

# Business Evaluation of Tony Butler Golf Course

## FINAL REPORT

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**City of Harlingen, TX**

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# Table of Contents

<b>INTRODUCTION &amp; PURPOSE.....</b>	<b>1</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
Golf Market Overview .....	2
National Golf Industry Overview .....	2
Local / Regional Market .....	4
Tony Butler GC Competitive Market .....	6
Recent Operating Results .....	7
Golfer Survey Results .....	8
Golf Course Physical Evaluation Summary .....	8
Course Improvement Considerations & NGF Recommendation .....	9
Approaches to Major Golf Course Improvements .....	9
NGF Conclusion and Recommendation .....	10
City of Ft. Worth, TX – Rockwood Golf Course Renovation Case Study .....	11
NGF Operational Recommendations .....	12
Financial Projections .....	12
Cash Flow Model – “As Is” Scenario .....	12
Cash Flow Model – Infrastructure-Only Improvements .....	13
Cash Flow Model – “Transformative” Renovation .....	13
Summary Statement .....	13
<b>GOLF MARKET OVERVIEW.....</b>	<b>15</b>
National Golf Industry Overview.....	15
Key Trends in Demand.....	15
Golf Course Supply .....	16
Other Measures of Health.....	16
Local / Regional Market.....	17
Defining the Tony Butler GC Primary Trade Area .....	17
Demographic Analysis .....	17
Key Climate and Economic Factors .....	17
Estimated Local Market Demand .....	20
Local Golf Supply .....	20
Tony Butler GC Competitive Market.....	21
Competitive Facility Location Map.....	21
Key Findings – Competitive Market .....	24
Regional Municipal Benchmarking - Key Findings .....	24
Golf Market / External Factors Summary .....	25
<b>OPERATIONS REVIEW .....</b>	<b>26</b>
Facility Overview.....	26
Site Overview and History .....	26
Inventory of Facilities.....	29
Tony Butler GC Operating Program .....	31
Management Structure.....	31

Golf Enterprise Fund .....	31
Staffing .....	31
Point-of-Sale (POS) System / Accounting & Reporting .....	32
Tee Time Reservations .....	32
Daily Green Fees & Coupons .....	32
Membership Program .....	33
Customer Base .....	34
Marketing .....	34
Programming .....	34
Outings/Tournaments .....	35
Food & Beverage Operation .....	35
Merchandising .....	35
On-Course Services .....	35
Recent Operating Results .....	35
NGF Observations .....	37
NGF Golfer Survey Results .....	39
Summary .....	43

**GOLF COURSE PHYSICAL EVALUATION & RECOMMENDATIONS..... 44**

General Conditions .....	44
Design Evaluation and Current Conditions Assessment .....	45
Routing .....	45
Design Features and Infrastructure Assessment .....	46
Agronomic Issues .....	51
Greens Turf .....	51
Infrastructure .....	51
Budget .....	51
Equipment Replacement Scheduling .....	51
Soils and Turf .....	52
Course Improvement Considerations & NGF Recommendation .....	52
Approaches to Major Golf Course Improvements .....	52
NGF Recommendation .....	53
City of Ft. Worth, TX – Rockwood Golf Course Renovation .....	55
Other Capital Needs .....	56
Design Considerations .....	57
Renovation Implementation .....	58

**NGF OPERATIONAL RECOMMENDATIONS..... 59**

Management Structure .....	59
Administrative Support & Reporting .....	60
Marketing & Programming .....	61
Player Development & Programming .....	62
Staffing .....	64
Golf Playing Fees .....	64
Utilization of Technology .....	65
Customer Service .....	65

Food & Beverage .....	65
Consideration of Reducing to 18 Holes .....	66
<b>FINANCIAL IMPACT OF IMPROVEMENTS.....</b>	<b>68</b>
Market Opportunity Conclusion .....	68
Support for Projections .....	68
Potential Threats / Mitigating Factors Relative to Projections .....	69
Cash Flow Model – “As Is” Scenario .....	69
Base Assumptions .....	69
Activity, Revenue and Expense Assumptions .....	70
Cash Flow Projections – “As Is” FY 2019 – FY 2023 .....	71
Financial Model Results .....	72
Cash Flow Model – Infrastructure-Only Renovation.....	72
Renovation Implementation .....	72
Renovation Timing and Logistics.....	73
Base Assumptions .....	73
Activity, Revenue and Expense Assumptions .....	73
Cash Flow Projections – Infrastructure-Only Improvements FY 2019 – FY 2025 .....	75
Financial Model Results .....	76
Cash Flow Model – “Transformative” Renovation.....	76
Renovation Timing and Logistics.....	76
Base Assumptions .....	76
Activity, Revenue and Expense Assumptions .....	77
Cash Flow Projections – FY 2019 – FY 2025 .....	78
Financial Model Results .....	78
Cash Flow Models – Summary Table .....	80
<b>APPENDICES .....</b>	<b>81</b>
Appendix A – National Rounds Played Report – February 2019 .....	82
Appendix B – Local Demographic, Demand and Supply Data .....	84
Appendix C – Regional Municipal Benchmarking Comparisons .....	87
Appendix D – Golf Course Expected Life Cycle.....	88
Appendix E – Probable Cost Estimates – Notes & Assumptions .....	89
Appendix F – Renovation Timetables.....	90
Single Phase/Complete Renovation.....	90
Long-Term Phased Renovation .....	90
Short-Term (2-3 year) Phased Renovation .....	91
Appendix G – Miami Beach GC Sample Progress Report .....	92

# Introduction & Purpose

The City of Harlingen, Texas (“City”) retained National Golf Foundation Consulting (“NGF” or “NGFC”) to provide planning and evaluation services for the 27-hole Tony Butler Municipal Golf Course (“Tony Butler GC” or “TBGC”), which is owned and self-operated by the City. The golf course, positioned as a ‘value’ (peak riding rate > \$40) public access golf facility in the Cameron County market, has a rich history dating back to the 1920s. The City hired NGF as an independent consultant to provide a comprehensive analysis of Tony Butler, including assessment of golf course physical plant, evaluation of the operation, marketing and management of the golf facility, market analysis, customer survey, and identification of potential opportunities to enhance service levels and revenue performance. Ultimately, the City will utilize the report of findings and recommendations as a roadmap that can be implemented to help ensure the long-term sustainability of TBGC, while minimizing future taxpayer subsidies.

Tony Butler GC is a valued recreational amenity for the City, but the City Council requires a clear vision of the facility’s current operational strengths and weaknesses, needed investments (i.e., equipment, staffing, infrastructure), and potential to improve its economics. This independent study is intended to provide City of Harlingen with the information required to objectively evaluate future key decisions with respect to TBGC, including those related to expenditures to enhance both golf course maintenance conditions and overall golfer experience. This document comprises a summary report of key NGF findings and recommendations, and includes:

- ▶ Operational recommendations (fees, marketing, staffing, management structure, programming, etc.)
- ▶ Review of viable management structures for Tony Butler
- ▶ Prioritized summary of capital needs
- ▶ Market analysis comprising demographic & economic profile, golf supply and demand indicators, and competitive review
- ▶ Golfer survey results and analysis

The study effort was managed by NGF Director of Consulting Ed Getherall, with assistance from golf course architect Jeffrey Brauer, ASGCA, and NGF Consulting Administrator Jodi Reilly. NGF’s activities conducted in completion of this report included:

- ▶ Meetings with City staff that have oversight responsibilities for TBGC, including the Assistant City Manager, Parks and Recreation Director, and Assistant Parks Director, who had responsibility for on-site management of the golf course after the departure of the previous manager/golf professional.
- ▶ Facility tour, including golf course, clubhouse, driving range and maintenance yard.
- ▶ Golf market competitor visits and analysis.
- ▶ Analysis of recent Tony Butler GC financial performance.
- ▶ Review of Harlingen / Cameron County demographic and economic factors that contribute to golf demand.
- ▶ Golfer survey.

# Executive Summary

This section comprises NGF Consulting’s summary of key findings and recommendations for Tony Butler Golf Course, based on our review and analysis in the fall of 2018. *More detailed analysis, findings, support narrative, tables, and exhibits can be found in the body of the report and the appendices.*

## GOLF MARKET OVERVIEW

Below, NGF Consulting provides a summary of key “external” factors that characterize the trade area in which Tony Butler GC operates, including NGF’s macro perspective of the U.S. golf industry. On a local/regional basis, the overview includes basic demographic measures that have the potential to affect the economic performance of the golf facility, as well as an analysis of supply and demand indicators in the public golf market.

### National Golf Industry Overview

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in the 2015 - 2018 time period. The game remains popular and is fortunate to have a deep well of interested prospects. While golf’s pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains getting more of those non-golfers who express interest in playing (‘latent demand’) to actually give golf a try, and converting more beginners into committed participants.

Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment.

### Key Trends in Demand

- ▶ **Participation** - The national golfer number (participation) showed net attrition since 2012, declining by about ±1.2 million to 23.8 million people in both 2016 and 2017 that played at least one round of golf in the prior year; just released NGF numbers show the golfer number growing marginally to 24.2 million in 2018. Research shows that this attrition was primarily among occasional/less committed golfers. However, the vast majority of “core” golfers remain in the game. Indeed, the game’s most committed golfers – those who account for approximately 95% of all rounds-played and spending – held steady at roughly 20 million last year. This segment, those golfers essential for businesses that make a living in the industry, represents about 82% of those who play.
- ▶ **Rounds Played 2017-2018** – Nationally, about 434 million rounds were played in 2018, representing a 4.8% decrease year-over-year, according to Golf Datatech. For Texas, rounds were down by 6.6%. National YTD 2019 national rounds played through February are down by 5.3% year-over-year, owing largely to exceptionally bad weather in several regions of the country, though Texas rounds are *up* by a robust 7.1%.
- ▶ **Looking Ahead - Baby Boomer Effect** – As Baby Boomers age and retire over the next decade to 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 53 to 72 years old. About 6 million of them are golfers; that’s about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already 1 million+ golfing Boomers have reached retirement age. The Social Security Administration reports that 10,000 or more Boomers retire every day.

And ~300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

## Golf Course Supply

The correction in golf course supply continued in 2017 at a level comparable with the previous several years, dropping by 1.5% (205.5 18-hole equivalent permanent closures and 15.5 18HEQ new openings). According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of golf courses equivalent to 7%. For perspective, golf supply grew by 44% in the previous 20 years (1986-2005). Closures continue to be disproportionately high among 'value' priced (peak green + cart fee below \$40) facilities. Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”.

## Other Measures of Health

Other metrics to consider when measuring the health and trajectory of golf include:

- ▶ **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked about 1,200 major renovations completed since 2006, representing ~\$3.5 billion in spending.
- ▶ **Engagement:** Several years ago, NGF developed a scale to gauge engagement/ passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 85% over this period. These engaged golfers are responsible for ±95% of rounds played and equipment spend. Those more engaged are significantly more likely to continue playing.
- ▶ **Increasing Diversity:** The junior golf population showed modest attrition, dropping from 2.9 million in 2016 to 2.7 million in 2017. Junior golfers continue to show a transformation in diversity. One-third of golfers age 6-17 are females, up from 17% in 1995 (in sum, 24% of all golfers are women). Also, 27% of junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which 29% are female and 24% non-Caucasian. The highest diversity is among beginning golfers, at 34% female and 32% non-Caucasian.
- ▶ **Beginners:** The number of beginners rose to a record 2.6 million in 2017, surpassing the record set in 2016. The last two years have set records and exceeded the year 2000, when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. About 35% of beginning golfers are women, and 26% are non-Caucasian. Since 2011, the compound annual growth rate (CAGR) in beginners is about 11%.
- ▶ **Off-Course Participation:** Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 21 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2017, about 40% of whom did not play on a golf course.
- ▶ **Latent Demand:** Overall interest in playing golf remains very high. NGF survey research indicates that the number of non-golfers who say they are “very interested” in taking up golf has doubled over the last five years, growing at a CAGR of more than 15% and now totaling 14.2 million people.

## Local / Regional Market

To assess potential market opportunities to increase rounds and and/or fees for at Tony Butler GC, the environment in which the facility operates must be understood. Therefore, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. As a ‘value’ golf provider, we expect that Tony Butler GC draws the majority of its play from a local market generally within a 10-mile radius of the course, including all of Harlingen and San Benito. The course will also draw some supplemental demand from residents and seasonal residents from areas further away, such as the Brownsville area to the southeast, Mercedes and Weslaco to the west, and Sebastian and Lyford to the north.

## Demographic Analysis

NGF key observations regarding measures and trends that relate to golf participation - population, median age, and median household income - in the Tony Butler trade area include:

- ▶ There are about 90,700 people living within 5 miles of Tony Butler GC, 154,800 within 10 miles, and 425,000 in Cameron County, indicative of largely mid-density suburban populations. Overall, the population growth rate in Cameron County is projected to be more than two times the national rate of growth between 2018 and 2023, though that of the immediate Harlingen area is projected to be closer to the U.S. rate of growth.
- ▶ The Median Ages in the Tony Butler 5- and 10-mile submarkets – at 34.3 and 33.4 years, respectively - are significantly lower than the national median of 38.1 years. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facilities, all factors being equal.
- ▶ Median Household Incomes in the identified local markets are 34% (5-mile) to 36% (10-mile) lower than the national median of \$59,240. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents.

## Key Economic Factors

Following are some key observations about economic characteristics of the Harlingen area that have the potential to affect demand for golf. Following are some economic factors that have the potential to affect the demand for golf in the area:

- ▶ As of 2017, the population of the **Rio Grande Valley** – which spans the area from South Padre Island to Rio Grande City - is approximately 1.4 million, growing by 68,360, or 5.2% since 2012. the Rio Grande Valley continues to be one of the fastest growing regions in America. This continuous population growth has spurred vigorous business expansion all throughout the area.
- ▶ The Harlingen economy stands to benefit from **SpaceX**'s rocket launching facility under construction at Boca Chica beach, near Brownsville. The site is expected to create 200 jobs and will draw crews and spectators for rocket launches, requiring additional hotel rooms and other service industry support. Harlingen's proximity, existing and new hotels and airport put it in prime position to meet these demands.
- ▶ More than **300 new hotel rooms** are coming to Harlingen, including a Hilton Garden Inn, which is going next to the City's new **Convention Center**, a Homewood Suites by Hilton, and a Fairfield Inn & Suites. BC Lynd Hospitality, which has broken ground on the \$25 million, 5-story 150-room Hilton Garden Inn, will operate, manage and staff the convention center while splitting any profits or deficits with the City. The \$17.6 million, 44,000 square foot convention center opened to rave reviews in late March.
- ▶ **Valley International Airport (VIA)** in Harlingen is undergoing strong growth. Two years ago, McAllen International Airport provided just over half of the Valley's total passenger

numbers, with VIA in the high 30s and Brownsville South Padre Island International Airport hovering around 10 percent. But in January 2019, inbound and outbound passenger totals showed VIA and MIA virtually even. For 2018, VIA was up 12.4 percent in passenger flights, which far outstripped smaller increases posted by McAllen (3.39 percent) and Brownsville (3.69 percent).

- With the addition of Frontier Airlines, the Harlingen airport now has six passenger carriers - Frontier, Southwest, Delta, United, Sun Country and American. American entering with three daily flights to and from Dallas may make Valley International the busiest passenger hub in the RGV.
  - The Harlingen airport recently completed a \$12 million, six-year overhaul. A multimillion-dollar overhaul to rip out and replace World War II-era concrete along taxiways is about to begin soon, and plans are in the works to take VIA's longest runway from 8,300 feet to 9,400 feet.
- ▶ **'Winter Texans'** are an integral part of the Harlingen and Rio Grande Valley economies. Following are some highlights from *The Winter Texan Survey Report – 2017-2018*:
- More than 9 in 10 Winter Texans ('WT') live in RVs or mobile homes/parks. The study - using a listing of parks and information from questionnaires completed by park managers or owners - estimated 106,000 Winter Texans or 56,700 households were in the Valley during the 2017-2018 winter season.
  - Winter Texans stay anywhere from 3 weeks to 6 months and spend an average of about \$9,314 per household in the Valley. They have had a direct impact on the regional economy of \$92 million in 1987 to more than \$803 million in 2010 at the peak. The estimated impact for 2017-18 was \$528 million.
  - The average stay of the 2018 Winter Texans in the RGV is 133 days, and last year's respondents indicated having come to the Valley an average of 11.3 years. Most Winter Texans are 65 years-of-age or older (85.2%), with an average age of 72.3. Their average income is \$64,500. These demographics are consistent with high golf demand.
  - In sum, there are an estimated 279 parks in the Valley, supporting an estimated 66,244 Winter Texan households. Though the number of Winter Texans has increased in the last few years, there were 3,934 fewer WT households during the 2017-18 winter than there were five years ago.

### Estimated Local Market Demand

- ▶ The permanent population in the local Tony Butler GC submarket has age and income characteristics that correlate with golf participation rates about  $\pm 30\%$  lower than the national benchmark. Rounds activity per household is also around 27% lower than the US benchmark, due primarily to the low number of golf courses in the immediate area.
- ▶ NGF estimates about 4,800 golfing households within 10 miles of Tony Butler GC, and about 10,600 within 20 miles. Population growth is expected to add about 230 and 474 golfing households in these two markets, respectively, by 2023.
- ▶ NGF's Demand Model shows that residents in the 10-mile ring have the potential to demand as many as 137,300 rounds of golf annually. The 20-mile ring shows potential annual demand from residents of about 287,000 rounds; however, the golf courses in this market ring are hosting about 472,600 rounds annually, indicating the significant import of public golf demand from Winter Texans and other visitors.

## Local Golf Supply

In [Appendix B](#), NGF summarizes golf course supply by type in the local markets, including demand/supply indices that act as a proxy for measuring oversupply or undersupply of golf, relative to the US benchmark (US = 100). NGF observations regarding key golf supply measures for the local market:

- ▶ There are four other golf facilities (2 daily fee and 2 private) within 5 miles of TBGC, and one additional daily fee course within 10 miles. The broader 20-mile market has 14 total golf facilities (including 10 public).
- ▶ The proportion of public facilities (71%) within 20 miles is similar to the overall U.S., where 75% of all golf facilities are open and available to the public. However, virtually all of the public courses are concentrated at ‘value’ price points (NGF defined as <\$40 peak riding green fee), making this a highly competitive low-fee market.
- ▶ Ratio analysis based on national benchmarks shows that the local submarkets have a high per capita supply of both total and public golf courses, relative to the national benchmarks. For example, in the 20-mile market, there are 34% fewer golfing households available to support each 18 holes of public golf than the national benchmark.

## Tony Butler GC Competitive Market

NGF identified a subset of potential competitors for Tony Butler, based on factors such as price point, location, type (18-hole or greater public regulation length only), and responses to the golfer survey. These facilities include both municipal and privately-owned daily fee operations, and comprise low-to-mid market facilities within about 20 miles of TBGC.

### Key Findings – Competitive Market

A summary of general findings regarding the competitive market for Tony Butler GC:

- ▶ This public golf market features a lot of clubs operating at similar ‘value’ price points. This manifests in a competitive market where many public golfers tend to play at a variety of courses, thus making it difficult to build customer loyalty, especially for a golf course like Tony Butler that is not in good condition and must compete on price.
- ▶ In this regional market, many of the public courses have either been built new or significantly improved in the last 15 to 20 years, include Palm View GC (city of McAllen), Los Lagos GC (city of Edinburg), Tierra Del Sol (city of Pharr), Tierra Santa, Rancho Viejo, and South Padre Island Golf Club. Therefore, like in many markets, a facility such as Tony Butler must invest simply to “keep up with the Joneses”. That said, NGF believes that Tony Butler has a chance to stand out among this competitive set if it underwent a facility renovation, especially given other advantages such as its history, location and popularity among Winter Texans.
- ▶ Tony Butler and its competitors in this golf market are operating with rounds played well below capacity for a ‘value’ golf course in this climate region. Actual realistic capacity for an 18-hole value price point golf course in this climate approaches 80,000 rounds, though factors such as the extreme seasonality of demand significantly lower the effective capacity. Adjusted for the ‘value’ price point and 27 holes, we would expect Tony Butler GC to average about 50,000 rounds per year.
- ▶ Several of the operators we spoke to mentioned a decline in the number of visiting Winter Texans from 5 years and, especially, 10 years ago negatively affecting demand for golf. Another factor cited was the value of the Canadian dollar against the U.S. dollar.

## Regional Municipal Benchmarking - Key Findings

NGF benchmarked Tony Butler GC against some other regional municipal golf courses /systems on several key measures (for fiscal year 2017). Key NGF observations include:

- ▶ Excluding Alice Muni as an outlier (rounds have plummeted from more than 20,000 in 2009 to only 10,241 in 2017) and 9-hole Ebony Hills (city of Edinburg), the average rounds per 18-hole among the regional muni subset was just under 29,000 in 2017 (Tony Butler was at 32,000).
- ▶ Of the eight municipal golf systems we profiled, only the city of McAllen – barely above break-even at a net operating income of \$6,500 – and the city of Corpus Christi, which received \$148,000 in lease payments for its two golf facilities, generated an operating profit in 2017. Including the Corpus Christi golf system, which comprises two leased facilities, average net operating income (loss) was **(\$143,000)**.
- ▶ With total operating expenses of about \$1.17 million, TBGC’s budget was similar to that of McAllen’s Palm View (\$1.13 million for 18 holes), Edinburg’s Los Lagos (\$1.14 MM for 18 holes), Pharr’s Tierra Del Sol (\$1.07 MM for 18 holes) and Mission’s Shary Municipal (\$1.05 MM on 27 short regulation holes).
- ▶ Total revenue per round averaged \$29.46, excluding 9H Ebony Hills, Corpus Christi (gross not available) and Brownsville GC (rounds not available). The average would be slightly higher if TBGC’s \$27.75 were excluded). Revenue per round ranged from \$19.31 at Shary Municipal to \$40.78 at Tierra Del Sol. (We note there may be differences in operating structure, such as the presence of pro shop and/or food & beverage concessions at one or more facilities).

## RECENT OPERATING RESULTS

Below are NGF key observations regarding operating results for Tony Butler GC for the 5-year period of FY 2014 through FY 2018.

- ▶ **Rounds Played:** Over the subject 5-year period, rounds played have consistently decreased at Tony Butler, from just under 39,000 in FY14 to just over 32,000 in FY18, a decline of nearly 18%. Though several of these years had high rainfall totals (including an exceptionally rainy 2018), it seems clear that deteriorating course conditions have reached a point where golfers are choosing to play elsewhere. For perspective, TBGC had activity in the mid 40,000s in the relatively recent past, and reportedly hosted as many as 60,000 rounds in the 1980s or 1990s. Based on year-to-date rounds played information supplied to NGF, it appears that the downward trend is continuing, as YTD rounds through the first 6 months of FY19 are down by about 2,300, or about 10% over the same period in FY18.
- ▶ **Gross Operating Revenues:** Total facility gross revenues declined steadily between FY14 and FY16, before rising by about 5% in 2017 and then plunging by over \$110,000 in FY18, a decrease of nearly 12%.
- ▶ **Operating Expenses:** The operating budget has remained in the range of about \$1.03 million to \$1.1 million - excluding cost of goods sold and depreciation, but including equipment lease - since FY14. This is low for a 27H year-round golf operation fully operated by public employees.
  - Total labor expenses, including benefits, rose by about \$98,000 between FY14 and FY17, while non-labor expenses fell by about \$50,000 during the same period. Labor expense as a % of total operating expenses rose from 66% in FY 14 to 72% in FY17, before falling back to 69% with some vacated positions. This overall dynamic is not a formula for success at any golf operation, especially

when the additional labor cost is not due to the addition of employees, as golf course maintenance conditions and overall service levels tend to deteriorate.

- Total maintenance expense has been in the range of \$690,000 to \$720,000 since FY14, accounting for an average of 67% of the total operating budget (cost of goods excluded). This percentage is high by industry standards, but reflects a largely full-time public staff and the need to maintain 27 holes that are suffering from problems related to obsolete infrastructure.
  - Though there are many variables that contribute to determining an appropriate budget for a golf course, NGF's benchmark annual total operating budget expectations for a 27-hole self-operated municipal facility at this price point would be in the range of \$1.4 to \$1.6 million, excluding cost of goods, depreciation, capital items, and other "below the line" expenses.
- ▶ **Net Operating (excl. depreciation):** The annual net operating loss since FY14 has averaged more than (\$200,000), with a cumulative loss of more than (\$1,000,000).
  - ▶ **Food & Beverage:** Based on reported figures for cost of goods sold and other F&B expenses, NGF's analysis showed annual losses averaging about \$37,000 during the subject 5-year period.

## GOLFER SURVEY RESULTS

As part of the study process, NGF implemented a golfer survey at TBGC to gauge customer opinions and overall satisfaction with the facility. The NGF survey is used by hundreds of courses across the country, allowing us to compare results from Tony Butler with other courses nationwide. Below is a high-level summary of results; more detailed results are presented in the report, while the survey instruments and open-ended verbatim responses can be viewed in the separate attached appendix to this report

NGF's Golfer Survey Program was distributed in March 2019 seeking opinions on the Tony Butler Golf Course. The survey was web-based and distribution was through an email out to the Tony Butler database. The survey link was also posted on the golf course website, and emailed to the golfer database for Elliot's Custom Golf. A total of only **297 completed surveys** were collected by NGF, comfortably above the 200+/- threshold NGF seeks in order to make meaningful inferences.

The robust survey response tells NGF Consulting that Tony Butler customers are highly engaged in the golf course. Unfortunately, the facility received very poor ratings across many measures, especially when benchmarked against other 'value' price point public golf courses, as well as public golf courses as a whole. While satisfaction measures were low for areas such as the pro shop (overall quality, selection, etc.), practice facilities and facility amenities, *the overwhelmingly negative ratings (scale of 1 to 10) related to golf course conditions, with overall course conditions, and condition of greens, tees, bunkers, and fairways all being rated at 6 or below by respondents.*

NGF believes that the positive takeaways from the survey are that the recent declines in rounds and revenues seem easily, if not entirely, attributable to maintenance conditions (as we will see later, through no fault of the current superintendent or his crew). When asked what would prompt them to play more frequently at TBGC, a little over half of respondents mentioned improved course conditions. Survey results indicate that improving the Tony Butler product will be a key to regaining lost market share and revenues.

## GOLF COURSE PHYSICAL EVALUATION SUMMARY

One of the main objectives of the National Golf Foundation engagement for the City of Harlingen is to identify a potential business model for Tony Butler Golf Course that can significantly improve its long-term financial viability. In the body of the report we provide a physical evaluation of the golf course, including assessments related to general character and existing conditions, infrastructure, agronomy

aspects and design components. From this, we the NGF team derived a basic recommendation for course improvements, including a possible implementation options and preliminary construction cost estimates.

The NGF team’s recommendations for facility improvements are intended to demonstrate ability to improve economic results, by some combination of:

- ▶ Increasing revenue by making the course more attractive overall and in the marketplace.
- ▶ Improving efficiency of maintenance and operations (and perhaps decreasing costs without affecting the existing or proposed market position).

During the NGF team’s site visit in February 2019, we found that course conditions were poor, with partial turf loss on greens, hard crusty bunkers, drainage problems throughout, and an irrigation system that doesn’t keep up with demand in hot summer months to keep the course green. This finding should not be surprising, because in addition to failing infrastructure, annual maintenance expenditures are not sufficient for a 27-hole facility.

Poor conditions are overwhelmingly a function of a superintendent not having the proper tools (or budget) to maintain a course to modern standards. While golf courses seem “natural,” they are as constructed as any building or road, and require capital expenditure to maintain functionality and appearance. Sometimes, the role of the course or design styles change due to tastes or new technology. Often, their slow deterioration is masked by maturing landscapes and turf, as well as determined efforts by great superintendents.

Eventually, nearly every “built” portion of the golf course (and even natural elements like trees) wears out and must be replaced fully on 20 to 30-year cycles. Deferred investment is often a classic case of “Pay me now or pay me (more) later.” Perhaps much more. And, like at Tony Butler Golf Course, it usually causes course conditions to decline, maintenance costs to increase, and revenues and profitability decrease. *Even the best built infrastructure will fail to the point where deteriorating conditions lead to extremely inefficient maintenance and a consistent pattern of declining consumer demand. We believe this to be the case at TBGC, and it is borne out by the golfer survey finding.*

Based on our evaluation, we believe that Tony Butler Golf Course finds itself in the position of needing to replace nearly all its infrastructure just to survive and to remain in business with a functioning golf course. Due to age, poor or substandard construction methods and lack of capital spending on the course itself, nearly everything needs replacement, as they have outlived their “shelf life.”

TBGC has been affected by a “slow motion” turf disaster, with issues seemingly accelerating beginning in about 2014, with consecutive years of above normal annual rains, causing turf, including all important greens, to deteriorate, in turn causing reduced course image/perception and coinciding with the onset of lost revenues.

## **COURSE IMPROVEMENT CONSIDERATIONS & NGF RECOMMENDATION**

As noted, it is clear that Tony Butler Golf Course has exceeded the life span of its infrastructure, deteriorated in maintenance, and is of marginal design quality compared to other courses in the market. Additionally, our finding is that fixing only a few problem areas vs. undertaking total program would yield much less value and improvement for money spent.

### **Approaches to Major Golf Course Improvements**

Undertaking major golf facility renovations can be daunting, and the decisions related to how to go about them (i.e., scope, sequence, priority, etc.) confusing. Based on the NGF team’s experience, there are three broad approaches to golf course renovations:

- ▶ **Critical Needs Replacement** – Many courses pay for improvements only when absolutely necessary, through a “band-aid” or “triage” approach based on funding availability. Lowest cost is the obvious attraction of this approach but, at some point, fix as you go turns into “pay

me a little now, or much more later.” Extensive experience tells us that finding one old green dying or irrigation part not working invariably leads to other repair needs surfacing soon, especially where problems of substandard initial construction quality have been compounded by long term deferred investment. This “strategy” often involves in house projects to fix broken physical plant just so it can function; examples include replacing bunker sand, re-seeding/sodding dead turf areas, correcting minor drainage problems with 4” tiles, fixing broken paths, replacing worn out sprinklers and pump station components, etc. as they occur.

- ▶ **Replace and/or Upgrade Infrastructure** – This strategy focuses on extensive improvements to replace failing or obsolete infrastructure, such as irrigation system, greens, drainage, cart paths, bunkers, etc. Depending on funding availability, renovations may comprise few, if any, design changes. In the case of TBGC, infrastructure was built to low quality standards and is failing. At this point, “patching” becomes ineffective and total replacement is required. In addition to making maintenance much more efficient, infrastructure improvements generally elevate the golfer experience and course reputation, resulting in higher market share and revenues. A comprehensive infrastructure upgrade at Tony Butler Golf Course will allow:
  - Dramatic increase in maintenance standards.
  - More efficient maintenance, thus stretching the budget (though NGF would recommend increasing the budget to best maintain new infrastructure and get the most out of the investment).
  - Higher demand as a result of better maintenance conditions.
  - Better turf and sand bunkers, specifically addressing golfers’ biggest complaints.
  - Resets the renovation clock to perhaps 25 years or more.
- ▶ **Transformational Design Changes** – These are course improvements that golfers see directly, and which offer them a much higher level of new beauty, interest, challenges and experience. NGF has seen a wave of these transformational golf course improvements across the U.S. as a strategy to not only remain competitive but to also go a step further and provide clear differentiation with other golf courses in a given market. Adding redesign elements to a renovation of Tony Butler Golf Course will allow:
  - Dramatic aesthetic upgrade to a modern, appealing look.
  - Solving playability problems, like greens that don’t hold.
  - Improve its competitive stature in the local, regional and Winter Texan Markets.
  - If desired, to move up a niche in the public market, raise fees, etc.
  - Allow rebranding to the “new” Tony Butler Golf Course

## **NGF Conclusion and Recommendation**

**Note:** *In light of City funding constraints conveyed to NGF and the relatively light use of the 9-hole course, the recommendations that follow focus on the Tony Butler 18-hole course.*

Most of the TBGC infrastructure was built to low quality standards and is failing. At this point, “patching” becomes ineffective and total replacement is required. The NGF team believes that reconstruction of golf course infrastructure to modern standards is “mission critical” to Tony Butler remaining viable as a golf course. NGF detailed in the body of the report two capital improvement scenarios for the 18-hole course, recognizing potential funding constraints of the City: (1) Rebuild / replace major infrastructure components of the 18-hole course – greens, irrigation system, bunkers, drainage, etc. – “in place”, with little or no change to design elements (**preliminary cost estimate = \$3.75 million**); and (2) Undertake a “transformational” renovation and redesign of the 18-hole course with the goal of attaining the maximum benefit in terms of marketability and long-term sustainability of

TBGC (**preliminary cost estimate = \$7 million**). At Tony Butler, these “transformational” design improvements would include elements such as improving aesthetics, enlarging greens, lengthening the course to ±6,800 yards from the back tees, adding new forward tees, enlarging and enhancing practice facilities, and possibly rerouting some holes.

While the NGF team believes that the current critical need to replace course infrastructure provides a unique opportunity to concurrently improve course design elements, we understand that the “go big” renovation may be unrealistic financially for the City, absent an external funding source. **Therefore, we recommend, at a minimum, replacing and/or upgrading all major infrastructure components, including greens, irrigation system, bunkers, drainage, and tees.** Doing so should make maintenance much more efficient and greatly enhance the golfer experience and marketability of Tony Butler, resulting in higher rounds played and revenues. Most important, continuing to make repairs via a “triage” strategy is not sustainable, as it will result in continuing declines in rounds and revenues which, when combined with rising labor expenses and stagnant overall budgets, will likely lead the golf course into a “death spiral” (rounds played trends indicate this may already be underway).

Finally, we note that the higher-intensity renovation that includes design improvements to the “top” of the golf course where golfers see change will be at the lowest possible cost to the City when the infrastructure replacement is being done, given “economies of scale” in bigger renovations. The NGF team’s experience in previous renovations suggests that design changes to enhance both playability and aesthetics should help TBGC to experience the maximum impact in terms of increases to rounds demand, average green fee price point (assuming other factors, such as strong customer service, appropriate marketing budget and strategies, etc.), revenues, and the ability to “rebrand” Tony Butler Golf Course.

### **City of Ft. Worth, TX – Rockwood Golf Course Renovation Case Study**

The City of Ft. Worth’s recent renovation of its Rockwood Golf Course provides a case study of a transformative municipal golf facility renovation that has paid major dividends for the municipality. Rockwood reopened in June 2017 after an extensive renovation (total cost ~\$5.0 million) that comprised a total rebuild (greens, tees, Better Billy bunkers, drainage, fairways) and redesign (John Colligan, ASGCA), including new routing, water features, native areas, cart paths, and lengthening the golf course from about 6,300 yards to more than 7,000 yards. The course is now challenging for lower handicap golfers (one of the goals of the city was to be able to attract events such as regional qualifiers), but very playable for less skilled players (for example, the few forced carries are all from the back tee).

Construction was funded through a combination of gas well revenues and a City General Obligation Bond issue. Around the same time as the renovation, the City opted to change the accounting of its four-facility municipal golf system from Enterprise Fund to Special Revenue Fund, in light of continued subsidies and the fund balance being “hopelessly in the red”. Ironically, the system now generates a small profit thanks to the turnaround at Rockwood. There are many similarities between Rockwood in its former state and Tony Butler, beyond sharing original designer John Bredemus. The two courses shared nearly identical back tee length, at right around 6,300 yards. Also, each suffered failing infrastructure, single-row irrigation, terrible drainage, push-up greens construction, and rapidly declining rounds and revenues. Finally, the pre-renovation green fee pricing at Rockwood and the current pricing at TBGC are very similar, and each is located in a price-sensitive golf market.

Ft. Worth’s Assistant Director of Parks and Recreation, Nancy Bunton, (ironically, a former head professional at Tony Butler GC in the early 1980s when, as she describes, Tony Butler was “a factory for turning out golf rounds”) provided ‘before’ (FY 15) and ‘after’ (FY 18) financial results for Rockwood. The results (albeit early) are extremely positive, as the table below summarizes. Rounds have increased by about 56%, from just under 26,000 rounds to more than 40,000. Gross revenues increased by a remarkable 142%, while a net *loss* of **(\$232,000)** turned into a net *profit* of \$463,000, a net positive turnaround of about \$695,000 despite the expense budget rising by 31% in order to maintain a much higher quality standard at Rockwood.

## NGF OPERATIONAL RECOMMENDATIONS

In the body of the report, NGF prepared a series of operational recommendations for Tony Butler Golf Course focused on industry ‘best practices’. These covered areas such as management structure (self-operation, management contract, etc.), golf playing fees, marketing, programming, staffing, and reporting. In the report, *we also discuss golf course capacity and utilization, and the issue of whether retaining 27 holes at TBGC makes sense from a business standpoint.*

We believe that, if implemented, these recommendations should help minimize the annual operating deficit at the club, or at least mitigate the growing deficits somewhat. However, the effect of operational improvements such as increased marketing and programming will have much less positive effect if the golf course itself is not significantly improved. Some of the operational recommendations require some investment in additional staffing to be feasible, as the head golf professional currently has no administrative support and no assistant professional(s).

## FINANCIAL PROJECTIONS

In the body of the report, NGF provides basic cash flow models to estimate the financial performance of TBGC under three scenarios: (1) Continue “As Is”, with a 27-hole golf course and no major facility capital improvements, but some operational enhancements as recommended by NGF Consulting; (2) Replace / upgrade major infrastructure components of the 18-hole course “in place”, with no course design enhancements; and (3) Undertake a transformational renovation of the 18-hole course, including some redesign elements. For the latter two financial models, we have assumed that TBGC will operate as an 18-hole course after renovations are completed; this assumption is based on:

- ▶ The City’s desire to identify the most financially viable business model for TBGC (i.e., minimizing General Fund subsidy);
- ▶ Capacity and utilization issues for TBGC as discussed in this report;
- ▶ The potential need for parts of the 9-hole course to be repurposed (e.g., through lease to a private entity) in order to fund improvements to the 18-hole course; and,
- ▶ The likelihood that the scenario 3 – transformational design - would require alteration of the 9-hole course.

Estimates of performance are based on a set of assumptions that may or may not become reality. Based on our overall analysis of the subject golf course, market, and assumed operational and improvement plans, we believe that these projections represent a “fair estimate” of performance for TBGC under the scenarios summarized above. A summary of the cash flow model results follows.

### Cash Flow Model – “As Is” Scenario

The results of the NGF Consulting financial projections for TBGC, assuming no significant golf course improvements and implementation of some NGF operational recommendations, show total gross operating revenue of about \$788,000 on 30,000 rounds played in FY19. Based on cost of goods sold and operating expense assumptions, FY19 net operating income (NOI) is projected to be a loss of about **(\$421,000)**. With declining rounds, total facility gross revenues are expected to remain essentially static during the 5-year period, but with expense growth continuing, negative NOI is projected to reach about **(\$526,000)** by FY 2023.

We note that the projected expenses have been assumed to include all costs required to operate the golf course and clubhouse *on site*, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). As such, what we refer to as NOI may be more accurately described as EBITDA (earnings before interest, taxes, depreciation and amortization).

## Cash Flow Model – Infrastructure-Only Improvements

The results of the NGF Consulting financial projections for TBGC, assuming the replacement of key infrastructure items as outlined previously, show total net operating losses accelerating during the years of construction, due to reduction in rounds and revenue and a high percentage of the operating expenses fixed. For the cumulative FY21-FY22 construction period, we estimate total operating losses (before debt service) to be about \$1.14 million.

Upon TBGC reopening as a newly renovated 18-hole course in FY23, NGF projects rounds building up to a stabilized level of 36,000 rounds by FY25. Based on cost of goods sold and operating expense assumptions, stabilized net operating income (NOI) is projected to be a loss of  $\pm$  (\$225,000).

We note that the projected expenses have been assumed to include all costs required to operate the golf course and clubhouse on site, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). As such, what we refer to as NOI may be more accurately described as EBITDA (earnings before interest, taxes, depreciation and amortization). **After annual debt service**, the total loss is projected to stabilize at  $\pm$  (\$490,000).

## Cash Flow Model – “Transformative” Renovation

The results of the NGF Consulting financial projections for TBGC, assuming a transformative renovation of the 18-hole golf course, show total net operating losses accelerating during the years of construction, with projected cumulative FY21-FY22 construction period operating losses (before debt service) of about \$1.14 million.

Upon TBGC reopening in FY23 after completion of a transformational renovation to the 18-hole course, NGF projects rounds building up to a stabilized level of 40,000 rounds and \$1.4 million in gross revenue by FY25. Based on cost of goods sold and operating expense assumptions, **EBITDA is projected to be very close to break-even on operations** once play has reach stabilized levels.

**After annual debt service**, the total loss is projected to stabilize at  $\pm$  (\$508,000). So, while the operational stabilized EBITDA is projected to be about \$200,000 better with the transformational design renovation than with the infrastructure-only improvements, the overall net income after debt is projected to be about  $\pm$  \$20,000 *worse* after the larger-scale project. *Therefore, if the cost of improvements under both scenarios is funded entirely by new City debt, and the Golf Fund is responsible for annual debt service, **the overall bottom line of the golf course during the period the debt is being paid off will be worse under the larger-scale renovation***

## SUMMARY STATEMENT

Tony Butler Golf Course is an historic and very important Harlingen community amenity that, while still offering a reasonable golf experience for the very low fees charged, suffers from many years of relatively low maintenance budgets and deferred capital improvements, resulting in infrastructure that has effectively exceeded its useful life. As borne out by the results of the golfer survey fielded as part of this study effort, the golf course has now reached a point where it has fallen behind some other regional public golf offerings that have improved their facilities and golfer experience over the years, resulting in a deteriorating market reputation and consistently declining rounds played and revenues. At the same time, labor expenses continue to rise (though there was a decrease in FY18 due to some vacant positions) while the overall budget remains relatively static, resulting in the necessity to “cut corners” in other areas.

On the operations side of the business, staffing is quite lean at the top, which has negative repercussions for the rest of the operation. The new head golf professional/manager has no administrative support and no assistant golf professionals. As a result, TBGC, which not long ago had a very active junior golf program, now offers no lessons, clinics or other programming, other than making the golf course available to local high school and middle school golf teams. Also, the golf professional reportedly spends

several hours each day doing administrative, accounting and HR work, at the expense of “meeting and greeting”, programming, managing the tee sheet, marketing and direct selling.

In terms of factors external to the golf operation, our market analysis revealed both positive and negative aspects of the local/regional market relative to demand for golf. On the negative side, local golf participation rates are low compared to national benchmarks. Also, there is a relatively high per capita supply of public golf courses, especially at lower price points at which TBGC is competing in this price-sensitive market. On the positive side, population continues to grow and the local economy is seeing the addition of several potential demand drivers for golf, including the recently opened Harlingen Convention Center, new hotels set to open in coming years, the expansion of Valley International Airport and the Port of Brownsville, and the SpaceX launch facility at Boca Chica Village.

Overall, these facility and market dynamics have manifested in operating deficits that have averaged nearly **(\$220,000)** over the last five fiscal years, requiring general fund support of the golf fund. NGF does not believe that this trend is likely to reverse itself. While some operational improvements, such as those potentially resulting from implementing NGF recommendations made in this report, may improve results on the margins, they are unlikely to have significant impact on financial results with the Tony Butler GC product in its current condition. During the 35+ years NGF has consulted for municipal golf courses, we have seen this scenario play out many times, invariably resulting in a “death spiral” for a golf facility if it does not invest significantly in order to reverse the effects of deteriorated assets.

NGF experience has shown that continuing to operate with lean operating budgets and deferred capital improvements is not a sustainable long-term strategy for a golf course, as the product will ultimately deteriorate to the point where demand falls precipitously and operating deficits become untenable. While there are no guarantees of success with a large-scale renovation, we believe the recommended improvement plan presented in this report provides the best chance for the City of Harlingen to ensure long-term sustainability of the golf asset by significantly increasing both rounds played and average green fee. As documented in the report, the city of Ft. Worth’s Rockwood GC is but one example of many successful golf course renovations that have transformed not only the product offered to the public, but the financial position to the municipality.

A final public policy consideration for the City as it makes decisions regarding the future of Tony Butler Golf Course relates to the overall capacity of TBGC as a 27-hole course. As NGF discussed in the report, it is difficult to make a business case for retaining 27 holes when overall utilization rates, based on effective capacity, have declined to 33% or lower. Though not enough data was available to affirmatively say that holes #19 through #27 lose money, we were told that play on this course during the April through mid-October off season is minimal. However, the short course is very important to its key user group during the peak season, Winter Texans, who enjoy the short length, affordability and walkability of the 9-hole course. Complicating the potential public policy decision of reducing to 18 holes (or reconfiguring the 9-hole course) is that part of the land that holes #19 through #23 sit on may have significant value to the private sector under another land use, thus possibly providing some of the funding that will be required to renovate the 18-hole course.

# Golf Market Overview

Below, NGF Consulting provides a summary of key “external” factors that characterize the trade area in which Tony Butler GC operates, including NGF’s macro perspective of the U.S. golf industry. On a local/regional basis, the overview includes basic demographic measures that have the potential to affect the economic performance of the golf facility, as well as an analysis of supply and demand indicators in the public golf market.

## NATIONAL GOLF INDUSTRY OVERVIEW

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2015-2017 (2018 numbers not yet finalized). The game remains popular and is fortunate to have a deep well of interested prospects. *While golf’s pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains getting more of those non-golfers who express interest in playing (‘latent demand’) to actually give golf a try, and converting more beginners into committed participants.* Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials), though this segment continues to account for a large percentage of annual play and spending.

### Key Trends in Demand

- ▶ **Participation** - The national golfer number (participation) showed net attrition since 2012, declining by about ±1.2 million to 23.8 million people in both 2016 and 2017 that played at least one round of golf in the prior year; just released NGF numbers show the golfer number growing marginally to 24.2 million in 2018. Research shows that this attrition was primarily among occasional/less committed golfers. However, the vast majority of “core” golfers remain in the game. Indeed, the game’s most committed golfers – those who account for approximately 95% of all rounds-played and spending – held steady at roughly 20 million last year. This segment, those golfers essential for businesses that make a living in the industry, represents about 82% of those who play.
- ▶ **Rounds Played 2017-2018** – Nationally, about 434 million rounds were played in 2018, representing a 4.8% decrease year-over-year, according to Golf Datatech. For Texas, rounds were down by 6.6%. National YTD 2019 national rounds played through February are down by 5.3% year-over-year, owing largely to exceptionally bad weather in several regions of the country, though Texas rounds are *up* by a robust 7.1%. (**Data source:** Golf Datatech – see [Appendix A](#)).
- ▶ **Looking Ahead - Baby Boomer Effect** – As Baby Boomers age and retire over the next decade to 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 53 to 72 years old. About 6 million of them are golfers; that’s about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already 1 million+ golfing Boomers have reached retirement age. The Social Security Administration reports that 10,000 or more Boomers retire every day. And ~300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

## Golf Course Supply

The correction in golf course supply continued in 2017 at a level comparable with the previous several years, dropping by 1.5% (205.5 18-hole equivalent permanent closures and 15.5 18HEQ new openings). According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of golf courses equivalent to 7%. For perspective, golf supply grew by 44% in the previous 20 years (1986-2005). Closures continue to be disproportionately high among ‘value’ priced (peak green + cart fee below \$40) facilities. Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”.

NGF believes that 2018 will hold form with recent years, including an expectation of a further balancing of supply and demand in a competitive and oversupplied environment. The projection is for approximately 15 to 25 new course openings, 75 to 100 major renovation projects, and the additional closure of 1% to 1.5% of the total supply.

## Other Measures of Health

Other metrics to consider when measuring the health and trajectory of golf include:

- ▶ **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked about 1,200 major renovations completed since 2006, representing ~\$3.5 billion in spending.
- ▶ **Engagement:** Several years ago, NGF developed a scale to gauge engagement/ passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 85% over this period. These engaged golfers are responsible for ±95% of rounds played and equipment spend. Those more engaged are significantly more likely to continue playing.
- ▶ **Increasing Diversity:** The junior golf population showed modest attrition, dropping from 2.9 million in 2016 to 2.7 million in 2017. Junior golfers continue to show a transformation in diversity. One-third of golfers age 6-17 are females, up from 17% in 1995 (in sum, 24% of all golfers are women). Also, 27% of junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which 29% are female and 24% non-Caucasian. The highest diversity is among beginning golfers, at 34% female and 32% non-Caucasian.
- ▶ **Beginners:** The number of beginners rose to a record 2.6 million in 2017, surpassing the record set in 2016. The last two years have set records and exceeded the year 2000, when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. About 35% of beginning golfers are women, and 26% are non-Caucasian. Since 2011, the compound annual growth rate (CAGR) in beginners is about 11%.
- ▶ **Off-Course Participation:** Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 21 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2017, about 40% of whom did not play on a golf course.
- ▶ **Latent Demand:** Overall interest in playing golf remains very high. NGF survey research indicates that the number of non-golfers who say they are “very interested” in taking up golf has doubled over the last five years, growing at a CAGR of more than 15% and now totaling 14.2 million people.

## LOCAL / REGIONAL MARKET

To assess potential market opportunities to increase rounds and and/or fees for at Tony Butler GC, the environment in which the facility operates must be understood. Therefore, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. This overview will include an analysis of the area's demographics, as well as a brief discussion of local economic factors that can impact demand for golf. In the second part of this section we provide an overview of key golf market demand and supply indicators, as well as an analysis of the competitive market for Tony Butler GC.

### Defining the Tony Butler GC Primary Trade Area

A number of factors assist in determining the expected market area for a golf facility. In addition to the quantity, quality, and nature of existing competitive facilities in the area, the availability of highway and major thoroughfare infrastructure, traffic patterns, economic and demographic factors, and the propensity for golfers to travel to play golf all play a role in establishing the primary market area for a golf facility. As a 'value' golf provider, we expect that Tony Butler GC draws the majority of its play from a local market generally within a 10-mile radius of the course, including all of Harlingen and San Benito. The course will also draw some supplemental demand from residents and seasonal residents from areas further away, such as the Brownsville area to the southeast, Mercedes and Weslaco to the west, and Sebastian and Lyford to the north.

### Demographic Analysis

Below, we summarize the population, median age, and median household income trends for the 5-, 10-, and 20-mile markets around Tony Butler GC, as well as Cameron County. Following these summary points is a brief discussion of the local economy. The tables in [Appendix B](#) summarize key demographic measures and trends that relate to golf participation. NGF observations include:

- ▶ There are about 90,700 people living within 5 miles of Tony Butler GC, 154,800 within 10 miles, and 425,000 in Cameron County, indicative of largely mid-density suburban populations. Overall, the population growth rate in Cameron County is projected to be more than two times the national rate of growth between 2018 and 2023, though that of the immediate Harlingen area is projected to be closer to the U.S. rate of growth.
- ▶ The Median Ages in the Tony Butler 5- and 10-mile submarkets – at 34.3 and 33.4 years, respectively - are significantly lower than the national median of 38.1 years. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facilities, all factors being equal.
- ▶ Median Household Incomes in the identified local markets are 34% (5-mile) to 36% (10-mile) lower than the national median of \$59,240. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents.

### Key Climate and Economic Factors

Following are some key observations about climatic and economic characteristics of the City of Harlingen area that have the potential to affect demand for golf.

#### Climate

As with any outdoor recreation, golf demand is impacted by weather. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees, Fahrenheit. Understanding local weather patterns helps determine the number of golf playable days. Golf is a year-round activity in the City of Harlingen, but peak summer temperatures routinely reach 90 degrees in the middle of the day, leaving morning tee times as the preferred window to play. Additionally, the area receives an average of about 26 inches of annual precipitation, thus reducing capacity for poorly draining TBGC at times.

## City of Harlingen / Rio Grande Valley Overview

Sources: Various local and online sources

**Harlingen** is in Cameron County in the central region of the Rio Grande Valley (“RGV”), about 30 miles from the coast of the Gulf of Mexico. The city, estimated population of about 65,000, covers more than 40 square miles and is the second-largest city in Cameron County, as well as the fourth-largest in the RGV. It is reportedly the city with the lowest cost of living in the U.S. Following are some economic factors that have the potential to affect the demand for golf in the area:

- ▶ The Harlingen economy stands to benefit from **SpaceX**’s rocket launching facility under construction at Boca Chica beach, near Brownsville. The site is expected to create 200 jobs and will draw crews and spectators for rocket launches, requiring additional hotel rooms and other service industry support. Harlingen’s proximity, existing and new hotels (more below) and airport put it in prime position to meet these demands. The public-private partnership with the University of Texas - Rio Grande Valley has resulted in a \$1.8 million facility near the command center.
- ▶ More than **300 new hotel rooms** are coming to Harlingen, including a Hilton Garden Inn, which is going next to the City’s new **Convention Center**, a Homewood Suites by Hilton, and a Fairfield Inn & Suites. BC Lynd Hospitality, which has broken ground on the \$25 million, 5-story 150-room Hilton Garden Inn, will operate, manage and staff the convention center while splitting any profits or deficits with the City. The \$17.6 million, 44,000 square foot convention center opened to dazzling reviews in late March.
- ▶ **Valley International Airport (VIA)** in Harlingen is undergoing strong growth. Two years ago, McAllen International Airport provided just over half of the Valley’s total passenger numbers, with VIA in the high 30s and Brownsville South Padre Island International Airport hovering around 10 percent. But in January 2019, inbound and outbound passenger totals showed VIA and MIA virtually even, with McAllen at 56,454 passengers and Harlingen at 54,143. For 2018, VIA was up 12.4 percent in passenger flights, which far outstripped smaller increases posted by McAllen (3.39 percent) and Brownsville (3.69 percent).
  - With the addition of Frontier Airlines, the Harlingen airport now has six passenger carriers - Frontier, Southwest, Delta, United, Sun Country and American. American entering with three daily flights to and from Dallas may make Valley International the busiest passenger hub in the RGV. VIA is already the leading airport in the Valley when it comes to air cargo and, last year, FedEx moved some of its flights from Laredo to Harlingen.
  - The Harlingen airport recently completed a \$12 million, six-year overhaul. A multimillion-dollar overhaul to rip out and replace World War II-era concrete along taxiways is about to begin soon, and plans are in the works to take VIA’s longest runway from 8,300 feet to 9,400 feet.
- ▶ **‘Winter Texans’** are an integral part of the Harlingen and Rio Grande Valley economies. Following are some highlights from *The Winter Texan Survey Report – 2017-2018* (produced annually by the Business and Tourism Research Center in the Robert C. Vackar College of Business and Entrepreneurship at The University of Texas-Pan American and now the University of Texas Rio Grande Valley).
  - More than 9 in 10 Winter Texans (‘WT’) live in RVs or mobile homes/parks. The study - using a listing of parks and information from questionnaires completed by park managers or owners - estimated 106,000 Winter Texans or 56,700 households were in the Valley during the 2017-2018 winter season.

- Winter Texans stay anywhere from 3 weeks to 6 months and spend an average of about \$9,314 per household in the Valley. They have had a direct impact on the regional economy of \$92 million in 1987 to more than \$803 million in 2010 at the peak. The estimated impact for 2017-18 was \$528 million.
- The average stay of the 2018 Winter Texans in the RGV is 133 days, and last year's respondents indicated having come to the Valley an average of 11.3 years. Most Winter Texans are 65 years-of-age or older (85.2%), with an average age of 72.3. about 85% are married, and the vast majority are white. Their average income is \$64,500. These demographics are consistent with high golf demand. (The survey results indicated that about 16% 'rarely or sometimes' participate in golf while in the Valley, while just under 20% participate 'often or a lot'.
- The Rio Grande Valley Mobile Home & RV Park Directory 2017-2018 Edition reports a total of 57,494 RV and MH sites with an average of 206 sites per park. In sum, there are an estimated 279 parks in the Valley, supporting an estimated 66,244 Winter Texan households. Though the number of Winter Texans has increased in the last few years, there were 3,934 fewer WT households during the 2017-18 winter than there were five years ago.

As of 2017, the population of the **Rio Grande Valley** – which spans the area from South Padre Island to Rio Grande City - is approximately 1.4 million, growing by 68,360, or 5.2% since 2012. the Rio Grande Valley continues to be one of the fastest growing regions in America. This continuous population growth has spurred vigorous business expansion all throughout the area. Recent Highlights include:

- ▶ Texas A&M College Station in McAllen opened, offering programs in engineering, technology, biomedical sciences, agriculture, and lab sciences. Graduates receive a diploma from Texas A&M College Station.
- ▶ Bert Ogden Arena in Edinburg opened in late 2017 and is the largest arena in the RGV. With 8,500 seats, the arena is a venue for entertainment, shows, and sports, including NBA D-League's RGV Vipers. HEB Park, a 9,700 seat, state-of-the-art soccer stadium and outdoor venue, also opened in recent years, hosting the RGV Toros.
- ▶ SpaceX (see below) continues to grow its infrastructure and lure professionals from numerous walks of life.
- ▶ The Port of Brownsville has been approved to increase the depth of its port channels. The growth will make it one of the deepest ports in the Gulf of Mexico and make it competitive with other national ports.
- ▶ Italian-based SATA group is making the investment to establish a \$114 million-dollar manufacturing plant in Brownsville that will help to create over 300 jobs over a ten-year period.
- ▶ A \$35 million-dollar diabetes research center in the Rio Grande Valley will continue to bring in high paying jobs and economic development opportunities.

## Estimated Local Market Demand

The table below details basic golf market data indicating the magnitude of the local golf demand (additional support data in [Appendix B](#)).

Summary of Market Indicators	5-mile	10-mile	20-mile	Cameron County	U.S.
Number of Golfing Households	3,150	4,884	10,656	11,606	17,175,900
Seasonal Golfing Households	263	350	842	1,239	732,421
Rounds Potential (resident golfers)	90,688	137,385	286,994	329,971	455,965,500
Estimated Rounds (in-market supply)	152,978	188,359	472,660	429,517	455,965,500
Latent Demand/Interested Non-Golfers	9,100	13,960	31,645	35,376	40,573,960
Projected Golfing Households (2023)	3,299	5,114	11,130	12,153	17,934,830
<b>Golf Demand Indices:</b>					
Golf Participation Index	73	69	68	64	100
Golf Rounds Activity Index	79	73	69	69	100
Source: Tactician, Inc. and NGF Consulting.					

- ▶ The permanent population in the local Tony Butler GC submarket has age and income characteristics that correlate with golf participation rates about  $\pm 30\%$  lower than the national benchmark. Rounds activity per household is also around 27% lower than the US benchmark, due primarily to the low number of golf courses in the immediate area.
- ▶ NGF estimates about 4,800 golfing households within 10 miles of Tony Butler GC, and about 10,600 within 20 miles. Population growth is expected to add about 230 and 474 golfing households in these two markets, respectively, by 2023.
- ▶ NGF's Demand Model shows that residents in the 10-mile ring have the potential to demand as many as 137,300 rounds of golf annually. The 20-mile ring shows potential annual demand from residents of about 287,000 rounds; however, the golf courses in this market ring are hosting about 472,600 rounds annually, indicating the significant import of public golf demand from Winter Texans and other visitors.

## Local Golf Supply

In [Appendix B](#), NGF summarizes golf course supply by type in the local markets, including demand/supply indices that act as a proxy for measuring oversupply or undersupply of golf, relative to the US benchmark (US = 100). NGF observations regarding key golf supply measures for the local market:

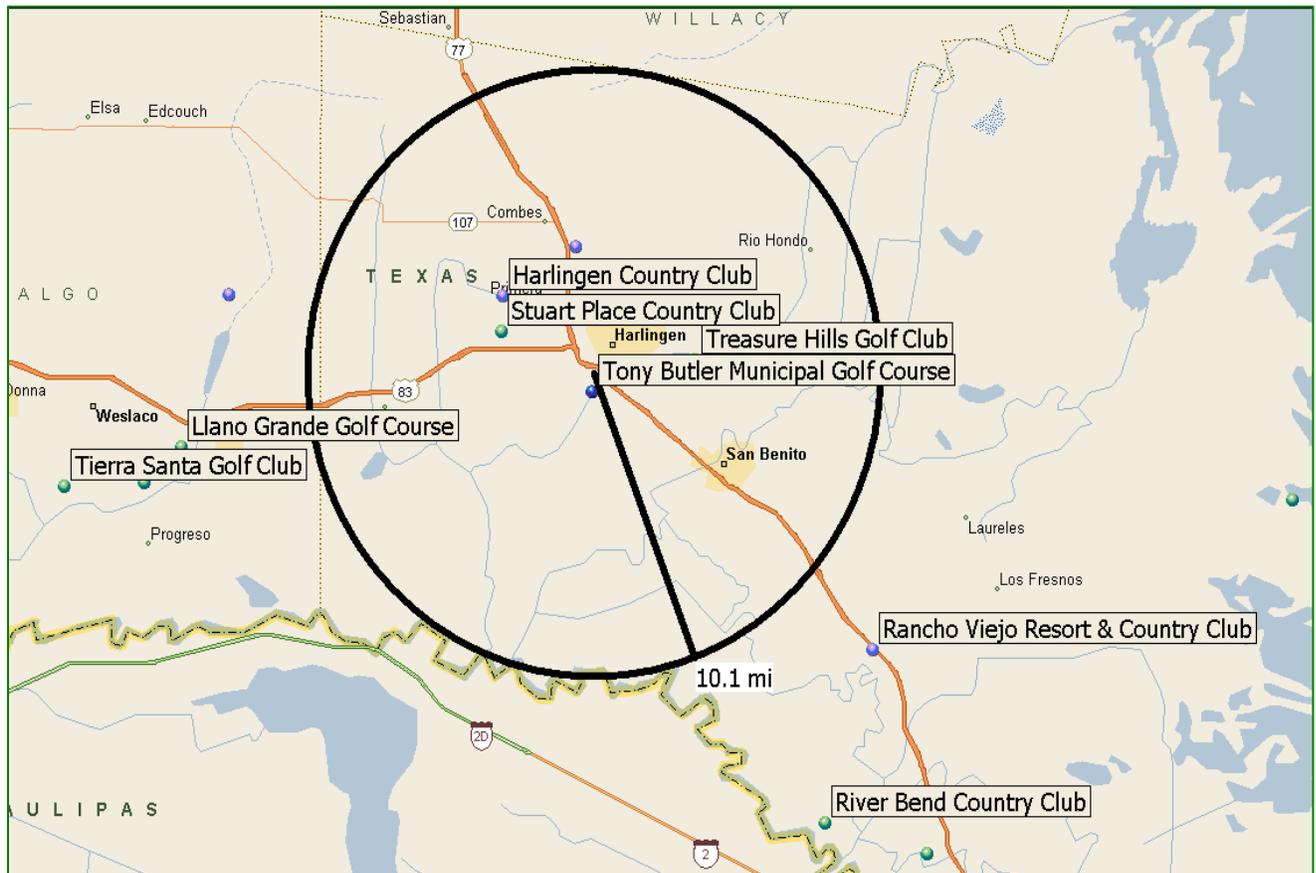
- ▶ There are four other golf facilities (2 daily fee and 2 private) within 5 miles of TBGC, and one additional daily fee course within 10 miles. The broader 20-mile market has 14 total golf facilities (10 public). There are no new golf course projects within 20 miles of TBGC.
- ▶ The proportion of public facilities (71%) within 20 miles is similar to the overall U.S., where 75% of all golf facilities are open and available to the public. However, virtually all of the public courses are concentrated at 'value' price points (NGF defined as <\$40 peak riding green fee), making this a highly competitive low-fee market. (Lone exception is Tierra Santa Golf Club, with a peak fee of \$46).
- ▶ Ratio analysis based on national benchmarks shows that the local submarkets have a high per capita supply of both total and public golf courses, relative to the national benchmarks. For example, in the 20-mile market, there are 34% fewer golfing households available to support each 18 holes of public golf than the national benchmark.

## TONY BUTLER GC COMPETITIVE MARKET

NGF identified a subset of potential competitors for Tony Butler, based on factors such as price point, location, type (18-hole or greater public regulation length only), and responses to the golfer survey. These facilities include both municipal and privately-owned daily fee operations, and comprise low-to-mid market facilities within about 20 miles of TBGC. This list, shown in the table on the following page, was not meant to be exhaustive (for example, we have excluded stand-alone 9-hole courses such as par-3 Cottonwood in Harlingen) or to account for all of the potential public golf competition to Tony Butler GC. We have also included two area private club that do allow some limited public play – Harlingen Country Club and Rancho Viejo Resort & Country Club. NGF considers these to be secondary competitors to TBGC.

### Competitive Facility Location Map

The map below shows the relative locations of Tony Butler GC and the chosen subsets of competitive public access competitive golf facilities. Following the map, NGF shows summary operating information for these facilities, as well as key findings regarding the competitive market.



## Competitor Subset – Pricing Comparison & Activity Levels

The following tables provide summary information for Tony Butler GC and the identified subset of competitive golf facilities. Among the facilities below, NGF considers Treasure Hills Golf Club, River Bend, Tierra Santa, and Brownsville Golf Center to be the primary competitors to TBGC, with Stuart Place a key competitor for Winter Texan 9-hole rounds.

Tony Butler GC Key Competitors – Summary Information						
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee / Back Tee	Location Relative to Tony Butler GC
Tony Butler GC	Harlingen	27H-MU				--
18-hole course			1929	71 / 128	5,113 / 6,320	
9-hole course			1923	35 / 108	2,467 / 2,881	
Brownsville Golf Center	Brownsville	18H-MU	1971	70 / 123	5,091 / 6,144	23 miles SSE
Harlingen Country Club	Harlingen	18H-PR	1968	72 / 128	5,035 / 6,541	7 miles NW
Llano Grande Golf Course	Mercedes	18H-DF	2010	72 / 119	4,957 / 6,718	15 miles WSW
Rancho Viejo Resort & CC	Rancho Viejo	27H-PR				13.5 miles SE
18-hole course (El Diablo)			1971	70 / 124	5,556 / 6,847	
9-hole course (El Angel)			1974	35 / -	3,161	
River Bend Resort & Golf Club	Brownsville	18H-DF	1985	72 / 123	4,970 / 6,735	17 miles SSE
Stuart Place Country Club	Harlingen	9H-DF	1991	36 / 106	1,944 / 2,646	3.5 miles NW
Tierra Santa Golf Club	Weslaco	18H-DF	1997	72 / 124	5,283 / 7,139	19 miles WSW
Treasure Hills Golf Club	Harlingen	18H-DF	2000	72 / 134	4,870 / 6,960	3.5 miles E
1. Air miles from subject site, rounded to half-mile; actual driving distances will likely be greater.						
Key: Slope noted is from back tee    Type: DF – Daily Fee; MU – Municipal						

### Summary Pricing and Rounds Played – Key Competitors

Golf Facility	Peak Season Prime Time Green Fees (including half cart)	Walking Rates Available (Y/N)	18-H Off-Prime Green Fee + Cart	Membership / Annual Pass Fees	Estimated 2018 Rounds
Tony Butler GC	\$28 - 18H \$21 - 9H	Yes	Seasonal 3 pm Special: Oct.-Apr. 9H - \$17 May-Sept. 9/18 - \$17/\$23	Annual \$1,500 with cart \$750 golf only 6-month membership \$1,050 with cart	32,080
Brownsville Golf Center <sup>1</sup>	\$25/\$25	Yes	\$18	Golf Only Membership Single \$769; Couple \$1,495, Family \$1,649 Golf and Cart Membership Single \$1,069/ Couple \$1,795	N/A
Harlingen Country Club	Guest Rates \$50/\$50	WD \$9.50/ WE \$16	DNA	\$2,500 initiation \$3,564 + \$50/month F&B min.	20,000
Llano Grande Golf Course	\$28.50/\$33.50 Residents save \$2	Yes	DNA	5 months: \$710 - single / \$1,200 - couple	N/A
Rancho Viejo Resort & CC					N/A
18-hole course (El Diablo)	For resort guests only, must request tee time \$37-\$72	Yes	N/A	\$1,375 initiation fee (currently \$100 special) \$3,300 age 40+ \$2,400 age <39	
9-hole course (El Angel)	Stay and Play packages are as low as \$149 for double occupancy	Yes	N/A		
River Bend Resort & Golf Club	\$39 – 18H \$25/\$29 – 9H	No	Every day after 1 pm: 9H - \$20 / 18H - \$29	\$2,700 – single / \$3,840 - family (golf only) \$3,600 – single / \$4,740 – family (with cart)	22,000
Stuart Place Country Club <sup>3</sup>	18H - \$24 9H - \$18	Yes	N/A	Annual: \$900 - single/ \$1,400 - couple; trail fee for private carts \$250 Winter (10/1-4/30): \$800 - single/ \$1,100 - couple; trail fee \$250 Summer (5/1-9/30): \$500 - single/ \$800 - couple; trail fee \$150	N/A
Tierra Santa Golf Club <sup>2</sup>	\$46 WD / \$49 WE	Yes	\$34 after 1 pm	Monthly fee: \$181- single / \$287- family	33,000
Treasure Hills Golf Club	\$28.50 – 18H \$20 – 9H	Yes	DNA	DNA	N/A

N/A – Information not available; DNA – Does not apply; WD – Weekday; WE - Weekend

1. Brownsville Golf Center offers additional Senior memberships: Single Senior = \$604 (golf only) / \$904 (golf and cart); Senior couples = \$1,099 golf only / \$1,399 golf and cart.
2. Tierra Santa Golf Club offers a loyalty program: Costs \$100 to receive the following discounted fees = 7am-1pm \$37, 1pm-3pm \$27, 3pm-close \$22
3. Stuart Place Country Club offers a transferrable punch card for 25 9-hole rounds for \$275

## Key Findings – Competitive Market

A summary of general findings regarding the competitive market for Tony Butler GC:

- ▶ As we noted earlier, this public golf market features a lot of clubs operating at similar ‘value’ price points. This manifests in a competitive market where many public golfers tend to play at a variety of courses, thus making it difficult to build customer loyalty, especially for a golf course like Tony Butler that is not in good condition and must compete on price.
- ▶ At \$28, TBGC’s 18-hole prime time riding green fees are similar to those of chief competitor Treasure Hills and secondary competitor Llano Grande, and moderately higher than that of Brownsville Golf Center and Stuart Place (18-hole rate). The highest fee fully public courses in the market include River Bend Resort (\$39, reduced from \$45), Tierra Santa (\$49), Palm View (city of McAllen - \$41), and South Padre Island Golf Club, which, at \$60 peak fee, represents the peak of this regional public golf market.
- ▶ There are several market competitive public golf courses that offer quality golf experiences at an affordable price, including River Bend and Tierra Santa. Moreover, in this regional market, many of the public courses have either been built new or significantly improved in the last 15 to 20 years, include Palm View GC (city of McAllen), Los Lagos GC (city of Edinburg), Tierra Del Sol (city of Pharr), Tierra Santa, Rancho Viejo, and South Padre Island Golf Club. Therefore, like in many markets, a facility such as Tony Butler must invest simply to “keep up with the Joneses”. That said, NGF believes that Tony Butler has a chance to stand out among this competitive set if it underwent a facility renovation, especially given other advantages such as its history, location and popularity among Winter Texans.
- ▶ Though most of the privately-owned public golf courses that we visited or spoke to would not share rounds information, it is clear that Tony Butler and its competitors in this golf market are operating with rounds played well below capacity for a ‘value’ golf course in this climate region. Actual realistic capacity for an 18-hole value price point golf course in this climate approaches 80,000 rounds, though factors such as the extreme seasonality of demand significantly lower the effective capacity. Still, NGF’s Golf Demand Model indicates that an 18-hole public golf course in this region of Texas averages about 36,000 annual rounds. Adjusted for the ‘value’ price point and 27 holes, we would expect Tony Butler GC to average about 50,000 rounds per year.
- ▶ Several of the operators we spoke to mentioned a decline in the number of visiting Winter Texans from 5 years and, especially, 10 years ago negatively affecting demand for golf. Another factor cited was the value of the Canadian dollar against the U.S. dollar.

## Regional Municipal Benchmarking - Key Findings

- ▶ The regional municipal benchmarking table in [Appendix C](#) shows the performance of Tony Butler Golf Course compared to seven other regional municipal golf systems for Fiscal Year 2017. Key NGF observations include:
  - Excluding TBGC, Alice Muni as an outlier (rounds have plummeted from more than 20,000 in 2009 to only 10,241 in 2017) and 9-hole Ebony Hills (city of Edinburg), the average rounds per 18-hole among the regional muni subset was just under 29,000 in 2017 (Tony Butler was at about 21,333 per 18 holes).
  - Of the eight municipal golf systems we profiled, only the city of McAllen – barely above break-even at a net operating income of \$6,500 – and the city of Corpus Christi, which received \$148,000 in lease payments for its two golf facilities, generated an operating profit in 2017. Including the Corpus Christi golf system, which comprises two leased facilities, average net operating income (loss) was **(\$143,000)**.

- With total operating expenses of about \$1.17 million, TBGC's budget was similar to that of McAllen's Palm View (\$1.13 million for 18 holes), Edinburg's Los Lagos (\$1.14 MM for 18 holes), Pharr's Tierra Del Sol (\$1.07 MM for 18 holes) and Mission's Shary Municipal (\$1.05 MM on 27 short regulation holes).
- Total revenue per round averaged \$29.46, excluding 9H Ebony Hills, Corpus Christi (gross not available) and Brownsville GC (rounds not available). The average would be slightly higher if TBGC's \$27.75 were excluded). Revenue per round ranged from \$19.31 at Shary Municipal to \$40.78 at Tierra Del Sol. (We note there may be differences in operating structure, such as the presence of pro shop and/or food & beverage concessions at one or more facilities).

## GOLF MARKET / EXTERNAL FACTORS SUMMARY

The public golf market in the Harlingen / Cameron County area is characterized by relatively low green fees and low rounds activity levels. Though TBGC has only one 18-hole public competitor within 10 miles, there is a lot of competition in the broader market, especially among value- and standard-price point golf courses. Other NGF observations about the local market:

- ▶ Interviews with public golf operators, as well as the golfer survey results, indicate that daily fee golfers in this market tend to travel to a variety of facilities to play, thus making it more difficult for any golf course to build loyalty and gain 'wallet share'. Among its strengths, TBGC is a historic facility that enjoys a convenient and central location; NGF believes it could easily regain lost market share with major facility improvements.
- ▶ Ratio analysis based on national benchmarks shows that the local submarkets have a high per capita supply of public golf courses, relative to the national benchmark. For example, in the 20-mile market, there are 34% fewer golfing households available to support each 18 holes of public golf compared to the national benchmark.
- ▶ The permanent population in the local Tony Butler GC submarket has age and income characteristics that correlate with golf participation rates about  $\pm 30\%$  lower than the national benchmark. Rounds activity per household is more than 30% lower than the US benchmark, though this does not take into account activity from seasonal residents and other visitors.
- ▶ While socio-demographic, financial and cultural headwinds certainly persist for golf, the game remains popular and has a deep well of interested prospects. Golf's chief challenge remains getting more of those non-golfers who express interest in playing ('latent demand') to actually give golf a try, and converting more beginners into committed participants.
- ▶ Harlingen and the lower Rio Grande Valley are undergoing somewhat of an economic boom. Population growth, Harlingen's new convention center and hotels, the Space X launch facility, and growth of the Valley International Airport and the Port of Brownsville are some of the economic factors that have the potential to drive additional golf demand in the region over the coming years. On the negative side, there has been attrition in the number of Winter Texans over the last 5 to 10 years; if this trend persists, golf demand from this segment will continue to decline.
- ▶ All golf facilities face external factors beyond their control, including a high fixed expense structure and operating expenses that tend to rise more rapidly than revenues. Also, golf economics will always be at the mercy of unforeseen yearly weather variations and events that act to reduce capacity, rounds and revenues.

# Operations Review

In this section, NGF provides a summary overview of Tony Butler Golf Course, based on NGF's review in the winter / early spring of 2019, which included: facility tour and inspection; meetings with City staff; and review of historical records. This summary of the NGF operations review situation analysis comprises:

- ▶ Summary overview of the subject Tony Butler GC
- ▶ Overview of Tony Butler GC operating program
- ▶ Review of recent activity levels and financial results
- ▶ Evaluation of current conditions and findings related to capital improvement needs

## FACILITY OVERVIEW

The subject property is Tony Butler Golf Course, a 27-hole municipal golf course owned by City of Harlingen, Texas since 1973. The City lists its mission statement with respect to TBGC as follows: *“It is our Mission at Tony Butler Golf Course to become the golf course of choice by providing an exceptional recreational and social experience to all of our customers”*.

Below is a summary overview of the golf course(s) and facilities. A detailed NGF assessment of design elements and course conditions is presented later in the report.

### Site Overview and History

The Tony Butler GC is located at 2640 South M Street in Harlingen, in the west-central part of Cameron County and in the lower Rio Grande Valley. The facility is situated just off of the eastbound side of Interstate 69E / US 77 South, and just southeast of the intersection of I-69E and US 83 South. Harlingen is about 20 miles northwest of Brownsville, 30 miles east of McAllen, and 33 miles west of the tourist area, South Padre Island. The subject property location and its surroundings are displayed in the maps and aerial image later in this section.

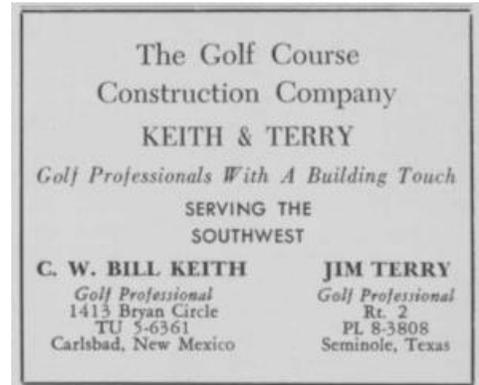
On June 20, 1973, the former Harlingen Country Club became the Harlingen municipal course and was renamed for long time local pro, Tony Butler, (1908-1979) who staged professional tournaments in the Rio Grande Valley during the Great Depression. In his career, he won the Austin High School City Golf Championship, played and later coached golf at the University of Texas in Austin, and served as golf professional in Port Arthur and Harlingen Country Club, while occasionally competing well against some of his era's top players. He was named to the Rio Grande Valley Sports Hall of Fame in 1998.

The course opened as the Harlingen Country Club in 1923 as a 9-hole layout designed and built by famed (and legendary) Texas Golf Course Architect, John Bredemus. Among other things, as second place finisher, Bredemus was awarded Jim Thorpe's AAU medals after Thorpe was stripped of both those and his 1912 Olympic medals for having played semi-pro baseball.

By 1914 he took up golf and by 1920, he had designed his first golf course in Texas, spending the remainder of his life as a golf course architect. In 1922, he co-founded the Texas PGA, and the winter golf tour, working with such men as Tony Butler, which turned out to be a forerunner of today's PGA Tour. He moved to Mexico and designed at least six more courses there. He was inducted into the Texas Golf Hall of Fame posthumously in 1991.

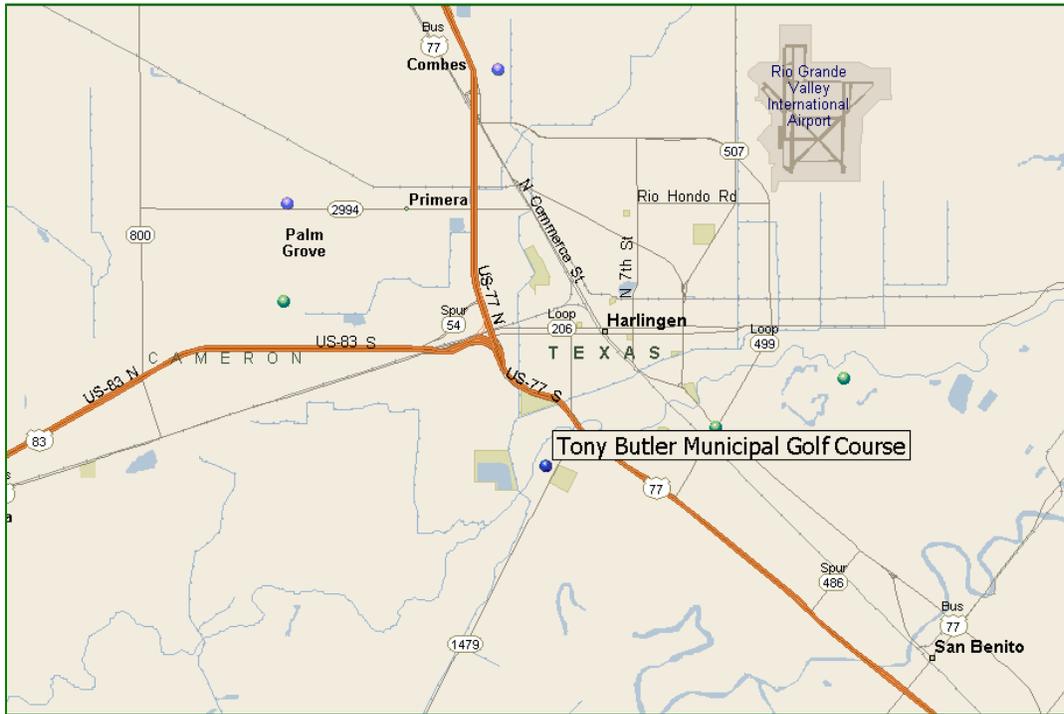
Harlingen CC was later expanded to 18 holes, with varying sources listing the course opening in 1923, 1926 and 1929. It has had several partial renovations:

- ▶ **1957- Bill Keith** - Listed as architect of record for the addition of the 7<sup>th</sup> and 13<sup>th</sup> holes. The ad shown is from a 1966 trade publication (most likely *Golfdom Magazine*) This renovation was required due to highway realignment, suggesting the original 18 may have contained some holes now present in the 9-hole course.
- ▶ **1964 – Leon Howard** - Texas golf course architect Leon Howard made further unspecified renovations. Howard practiced architecture from 1959 until 1977, when his brother took over. He was a pioneer in soil testing for greens construction, and well known for his engineering approach to golf course design. He was a popular architect among Texas cities because he could draw plans that met city bidding requirements.
- ▶ **1974 – Dennis W. Arp** - Brownsville, TX golf pro and sometime architect Dennis W. Arp (with only one other course design in his career - Rancho Viejo CC) is credited with designing the 9-hole addition, which also appears to have encompassed new holes on the SW corner in former Botts Park, namely holes 4-7 and 13-16, the new lake and some minor reroutes of holes like #3.
- ▶ **1997 – George Williams** - Texas architect George Williams made further unspecified renovations, and the 18-hole championship layout got a new irrigation system.

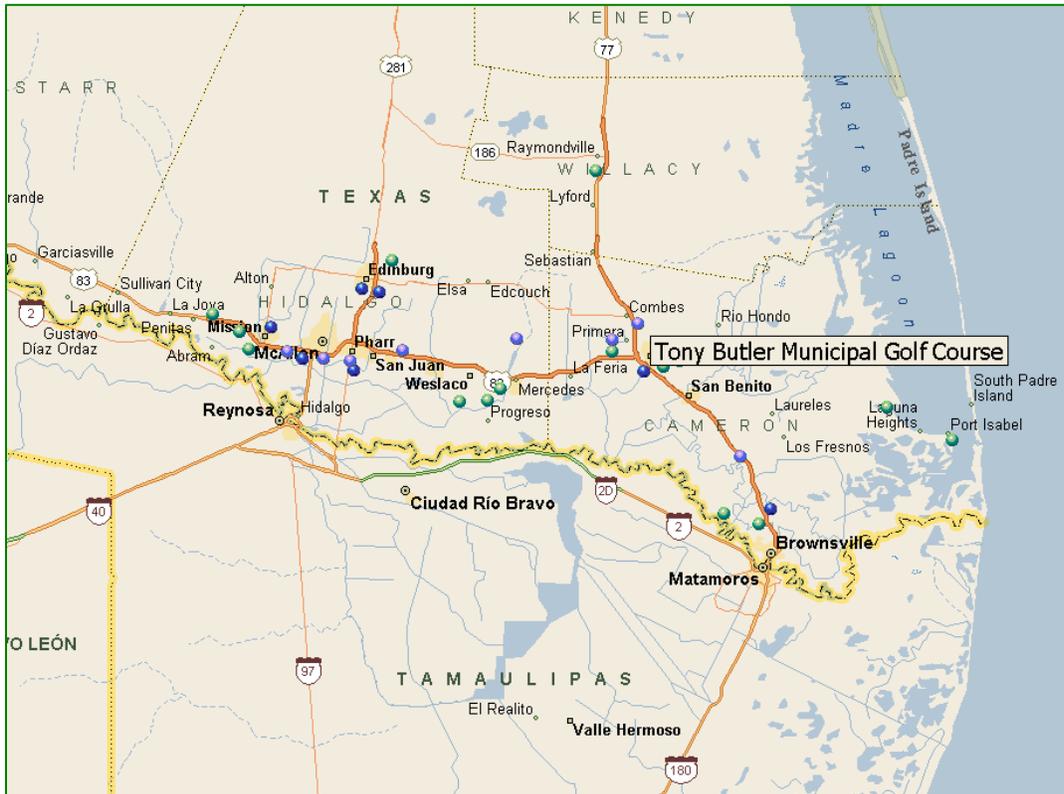


Even with many changes, some Bredemus character remains. It appears that greens on nos. 19, 20, 24, 25 and 27 may be unchanged from the original 1920's design. Even if design changes are implemented, since the course was highly regarded in its better days it may be a benefit for the City to expand on course history as part of new marketing initiatives. (Though the holes do not stand out in terms of design character, people interested in the history of the golf course architecture might recommend preserving at least one green – perhaps as a practice hole – in the name of historical preservation).

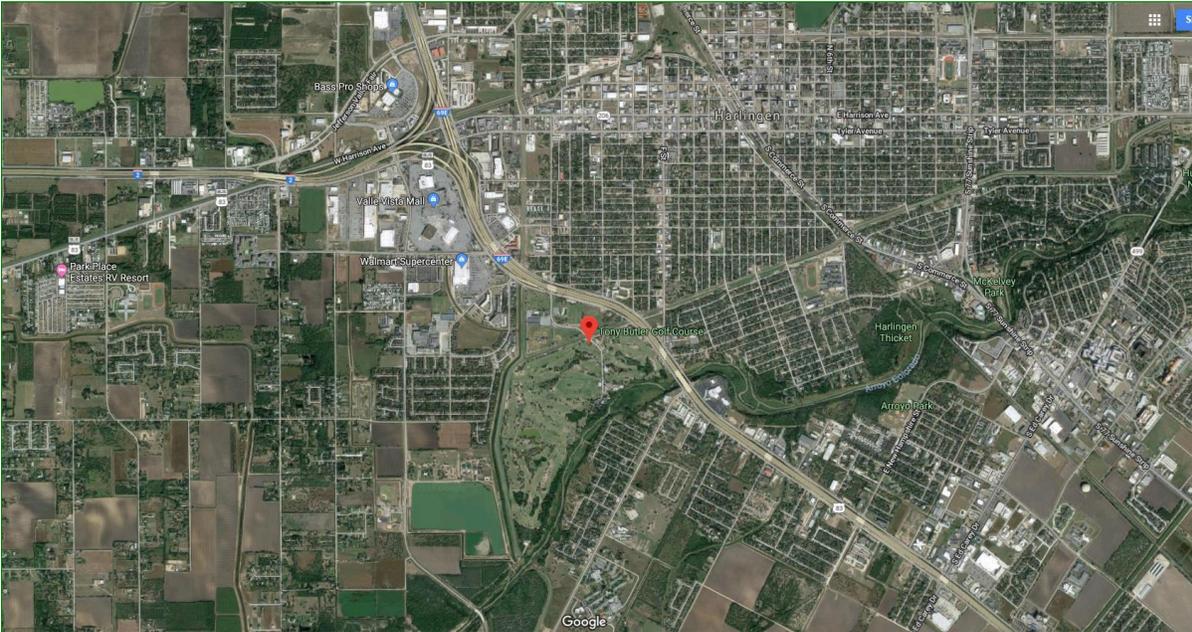
### TBGC Location – Local Context



### TBGC Location – Regional Context



## Aerial Image



Google Earth image showing Tony Butler GC and the surrounding land uses.

## Inventory of Facilities

Tony Butler GC comprises the following basic amenities and support features:

- ▶ Golf courses – 18-hole course, par 71, three sets of tees; 9-hole course, par 35, two sets of tees
- ▶ Clubhouse – built in 2010, includes pro shop, snack bar area, outside deck, men’s and ladies’ restrooms, meeting room, manager’s office
- ▶ Driving range – approximately 40 tee stations; practice putting green and chipping area
- ▶ Golf maintenance facility
- ▶ Cart barn – for electric carts
- ▶ Private cart storage facilities

## Golf Courses

TBGC is bordered by the Arroyo Colorado to the east, and the Harlingen Main Canal to the west. The course, totaling 206 acres, has surprising elevations for a region known to be flat - up to 50 feet above sea level; at the 14<sup>th</sup> tee, the clubhouse sits at about 40 feet, and the lowest valley is as low as 32 feet above sea level.

The TBGC 18-hole course (scorecard below) is short by today’s standards but can be tough, with wind providing the hidden and variable challenge. In addition, the small greens are hard to hit and hold. While our experience tells us that a majority of golfers prefer to play at 6,200 yards or less for a par 71 layout, many golfers subconsciously judge course quality by its back-tee length, even if they won’t use them. Course length and attractive photos of the course are two deciding factors for golfers searching for a place to play on the internet. Industry research indicates that about half of more skilled (i.e., handicap between 0 and 9) amateur players prefer to play at least 6,600 yards on an 18-hole regulation course. Thus, if it is possible to add length at Tony Butler, it should become appealing to a broader golfer audience.

## Scorecard

Hole:	1	2	3	4	5	6	7	8	9	Out
Par:	5	3	5	4	4	3	4	4	4	36
Blue:	504	135	470	390	380	190	360	360	405	3194
White:	475	121	435	368	340	155	330	336	360	2920
Handicap:	9	17	11	1	5	7	13	15	4	

Hole:	10	11	12	13	14	15	16	17	18	In	Total
Par:	3	4	4	5	4	3	4	4	4	35	71
Blue:	125	400	365	536	380	170	325	400	425	3126	6320
White:	120	389	326	501	356	150	285	385	405	2917	5837
Handicap:	18	8	10	2	12	16	14	6	3		

The slope rating for the TBGC 18-hole course is 128 (Blue) and 122 (White), harder than the national average of 120, but in a range that is playable for most though perhaps not ideal for maximizing play at a public golf course at this price point. Golfers note that small greens and constant wind contribute to the difficulty of the course.

The course summaries for both Tony Butler Golf Courses are as follows:

Tony Butler 18H Golf Course					Tony Butler 9H Golf Course				
Tee	Par	Yards	Slope	Rating	Tee	Par	Yards	Slope	Rating
Blue	71	6,320	128	70.5	White	35	2,881	108	33.6
White	71	5,837	122	68.2	Red	35	2,467	104	33.5
Red	71	5,113	112	68.9					

The forward tee ('Red') on the 18-hole course is generally accommodating to female players, though NGF typically recommends a tee in the  $\pm 4,600$ -yard range for ladies, older seniors, and other shorter hitters.

### Practice Amenities

Practice facilities comprise the ~40-station grass driving range, as well as chipping green and practice chipping area. The range tee area does not appear to be deep enough to provide sufficient rotation of hitting areas. The landing area – at  $\pm 300$  yards – is long enough to accommodate all but the longest of hitters that would play at a public golf course of this type. There is no ball dispensing machine; golfers come into the pro shop to purchase balls.

### Clubhouse

The clubhouse building at Tony Butler GC is a one-story building of approximately  $\pm 8,000$  square feet, constructed in 2019. The clubhouse includes an open plan with small snack bar area (capacity ~ 35), small kitchen with hooded grill and limited food prep and warm & cold storage areas. There is no sit-down bar. The pro shop merchandising area is also small. The central area between the merchandising area and the snack bar comprises the check-in counter. Together, the pro shop/snack bar area is about 4,500 s.f. Other building features include small offices, restrooms, and a segregated meeting room with a capacity of about 80. There is a small outside concrete, uncovered deck/porch area.

Other structures at TBGC:

- ▶ Golf cart storage buildings (2), housing 65 new Club Car gas powered golf cars
- ▶ Maintenance facility (~ 6,900 s.f., enclosed)
- ▶ On-course brick restrooms (2)
- ▶ Private cart storage rental buildings (totaling ~ 6,055 s.f.)

## TONY BUTLER GC OPERATING PROGRAM

Below is a summary of the operating program at TBGC, based on NGF interviews with the new Head Golf Professional and information disseminated to NGF by City staff. Later in the report we will provide NGF recommendations.

### Management Structure

The golf course is fully operated with City employees, including the food & beverage operation. With the former Director of Golf leaving in late 2018, on-site management became the responsibility of the Assistant Director of Parks until the new PGA Head Golf Professional – the former head golf professional at Tony Butler from 2009 to 2012 – was brought back to manage the facility in the winter of 2019. The facility hired a very experienced Class A Superintendent to oversee golf course maintenance in 2018. Oversight at the City level is provided by the Director of Parks and Recreation, who reports to the Assistant City Manager. Finally, there is a Golf Advisory Board (GAB) appointed by City Council and comprising 6 members, all residents. We are told that the GAB is not very active these days, and has 3 of 6 positions vacant.

### Golf Enterprise Fund

Tony Butler GC is accounted for as an enterprise fund by the City of Harlingen, ensuring a high degree of transparency of the operating results, and meaning that user fees are expected to pay for all costs associated with the operation. NGF was told that, historically, TBGC has been a profitable enterprise since the City acquired it in the early 1970s. However, the Enterprise Fund has had operating losses since FY2013, with annual losses of \$200,000+ since FY14, requiring transfers in from the General Fund. For many years, the General Fund charged a ‘franchise fee’ to the Golf Fund equivalent to 6% of gross revenues. This was suspended about 3 years ago, and the General Fund no longer charges any administrative type fees to the Golf Fund.

### Staffing

At the time of the NGF engagement, staffing at TBGC was lean. On the operations side, the Head Golf Professional has no assistant professional (though one of the full-time shop attendants reportedly can teach lessons) and no administrative assistant (position vacant since early 2018). There are also no contract teaching professionals. On the maintenance side, staffing is more robust, with 10 total full-time staff, including the Superintendent, Maintenance Supervisor and Mechanic. Still, with a 27-hole facility that has failing infrastructure, maintenance staffing is probably also light by at least a couple of full-time equivalent positions, at least during the busy winter season.

▶ Operations / Food & Beverage Staffing:

- Head Golf Professional - FT
- Cart/Driving Range Attendant (3) - PT
- Shop Attendant (2) FT & (2) PT
- Snack Bar (1) FT & (2) PT

▶ Maintenance Staffing:

- Superintendent – FT
- Assistant Superintendent / Maintenance Supervisor - FT
- Mechanic - FT
- Grounds Operators (7) - FT

## Point-of-Sale (POS) System / Accounting & Reporting

TBGC utilizes ForeUp POS for recording transactions, keeping inventory, reporting, etc. The golf professional reported to NGF that staff was having difficulties with the system in terms of both recording transactions (e.g., not charging or double charging) and reporting, though some of these difficulties may be an issue of training since it is a new system. The professional much preferred the Fore Reservations system he used at his previous job.

Reconciliations and bank deposits are done daily by the golf professional, with daily Z reports from the POS system sent to the City for recording. NGF was told that no weekly or monthly summary reports are provided to City staff so that they can keep up with facility performance and compare it to prior years.

## Tee Time Reservations

At the time of the NGF visit, there was no capability for golfers to book tee times online, unless it was discounted tee times through Golfnow. The vast majority of reservations were made over the phone or by walk-in, and reservations could be made only two days in advance. During our visit, the policy was changed to 7-day advance reservations. The head golf professional reported to NGF in early April that demand for the online tee times is slowly, but surely, increasing.

## Daily Green Fees & Coupons

The annual fee schedule is submitted by the golf professional for approval by the City Manager and City Council. NGF was told that it is about a 3-month process to get fees approved by Council, and that the process begins with a GAB meeting to discuss the issue. As the table below indicates, TBGC offers golf through several avenues, including daily fee play, unlimited play memberships (6-month and annual), and 25-round, 50-round, and 100-round coupons. NGF observations regarding the daily fee pricing at TBGC:

<b>2019 Tony Butler Golf Course Fees</b>				
<b>Daily Green Fees</b>	<b>9-holes</b>		<b>18-holes</b>	
	<b>Walking</b>	<b>Riding</b>	<b>Walking</b>	<b>Riding</b>
Green Fee	\$14	\$21	\$17	\$28
Additional 9 holes	\$5			
Seasonal specials after 3pm				
October-April		\$17		\$25
May-September		\$17		\$23
*Rounds using a private cart pay a \$5 daily trail fee				

2019 Membership Fees	
Annual Membership with Cart	\$1,500
6 Month Membership with cart	\$1,050
Unlimited Annual Green Fees	\$750
Junior Monthly (age 18 or <)	\$20 per month
Annual Trail Fee	\$275
Annual Cart Storage	\$350

- ▶ The maximum walking 18-hole green fee currently approved is \$17, and the highest riding rate \$28. The pricing schedule is simple, which NGF prefers and generally recommends. However, management does not have the freedom to operate outside the parameters of the approved fee range except for large outings.
- ▶ This lack of flexibility precludes the practice of yield management, utilization of dynamic pricing, promotion of golf + food/beverage specials, etc. In today’s hypercompetitive golf markets, management must have the ability to respond on short notice to variable demand and take advantage of those times (e.g., morning prime time in peak season) when the facility has “pricing power”.
- ▶ Counter to most of the industry, TBGC has only one price break during the day, and it’s at 3 pm (‘seasonal special’ rates). Tee sheet analysis shows that peak demand at TBGC generally ends by 11 a.m., followed by a lengthy midday lull, with demand picking back up again with the afternoon price break for riding rounds.
- ▶ The table below summarizes the **Coupon** prices and effective discounts off of the posted daily fee 9-hole and 18-hole rates. Later in the report, we will make recommendations regarding the Tony Butler coupon program and pricing.

Green Fee Coupons		
	9 Holes	18 Holes
25 Rounds	\$290	\$340
50 Rounds	\$525	\$625
100 Rounds	\$1,000	\$1,200

## Membership Program

In addition to daily fee play, TBGC offers unlimited walking play through prepaid 6-month and annual memberships. In FY 2017, members accounted for about 4,400 rounds, or just under 13% of total play. The walking (annual cost \$750) and cart-inclusive (\$1,500) memberships are priced at multiples of 44 times and 54 times, respectively, the highest daily fee rate. NGF considers these multiples to be sufficiently high (in other words, walkers would break even in terms of the membership if they play 44 times per year), based on the current quality of the course and the need to build facility loyalty. However, for a facility in a year-round market, we would ordinarily like to see the multiple at a break-even of about 52 rounds, or an average of one round per week.

## Customer Base

The golfer survey confirms that the majority of TBGC customers come from roughly a 10-mile radius of the facility, including Winter Texans that live seasonally in local mobile home and RV parks. (NGF expects that a major renovation of TBGC would likely expand its effective trade area if it becomes a regional ‘must play’ golf course). The customer base, at least based on the survey results, also skews heavily towards male players over the age of 60.

## Marketing

Marketing of TBGC is light, with an annual budget of about \$4,000 (in today’s age of very inexpensive or even free digital marketing, NGF still recommends a budget equivalent to at least 1% of annual gross revenues). NGF was told that prior management has run occasional newspaper ads. Also, the tri-fold facility brochure has been distributed to area hotels and businesses.

- ▶ **Website:** The website provider for TBGC is EZLINKS Golf. The site has most of the features NGF recommends for a public golf course, including course details, rates (daily and membership), pictures, summary of facilities, eClub sign-up, calendar of events, contact information, tournament information and, now, online reservations
- ▶ **Email marketing** is available through EZLinks (website provider) and Fore Up (POS provider) but utilization appears to be light - “maybe a couple of times per month about tourneys, etc.”, according to the golf professional.
- ▶ **Social media** – TBGC has a presence on Facebook (no Instagram or Twitter) but, again, does not appear to very active, primarily promoting upcoming events.
- ▶ **Facility email database** – addresses are reportedly collected at check-in (best-effort) and now from online reservations. The TBGC website does have an ‘eClub’ signup, often used in the golf industry as a means to build up the golfer email database by offering some type of one-time or ongoing incentive. NGF was told that the Tony Butler database was up to about 75 addresses by early April (the email addresses of consenting respondents to the NGF golfer survey will be made available to facility management).

## Programming

Some programming elements at TBGC appear to have been suspended since the transition in management and reduction in operations staffing over the 2018 – 2019 period. Other than outings/tournaments and winter leagues, programming is minimal at Tony Butler. The head golf professional does not have any assistant professionals and, due to daily management and administrative responsibilities, there are currently no individual lessons, group clinics, etc. A summary of programming follows:

- ▶ TBGC continues its involvement with The First Tee, with the 2019 Summer First Tee Junior Golf Clinic planned for three 4-day sessions in June and July. The clinic will introduce golf fundamentals such as grip, stance, ball position, and alignment. There will be a focus on putting, chipping/pitching, irons and wood swing techniques, and each child will learn the basic Rules of Golf and Course Etiquette. The fourth day will be a play day on the 9H course.
- ▶ Two high schools and two middle schools practice for free and play for a discount at TBGC. Also, the new Tennis and First Tee Golf Program provides all Harlingen Consolidated Independent School District 3rd grade students the opportunity to learn how to play golf.
- ▶ NGF was told that in the recent past TBGC had a more vigorous junior golf program. Summer clinics averaged 25-30 kids (as many as 50 at the peak). The Introduction to Golf program had three on-course tiers – chipping, full swing and putting. The First Tee Links program featured differing formats, including match play, stroke play, team events, and a tournament series, as well as classroom time. TBGC also had a Mentor Program, in which high school kids volunteered during the summer to mentor younger kids.

## Outings/Tournaments

TBGC hosts a number of larger outings during the year. The facility is somewhat constrained in attracting and hosting large outings that include food & beverage with award ceremony in that the kitchen is small and the seating capacity of the snack bar area is about 40, while the separate meeting room can comfortably seat a maximum of about 80. Recurring tournaments include the Harlingen Area Chamber of Commerce (now in 18<sup>th</sup> year at TBGC), the Family Crisis Center Annual Golf Classic, and the House vs Senate Challenge by the Arroyo.

## Food & Beverage Operation

Tony Butler has a basic snack bar operated by City employees, with limited menu, seating and hours of operation. The menu offers items such as breakfast tacos, sandwiches, burgers, hot dogs, snack chips, Danish, and ice cream, along with other periodic specialty items. Most items are less than \$5. On the beverage side, the snack bar has water, soft drinks, Powerade, coffee and canned beer, which reportedly is the best seller.

## Merchandising

TBGC features a relatively small merchandising area. At the time of the NGF visit, there was very limited apparel (one or two racks of shirts, including clearance items), plus golf balls, about 10 club sets, and impulse items such as golf tees, socks and gloves. With average merchandise revenue per round generally around \$0.80, this is obviously not a focus at Tony Butler.

## On-Course Services

There is no beverage cart service at Tony Butler. TBGC has two on-course restrooms that appear to be structurally sound but in otherwise poor condition, and certainly not inviting for women.

## RECENT OPERATING RESULTS

Below is a summary table of operating results for Tony Butler GC for the 5-year period of FY 2014 through FY 2018, followed by NGF key observations. *We note that the source of the revenue information differs from official audited numbers appearing in the City's Comprehensive Annual Financial Report (CAFR). NGF used the information in the table below, which is from another City source, because it shows revenue-by-category detail that is not available from the official audited numbers. Therefore, revenues may be overstated, and net operating income understated, compared to official audited numbers.*

### Tony Butler P&L 5-Year Comparison

	2014	2015	2016	2017	2018
<b>Rounds Played</b>	38,982	37,872	36,710	34,802	32,080
<b>Revenue</b>					
Green Fees (includes Tournament Fees)	\$ 458,022	\$ 442,354	\$ 438,065	\$ 459,828	\$ 388,130
Cart Fees (includes Trail Fees)	158,601	153,985	159,130	161,939	142,965
Driving Range	27,263	25,978	25,416	27,086	27,821
Coupons	60,230	74,305	50,210	60,588	58,225
Pro Shop Sales	38,707	31,640	29,489	34,172	25,148
Food & Beverage	110,612	106,392	99,667	109,071	102,590
Membership Fees	113,830	102,730	102,290	95,877	92,930
<b>Total Revenue</b>	<b>\$ 967,265</b>	<b>\$ 937,384</b>	<b>\$ 904,267</b>	<b>\$ 948,561</b>	<b>\$ 837,809</b>
<b>Cost of Goods Sold (Resale Merchandise)</b>					
COGS - Pro Shop	\$ 15,301	\$ 25,865	\$ 23,972	\$ 21,556	\$ 19,927
COGS - Food & Beverage	59,181	60,349	57,912	59,366	45,531
<b>Total COGS</b>	<b>\$ 74,482</b>	<b>\$ 86,214</b>	<b>\$ 81,884</b>	<b>\$ 80,922</b>	<b>\$ 65,458</b>
<b>Gross Margin</b>	<b>\$ 892,783</b>	<b>\$ 851,170</b>	<b>\$ 822,383</b>	<b>\$ 867,639</b>	<b>\$ 772,351</b>
<b>Labor Expenses (incl. benefits)</b>					
Golf Operations	\$ 276,270	\$ 317,684	\$ 270,864	\$ 331,200	\$ 245,724
Food & Beverage	58,766	67,437	64,935	61,486	73,922
Golf Course Maintenance	343,729	368,122	376,959	393,204	399,773
<b>Total Labor Expenses</b>	<b>678,765</b>	<b>753,243</b>	<b>712,758</b>	<b>785,890</b>	<b>719,419</b>
<b>Non-Labor Operating Expenses</b>					
Golf Operations	\$ 103,727	\$ 121,842	\$ 106,702	\$ 106,348	\$ 88,604
Food & Beverage	3,387	3,710	4,098	2,883	5,695
Golf Course Maintenance	247,565	224,874	204,190	195,661	223,043
<b>Total Non-Labor Expenses</b>	<b>\$ 354,679</b>	<b>\$ 350,426</b>	<b>\$ 314,990</b>	<b>\$ 304,892</b>	<b>\$ 317,342</b>
<b>Total Operating Expense (before Depreciation)</b>	<b>\$ 1,033,444</b>	<b>\$ 1,103,669</b>	<b>\$ 1,027,748</b>	<b>\$ 1,090,782</b>	<b>\$ 1,036,761</b>
<b>Net Operating Income (Loss)</b>	<b>\$ (140,661)</b>	<b>\$ (252,499)</b>	<b>\$ (205,365)</b>	<b>\$ (223,143)</b>	<b>\$ (264,410)</b>

## NGF Observations

- ▶ **Rounds Played:** Over the subject 5-year period, rounds played have consistently decreased at Tony Butler, from just under 39,000 in FY14 to just over 32,000 in FY18, a decline of nearly 18%. Though several of these years had high rainfall totals (including an exceptionally rainy 2018), it seems clear that deteriorating course conditions have reached a point where golfers are choosing to play elsewhere. For perspective, TBGC had activity in the mid 40,000s in the relatively recent past, and reportedly hosted as many as 60,000 rounds in the 1980s or 1990s. Based on year-to-date rounds played information supplied to NGF, it appears that the downward trend is continuing, as YTD rounds through the first 6 months of FY19 are down by about 2,300, or about 10% over the same period in FY18.
- ▶ **Revenue Sources:** Tony Butler GC derives revenue from several sources, including golf playing fees (green/cart/coupon/membership/trail fee), driving range fees, pro shop sales, and food & beverage sales. Currently, there is no lesson revenue. Over the 5-year period, golf fee revenue has consistently accounted for between 81% and 83% of total facility gross revenues.
- ▶ **Gross Operating Revenues:** Total facility gross revenues declined steadily between FY14 and FY16, before rising by about 5% in 2017 and then plunging by over \$110,000 in FY18 (an exceptionally rainy year, a decrease of nearly 12%). Interestingly, revenue per round in FY17 was at its highest during the 5-year period, at \$27.
- ▶ **Operating Expenses:** The operating budget has remained in the range of about \$1.03 million to \$1.1 million - excluding cost of goods sold and depreciation, but including equipment lease - since FY14. This is low for a 27H year-round golf operation fully operated by public employees.
  - Total labor expenses, including benefits, rose by about \$98,000 between FY14 and FY17, while non-labor expenses fell by about \$50,000 during the same period. Labor expense as a % of total operating expenses rose from 66% in FY14 to 72% in FY17, before falling back to 69% with some vacated positions. This overall dynamic is not a formula for success at any golf operation, especially when the additional labor cost is not due to the addition of employees, as golf course maintenance conditions and overall service levels tend to deteriorate.
  - Total maintenance expense has been in the range of \$690,000 to \$720,000 since FY14, accounting for an average of 67% of the total operating budget (cost of goods excluded). This percentage is high by industry standards, but reflects a largely full-time public staff and the need to maintain 27 holes that are suffering from problems related to obsolete infrastructure.
  - Though there are many variables - price point, scale of amenities, maintained acreage, nature of the site, irrigation water cost, labor structure, etc. - that contribute to determining an appropriate budget for a golf course, NGF's benchmark annual total operating budget expectations for a 27-hole self-operated municipal facility at this price point would be in the range of \$1.4 to \$1.6 million, excluding cost of goods, depreciation, capital items, and other "below the line" expenses. Of this total, we would typically see about 55% of the total budget spent on golf course maintenance, and about 55% to 60% of that figure to be spent on labor costs.
- ▶ **Net Operating (excl. depreciation):** The annual net operating loss since FY14 has averaged more than (\$200,000), with a cumulative loss of more than (\$1,000,000).
- ▶ **Revenue per Round:** Total revenue per round was a very consistent \$25 to \$26 during the 5-year period, with the exception of FY17, when it spiked to \$27.

- Golf fee revenue per round, which includes green/cart/coupon/member fees, was between \$20.28 and \$20.42 between FY14 and FY16, before rising inexplicably by 9.5% to \$22.36 in FY17, when daily green fee revenue rose by \$1.39 over the previous year. This perhaps reflected a lower percentage of coupon rounds. FY18 saw total revenue per round fall back by 4.2%, and golf fee revenue per rounds decrease by 4.9%, year-over-year.
  - Other revenue centers have seen variable performances on a per-round basis, with no clear trends emerging. The exceptions are the driving range (steady increase from \$0.69 in FY16 to \$0.87 in FY18) and food & beverage (increase from \$2.71 to \$3.20 during same period).
- ▶ **Food & Beverage Revenue Center:** Based on reported figures for cost of goods sold and other F&B expenses, the food & beverage area at TBGC operates at a net loss. NGF's analysis showed annual losses averaging about \$37,000 during the subject 5-year period.

<b>Tony Butler Food &amp; Beverage Operations - 5-Year Comparison</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenue</b>					
Food & Beverage	110,612	106,392	99,667	109,071	102,590
COGS	59,181	60,349	57,912	59,366	45,531
<b>Adjusted Gross Revenue</b>	<b>51,431</b>	<b>46,043</b>	<b>41,755</b>	<b>49,705</b>	<b>57,059</b>
<b>Expenses</b>					
F&B Labor	58,766	67,437	64,935	61,486	73,922
F&B Benefits	13,711	16,144	17,353	15,677	20,413
F&B Workers Comp	141	146	142	115	160
Services, Supplies, Other	3,387	3,710	4,098	2,883	5,695
<b>Total Expenses</b>	<b>76,005</b>	<b>87,437</b>	<b>86,528</b>	<b>80,161</b>	<b>100,190</b>
<b>Profit (Loss)</b>	<b>(24,574)</b>	<b>(41,394)</b>	<b>(44,773)</b>	<b>(30,456)</b>	<b>(43,131)</b>

## NGF GOLFER SURVEY RESULTS

As part of the study process, NGF implemented a golfer survey at TBGC to gauge customer opinions and overall satisfaction with the facility. The NGF survey is used by hundreds of courses across the country, allowing us to compare results from Tony Butler with other courses nationwide. It is important to note that survey responses are from golfers *that currently play the Tony Butler Golf Course*, and their ratings are generally going to be more favorable than golfers who have stopped playing there.

NGF's Golfer Survey Program was distributed in March 2019 seeking opinions on the Tony Butler Golf Course. The survey was web-based and distribution was through an email out to the Tony Butler database. The survey link was also posted on the golf course website, and emailed to the golfer database for Elliot's Custom Golf. A total of only **297 completed surveys** were collected by NGF, comfortably above the 200+/- threshold NGF seeks in order to make meaningful inferences.

Summary results are presented below, while the survey instruments and open-ended verbatim responses can be viewed in the separate attached appendix to this report.

### Satisfaction Scores

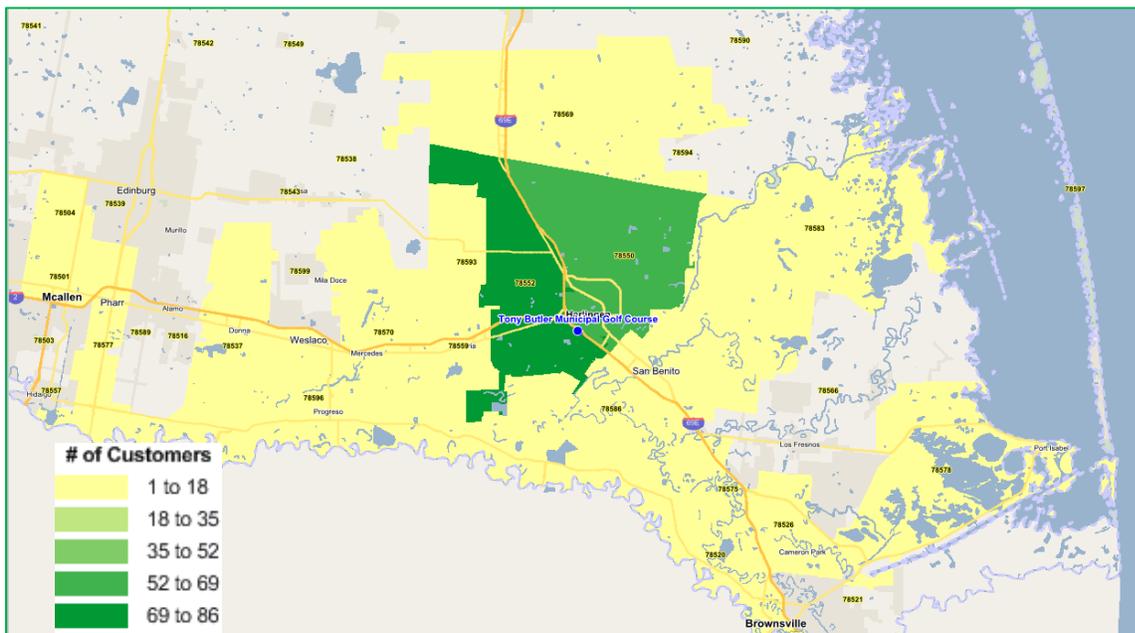
Tony Butler Golf Course - 2019 Customer Survey - Satisfaction Factors			
Total Responses	297		
Factors	Average Score (Scale 1-10)	Value Percentile <sup>1</sup>	National Percentile <sup>1</sup>
Overall Value of Course	7.3	8	24
Convenience of Course Location	8.8	58	82
Tee Time Availability	7.9	22	39
Overall Course Conditions	5.8	1	1
Condition of Greens	4.8	1	0
Scenery / Aesthetics of Course	7.4	25	12
Pace of Play	7.1	33	37
Condition of Golf Cars	8.2	62	44
Amenities (clubhouse, pro shop, locker room, etc.)	6.9	35	22
Friendliness/Helpfulness of Staff	7.8	5	6
Food & Beverage Service	7.3	48	33
On-Course Services (restrooms, drinking water)	6.5	20	10
Overall Experience	7.0	1	1
Condition of Tees	5.9	1	0
Condition of Bunkers	5.1	3	2
Condition of Fairways	6.0	3	1
Overall Quality of Practice Facility	6.9	36	24
Golf Course Design/Layout	8.3	67	37
Overall Quality of Golf Shop	6.7	9	8
Overall Quality of Golf Shop Apparel	6.0	3	3
Overall Quality of Golf Shop Merchandise	6.3	3	3

1. Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than your facility

## Key Survey Takeaways

In reviewing the results of the golfer survey completed in March 2019, the NGF has noted several key takeaways to share with the City and Tony Butler GC management:

1. Overall customer satisfaction at Tony Butler is well below average compared to other ‘value’ price point (green fees <\$40) courses and to the national benchmark percentile for all participating public golf courses.
2. The highest satisfaction scores at Tony Butler GC were recorded for items such as convenience of course location, golf course design/layout, condition of golf cars, tee time availability and affordability.
3. The lowest satisfaction scores were related to the golf course playing areas (well below benchmarks), including the conditions of tees, bunkers, fairways and, especially, greens. For the factor of ‘overall course conditions’, respondents rated TBGC a 5.8 on the ten-point scale, which places the facility at the bottom of the pack for value-price participating facilities and also at the bottom for all participating public golf courses.
4. Other areas that were rated relatively low by surveyed players are the overall quality of the golf shop apparel and golf shop merchandise, on-course services (restrooms, drinking water) and amenities (clubhouse, pro shop, locker room). The overall quality of the practice facility at TBGC also received relatively low ratings from the respondents.
5. Respondents comprised largely local golfers from the immediate local area, with over 62% of respondents from the 78552, 78550, 78586, 78596 and 78559 zip codes.



6. TBGC golfers ranked the following four local courses as “another course they play”: Treasure Hills Golf Club (54%), River Bend Resort & Golf Club (39%), Tierra Santa Golf Club (35%) and Brownsville Golf Center (22%).
7. Among the sample of golfers who filled out this survey, over 77% are age 60+, and 85% are male. 35% of the customers estimated they play at TBGC between 8-24 rounds per year, while 42% play 25+ rounds per year.

## General Open-Ended Comments

1. In review of the general open-ended comments survey respondents made about **what they like most about Tony Butler**, the NGF noted several key themes in common, including:
  - Friendly staff
  - Convenience – close to home
  - Reasonably priced
  - Course layout (challenging and fun)
  - Natural setting
  - Choice of harder 18H course or easier 9H; ease, affordability and walkability of 9-hole course were especially salient for Winter Texans
2. General open-ended comments survey respondents made about **what needed improvement at Tony Butler GC** focused on course conditions:
  - Improve golf course conditions, especially greens, fairways and bunkers
  - Additional ball washers on the course
  - Improved water system/program
  - Improved cart paths

## Custom Questions

1. When asked “how much additional green fee would you be willing to pay per round of golf to contribute toward the cost of substantial golf course improvements at Tony Butler Golf Course”, 29% of respondents indicated they are willing to pay \$2 to \$3 more, 20% are willing to pay \$4 to \$5 more, and 7% are willing to pay \$6 to \$8 more. About 1 in 4 indicated they are not willing to pay more and 18% indicated they will pay whatever the fees are.
2. When golfers were asked if they were aware that they could make on-line reservations up to 7 days in advance from the Tony Butler Golf Course website, 58% answered yes.
3. Seventeen percent of the survey respondents indicated they would book their tee times online most or all of the time, while 43% responded “occasionally” and 40% responded that “no”, they would not book online.
4. Female golfers (39 responses) were asked what would prompt them to play more frequently at TBGC; responses broke down as follows:
  - Upgraded restroom facilities in clubhouse (1 response)
  - Upgraded restroom facilities on-course (18 responses)
  - Better selection of women’s apparel in pro shop (17 responses)
  - Better golf course conditions (24 responses)
  - Better atmosphere in clubhouse grill area (4 responses)
  - Special events/ programming (e.g., leagues, ‘9 & Wine’, other social events) (12 responses)
  - Other (please explain below) (8 responses)
    - Taco Tuesday... Hamburger Thursday, for example
    - Faster pace of play
    - Add more restrooms on course

5. Survey respondents were asked how often they patronize the snack bar for food and beverage before or after a round of golf. Below is a summary of the responses:
  - Almost every time (132 responses – 45%)
  - Most of the time (36 responses – 12%)
  - About half the time (36 responses – 12%)
  - Less than half the time (24 responses – 8%)
  - Rarely (51 responses – 17%)
  - Never (15 responses – 5%)
  
6. As a follow-up question to the prior question, respondents were asked “if you patronize the snack bar about half the times you play or fewer, what is the primary reason you do not use the snack bar/grill more frequently? Below is a summary of the responses:
  - Available selection or quality of food & beverage items (36 responses – 21%)
  - Quality of service and staff (8 responses – 5%)
  - Prices of food & beverage items are too expensive (8 responses – 5%)
  - I typically don’t have enough time for a snack, meal, beverage (83 resp. – 48%)
  - Atmosphere/aesthetics not to my liking (9 responses – 5%)
  - Other (please explain below) (29 responses – 17%)
    - Golf in morning and don’t require snack bar service
    - Live nearby
    - Charging 3% of my credit card
  
7. Respondents were asked what would prompt them to play more frequently at Tony Butler GC. Their responses broke down as follows:
  - Improve course layout so more appealing and interesting (28 responses – 6%)
  - Improved course condition (greens, tees, fairways, bunkers) (230 resp. – 51%)
  - Better cart path conditions (64 responses – 14%)
  - Improved pace of play (53 responses – 12%)
  - Better on-course services (36 responses – 8%)
  - Other (please explain) (41 responses – 9%)
    - More free time
    - Rates/discounts
    - Better staff attitudes
    - More ball washers
    - Improve conditions

## Summary

The robust survey response tells NGF Consulting that Tony Butler customers are highly engaged in the golf course. Unfortunately, the facility received very poor ratings across many measures, especially when benchmarked against other ‘value’ price point public golf courses, as well as public golf courses as a whole. While satisfaction measures were low for areas such as the pro shop (overall quality, selection, etc.), practice facilities and facility amenities, the overwhelmingly negative ratings (scale of 1 to 10) related to golf course conditions, with overall course conditions, and condition of greens, tees, bunkers, and fairways all being rated at 6 or below by respondents.

NGF believes that the positive takeaways from the survey are that the recent declines in rounds and revenues seem easily, if not entirely, attributable to maintenance conditions (as we will see later, through no fault of the current superintendent or his crew). When asked what would prompt them to play more frequently at TBGC, a little over half of respondents mentioned improved course conditions. The rest of NGF’s analysis of Tony Butler follows later in the report, but survey results indicate that improving the Tony Butler product will be a key to regaining lost market share and revenues.

# Golf Course Physical Evaluation & Recommendations

One of the main objectives of the National Golf Foundation engagement for the City of Harlingen is to identify a potential business model for Tony Butler Golf Course that can significantly improve its long-term financial viability. In this section, our focus is on the golf course physical assets themselves. Our evaluation will look briefly at the history, general character and existing conditions, number of holes, infrastructure, agronomy aspects and design components. From this, we will derive a basic recommendation for course improvements. Lastly, we will briefly cover possible implementation plans, including possible construction budgets.

The NGF team's recommendations for facility improvements are intended to demonstrate ability to improve economic results, by some combination of:

- ▶ Increase revenue by making the course more attractive overall and in the marketplace.
- ▶ Improving efficiency of maintenance and operations (and perhaps decreasing costs without affecting the existing or proposed Market Position).

## GENERAL CONDITIONS

During the NGF team's site visit in February 2019, we found that course conditions were poor, with partial turf loss on greens, hard crusty bunkers, drainage problems throughout, and an irrigation system that doesn't keep up with demand in hot summer months to keep the course green. This finding should not be surprising, because in addition to failing infrastructure, annual maintenance expenditures total only about \$350,000, plus labor, for the 27 holes. This would be a low figure for Texas courses even if the facility was only 18 holes.



*An example of a green with bare spots due to disease and poor drainage.*



*An example of the poorly edged and maintained sand bunkers at Tony Butler.*

## DESIGN EVALUATION AND CURRENT CONDITIONS ASSESSMENT

A design component evaluation includes a look at Routing, Infrastructure and Features (often, but not always, one and the same and Safety Issues (if any). Below is the architect's assessment of Tony Butler Golf Course. **Note:** Comments in **red** apply to holes #1 through #18; comments in **blue** apply to holes #19 through #27.

### Routing

Routing is the footprint or floorplan of the golf course, and few good courses are poorly routed. Re-routing can add significant cost to a renovation. However, while rebuilding in place saves some infrastructure and trees, re-routing can sometimes be the only way to solve basic problems of a golf course (e.g., safety issues, lack of interest, pace of play issues).

A “good routing” is, in short, a golf course with 18 good holes - one where the routing, design features and infrastructure follow well established design principles to create functional holes and provide some (if not high) measures of challenge, fun, and memorability. The qualities that usually stem from these routing attributes are (comments related specifically to TBGC are in red):

- ▶ **Par** – Regulation 18-hole course plays to par of 70-72 for men and women.  
(Tony Butler par is 71, which is acceptable. Some golfers prefer par-72).
- ▶ **Length** - From proper tee, all golfers can hit greens in regulation.  
Current length tops out at 6,320 yards, with additional tees at 5,871 yards and 5,113 yards. The back-tee length is good for about 75% of golfers, but the most forward tee should accommodate golfers that hit tee shots under 150 yards and be 4,400 yards or less.  
Length is 2,881 yards, with additional tees at 2,467 yards. This is even shorter than the 18-hole course and primarily attractive to seniors, juniors and beginners. Potential consideration should be given to adding a forward tee at about 1,800 yards.
- ▶ **Width** - Wide corridors facilitate “find it, hit it again play”.  
As an older course, TBGC is somewhat, but not impossibly, narrow. (Holes 19-27 are even tighter than the main 18 holes.
- ▶ **Playable by all golfers** - With design interest for all, no forced carries.  
With only a few forced carries, TBGC is very playable. Excessive green contours are the biggest playability issue.  
Only #23 and #27 feature forced carries, so course is very playable, though excessively small greens are difficult to hit.
- ▶ **Visibility of targets** - For strategy, safety, comfort in shot planning.  
Only #5 plays truly blind, though there is a water hazard on #17 that is hidden.  
Most targets and hazards are at least partially visible.
- ▶ **Safety** - Few errant shots hitting golfers or outside property.  
Many tees and greens are too closely spaced by modern standards. There are few reported incidents, so we deem safety as adequate.  
In general, as the oldest holes on the course, the spacing is the tightest and, nominally, the least safe. Any road crossing is negative to a degree for golfers, and they must cross the entry road going from hole 23-24.

- ▶ **Use of natural topography** - The charm of golf design; graceful, not awkward.  
Mostly flat, but good use of valleys on holes like #10, #13, #14.
- ▶ **Drains well** - Allows play soon after all but very heavy rains.  
Entire 27 holes mostly flat and poorly drained; a big problem affecting course perception, capacity and demand.
- ▶ **Presents receptive targets** - Targets hold good shots, direct away from hazards.  
TBGC greens are consistently too small to be attainable targets for public course golfers.
- ▶ **Good circulation / Speed of play** - Holes arranged to facilitate fast play.  
Numerous re-routings have resulted in a few long walks that slow play, such as from holes #7 to #8, #8-9, and #11-12. Also, #5 to #6 tee and #16 to 17 tee involve walking back into play, which always slows play, waiting for golfers to clear.  
The nine holes are very compact other than the road crossing. The walk back from #25 green to #26 tee, imposed on an earlier re-routing, is the biggest problem. Accessing the back tee on hole #21 is difficult, but it is probably not used as much as the easier to access main tee.
- ▶ **Good sun orientation** - Rarely play into blinding sun.  
With the clubhouse on the east side of the property, the course rarely plays into the sun, with hole #12 perhaps being the biggest problem. #25 and #26 have late afternoon sun issues.
- ▶ **Variety and Balance** - Of hole pars, lengths, wind directions and difficulty.  
Tony Butler Golf Course has:
  - Excellent variety of hole direction and wind challenge
  - Poor variety in fairway width, green size and contour and hazards
  - #19 - #27 are nondescript holes with little design variety

## Design Features and Infrastructure Assessment

Poor conditions are overwhelmingly a function of a superintendent not having the proper tools (or budget) to maintain a course to modern standards. While golf courses seem “natural,” they are as constructed as any building or road, and require capital expenditure to maintain functionality and appearance. Sometimes, the role of the course or design styles change due to tastes or new technology. Often, their slow deterioration is masked by maturing landscapes and turf, as well as determined efforts by great superintendents.

The American Society of Golf Course Architects (of which Mr. Brauer is a member and past president) and the United States Golf Association Green Section (the leader in golf course turf maintenance research) combined to produce and periodically update generalized guidelines regarding the expected life span of golf course infrastructure. These are shown in the chart in [Appendix D](#) and are based on experience and observations of superintendents and agronomic consultants, and widely confirmed as generally valid.

Eventually, nearly every “built” portion of the golf course (and even natural elements like trees) wears out and must be replaced fully on 20 to 30-year cycles. Deferred investment is often a classic case of “Pay me now or pay me (more) later.” Perhaps much more. And, like at Tony Butler Golf Course, it usually causes course conditions to decline, maintenance costs to increase, and revenues and profitability decrease.

That said, in the NGF team’s experience and observation, many (if not most) public and moderate fee courses extend the service life of their infrastructure beyond 25-30 years noted below out of financial

necessity. In that regard, Tony Butler Golf Course is not alone. ***However, eventually, even the best built infrastructure will fail to the point where deteriorating conditions lead to extremely inefficient maintenance and a consistent pattern of declining consumer demand. We believe this to be the case at TBGC, and it is borne out by the golfer survey finding.***

Based on the ASGCA-USGA Lifecycle chart and NGF's / Jeff Brauer's "eye test", we believe that Tony Butler Golf Course finds itself in the position of needing to replace nearly all its infrastructure just to survive and to remain in business with a functioning golf course. Due to age, poor or substandard construction methods and lack of capital spending on the course itself, nearly everything needs replacement, as they have outlived their "shelf life."

TBGC has been affected by a "slow motion" turf disaster, with issues seemingly accelerating beginning in about 2014, with consecutive years of above normal annual rains, causing turf, including all important greens, to deteriorate, in turn causing reduced course image/perception and coinciding with the onset of lost revenues.

Our evaluation briefly covers major golf course infrastructure components, including:

- ▶ Irrigation
- ▶ Greens, Tees, Fairway, Sand Bunkers, Roughs (features and infrastructure)
- ▶ Cart Path
- ▶ Drainage
- ▶ Turf

### **Irrigation**

The irrigation system is nearing the end of the normal lifespan, as evidenced by several leaks per week, and requires full replacement. The superintendent reports using two full time crew members just to fix leaks. An old saying goes, "if you spend more time/effort fixing the irrigation than running it, it's time for replacement."

### **Greens**

Greens are the most important feature to golfers, who are much more forgiving about the condition level of all other golf course components. ***Greens need to be reconstructed, and the NGF team does not believe that any intermediary measures will be effective in more than nominally improving playing conditions.*** Whether built in 1926, 1958, or 1974, greens at TBGC were built using the old-style topsoil "push up" method, rather than modern sand-based methods that have been standard in golf course construction (in many modified forms) since their introduction in 1968. The course's 1974 greens used topsoil construction, probably for consistency or cost reasons, or because of hesitancy to use then new methods. The greens at Tony Butler have several functional deficiencies, many common to older greens:

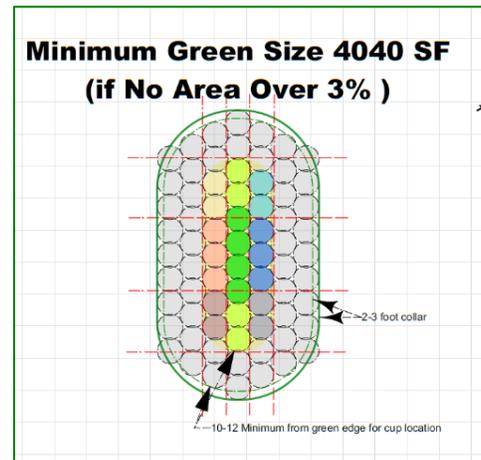
- ▶ Soil - Topsoil greens, especially with the clay content in Harlingen area soils, have proven prone to compaction and poor drainage at Tony Butler Golf Course. While some old, northeast country clubs do survive long term with topsoil push up greens, they have cooler climate and lower play.
- ▶ Drainage - There is no subsurface drainage to assist in moving water off the greens.
- ▶ Slopes - Older greens were designed when putting speeds were slower, and often have too much slope. This shows up at Tony Butler Golf Course especially when dormant in busy winter months. When the increased speed makes putting difficult and sometimes, the greens don't hold well at all.
- ▶ Turf Type - When built, 328 Bermuda was among the best turf for greens, but is now considered outdated as other turfs have finer blades, ability to be cut lower and smoother, etc. On the 9-hole course, a Zoysia variety was introduced in about 2016, but has never proven

practical. The greens are now a mix of the intended grass type, with infestations of both *Poa Annua* (considered a weed, but quite common) and common Bermuda creeping in from the edges.

- ▶ **Size** – Greens need a minimum of a least 4,040 s.f. in order to adequately move pins around to distribute wear and allow turf recovery in the 5-foot circle around the previous cup. (This presumes all areas under 3% slopes and no ridges or mounds in the surface)

Play levels, turf type, soil compaction, and aggressive maintenance regimens affect recovery time, but it takes 14 -21 days recovery time before re-using a cup location.

Typically, low play/highly maintained private clubs use 14 days, while high play/lower maintenance public courses like Tony Butler Golf Course need closer to 21 days. Most likely, due to low budgets and irregular fertilization, Tony Butler Golf Course probably requires a 21-day cup rotation system, even after renovation.



In reality, most courses have larger greens, allowing some steeper non-cupping areas for putting interest and aesthetics. We recommend public courses have greens averaging absolute minimum green size of 5,750 s.f. with an average green size of 6,000 - 6,500 s.f. (The latter is ideal, the former often forced by budget concerns.) Greens are occasionally even larger for design interest, but 6,500 s.f. is adequate for maintenance, without incrementally adding construction and annual maintenance costs.

The largest green we saw at Tony Butler Golf Course was the 13<sup>th</sup> which we measured at 4,800 s.f. Most others were near or below the minimum size and should be enlarged, which would improve condition and make greens more playable in the area's prevailing winds.

### Fairways and Drainage

Tony Butler's builders, as is common with courses of earlier eras, didn't do much earthmoving except to build tees, greens, and bunkers. As a mostly flat course, this has left several areas with poor drainage. Attempts have been made to drain fairways using ditches, which in most cases don't have enough surface pitch to be effective.

Catch basins and pipes are more effective at draining flat areas, mostly because pipes can flow at as little as 0.25%, depending on pipe size. They do need an outlet, but the occasional valleys on the course and nearby Arroyo Colorado are well below the typical fairway allowing pipes a place to outlet.

We believe the ideal solution at Tony Butler Golf Course would be to regrade fairway/rough areas to 2.5-3% minimum and install a series of basins in the low spots. The perfect opportunity to install such a system is just before installing new irrigation, because drain pipes must run at strict grades, while irrigation is under pressure and can be installed at variable depth.

While Harlingen averages only about 3 days of precipitation per month, and about 70 rounds per day, there is potential to recoup a significant number of lost rounds with improved drainage. The number depends on how long after a rain it takes to open fairways now, and assumes nearly immediate re-opening when rain stops in the future. As an example, adding 2,000 rounds annually at an average revenue per round of \$25 would produce about \$50,000 in incremental gross revenue.

We note that TBGC's play dropped significantly in 2014 after four years of higher than normal rains and, presumably, poor drainage and overall conditions. It seems that many regular players may have abandoned the course altogether, significantly affecting revenues. Drainage correction should help bring some of the lost market share back.

Finally, fairway grass is currently common Bermuda and weeds. Re-grading and re-grassing fairway areas allows an upgrade to better turf, such as 419 Bermuda, which would reduce the amount of common Bermuda tracked on the greens and improve TBGC's image.

## Roughs

The NGF team does not envision a total redo of roughs, and leaving outer rough as common Bermuda is typical at many public courses. It is a thinner turf, making it easier to play out of for average golfers. Persistent weeds can be handled agronomically via regular spraying.

## Sand Bunkers

Tony Butler Golf Course has about 20,000 s.f. of sand bunkers, which is a proper amount for this type course. However, they are in poor condition and most bunker edges are not maintained crisply. As noted in the life cycle chart, the tile and drainage in unlined sand bunkers functions for only 5-7 years before sand becomes contaminated and crusty.

There is growing golfer demand for better maintained sand bunkers, and low tolerance for poorly maintained sand bunkers, even at modest public courses like Tony Butler. Better bunkers should make TBGC more marketable, resulting in additional rounds and revenue. *To meet current standards, the City should upgrade the bunkers with:*

- ▶ **Improved Design** – Bunkers need better aesthetics, locations and character to be appealing.
- ▶ **Drainage** – Currently have no tile drainage but are built to hold water. We recommend a herringbone pattern of 4" perforated drain tile in the bunker bottoms. Exit pipes should be 6" to increase capacity (at minimal cost increase) and because they can be laid at flatter grades and still maintain flow.
- ▶ **Improve Sand Quality** – Quality bunkers require good size, texture and color.
  - **Size** – Larger particle size aids in keeping sand in bunkers in South Texas winds.
  - **Texture** - Angular particles reduce buried lies; rounded particles cause them.
  - **Color** - Golfers prefer white sand over buff, but it tends to cost over \$100 per ton, making it impractical at budget courses.

Tony Butler Golf Course uses topdressing sand from sources near San Antonio and at semi reasonable price of about \$62.50 to \$65 per ton. It has an acceptable (when clean and new) buff color. Maintaining color will require bunker liners (see below)

With about 20,000 s.f. of sand bunkers, total sand replacement in existing bunkers would cost less than \$2.00 per s.f., or \$40,000 if placed with in-house crew.

- ▶ **Liners** – Placing sand directly on clay soils makes bunkers deteriorate quickly. Bunker liners:
  - Reduce sand contamination from rocks and clay below.
  - Maintain sand color and drainage.
  - Hold sand up on banks after rain storms, reducing unscheduled shoveling.
  - Extend bunker life span from about 5 years to about 12 to 15 years.



Sand bunker liners are now (or soon will be) nearly standard even on modestly priced public courses and can be instrumental to effectively competing for golfers. *Given this trend, most courses we work for place sand bunker reconstruction as one of their top renovation priorities (after irrigation, and sometimes even before greens).*

Liners can nearly pay for themselves in maintenance savings (especially on courses like TBGC that have budget constraints, making sand bunkers a lower priority due to limited funds and manpower.

Recommending a specific liner is beyond the scope of this report and would require research of specific conditions, input from the superintendent, etc. The good news is that since 2018, with more competition, price wars made prices either stable or lower, making installation more easily justified. However, installers are currently busy and rarely take small jobs, suggesting completion of all bunkers at once. (There are now dozens of bunker liner systems on the market).

As noted, Tony Butler has about 20,000 s.f. of sand bunkers on its 18-hole course. Improving bunkers would cost, on a square foot basis, about:

- ▶ Liners - \$1.25 - \$3.50
- ▶ 4” perforated drain tile drainage – \$0.40
- ▶ Bunker floor preparation – \$1.25
- ▶ Sand purchase - \$1.80
- ▶ Sand Placement - \$1.00
- ▶ Re-shaping- \$1.50

For a total of \$5.75 to \$9.50 per s.f., bringing total estimated installation cost to between \$120,000 and \$200,000. Reshaping is somewhat elective, but we recommend some redesign and reshaping for a variety of benefits, including making holes easier, speeding play, softening steep slopes prone to wash, and improving aesthetics.

### **Cart Paths**

The cart paths are constructed of concrete and appear to be in pretty good shape overall; however, they are only 5 feet wide. Industry standards (set by the need to be wider than a golf cart for circulation ease, and to get a pickup truck around the course) are at least 7 feet wide, and preferably 8, with 10-12 feet wide at greens and tees to allow two-way traffic. 100 linear feet (l.f.) of curbs at each green and tee are also beneficial.

The paths are for the most part, well located. It would be most feasible to simply increase their width by pouring 3-6 feet paths parallel to and tied into the existing paths, with perhaps only 10-20% needing either repair or relocation. Concrete cart paths tend to cost \$4 to \$4.50 per s.f. Much of the variation depends on project size and difficulty of access in renovations. Curbs tend to cost \$5-7 per l.f.

### **Design Features and Infrastructure Summary**

For all courses, infrastructure rebuilding is eventually required. It is not a question of if, but how much, when and how. For Tony Butler Golf Course, rebuilding just about all infrastructure. After a renovation, the “Life Cycle” chart may provide the impression that the course is “set” for 25 years. However, even new or newly renovated courses will have ongoing improvement needs. NGF recommends all golf courses have a “capital asset replacement fund”, with annual contributions equivalent to at least ±5% of gross revenues (more if money can be spared). Though the fund may not accumulate enough to pay for the entirety of future capital needs, it should be sufficient to finance smaller in-house capital projects, equipment purchases, etc.

## AGRONOMIC ISSUES

NGF's golfer surveys continually show that golfers rate "conditioning" (especially greens) as the key factor in selecting a course to play. Therefore, every factor relating to good maintenance is important to a golf course's future success. In short, good conditioning = increased revenues, and bad conditions = poor and declining revenues, with losses adding up quickly. NGF believes that the City has a very qualified superintendent in place at Tony Butler. However, some basic agronomy issues exist.

### Greens Turf

The primary cause of turf loss on greens at TBGC (#1 - #18) appears to be nematodes and brown patch. Both are increased risks on clay soils used to build the greens, especially in years of heavier rain. Soil tests were used to determine the problem, and appropriate fungicides like Indemnify and pesticides applied to diminish the problem. *Turf has somewhat recovered but remained patchy during the NGF team's visit.*

### Infrastructure

As noted above, your infrastructure would keep the best superintendent from having great results. Until it is replaced, meaningfully improving the conditioning will be difficult or impossible.

### Budget

Though there are many variables (e.g., nature of site, maintained acreage, market position) that go into establishing an appropriate budget for a golf course, the NGF team believes the a total maintenance budget of about \$625,000 for the 27-hole Tony Butler under a public labor structure is insufficient, especially given the age and condition of all major infrastructure. Thus, we *believe the current superintendent is doing an excellent job given the nature of the site and available resources.*

### Equipment Replacement Scheduling

The City deserves credit for recognizing the importance of maintenance equipment and giving the superintendent at TBGC a good fleet. Old equipment by itself can be a direct cause of maintenance problems and diminished course conditions. It appears that at Tony Butler Golf Course, new equipment is being purchased in large batches every 5-6 years. The 12-month season in Harlingen shortens equipment life spans. Here, most mowing equipment has a useful life of 5-7 years, or possibly 8-9 years if the facility has excellent mechanics. We recommend a formal equipment replacement plan to complement the current replacement schedule, starting with an equipment inventory and analysis of age, condition, total running hours, maintenance and repair history, and current needed repairs to determine its probable replacement date to create your basic plan to have reliable pieces of equipment needed before they die.

Each piece of equipment can be rated, using a 1 to 4 rating system:

- ▶ New equipment (1-2 years) in near new condition.
- ▶ Excellent condition, with 3-5 more years of useful life with proper maintenance.
- ▶ Some repairs needed, but if done the useful life will be 3 years or more.
- ▶ Worn out, and the cost to repair does not make financial sense; replacement is recommended as soon as possible.

The type of repairs required make a difference between a 2 and 3 rating. For example, a self-contained rough mower needing a new \$5,000 mowing deck would rate 2, while one with engine or hydraulics problems would rate 3. Non-engine repairs to extend service life are no-brainers. Equipment continues to increase in cost at a higher rate than general inflation, so it is good that the City's current lease replacement cycle brings new equipment in October 2019.

## Soils and Turf

One problem at TBGC is the high pH of the irrigation water and, in all probability, naturally calcium carbonate-rich soils in an arid or dry environment. These conditions are fairly typical in the Rio Grande Valley and much of the western US. The superintendent reports pH at about 8, with 7 being neutral, and most turf and plants growing best somewhere near that range, i.e. from 6.0 to 7.2.

High pH often limits the availability of both irrigation water and many plant nutrients in soils, including elements like Phosphorous, iron, zinc, copper, and manganese. There are treatments including gypsum or sulfuric acid. A new irrigation system at TBGC can be equipped with tanks to allow application via watering. Another solution, providing new irrigation capacity is adequate, is repeated irrigation for soil leaching. This is best, obviously if using treated or city water of lower pH itself. In extreme cases, courses have installed either extensive subsurface tile drainage to aid leaching, or imported improved soils for fairway, greens and tees.

The actual program should be determined by continued soil testing and, generally, courses in this situation find it to be an ongoing battle. It is difficult to assign a dollar value to skipping necessary operations, and the value of improvements listed above.

## COURSE IMPROVEMENT CONSIDERATIONS & NGF RECOMMENDATION

In reviewing the course, it is clear that Tony Butler Golf Course has exceeded the life span of its infrastructure, deteriorated in maintenance, and is of marginal design quality compared to other courses in the market. Additionally, our finding is that fixing only a few problem areas vs. undertaking total program would yield much less value and improvement for money spent.

### Approaches to Major Golf Course Improvements

Undertaking major golf facility renovations can be daunting, and the decisions related to how to go about them (i.e., scope, sequence, priority, etc.) confusing. Based on the NGF team's experience, there are three broad approaches to golf course renovations:

- ▶ **Critical Needs Replacement** – Many courses pay for improvements only when absolutely necessary, through a “band-aid” or “triage” approach based on funding availability. Lowest cost is the obvious attraction of this approach but, at some point, fix as you go turns into “pay me a little now, or much more later.” Extensive experience tells us that finding one old green dying or irrigation part not working invariably leads to other repair needs surfacing soon, especially where problems of substandard initial construction quality have been compounded by long term deferred investment. This “strategy” often involves in house projects to fix broken physical plant just so it can function; examples include replacing bunker sand, re-seeding/sodding dead turf areas, correcting minor drainage problems with 4” tiles, fixing broken paths, replacing worn out sprinklers and pump station components, etc. as they occur.
- ▶ **Replace and/or Upgrade Infrastructure** – This strategy focuses on extensive improvements to replace failing or obsolete infrastructure, such as irrigation system, greens, drainage, cart paths, bunkers, etc. Depending on funding availability, renovations may comprise few, if any, design changes. In addition to making maintenance much more efficient, infrastructure improvements generally elevate the golfer experience and course reputation, resulting in higher market share and revenues. A comprehensive infrastructure upgrade at Tony Butler Golf Course will allow:

- Dramatic increase in maintenance standards.
  - More efficient maintenance, thus stretching the budget (though NGF would recommend increasing the budget to best maintain new infrastructure and get the most out of the investment).
  - Higher demand as a result of better maintenance conditions.
  - Better turf and sand bunkers, specifically addressing golfers’ biggest complaints.
  - Resets the renovation clock to perhaps 25 years or more.
- ▶ **Transformational Design Changes** – These are course improvements that golfers see directly, and which offer them a much higher level of new beauty, interest, challenges and experience. NGF has seen a wave of these transformational golf course improvements across the U.S. as a strategy to not only remain competitive but to also go a step further and provide clear differentiation with other golf courses in a given market. Adding redesign elements to a renovation of Tony Butler Golf Course will allow:
- Dramatic aesthetic upgrade to a modern, appealing look.
  - Solving playability problems, like greens that don’t hold.
  - Improve its competitive stature in the local, regional and Winter Texan Markets.
  - If desired, to move up a niche in the public market, raise fees, etc.
  - Allow rebranding to the “new” Tony Butler Golf Course

### **NGF Recommendation**

**Note:** In light of City funding constraints conveyed to NGF and the relatively light use of the 9-hole course, the recommendations that follow focus on the Tony Butler 18-hole course.

Most of the TBGC infrastructure was built to low quality standards and is failing. At this point, “patching” becomes ineffective and total replacement is required. The NGF team believes that reconstruction of golf course infrastructure to modern standards is “mission critical” to Tony Butler remaining viable as a golf course. Attempting to continue to address issues via a “triage” strategy will result in continuing declines in rounds and revenues which, when combined with rising labor expenses and stagnant overall budgets, may lead the golf course into a “death spiral”. We recommend replacing and/or upgrading all major infrastructure components, including greens, irrigation system, bunkers, drainage, and tees. Doing so should make maintenance much more efficient and greatly enhance the golfer experience and marketability of Tony Butler, resulting in higher rounds played and revenues.

Because Tony Butler has such comprehensive capital infrastructure needs, it is difficult to “prioritize” the improvements. However, given the City’s stated funding constraints, NGF has attempted to do so, as illustrated in the table below. The top part of the table below an improvement scenario where major infrastructure components of the 18-hole course – greens, irrigation system, bunkers, drainage, etc. – are essentially rebuilt in place, with little or no change to design elements. Preliminary cost estimates are based on Mr. Brauer’s recent experience in Texas, as well as construction numbers provided to NGF by the City of Ft. Worth for their reconstruction of 18-hole Rockwood GC (summary case study below), adjusted for several years of inflation.

<b>Tony Butler GC - 18-Hole Course</b>				
<b>Priority Items - Infrastructure Only (Replace, upgrade, but no redesign)</b>				
<b>Item</b>	<b>QTY.</b>	<b>UNIT</b>	<b>PER UNIT</b>	<b>EST. COST</b>
<b>Greens - New Soil, Drainage, Turf</b>	20.0	EA	\$37,500	\$750,000
<b>Tees - No Work</b>	-	EA	-	-
<b>Bunkers - New Sand, Drains, Line only</b>	25,000.00	SF	\$4.75	\$118,750
<b>Fairway Grading, Drainage, and New Turf</b>	19.0	EA	\$32,500	\$617,500
<b>New Irrigation</b>	19.0	EA	\$75,000	\$1,425,000
<b>Repair Paths - No New</b>	10,000.00	LF	\$5.00	\$50,000
<b>Priority Infrastructure Subtotal</b>				<b>\$2,961,250</b>
Design & Soft Costs @ 10%				\$296,125
Contingency @ 10%				\$296,125
Maturation/Grow-In @ 5%				\$148,063
<b>Priority Infrastructure Fix Total</b>				<b>\$3,701,563</b>
<b>Transformational Redesign Elements (additional to infrastructure)</b>				
Assumes partial rerouting, longer course, larger range and full rebuild to more upscale course				
<b>Item</b>	<b>QTY.</b>	<b>UNIT</b>	<b>PER UNIT</b>	<b>EST. COST</b>
<b>Redesign, Enlarge Green Complexes</b>	20.0	EA	\$40,000	\$800,000
<b>Tees (Add forward, enlarge middle)</b>	18.0	EA	\$20,000	\$360,000
<b>Redesign, Enlarge Bunkers</b>	25,000.00	SF	\$6.00	\$150,000
<b>Fairway Redesign (8% Added Length)</b>	18.0	EA	\$3,200	\$57,600
<b>New Irrigation (8% Added Length)</b>	18.0	EA	\$6,460	\$116,280
<b>Enlarge Practice Range</b>	1.0	EA	\$250,000	\$250,000
<b>Short Game Practice</b>	1.0	EA	\$125,000	\$125,000
<b>Widen &amp; New Cart Paths</b>	180,000.00	LF	\$4.25	\$765,000
<b>Transformative Renovation Additional Cost</b>				<b>\$2,623,880</b>
Design & Soft Costs			10% of Total	\$262,388
Contingency			10% of Total	\$262,388
Maturation/Grow-In			5% of Total	\$131,194
<b>Redesign/Transformation Total</b>				<b>\$3,279,850</b>
<b>Project Total</b>				<b>\$6,981,413</b>
<b>Note:</b> Assumes 2-Phase Project, with 9 holes completed at a time.				

The lower part of the table shows the incremental costs associated with undertaking a “transformational” renovation and redesign of the 18-hole course. The NGF team believes that the current critical need to replace course infrastructure provides a unique opportunity to concurrently improve course design elements with the goal of attaining the maximum benefit in terms of marketability and long-term sustainability of TBGC. At Tony Butler, these “transformational” design improvements would include elements such as improving aesthetics, enlarging greens, lengthening the course to ±6,800 yards from the back tees, adding new forward tees, and possible rerouting of some holes (especially if City decides to free up some land for potential private development where holes #19 through #24 sit).



TBGC currently (left) and an example of what a transformational renovation with redesign might look like.

We understand that large-scale renovations can be difficult financially for many municipalities. However, NGF does not see a viable alternative to, at minimum, addressing the comprehensive infrastructure needs at TBGC. Making concurrent design improvements to the “top” of the golf course where golfers see change will be at the lowest cost that will ever be available to the City given “economies of scale” in bigger renovations. *Experience in previous renovations strongly suggests that design changes in both playability and aesthetics should help TBGC to experience the maximum impact in terms of increases to rounds demand, average green fee price point (assuming other factors, such as strong customer service, appropriate marketing budget and strategies, etc.), revenues, and the ability to “rebrand” Tony Butler Golf Course.* Some of these positive results would be significantly less with a critical infrastructure-only renovation project. ***However, because of the potential significant additional debt the City may have to take on to fund the more intensive renovation, the overall financial improvement – after annual debt service – may not be better than with the infrastructure-only renovation, at least during the years in which the debt is being paid off.***

### **City of Ft. Worth, TX – Rockwood Golf Course Renovation**

The City of Ft. Worth’s recent renovation of its Rockwood Golf Course provides a case study of a transformative municipal golf facility renovation that has paid major dividends for the municipality. Rockwood reopened in June 2017 after an extensive renovation (total cost ~\$5.0 million) that comprised a total rebuild (greens, tees, Better Billy bunkers, drainage, fairways) and redesign (John Colligan, ASGCA), including new routing, water features, native areas, cart paths, and lengthening the golf course from about 6,300 yards to more than 7,000 yards. The course is now challenging for lower handicap golfers (one of the goals of the city was to be able to attract events such as regional qualifiers), but very playable for less skilled players (for example, the few forced carries are all from the back tee).

Construction was funded through a combination of gas well revenues and a City General Obligation Bond issue. Around the same time as the renovation, the City opted to change the accounting of its four-facility municipal golf system from Enterprise Fund to Special Revenue Fund, in light of continued subsidies and the fund balance being “hopelessly in the red”. Ironically, the system now generates a small profit thanks to the turnaround at Rockwood (more below).

There are many similarities between Rockwood in its former state and Tony Butler, beyond sharing original designer John Bredemus. For example, the two courses shared nearly identical back tee length, at right around 6,300 yards. Additionally, each suffered failing infrastructure, single-row irrigation, terrible drainage, push-up greens construction, and rapidly declining rounds and revenues. Finally, the pre-renovation green fee pricing at Rockwood and the current pricing at TBGC are very similar, and each is located in a price-sensitive golf market.

Ft. Worth’s Assistant Director of Parks and Recreation, Nancy Bunton, (ironically, a former head professional at Tony Butler GC in the early 1980s when, as she describes, Tony Butler was “a factory for turning out golf rounds”) provided ‘before’ (FY 15) and ‘after’ (FY 18) financial results for Rockwood. The results (albeit early) are extremely positive, as the table below summarizes. Rounds have increased by about 56%, from just under 26,000 rounds to more than 40,000. Gross revenues increased by a remarkable 142%, while a net *loss* of **(\$232,000)** turned into a net *profit* of \$463,000, a net positive turnaround of about \$695,000 despite the expense budget rising by 31% in order to maintain a much higher quality standard at Rockwood.

Rockwood GC “Before and After”		
	2018	2015
Revenues	\$1,673,495	\$692,195
Expenditures	\$1,210,745	\$924,330
Gain/(Loss)	\$462,750	(\$232,135)
Rounds	40,158	25,802

Early analysis of the tee sheets from the POS system revealed that about 25% of players after reopening were new to Rockwood, meaning the golf course had become a ‘must play’ in the market. The City approved higher rates for Rockwood (up to \$50 with cart weekdays and \$60 weekends), but City golf staff opted to be more conservative, as the before and after fees below show. In any event, the facility has significantly increased its average daily rate (ADR, representing actual green/cart fee revenue per round), despite the price-sensitive nature of the market. The City has issued a new \$7.5 million bond to pay for a new clubhouse and improvements to the maintenance compound at Rockwood.

Weekday/Weekend & Holidays Rates								
	Regular	Twilight	Sundown	Senior	Junior	9-Hole	18-holes ½ cart	9-holes ½ cart
RW 2015	\$17 / \$21	\$12 / \$16	\$10 / \$11	\$12 / \$12	\$10	\$11 / \$13	\$14	N/A
RW 2018	\$29 / \$40	\$22 / \$30	\$15 / \$21	\$20 / \$20	\$20	\$14 / \$17	\$15	\$7.50
Weekday - Monday through Friday								
Saturday/Sunday/Holiday								

### Other Capital Needs

In addition to the extensive golf course infrastructure improvement needs, TBGC has some other short-term capital needs related to buildings and maintenance equipment. For example, while we are told that the maintenance and cart storage building are both structurally sound in terms of I-beams, slabs, etc., they both require roof repairs to fix leaks. Also, the superintendent indicated that the maintenance building could use another overhead door on the south side to improve air circulation. Also, lighting needs to be added and enhanced in the building.

In terms of golf course maintenance equipment, we noted that TBGC is on a 6-year lease replacement cycle, and that the new package is due in October 2019. To get the most out of current equipment, 5-year old greensmowers will be converted to tee mowers (currently 10 years-old); also, the 5-year old fairway mowers and the spray rig are adequate. However, the superintendent does have needs in addition to the equipment that will come in October. For instance, the mechanic’s efficiency in repairs to heavy equipment would be greatly enhanced with the addition of a hydraulic lift. Additional needs include at least one Bedknife grinder and a ProGator Utility Vehicle.

## DESIGN CONSIDERATIONS

In the context of a potential total renovation of TBGC, we highlight the following key design considerations, supplemental to basic infrastructure improvements:

### Aesthetic Appeal

Give the course some visual “flair” – perhaps even a signature hole - that can help it stand out from competitors and sell more rounds.

### Course Length

As noted previously, there is a significant segment of amateur golfers that prefers to play at or over 6,600 yards for par 71 (and 6,750 – 6,800 yards for par 72). Thus, adding **additional back tee length should open up TBGC to a broader market.**

In terms of TBGC’s forward tees, the aging of the golf population, the “*Play it Forward*” and “*Proportional Length/Tee Equity*” movement and the new *Longleaf Initiative by ASGCA* all advocate for **shorter** courses for everyday play. The idea is that from all middle and forward tees, **good**, but **shorter** players should be able to hit (nearly) every green, *ideally* using similar clubs as longer hitters. The Tony Butler 18H course will be more fun and play faster (for all) if course lengths are reorganized along these principles and more players are making more pars (or birdie). The shorter tees will also make the 18H course more female-friendly.

Thus, for Tony Butler we recommend:

- ▶ Expanding to five tees per hole, ranging from about 4,300 yards on the most forward tees to about 6,800 yards to 6,900 yards on the back tees.
- ▶ Adding a 6<sup>th</sup> tee playing to about 3,400 yards as a level pad in fairway to accommodate juniors.
- ▶ Make individual holes play to lengths proportional to tee shot distance; i.e., 170 is 65% of 260, so most holes should be 65% of back tee length from the traditional white tees.
- ▶ Proportionally size tees to amount of play expected to distribute wear.

### Irrigation Coverage

As an older course, Tony Butler Golf Course is typical in having had only double- row irrigation, which results in fairway corridors that are too narrow. Since the course needs a new irrigation system, we recommend at least a *triple-row system* to allow more mowed turf for easier play.

### Drainage

One of the biggest issues at TBGC. Turf, reputation and revenues suffer on a poorly drained course. Soggy low areas should be avoided in any re-design. TBGC will require regrading to minimum 2.5-3% slope in play areas, with an extensive system of pipes and 3-10 catch basins per to drain effectively. (See *Drainage* in Feature Evaluation for more details).

### Green Size

In any rebuild, greens need to be enlarged for both maintenance and better playability (see Greens in the Features Evaluation) to at least 5,750 s.f. minimum to make play easier on average golfers, with 6,000 to 6,500 s.f. being a better average size. In addition, greens should slope up at about 2% to golfers to help hold shots and be gently concave near the front to direct shots back to the middle of the green.

## **Circulation/Speed of Play**

If there is any re-routing, it should eliminate the long walks and walk backs between holes as much as possible, keep tees and greens reasonably close together and use other routing and feature design techniques known to positively affect pace of play at public golf courses.

## **RENOVATION IMPLEMENTATION**

Assuming acceptance of the general direction of a major renovation, “what, when and how” becomes the next questions. There are three basic approaches to a major course renovation for the 18-hole golf course at TBGC:

- ▶ Single Phase/Complete Renovation
- ▶ Two-Year Renovation
  - Complete 9 holes each in two consecutive years
  - Complete 9 holes each in three consecutive years (for a 27-hole course)
- ▶ Phased Renovation –
  - Mid Term - 6 holes over 3 years, or tackle major areas over 3 to 5 years
  - Long Term Phased Renovation – 1-2 holes (or equivalent) over 9-18 years)

Traditionally, there are advantages and disadvantages to each method. NGF discusses these in [Appendix E](#). Based on our analysis, the NGF team recommends a 2 -year phasing program for TBGC, renovating nine holes per year while leaving 18 holes open for play and maintaining a revenue stream during construction. The short nine would be kept open as part of the 18-hole rotation until the main course is fully complete. At that time, it can be put back in play as a nine-hole course, or possibly be renovated to provide 3 more-or-less equal nines if the City can come up with the necessary funding.

Obviously, any consideration of altering the 9-hole course to free up land for private development that could help fund the renovation of the 18-hole course should be made prior to a final construction plan. Also, we note that the “transformational” renovation has redesign elements – specifically, lengthening the 18-hole golf course, enlarging the driving range, adding a short game practice area – that will require some of the land from holes #19 - #23.

# NGF Operational Recommendations

NGF has focused its operational recommendations for Tony Butler Golf Course on industry ‘best practices’ that, if implemented, should help minimize the annual operating deficit at the club, or at least mitigate the growing deficits somewhat. These are presented below for consideration by the City.

Recommendations are based on the consultants’ experience and expertise, and stem from a limited review of the operation and facilities. We also recognize that some of these items are already being enacted to varying degrees and that administrative and/or other limitations (e.g., staffing, funding) may prevent management from implementing some of these items. Also, the effect of operational improvements such as increased marketing and programming will have much less positive effect if the golf course itself is not significantly improved, as recommended in this report. Even some of the operational recommendations require some investment in additional staffing, as the head golf professional currently has no administrative support and no assistant professional(s).

## MANAGEMENT STRUCTURE

Below are descriptions of the most typical management/operational options for public agency golf courses. In our experience, there is no ideal operating scenario that fits all situations, and each public entity must arrive at its own unique approach to operation and maintenance. The most common management options are shown below (these are not intended to be exhaustive, as there are hybrids and variations thereof).

- ▶ **Self-Operation:** As is the case with the City of Harlingen, the municipality is in direct control of the golf operation and all golf course staff are City employees, with on-site management reporting to a senior City staff member. The primary advantage is direct City control of the operation for maximum benefit to the community, while the potential disadvantages and challenges include the City absorbing the risks associated with low revenue and/or high expense (especially labor), as well as finding and retaining qualified personnel. The City must also fund all capital investment in the facility.
- ▶ **Full-Service Management Contract:** This option involves the municipality hiring a single, independent third-party to manage all aspects of the golf course in exchange for a pre-determined fixed management fee - typically around 4-6% of gross revenue. Increasingly, NGF is seeing management agreements with a lower fixed fee component plus an additional incentive (usually gross or net revenue-based) that allows the operator and municipality to share in the risk of the operation. The municipality earns all revenues, is responsible for all expenses and pays a management fee to an operator. Some advantages to this strategy are a private labor expense structure and the benefit of professional management (plus access to national purchasing and marketing programs if a larger national firm is chosen). The potential disadvantages are some loss of City control and the requirement of the fixed fee compensation, regardless of yearly variations in performance.
- ▶ **Operating Lease:** Some municipalities lease their entire golf facilities to a private operator in exchange for an annual (or monthly / quarterly) lease payment and/or capital improvement considerations. The advantage of this option from the municipality perspective is the avoidance of financial subsidy of the golf course (at least in theory). The key disadvantage for a municipality is that it has very little control on the day-to-day operations, including policies, procedures and fees. However, these agreements can be crafted in such a way so as to preserve some public purpose for the golf facility (e.g., accommodations for local high school teams) and to ensure certain quality and conditions are met by the operator. NGF experience tells us that these agreements, in order to be sustainable through good years and

bad, must be win-win, where the operator has a chance to recoup investment (which reverts to the City at lease end) in the golf course, equipment and structures, *and* make a yearly profit

- ▶ **Concession Agreements:** These are similar to lease agreements and can come in several types or combinations. Concessions may allow a municipality to shift some risk and payroll to one or more private entities. The typical areas of operation for concession agreements include Pro Shop, Food and Beverage, and/or Maintenance and involve the municipality contracting for one, some, or all of these services.

## ADMINISTRATIVE SUPPORT & REPORTING

NGF recommends that the City staff a part-time administrative position / bookkeeper at TBGC. The golf professional reported to NGF that he spends up to 50% of his time, including at least the first few hours of every day, on administrative duties, mostly comprising accounting (deposit, issuing and receiving purchase orders, etc.), reporting, and human resources-related activities. NGF believes that this is time that would be much better spent “meeting and greeting” patrons, as well as marketing the facility, practicing yield management, direct selling (e.g., RV parks), etc.

Following are some NGF best practice recommendations (most of these may already be in place at TBGC) related to recordkeeping and reporting for a municipal golf course:

- ▶ The administrative / accounting position should become educated on all of the business elements and revenue centers of the golf course, and work with the Head Golf Professional and City finance staff ensure a system is in place to properly organize general ledger account codes within the point-of-sale (POS) system to ensure accurate recording and reporting. This should allow reporting and analysis of the operation and its trends to be seamless.
- ▶ Similarly, accurate categorization and recording of all rounds played by type (e.g., member, Golfnow barter, coupon, public, tournament/event) – along with the attendant revenue – will provide an accurate baseline for facility activity levels and per-round revenue center trends, as rounds played are the most fundamental unit of measure at a public golf course.
- ▶ Protocols should be established for recording of transactions; i.e., how member billing and payments are recorded, how inventory is received and expensed, what types of transactions can be put into ‘Customer Clearing’, etc.
- ▶ All staff involved in golf course finances – at both the golf course and the City – should learn the *ForeUp* POS system. NGF suggests a half-day or day-long training session to understand the capabilities, functionalities and utilities of the POS system vis a vis recording of transactions, voiding of transactions, reporting, inventory management, etc. (Ongoing training of golf course staff, as needed, to make sure system is being used correctly).
- ▶ Establish a system for daily reconciliation of revenues, expenses, and bank deposits. (Most modern POS systems allow for customizable end-of-day reports).
- ▶ Create daily, weekly, monthly and annual reporting templates - some with intent of reconciling numbers, others aimed at providing concise and useful ‘at-a-glance’ summaries for City staff and officials. (See sample exhibit in [Appendix G.](#))
- ▶ Ideally reporting to the City will provide baseline measures of how the golf course is performing and trending with respect to key metrics, while also facilitating more informed decision-making by City staff and officials when it comes to funding operational and physical enhancements at the golf course in the future.
- ▶ Most important, the accounting and reporting system should have appropriate protocols, redundancies and safeguards in place to ensure that any discrepancies in numbers between the golf course and the City are minor, detected soon after occurring, and easily reconciled.

**NGF Recommendation:** At least for the short-term, while the City contemplates investing millions of dollars into Tony Butler Golf Course, we recommend continuation of City self-operation, in conjunction with implementation of some of the operational recommendations to follow. We are not confident, given the current physical condition of TBGC, that a professional management company could have enough impact on the net operating results (after management fee and likely staff increases) to justify the change at this time. Should the City undertake the recommended major renovation of the 18-hole golf course, we believe it would then be time to consider issuing a request for proposals for third-party management.

Hiring a highly qualified management company to manage a newly renovated facility should result in labor cost efficiency, even if most or all current employees are retained, though the overall labor budget for the greatly improved golf course should increase to maintain a higher standard of quality. Another consideration for the short to term is to explore interest from private vendors potentially interested in taking on the food & beverage operation at TBGC as a concession. In the body of the report, we showed that the food & beverage operation loses money. A private vendor may be willing to take on the operation for a minimal annual rent obligation.

## MARKETING & PROGRAMMING

Below, NGF offers some ‘best practice’ marketing and programming recommendations for consideration at TBGC. A marketing emphasis is generally critical for a golf course to create awareness, increase activity levels and, in some cases, correct misperceptions in the market. Strategies include advertising to create a brand image and maintain awareness, developing a public relations campaign to tout the high quality of a facility, and increasing utilization of web, print, and yield management strategies. An effective and comprehensive marketing plan incorporates research, planning, strategy, market identification, budget, advertising, timetable, and follow-up, such as tracking to adequately gauge effectiveness of various campaigns and vehicles.

NGF believes that the City of Harlingen and its golf team face a unique challenge trying to build market share with a product that is suffering from infrastructure that is past its useful life and results in an inferior golf experience. As such, the effects of marketing initiatives may be greatly mitigated until the TBGC product is greatly improved.

- ▶ **Marketing Plan and Focus** – Management should, at least every couple of years, produce a Marketing Plan that includes an overview of the prior year, a synopsis of the competitive landscape, proposed rates and programs, and planned marketing strategies. Plans should also include clearly defined goals and a tracking mechanism to gauge the effectiveness of the various strategies and marketing vehicles.
- ▶ **Direct Sales** – Direct selling to recruit and facilitate leagues, golf outings and non-golf events such as corporate meetings, small banquets/ receptions, and events is an important tool for today’s proactive golf operator. These events can provide a supplemental income source, and result from active outreach to local organizations, such as churches, businesses and civic organizations. Building relationships with area lodging properties can also be an effective tool in generating supplemental demand, including small groups. Of course, in the case of TBGC, targeting Winter Texan RV and mobile home parks would be one of the top priorities.
- ▶ **Area Lodging Properties and Convention Center** - Cross-promotions and package deals with area hotels can be an effective tool in generating supplemental demand, including small groups. This may involve allowing for a special rate that can be exclusive to lodging partners, and/or allowing for a longer advance tee time policy for bookings. The new Harlingen Convention Center, which will have a new 150-room Hilton Garden Inn, should also be the target of a formal relationship with TBGC, especially if the golf course undergoes a transformative renovation
- ▶ **Website** – Recommended features for a quality public access facility include electronic tee time booking capability, up-to-date fees, outing / tournament information, calendar of events,

and restaurant and banquet information. For TBGC, the website could be enhanced after a major renovation to include up-to-date photos, public relations releases, testimonials, etc.

- ▶ **Email Database** - Building, maintaining, and actively utilizing an email platform to practice yield management and advertise events, specials, etc. is an effective “best industry practice” for public golf in 2019. E-mail marketing, with the exception of word-of-mouth and free advertising, is the most cost-effective advertising possible. NGF recommends that TBGC staff continue to build its customer email database by soliciting addresses when golfers come into the shop, when they book tee times via phone, and on the website. NGF recommendations for building and utilizing the email database:
  - Emails should routinely be collected during golfer check-in for walk-in golfers. (We have seen placement of an iPad in the golf shop to capture customer emails as an effective tool).
  - Promote periodic green fee and combination specials (e.g., discounted golf + food & beverage) for use during slow demand periods.
- ▶ **Social Media** – In today’s marketing environment, maintaining a strong presence is important but it does require time. At TBGC, we were told that social media posts and email blasts are confined mainly to promoting upcoming events. Ideally, a staff person could assist the golf professional with Facebook updates and establishing a presence on other social media such as Instagram, Twitter, etc.). Also, TBGC has access to local golfer addresses through both EZLinks and ForeUp; these databases should be leveraged at least weekly to provide information or offer specials. An effective way to measure acceptance of promotions is to offer a coupon (with expiration) that can be printed or shown on a smart phone at the golf shop.
- ▶ **Loyalty / Frequent Player Program** - NGF believes TBGC should implement a loyalty/frequent player program, which can be an effective way to increase frequency of play among some customers. These programs involve a low-fee (i.e., \$50 - \$99 annually) or no-fee membership that entitles the holder to green fee and pro shop discounts or allow them to accumulate points that can later be applied toward purchases. NGF generally recommends driving volume by offering discounted green fees through a vehicle such as this, rather than through deeply discounted multi-play packages or ‘coupons’ such as those offered at TBGC.

## Player Development & Programming

Cultivating new golfers is not only key to the future of golf but has also proven to be an immediate generator of revenues for facilities. In fact, PGA of America data shows every new golfer developed could be worth as much as \$250 per year (10 rounds at \$25), and the common successful player development program produces at least 200 new golfers per facility.

NGF has found that the public golf facilities that are most successful tend to be very active in adult player onboarding and development, as well as other “grow-the-game” initiatives. Creative programming is especially effective in onboarding new players from segments (e.g., women, millennials) that represent strong latent demand for the game but that may not prefer to be introduced to the game in traditional ways, such as individual lessons. As staffed at the time of the NGF review, *TBGC was not set up for success with respect to programming*. The head golf professional’s overall facility management duties appear to limit the ability to give lessons or do much other programming, given the lack of administrative support and the fact there are no assistant golf professionals or even contract instructors.

While TBGC has had staffing constraints with respect to establishing active programming, NGF summarizes below some of the industry best practice type recommendations for enhancing player development, onboarding and overall programming once the facility is sufficiently staffed (i.e., with the addition of 1-2 assistant professionals and/or contract instructors).

- ▶ **Junior Golf Program:** As noted earlier, TBGC in the recent past reportedly had a robust junior golf program. NGF considers a very active junior program to be a best practice and a key to success for any public golf course. In addition to offering individual and group lessons and clinics, NGF believes that having programs such as First Tee STEM Links (TBGC has a First Tee Junior Clinic planned for this summer), Drive, Chip & Putt, and PGA Junior League is an integral part of municipal golf.
- ▶ **Increasing Women’s Participation:** Work to increase women’s participation, as females are strongly represented among the latent demand cohort. At present, women account for about 20% of golf participants, but 40% of beginners. There are many reasons why female golf participation is low, but increasing participation from women is one of the keys to maximizing revenue. The most common issues relate to golf course difficulty, retail selection, on-course services (restrooms, drinking fountains), food / beverage selection, and customer service.
  - Both the PGA and NGF have found through experience that adding a food & beverage component to female-oriented programming can significantly improve traction. Most important, it is crucial to listen to what they want and incorporate it into instructions, programming and events.
  - Creating leagues is another effective strategy, as is having a regular calendar of events.
- ▶ **Lessons and ‘Onboarding’:** Operators should work directly with the PGA of America, LPGA, and First Tee on programs that have a proven track record, and how to best implement and promote them. Examples include Get Golf Ready; Drive Chip & Putt; First Tee; PGA Junior League; LPGA-USGA Girl’s Golf; and LPGA’s Teaching Her. Of course, a critical element to success is transitioning new players from learning to playing.
- ▶ **Events:** Creative golf-themed events, on both the golf course and the driving range, are becoming more and more popular with operators looking to make golf more fun for less committed golfers, including many young adults who want their recreation to be ‘experiential’. Examples of actual events that NGF has observed recently include:
  - A weekly 9-hole **Thursday Scramble** that had 13 teams (52 participants) and generated about \$2,500 in direct revenue, plus additional bar revenue before and after the event.
  - **‘Balls & Beers’** at the driving range. Participants pay a small fee for the event, which can feature a keg and unlimited range balls for an hour, with a golf professional providing quick lessons and tips.
  - **‘9 & Wine’** golf training programs for women’s groups are a particularly popular and effective way to engage beginning women golfers and non-golfers.
- ▶ **Millennials / Young Adults:** One of the major initiatives to grow activity that NGF recommends is specialized programming and events aimed at onboarding or simply increasing the patronage of young adults. National NGF research (*Golf & the Millennial Generation*) has shown this to be a key demographic in growing golf activity.

- ▶ **Miscellaneous** - Below are some additional thoughts to increase golf participation through programming.
  - With junior programming, make an effort to get the moms out to the course.
  - Make sure older, used golf equipment is available free of charge for beginners, and possibly for other needy prospects via donation or at a deep price discount.
  - Consider offering reduced fee lessons (perhaps limited to one per person, subsidized by City) for residents as a means of increasing golf participation.
  - Encourage participants to bring a friend.

## STAFFING

NGF believes that the current level of staffing at TBGC - particularly on the operations side – does not “set the facility up for success”. As noted earlier, we believe that the head golf professional would benefit from some administrative support and the addition of at least one assistant professional. Currently, his administrative and reporting duties are taking away from other important areas such as interacting with customers, marketing, programming and selling.

Therefore, we recommend that the City hire part-time administrative/bookkeeping support, as well as at least one full-time Assistant PGA Golf Professional (perhaps with additional part-time apprentice PGA pro). This position would be responsible for instruction, assisting in the pro shop, direct selling (outings, leagues, other non-golf events) and working with the head golf professional to rebuild the Junior Golf Program and introduce other player development/onboarding programs, examples of which were provided above.

## GOLF PLAYING FEES

Based on our assessment of the price/quality proposition that TBGC offers relative to its primary competitors, its rack **daily green fees** seem generally appropriate. NGF does not see any room for increases at this time, though there should be room to raise fees significantly after a transformative renovation of the 18-hole golf course. Following are NGF recommendations regarding daily green fees, coupons, and membership pricing at TBGC:

- ▶ Before setting fees each year, the City should continue the practice of seeking input from course management and the Golf Advisory Board, which should monitor competitive market pricing and the relative quality of the golf experience offered at Tony Butler. If possible, modest bi-annual increases should be enacted simply to keep up with the cost of inflation.
- ▶ As noted earlier, on-course management does not have the freedom to operate outside the parameters of the green fee approved by City Council. We recommend that Council set the parameters for minimum and maximum rates, but give management some flexibility that will allow the practice of yield management, promotion of golf + food/beverage specials, etc. In short, management should have the ability to react to variable demand and take advantage of those times (e.g., morning prime time in peak season) when the facility has “pricing power”.
- ▶ TBGC has only one price break during the day, and it’s at 3 pm (‘seasonal special’ rates). The City should consider instituting a midday rate (perhaps combined with lunch and a beverage) from about 11 a.m. up until the time when seasonal specials kick in, in an effort to drive demand during this midday lull.
- ▶ As we illustrated earlier, the effective discounts for TBGC’s **green fee coupons** reach almost 30% for the 100-round variety. We are told that these coupons are sold primarily to seniors. We recommend that if the City wants to keep the coupon program, the effective discount be more in the range of 10% to 15%, rather than the current 17% to 29%. We understand the public policy of wanting to provide affordable golf to patrons, but from a best business

practice standpoint, institution of a **loyalty/frequent player program** and/or a Senior daily fee rate category would likely result in higher revenues.

- ▶ In addition to daily fee play, TBGC offers unlimited play 6-month and annual memberships. The walking (annual cost \$750) and cart-inclusive (\$1,500) memberships are priced at multiples of 44 times and 54 times, respectively, the highest daily fee rate. NGF considers these multiples (essentially an expression of the number of break-even rounds one would have to play to make the membership worth purchasing) to be appropriate, based on the current condition level of the course and the need to build facility loyalty. However, for a facility in a year-round market, we would ordinarily like to see the multiple at a break-even of about 52 rounds, or an average of one round per week.

## UTILIZATION OF TECHNOLOGY

Comprehensive utilization of a quality, golf-oriented point-of-sale (POS) system helps management understand its customer profile segments, while also providing assistance in marketing and customer tracking. Technology is one of the most important tools available to a golf course management team to build a larger customer database, create customer loyalty and boost revenue. The efficiency of software for tee time reservations, operations / accounting reporting, retail point-of-purchase reporting, and overall management information systems has advanced dramatically in recent years and can help improve overall performance.

Some of the key features of industry leading POS systems - often underutilized by operators – are summarized in the bullets below.

- ▶ Creation of customer profile segments, including play and spending patterns (reportedly underway at TBGC).
- ▶ Enhanced target marketing, messaging and yield management utilizing the customer database segmentation.
- ▶ Integration with social media forums such as Facebook, Twitter, Instagram, etc.

There are also vendors that do not provide POS but offer comprehensive services that manage all aspects of online marketing efforts. For example, they may provide software that integrates information collected from the POS, tee sheet, website, mobile applications, booking engine and social media networks to help general managers better understand and market to their customers.

## CUSTOMER SERVICE

Strong customer service can be a key differentiator in building customer loyalty. (Though the NGF golfer survey results showed a higher level of satisfaction with the customer service level at TBGC than with the golf course conditions, they also showed there is room for improvement). High level service at a golf course begins the moment the golfer sets foot on the property, beginning with a friendly welcome (especially for faces that staff may not have seen before). NGF generally recommends strategies such as staff training and establishment of customer service standards & measurable metrics – monitored through periodic customer surveys and occasional secret shoppers - to make sure that the standards are being consistently met or exceeded.

## FOOD & BEVERAGE

The food & beverage area operates at a loss at TBGC, based on numbers provided to NGF. Though this is not uncommon at a golf course, there may be an opportunity (short of seeking a private concessionaire) to grow business among both golf and non-golf clientele if sufficient resources are dedicated to improving facilities and service. Examples of industry best practices with respect to golf course F&B service:

- ▶ Employ a dedicated salesperson (at least part-time and partially commission-based) to solicit meetings, banquets and other events from the community.
- ▶ Have consistent hours of operation. If not open for breakfast, have coffee, juice, Danish, etc. available for early morning golfers.
- ▶ Feature grab and go items, such as fresh premade sandwiches, as well as hot dogs, etc.
- ▶ Have on-course service (beverage cart), at least during peak demand periods. Though often operated at a loss, golfers have an expectation of this service at quality golf courses.
- ▶ Run a barbecue grill, especially during busier times, with items such as hamburgers, hot dogs, and grilled chicken at the ready. This can also improve the pace of golfers making the turn.
- ▶ Create and promote themed events; though not all will be a fit for TBGC and its patrons, examples NGF has seen include Sunday Brunch, 50-cent Wing Night; Monday Night Football/college football Saturday/NFL Sunday events; Taco Tuesday; and Trivia Night with buffet menu.

## CONSIDERATION OF REDUCING TO 18 HOLES

Since 1974, Tony Butler Golf Course has had 27 holes. NGF has observed that some 27-hole facilities have downsized to 18 holes since the numbers of golfers and rounds played began declining in the mid-2000s. We believe it is reasonable to analyze whether the golf enterprise fund would be in a better financial position if the 9-hole course, comprising holes #19 through #27, was closed or partially repurposed. The question is especially salient given the declining financial position of the overall facility and the extensive capital improvement needs of the 18-hole course.

NGF was told that the 9-hole course at TBGC, which contains some of the original golf holes dating back to the 1920s, receives a relatively low amount of play from an annual perspective, but is very popular from roughly late October through March when the course is primarily patronized by Winter Texans. During the rest of the year, the course, we are told, is patronized mainly by beginners and juniors. NGF was told by several people, and golfer survey comments confirmed, that the reasons Winter Texans prefer the 9-hole course are that it is short, flat, and affordable, providing an easily walkable and enjoyable golf experience for older golfers.

As documented earlier in the report, Winter Texans provide a large economic boost to Harlingen and the Rio Grande Valley, and we are told that if the City decided to repurpose (or even alter) #19 - #27, there may be economic implications beyond just potential lost play at the golf course. Even from the golf course perspective alone, there is not enough information (i.e., rounds, revenues, and maintenance expenses, isolated to the 9-hole course) available for NGF to say definitively whether the course is a net money loser.

Proponents often list the positives of a 27-hole facility as the ability to:

- ▶ Perform maintenance on 9 holes while keeping 18 holes open.
- ▶ Handle leagues (e.g., Winter Texans) and 9-hole play while maintaining full 18-hole capacity.
- ▶ Handle tournaments/outings and still having golf available to walk-ons.
- ▶ Increase effective capacity by 50%.

However, most of these potential advantages are partially or completely mitigated when a golf facility is operating as far below actual capacity as Tony Butler is. It simply is very difficult to operate 27 holes profitably when a facility is running at 33% of realistic capacity or less, as is TBGC. Most 18-hole golf courses achieve their maintenance goals with minimal disruption, and generally only in highly populated and very strong outing markets do difficulties routinely arise accommodating daily fee and outing play

simultaneously. Thus, there are few times when golf course consultants can legitimately recommend 27 holes within a business context at the play levels TBGC is currently receiving.

Potential advantages of reducing from 27 to 18 holes include:

- ▶ An immediate effective maintenance budget increase of 33% or more without raising budget.
- ▶ “Right sizing” capacity to current and future expected play levels.
- ▶ If allowed by City charter, Tony Butler Golf Course can free up anywhere from 14 to about 35 acres for sale (or lease) to a potential private developer, possibly funding golf course renovations.
- ▶ Ability, with minimal re-routing, to increase:
  - Size of driving range
  - Par from 71 to 72
  - Back tee length from 6,300 to ± 6,800 yards, if desired

In summary, NGF does not have sufficient data to conclude that the 9H course is a net loser from a financial standpoint, though we suspect that it is. We can say, definitively, that TBGC is operating at very low utilization rates that do not justify having 27 holes, despite the noted popularity of the 9-hole course for Winter Texans. NGF considers the decision to close or repurpose any municipal golf course a public policy decision; as such, it is not our role to recommend closure of the 9H course. (As one of the foremost industry trade organizations, and with strong ties to municipal golf dating back to the 1920s, we never like to see golf courses – especially municipal – close). However, presenting our conclusion from a business perspective is part of the scope of services for this study, and *given the City’s public policy objective of identifying a business solution for TBGC that will stem the tide of general fund subsidies, we recommend that the City further study scenarios for the 9-hole course (especially for the land just off of I-69E) that may provide a partial funding solution for the extensive, and long overdue, improvements needed for the 18-hole course.*

Even if the City is able to fund all necessary improvements through a mechanism - such as certificates of obligation - other than partial commercial repurposing of the 9-hole course, we believe it is likely that a renovated 18-hole TBGC would present a stronger financial model than the 27-hole configuration going forward.

# Financial Impact of Improvements

In this section NGF provides basic cash flow models to estimate the financial performance of TBGC under three scenarios: (1) Continue “As Is”, with a 27-hole golf course and no major facility capital improvements, but some operational enhancements as recommended by NGF Consulting; (2) Replace / upgrade major infrastructure components of the 18-hole course “in place”, with no course design enhancements; and (3) Undertake a transformational renovation of the 18-hole course, including some redesign elements. For the latter two financial models, we have assumed that TBGC will operate as an 18-hole course after renovations are completed; this assumption is based on:

- ▶ The City’s desire to identify the most financially viable business model for TBGC (i.e., minimizing General Fund subsidy);
- ▶ Capacity and utilization issues for TBGC as discussed in this report;
- ▶ The potential need for parts of the 9-hole course to be repurposed (e.g., through lease to a private entity) in order to fund improvements to the 18-hole course; and,
- ▶ The likelihood that the scenario 3 – transformational design - would require alteration of the 9-hole course.

Later in this section, we provide estimates of performance based on a set of assumptions that may or may not become reality. We feel that these projections represent a “fair estimate” of performance for TBGC under the two scenarios summarized above, based on our overall analysis of the subject golf course, market, and assumed operational and improvement plans.

## MARKET OPPORTUNITY CONCLUSION

NGF rounds played and financial projections under the renovation scenarios are based on the expected quality of the golf course upon reopening, our market analysis findings, the facility’s expected market positioning after reopening, and other factors. The bullets below summarize what NGF views as the key justifications for projections based on our understanding of the demand drivers for TBGC.

### Support for Projections

- ▶ Growing population of Harlingen and the Lower Rio Grande Valley, as well as a strong and growing local/regional economy that includes a new convention center and several new hotels, as well as the new SpaceX launch facility in nearby Boca Chica Village.
- ▶ Favorable location: With its location right off of I-69E, Tony Butler is accessible and convenient to regional residents. Favorable location will be magnified if facility improvements result in a new reputation as a “destination” golf course.
- ▶ Though there is significant competition at ‘value’ price point public courses in this market, we believe Tony Butler has a chance to stand out among its competitive set after a transformative renovation, making significant improvements in terms of both market share and a higher average green fee.
- ▶ As NGF Consulting has observed in many markets, newer golf courses and those that have invested in major improvements seem to have fared the best during the golf downturn, while those that have deferred capital improvements, such as Tony Butler, have seen declining demand and financial performance. The City of Ft. Worth Rockwood GC renovation is an example of what is achievable with a well thought out plan for improvements.

## Potential Threats / Mitigating Factors Relative to Projections

While the NGF finds considerable evidence to support strong rounds and revenue growth from a major renovation of TBGC, there are mitigating factors that could constrain rounds and net revenue performance. These include:

- ▶ As we have documented, the local trade area does not have a demographic profile that is predictive of strong golf demand.
- ▶ Regional or national economic recession – previous recessions have negatively impacted the performance of public golf courses.
- ▶ Continued overall decline in golf participation - especially among the younger generation.
- ▶ Low green fee tolerances – this trade area appears to be a price-sensitive market, so fee increases at TBGC, even after a major renovation, may be less than expected.
- ▶ Yearly weather variations can make the difference between operating in the black or in the red in any given year, though TBGC will be better equipped to deal with excessive rainfall if recommended regrading and drainage improvements are made.

## CASH FLOW MODEL – “AS IS” SCENARIO

NGF has created a five-year pro forma that illustrates what we think the FY 2019 – FY 2023 period will look like for Tony Butler GC, assuming continuation of recent activity trends and no major facility improvements, but some operational enhancements based on recommendations in the NGF report. In preparing our estimates of future performance, the NGF team has made assumptions for input variables and external market conditions based on current (2019) inputs and market conditions. All financial estimates are prepared in 2019 dollars. A summary of NGF assumptions is shown below.

### Base Assumptions

The NGF rounds, revenue and expense estimates have been crafted in consideration of the current and expected (e.g., population growth, golf supply-demand balance) market conditions over the course of the five-year subject period. Projections for rounds and revenues assume continued City self-operation under similar operating budgets to those of the past several years. We have assumed that course improvements will be nominal based on the “band-aid” approach currently in place.

Other basic assumptions (apply to all three pro forma scenarios):

- ▶ The overall regional economic condition remains stable, without any notable increase or decrease in the area economy, employment, or visitation.
- ▶ The City and TBGC management will implement some of the key NGF best business practice recommendations contained in this report.
- ▶ TBGC will continue to operate with a traditional mix of revenue centers common in public-access golf, with the predominance of revenues derived from golf playing fees, and secondary revenues derived from driving range, merchandise, and food & beverage operations.

## Activity, Revenue and Expense Assumptions

The base assumptions in preparing the projected financial performance estimates cover several categories, including: total rounds activity; average golf fee revenue (comprising green/cart/trail/membership/coupon categories) revenue per round; average driving range, merchandise, and food & beverage revenue per round; and cost of goods sold. On the expense side, we have grouped projections into four categories: Operations (including Food & Beverage) Labor; Operations (including F&B) Non-labor; Golf Course Maintenance Labor; and Maintenance Non-labor. All numbers are presented as 2019 dollars.

- ▶ NGF has used actual Tony Butler GC operating results from recent years – including reported year-to-date rounds played - to craft the FY 2019 rounds and revenue estimates; on the expense side, we have utilized recent trends and City budget numbers for FY19.
- ▶ Tony Butler Golf Club is projected to host a total of 30,000 total **rounds played** in FY19, continuing the recent trend of attrition. Based on this persistent trend that has carried through the first 2+ quarters of FY19, we show a slow attrition of 500 rounds per year from FY20 through FY23. We have assumed that some of the operational improvements implemented as a result of this study will contribute to slowing the rate of rounds played decline.
- ▶ Rounds projections assume the general mix of play as exists currently. Tony Butler GC's **average golf fee revenue per round** is projected to be \$21.35 in FY19, equal to the prior 3-year average, increasing by 1% annually through FY23.
- ▶ Also based on recent actual results and trends, average FY19 revenue per round in other revenue centers are projected as follows, with growth rates through FY23:
  - Merchandise - \$0.86 per round, growing 1.0% per year.
  - Food & Beverage - \$3.20 per round, growing at 2.0% annually.
  - Driving Range – \$0.87 per round, growing 2.0% annually.
- ▶ **Cost of Goods Sold: Merchandise** – 75% of sales. **Food & Beverage** – 52.5% of sales.
- ▶ **Golf Course Maintenance Labor Expense** – FY19 expense is estimated at \$425,000, growing at 2% annually.
- ▶ **Golf Course Maintenance Non-Labor Expense** – FY19 expense is estimated at \$225,000, growing at 1.5% annually.
- ▶ **Operations (incl. Food & Bev.) Labor Expense** – FY19 expense is estimated at \$370,000, growing at 2% annually.
- ▶ **Operations (incl. Food & Bev.) Non-Labor Expense** – FY19 expense is estimated at \$120,000, growing at 1.5% annually.

## Cash Flow Projections – “As Is” FY 2019 – FY 2023

Utilizing the above assumptions and activity/revenue/expense estimates, NGF Consulting has prepared a pro forma for the FY19 through FY23 five-year period of operation of Tony Butler, given current and expected conditions. The resulting cash flow model is shown in the table on the following page, with summary results presented below. All operating revenue and expense figures are expressed in 2019 dollars and have been rounded to the nearest \$100 for simplicity.

<b>Tony Butler Golf Course - Continue "As Is"</b>					
<b>Fiscal Year</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Rounds Played</b>	30,000	29,500	29,000	28,500	28,000
<b>Revenues per Round</b>					
Golf Fees (Green + Cart + Memb.)	\$21.35	\$21.56	\$21.78	\$22.00	\$22.22
Driving Range	\$0.87	\$0.89	\$0.91	\$0.92	\$0.94
Pro Shop Sales	\$0.86	\$0.87	\$0.88	\$0.89	\$0.89
Food & Beverage	\$3.20	\$3.26	\$3.33	\$3.40	\$3.46
<b>Operating Revenues</b>					
Golf Fees (Green + Cart + Memb.)	\$640,500	\$636,100	\$631,600	\$626,900	\$622,100
Driving Range	\$26,100	\$26,200	\$26,200	\$26,300	\$26,400
Pro Shop Sales	\$25,800	\$25,600	\$25,400	\$25,300	\$25,100
Food & Beverage	\$96,000	\$96,300	\$96,500	\$96,800	\$97,000
<b>Total Operating Revenues</b>	<b>\$788,400</b>	<b>\$784,200</b>	<b>\$779,700</b>	<b>\$775,300</b>	<b>\$770,600</b>
<b>Cost of Sales</b>					
Pro Shop	\$19,400	\$19,200	\$19,100	\$19,000	\$18,800
Food & Beverage	\$50,400	\$50,600	\$50,700	\$50,800	\$50,900
<b>Total Cost of Sales</b>	<b>\$69,800</b>	<b>\$69,800</b>	<b>\$69,800</b>	<b>\$69,800</b>	<b>\$69,700</b>
<b>Adjusted Gross Revenue</b>	<b>\$718,600</b>	<b>\$714,400</b>	<b>\$709,900</b>	<b>\$705,500</b>	<b>\$700,900</b>
<b>Operating Expenses</b>					
Operations - Labor (incl. F&B)	\$370,000	\$377,400	\$384,900	\$392,600	\$400,500
Operations - Non-labor (incl. F&B)	\$120,000	\$121,800	\$123,600	\$125,500	\$127,400
Golf Course Maintenance - Labor	\$425,000	\$433,500	\$442,200	\$451,000	\$460,000
Golf Course Maintenance - Non-labor	\$225,000	\$228,400	\$231,800	\$235,300	\$238,800
<b>Total Operating Expenses</b>	<b>\$1,140,000</b>	<b>\$1,161,100</b>	<b>\$1,182,500</b>	<b>\$1,204,400</b>	<b>\$1,226,700</b>
<b>Net Operating Income</b>	<b>(\$421,400)</b>	<b>(\$446,700)</b>	<b>(\$472,600)</b>	<b>(\$498,900)</b>	<b>(\$525,800)</b>

## Financial Model Results

The results of the NGF Consulting financial projections for TBGC, assuming no significant golf course improvements and implementation of some NGF operational recommendations, show total gross operating revenue of about \$788,000 on 30,000 rounds played in FY19. Based on cost of goods sold and operating expense assumptions, FY19 net operating income (NOI) is projected to be a loss of about **(\$421,000)**. With declining rounds, total facility gross revenues are expected to remain essentially static during the 5-year period, but with expense growth continuing, negative NOI is projected to reach about **(\$526,000)** by FY 2023.

We note that the projected expenses have been assumed to include all costs required to operate the golf course and clubhouse *on site*, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). As such, what we refer to as NOI may be more accurately described as EBITDA (earnings before interest, taxes, depreciation and amortization).

## CASH FLOW MODEL – INFRASTRUCTURE-ONLY RENOVATION

NGF has created a pro forma that illustrates what we think the facility performance will look like for Tony Butler GC, assuming major infrastructure upgrades / replacement to greens, bunkers, fairways, drainage, and irrigation. In order to show what we believe “stabilized” performance will be after facility improvements, we have presented cash flow estimates for the seven-year period of FY 2019 through FY 2025, with presumed construction years in FY21 and FY22.

In preparing our estimates of future performance, the NGF team has made assumptions for input variables and external market conditions based on current (2019) inputs and market conditions. All financial estimates are prepared in 2019 dollars. A summary of NGF assumptions related to market conditions and model inputs is shown below, after a brief discussion about renovation timing and logistics.

## Renovation Implementation

Assuming acceptance of the general direction of a major renovation, “what, when and how” becomes the next questions. There are three basic approaches to a major course renovation for the 18-hole golf course at TBGC:

- ▶ Single Phase/Complete Renovation
- ▶ Two-Year Renovation
  - Complete 9 holes each in two consecutive years
  - Complete 9 holes each in three consecutive years (for a 27-hole course)
- ▶ Phased Renovation –
  - Mid Term - 6 holes over 3 years, or tackle major areas over 3 to 5 years
  - Long Term Phased Renovation – 1-2 holes (or equivalent) over 9-18 years)

Traditionally, there are advantages and disadvantages to each method. NGF discusses these in [Appendix E](#). Based on our analysis, the NGF team recommends a 2 -year phasing program for TBGC, renovating nine holes per year while leaving 18 holes open for play and maintaining a revenue stream during construction. The short nine would be kept open as part of the 18-hole rotation until the main course is fully complete; its status after that time will need to be determined by the City based on its objectives with respect to Tony Butler GC, as well as the analysis in this report.

Obviously, any consideration of altering the 9-hole course to free up land for private development that could help fund the renovation of the 18-hole course should be made prior to a final construction plan. Also, we note that the “transformational” renovation has redesign elements – specifically, lengthening the

18-hole golf course, enlarging the driving range, adding a short game practice area – that will require some of the land from holes #19 - #23.

### Renovation Timing and Logistics

The NGF team has assumed that the City will implement the renovation project in two phases, with nine holes completed in two consecutive years. For purposes of this analysis, we have assumed that the first phase would commence with project staging & mobilization beginning April 1, 2021, with grassing begun by August 1 and the renovated nine holes reopened for play on November 1, 2021. During the time of the construction, the 9-hole short course will be utilized in conjunction with the 9 holes of the regulation course that are not under construction to allow for 18-hole play. We assume that the scenario will repeat on the same schedule from April 1 through October 31, 2022, with the other 9 holes of the regulation being renovated during that time period. The fully renovated 18-hole regulation course will be available for play on November 1, 2022.

Of course, this potential timeline is very preliminary and contingent on the timing of a number of action steps, including, but not limited to, City Council approval of any proposed renovation, securing of a funding vehicle, solicitation and selection of appropriate contractors, design, permitting and entitlement.

### Base Assumptions

Projections for rounds and revenues assume continued City self-operation and successful completion of infrastructure improvements to the 18-hole course as detailed previously. We expect that course improvements will elevate course conditions and overall golfer experience significantly, though not to the extent that the transformation renovation with design enhancements would.

### Activity, Revenue and Expense Assumptions

The base assumptions in preparing the projected financial performance estimates cover several categories, including: total rounds activity; average golf fee revenue (comprising green/cart/trail/membership/coupon categories) revenue per round; average driving range, merchandise, and food & beverage revenue per round; and cost of goods sold. On the expense side, we have grouped projections into four categories: Operations (including Food & Beverage) Labor; Operations (including F&B) Non-labor; Golf Course Maintenance Labor; and Maintenance Non-labor. All numbers are presented as 2019 dollars.

- ▶ NGF has used actual Tony Butler GC operating results from recent years to craft the FY 2019 rounds and revenue estimates; on the expense side, we have utilized recent trends and City budget numbers for FY19.
- ▶ Tony Butler Golf Club is projected to host a total of 30,000 total **rounds played** in FY19 and 29,500 in FY20, the same as in the “as is” model. During the construction years – when 18 holes will be in play utilizing the 9-hole short course – we assumed that rounds played will reduce to 24,000 each year.
- ▶ In the three years subsequent to completion of the infrastructure renovation, we have shown rounds played increasing to a stabilized level of play of 36,000 rounds by FY 2025, reflecting the significantly improved course quality and conditions.
- ▶ Rounds projections assume the general mix of play as exists currently, but with elimination of rounds on the former 9-hole course. Tony Butler GC’s **average golf fee revenue per round** is projected to be \$24.50 in FY23 (first year after improvements), equal to an approximate 15% increase over the estimated current figure to reflect a higher quality golf experience, and increasing by 2% annually through FY25. During the period of construction, average golf fee revenue is reduced by 25% to reflect the reconfigured 18-hole course that will be in play, as well as the potential disruptive effects of the construction.

- ▶ Based on factors such as the expectation of a more engaged clientele and enhanced ability to draw larger outings, average post renovation revenue per round in other revenue centers are projected as follows for FY23, with growth rates through FY25:
  - Merchandise - \$1.00 per round, growing 1.0% per year.
  - Food & Beverage - \$3.75 per round, growing at 2.0% annually.
  - Driving Range - \$1.00 per round, growing 2.0% annually.
- ▶ **Cost of Goods Sold: Merchandise** – 75% of sales. **Food & Beverage** – 52.5% of sales.
- ▶ **Golf Course Maintenance Labor Expense** – During the construction years of FY21 and FY22, maintenance labor expense is projected to be 25% less than under the “as is” scenario of maintaining 27 holes. Subsequent to reopening, this expense category is estimated to be \$450,000 in FY23 (and growing 2% through FY25), or approximately what it would have been in this year under the 27-hole scenario. NGF has assumed a higher standard of maintenance care for the renovated 18-hole course will offset any savings from no longer maintaining the 9-hole course.
- ▶ **Golf Course Maintenance Non-Labor Expense** – During the construction years of FY21 and FY22, maintenance non-labor expense is projected to be 25% less than under the “as is” scenario of maintaining 27 holes. Subsequent to reopening, this expense category is estimated to be \$235,000 in FY23 (and growing 2% through FY25), or approximately what it would have been in this year under the 27-hole scenario. NGF has assumed a higher standard of maintenance care for the renovated 18-hole course will offset any savings from no longer maintaining the 9-hole course.
- ▶ **Operations (incl. Food & Bev.) Labor Expense** – FY19 expense is estimated at \$370,000, growing at 2% annually. There are no estimated savings during the construction period.
- ▶ **Operations (incl. Food & Bev.) Non-Labor Expense** – FY19 expense is estimated at \$120,000, growing at 1.5% annually. There are no estimated savings during the construction period.
- ▶ **Debt Service:** Depending on funding vehicles for the renovation, the City may take on debt. Based on information provided by the City, we have assumed annual debt service will be paid on a **new 20-year note at 3.5% interest, in the principal amount of ~\$3.7 million.** Assuming no coverage requirements, the annual debt service will be approximately \$264,000. NGF has assumed the payments begin in the initial year of construction, FY21.

## Cash Flow Projections – Infrastructure-Only Improvements FY 2019 – FY 2025

Utilizing the above assumptions and activity/revenue/expense estimates, NGF Consulting has prepared a pro forma for TBGC given current and expected conditions. The resulting cash flow model is shown in the table on the following page, with summary results presented below. All operating revenue and expense figures are expressed in 2019 dollars and have been rounded to the nearest \$100 for simplicity.

<b>Tony Butler Golf Course - Infrastructure-Only Renovation of 18H Course</b>							
<b>Fiscal Year</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Total Rounds Played</b>	30,000	29,500	24,000	24,000	30,000	34,000	36,000
<b>Revenues per Round</b>			Constr.	Constr.			
Golf Fees (Green + Cart +Memb.)	\$21.35	\$21.56	\$16.17	\$16.17	\$24.50	\$24.99	\$25.49
Driving Range	\$0.87	\$0.89	\$0.91	\$0.92	\$1.00	\$1.02	\$1.04
Pro Shop Sales	\$0.86	\$0.87	\$0.88	\$0.89	\$1.00	\$1.01	\$1.02
Food & Beverage	\$3.20	\$3.26	\$3.33	\$3.40	\$3.75	\$3.83	\$3.90
<b>Operating Revenues</b>							
Golf Fees (Green + Cart +Memb.)	\$640,500	\$636,100	\$388,100	\$388,100	\$735,000	\$849,700	\$917,600
Driving Range	\$26,100	\$26,200	\$21,700	\$22,200	\$30,000	\$34,700	\$37,500
Pro Shop Sales	\$25,800	\$25,600	\$21,100	\$21,300	\$30,000	\$34,300	\$36,700
Food & Beverage	\$96,000	\$96,300	\$79,900	\$81,500	\$112,500	\$130,100	\$140,500
<b>Total Operating Revenues</b>	<b>\$788,400</b>	<b>\$784,200</b>	<b>\$510,800</b>	<b>\$513,100</b>	<b>\$907,500</b>	<b>\$1,048,800</b>	<b>\$1,132,300</b>
<b>Cost of Sales</b>							
Pro Shop	\$19,400	\$19,200	\$15,800	\$16,000	\$22,500	\$25,700	\$27,500
Food & Beverage	\$50,400	\$50,600	\$41,900	\$42,800	\$59,100	\$68,300	\$73,800
<b>Total Cost of Sales</b>	<b>\$69,800</b>	<b>\$69,800</b>	<b>\$57,700</b>	<b>\$58,800</b>	<b>\$81,600</b>	<b>\$94,000</b>	<b>\$101,300</b>
<b>Adjusted Gross Revenue</b>	<b>\$718,600</b>	<b>\$714,400</b>	<b>\$453,100</b>	<b>\$454,300</b>	<b>\$825,900</b>	<b>\$954,800</b>	<b>\$1,031,000</b>
<b>Operating Expenses</b>							
Operations - Labor (incl. F&B)	\$370,000	\$377,400	\$384,900	\$392,600	\$400,500	\$408,500	\$416,700
Operations - Non-labor (incl. F&B)	\$120,000	\$121,800	\$123,600	\$125,500	\$127,400	\$129,300	\$131,200
Golf Course Maintenance - Labor	\$425,000	\$433,500	\$332,000	\$338,600	\$450,000	\$459,000	\$468,200
Golf Course Maintenance - Non-labor	\$225,000	\$228,400	\$173,850	\$176,500	\$235,000	\$238,500	\$242,100
<b>Total Operating Expenses</b>	<b>\$1,140,000</b>	<b>\$1,161,100</b>	<b>\$1,014,350</b>	<b>\$1,033,200</b>	<b>\$1,212,900</b>	<b>\$1,235,300</b>	<b>\$1,258,200</b>
<b>Net Operating Income</b>	<b>(\$421,400)</b>	<b>(\$446,700)</b>	<b>(\$561,250)</b>	<b>(\$578,900)</b>	<b>(\$387,000)</b>	<b>(\$280,500)</b>	<b>(\$227,200)</b>
Debt Service			\$263,854	\$263,854	\$263,854	\$263,854	\$263,854
<b>Net Income after Debt</b>			<b>(\$825,104)</b>	<b>(\$842,754)</b>	<b>(\$650,854)</b>	<b>(\$544,354)</b>	<b>(\$491,054)</b>

## Financial Model Results

The results of the NGF Consulting financial projections for TBGC, assuming the replacement of key infrastructure items as outlined previously, show total net operating losses accelerating during the years of construction, due to reduction in rounds and revenue and a high percentage of the operating expenses fixed. For the cumulative FY21-FY22 construction period, we estimate total operating losses (before debt service) to be about \$1.14 million.

Upon TBGC reopening as a newly renovated 18-hole course in FY23, NGF projects rounds building up to a stabilized level of 36,000 rounds by FY25. Based on cost of goods sold and operating expense assumptions, stabilized net operating income (NOI) is projected to be a loss of  $\pm$  (\$225,000).

We note that the projected expenses have been assumed to include all costs required to operate the golf course and clubhouse on site, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). As such, what we refer to as NOI may be more accurately described as EBITDA (earnings before interest, taxes, depreciation and amortization). After annual debt service, the total loss is projected to stabilize at  $\pm$  (\$490,000).

## CASH FLOW MODEL – “TRANSFORMATIVE” RENOVATION

NGF has created a pro forma that illustrates what we think Tony Butler GC would look like from a net cash flow perspective, assuming a major transformative renovation of the 18-hole course, as described in the report. In order to show what we believe “stabilized” performance will be after facility improvements, we have presented cash flow estimates for the seven-year period of FY 2019 through FY 2025, with presumed construction years in FY21 and FY22. *In the cash flow model, the primary factors driving increased rounds played and higher average daily rate are the increased quality of the overall golf experience, including enhanced aesthetics and playability.*

In preparing our estimates of future performance, the NGF team has made several assumptions for input variables and external market conditions. We recognize that, under the renovation scenario, this estimate is prepared in 2019 for a golf facility that may not be fully renovated for several years. As such, the NGF estimates are made using 2019 inputs and current market conditions. All financial estimates are prepared in 2019 dollars.

## Renovation Timing and Logistics

The NGF team has assumed that the City will implement the renovation project in two phases, with nine holes completed in two consecutive years. For purposes of this analysis, we have assumed that the first phase would commence with project staging & mobilization beginning April 1, 2021, with grassing begun by August 1 and the renovated nine holes reopened for play on November 1, 2021. During the time of the construction, the 9-hole short course will be utilized in conjunction with the 9 holes of the regulation course that are not under construction to allow for 18-hole play. We assume that the scenario will repeat on the same schedule from April 1 through October 31, 2022, with the other 9 holes of the regulation being renovated during that time period. The fully renovated 18-hole regulation course will be available for play on November 1, 2022.

## Base Assumptions

Projections for rounds and revenues assume continued City self-operation and successful completion of a transformative 18-hole renovation that comprises complete replacement of golf course infrastructure, as well as redesign elements that should significantly elevate the golfer experience. TBGC will operate with an elevated standard for customer service and conditions, placing the facility in the upper range of public golf courses in the Harlingen / lower RGV market area.

## Activity, Revenue and Expense Assumptions

The base assumptions in preparing the projected financial performance estimates cover the same categories noted previously for the “As Is” scenario.

- ▶ Tony Butler Golf Club is projected to host a total of 30,000 total **rounds played** in FY19 and 29,500 in FY20, the same as in the “as is” model. During the construction years – when 18 holes will be in play utilizing the 9-hole short course – we assumed that rounds played will reduce to 24,000 each year.
- ▶ In the three years subsequent to completion of the infrastructure renovation, we have shown rounds played increasing to a stabilized level of play of 40,000 rounds by FY 2025, reflecting the significantly improved course quality and conditions, as well as design enhancements that will elevate the golfer experience.
- ▶ Rounds projections assume the general mix of play as exists currently, but with elimination of “Coupon” play and higher proportion of peak price daily fee rounds. Tony Butler GC’s **average golf fee revenue per round** is projected to be \$26.50 in Year 1, representing an increase of about 25% over the “as is” scenario to reflect the much-improved quality of the golf course. Golf fee revenue per round is projected to grow by 2% annually through Year 5.
- ▶ Rounds projections assume the general mix of play as exists currently, but with elimination of rounds from the former short course. Tony Butler GC’s **average golf fee revenue per round** is projected to be \$26.50 in FY23 (first year after improvements), equal to an approximate 25% increase over the estimated current figure to reflect a higher quality golf experience, and increasing by 2% annually through FY25. During the period of construction, average golf fee revenue is reduced by 25% to reflect the reconfigured 18-hole course that will be in play, as well as the potential disruptive effects of the construction
- ▶ Based on factors such as the expectation of an expanded and improved practice facility, more engaged clientele, enhanced ability to draw larger outings, and stronger brand image, average post renovation revenue per round in other revenue centers are projected as follows for FY23, with growth rates through FY25:
  - Merchandise - \$1.25 per round, growing 2.0% per year.
  - Food & Beverage - \$4.25 per round, growing at 2.0% annually.
  - Driving Range - \$1.50 per round, growing 2.0% annually.
- ▶ **Cost of Goods Sold: Merchandise** – 75% of sales. **Food & Beverage** – 52.5% of sales.
- ▶ **Golf Course Maintenance Labor Expense** – During the construction years of FY21 and FY22, maintenance labor expense is projected to be 25% less than under the “as is” scenario of maintaining 27 holes. Subsequent to reopening, this expense category is estimated to be \$450,000 in FY23 (growing 2% through FY25), or approximately what it would have been in this year under the 27-hole scenario. NGF has assumed a higher standard of maintenance care for the renovated 18-hole course will offset any savings from no longer maintaining the 9-hole course.
- ▶ **Golf Course Maintenance Non-Labor Expense** – During the construction years of FY21 and FY22, maintenance non-labor expense is projected to be 25% less than under the “as is” scenario of maintaining 27 holes. Subsequent to reopening, this expense category is estimated to be \$235,000 in FY23 (growing 2% through FY25), or approximately what it would have been in this year under the 27-hole scenario.
- ▶ **Operations (incl. Food & Bev.) Labor Expense** – FY19 expense is estimated at \$370,000, growing at 2% annually. There are no estimated savings during the construction period.

- ▶ **Operations (incl. Food & Bev.) Non-Labor Expense** – FY19 expense is estimated at \$120,000, growing at 1.5% annually. There are no estimated savings during the construction period.
- ▶ **Debt Service:** Based on information provided by the City, we have assumed annual debt service will be paid on a new **20-year note at 3.5% interest, in the principal amount of ~\$7 million.** Assuming no coverage requirements, the annual debt service will be approximately \$493,000. NGF has assumed the payments begin in the initial year of construction, FY21

### Cash Flow Projections – FY 2019 – FY 2025

Utilizing the above assumptions and activity/revenue/expense estimates, NGF Consulting has prepared a pro forma for operation of Tony Butler given current and expected conditions. The resulting cash flow model is shown in the table on the following page, with summary results presented below. All operating revenue and expense figures are expressed in 2019 dollars and have been rounded to the nearest \$100 for simplicity.

### Financial Model Results

The results of the NGF Consulting financial projections for TBGC, assuming a transformative renovation of the 18-hole golf course, show total net operating losses accelerating during the years of construction, with projected cumulative FY21-FY22 construction period operating losses (before debt service) of about \$1.14 million.

Upon TBGC reopening in FY23 after completion of a transformational renovation to the 18-hole course, NGF projects rounds building up to a stabilized level of 40,000 rounds and \$1.4 million in gross revenue by FY25. Based on cost of goods sold and operating expense assumptions, EBITDA is projected to be **very close to break-even on operations** once play has reach stabilized levels.

After annual debt service, the total loss is projected to stabilize at ± **(\$508,000)**. So, while the operational stabilized EBITDA is projected to be about \$200,000 better with the transformational design renovation than with the infrastructure-only improvements, the overall net income after debt is projected to be about ± \$20,000 **worse** after the larger-scale project. *Therefore, if the cost of improvements under both scenarios is funded entirely by new City debt, and the Golf Fund is responsible for annual debt service, **the overall bottom line of the golf course during the period the debt is being paid off will be worse under the larger-scale renovation.***

## Tony Butler Golf Course - Transformational Renovation of 18H Course

Fiscal Year	2019	2020	2021	2022	2023	2024	2025
<b>Total Rounds Played</b>	30,000	29,500	24,000	24,000	34,000	38,000	40,000
<b>Revenues per Round</b>			Constr.	Constr.			
Golf Fees (Green + Cart +Memb.)	\$21.35	\$21.56	\$16.17	\$16.17	\$26.50	\$27.03	\$27.57
Driving Range/Practice Area	\$0.87	\$0.89	\$0.91	\$0.92	\$1.50	\$1.53	\$1.56
Pro Shop Sales	\$0.86	\$0.87	\$0.88	\$0.89	\$1.25	\$1.28	\$1.30
Food & Beverage	\$3.20	\$3.26	\$3.33	\$3.40	\$4.25	\$4.34	\$4.42
<b>Operating Revenues</b>							
Golf Fees (Green + Cart +Memb.)	\$640,500	\$636,100	\$388,100	\$388,100	\$901,000	\$1,027,100	\$1,102,800
Driving Range	\$26,100	\$26,200	\$21,700	\$22,200	\$51,000	\$58,100	\$62,400
Pro Shop Sales	\$25,800	\$25,600	\$21,100	\$21,300	\$42,500	\$48,500	\$52,000
Food & Beverage	\$96,000	\$96,300	\$79,900	\$81,500	\$144,500	\$164,700	\$176,900
<b>Total Operating Revenues</b>	<b>\$788,400</b>	<b>\$784,200</b>	<b>\$510,800</b>	<b>\$513,100</b>	<b>\$1,139,000</b>	<b>\$1,298,400</b>	<b>\$1,394,100</b>
<b>Cost of Sales</b>							
Pro Shop	\$19,400	\$19,200	\$15,800	\$16,000	\$31,900	\$36,400	\$39,000
Food & Beverage	\$50,400	\$50,600	\$41,900	\$42,800	\$75,900	\$86,500	\$92,900
<b>Total Cost of Sales</b>	<b>\$69,800</b>	<b>\$69,800</b>	<b>\$57,700</b>	<b>\$58,800</b>	<b>\$107,800</b>	<b>\$122,900</b>	<b>\$131,900</b>
<b>Adjusted Gross Revenue</b>	<b>\$718,600</b>	<b>\$714,400</b>	<b>\$453,100</b>	<b>\$454,300</b>	<b>\$1,031,200</b>	<b>\$1,175,500</b>	<b>\$1,262,200</b>
<b>Operating Expenses</b>							
Operations - Labor (incl. F&B)	\$370,000	\$377,400	\$384,900	\$392,600	\$425,000	\$433,500	\$442,200
Operations - Non-labor (incl. F&B)	\$120,000	\$121,800	\$123,600	\$125,500	\$120,000	\$121,800	\$123,600
Golf Course Maintenance - Labor	\$425,000	\$433,500	\$332,000	\$338,600	\$452,000	\$461,000	\$470,200
Golf Course Maintenance - Non-labor	\$225,000	\$228,400	\$173,850	\$176,500	\$235,000	\$238,500	\$242,100
<b>Total Operating Expenses</b>	<b>\$1,140,000</b>	<b>\$1,161,100</b>	<b>\$1,014,350</b>	<b>\$1,033,200</b>	<b>\$1,232,000</b>	<b>\$1,254,800</b>	<b>\$1,278,100</b>
<b>Net Operating Income</b>	<b>(\$421,400)</b>	<b>(\$446,700)</b>	<b>(\$561,250)</b>	<b>(\$578,900)</b>	<b>(\$200,800)</b>	<b>(\$79,300)</b>	<b>(\$15,900)</b>
Debt Service			\$492,528	\$492,528	\$492,528	\$492,528	\$492,528
<b>Net Income after Debt</b>			<b>(\$1,053,778)</b>	<b>(\$1,071,428)</b>	<b>(\$693,328)</b>	<b>(\$571,828)</b>	<b>(\$508,428)</b>

## CASH FLOW MODELS – SUMMARY TABLE

The table below summarizes the projected outcomes of the three scenarios presented in this section. What the table does not illustrate is that the performance of the golf course in the “as is” case (i.e., absent major capital investment) will almost certainly deteriorate further beyond FY 2023. *NGF experience tells us that, at some point, Tony Butler’s failing infrastructure will reach the point where the course enters a financial “death spiral”, marked by rapidly diminishing demand and operating deficits that become so large that the City will likely be unwilling or unable to subsidize the losses.*

For the two renovation scenarios, because of the potential significant additional debt the City may have to take on to fund the more intensive renovation, the overall financial improvement – after annual debt service – may not be better than with the infrastructure-only renovation, at least during the years in which the debt is being paid off. However, NGF believes that the overall positive impact of the transformative renovation over the infrastructure-only improvements would be greater over the longer term.

<b>Cash Flow Models - Summary</b>			
	<b>As Is (27 holes)</b>	<b>Infrastructure-Only (18 holes)</b>	<b>Transformative Renovation (18 holes)</b>
<b>Effect on Rounds</b>	Continued steady attrition - est. 28,000 by FY23 w/ oper. improvements	Stabilize at 36,000 by FY25, third year after renovation	Stabilize at 40,000 by FY25, third year after renovation
<b>Stabilized NOI*</b>	(\$526,000) operating deficit and growing	(\$227,000)	(\$16,000)
<b>Annual Debt Service</b>	n/a	\$263,854	\$492,528
<b>Stabilized Net Income after Debt Service</b>	n/a	(\$491,000)	(\$508,000)
*Net operating income before depreciation and debt service.			

# Appendices

[APPENDIX A](#) – National Rounds Played Report

[APPENDIX B](#) – Local Demographic, Demand, and Supply Data

[APPENDIX C](#) – Regional Municipal Benchmarking Comparison

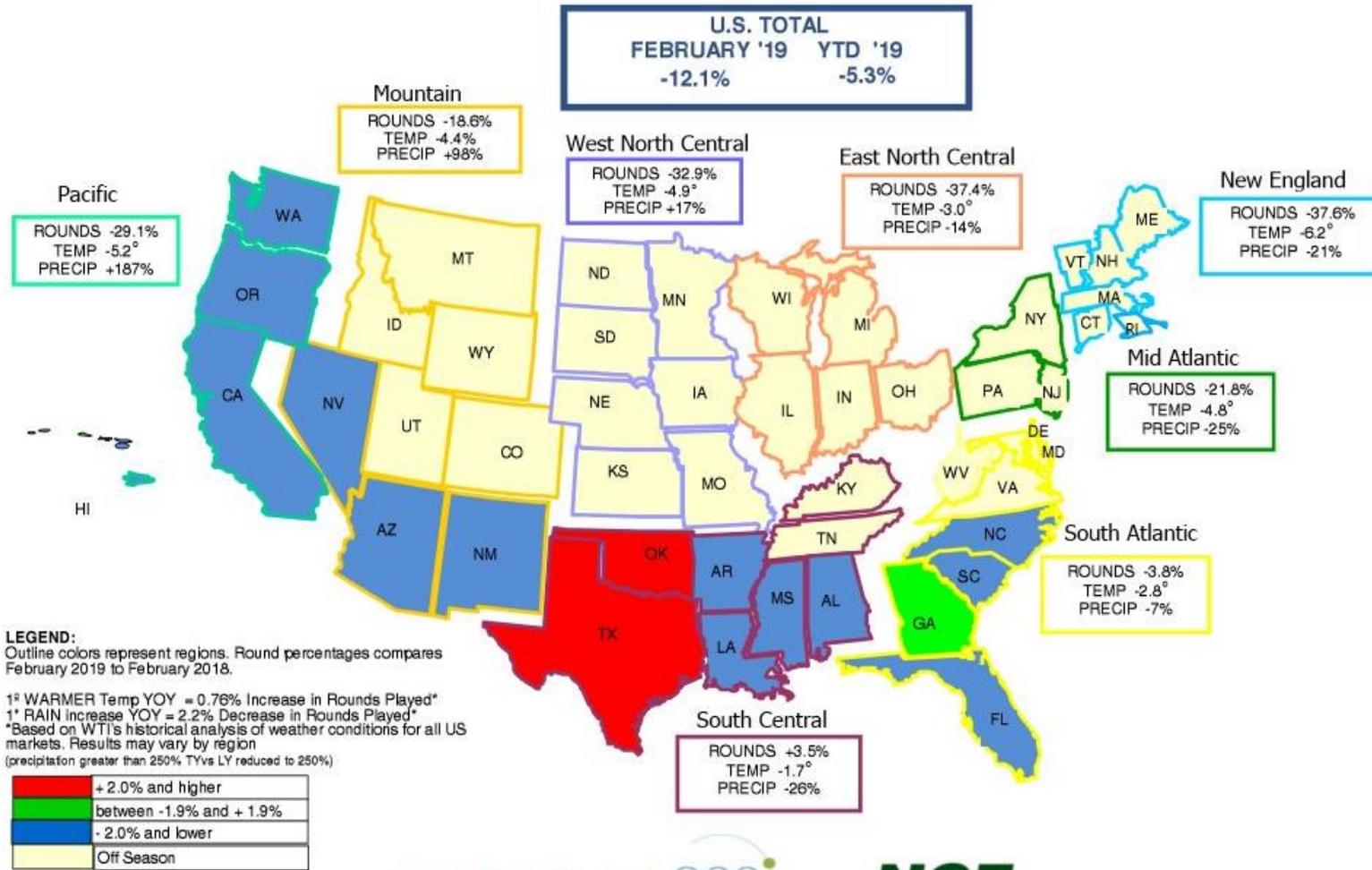
[APPENDIX D](#) – Golf Course Items Expected Life Cycle

[APPENDIX E](#) – Probable Cost Estimates – Notes & Assumptions

[APPENDIX F](#) – Renovation Timetables

[APPENDIX G](#) – Miami Beach GC Sample Progress Report

APPENDIX A – NATIONAL ROUNDS PLAYED REPORT – FEBRUARY 2019





# National Golf Rounds Played Report

## FEBRUARY 2019

	FEB	YTD
<b>PACIFIC</b>	<b>-29.1%</b>	<b>-17.4%</b>
CA	<b>-28.1%</b>	<b>-20.2%</b>
Los Angeles	-25.9%	-20.3%
Orange County	-26.0%	-20.5%
Palm Springs	-8.9%	-7.4%
Sacramento	-44.0%	-28.3%
San Diego	-14.9%	-11.4%
San Francisco/Oakland	-47.8%	-30.3%
HI	<b>-5.4%</b>	<b>-6.1%</b>
OR	<b>-41.2%</b>	<b>-9.9%</b>
Portland	-50.7%	-5.3%
WA	<b>-57.8%</b>	<b>-4.7%</b>
Seattle	-55.8%	-2.2%
<b>MOUNTAIN</b>	<b>-18.6%</b>	<b>-13.9%</b>
AZ	<b>-13.9%</b>	<b>-8.5%</b>
Phoenix	-10.5%	-5.2%
CO	<b>-24.8%</b>	<b>-29.8%</b>
Denver	-65.2%	-33.5%
ID, WY, MT, UT	<b>-57.1%</b>	<b>-17.7%</b>
NM	<b>-12.8%</b>	<b>-28.3%</b>
NV	<b>-31.0%</b>	<b>-24.3%</b>
Las Vegas	-30.7%	-22.3%
<b>WEST NORTH CENTRAL</b>	<b>-32.9%</b>	<b>-21.7%</b>
KS, NE	<b>-34.3%</b>	<b>-21.3%</b>
ND, SD	<b>NA</b>	<b>NA</b>
MN	<b>NA</b>	<b>NA</b>
Minneapolis/St. Paul	NA	NA
IA, MO	<b>-31.7%</b>	<b>-22.0%</b>
St Louis	-9.6%	-12.1%
Kansas City	-63.7%	-37.8%

	FEB	YTD
<b>UNITED STATES</b>	<b>-12.1%</b>	<b>-5.3%</b>
<b>PUBLIC ACCESS</b>	<b>-11.8%</b>	<b>-5.1%</b>
<b>PRIVATE</b>	<b>-12.7%</b>	<b>-5.7%</b>

	FEB	YTD
<b>EAST NORTH CENTRAL</b>	<b>-37.4%</b>	<b>-7.1%</b>
IL	<b>-30.4%</b>	<b>-8.8%</b>
Chicago	-90.8%	-44.1%
IN	<b>-30.8%</b>	<b>2.8%</b>
MI	<b>-67.5%</b>	<b>1.0%</b>
Detroit	-71.0%	-4.5%
OH	<b>-37.9%</b>	<b>-11.6%</b>
Cincinnati	-11.7%	8.9%
Cleveland	-67.5%	-22.8%
WI	<b>NA</b>	<b>NA</b>
<b>SOUTH CENTRAL</b>	<b>3.5%</b>	<b>3.8%</b>
AL	<b>-10.6%</b>	<b>-1.7%</b>
AR, LA, MS	<b>-2.9%</b>	<b>0.0%</b>
KY	<b>-4.4%</b>	<b>10.3%</b>
OK	<b>7.8%</b>	<b>-3.4%</b>
TN	<b>-11.3%</b>	<b>-7.7%</b>
TX	<b>9.0%</b>	<b>7.1%</b>
Dallas/Ft. Worth	7.8%	3.9%
Houston	8.0%	9.3%
San Antonio	18.4%	14.5%

	FEB	YTD
<b>SOUTH ATLANTIC</b>	<b>-3.8%</b>	<b>3.1%</b>
DE, DC, MD	<b>-28.7%</b>	<b>-18.5%</b>
Washington/Baltimore	-21.8%	-14.9%
FL	<b>-2.4%</b>	<b>2.6%</b>
Jacksonville	-7.2%	4.7%
Orlando	3.7%	6.6%
Tampa	-3.5%	1.1%
Palm Beach	-3.0%	4.2%
Naples/Ft Myers	-4.1%	0.1%
Miami/Ft.Lauderdale	0.8%	5.5%
GA	<b>0.5%</b>	<b>10.3%</b>
Atlanta	1.2%	13.1%
NC	<b>-8.1%</b>	<b>6.1%</b>
Greensboro/Raleigh	2.1%	28.6%
SC	<b>-4.8%</b>	<b>4.7%</b>
Charleston	0.5%	15.8%
Hilton Head	-0.9%	12.1%
Myrtle Beach	-5.4%	1.2%
VA, WV	<b>-12.2%</b>	<b>-2.8%</b>
<b>MID ATLANTIC</b>	<b>-21.8%</b>	<b>4.2%</b>
NJ	<b>-17.5%</b>	<b>4.8%</b>
NY	<b>-17.0%</b>	<b>11.3%</b>
New York City	-19.2%	11.9%
PA	<b>-42.8%</b>	<b>-19.5%</b>
Philadelphia	-35.0%	-1.9%
Pittsburgh	-78.2%	-15.0%
<b>NEW ENGLAND</b>	<b>-37.6%</b>	<b>10.1%</b>
CT	<b>NA</b>	<b>-40.3%</b>
MA, RI	<b>-23.1%</b>	<b>29.1%</b>
Boston	NA	NA
ME, NH, VT	<b>NA</b>	<b>NA</b>

The percentages represent the differences in number of rounds played comparing February 2019 to February 2018  
 For more information contact Golf Datatech, [golfroundsplayed@golfdatatech.com](mailto:golfroundsplayed@golfdatatech.com) or call 407-944-4116

## APPENDIX B – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

### Local Demographics and Demand

Tony Butler Municipal Golf Course	5-mile ring	10-mile ring	20- mile ring	Cameron County	State of Texas	U.S.
<b>Summary Demographics</b>						
Population 1990 Census	67,903	107,144	216,658	260,122	16,985,153	248,584,652
Population 2000 Census	81,810	132,120	288,120	335,232	20,851,813	281,399,034
<b>CAGR 1990-2000</b>	<b>1.88%</b>	<b>2.12%</b>	<b>2.89%</b>	<b>2.57%</b>	<b>2.07%</b>	<b>1.25%</b>
Population 2010 Census	88,800	150,829	360,493	406,220	25,145,561	308,745,538
<b>CAGR 2000-2010</b>	<b>0.82%</b>	<b>1.33%</b>	<b>2.27%</b>	<b>1.94%</b>	<b>1.89%</b>	<b>0.93%</b>
Population Estimate 2018	90,670	154,799	386,571	424,963	28,529,059	324,310,011
Population 2023 Projected	93,274	160,449	404,266	437,078	30,786,120	337,744,388
<b>CAGR 2018-2023</b>	<b>0.57%</b>	<b>0.72%</b>	<b>0.90%</b>	<b>0.56%</b>	<b>1.53%</b>	<b>0.82%</b>
<b>CAGR 2010-2023</b>	<b>0.38%</b>	<b>0.48%</b>	<b>0.89%</b>	<b>0.56%</b>	<b>1.57%</b>	<b>0.75%</b>
Median HH Income (2018)	\$39,336	\$37,680	\$38,576	\$36,775	\$59,623	\$59,240
Median Age (2018)	34.3	33.4	31.8	32.0	34.9	38.1
<b>Ethnicity</b>						
White	85.9%	85.6%	85.5%	86.4%	68.0%	70.4%
African American	1.6%	1.2%	1.0%	1.0%	12.7%	13.3%
Asian	1.4%	1.0%	0.8%	0.9%	5.0%	5.7%
All Other	11.1%	12.2%	12.6%	11.8%	14.4%	10.6%
<b>Hispanic Population</b>						
Hispanic	81.7%	85.3%	88.7%	88.7%	38.6%	17.5%
Not Hispanic	18.3%	14.7%	11.3%	11.3%	61.4%	82.5%
<b>CAGR = Compound Annual Growth Rate</b>						
Tony Butler Municipal Golf Course	5-mile ring	10-mile ring	20- mile ring	Cameron County	State of Texas	U.S.
<b>Golf Demand Indicators</b>						
Total Households	31,420	51,694	115,013	131,618	10,219,676	124,506,607
Number of Golfing Households	3,150	4,884	10,656	11,606	1,175,750	17,175,900
Projected Golfing Households (2022)	3,299	5,114	11,130	12,153	1,262,831	17,934,830
Projected Annual Growth Rate	0.90%	0.90%	0.90%	0.90%	1.40%	0.90%
Seasonal Golfing Households	263	350	842	1,239	25,125	732,421
Latent Demand/Interested Non-Golfers	9,100	13,960	31,645	35,376	3,324,424	40,573,960
Household Participation Rate	10.00%	9.40%	9.30%	8.80%	11.50%	13.80%
Number of Golfers	4,566	7,434	17,305	18,478	1,661,592	23,832,510
Rounds Potential (resident golfers)	90,688	137,385	286,994	329,971	30,955,250	455,965,500
Estimated Course Rounds (in-market supply)	152,978	188,359	472,660	429,517	24,759,070	455,965,000
<b>Demand Indices</b>						
Golfing Household Participation Rate	73	69	68	64	84	100
Seasonal Golfing Households	144	116	126	161	42	100
Latent Demand/Interested Non-Golfers	80	71	67	67	94	100
Rounds Potential per Household (resident golfers)	79	73	69	69	83	100

## Golf Supply

Tony Butler Municipal Golf Course	5-mile ring	10-mile ring	20- mile ring	Cameron County	State of Texas	U.S.
<b>Golf Supply</b>						
<i>Golf Facilities</i>						
Total	5	6	14	12	732	14,754
Public	3	4	10	9	515	11,006
Public: Daily Fee	2	3	8	7	338	8,509
Public: Municipal	1	1	2	2	177	2,497
Private	2	2	4	3	217	3,748
<i>Public Golf Facilities by Price Point</i>						
Premium (>\$70)	0	0	0	0	46	1,393
Standard (\$40-\$70)	0	0	1	1	195	4,087
Value (<\$40)	3	4	9	8	274	5,526
<i>Golf Holes</i>						
Total	72	90	234	216	12,492	250,146
Public	45	63	171	162	8,253	181,458
Public: Daily Fee	18	36	126	117	5,247	139,761
Public: Municipal	27	27	45	45	3,006	41,697
Private	27	27	63	54	4,239	68,688
Non-Regulation (Executive & Par-3)	18	18	45	45	486	20,277
<i>Net Change*</i>						
Net Change in Holes past 5 years	9	9	-18	-27	-1,071	-13,941
Percentage Total Holes Past 5 Yrs	14.30%	11.10%	-7.10%	-11.10%	0	-5.30%
Net Change in Holes past 10 Years	9	9	-18	-18	-1,557	-19,098
Percentage Total Holes Past 10 Yrs	14.30%	11.10%	-7.10%	-7.70%	0	-7.10%
*Numbers may include courses under construction and temporarily closed at the end of the year.						

## Supply-Demand

Tony Butler Municipal Golf Course	5-mile ring	10-mile ring	20- mile ring	Cameron County	State of Texas	U.S.
<b>Supply-Demand Ratios</b>						
<i>Households per 18 Holes</i>						
Total	7,855	10,339	8,847	10,968	14,726	8,959
Public	12,568	14,770	12,107	14,624	22,289	12,351
Public: Daily Fee	31,420	25,847	16,430	20,249	35,059	16,035
Public: Municipal	20,947	34,463	46,005	52,647	61,196	53,748
Private	20,947	34,463	32,861	43,873	43,396	32,628
Premium (>\$70)	0	0	0	0	202,370	73,716
Standard (\$40-\$70)	0	0	115,013	131,618	49,370	28,602
Value (<\$40)	12,568	14,770	13,531	16,452	50,844	30,826
<i>Golfing Households per 18 Holes</i>						
Total	788	977	820	967	1,694	1,236
Public	1,260	1,395	1,122	1,290	2,564	1,704
Public: Daily Fee	3,150	2,442	1,522	1,786	4,033	2,212
Public: Municipal	2,100	3,256	4,262	4,642	7,040	7,415
Private	2,100	3,256	3,045	3,869	4,993	4,501
Premium (>\$70)	0	0	0	0	23,282	10,169
Standard (\$40-\$70)	0	0	10,656	11,606	5,680	3,946
Value (<\$40)	1,260	1,395	1,254	1,451	5,850	4,253
<i>Household Indices</i>						
Total	87	114	98	121	163	100
Public	101	119	97	117	179	100
Private	64	105	100	133	132	100
Premium (>\$70)	0	0	0	0	272	100
Standard (\$40-\$70)	0	0	399	456	171	100
Value (<\$40)	40	48	44	53	164	100
<i>Golfing Household Indices</i>						
Total	64	79	66	78	137	100
Public	74	82	66	76	150	100
Private	47	72	68	86	111	100
Premium (>\$70)	0	0	0	0	229	100
Standard (\$40-\$70)	0	0	270	294	144	100
Value (<\$40)	30	33	29	34	138	100
<i>Rounds per 18 Holes</i>						
Rounds Potential (resident golfers)	22,672	27,477	22,076	27,498	44,604	32,810
Estimated Course Rounds (in-market supply)	38,245	37,672	36,358	35,793	35,676	32,809

## APPENDIX C – REGIONAL MUNICIPAL BENCHMARKING COMPARISONS

Texas Municipal Benchmarking Comparisons									
Description	City of Harlingen	City of McAllen <sup>1</sup>	City of Corpus Christi <sup>2</sup>	City of Edinburg	City of Pharr <sup>3</sup>	City of Mission	City of Alice	City of Brownsville	City of Brownsville
Number of Golf Holes	27	18	45	18	9	18	27	18	18
Golf Facility	Tony Butler	Palm View	Lozano GC, Oso Beach	Los Lagos	Ebony Hills	Tierra Del Sol	Shary Muni	Alice Muni	Brownsville
Rounds Played	34,802	41,116	72,335	26,836	12,813	21,492	46,709	10,241	22,975
Rounds per 18 Holes	23,201	41,116	28,934	26,836	--	21,492	31,139	10,241	22,975
Total Operating Revenue	\$965,623	\$1,136,626	\$148,037	\$862,483	\$223,973	\$876,419	\$901,766	\$298,591	\$444,363
Total Rev/Round	\$27.75	\$27.64	--	\$32.14	\$17.48	\$40.78	\$19.31	\$29.16	--
Total Operating Expense (excl. Depreciation)	\$1,171,705	\$1,130,114	\$16,609	\$1,142,277	\$341,030	\$1,070,657	\$1,052,278	\$432,728	\$788,541
<b>Operating Income (Loss)</b>	<b>(\$206,082)</b>	<b>\$6,512</b>	<b>\$131,428</b>	<b>(\$279,794)</b>	<b>(\$117,057)</b>	<b>(\$194,238)</b>	<b>(\$150,512)</b>	<b>(\$134,137)</b>	<b>(\$344,178)</b>
<p>1. City of McAllen source: McAllen 2018 Budget, actual FY16-17 column, Total rounds + twilight, sundown and tournament page 280.</p> <p>2. All Corpus Christi courses have been leased to a third party since Feb 2011. The initial term of the lease is ten years with options to extend for an additional ten years, then an additional 5 years. The City shares in 50% of profits from golf operations but does participate in any losses the third party may suffer. (Source: City of Corpse Christi 2018 Budget, <a href="https://www.ctexas.com/sites/default/files/FY%202018-19%20Adopted%20Budget%20-%20Online_0.pdf">https://www.ctexas.com/sites/default/files/FY%202018-19%20Adopted%20Budget%20-%20Online_0.pdf</a>)</p> <p>3. City of Pharr rounds source: COP Annual Budget 2018-2019 online version.</p>									

## APPENDIX D – GOLF COURSE EXPECTED LIFE CYCLE

# GOLF COURSE ITEMS EXPECTED LIFE CYCLE

### HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

No two golf courses are alike except for one thing: deferring replacement of key items can lead to greater expense in the future, as well as a drop in conditioning and player enjoyment. The following information represents a realistic timeline for each item's longevity.

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. The American Society of Golf Course Architects (ASGCA) encourages golf course leaders to work with an ASGCA member, superintendents and others to assess their course's components.

ITEM	YEARS
Greens (1)	15 – 30 years
Bunker Sand	5 – 7 years
Irrigation System	10 – 30 years
Irrigation Control System	10 – 15 years
Pump Station	15 – 20 years
Cart Paths – asphalt (2)	5 – 10 years (or longer)
Cart Paths – concrete	15 – 30 years (or longer)
Practice Range Tees	5 – 10 years
Tees	15 – 20 years
Corrugated Metal Pipes	15 – 30 years
Bunker Drainage Pipes (3)	5 – 10 years
Mulch	1 – 3 years
Grass (4)	Varies

**NOTES:** (1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations). (2) Assumes on-going maintenance beginning 1 - 2 years after installation. (3) Typically replaced because the sand is being changed – while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well. (4) As new grasses enter the marketplace – for example, those that are more drought and disease tolerant – replanting may be appropriate, depending upon the site.

ASGCA thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:



For more information, contact ASGCA at (262) 786-5960 or visit [www.ASGCA.org](http://www.ASGCA.org)

DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 302, BROOKFIELD, WI 53005

## APPENDIX E – PROBABLE COST ESTIMATES – NOTES & ASSUMPTIONS

Below are the general notes and assumptions used in formulating preliminary estimates of probable cost for a transformative renovation of the 18-hole golf course at TBGC. Initial preliminary estimates of golf course construction costs are based on a 2-year renovation as described in the report. We assumed near minimum accepted sizes and accepted construction methods often used when budgets are an issue. Other notes and assumptions include:

- ▶ We assumed existing cart paths can be widened.
- ▶ There will be no new or repaired wells.
- ▶ There is no allocation for purchase of maintenance equipment or work to the structures, such as maintenance building or cart storage facility, in these estimates.
- ▶ We detailed out a possible construction bid as the basic cost. Quantities were estimated based on our course review, and a conceptual scope of work outlined in the report. We derived construction unit costs using recent Texas renovations designed by Jeffrey Brauer and others, increased where needed for inflation to 2019 dollars.
- ▶ Phase 2 cost for a transformational renovation would be lower than Phase 1, which includes building a 12-acre range and practice greens. Also, Phase 2 does not assume building a second pump station. However, we have estimated the contractor will bid Phase 2 about 3% higher for inflation, possibly offset by ordering and storing all materials as part of Phase 1.
- ▶ We have added costs for construction contingency (10%), design/soft costs (10%), maturation/ grow-in (5%) and inflation to provide a more complete picture of total cost.
- ▶ These estimates use current pricing, anticipating the City of Harlingen will be able to adopt the NGF study and begin renovations late in 2019. If delayed a year or longer, the City should plan on adding approximately 3% per year for inflation, although it is not practical to accurately gauge future construction costs and bid conditions.
- ▶ The lowest 18-hole somewhat comparable renovation in Texas that we have seen recently is about \$3.8M, with an extremely low bid (second bid was \$4.2M). Golf course construction costs have accelerated with the Texas economy in the last few years.
- ▶ It is possible to reduce any budget if some quality compromises are accepted. Of course, adding work and increasing quality could add to the cost.

## APPENDIX F – RENOVATION TIMETABLES

### Single Phase/Complete Renovation

Complete renovation entails closing the entire golf course for:

- ▶ 5-8 months of construction
- ▶ Another 3-12 months for maturation. (3-4 actual growing months in this climate region)
- ▶ Completing grassing within prime grassing dates (May/June in the south) minimizes down time/revenue loss

We recommend complete renovation when there is an immediate need due to flooding, freezing or major turf damage; desire to experience positive effects quickly; sufficient financing in place.

#### Advantages include:

The major advantages to undertaking larger construction projects in one period include:

- ▶ Lower construction costs from economy of scale
- ▶ No concern for minimizing disruption/golfer inconvenience
- ▶ Construction Consistency in look/quality by using one contractor
- ▶ Material Consistency – Green and Bunker sands can vary over the years, even from the same supplier/pit
- ▶ Maintenance Consistency – for example, three-year-old greens react quite differently (in both maintenance and play) than new greens
- ▶ More Impact upon Re-opening, as a “brand new” course worthy of playing

#### Disadvantages include:

The major advantages to undertaking larger construction projects in one period include:

- ▶ Financing a large project, usually requiring a loan or bond issue
- ▶ Disruption/Cessation of golf rounds and revenues; some operating expenses are fixed
- ▶ Possible loss of “regular” users to other courses (most temporarily)
- ▶ Construction delays can be costly

### Long-Term Phased Renovation

#### Advantages include:

Long-term renovations are preferred by some for the following advantages

- ▶ Smaller projects can be done in-house (i.e., funded out of operations)
- ▶ More time to raise funds via donations, assessments, partial loans
- ▶ Properly planned and timed, cash flow disruption may be minimized
- ▶ Most golfers will accept playing on a handful of temporary greens for a short period of time

#### Disadvantages include:

- ▶ Funding may be unexpectedly cut off
- ▶ Golf course is inconsistent in style, maintenance and play for years.
  - Multiple years of disruption/golfer inconvenience (and possible resentment)

- Future Direction Change/Momentum Loss/Project Abandonment.
- ▶ Higher per unit construction costs. Currently, rebuilding 18 greens complexes averages about \$115,000 to \$150,000, if part of a full project. However, rebuilding just one or two greens raises that by 30-90% because:
  - Contractor supervision, move in, etc., not spread out over bigger project
  - No economies of scale
  - In-house crew can't assist the Contractor, because it still must maintain course.
- ▶ Construction Inconsistency - different looks/quality using different contractors each year (in bid situations)
- ▶ Material Inconsistency – see above
- ▶ Maintenance Inconsistency – see above
- ▶ Less marketing impact /membership sales from phased changes
- ▶ Long -erm master plan is required incurring more design fees

### **Short-Term (2-3 year) Phased Renovation**

2 to 3-year phasing programs have the following advantages and disadvantages:

- ▶ Nine holes open for play while remodeling nine.
- ▶ 18 holes remain open during renovation on 27-hole facilities.
- ▶ Less marketing impact than a one-time total 18-hole renovation.
- ▶ Overall disruption period shortened to 2-3 years, depending on grow in time.
- ▶ Revenue streams maintained, though likely still disrupted.
- ▶ Construction material inconsistency can be reduced by ordering all up front.
- ▶ Construction contract can be with same company for both phases, stipulating keeping key personnel, minimizes construction quality differences.
- ▶ Construction cost is 10% to 30% higher over one, total renovation.

## APPENDIX G – MIAMI BEACH GC SAMPLE PROGRESS REPORT

Miami Beach Golf Club  
 Progress Report  
 September ' 2016

cc: City of Miami Beach (John Haber, Vanessa Ponce-Sobal), PCM (Aberin Paul, Steve Ferreri)

Current Year - September ' 2016				
Rounds	September ' 2016		Monthly Revenue by Category	YTD Avg Rd/Day 366 Days
	2016	YTD		
Member	290	4,724	5,800	13
Member Guests	19	624	654	2
Rack Rate	282	5,433	28,351	15
MB Residents	424	8,592	21,420	23
So FL Residents	135	2,085	11,297	6
Tournament	258	4,171	30,480	11
9-Hole Member	153	2,105	1,836	6
Canadian Golf Pass	3	496	230	1
Promotions-High School	42	125	840	0
Premier Summer Member	1,790	14,328	57,915	39
<b>Total</b>	<b>3,396</b>	<b>42,683</b>	<b>158,823</b>	<b>117</b>

Range	1,508	20,853
Annual Members Sold	0	146

Prior Year September' 2015				
Rounds	September' 2015		Monthly Revenue by Category	YTD Avg Rd/Day 365 Days
	2015	YTD		
Member	249	4,358	4,980	12
Member Guests	31	593	1,300	2
Rack Rate	367	6,618	30,962	18
MB Residents	308	7,227	15,705	20
So FL Residents	163	2,130	14,060	6
Tournament	164	4,572	19,680	13
9-Hole Member	134	2,513	1,608	7
Canadian Golf Pass	2	554	144	2
Promotions-High School	48	77	0	0
Premier Summer Member	1,600	14,397	51,810	39
<b>Total</b>	<b>3,066</b>	<b>43,039</b>	<b>149,249</b>	<b>118</b>

Range	1,434	18,160
Annual Members Sold	0	138

Actual		Budget		Variance		
Golf Revenue	September ' 2016	YTD	September ' 2016	YTD	% Var	% Var - YTD
Greens Fees	71,227	1,957,495				
Cart Fees	87,596	1,005,998				
Membership @ 1/1	64,154	587,224				
<b>Sub-Total Golf Revenue</b>	<b>222,977</b>	<b>3,550,717</b>	<b>235,675</b>	<b>4,024,000</b>	<b>-12,698</b>	<b>-473,283</b>
Other Revenue						
Range	12,333	169,454				
Lessons @ 20%	3,200	107,009				
ProShop Lease @ 5%	2,442	38,295				
Miscellaneous	0	0				
Food & Bev Lease @ 5%	3,840	51,969				
<b>Sub-Total Other Revenue</b>	<b>21,815</b>	<b>366,727</b>	<b>23,500</b>	<b>326,000</b>	<b>-1,685</b>	<b>40,727</b>
<b>Totals</b>	<b>244,792</b>	<b>3,917,444</b>	<b>259,175</b>	<b>4,350,000</b>	<b>-14,383</b>	<b>-432,556</b>

Ttl Merch YTD	765,900
Ttl Lessons YTD	535,045
Ttl F&B YTD	1,039,380

Deferred Income	
Membership Fees (recognized & unrecognized)	0

Prior Year - September ' 2015		Budget		Variance		
Golf Revenue	September' 2015	YTD	September' 2015	YTD	% Var	% Var - YTD
Greens Fees	70,986	2,166,576				
Cart Fees	78,263	1,009,768				
Membership @ 1/1	64,585	574,373				
<b>Sub-Total Golf Revenue</b>	<b>213,834</b>	<b>3,750,717</b>	<b>239,000</b>	<b>3,997,000</b>	<b>-25,166</b>	<b>-246,283</b>
Other Revenue						
Range	12,553	163,780				
Lessons @ 20%	3,764	65,131				
ProShop Lease @ 5%	2,308	41,642				
Miscellaneous	0	0				
Food & Bev Lease @ 5%	3,014	47,734				
<b>Sub-Total Other Revenue</b>	<b>21,639</b>	<b>318,287</b>	<b>22,500</b>	<b>340,000</b>	<b>-861</b>	<b>-21,713</b>
<b>Totals</b>	<b>235,473</b>	<b>4,069,004</b>	<b>261,500</b>	<b>4,337,000</b>	<b>-26,027</b>	<b>-267,996</b>

Ttl Merch YTD	832,840
Ttl Lessons YTD	325,655
Ttl F&B YTD	954,680

Deferred Income	
Membership Fees (recognized & unrecognized)	0