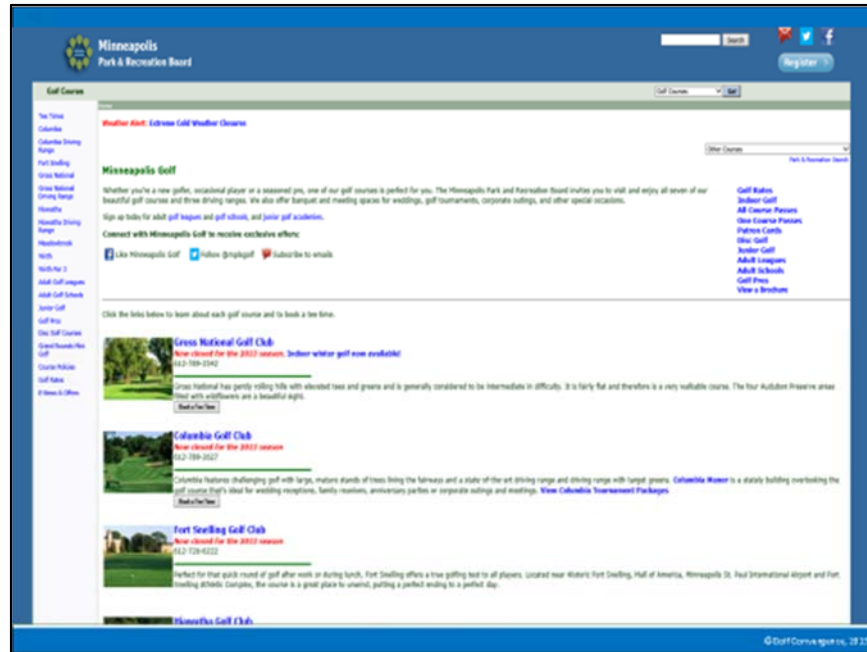
The subtle message here is that frequent customers who act as though this is their private club should sense the equality in the message and perhaps play elsewhere if they don’t want to encounter beginners. And conversely, beginners and many women might feel more welcome reading this “why.”

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

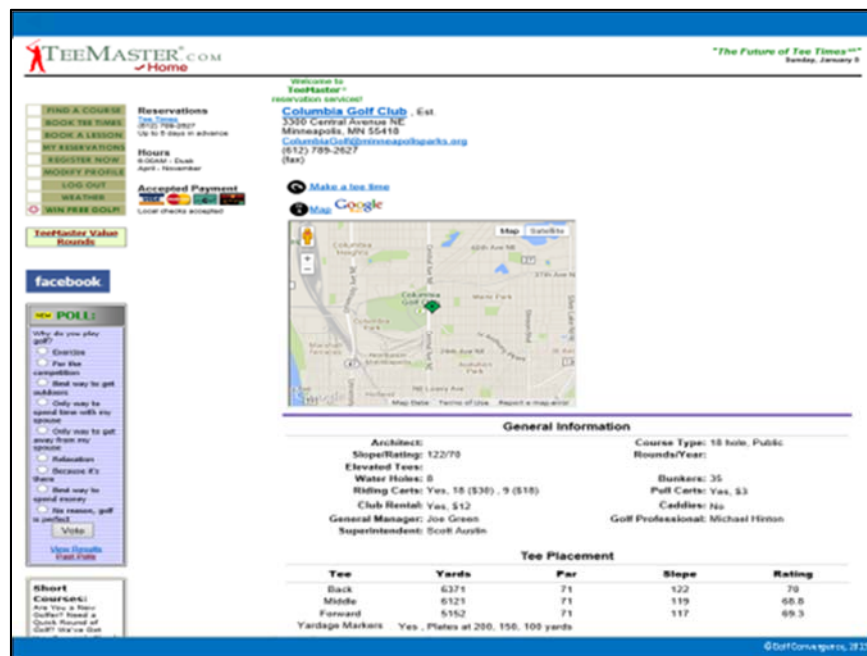
This would be appropriate wording for a course with a slope rating greater than 140. The subtle message here is to bring your game, and that this is not the facility for rank amateurs who don’t appreciate the challenges golf offers and the traditions so respected in golf that shape the culture of the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

The creation of a unique selling proposition (such as affordability and welcoming new entrants to the game at Columbia, Ft. Snelling, Wirth Par 3, or a championship venue for Gross National, Hiawatha, Meadowbrook and Wirth) that is communicated to the existing customer base will boost revenues. Currently, the unique selling proposition for each golf course is not defined on the Golf Department web site.

The current Minneapolis Park Board golf operations web site is sorely lacking. Fifty percent of those facilities are “below the fold” and can’t be seen from the home page without a customer scrolling. The home page is illustrated here:



The process of booking a tee time is simply awful. After click on “tee time” in the upper left hand corner, the following web page is displayed:



The golfer is then required to click “book a tee time” in which the following page is presented:

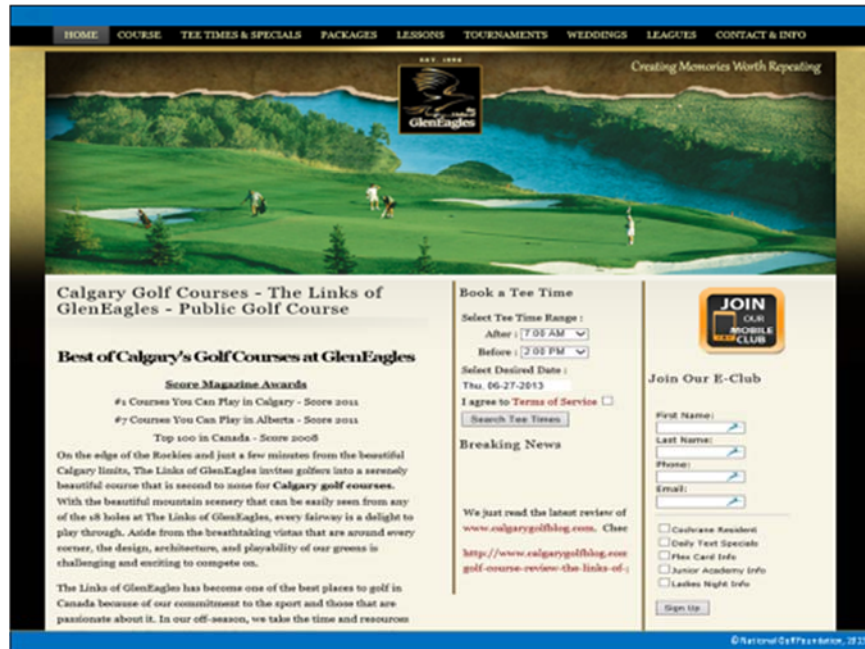


Note on this page, the golfer is shown advertisements from direct competitors of the Minneapolis Park Board golf courses, i.e., University of Minnesota's Les Bolstad golf course and Baker National. The golfer is even offered the opportunity to buy coupons for discounted golf.

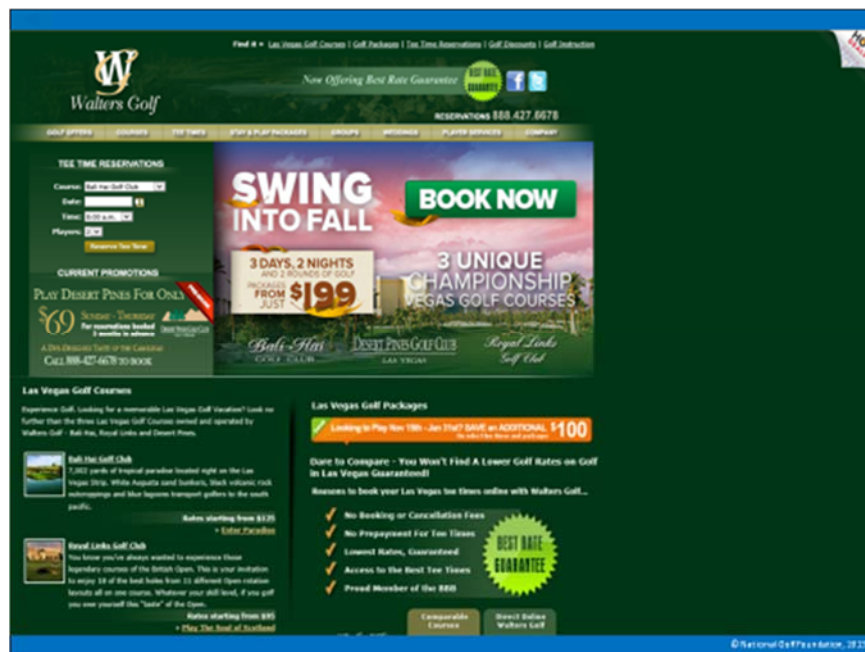
The golfer is then required to register before being able to determine the availability of a tee time. What a hassle! Would a major department store require their customers to register before entering the store?

The Minneapolis Park Board would be well-served to abandon Teemaster and create their own unique web site with appropriate branding.

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



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



The key to market positioning is establishing strong, exclusive brand recognition. It is the suggestion of Golf Convergence that the Golf Department's transition its static pages to transactional oriented to bolster its brand and create incremental revenue. With this repositioning, embedding meta and title tags in every page to ensure heightened visibility on search engines is recommended.

Why Free Can Be Expensive

The Minneapolis Park Board Golf Department licenses the Teemaster through a combination of cash and barter.

The agreement reads as follows:

“MPRB shall pay to Vendor the sum specified below in nine (9) equal monthly installments payable from February through October, less adjustments, if any, made pursuant to section 1.f., above.

Year	Annual Amount Due	Installment Amount
2011	\$45,000.00	\$5,000.00

In the event that the MPRB and Vendor agree to extend this Agreement for an additional four (4) years pursuant to section 8. Term of Agreement, above, the MPRB shall pay to the Vendor the sum specified below for each year payable in nine (9) equal monthly installments payable from February through October of each year, less adjustments, if any, made pursuant to section 1.f., above.

Year	Annual Amount Due	Installment Amount
2012	\$45,000.00	\$5,000.00
2013	\$45,000.00	\$5,000.00
2014	\$45,000.00	\$5,000.00
2015	\$45,000.00	\$5,000.00

As additional compensation to Vendor, MPRB authorizes the production and distribution to the Vendor of 1,000 unrestricted 18-hole golf round certificates without golf cart during the first of this Agreement. Each certificate shall be valid for 1-18 hole round of golf without golf cart.

In the event that the MPRB and Vendor agree to extend this Agreement for an additional four (4) years pursuant to section 8. Term of Agreement, above, the MPRB agrees to authorize a 3% increase in additional unrestricted 18-hole golf round certificates without cart for each year this Agreement remains in force.”

The value of the 1,000 18-hole golf round certificates has a potential market value of \$32,000 rendering the possible compensation paid Teemaster at \$87,000. This sum is egregious in relationship to the value received in our professional opinion.

In comparison, the annually payment for the ActiveNet golf system is \$28,681.80

The Golf Department provides the third party vendor tee times daily to liquidate at whatever price they deem appropriate to generate revenue to provide for their supplemental compensation.

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

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

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

It is suggested that the Golf Department research and comply with the NGCOA’s Best Practices.

The Goals to Be Achieved Formula for Proper Adoption of Technology

The formula to profitably operate a golf course consists of the following steps:

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

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

The correct deployment of technology will yield the following benefits:

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

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

Step 3 – Technology Conclusions

A golf course's revenue potential can only be achieved if technology is properly employed to learn and leverage customer information as to their habits and preferences.

We believe the Teemaster system, a leading software firm when it was introduced in the mid 1990's, has now become outdated and the contract which represents an expense far greater than value should be cancelled forthwith. The interaction of the tee sheet to the POS system is essential. Active Network , the current POS vendor, has such capability. Adding their tee time reservation software is suggested.

Further, we recommend that the Golf Department's web site be completely re-done. While Active Network could develop the web site for Golf Department, it is our recommendation that Quick 18 be retained to develop the site. While it will be graphically beautiful, far more importantly, it contained dynamic yield management tools to ensure that tee times are sold based on the relative balance of demand vs. supply for each individual time.

Tactical: Step 4 – Financial Benchmarking

The genesis for this strategic review of the Minneapolis Park Board policy of golf operations was rooted in capital improvement philosophy, highlighted below, which has resulted in the deferral of \$34 million in capital improvements to remain competitive.

“Finance its capital improvement program with profits generated in the current year. If profits generated in a particular year were not sufficient to cover the costs of all scheduled projects the projects would be deferred or cancelled based on prioritized need.” ¹¹

The question posed was, “Of the requested capital allocation, what is critical, what is necessary to render the golf courses competitive and what would comprise a comprehensive renovation of the existing facilities to ensure their sustainable for the intermediate and long term?

Throughout this golf course operational and financial consulting review, extensive financial analysis to answer that question. Presented below is a summary of that analysis was undertaken summarized below:

Period	Title	Page
2013	2013 Enterprise Fund Approved Budget	7
2009- 2013	Golf Department Five Year Financial Summary	9
N/A	Deferred Capital Improvements Summary	10, 30, 103
N/A	Proposed Capital Investment	15, 55, 90
2010-2013	Golf Operations Net Income Analysis	24
2010-2013	Golf Operations Expense Analysis	25
2010-2013	Golf Operations Wages and Fringe Benefits Analysis	28
N/A	Fair Market Value of Green Fees based on Demographic s	49
N/A	Current Fair Market Value of Golf Course Properties	53
N/A	Utilization of Golf Courses as Percent of Capacity	59
N/A	Management Under/Over Performance of Weather	60
N/A	Utilization of Technology vs. Industry Benchmarks	64
2010 – 2013	Maintenance Expenses as a Percent of Total Revenue	108
2013	Labor Hours Invested vs. Industry Benchmarks	109

¹¹ Minneapolis Park Board, “Superintendent’s 2014 Recommended Budget,” pg 21

Period	Title	Page
2013	Labor Cost as a Percent of Total Maintenance Budget	110
N/A	Labor Hour Rates vs. Industry Benchmarks	110
2010-2013	Green Fee Effective Realization Per Round	125
2013	Season Pass Fair Market Value	126
2013	Season Pass Break Points	127
2013	Patron Card Break Points	127
N/A	Green Fee Fair Market Value as Measured by Customer Experience	128
2014	Proposed Green Fee Rates	129, 130
N/A	Secret Shopper Review – Scoring Analysis based on 5 Point Scale	132
2013	Golfer Habits and Preference Survey	142

It undertaking the microscopic analysis as detailed above, it is important to frame such financial review based on national benchmarks.

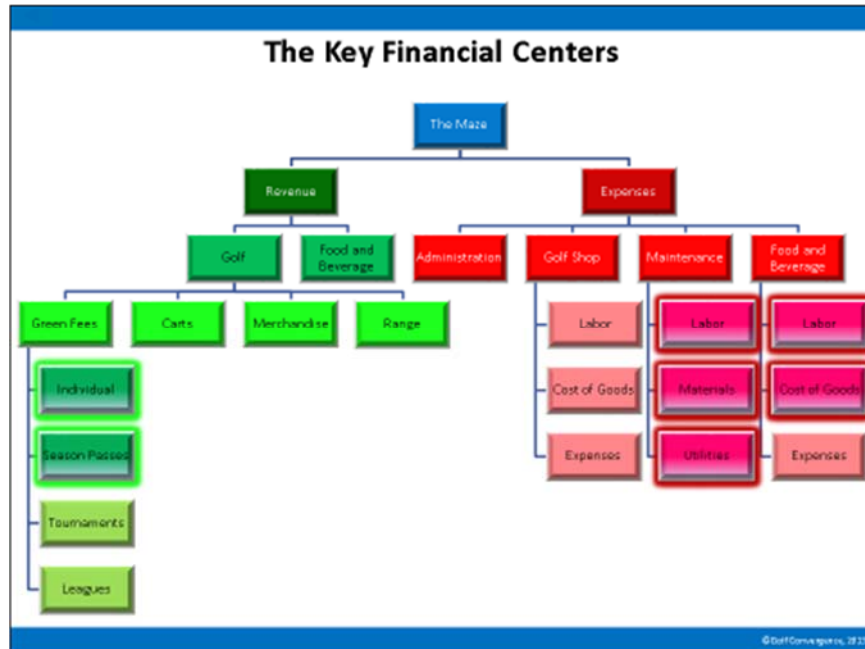
National Benchmarks

To understand the potential financial return on capital investments, a detailed analysis of the historical performance of the golf courses is necessary.

Unfortunately, the Minneapolis Park Board does not maintain their financial statements for the golf courses consistent with generally accepted accounting principles for the industry. It is our sense that monthly financial statements are not produced that provided for meaningful analysis and review of developing trends. Beyond rounds played, gross revenue and a comparison of expenses to budget, proactive financial analysis is not undertaken.

To illustrate, for this review, financial statements were not provided including a balance sheet and income statement were not provided for this review. The data provided consisted of a general ledger trial balance and an Excel pivot table in which data was aggregated into summary totals. Only by utilizing various filters were we able to reorganize the information ion of the data into meaningful insights

Golf courses usually maintain their financial statements segregating green fees, carts, merchandise, food and other (lessons, range, etc. Expenses are segregated by administration, pro shop and maintenance as reflected in the chart below:



In contract to standard industry classifications, the Minneapolis Park Board categories revenue as follows:

Category
AIR WATER GAS
COMMISSIONS EVENT SALES
COMMISSIONS-MACHINES
CONTRIBUT & DONATIONS PRIVATE
GOLF FEES AND CLUBS
OTHER MISCELLANEOUS REVENUES
PARADE ICE COMPLEX
PAYMENT OF SALES TAX COLLECTED
RECREATION CTR ACTIVITY FEES
REFECTORY SALES
REFUND OF PRIOR YEARS EXPEND
RENTAL INCOME-EQUIPMENT
RENTAL INCOME-LAND/BUILDINGS
SKI TOURING

What makes the issue more vexing is that comparison between years is make extremely difficult we were informed as accounts are added or consolidated annually based on the whims of those at any given time. It is surprising that golf course managers are not keep abreast of the financial performance of their facilities in comparison to their peers. This comparative analysis is fundamental to the successful operation of the enterprise.

To frame the financial performance of the Minneapolis Park Board golf courses across national standards, presented below is a chart highlighting the range of financial results achieved:

Financial Performance - Municipal Golf vs. Minneapolis Park Board					
	Platinum Top 10%	Gold Top 25%	Silver Median	Steel - Bottom 25%	Minneapolis Park Board
Rounds Played	53,793	40,198	32,000	24,500	33,778
Full Time Employees	18	10	6	4	4
Revenues	\$2,200,000	\$1,477,085	\$1,000,000	\$650,000	1,014,692
Membership Fees	350,000	159,000	96,000	52,944	659,487
Green Fees	1,179,575	732,500	468,323	235,000	
Cart Fees	400,000	285,000	205,000	131,120	171,215
Merchandise Revenue	211,000	140,745	85,236	51,698	149,736
Food and Beverage	1,000,000	275,000	62,500	16,518	
Range	60,860	42,843	21,000	7,000	Can not determine
Total Payroll	988,356	676,017	437,507	270,000	511,167
Golf Operations Payroll	468,000	288,427	190,000	120,000	208,069
Golf Operations Expenses	300,000	197,000	100,000	71,604	194,704
Maintenance Payroll	515,356	387,590	247,507	150,000	303,098
Maintenance Expenses	416,000	272,044	200,000	110,000	198,078
Clubhouse Expenses	200,000	82,710	25,000	7,927	Can not determine
Water Expenses	192,922	72,500	27,463	12,000	Can not determine
Golf Course Renovation	200,000	80,000	30,000	15,000	15,130
EBITDA	\$1,000,000	\$572,541	\$142,406	\$50,000	23,270

Source: PGA Performance Trak 2012 (survey conducted in 2013)

© Golf Convergence, 2013

Note: The financial analysis compromises the averages from 2010-2013 for only the 18-hole facilities: Columbia, Gross, Hiawatha, Meadowbrook and Wirth.

The Minneapolis Park Board golf courses are clearly underperforming their peers. In looking at the financial performance of the golf courses, three items appear of concerns: salaries both in the golf shop and in maintenance as well as golf operations expenses. It is not surprising to see maintenance equipments slightly below the media as the quality of the conditioning is suspect.

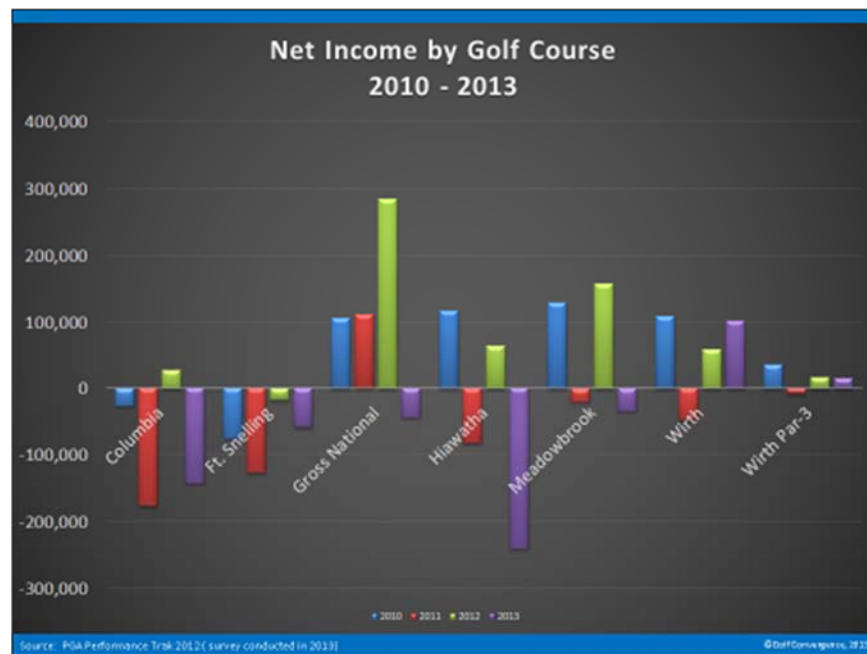
As a result of these vairances, EBITDA (earnings before interest, taxes, depreciation and amortization) is below industry averages.

The Black Hole

Of valid concern is that the EBITDA of a typical 18-hole golf course in the United States is \$142,406 contrasted to the financial performance of Minneapolis Park Board at \$23,407 per 18-hole equivalent. When extrapolated to the 5 18-hole equivalents managed by the Golf Department, that would suggest that the Golf Department is UNDERPERFORMING on an annual basis by \$594,995. That gap allow is sufficient to fund capital improvements without financial subsidy from the general fund all providing labor rates can be adjusted to industry standards, the customer experience is enhanced and an initial capital investment in made in each of the golf course's to substantiate the fees charged..

The Aggregate Veil Pierced

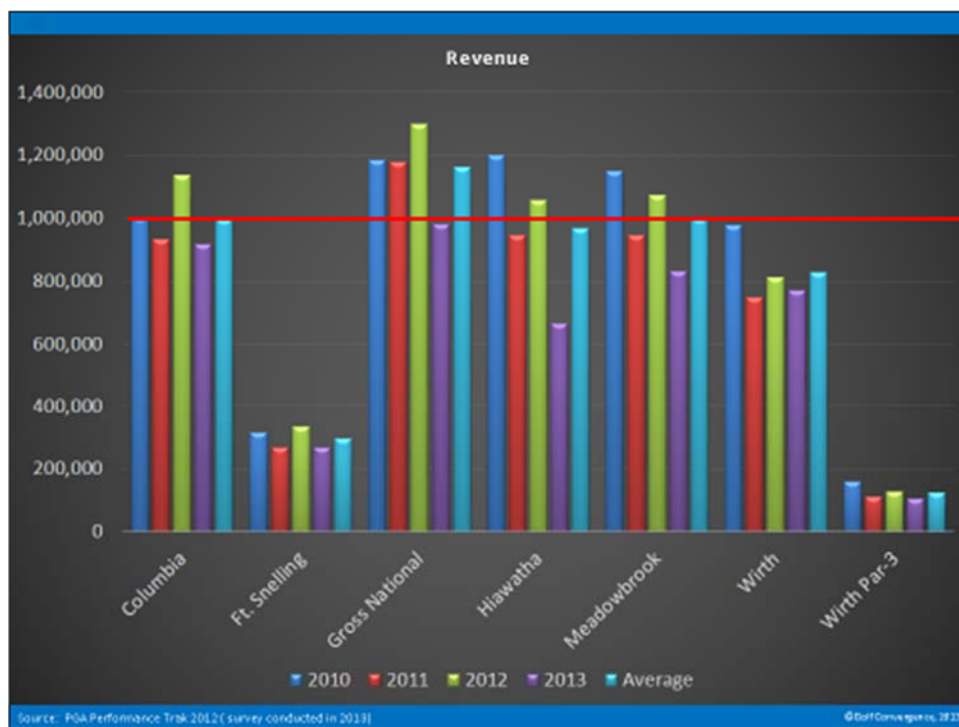
To understand the probability of future success, understanding the historical performance of each golf course is paramount. Illustrated below is the net operating entity of each facility within the Golf Department:



The consistent net income of Gross National was predictable as the facility has long been considered the bell weather on which the other golf courses were financially supported. Meadowbrook and Wirth averaged \$58,450 and \$56,314 in net income over the past four years. The clear losers are Columbia and Ft. Snelling losing an average of \$79,052, and \$69,100. If the

golf courses were owned by private business, they likely would be shuttered or sold. When considering where capital investment required for each, the historical losses are of great concern. The quick conclusion is that one or both of those facilities should be closed. But such a quick decision ignores the quality of life issues that these facilities that are adjunct are located in an area of town, where the demographics are adverse to a successful golf enterprise, do create an intangible value in providing open space and the potential of an enhance life experience for the area residents. As Ft. Snelling is leased, not owned, and in that there is a rental payment due annually to the Federal Government, of the course facilities, Ft. Snelling is the obvious choice for immediate closure.

While net income is a measurement of many factors, the popularity of a golf facility is measured by its ability to generate revenue. Shown below is the four year revenue performance of each facility:



A golf course needs to consistently generate over \$1 million in revenue to be self-sustaining. The ability to achieve revenue realization, in comparison to the rack rates, raises concerns. Columbia, Ft. Snelling and Wirth Par 3 are candidates of concern. Capital investments, based on this analysis, appeared justified at only Gross National, Hiawatha and Wirth. The inability of Wirth to generate over \$1 million in the last four years suggests that an investment would not generate the desired return.

To Manage Well, Accounting Information Must Produce Meaningful Insights

In preparing the chart above, several challenges with respect to the accounting procedures employed by the Golf Department.

- 1) Administration, juniors and marketing, all accounted for as separate cost centers average losses over the four years of \$82,172, 20,927 and 30,364.
- 2) While it is possible to reconstruct the financial statements in accordance with generally accepted accounting principles for golf courses, as prepared and utilized on a daily basis, we noted the following opportunities to create more meaningful reports:
 - ◆ Revenue should be summarized by green fees, carts, merchandise, range, food & beverage and other. Currently, those categories have various general ledger accounts that are not subtotaled for quick comparison to industry benchmarks.
 - ◆ Expenses should be summarized by administrative (labor, other expenses), pro shop (labor, other expenses), maintenance (labor, other expenses). Currently, the general ledger accounts are not subtotaled for quick comparison to industry benchmarks.
- 3) Sales taxes are accounted aggregated in the revenue accounts as a deduction.

It should be noted that the accounting department was able to generate an Excel Pivot Table that did facilitate this process, but it is our sense this was on a one-time basis and that none of the Golf Department staff are adept at using this analytical tool. What is assured is that the Golf management and staff believe that the central accounting of their revenues, year after year is never accurate.

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

Does Past History Predict Future Performance? If the answer to that question is absolutely yes, the answer to the need for capital investment becomes clear. While the Golf Department may have needs, wants and desires, while framed in the more business context of critical, competitive and comprehensive, a five-year projected cash flow forecast quantifies the positive return on investment. Based on the geographic local market analysis performed in Step 1 of this strategic review, the conclusion was that the following level of investment might be appropriate.

Greatness in Your Grasp				
Course	Critical	Competitive	Comprehensive	Total
Columbia	\$2,010,000	Obtain \$1.5 million in Storm Water Funds to Fix Back 9 – Restore Lake Sandy: Invest \$610,000		
Ft. Snelling	Close			
Gross National	Best Option: Invest in Clubhouse Expansion, Course Improvements and Make Crown Jewel Mediocre Option: Lease			
Hiawatha	\$2,335,000	\$2,375,000	Obtain \$1.5 million in Storm Water Funds to Fix Back 9. Invest \$2,375,000	
Meadowbrook	20 Year Lease – Redirect Labor Union Staff to Another Course			
Wirth	\$4,225,000	Driving Range, Miniature Golf, Close Par 3 Substitute 3 Holes, Enhance Winter Recreation		
Total	\$14,110,000	\$7,835,000	\$12,550,000	\$11,560,000

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To determine the actual amount to be invested, as an integral part of this strategic review, a five-year cash flow forecast was prepared for the Minneapolis Park Board Golf Department. Any forecast reflects the bias of its author.

The foundation for the projection prepared was rooted in the historical performance of the golf courses based on revenue per round as shown below:

	Rounds	Green Fee/Round	Cart	Merchandise	Total
Columbia	31,397	21.98	5.38	2.36	31.74
Ft. Snelling	18,022	12.74	2.48	1.78	16.43
Gross National	42,320	18.31	4.48	5.29	27.43
Hiawatha	32,340	20.42	4.01	6.17	29.89
Meadowbrook	35,135	18.56	5.17	5.27	28.47
Wirth	27,697	18.78	5.36	2.40	29.83
Wirth Par-3	13,084	8.63	0.40	1.06	9.51
Total	199,994	18.20	4.34	3.97	26.86
18 Hole Facilities Only	33,778	19.52	4.85	4.43	29.31

The permutations on the number of cash flow models that could be generated are numerous. For example, a cash flow model could be constructed by on all critical, competitive and comprehensive capital investments required for all golf courses, a \$34 million capital investment. Or, a forecast could be modeled presuming the privatization of all golf courses.

The preference here is to model what is possible acknowledging it is still unlikely realizing the numerous political constraints that will result in only a few capital investment projects being implemented.

Utilizing the historical performance of the golf course, presuming an increase in inflation, the requirement to cover debt service on \$11 million borrowed, providing for on-going capital investment required for the golf course and equipment, and without changes in the organizational structure or current philosophy of operations, a five-year projection shows:

While the projection reflects an improving positive cash flow, such projection is prior to the deduction for interest and principal payments for prior investments and the creation of an adequate reserve. If those accounts are considered, the pictures becomes bleak as to the ongoing viability for the Golf Department to be self-sustaining as shown here:

1	Minneapolis Park Board	Average	Financial Projections									
2	CATEGORIES	2010 - 2013	2014	2015	2016	2017	2018					
41	Carts	868,390	900,000	918,090	936,544	955,368	974,571					
42	Merchandise and F&B	794,639	886,000	903,809	921,975	940,507	959,411					
43	Other	218,594	102,000	104,050	106,142	108,275	110,451					
44	Total	5,521,681	5,792,000	5,908,419	6,027,178	6,148,325	6,271,906					
45	Cost of Goods Sold											
46												
47	Merchandise and F&B	419,843	443,000	451,904	460,988	470,253	479,706					
48	Total Cost of Goods Sold	419,843	443,000	451,904	460,988	470,253	479,706					
49												
50	Gross Revenue	5,101,838	5,349,000	5,456,515	5,566,191	5,678,071	5,792,201					
51												
52	Operations - Expenses											
53	Administration & Clubhouse	286,462	300,000	303,000	306,030	309,090	312,181					
71	Maintenance	2,731,319	2,798,800	2,830,957	2,863,520	2,896,494	2,929,884					
83	Golf Shop	2,157,612	2,234,400	2,260,222	2,286,373	2,312,856	2,339,677					
84												
85	Total Expenses	5,175,393	5,333,200	5,394,180	5,455,923	5,518,440	5,581,743					
88	EBITDA Before Cap. Reserves	-73,555	15,800	62,335	110,268	159,631	210,457					
89												
90	Total Transfers Out	0	0	0	0	0	0					
91	Capital Reserves											
92	Critical - Course Reserve							0	220,000	220,000	220,000	220,000
93	Competitive - Course Reserve							0	220,000	220,000	220,000	220,000
94	Comprehensive - Course Reserve							0	220,000	220,000	220,000	220,000
95	Critical - Equipment Reserve							0	75,000	75,000	75,000	75,000
96	Competitive - Equipment Reserve							0	75,000	75,000	75,000	75,000
97	Comprehensive - Equipment Reserve							0	75,000	75,000	75,000	75,000
98	Total Capital Reserves	0	0	810,000	810,000	810,000	810,000					
100	Cash Flow before Debt Service	-73,555	15,800	-747,665	-699,732	-650,369	-599,543					
101	New Interest Expense		0	436,474	428,582	420,368	411,820					
102	New Principal Payment		0	193,714	201,606	209,820	218,368					
103	Historical Debt Service	0	0	0	0	0	0					
104	Cash Flow After Debt Service	-73,555	15,800	-1,377,853	-1,329,920	-1,280,557	-1,229,731					
105	Cumulative Cash Flow After Debt	-73,555	15,800	-1,362,053	-2,691,973	-3,972,531	-5,202,261					
106												

Obviously, if the capital requirements of \$11,000,000 were funded over the next five years, based on the issuance of debt at 4% interest, the cumulative cash flow from the golf operations is negative \$5,202,261. Still not a likely scenario of being implemented. However, if capital

investment is made forthwith, the losses are likely to accelerate from the continued substandard experience provided to the golfer.

Step 4 – Financial Benchmarking Conclusion

In seven-months of analysis, in the constant hurdles placed in front of practical solutions that would be implemented if the golf courses were privately vs. municipally owned, one reaches the starch conclusion that there will be much debate and little action.

The Minneapolis Park Board is leveraging the plethora of core golfers in the metroplex realizing that their vast numbers will overlook the inferior experience due to the convenience of residing close to the golf course. Even after those who are disgruntled and opt to play golf elsewhere, there will be sufficient number of golfers remaining that are merely seeking a convenient recreational experience and will continue to patronize the Minneapolis Park Board golf courses. These golfers, who would be classified as infrequent or casual, frankly don't know any better than what the experience they are getting is not worth what they are paying.

Thus, the philosophy of funding capital investments only when cash flow is sufficient is morally bankrupt. As stewards of great assets, there comes a responsibility to protect, maintain and invest for the current and future generations.

Should the Minneapolis Park Board not choose to invest, they should leave the business of golf and privatize the operation of the facilities.

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

Golf courses have in common three attributes that must be seamlessly blended on a consistent basis to create a pleasurable golf experience: architecture, maintenance and operations. If any one of the elements is not executed correctly, the financial success of a golf course becomes challenged.

The myriad of shot values presented as the routing meanders through terrain provides a panoply to nature that makes a golf course a compelling and an integral component of a park system. The canopy of freshly cross cut green grass, gleaming raked white sand bunkers, glistening trees trimmed as they evolve through various shades of color during a season, and babbling brooks to beaming lakes reflecting the sun's warmth whose banks are trimmed all encapsulated in fresh air ensures that golf celebrates and nurtures the best of our environment.

But a golf course is as designed by an architect only on the day it opens. It is a living organism that is growing and changing daily shepherded and guided by deft maintenance personnel that are caring in creating an experience that provides enjoyable leisure and recreation. But passion alone is insufficient. There are many components to properly maintaining a golf course: sufficient qualified and certified personnel, adequate water, properly designed and flowing irrigation systems, and chemicals (fertilizers, herbicides and pesticides). Without all of these resources to properly condition a golf course, the facility will underperform for it will fail to engage and retain the golfer.

But if the course is grand and is finely maintained, the lack of consistent execution in operations will limit its potential.

But if the trifecta of architecture, maintenance and operations come together, the final product is an interesting recreational sport that offers the appropriate challenge for each individual's level of ability. By operating multiple golf courses, an opportunity exists to create a diverse array of experiences to attract and retain all skill levels – from the entry level golfer to the accomplished player. That is the goal of the Minneapolis Park Board.

Throughout this report we have harped and carped about how these fabulous assets have gone unloved, neglected and essentially abandoned. We have tried to jolt hoping that the reader of this report realizes how fabulous the underlying core assets owned by the Minneapolis Park Board are and the potential they offer citizens in the Minneapolis metroplex.

Presented below is a snapshot of each course's history framed from the perspective of their fabulous original architecture and how poorly they have been maintained.

Architectural Review

The Research and Industry Standards

To properly frame the priorities, this strategic review undertook the following:

- A. A detailed analysis of each golf course, documenting with photographs items that should warrant the attention of management. Pictures were taken from every tee, fairway and green on each of the Minneapolis Park Board golf courses.
- B. A comprehensive review of each clubhouse facility documenting the review in photographs.

The narrative reviews of each golf course and the associated photo essays were submitted as an integral part of this engagement.

One might question how were the capital reserved determined?

The Golf Superintendents Association of America in cooperation with the Golf Course Builders Associations, recognizing that a golf course is a living organism and a depreciable assets, analyzed the components of a golf course, their life expectancy, and the annual capital reserve required to ensure the course remained viable. Presented below is that chart that highlights that an 18-hole golf course should allocate \$132,038 per 18-hole golf course for capital reserves.

Renovation Cost and Annual Capital Reserve					
Component		Years Minimum	Years Maximum	Estimated Cost to Replace	Annual Capital Reserve
Greens		15	30	775,000	25,833
Bunker Sand		5	7	44,800	6,400
Irrigation System		10	30	314,000	10,467
	Irrigation Control	10	15	171,000	11,400
	PVC Pipe	10	30	329,600	10,987
	Pump Station	15	20	425,000	21,250
Corrugated Pipe		15	30	398,180	13,273
Cart Paths	Asphalt	5	10	93,350	9,335
Cart Paths	Concrete	15	30	146,685	4,890
Practice Range Tees		5	10	37,680	3,768
Tees		15	20	150,720	7,536
Bunker Drainage Pipes		5	10	65,000	6,500
Mulch		1	3	1,200	400
Grass		Varies	Varies	N/A	
Total Deferred Capital				2,952,215	132,038

© Golf Course Consultants, 2011

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

The industry benchmark would suggest that the Minneapolis Park Board Golf Department should allocate \$660,190 annually for capital investment on its 18-hole golf courses. Since 2010, the total investment has been \$58,076 where it should have been \$3,300,950 placing the golf course in the grips of the death spiral of deteriorating playing conditions leading to declining, further reduction in revenue and increasing losses. It is folly to think that management can defer capital investment without impacting the customer experience. The competitive market in Minneapolis is too strong with too many viable alternatives close by.

Beyond the reserves for the golf course, equipment is required to maintain. It's not uncommon for an 18-hole golf course in your region to expense an average of over \$37,000 per 18-hole golf course per year. Presented below is the typical maintenance fleet and the required annual capital reserve to ensure such equipment is available to maintain the course properly¹²:

¹² 2012 GCSAA Capital and Labor Survey+

2010-2012 Total Capital Expenditures for Equipment by Region								
Yearly Average	Overall	Pacific	Upper West-Mountain	Southwest	North Central	Transition	Southeast	Northeast
2010	\$45,264	\$52,758	\$35,571	\$61,313	\$33,325	\$37,677	\$53,799	\$58,912
2011	\$47,396	\$61,884	\$38,657	\$52,530	\$34,478	\$40,103	\$61,219	\$56,887
Proposed 2012	\$51,478	\$53,136	\$39,875	\$80,353	\$37,740	\$47,068	\$62,074	\$59,128

Thus, Minneapolis Park Board should be creating annual equipment reserves exceeding \$200,000 annually. No such reserve currently exists.

The Core Assets: Historic Golf Courses

This architectural assessment included a review of six golf courses Columbia Golf Course, Fort Snelling, Gross National, Hiawatha, Meadowbrook and Theodore Wirth. Each of these golf courses were constructed between 1916 and 1932 during an era known as the “golden age of golf course architecture”.

Theodore Wirth and the Minneapolis Park Board once envisioned a park system which included a variety of recreational opportunities. Ever since the first golf course was built some 103 years ago at Glenwood Park, golf has been an important part of that vision. We believe these golf courses offer a unique opportunity, not only because of their location within the urban core, but also because of their unique classic style and character. Much of that unique style has been lost over time but the underlying landforms and vision are still there waiting to be uncovered and revitalized:

Columbia Golf Course was opened in 1919 as a 6-hole golf course with sand greens. W.D. Clark, who was also involved with the design of Francis Gross and Theodore Wirth Golf Courses, participated in the original design of Columbia for the Minneapolis Park Board. In 1923, the course was expanded to a par 65 eighteen-hole golf course. In 1970, the golf course underwent an extensive renovation and was converted to the current par 71 routing. At that time the greens were also reconstructed to a modern sand-based profile with subsurface drainage. The course plays 5,152 to 6,371 yards and has a slope of 120 from the back tees. The course has dramatic elevation changes and, with the exception of hole 15, has generally good sightlines with few blind shots or safety issues. Columbia is a very good golf course.

It has some pace of play issues and some underlying soil issues but has long been a favorite among golfers. The clubhouse is functional and the greens and irrigation system at Columbia are, by comparison, in good condition. To render the course current, correction of flooding and drainage issues, bunkers, tees, and cart path improvements are all advised.

The Fort Snelling Golf Course was originally constructed in 1935. The course has two par threes, six par fours and one par five and plays 2,682 yards with a slope of 108. Ft. Snelling Golf Course is a shorter golf course which should have particular appeal to seniors, kids and beginning golfers.

Because of the dearth of capital in the Minneapolis Park Board system and the tremendous need thereof on all golf courses, closing Ft. Snelling is advised.

Francis Gross Golf Course was originally designed in 1924 by W.D Clark who is also credited with assisting on the design of Theodore Wirth Golf Course (1916) as well as the design of Oak Ridge Country Club (1921) in Hopkins, Minnesota and Mayfair Country Club (1924) in Orlando, Florida. Francis Gross Golf Course opened as the Armour Golf Course after the Armour Meat Company sold the land to the City of Minneapolis. Some 70 years later, in 1999, the golf course underwent a minor renovation to improve drainage. Otherwise the course has maintained much of its original classic character with larger push-up style greens and unique bunker complexes and greenside mounding. The course has nice rolling topography and, with the exception of the 12th hole, has good sightlines from the tees and landing areas. The course plays from 4,939 to 6,635 yards with a slope of 126 from the back tees.

Francis Gross is an exceptional golf course property and has retained much of its unique historic character. We believe that it has the potential to be the Minneapolis Park Board's "flagship" golf course.

It is sorely in need of an extensive renovation to include the installation of a new irrigation system and pumping system, renovation of tees, fairway drainage, bunkers, cart paths and the selective removal of trees. A new maintenance building and expanded clubhouse are also advised as part of a comprehensive renovation to ensure the facility remains very competitive.

A typical maintenance facility for an 18-hole golf course consists of approximately 1,000 square feet of office and heated shop space and an additional 4-6,000 square feet of equipment and chemical cold storage space as well as covered exterior storage bins for topdressing mix and bunker sand.

The maintenance facilities at Francis Gross are in very poor condition, are undersized and completely inadequate to accommodate basic golf course maintenance operations and equipment storage. The primary maintenance building is a 1,650 square foot wood-framed building with a small office, a break area and two work stalls. The building is uninsulated and has only a small window-style air conditioning unit. A secondary wood-frame building of approximately 420 square feet serves as storage space for equipment and is again significantly undersized. That building appears to be structurally unsound and unsafe. Fertilizer and chemical storage is provided by a portable metal storage trailer of only 200 square feet. Material bins for topsoil, bunker sand and topdressing material are uncovered and undersized.

According to the United Golf Association (USGA) and the American Society of Golf Course Architects (ASGCA), the typical life expectancy of a PVC irrigation system is approximately 25 years. Components of the existing irrigation system at Gross Golf Course are now nearly 50 years old. The system is outdated, inefficient and requires frequent repairs to address leaks and head failures.

The original irrigation system was installed in the 1970's as a single-row quick coupler system. In 1989, the manual quick coupler valves were replaced with new automatic heads. The pumping system and reservoir at Francis Gross is significantly undersized to properly maintain an 18-hole golf course.

Hiawatha Golf Course was built in 1929 and opened in 1934. The course was created on the west shore of what is now Lake Hiawatha by using fill material dredged from the lake. Extensive remodeling occurred to the front nine holes in 1993 and the back nine holes in 1999. Although the course has undergone renovations that modified fairway drainage and the green complexes, the course has maintained some of its original turn-of-the-century character. The course plays from 5,122 to 6,613 and has a slope of 130 from the back tees.

Hiawatha Golf Course has long been a popular course due largely to its location and a routing that is enjoyable for golfers of all abilities. However, years of deferred capital improvements, poor soils and increased issues with flooding have resulted in poor conditions and increasing maintenance. Deferred includes requiring attention include: storm water ponding, fairway drainage, the installation of a new irrigation system, bunkers, renovation of tees, new cart paths and the selective removal of trees.

Meadowbrook Golf Course was designed by John Foulis, Jr. and opened in 1926. According to the Park Board's website, in 1955, Meadowbrook was renovated. Based on the flatness of their putting surfaces and uncharacteristic features. It appears that this may have included the reconstruction of the existing greens on holes 9, 14, 17 and 18. In 1996, the course underwent a drainage improvement project that included the excavation of a number of ponds. Although the course has changed somewhat since it was originally constructed, it still retains much of its classic character with many of the original elevated greens and distinct greenside mounding. Of particular note are the green complexes on holes 2, 4, 7, 13 and 16. The course has four sets of tees and plays from 4,934 to 6,557 plus junior tees at 3,500 yards. The course has a slope of 132 from the back tees.

Meadowbrook Golf Course has a nice golf course which should be exceptionally popular given its demographic location. The construction of a new driving range, the installation of a new irrigation system, renovation of tees, fairway drainage, bunkers, cart paths, relocation of the maintenance facilities, the selective removal of trees, the dredging of ponds and the correction of drainage.

Theodore Wirth Golf Course was originally designed as Glenwood Park Golf Course in 1910 and built four years later as a 9-hole course. In 1919, the course was expanded to 18-holes. This 1919 routing was actually intended as a temporary routing which would change again once the land north of Bassett Creek became available for the final routing. The existing course is bisected by Theodore Wirth Parkway with the front nine being constructed on the south and west side of the parkway on relatively flat terrain and poor soils. The back nine is located on the north and east side of the parkway on land which is much more hilly. The 18-hole course plays from 5,285 to 6,575 and has a slope of 135 from the back tees. Because of lack of maintenance, overgrown trees and damage from winter recreation the 18-hole is too challenging for the average golfer to enjoy and too poorly maintained to attract the better golfer.

The selective removal of trees, construction of a new driving range, the installation of a new irrigation system, fairway drainage, and renovation of tees, bunkers and cart paths are all now required.

Theodore Wirth Park Par 3 is also home to a par 3 golf course. The par three course was originally built in 1958 and offers nine holes of golf with yardages ranging from 116 to 200 yards. The course is operated independently from the eighteen-hole course with a separate clubhouse and parking lot. The par three course is in equally poor condition.

The course is routed over rolling terrain with many of the tees and greens being elevated. Unfortunately, the course is in very poor condition and suffers from inadequate irrigation, erosion, shade from trees and root encroachment. The fairways are uneven and over-run with weeds.

We believe that a needs with the Park System to provide a location for a comprehensive golf learning center that would meet the needs of avid golfers as well as provide an introduction to the game for kids, women, seniors and beginning golfers. A comprehensive facility would include a nine or eighteen-hole entry-level course (par 3, executive or short-regulation), a driving range, a short-game practice facility and a grass putting course. Given the conflict between golf and winter sports at Theodore Wirth and the need to separate those activities, Wirth Golf Course may worth consideration for repurposing and development of a golf learning center.

The average slope rating for U.S. golf courses built prior to 1980 is 120. Since 1980, the U.S. slope rating for new courses built has increased to 127. Slope ratings range from 85 to 155. Minneapolis Park Board golf courses would be considered among the more challenging golf courses.

Years of Neglect Have Created A Big Tab – Now Due

The Minneapolis Park Board golf courses are in very poor condition. Like any amenity, they need continued upkeep and capital improvements to insure that the infrastructure is maintained. It is not enough to simply water and mow the grass. Cart paths and parking lots need to be periodically seal coated or replaced, trees need to be trimmed or removed and irrigation components need to be upgraded.

Francis Gross Golf Course has the potential to offer a somewhat more up-scale experience and become the Park Board's flagship golf course. Columbia, Meadowbrook and Hiawatha could, with adequate capital investment and improved on-going maintenance, once again all be good playable public facilities.

Each course has a unique set of conditions which dictate the need for required maintenance and capital improvement.

Different soil conditions, topography and vegetation impact the life cycle of cart paths, drainage and irrigation. Trees mature and invasive species such as buckthorn, cottonwood and box elder plug drainage lines, shade turf and narrow playing corridors. Root encroachment and shade

from trees, compaction from carts, lack of fertilizer and poor irrigation increases maintenance costs, reduces the health of turf grasses and accelerates the need for capital improvements.

Columbia, Hiawatha, Meadowbrook and Wirth were, in part, built on old lake beds and wetlands and therefore have on-going issues with drainage and unstable soils. Although prior drainage improvement projects helped minimize those conditions, those improvements were not completed with a comprehensive vision in mind.

It is our recommendation that a program be established to conduct a sympathetic restoration of each golf course. Construction projects should be directed towards improving course conditioning and playability, reducing maintenance inputs and restoring or enhancing the unique classic character of the individual courses. The cost of completing such improvements would be as follows:

A Deep Hole				
Course	Critical	Competitive	Comprehensive	Total
Columbia	\$2,010,000	\$795,000	\$1,490,000	\$4,295,000
Ft. Snelling	\$575,000	\$620,000	\$900,000	\$2,095,000
Gross National	\$1,930,000	\$1,160,000	\$1,270,000	\$4,360,000
Hiawatha	\$2,335,000	\$2,375,000	\$1,470,000	\$6,180,000
Meadowbrook	\$3,035,000	\$1,270,000	\$4,610,000	\$8,915,000
Wirth	\$4,225,000	\$1,615,000	\$2,810,000	\$8,650,000
Total	\$14,110,000	\$7,835,000	\$12,550,000	\$34,495,000

Maintenance: Creating the Experience

Every golf course is unique. A course a “The Sum of its Parts.” One designed and built, each is a vast array of inputs that influence the current experience. To determine whether a golf course is competitive based on today’s benchmarks, in addition to the age of the golf course, the amount of play, and the green fees charges, the following items greatly influence the customer experience:

- ◆ Organizational Structure
- ◆ Operational budget
- ◆ Labor: Staffing levels and hours invested
- ◆ Maintenance equipment fleet
- ◆ Historical Agronomic Practices

Organizational Structure

In a multiple course municipality, the ideal organizational structure is that though each golf course is independent – they function as a cohesive team sharing knowledge, equipment and labor resources.

Unfortunately, for Minneapolis Park Board largely act It is to the operational advantage of the Minneapolis Park and Recreation board, to take action to unite these seemingly stand-alone teams into one cohesive organization.

Other anomalies to the labor organization chart within the Minneapolis Park and Recreation Golf system is that golf course superintendents (considered management) are members of the same union that represents labor classified as hourly employees. In 96% of all golf courses in the U.S. the superintendent is an exempt, annual salaried employee.

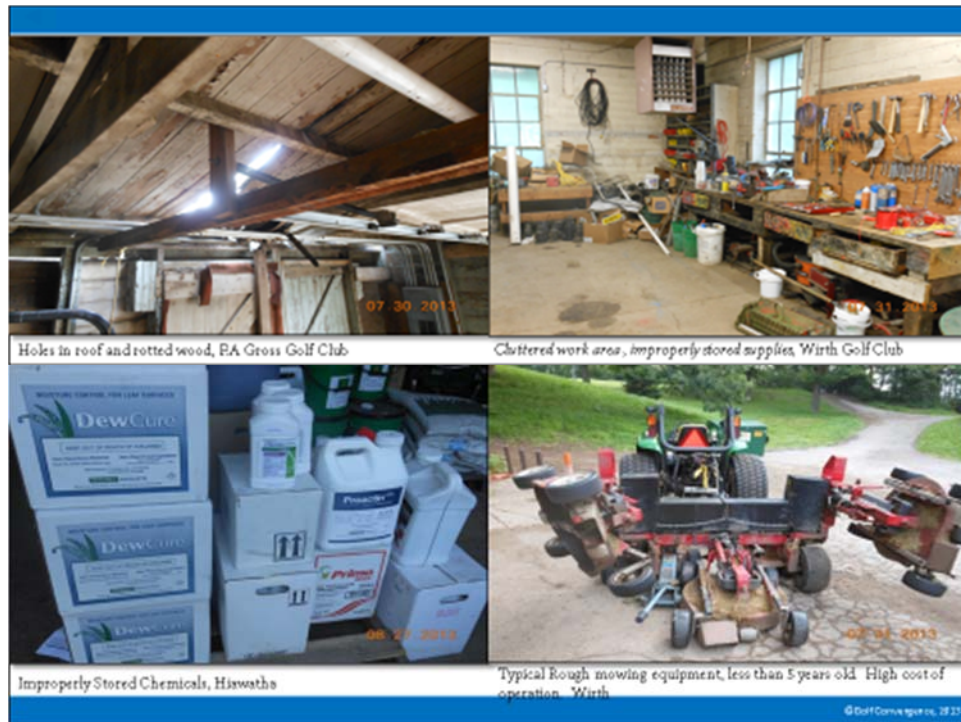
When interviewed for this review, superintendents at each course said they rarely talk with the other superintendents at sister courses. Quarterly staff meetings between all superintendents is advised.

Equipment and staff sharing would also benefit the organization. An individual on the staff who is a Golf Course Superintendent's Association of America Class A Certified superintendent should serve as the coordinator and leader for the group in management meetings and presentations before the Minneapolis Park Board. This individual could developed standards, currently lacking, for:

- ◆ Cultural practices
- ◆ Disease control methods
- ◆ Equipment purchases
- ◆ Equipment repairs and maintenance.
- ◆ Equipment sharing
- ◆ Nutrient applications
- ◆ Purchasing and inventory levels
- ◆ Special projects

- ◆ Staffing requirements
- ◆ Standards of maintenance

In our review, a similar look and feel at all seven facilities was observed. Maintenance facilities were cluttered and unkempt, mostly due to extremely outdated, poorly repaired and under-sized maintenance facilities as illustrated in the photograph below:



These maintenance facilities are not only unsightly; they may contribute to unsafe work conditions. A proper turf care center is designed to be the support facility to a well-managed golf maintenance program. Adequately sized and maintained storage, work and employee areas are critical to insuring safety and employee morale. Under-roof equipment storage will enhance longevity of equipment and golf course accessories.

The maintenance facilities of the Minneapolis Park Board are not suitable for the equipment, chemicals, fertilizers, parts, accessories. In addition, the facilities are not conducive for employee hygiene, meal breaks and most of all, safety.

Operational Budgets

An average 18-hole golf course covers 150 acres, of which only 100 acres are maintained turf grass¹³ and a course includes the following:

:

Anatomy of a Golf Course			
		Acreage	%
Turf Grass	Rough	51	34.46%
	Fairways	30	20.27%
	Driving Range/Practice Areas	7	4.73%
	Green	3	2.03%
	Tees	3	2.03%
	Clubhouse	3	2.03%
	Nurseries	1	0.68%
	Total	98	66.22%
Non-Turf grass	Non-turf grass landscape	24	16.22%
	Water	11	7.43%
	Building	6	4.05%
	Bunkers	4.5	3.04%
	Parking Lots	4.5	3.04%
		50	33.78%

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

The cost of maintaining the various types of golf courses, usually laid out on about 150 acres of land, can vary from \$200,000 to more than \$2.5 million. The National Golf Foundation reported the following total maintenance costs in a report titled, “Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.”¹⁴

¹³ GCSAA, “Golf Course Environmental Profile, 2007,” Page 12. Note: In published report, averages were utilized which don’t necessarily summarize to total.

¹⁴ National Golf Foundation, “Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.,” 2006 edition, pages 4, 10, 17, 24

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

Supplementing the research performed by the National Golf Foundation, in February 2014, the Golf Course Industry Magazine surveyed superintendents who reported the following costs to maintain an 18-hole golf course¹⁵:

	18 Hole Facilities		
	PUBLIC	PRIVATE	ALL
Minneapolis Park Board: 18 Hole Golf Courses: \$501,178			
Total Maintenance Budget	\$458,071	848,961	651,392
Salaries	298,098	588,171	445,592
Line Item Components:			
Water	12,484	20,390	16,499
Fuel	22,260	33,876	28,174
Mowing Equipment	25,335	50,649	37,644
Handheld Equipment	1,702	4,419	3,066
Course Accessories	3,804	5,294	4,561
Electricity and Natural Gas	17,990	20,088	19,046
Shop tools	1,878	3,284	2,568
Irrigation Parks, heads and maintenance	5,948	9,876	7,918
Fungicides	22,163	44,476	33,461
Herbicides - Preemergent	5,109	7,603	6,369
Herbicides - Post emergent	3,613	4,144	3,869
Insecticides	3,694	6,570	5,141
Granular fertilizers	15,203	20,244	17,723
Liquid fertilizers	7,315	13,088	10,231
Wetting agents	3,129	5,669	4,399
Plant Growth regulators	4,309	5,982	511
Seed	4,127	5,138	4,620
Aquatic weed contro/water quality issues	1,635	2,145	1,890
Total Line Item Components	160,063	260,790	205,800

Note that “public” in the Golf Course Industry survey includes both daily fee and municipal golf courses.

The Golf Course Superintendents Association of America also conducted annual maintenance budget surveys. They reported nationally municipality golf courses spent \$536,865, \$537,547 and budget \$543,859 in 2010, 2011 and 2012 respectively. For the North Central Region of the United States, the maintenance budgets were \$490,030, \$490,220 and \$525,474 for 2010, 2011 and 2012, respectively.

¹⁵ <http://www.golfcourseindustry.com/digital/201301/index.html>

Note that the average maintenance budget is \$501,178, which superficially appears to be consistent with national benchmarks.

	Columbia	Ft. Snelling	Gross	Hiawatha	Meadowbrook	Wirth	Wirth-Par 3
Wages	231,955	56,333	241,559	205,469	216,099	134,319	30,746
Fringe Benefits	93,942	22,879	96,808	84,858	102,554	67,427	11,698
Contractual	118,124	61,913	93,612	91,036	95,974	122,234	3,240
Materials & Supplies	107,737	30,237	93,599	123,661	61,933	60,807	8,038
Capital Total	128	356	91	5,491	5,829	7,444	0
Sum	551,886	171,718	525,668	510,515	482,389	392,231	53,722
Revenue	996,494	296,093	1,160,933	966,713	1,000,134	769,643	124,480
Maintenance/Revenue	55.38%	57.99%	45.28%	52.81%	48.23%	50.96%	43.16%

Note: Maintenance expenses represent a four year average 2010 – 2013

The Minneapolis Park Board maintenance costs are higher than the NGF industry average per 18-hole equivalent of \$377,160 for a public frost belt golf course and the Golf Course Industry survey of \$468,071 and comparable to the GCSAA North Central Region for 2011¹⁰

A more detailed look reveals a darker story. In Section, Supporting Research (Page 28), it was highlighted that fringe benefits were 40% of base salary for full-time employees – the threshold for when privatization should be considered. More ominous is that the maintenance costs as a percentage of revenue for all 18-hole facilities is 48%. For municipal golf courses, the benchmark is 40%. That would suggest that maintenance expenses are \$189,787 too high or that revenues should be \$474,467 higher to support the current maintenance budgets.

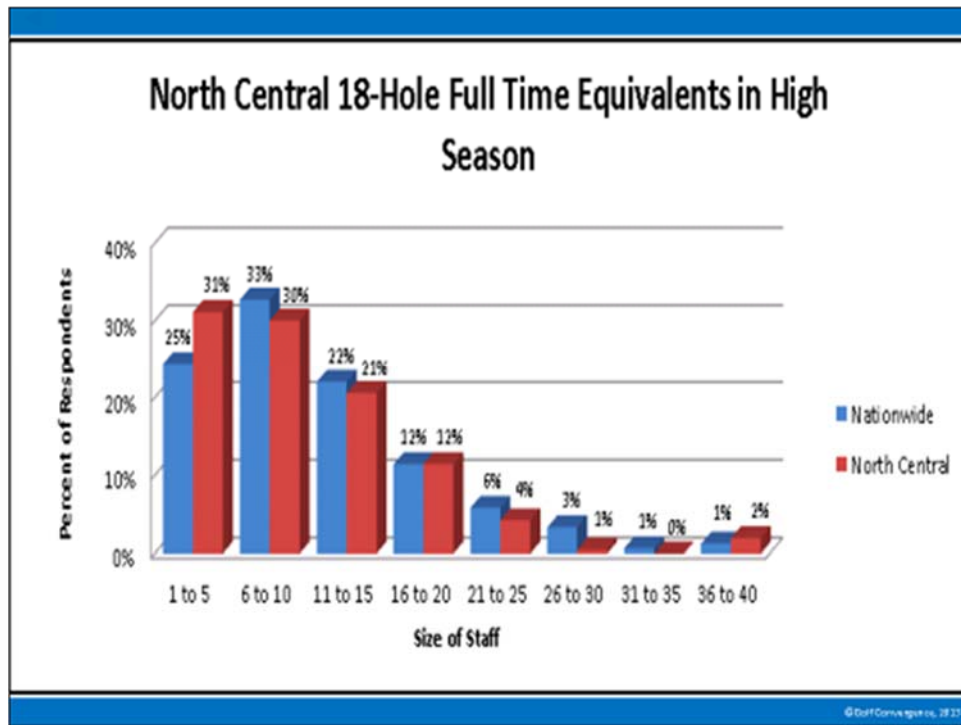
Is labor to blame?

Labor Expense

Labor consists of two components: the average wage per hour and the number of hours worked.

The average full-time equivalents on an 18-hole golf course nationally and in the north central region are illustrated below¹⁶:

¹⁶ North Central US, 18-hole FTE compared to national average



Labor to accomplish routine and special maintenance on a golf course property is highly variable based on many factors. Based on the studies performed by Golf Convergence, it is our professional opinion that a minimum of 12,750 hours should be invested. Unfortunately, the hours invested in maintaining the Minneapolis Park Board golf courses, as shown below, is far below that standard contributing to the inferior product produced:

Hours vs. Industry Standards per 18-Holes			
Course	FTE	Hours	Deficit
Columbia Golf Club	5.08	10,566.40	1,933.60
F. A. Gross Golf Club	5.04	10,483.20	2,016.80
Hiawatha Golf Club	5.49	11,419.20	1,080.80
Meadowbrook Golf Club	5.56	11,564.80	935.20
Theodore Wirth Golf Club	4.81	10,004.80	2,495.20

The table above shows the amount of hours needed, at minimum, to maintain a golf course within the system at current levels of maintenance. It is important to note the hours represented only provide for daily routine maintenance. Any special golf course projects, non-repetitive tasks such as fertilizer applications, cultural practices, etc. are not included.

What becomes deceptive, based on a cursory review, is that it appears that the percent of labor as a component of the budget is within an acceptable benchmark as shown here:

	Total Golf Course Operational Budget	Total Labor Cost	Percent Labor of Total Budget
Municipal-Nationwide 18-Hole Maintenance Budget	\$516,919	\$332,233	64%
North Central Region Maintenance Budget	\$490,220	\$287,500	58%
Minneapolis 18-Hole Maintenance Budget	\$501,176	\$302,098	60%

However, the answer lies in that the less hours invested are costing far more than the standard creating the illusion that the maintenance budget is appropriate. Documented below is a comparison of the wages paid by the Minneapolis Park Board and 77 municipal golf courses:

	Golf Course Foreman	Park keeper	Certified Seasonal Park keeper	Golf Course Seasonal Park Keeper
Minneapolis Park Board	\$66,602	23.35	15.00	12.66
	Golf Course Superintendent	Assistant Golf Course Superintendent	Golf Course Foreman	Golf Course Equipment Operator
All Minnesota Municipal Golf Course	\$67,608	17.12	14.49	8.85

Wages in two important categories are significantly higher with Minneapolis Park and Recreation golf courses; Parkkeeper vs. Assistant Golf Course Superintendent at 36% and Golf Course Seasonal Parkkeeper vs. Greenkeeper, at 43% .

According to superintendents interviewed, the Parkkeeper and Golf Course Seasonal Parkkeeper positions account for the vast majority of hours extended by the staff. Thus, triple pressure of lower overall maintenance budgets, higher than average hourly wages and lower hours of total maintenance have increasingly led to poor conditions on courses throughout the system.

Competition for golf dollars is strong in the Metro-Minneapolis area, the golf courses in the Minneapolis Parks and Recreation system are below standards for the category and offer less perceived value than other golf facilities. Additional maintenance and cultural practices is required to attract and retain patrons to these facilities.

That starts not with only provided sufficient labor resources but also utilizing the proper equipment.

Equipment

The equipment fleet at each course is in less than satisfactory condition for hours recorded. If under-roof storage is available, equipment was parked in tight quarters requiring moving and climbing over equipment to access doorways or other parts and accessories. Below is a snapshot of the equipment and storage areas:



The proper equipment for the job is often a matter of choice to match the unique course to the equipment needed. Rough mowing is currently being performed by a tractor drawn five gang rotary mower. Golf courses with an abundance of trees and topography have production issues with these types of mowing configurations, especially navigating in tight areas. A more

appropriate machine would be a dedicated, purpose-built rough mower with a shorter wheel base.

The fact that a defined equipment replacement has not been established is documented by analyzing the age of the equipment used at Gross National shown here:

Equipment	Age
Ryan GA 30 Turf Aerifier	15 Years, 5 Months
Toro Workman Truckster	13 Years, 4 Months
Hydro Turf Trailer Mount Sprayer	12 Years, 6 Months
Toro GreensMaster 3100	11 Years, 4 Months
Toro Debris Blower	10 Years, 6 Months
Toro Workman Truckster	10 Years, 6 Months
Toro 3500D (68 inch Rotary)	7 Years, 8 Months
Buffalo Turbine Debris Blower	7 Years, 5 Months
Toro 5210 D (Fairway Reel Mower)	6 Years, 6 Months
Toro GreensMaster 3150	6 Years, 6 Months
Toro Sand Pro 3040	6 Years, 5 Months
Toro 5210 D (Fairway Reel Mower)	5 Years, 4 Months
Progressive 5 Gang Rotary Rough Mower	4 Years, 3 Months
John Deere Tractor/w Bucket Attachment	4 Years, 0 Months
Toro GreensMaster 3150	2 Years, 9 Months
Toro GroundsMaster 328D (72 Inch Rotary)	2 Years, 9 Months
Turfco Widespin Topdresser	2 Years, 9 Months
2 Toro Pro Core 648 Aerifier (<i>Shared Between All Courses</i>)	5 Years, 1 Months

The bulk of equipment in inventory is greater than 6½ years old and looks to be much older, mostly due to lack of proper under-roof storage. An example of equipment not matching its intended use is shown with the sprayer above. A complete greens application with this sprayer may take up to ten hours and repair parts are no longer available. Modern, purpose-built sprayers for golf course applications take just 4 hours or less to accomplish applications to 20 greens of average size. By not having proper storage and having an equipment maintenance program that is less than ideal, the lost value of this single spray sprayer could be ≈\$9,500 in lost serviceable life.

Another example is the fairway unit displayed in the picture above that has 1,651 hours of usage. Industry would assume this unit should last $\approx 5,000$ hours. Judging by body damage, poor reel condition and rust accumulation this machine may be considered salvage before 3,000 hours.

Thus, because many of the facilities use outdoor space, the useful life of the equipment is shorten. That weakness becomes compounded by the system currently in place for repair of equipment. Each of the golf course superintendents expressed grave concern regarding the central repair facility used by the Minneapolis Park Board.

If equipment has a breakdown, it is taken to a central repair facility for repairs. The equipment in need of repair is often out of service for weeks, which in turn causes production interruptions during the high season.

Old equipment should not be saved or used in inventory at Gross or at other courses in the system. Before investing in new equipment a protocol should be developed to clean equipment after each use and supply an under-roof area for storage. Proper cleaning and routine maintenance is required to achieve maximum longevity from equipment assets.

The Net Result – Poorly Conditioned Golf Courses

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

Golf course conditions were generally identical from course-to-course throughout the Minneapolis Recreation and Park system.

The result of inadequate labor lack proper industry certifications combined with outdated equipment are golf courses that are poorly maintained for the fees charged. Only the core location with a high density of population provides a nominal cushion for the errors being made.

The condition of the golf courses in the survey conducted was rated as average. Also important, there is significant deferred maintenance in fundamental projects, such as tree trimming and removal of dead trees.

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

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

Each course in the park system has similar conditions to those below:



Deferred maintenance and replacement of assets has taken a toll on appearance and playability at each course in the Minneapolis Park and Recreation system.

The courses suffered from weed encroachment, areas of turf loss on greens, tees, fairways and rough, projects left unfinished and an appearance of poor housekeeping.

Greens

Proper maintenance practices have been deferred because of time restraints or limited funds. The practices should include, at minimum the following:

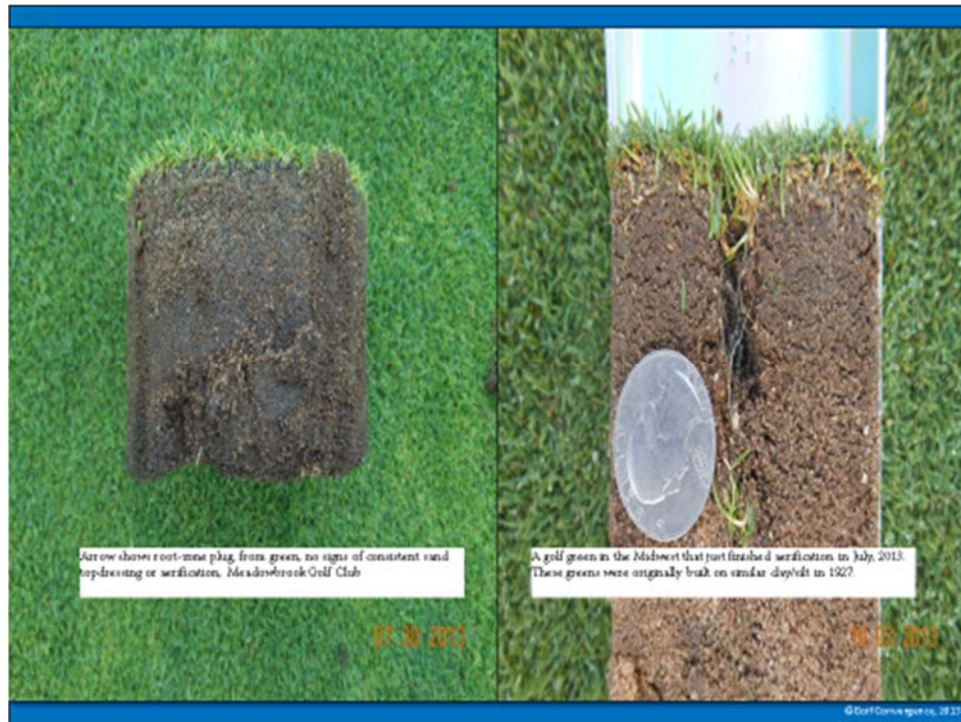
- ◆ Spring Core Aerification followed by sand heavy topdressing
- ◆ Bi-weekly light sand topdressing to dilute thatch accumulation

- ◆ Monthly vertical mowing to thin leaf and allow sand, water and air to penetrate to root-zone
- ◆ For the months of June, July and August a preventive rather than a curative fungicide program
- ◆ A properly designed greens nutrition program beginning in spring, (soil tests seemed to be non-existent at most facilities.

It cannot be stressed strongly enough that aerification is the single most important cultural practice that can be performed on golf greens. Aerification, with the addition of a laboratory approved 100% sand topdressing will create vertical channels in the root-zone, allowing rapid movement of water and air below the turf canopy. It must be noted that aerification with a solid or hollow tine, to a depth of at least six inches, would be beneficial to facilitate maximum rooting and drainage. Aerification should take place in spring and fall as well as subsequent in-season venting, with a ¼ inch solid tine during the high season.

Regular light sand topdressing should also take place to dilute organic matter in the root-zone. Light weekly topdressing works especially well and is not a distraction to golfers. If sand is applied lightly to greens on a weekly basis, immediately after mowing, a quick irrigation cycle or rolling will remove the sand from the turf canopy into the thatch layer below. Vertical mowing will enhance ball roll and provide a more healthy turf. By vertical mowing, the turf plant will be in a more upright position, allowing the turf to make less contact with a rolling ball. Vertical mowing will also aid in sand incorporation into the thatch layer to dilute the heavy soil and organic build-up present today.

Illustrated below is a comparison between the composition of a green at the Meadowbrook Golf Club and another golf green that was built on clay/silt in 1927.



A religious program of sand topdressing, aeration and venting has virtually rebuilt these greens from the top-down.

It's important to note that all of the greens in the park and recreation system are constructed of soils with significant amounts of silt, clay and fine organic particles that are prone to compaction. Filling aeration holes with sand improves drainage and resists compaction. The periodic introduction of sand to a green's top layer can, over time, avoid or postpone expensive rebuilding or renovation of greens.

Additionally, growing of turf adds to a layer of organic matter on the surface. This layer, called thatch, is an accumulation of dead stems, leaves and roots. A slight layer of organic matter makes for a resilient green and is desirable, but excess amounts invites diseases and insects. Topdressing with sand can prevent thatch buildup, and aeration is one of the best ways to reduce an existing layer and prevent an excess of thatch from becoming established.

Golfers view aeration as an inconvenience that takes the greens out of play for a day, pulling cores from the greens and adding copious amount of sand leaving holes that can affect putting for many days before healing. To add insult to injury, aeration is best done in many parts of the country during late spring and late summer, at the height of the playing season and when

most greens are in prime condition. These temporary inconveniences will lead to improved season-long greens conditions and should not be eliminated or postponed.

Tees

A majority of tees are in relatively poor condition. Divot soil and seeding are lacking and the soil is very firm and compacted from foot and machinery traffic. Cart paths that exist in close proximity are bare soil, sometimes extending into the tee area. The tee pictured is a perfect illustration that turf will not thrive in intense shade. A tree trimming and removal program should consider critical turf grass growth areas to cultivate a proper stand of turf for golf use. The tees that are in satisfactory condition are those that have full sunlight and are well drained.

Fairways

Many fairway areas are in unacceptable conditions. Water problems plague the golf courses that have yearly fairways turf failures. Additionally, lack of proper fertility and broadleaf weed control is evident on most courses.

In combination to currently observed turf loss at each facility; earlier this spring the “perfect storm” for turf injury and loss was experienced in the Minneapolis Metro Area. Mid-Spring, warm temperatures triggered the turf to begin growing – followed by a severe cold. These warm–cold–warm springs happen occasionally but wholesale turf loss isn’t problematic each time, perhaps due to other factors. When these conditions destroy turf it is often referred to as “Winterkill”, a general term that is used to define turf loss during late winter through spring.

Sand Bunkers

Sand bunkers are often the last priority when resources are thin. Most of the sand bunkers were in poor repair with variable sand depths and poor hazard edging. Proper training would be recommended and should include entering sand bunker from several areas if applicable and raising the rake implement before exiting to keep sand in bunker. Staff should then hand-dress the area of sand where mechanical rake depart the bunker to prevent the creation of a “boat ramp appearance.

Cart Paths, Traffic Areas, and Bridges

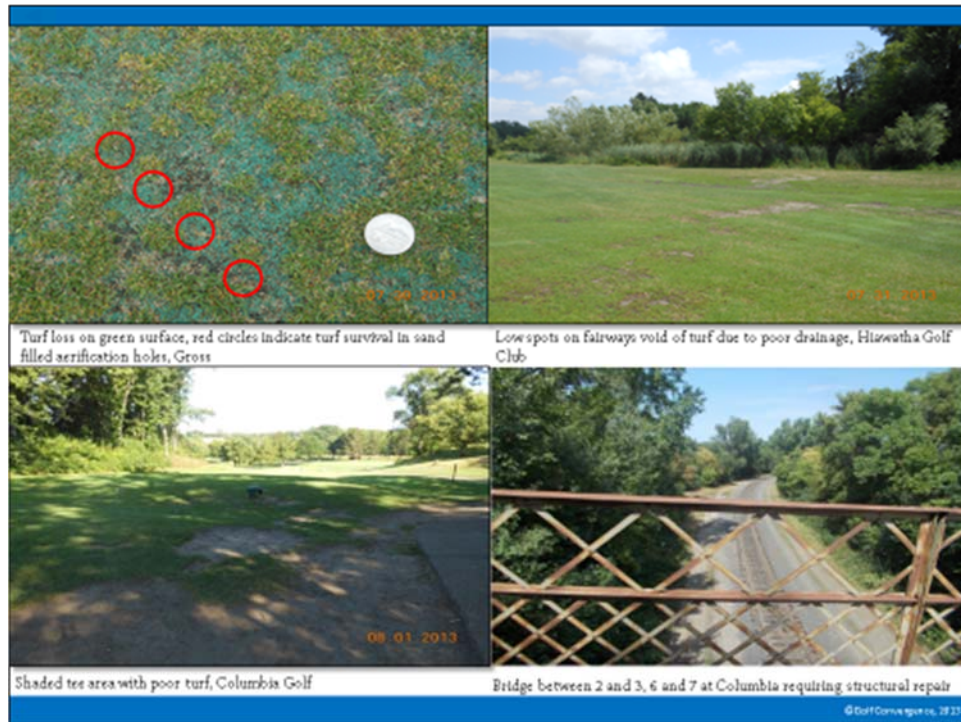
Cart paths are an important feature of the modern golf facility. Properly designed, the paths can direct traffic away from sensitive turf areas and allow play and cart rental, when the golf course would be normally closed due to wet conditions.

Gravel, although expeditious for cart path repair should never be used. Commercial rotary mower blades that come into contact with rock from a gravel path may produce a projectile at a very high rate of speed causing injury to workers and patrons. Additionally, gravel that becomes lodged between a reel mower and a bed knife could easily cost hundreds of dollars in repairs to that mower. It is for these reasons and many more that gravel should never be used as a temporary or permanent solution to cart path material. Liability notwithstanding gravel is even a less desirable choice than native soil.

There were numerous examples noted where cart traffic are impacting the tee ground area. A curb or other traffic control would benefit the ability to grow turf next to this tee. Many methods have been used to regulate cart traffic; boulders, brick, plant material, wood, ropes and stakes, wood blocks, signage and concrete curbing (etc.). On all of the golf courses little effort was made to control cart traffic around greens and tees.

With respect to golf courses bridges, they should be regularly inspected by an engineering firm to determine if the structure is sufficient to withstand the loads being subjected to the structure. With the exception of Theodore Wirth Par 3, Fort Snelling Golf Course and F.A. Gross Golf Course, each of the properties have bridges. During our interview, we were informed that the bridge at Columbia has been deemed “unsafe” and will require over \$250,000 to structurally repair.

Examples of the challenges cited with respect to greens, tees, fairway and bridges are shown below:



Step 5 – The Facilities Assets: The Resources on Which To Grow: Conclusions

The options available for the Minneapolis Park Board all point to a single solution – investment: in labor resources, in capital to renovate the golf courses and in equipment to ensure that they are properly conditioned to create the desirable playing experience for the fees charged.

While one would hope that the fees would be raised, rounds would increase and the excess cash flow could then be invested based on, in essence, a financial loan and subsidy from the public golfer, such a strategy will only accelerate the death spiral the golf courses find themselves in.

If the golf courses are viewed from the financial benchmark of having to be self-sustaining, the short and intermediate prospects for the golf courses are dim.

Golf enterprise funds across the national are increasingly unable to meet expenses and to generate sufficient cash flow for capital investment.

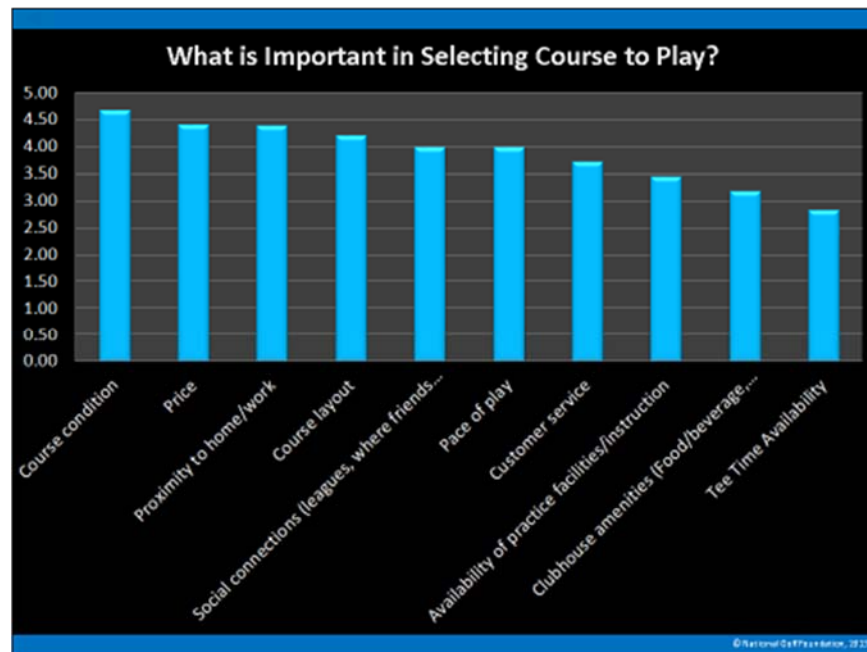
Should the Minneapolis Park Board opt not invest in the golf courses in the short-term, soon thereafter they will be considering:

- ◆ Outsourcing of golf operations and/or course maintenance to the private sector.
- ◆ Folding of golf operations back into the General Fund, as the cities of Phoenix, AZ and Ann Arbor, MI have done in the past year.

Operational: Step 6 - The Assembly Line of Golf

What is Important?

How does a golfer select which course to play? In surveys conducted by Golf Convergence across the United States and as confirmed in the survey of Minneapolis Park Board golfers conducted for this report, “What is the primary reason you choose one course over another, the results are very consistent as shown here:



Course condition and price are always amongst the top three criteria that golfers select in which course they choose to play. Recently, we have observed “pace of play” becoming a more important factor, and interestingly, in the golfer survey conducted, this is a growing frustration with golfers who play the Minneapolis Park Board golf courses.

Secret Shopper Review

To determine if the Minneapolis Park Board courses were competitive based on those criteria, Golf Convergence retained a Golf Magazine Top 100 Course Rater to undertake the following analysis:

- ◆ Secret shop each of the City's golf courses to measure value received considering the course layout, customer service, pace of play, availability of practices facilities and clubhouse amenities vs. and the prices paid. Our associate played golf at every Minneapolis Park Board golf course taking over 100 pictures per facility to document the customer experience. Those photographs were provided to the Golf Department to provide them a perspective of a visiting golfer.
- ◆ Visited 15 direct competitors of Minneapolis Park Board to assess the customer experience, course layout and pricing at each facility. Our associate took upwards of 25 pictures per facility and visited with staff at each course to ascertain their perceptions regarding Minneapolis Park Board's golf courses.

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

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

The secret shopper review evaluated the following customer touch points:

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

It is ironic, the lowest paid workers often frame the customer's experience.

The secret shopper analysis as part of this study comprised an analysis of over 200 components of the operation.

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

Competitors are Formidable Foe

The Minneapolis marketplace has public golf opportunities ranging from entry level to upscale. Edinburgh-USA Rush Creek and Edinburgh-USA are among the finest experiences a public golfer can enjoy. In the mid-tier market, the recent renovation and 2014 re-opening of Ramsay County's historical Keller Golf Course with a spectacular new clubhouse will attract substantial incremental play in 2014y. The clubhouse at Bunker Hills creates a great atmosphere for an after the round social gathering. The University of Minnesota is currently engaged in a capital campaign to restore the Les Bolstad under the direction of the famed alumni Tom Lehman.

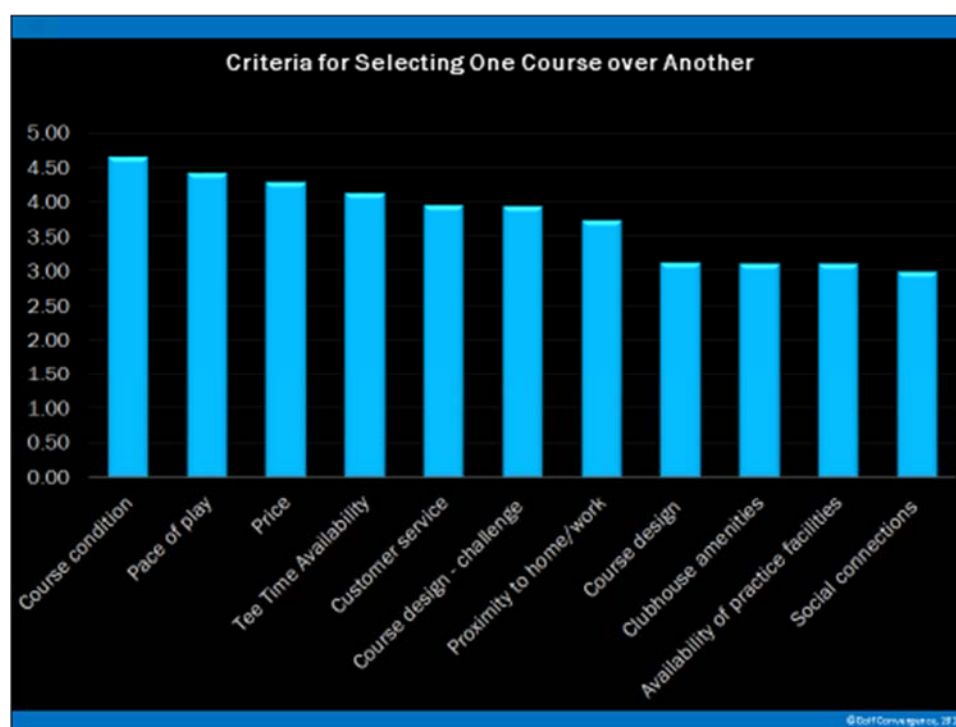
The review of the competitor's courses provided the following insights:

- 1) Many golf courses (Bunker Hills, Edinburgh, Keller, Rush Creek) have modern with clubhouses or pavilions conducive to hosting tournaments, leagues and outings.
- 2) For accomplished golfers seeking a competitive course layout to test their game, there are many outstanding alternatives in addition to those listed above: Baker National, Chaska Town Course, Links at Northfork, Mystic Lake, Pebble Creek, The Refuge, The Wilds. All are accessible, with the exception of Pebble Creek, through an impressive interstate highway system.

Thus, there are a plethora of great opportunities to play golf in the Minneapolis Park Board market at very competitive rates. A snapshot of the golf courses within the State of Minnesota, shown below, reflects there are far less proportionally private clubs in the State versus nationally. Also the average fee at \$45.11 is 13.34 less expensive to play in Minnesota than nationally.

	United States		Minnesota						
Type of Course	Courses	%	Courses	%	Holes	Median Age	Average Age	Median Fee	Average Fee
Daily fee	9,233	58.10%	337	69.63%					
Municipal	2,393	15.06%	94	19.42%					
Private Equity	2,602	16.37%	34	7.02%					
Private Non Equity	1,632	10.27%	18	3.72%					
Private Resort	31	0.20%	1	0.21%					
Total Private	4,265	26.84%	53	10.95%					
Total Minnesota			484	100.00%	7,479	1970	1966	41.00	45.11
Total US	15,891	100.00%			268,254	1969	1965	41.00	52.05

Presented below is an analysis of the golf courses visited detailing number of holes, year open, type of facility (DF: daily fee; MU: Municipal), number of tee stations, peak green fee an 18 hole green fee and cart, and sales per foot in merchandise:



Source: National Golf Foundation Facility Database

Activity Levels

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

Rounds Played	Top 10%	Top 25%	2012 Median	Bottom 25 %
United States – All Facilities	42,000	32,000	23,000	16,192
United States – Municipalities	43,730	34,000	25,000	18,000
Minnesota – All Facilities	33,249	28,000	22,250	16,587
Minnesota – Municipalities.	35,000	33,755	28,500	22,000

Source: PGA PerformanceTrak

In contrast to national and state benchmarks, Minneapolis Park Board golf courses are being utilized as follows:

Effective Realization									
Course	# Rates	2010-2013 Rounds	Green Fees	Cart Revenue	% Cart / Green Fees	Green Fee + Cart Revenue	Yield Per Round	Rack Rate	% Realization
Columbia	39	27,697	689,986	169,043	24.50%	859,029	31.02	47.00	65.99%
Pt Snelling	12	18,022	229,649	44,678	19.45%	274,327	15.22	24.00	63.42%
Gross National	39	42,320	775,068	189,760	24.48%	964,829	22.80	47.00	48.51%
Hiawatha	39	32,340	660,279	129,734	19.65%	790,013	24.43	47.00	51.98%
Meadowbrook	39	35,135	652,092	181,602	27.85%	833,693	23.73	47.00	50.49%
Wirth	39	27,697	520,009	148,339	28.53%	668,348	24.13	47.00	51.34%
Wirth Par-3	9	15,109	112,974	5,235	4.63%	118,209	7.82	17.00	46.02%
		198,320	3,640,058	868,390	23.86%	4,508,448	22.73		53.96%

The utilization of Minneapolis Park Board's golf courses, 53.96%, is below the national benchmark of 60% creating concern as to whether capital investments will be able to achieve an economic return. The implication of these statistics is that while the golf courses have greater theoretical capacity to generate additional revenue, such increases are likely to be incremental and not exponential based on improving the customer experience through course renovations or clubhouse modernization.

The low utilization is reflective that a greater percent of rounds are 9-hole vs. 18 holes and the utilization of one course and all course season passes and the utilization of patrons' cards, the latter two rate categories have the impact of lowering effective yields. The differential ($60\% - 54.27\% = 5.73\%$ / $60\% = 9.55\%$) can be accounted for in the lack of effective implementation of yield management principles.

Mirror, Mirror on the Wall – What Rates Would be the Fairest to All?

It is very typical for municipalities to offer a plethora of rates appealing to every constituency and every whim that they might have to visit one's facility.

One of the way to capture loyalty is through season passes, patrons' cards and discounted 10 or 20 rounds cards. Minneapolis Park Board offers all the permutations thereby diluting their effective yield.

It is our professional opinion that these programs, i.e. season passes, are flawed by nature – they create a winner and a loser which we don't believe should be the objective in structuring equitable rate programs. If a golfer buys a season pass, i.e., the family season pass for \$3,000, they have to play 93.75 rounds to "break-even." If the family plays more rounds, golf course staff start resenting their frequent patronage. Conversely, if the family plays less rounds, they beginning the golf course for selling them an item they didn't derive value from.

One can see the quandary in properly establishing the break-point for someone also loses, either the customer or the course, as illustrated here:

	Industry Benchmark	Minneapolis Park Golf Golfer's Perception of Value
Number of Playable Days	202	202
Utilization	32%	21%
Annual Rounds	65	43
Rack Rate	32	32
Total Value	2,068	1,376
Discount	25%	31.40%
Fair Market Value	1,551	944
Current Rate	1,025	1,025
Variance	526	-81

Note: In a May, 2012 golf industry survey conducted by Golf Convergence, leading golf operators believe that established a season pass on 32% utilization with a 25% discount for the annual prepayment on a season pass rated fair market value.

The fair market value for the one course season pass should be set at \$1,551: 51.32% higher than current priced. Conversely, the golfer currently thinks they are overpaying by \$81: 7.91%. No winners and we can already hear the outcry from golfers at a Park Board meeting in the rates were properly established at fair market value. When one independently views why there is a financial loss and funds aren't available for capital investment, season passes is an easy target.

The Minneapolis Park Board offers eight different seasons with varying break points:

Season Pass	Break Point
Family All Course Season Pass	93.75
Adult All Course Season Pass	42.66
Adult One Course Season Pass	32.03
Senior All Course Season Pass	51.04
Senior One Course Season Pass	38.33
Senior All Course M-F Only	38.75
Senior One Course - M-F Only	29.17
Junior All Course Season Pass	12.29

Another culprit are the 10 round passes which provide a 17.19% discount for the purchaser and Patron Cards in which the discounts accorded to the golfers are reflected below based on the number of rounds played. Note that those who are likely to play over 40 rounds are extremely likely to purchase the annual unlimited season play pass.

	5	10	15	20	25	30	35	40
Patron Card - Adult Resident	-15.63%	3.13%	9.38%	12.50%	14.38%	15.63%	16.52%	17.19%
Patron Card - Adult Non Resident	-34.38%	-6.25%	3.13%	7.81%	10.63%	12.50%	13.84%	14.84%
Patron Card - Senior Resident	-4.17%	14.58%	20.83%	23.96%	25.83%	27.08%	27.98%	28.65%
Patron Card - Senior Non Resident	-29.17%	2.08%	12.50%	17.71%	20.83%	22.92%	24.40%	25.52%

Every government entity, like the Minneapolis Park Board , constantly balance the philosophical issue of providing a recreational leisure at an affordable price vs. creating a pricing matrix that is likely to ensure that each course is financially self-sustaining. Such goals are often at odds. Each golf course represents an

intangible asset that creates a value that often cannot be quantified when considering the quality of life generated.

The result of that philosophical debate is that prices may understate fair market value for the experience provided. This was observed in the Minneapolis Park Board market. Each of the 18-hole golf courses (Columbia, Gross, Hiawatha, Meadowbrook and Wirth) are price identical at \$32 for a prime time green fee and \$15 per rider for a golf cart rent.

When the prices are identical between golf courses, the logic beyond such irrational decisions is rooted in politics which each representative wanting to ensure that the golf course within their District is “the best amongst the group” with an understanding that equal prices amongst all is the appropriate political but wrong business solution.

What is the appropriate fee based on experience provided? As part of this strategic review, the management of Minneapolis Park Board’s Golf Department were provided the opportunity to self-assess the fees charges in relationship to the customer experience provided by considering the following factors: slope, strategy, conditioning, turf texture, ambience and amenities. The fair market value of the experience, as internally rated for Wirth was \$27.75, \$4.25 less than the current green fee price.

Description	Weight	Raw Score	Weighted Score
Slope	65%	40.00	26.00
Strategy	5%	-5.00	-0.25
Conditioning	10%	10	1.00
Turf Texture	5%	10	0.50
Ambience	10%	5	0.50
Amenities	5%	0	0.00
Subtotal Green Fee Experience			27.75
Demand Adjustment			100%
Recommended Value Based Green Fee			\$27.75
Course' Current Green Fee	Prime Time With Cart		\$32.00
Variance			\$4.25

Is this exercise a precise measure of value? Not exactly, but it begins to frame the discussion and awaken the consciousness to ensure that golfers are receiving full value for the fees paid.

Considering all of the factors research and analyzed as part of this report, below is an abbreviated rate chart to reflect our recommendations for 2014 18-hole prime time weekend green fees rates that are comparable to the experience provided and that provide a more financial foundation:

	Columbia	Ft. Snelling	Gross National	Hiawatha	Meadowbrook	Wirth	Wirth Par 3	Positive Revenue Impact
Current Rate: 18 Hole Weekend	32	16	32	32	32	32	11	
Proposed Rate: 18 Hole Weekend	30	17	35	33	35	32	12	
Historical Rounds	31,397	18,022	42,320	32,340	35,135	26,098	13,084	
Revenue Impact	-37,676	10,813	76,176	19,404	63,243	0	7,851	139,810

The analysis presumes zero change in the volume of rounds played in comparison to the 4 year historical average. That assumption is in part flawed.

While the analysis presumes zero increase in rounds at Columbia with a lower fee and no loss at rounds at golf courses where the rates are raised, it is our experience that there is a “one-year” shock value where golfers will protest the rate increase and play less frequently or at other courses. After one year, tired from driving and missing their normal group of playing partners, they return, especially in improvements in the customer experience to justify the rate increase are implemented. While there is no way to precisely measure the revenue impact of rates changes, the positive revenue impact is likely within several years.

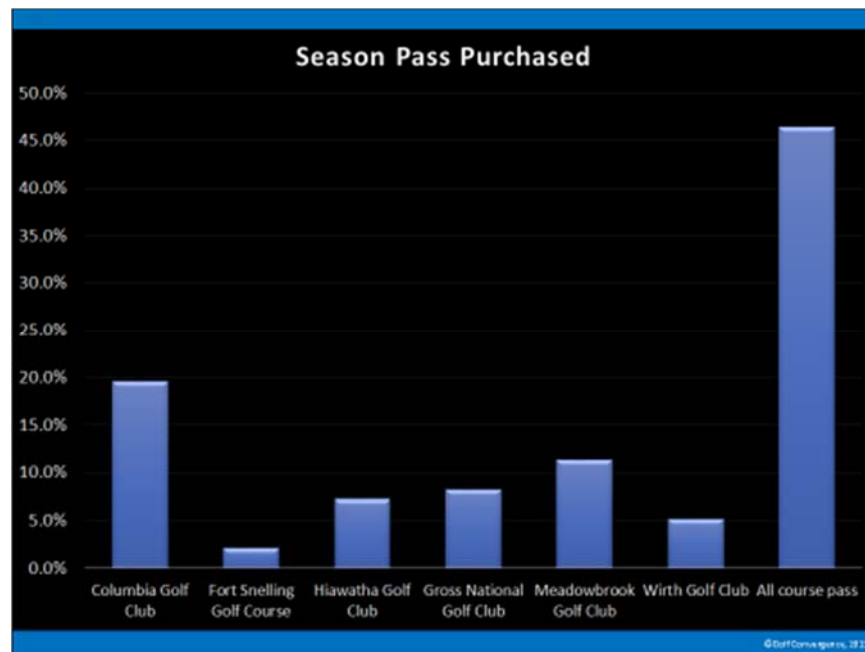
Regardless, establishing rates based on the ability of the customer to pay and based on the customer experience provided is prudent. We, therefore would suggest the following additional rate changes being implemented for 2014:

	2013	2014
Adult All Course Season Pass	1,365	1300
Junior All Course Season Pass	295	300
10 Rounds All Course Value Card	265	280

Regarding the remaining plethora of rates available, it is our suggestion, realizing that it has zero chance of being implemented, the following additional rates be discontinued:

	2013	2014
18 Hole – Patron	25	N/A
18 Hole – Patron	21	N/A
18 Hole – Senior	24	N/A
18 Hole Resident Senior Patron	16	N/A
Patron Card - Adult Resident	60	N/A
Patron Card - Adult Non Resident	90	N/A
Patron Card - Senior Resident	45	N/A
Patron Card - Senior Non Resident	75	N/A
Family All Course Season Pass	3,000	N/A
Adult One Course Season Pass	1,025	N/A
Senior All Course Season Pass	1,225	N/A
Senior One Course Season Pass	920	N/A
Senior All Course M-F Only	930	N/A
Senior One Course - M-F Only	700	N/A
Monthly All Course Pass	295	N/A
Private Cart - Season Pass	365	N/A

The recommendation to eliminate the “one course passes” was based on their low adoption rate and the preference of golfers for the all course pass as reflected here in the results of the survey conducted:



The recommendation to eliminate all senior rates will be met with a great outcry of injustice – they are old, poor and need your subsidy will be the banter before the Park Board. The lines of those wanting to speak as to their need for you to subsidize their leisure will be long.

The truth of the matter is that as a group, they collectively have aggregated the greatest amount of wealth, have the most leisure time and utilize golf as a recreational sport, in place of their former office, to remain in good health. While there maybe a few who have made poor life choices that has permanently limited their income that impacts their ability to play as frequently as they may desire, capitalism creates and capitalism destroys. The financial health of an enterprise should not be compromised, in our professional opinion, to accommodate the needs, wants, desires and wishes of everyone. Those that can't afford golf on a basis that creates a self-sustaining golf enterprise are presented the option of walking the fabulous trails created by the Minneapolis Park Board to remain in health and to engage in community fellowship with their friends.

The Minneapolis Park Board is providing every permutation of a rate discount possible. It becomes confusing and ineffective. Therefore, we are advocating “sun-setting” every rate and re-examining a limited set that best meets the golfer's preferences while implementing effective yield management to boost the average daily rate received per round.

Minneapolis Park Board: It Is Not Only Location, Location, Location

Setting prices as discussed herein is predicated on a firm understanding as to the experience provided to the customer. $\text{Value} = \text{experience} - \text{price}$. Where the experience is less than the price charged, customer attrition occurs. When the experiences equals or exceeds the price assessed, customer loyalty is created.

The secret shopper review of Minneapolis Park Board's golf courses revealed that they are at a competitive disadvantage with respect to course layout and clubhouse amenities as. As part of this strategic review, the management of Minneapolis Park Board's Golf Department were provided the opportunity to self-assess their utilization of the customer experience by evaluating over 250 criteria to determine if the golf course would be considered platinum (five-star), gold (four-star), bronze (three-star), bronze (two-star) or steel (one-star).


15%

Description	Weight	Raw Score	Weighted Score
Reservations	2%	25	0.50
Club Entrance	3%	35	1.05
Bag Drop	2%	30	0.60
Locker Room	2%	15	0.30
Pro Shop	5%	20	1.00
Carts	2%	10	0.20
Range	9%	0	0.00
Starter	1%	20	0.20
Course	50%	19	9.50
Beverage Cart	2%	65	1.30
Halfway House	4%	20	0.80
Cart Return	1%	-5	-0.05
Locker Room	2%	0	0.00
Bar/Restaurant	15%	0	0.00

On a 100 point rating systems, the Minneapolis Park Board golf courses were scored in the aggregate at 15 – steel, entry-level recreational.

While one may question, “Is that unreasonable low?” The answer is no. First, the assessment was done internally and our independent secret shopper review confirms the evaluation. Second, when one has the following placard placed on their car after playing at Theodore Wirth, the quality of the customer experience, or actually, the lack thereof is highlighted:

STOP!

**There are
NO**

- **Valuables**
- **Money**
- **Purses**
- **GPS**
- **Computers**
- **Wallets**

in this vehicle!



Minneapolis Park Police Department
612-230-6550 or call
911 for emergencies
parkpolice@minneapolisarks.org
www.minneapolisarks.org



Minneapolis
Park & Recreation Board

**Help Us Reduce Your
Chance of Becoming
a Victim**

DO NOT leave your valuables in the
passenger area of your vehicle.

Thieves wait in parking areas and watch people who appear to be hiding items under seats, under blankets or in a glove compartment. Do not create an easy opportunity for thieves.

**Planning ahead can decrease your
chance of being a victim.**

- Lock valuables in your trunk before arriving at a Minneapolis park, or take them with you when you leave your vehicle.
- Lock your doors and close your windows.
- Watch for suspicious people circling the area in a vehicle or loitering where they can observe cars being parked. Call **911** with a description of the suspicious person and the exact location, if possible.

Call 911 if you see anything suspicious.



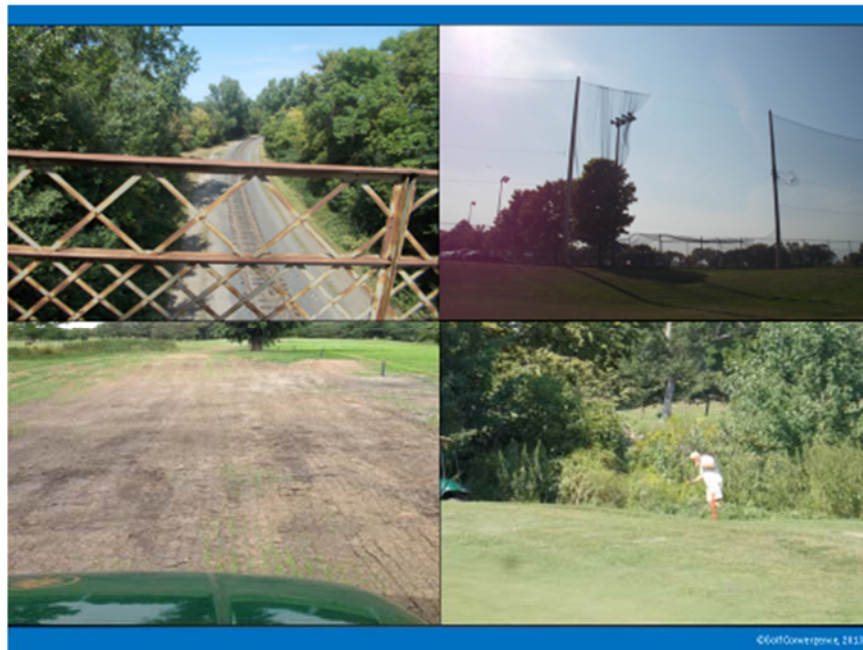
For more information on
preventing theft visit
www.minneapolisarks.org.

Instructions: Display the message on the
reverse side of this card, facing out on the
dashboard or inside passenger side window.

The principal asset of the Minneapolis Park Board golf courses is their central location to a dense population base within the area. From the secret shopper analysis performed, presented below are summary comments regarding each facility are below. It should be noted that the perspective from which these comments were drafted was from the **GOLFER experience** offered by Minneapolis Park Board.

Columbia:

- ◆ **Strengths:** A charming clubhouse, rolling hills, some challenging holes and a fabulous view of downtown from the 3rd tee box.
- ◆ **Weaknesses:** The clubhouse is outdated, the range is not convenient to the 1st and 10th tees, irrigation and drainage creates less than desirable playing conditions on many holes and the green to tee walks on 2 to 3 and 6 to 7 over a railroad bridge detract from the experience. The demographics of the immediate neighborhood limit the upside revenue potential or return on investment that might be garnered from an appropriate investment. Cars are in play on the 9th hole creating liability.
- ◆ **Opportunities:** A modernized, larger clubhouse with a new irrigation system would provide the foundation for a vastly superior customer experience. A higher rate, justified by the convenient location, might be achieved. The trimming of trees could vastly improve the vistas as shown here:



Ft. Snelling

Strengths: Fun 9 holes that has been provides a recreational experience and a close-up view of airplanes taking off.

Weaknesses: Signage to the course is lacking, the courses is quirky in the routing of several holes (7, 8 and 9), the clubhouse is very tired and dated and the course lacks a practice facility.

Opportunities: While the neighborhood would support an 18-hole mid-tier experience, the investment required can be justified based on a lease of the property. Abandonment of this course is advised.



Gross National:

- ◆ **Strengths:** This fabulous historic nature of the golf course can be appreciated in the routing, green complexes and bunkering. A student of golf course architecture would appreciate its classic style.
- ◆ **Weaknesses:** The range is limited, parking is a challenge and the clubhouse precludes effective corporate outings and tournaments thereby limited the revenue potential of the facility. Deferred maintenance on trees impacting playing corridors. The course is not located within the City of Minneapolis; thus, is restricted from serving alcohol.
- ◆ **Opportunities:** A pavilion to host tournaments and outings > 80 golfers would provide opportunity to boost rounds for this course located convenient to downtown Minneapolis..



Hiawatha

- ◆ **Strengths:** Legendary course with an interesting routing that features many cross hazards to challenge the accomplished golfer in a demographic area that would be supportive of golf. Fabulous practice facility.
- ◆ **Weaknesses:** The clubhouse, particularly the bathroom, are substandard for today's golfers. Irrigation and drainage are continuing issues as the course is being "consumed" by neighboring lake. 2013 Reconstruction of green complexes, i.e., 2 and 7, were substandard compounding the problem.
- ◆ **Opportunities:** The character of the course would suggest that a comprehensive renovation of the course with fairway bunkering to better define the holes with a renovated clubhouse in a strong demographic neighborhood would be likely to provide an adequate return on investment. Such investment, however, is at risk, because resolution of the fundamental irrigation and drainage problem are likely to solve the problem for only 10 – 15 years before another comprehensive renovation is required.



Meadowbrook

- ◆ **Strengths:** Located adjacent to the famed Interlachen Country Club, the location of the golf course that is very strategic and challenging provides golfers of all abilities the opportunity to test their game.
- ◆ **Weaknesses:** Very limited practice facilities, a dated clubhouse, the lack of a maintenance building and numerous blind shots on a golf course where irrigation and drainage are significant issues, emasculate the potential of this golf course to substantially contribute to the operating reserves of the enterprise fund.
- ◆ **Opportunities:** Renovated and expanded clubhouse to host tournaments and outings would serve as attractive focal point for inner city championship golf course. Land is available to add driving range with reconfiguration of several holes on vacant space to the right of the 12th and 14th holes. Opportunity to boost rounds.



Wirth

- ◆ **Strengths:** Famed course named after the founder of the Park System provides a challenging opportunity for the accomplished golfer on a diverse terrain. Central location on busy street finds a recreational course that provides interest for the accomplished golfers, i.e., 5, 9.
- ◆ **Weaknesses:** An extensive number of forced carries for a municipal golf course, quirky holes, the extensive use of the facility for winter recreation, gas carts, a strong political golfer lobby that consumes far more Park Board resources than revenue generated, render this course the albatross of the Minneapolis Park Board golf system.
- ◆ **Opportunities:** The facility with substantial renovation, i.e. eliminating the 12th, 17th and 18th holes, reconfiguration of the Par 3, adding a driving range, separating winter vs. summer recreation would provide a facility more consistent with immediate neighborhood providing an effective entry door to the game. The purists that are deluded in their belief the course is of sufficient quality to host a US or State Open will serve as effective deterrents creating a continued cacophony of chaos causing constant underperformance of the complex.



Note: On the street signs, the name of Theodore is spelled Theodore.

Step 6 – A Summary of Golf Operations Golfer Habits and Preferences

As the expression goes, you reap what you sow. For the past decade the Minneapolis Park Board has not invested in their golf courses. As a result, customer loyalty is downed as the customer experience deteriorates/

In a crowded market, Minneapolis Park Board\'s golf courses, individually and collectively, are undistinguished and represent the typical “municipal golf experience.” While some facilities, i.e., Gross National and Meadowbrook have upside potential, the capital investment required is daunting and a direct return on such investment in the short-term is unlikely.

Operational: Step 7 – Golfer Habits and Preferences: A Customer Survey

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

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

- There are 25.7 million golfers in the United States.
- 36.7 million Americans are golf participants, defined as anyone ages 6 and above who either played a round of golf or visited a golf practice facility.
- More than 45 percent of golfers (11.9 million) are between the ages of 18 and 39. Seniors (ages 50 and over) comprise another 33 percent, or 8.6 million.
- There are 5.76 million female golfers; they represent 18 percent of all golfers. And 6.1 million juniors play golf.
- There are 15,641 golf facilities, 11,690 of which are open to the public.
- Only 22 percent of all golfers regularly score better than 90 for 18 holes on a regulation-length course. For females, the percentage is just 7 percent, and for males, it is 25 percent.
- The average 18-hole score is 97 for men and 114 for women. It's an even 100 for all golfers.
- The average scores have changed very little over the years.

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

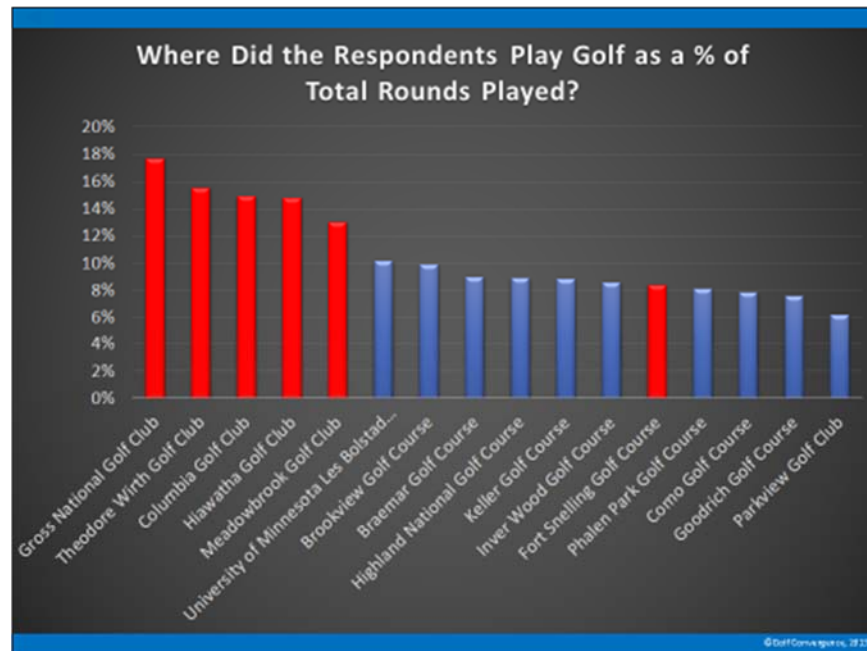
We conducted a survey as an integral component of this golf course operational and financial consulting review. The survey was extended to all registrants with the Minneapolis Park Board

database. In addition, the public was extensively invited to participate via press releases submitted to the leading City and community newspapers and contact from the Minneapolis Park Board Marketing Department to media outlets. Various “filters” were implemented in the survey that facilitated separation of responses into various categories, i.e., golfers, public. The table summarizes the statistics regarding the survey:

Filter:	All	Golfers	Public
Survey Sample	52,958	40,373	12,585
Survey Response	2,539	1,616	923
Response Percentage	4.79%	4.00%	7.33%
Age	47.8	48.7	46.6
Income	102,378	103,948	99,752
Ethnicity: Caucasian	88.00%	88.30%	89.70%
Education	15.60	15.30	15.80

The 90-question survey remained open for 10 days and generated 2,539 responses providing a 90% confidence factor and a margin of error on the results of 5% +/- . The completion rate for those starting the survey was 77.9%, an acceptable response rate considering extensive skip logic was embedded to provide respondents the opportunity to provide input, at their option, regarding each facility.

To ensure that the respondents were qualified to provide valuable insights and perspective on the Minneapolis Park Board Golf Courses, the competitive set of golf courses that they have played during the past 24 months was ascertain as is reflected below:



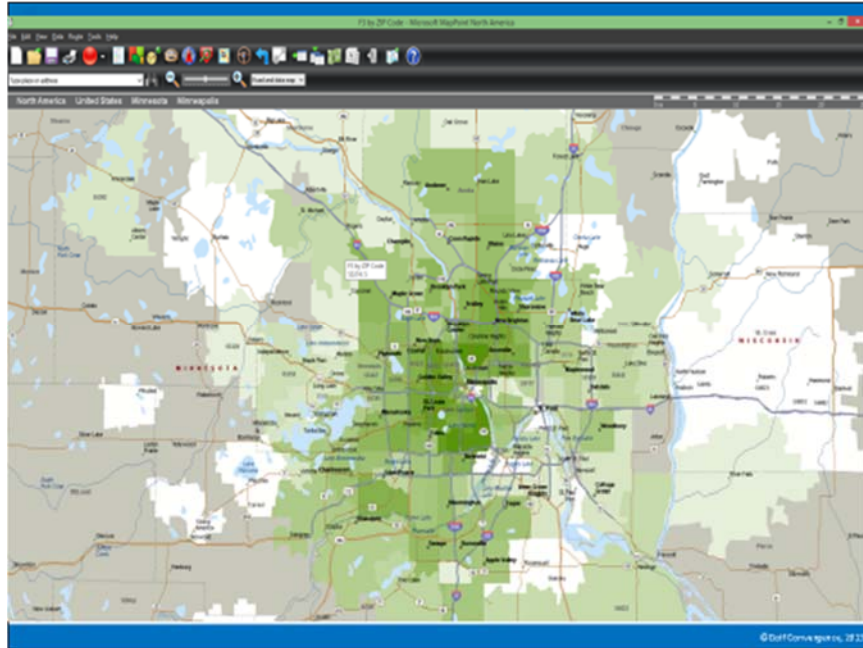
It was heartening that the respondents represented over between 13% and 17% of their total rounds played were on golf courses operated by the Minneapolis Park Board

What is the Demographic Profile of Minneapolis Park Board golfers?

The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the demographics within five miles of the golfers were not representative, with the exception of the Meadowbrook Golf Course, of the typical golfer who was likely Caucasian, slightly older, and earn above-average income. The survey confirmed that fact.

The respondents average 48.7 years of age, have median household incomes of \$103,948, are 82.4% male and 88.3% Caucasian, and play 34.5 rounds on 9.7 different courses. Seventy percent of the golfers felt that green fees prices should be based on value, in contrast to the standardized pricing now provided by the Minneapolis Park Board.

The geographic distribution of respondents reflecting a strong concentration within the City of Minneapolis is illustrated here:



What Do Golfers Like about Minneapolis Park Board golf courses?

The golfers were asked amongst the competitive set of golf courses which facilities they considered “best in class” to rate conditioning, course layout, customer service, food service, merchandise, practice facilities and price.

	1 st	Columbia	Ft. Snelling	Gross	Hiawatha	Meadowbrook	Wirth
Conditioning	Braemar	9 th	15 th	2 nd	14 th	7 th	11 th
Course Layout	Gross	5 th	15 th	1 st	9 th	8 th	2 nd
Customer Service	Gross	3 rd	12 th	1 st	4 th	5 th	6 th
Food Service	Braemar	3 rd	14 th	4 th	8 th	9 th	5 th
Merchandise	Braemar	6 th	15 th	2 nd	9 th	7 th	11 th
Practice Facilities	Braemar	3 rd	16 th	8 th	2 nd	11 th	12 th
Price	Gross	3 rd	5 th	1 st	6 th	4 th	2 nd

Amongst the competitive set of golf courses Brookview (Food Service), Invergrove

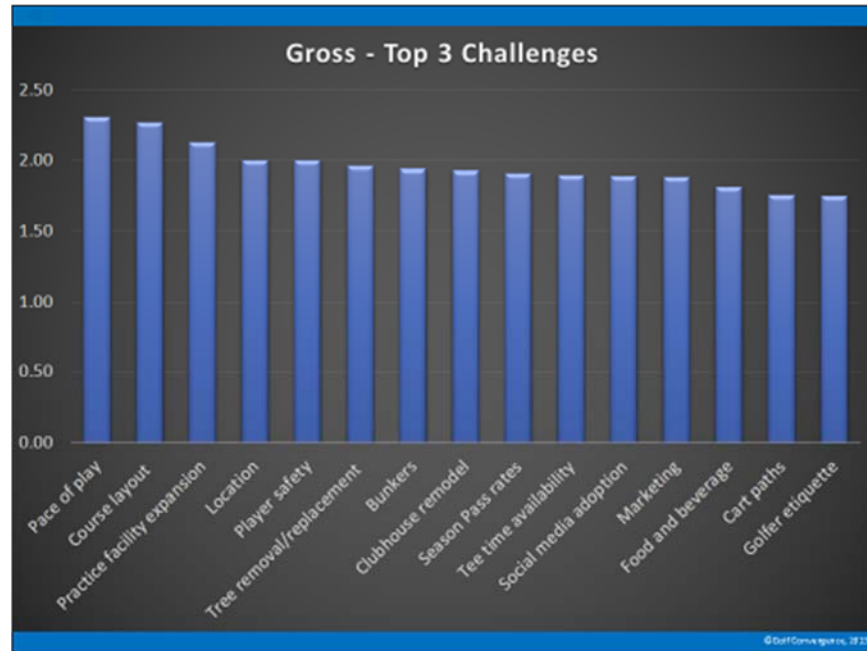
(Conditioning), Keller (Conditioning, Course Layout), Les Bolstad (Merchandise) earned 3rd or 4th place rankings in the various categories.

The rating of best in class – price with respect to the Minneapolis Park Board golf courses shown below amplified by the fact that proximity was the #1 reason respondents opted to play the Park Board golf courses is very telling.



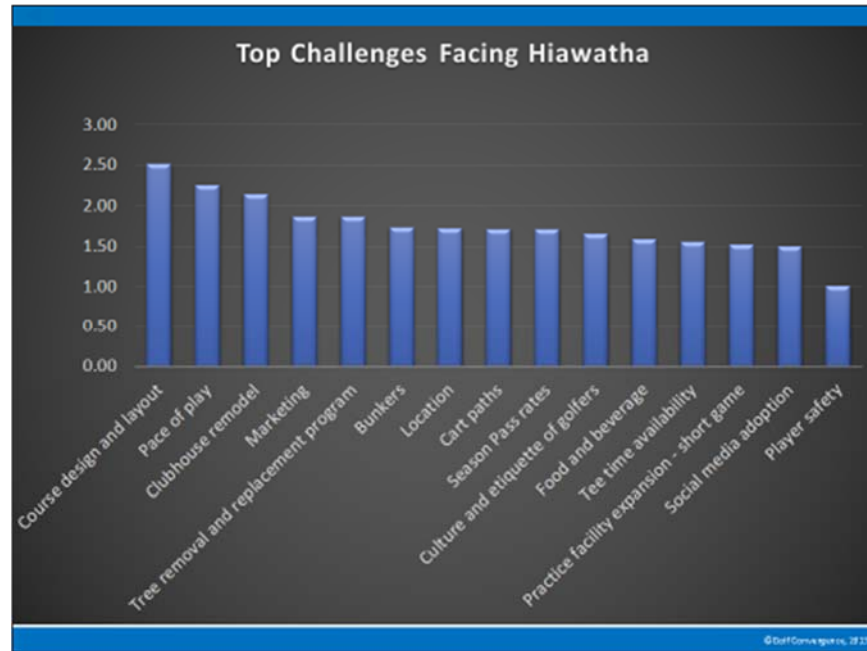
The Minneapolis Park Board should take great solace that its implied mission statement of providing entry level golf at a low cost has resonated with its golfers.

When asked what the three biggest challenges were facing the golf courses, conditioning, lack of capital investment and pace of play headed the list. Golfers were providing the opportunity to evaluate each golf individually. The responses received as shown below for Gross National, which was the highest rated facility, were representative of the golfer's sentiments:



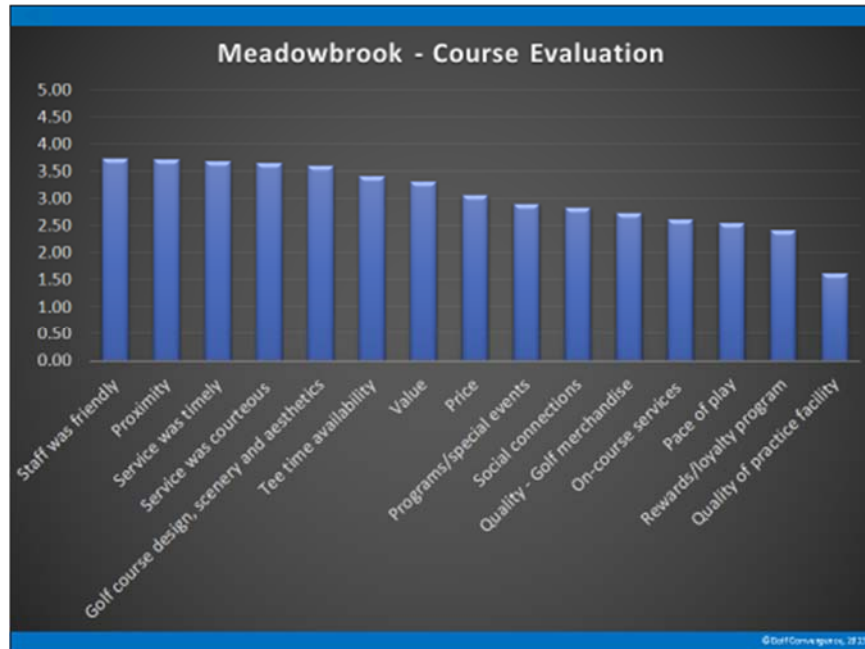
Pace of play is reflective of the importance of time in our society. Golfers were provided the opportunity as to their preference for the allocation of capital investment being renovating the golf course, enhancing the clubhouse, improving the maintenance facilities or solving irrigation and drainage challenges. The responses were consistent between the golf courses that the golfer's preference is in renovating (updating) the golf course design and layout.

In having conducted surveys across the country, we are always surprised and pleased at the accuracy of golfer's responses to the survey in reflecting their priorities compared to our professional assessment of where capital investments should be allocated. To illustrate, illustrated below is the responses tabulated for Hiawatha. Note that clubhouse remodel is a priority and that the expansion of the practice facility received little support. These results, compared to Gross National which vary widely, are on point:

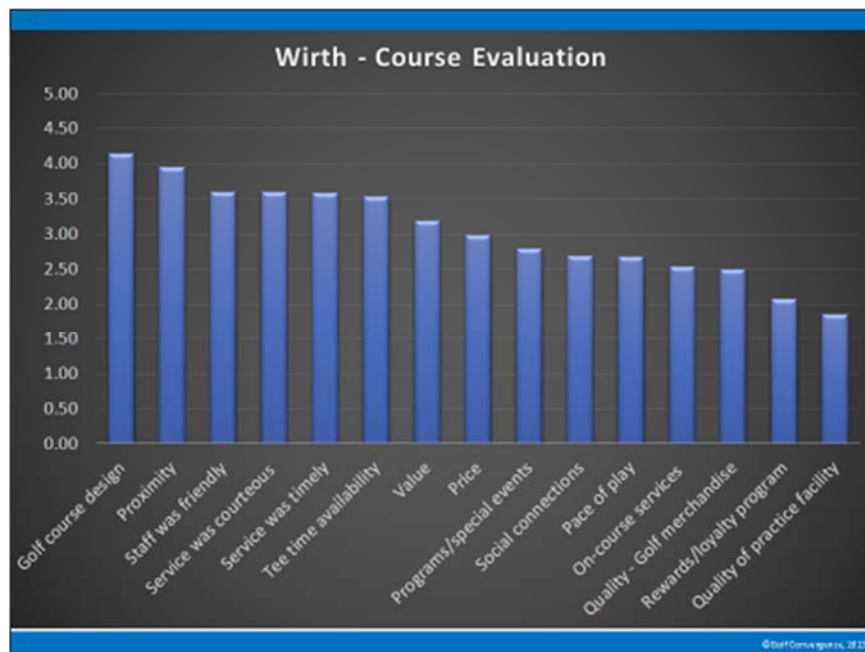


Like Gross National, the “bones” of the course (routing, natural land features) are quite good. A renovation, though admittedly the golf course will constantly be challenged with irrigation and drainage issues as it is being “consumed by the nearby lake”, would certainly boost rounds and revenue at Hiawatha.

Golfers were also provided the opportunity to evaluate each golf course by 15 attributes. As illustrated below for Meadowbrook, the responses received were an accurate reflection of the experience the golfer receives at the facility:



To demonstrate the ability of golfer's to differentiate between experiences received, shown below is the evaluation of Wirth:



When asked, what are the top 3 things you like about the Minneapolis Park Board golf courses, golfers responded that accessibility, price and proximity (close to home) were the attributes most often cited.

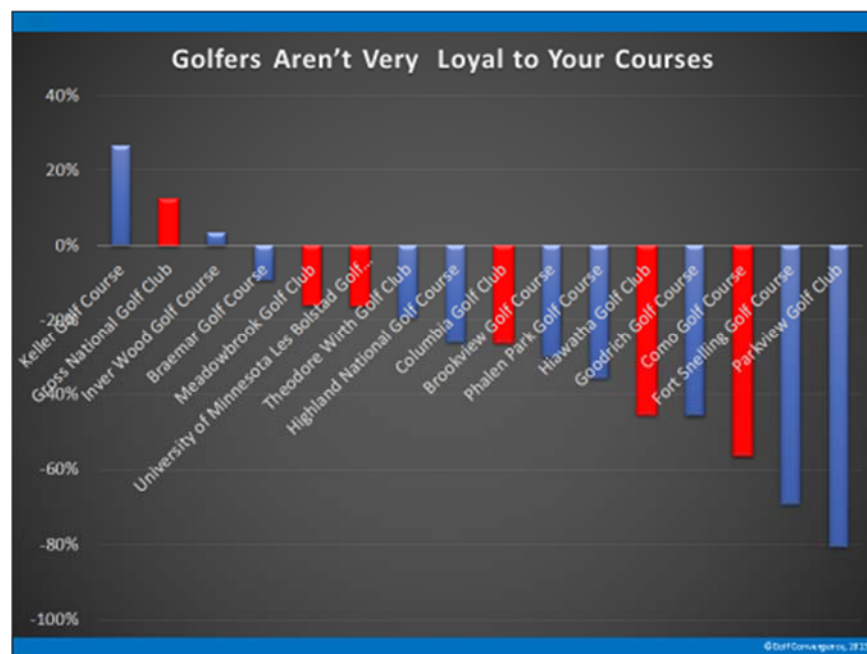
Price and proximity; however, don't build customer loyalty. As witnessed in the customer franchise analysis, loyalty can be hard to earn and easy to lose.

Customer Franchise Analysis

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

In undertaking this operational review, a golf course must identify core customers, spending patterns, customer retention, turnover frequency of golfers, zip code distribution, course utilization, revenue per available tee time, and revenue per tee time purchased. These critical metrics have not been developed by the Minneapolis Park Board golf department. The leveraging of such metrics is fundamental to creating customer loyalty.

Illustrated here is that respondents are not very loyal to the Park Board golf courses:



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

This rating from the Minneapolis Park Board golf courses customer base is very disappointing.

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

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

That is why addressing the challenges identified in the survey is important to sustain the loyalty to Minneapolis Park Board golf courses.

Step 7 – A Summary of Golfer Habits and Preferences: A Customer Survey

The golfer survey validated our concerns regarding the ongoing viability of the golf courses – without further capital investment. Golfers are currently playing the courses between they are close to where they live and they are cheap. A golf course is a living organism that requires continual investment to produce a consistent experience.

The density of golfers per 18 holes, as documented in Step 1, suggests that if the Park Board demonstrates leadership by investing in golf courses, components of the core customer base will increase their frequency and the improvements will attract additional golfers that should stimulate utilization and revenue to create a more viable operation.

When one reviews the many individual comments made by the patrons, one recalls Peter Finch's famous line from the movie, "Network" – "We are made as hell and we are not going to take it anymore."

While the convenient location will continue to provide a foundation for modest revenue, the potential for these golf courses is far greater is prompt investment and attention is given.

Summary – A Community Asset of Costly Potential

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

Our evaluation of the Minneapolis Park Board golf courses concluded that substantial challenges exist, as noted below:

Project	Minneapolis Park Board Golf Courses
Strategic	
Vision - Competitive Mix	Red
Demographics	Green
Weather – Recent	Yellow
Tactical	
POS/TTRS	Yellow
Web Site	Red
Financial	Red
Operational	
Course Layouts	Yellow
Agronomic	Yellow
Deferred Capital	Red
Clubhouses	Red
Food and Beverage	Red
Golf Playing Preferences	Red
Customer Loyalty	Red

Key: Red – negative

Yellow – neutral

Green – positive

The Minneapolis Park Board is in need of capital investment and is likely to see short-term operational losses despite operating within a market whereby demand exceeds supply and the density of golfers per 18 holes is fabulous. The limited playing season and customer expectations of low-priced value golf render a significant up-front capital investment, a hazardous financial proposition. However, the core assets have the potential, with the creation of the proper vision, the allocation of the appropriate resources, and the consistent execution of operational policies

and procedures, to become a marginally sustaining asset whose intangible value may contribute to the lifestyle of the City's citizens.

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

In crafting a 10-year vision for the Minneapolis Park Board golf courses, it is important to comprehend the changing that are occurring with the golf industry.

The intent of this report is to objectively and rationally uncover the strengths and weaknesses of the existing golf courses, opportunities and threats presented by the environment, the resources required to carry through, and ultimately the prospects for success.

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

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

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

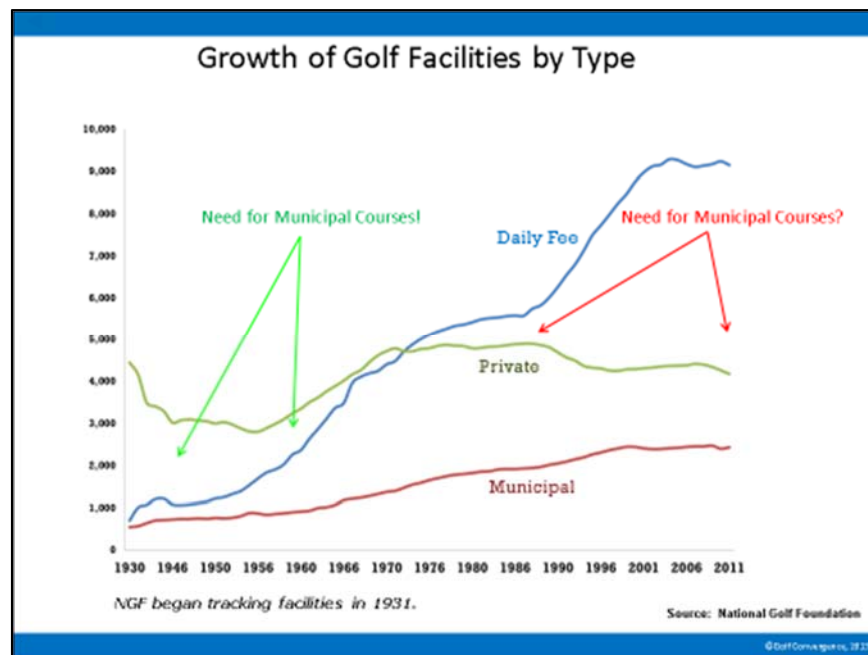
Value in golf derives from two basic components shared by all golf courses: the physical infrastructure—property, property, plant, and equipment or the course, the clubhouse, and maintenance equipment); and secondly, the human element—the personnel.

How these resources are applied determines the experience created. All of this planning is influence by the evolving changes with the business of golf. Presented below is a snapshot capturing those underlying current that frame the vision for this report.

The Role of Government in Golf

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

Because of the origins of the game within the U.S. as private and club-based, municipalities filled the void for the public by building golf courses as part of their Parks and Recreation programs. The need for municipalities to continue to operate golf courses has been largely eliminated by the evolution of daily fee golf courses — those open to the public via private enterprise — which became a significant factor starting in the 1960's, as illustrated below:



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

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

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

The Organizational Structure of Municipal Golf

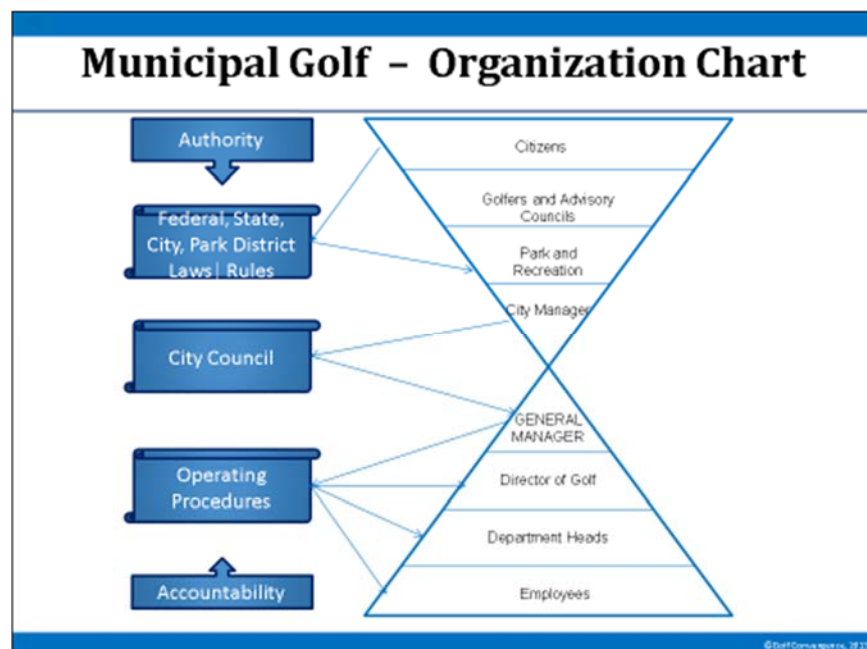
The Minneapolis Park Board golf courses serves various constituencies, including: City of Minneapolis, Minneapolis Park Board, Management/Staff, Golfers, Owners of homes on and near the course, and ultimately, Taxpayers.

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

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

Such is the case with the Minneapolis Park Board Department golf courses. Both management, and particularly staff, while wanting to create value for the golfer, lack the resources which usually impairs their ability to execute.

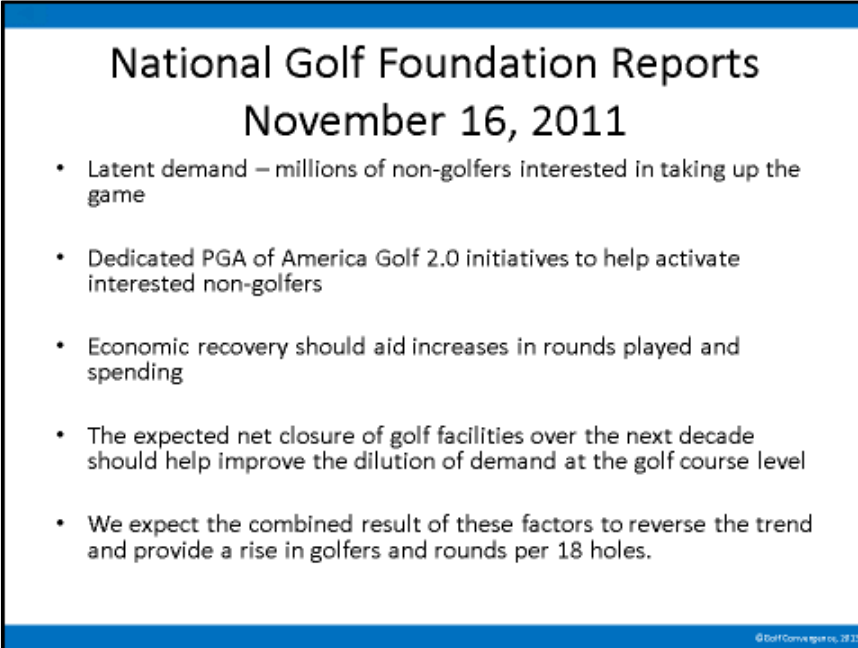
With that considered, the real organization chart for most municipal golf courses is as follows:



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

Two beacons of hope for the future of golf suggest that perhaps in the intermediate, and maybe even in the long term, Minneapolis Park Board golf courses might be viable.

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

A presentation slide with a blue header and footer. The title is "National Golf Foundation Reports" followed by the date "November 16, 2011". Below the title is a bulleted list of five points. The footer contains a small copyright notice: "© Golf Course Reports, 2011".

National Golf Foundation Reports
November 16, 2011

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

© Golf Course Reports, 2011

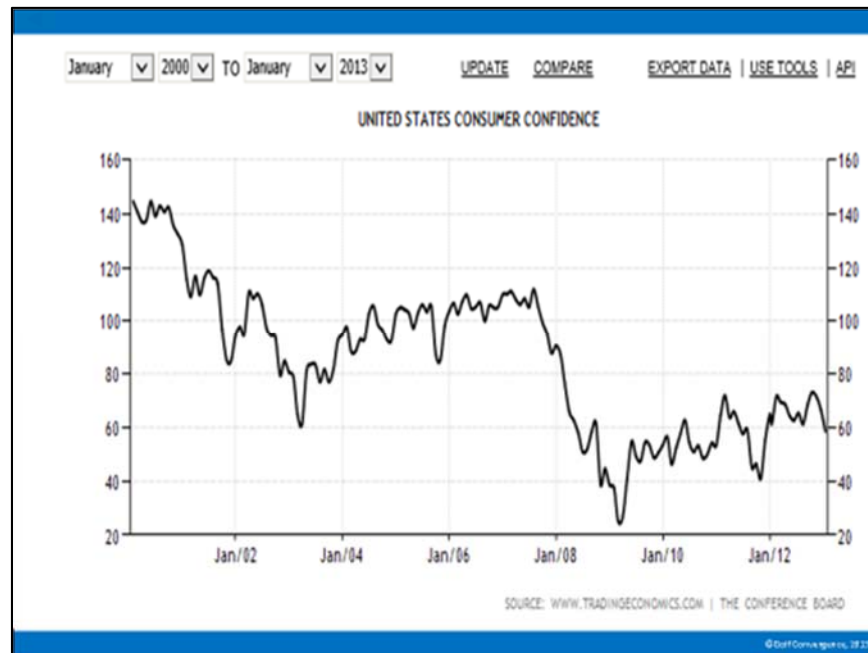
Second, municipalities, recognizing that labor expenses and the associated fringe benefits are the source of many of the financial challenges in operating golf courses, are seeking privatization of those operations. By December, 2011, 43% of all municipal golf courses had privatized.

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

Global Perspectives – Current Economic Outlook

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

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



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

The signals are mixed. In January, 2013, it was announced that the U.S. economy contracted at the annual rate of 0.01%, the first decline since the second quarter of 2009. On the same day, it was announced that “Home sales rebounded to the strongest level in five years in 2012, as home building bounced back to levels not seen since early in the recession. Near record low mortgage rates, rising home prices, and a drop in foreclosures have combined to bring buyers back to the market.”¹⁷ The headlines the next day were “Personal incomes post biggest gain in eight years.”¹⁸

¹⁷ <http://money.cnn.com/2013/01/27/news/economy/housing-economic-growth/index.html>

¹⁸ <http://www.foxbusiness.com/news/2013/01/31/personal-income-posts-biggest-gain-in-eight-years/>

We get absorbed by the daily details that flood our consciousness, and we lose sight of the major trends. Merely reflect on the tremendous changes that have occurred in the U.S. during the last four years, as evidenced in the following table, to realize that a lot has changed.¹⁹

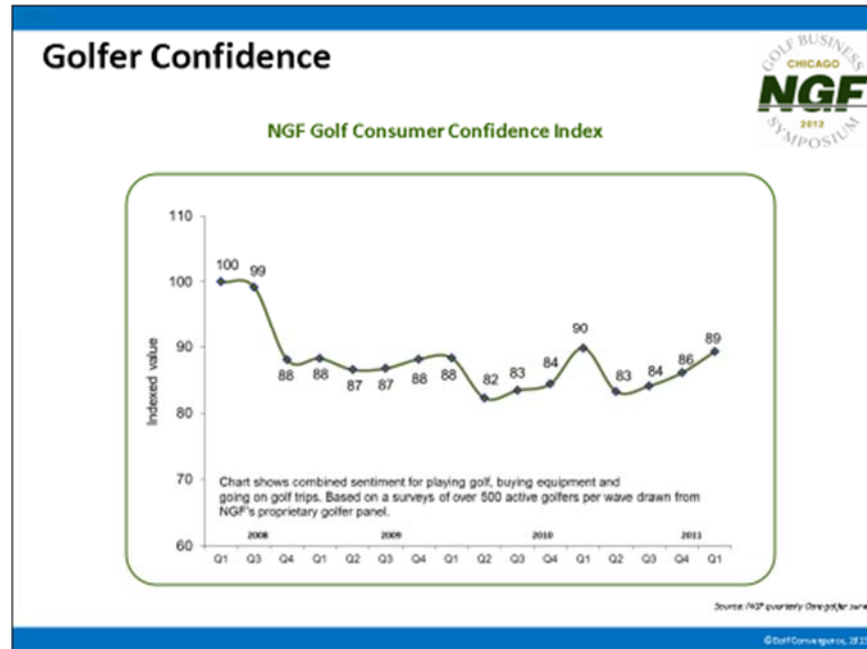
Category	2009	2012
Annual Consumer Price Index	-0.10%	1.70%
Consumer Spending	-1.60%	1.60%
Economic Growth	-5.30%	3.10%
Foreclosure	66,777	53,054
Gas Prices	\$1.62	\$3.29
Government Spending (Billions)	\$3,517	\$3,540
Housing Prices	\$175,500	\$189,000
Interest Rates (10-Year Treasury)	2.46%	1.86%
Job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

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

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

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

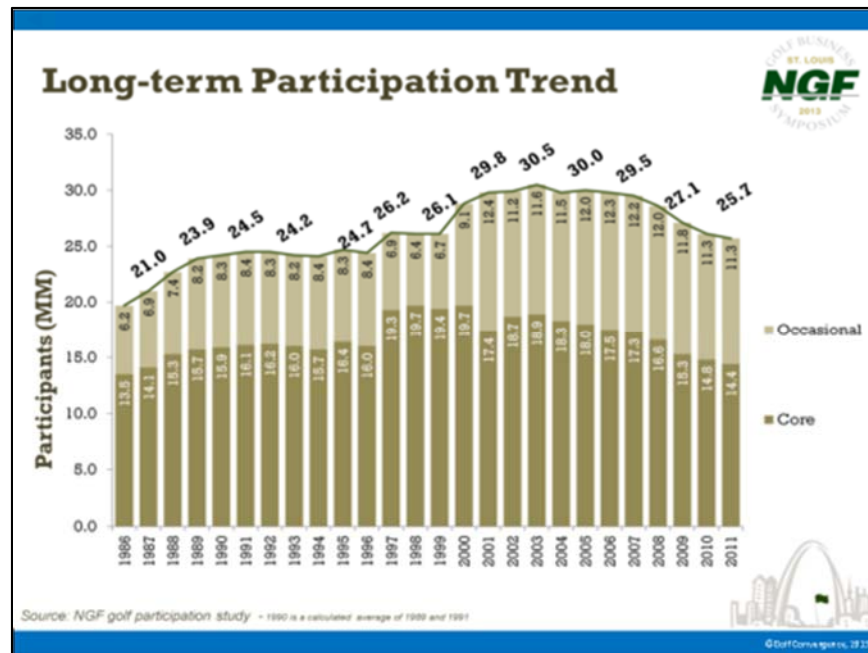
¹⁹ <http://money.cnn.com/galleries/2012/news/economy/1206/gallery.Obama-economy/13.html>



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

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

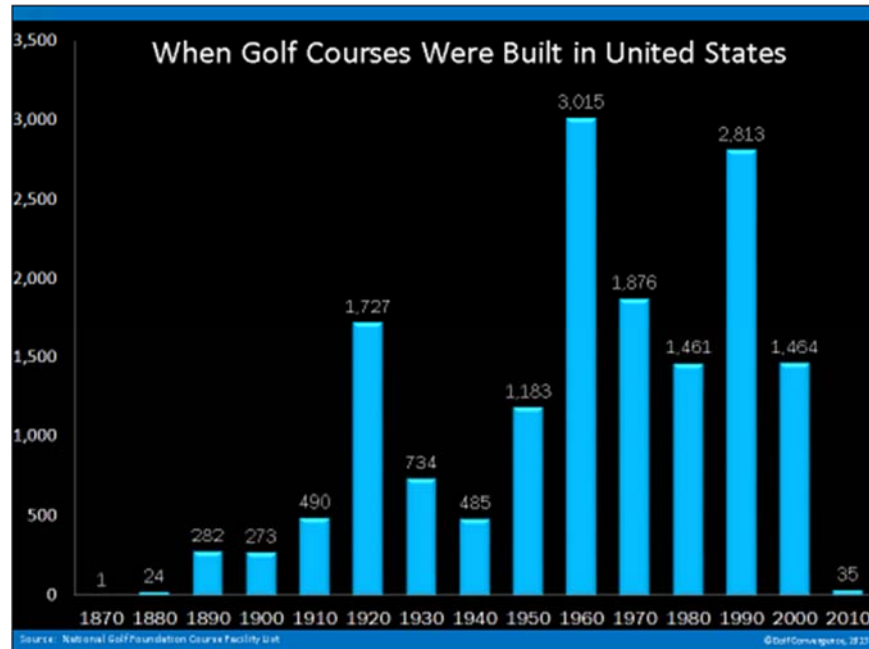
Those conclusions are reached based on overall golfer trends, as reflected below:



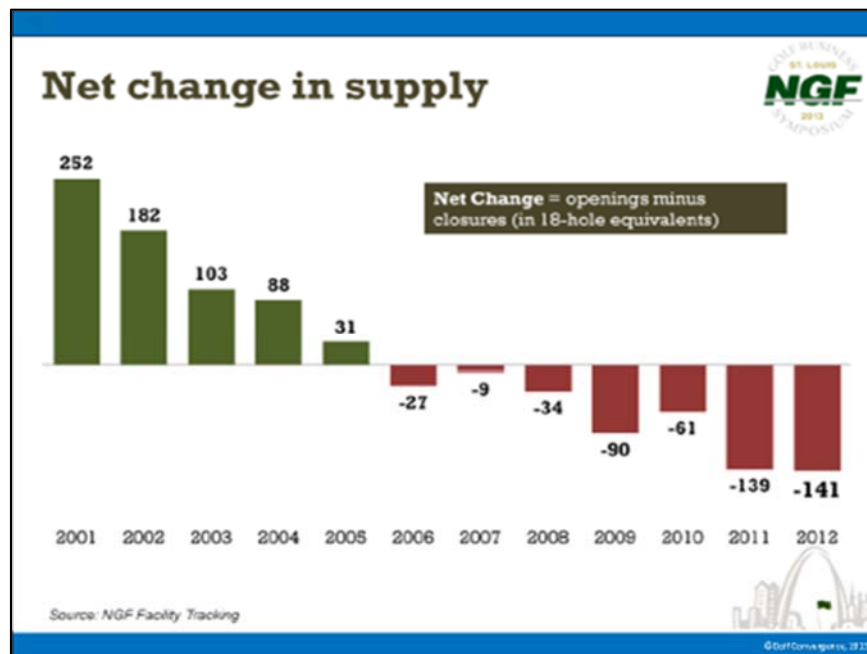
The net decrease of 1.4 million golfers from 2009 to 2012 included 5.2 million golfers who left the game; their numbers were not offset by the 1.8 million beginners and the 2.0 million former golfers who returned to the sport.

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

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



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



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

In 2009, the National Golf Foundation published an extensive study on “The Future of Public Golf in America,”²⁰ which cited that 15% of golf courses rated their financial health as extremely poor. Of those golf courses, 56% of daily fee golf courses were considering closing and selling, and 26% of municipal golf courses were evaluating the same alternatives. Uniformly, with rounds and revenue off, losses had increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were being used to boost rounds. The City of Carmel has experienced the same situations.

As a result, the National Golf Foundation concluded the golf courses most at risk²¹ were:

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

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

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

The Business of Golf -- Balancing Demand and Supply

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

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

²⁰ Golf Convergence, “The Future of Public Golf in America,” April 22, 2009, Slides 1 -43.

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

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

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

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

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

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

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

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

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

In 1899, when 307 golf courses existed in the United States, Thorstein Veblen, the author of *The Theory of the Leisure Class*, expressed his opinion that golf was a game in which individuals

participated to demonstrate their conspicuous consumption of leisure²². In essence, individuals were attracted to the sport to demonstrate their superior financial position and to flaunt their lack of need for work as America transitioned from an agrarian to an industrial society.

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

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

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

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

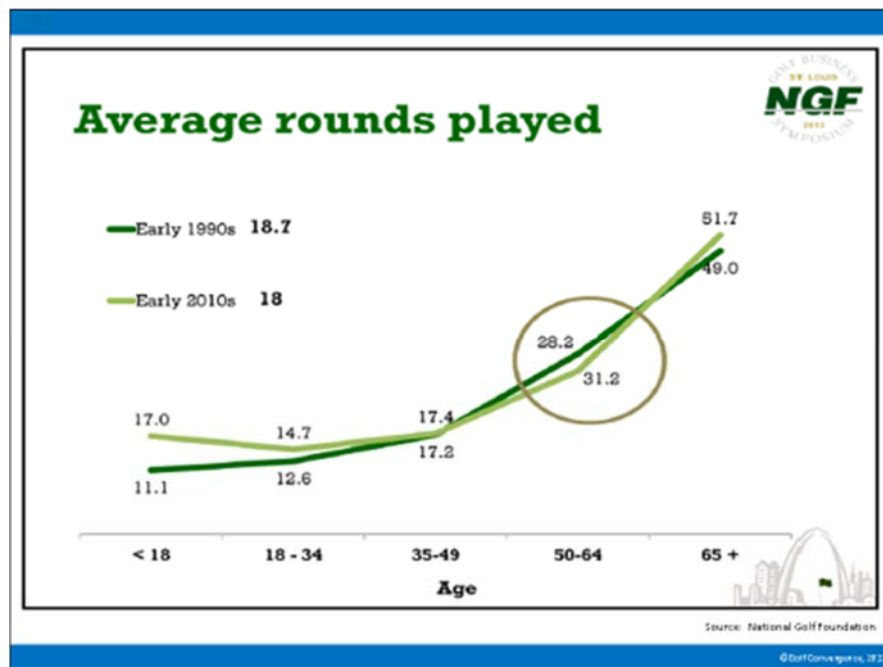
Another term that causes much debate is “round.” When you play a “round,” have you played nine or 18 holes? The most common use of the word “round” merely means “a start.” In other words, a golfer teed off on at least one hole.

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

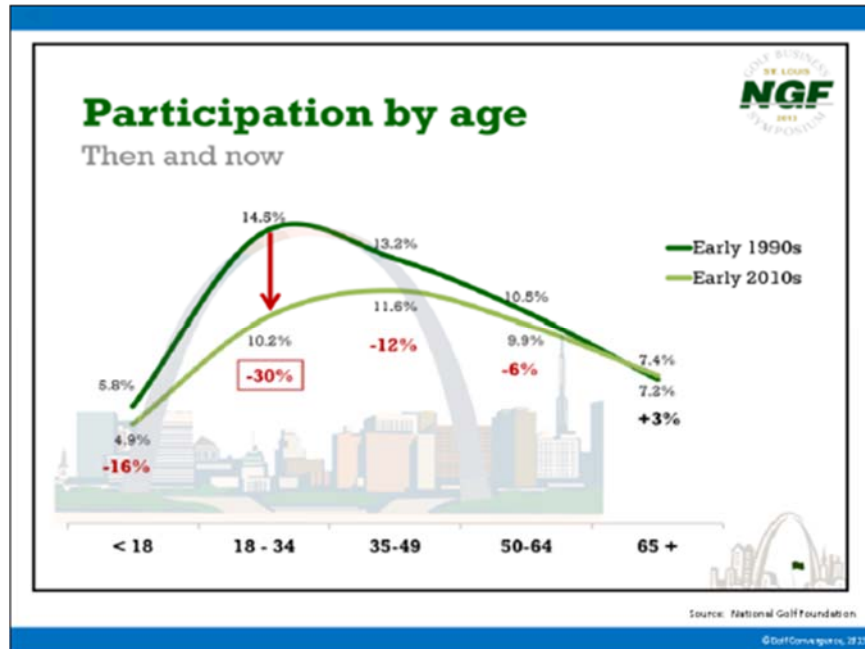
²² Thorstein Veblen, *Theory of the Leisure Class* (Oxford, Oxford University Press), 1899. http://en.wikipedia.org/wiki/The_Theory_of_the_Leisure_Class.

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

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



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



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

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

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

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

- 1) The technology traps of endless improvements;

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

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

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