

Review of Tony Butler Golf Course

Prepared for



Presented by

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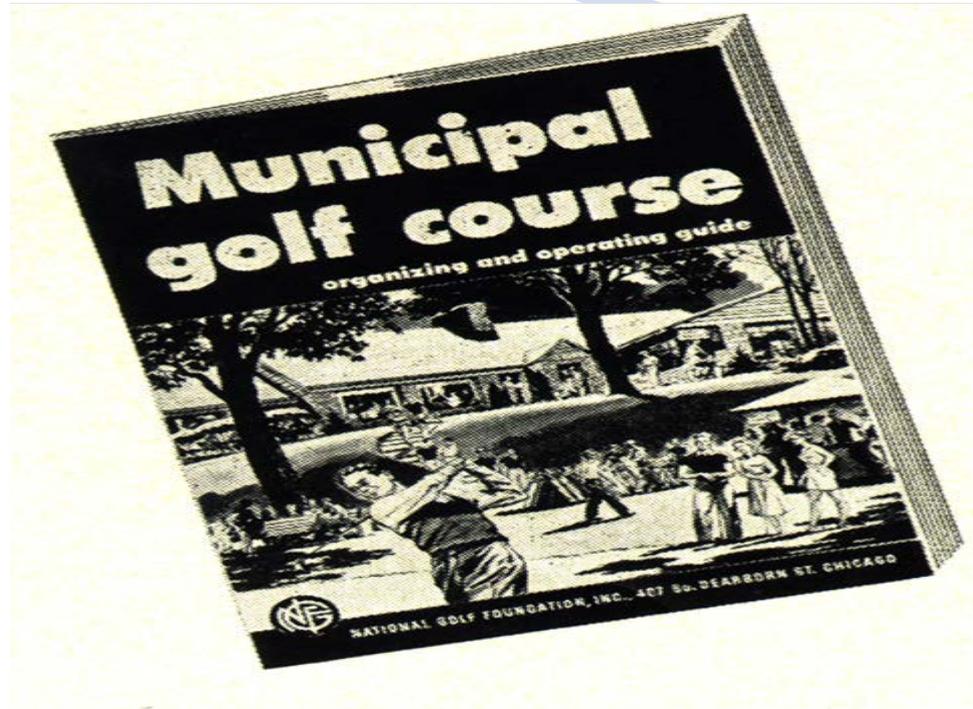
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NGF - KEEPING GOLF BUSINESSES AHEAD OF THE GAME SINCE 1936

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- Founded 1936
- Golf industry research
- Custom golf facility research and consulting
- **Independence – do not design or manage golf courses**
- Municipal golf consulting industry leader



Purpose of Facility & Operations Review

- Retained to provide independent review in consideration of NGF experience and industry best practices
- City goal is to identify a viable business model for TBGC that helps ensure long-term sustainability
- Identify potential revenue enhancement opportunities
- Identify deficiencies and prepare capital improvement plan
- Provide financial pro forma analysis under various scenarios

Consultant Activities

- City & golf course staff meetings
- Facility tour & physical review
- Market analysis
- Golfer survey
- Review of historical operating data
- Recommendations
- Financial projections

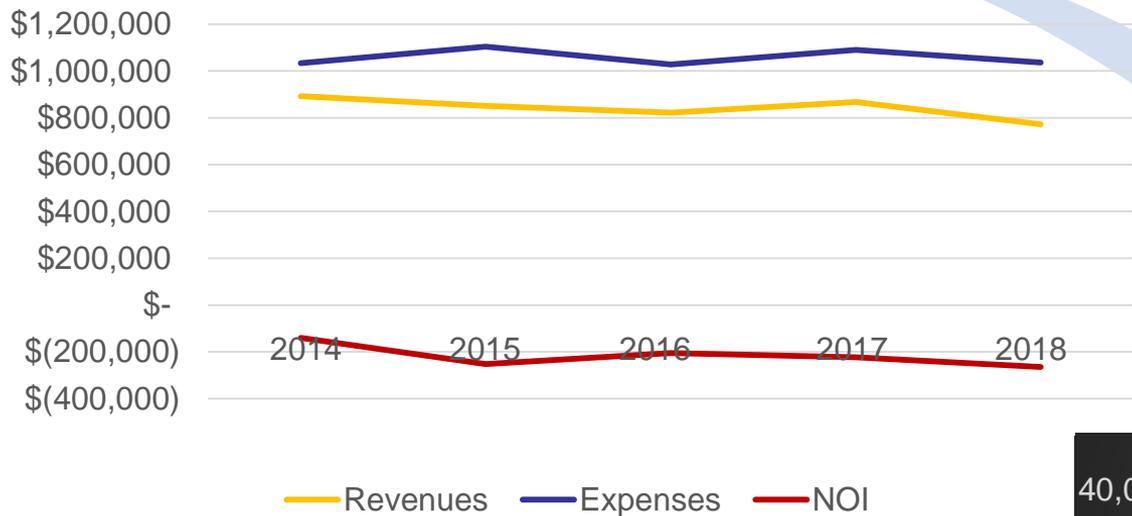


- Popular municipal golf course that is losing market share
- Recent management turnover, budget constraints
- Positives: Location; History; Strong Core Customer Base; Newer clubhouse; Harlingen & LRGV Economy
- Room for improvement: Marketing / Programming / Player Development
- Constraints to revenue growth: Golf course infrastructure well past time for replacement; insufficient budget & staffing; ceiling on green fees in market; competitive market at this price point; golf industry headwinds

Recent Performance

- Consistent decrease in rounds played, from ~39,000 in FY14 to ~32,000 in FY18 (-18%); had activity in the mid 40,000s in recent past
- Total revenues \$130,000 less in FY18 than in FY14; steep decline of more than \$100,000 from FY17 to FY18
- Overall operating expense budget was virtually the same in FY18 as it was in FY14, though labor costs have increased – **not a formula for success**
- **The annual net operating loss since FY14 has averaged more than (\$200,000), with a cumulative loss of more than (\$1,000,000).**

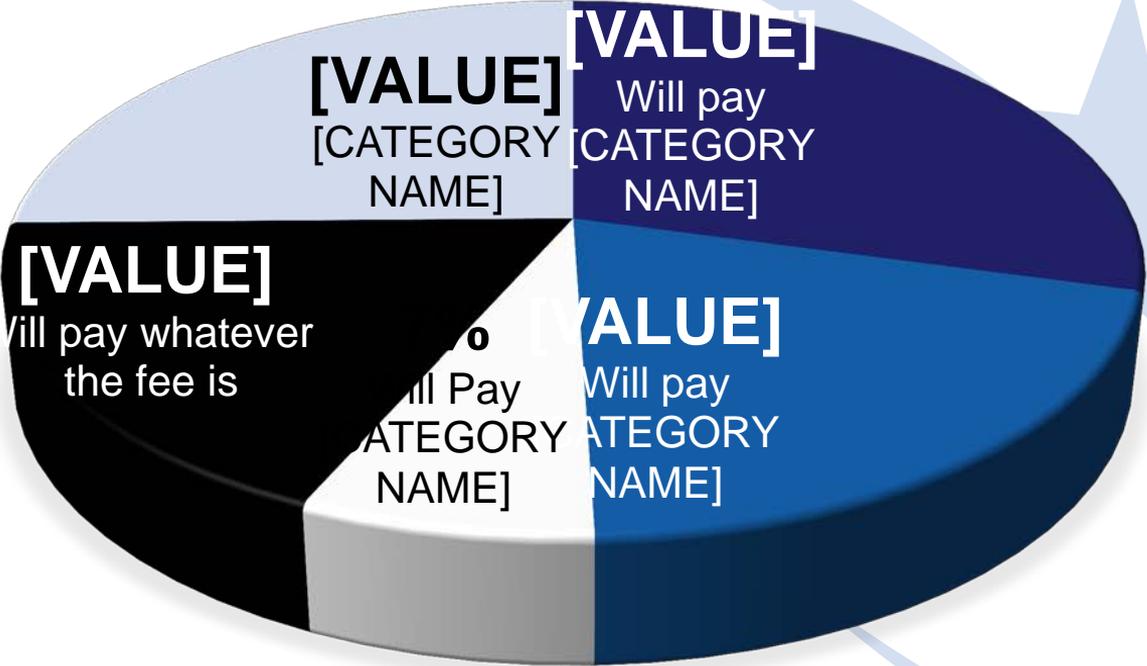
5-Year Trend



TBGC Customer Survey (N=297)

- Robust survey response shows engaged customer base
- Overall customer satisfaction well below average compared to other 'value' price point courses and national benchmark
- **Like most:** Friendly staff, convenient location, golf course design/layout, tee time availability, affordability
- **Lowest ratings:** Condition of all golf course playing areas, especially the greens; quality of pro shop inventory; on-course services; amenities
- **51% said improved course condition (greens, tees, fairways, bunkers) would prompt them to play more at Tony Butler**

Customers Willingness to Pay More



Market Overview – Demographic & Economic Factors

- Relatively low Median Age and Incomes not predictive of strong golf participation
- Positive economic development – potential demand drivers for golf: SpaceX; new Convention Center; 300 new hotel rooms coming to Harlingen; growth of VIA
- Continuing impact of Winter Texans:
 - ▶ Estimated 106,000 in the RGV during the 2017-18 winter season
 - ▶ Nearly 4,000 fewer Winter Texan households in the RGV during 2017-18 than five years ago
 - ▶ Account for majority of play on the TBGC 9H course during the peak season

Market Analysis - Golf Demand & Supply

- Golf participation rates 30% lower than national benchmark
- 14 total golf facilities (10 public) within 20 miles of TBGC
- High per-capita supply of public golf courses – 34% fewer households per 18 holes than US benchmark
- Virtually all public facilities in market competing at ‘Value’ price point (<\$40 peak riding fee)
- Key competitors to TBGC include Treasure Hills, River Bend Resort, Tierra Santa
- TBGC and competitors operating well below realistic capacity for a value public course in this climate
- TBGC has fallen well behind in product quality, but has opportunity to stand out in market after renovation

- Attrition among infrequent golfers; number of 'avid' golfers remains steady
- Participation decline among young adults ('Millennials')
- Golf course closures continue to greatly outpace openings
- Surge in capital investment for existing facilities
- Increasing diversity of junior participants and beginners
- Increase in 'off-course' participation (Topgolf)
- Large pool of interested prospects

Municipal Golf Trends (2013 NGF Survey; N=250)

- 53% Enterprise Fund; 30% General Fund
- 60% self-operate (13% mgmt. contract; 8% lease)
- 1/3 of Enterprise Funds had negative fund balance
- 1/3 of all facilities had debt (average = \$3.7 MM)
- No debt – about 1/3 losing money; with debt, 50%+
- **NGF regional Texas benchmarking – of 8 muni systems profiled, 6 losing \$\$\$ and 1 break-even**
- 70% deferring capital improvements; 50% have reduced FT staffing

Operational Key Findings & Recommendations

- Continued self-operation by City, at least prior to any major investment
- Staffing: staff P/T Administrative Support person plus at least one Assistant Golf Professional
- Fees: More flexibility to practice yield management, compete for tourneys, etc.; set minimum and maximum parameters
- Marketing:
 - ▶ Create formal Marketing Plan; Direct Selling:
 - Recruit and facilitate leagues, outings, and non-golf events
 - Cross-promotion, package deals, etc. with Convention Center and area lodging properties (e.g., new Hilton Garden Inn)
 - Programming & Player Development – lessons and clinics; reinvigorate Junior Program; women, millennials, etc.

- ASGCA Texas-based golf course architect Jeff Brauer
- Course conditions poor – partial turf loss on greens; hard, crusty bunkers; drainage problems throughout; irrigation system inefficient and in need of constant band-aid repairs
- Superintendent - very knowledgeable & experienced but does not have tools to present a viable product
- Typical life-cycle of golf course components is 20 to 30 years; TBGC well past this on all infrastructure
- Have seemingly reached “point of no return” – needs major overhaul to remain viable as a golf course

- NGF identified two options for **18-Hole Course**:
 - ▶ (1) Rebuild / Replace major infrastructure components of the 18-hole course – greens, tees, irrigation system, bunkers, drainage, etc. “in place”
 - **Preliminary Cost Estimate = \$3.7 million**
 - ▶ (2) “Transformative Renovation” – “top” of golf course, where golfers can see change. Adds:
 - Redesigning and enlarging greens
 - Adding forward tees
 - Lengthening course to ~6,800 yards
 - Enlarging and enhancing practice area
 - New & wider cart paths
 - Partial rerouting & other redesign elements
 - **Preliminary Cost Estimate = \$7 million**

Financial Outlook – 3 Scenarios

- (1) “As Is” – continued “triage” approach to repairs, no facility capital improvements
- (2) Infrastructure-only improvements = \$3.7 million
- (3) Transformative Renovation = \$7 million

Cash Flow Models - Summary

	As Is (27 holes)	Infrastructure-Only (18 holes)	Transformative Renovation (18 holes)
Effect on Rounds	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
Stabilized NOI*	(\$526,000) operating deficit and growing	(\$227,000)	(\$16,000)
Annual Debt Service (3.5%, 20 Years)	n/a	\$263,854	\$492,528
Stabilized Net Income after Debt Service	n/a	(\$491,000)	(\$508,000)

*Net operating income before depreciation and debt service.

- Extensive renovation (total cost ~\$5.0 million) that comprised a total rebuild - greens, tees, bunkers, drainage, fairways, cart paths
- Redesign elements included new routing, addition of water features & native areas, 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

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