

Salt Lake City Golf Course System Financial Study and Physical Assessment for Capital Improvements

Prepared For:

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December, 2013

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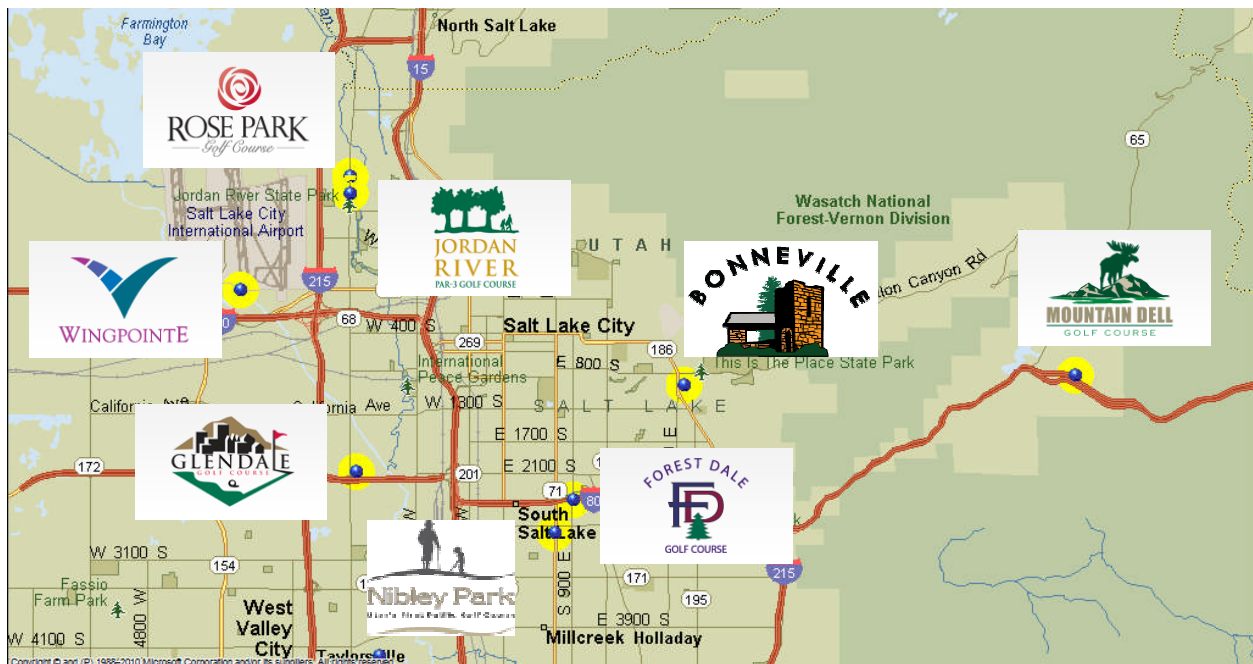


Table of Contents

| | |
|---|-----------|
| EXECUTIVE SUMMARY | 1 |
| Summary Statement and Most Important Recommendations..... | 1 |
| System Background | 1 |
| Summary of Findings and Recommendations | 2 |
| Key Findings on Performance and External Factors..... | 3 |
| Performance Findings | 3 |
| External Factor Findings..... | 3 |
| Secret Shopper..... | 4 |
| Overall System Findings and Recommendations | 4 |
| Irrigation, Water Source and Turf Reduction..... | 4 |
| Salt Lake City Golf Administration and Structure | 5 |
| Capital Needs and Priorities..... | 5 |
| Capital Needs Funding | 8 |
| Other Key Operational Items..... | 8 |
| Individual Facility Summary..... | 10 |
| Bonneville Golf Course..... | 10 |
| Rose Park/Jordan River GC..... | 10 |
| Nibley Park Golf Course | 10 |
| Glendale Golf Course | 10 |
| Mountain Dell Golf Courses (Canyon and Lake)..... | 11 |
| Forest Dale Golf Course..... | 11 |
| Wingpointe Golf Course | 11 |
| Financial Overview Summary..... | 11 |
| Summary of Performance..... | 12 |
| Course Closure Consideration | 12 |
| Summary Conclusion | 13 |
| INTRODUCTION | 15 |
| Background..... | 15 |
| NGFC Review – 2013 | 15 |
| OVERVIEW OF SALT LAKE CITY GOLF SYSTEM..... | 17 |
| Organization and Administration | 18 |
| Organizational Structure 2013..... | 18 |
| Contract Agreements in Place..... | 18 |
| Accounting / Recording Rounds Played..... | 20 |
| Administration and Overhead | 20 |
| Public-Private Partnerships | 21 |
| Capital Improvement Fund | 22 |

| | |
|--|-----------|
| Golf Course Operations | 22 |
| Staffing | 22 |
| Technology Review - Point of Sale (POS) and Reservation System | 23 |
| Food and Beverage Operations | 25 |
| Golf Cart Issues | 26 |
| Range Operations | 27 |
| Water Issues and Use | 28 |
| Winter Operations..... | 30 |
| Increased Participation from Women | 30 |
| Fee Structure | 32 |
| SLC Golf Passes | 33 |
| Community Involvement Summary | 35 |
| Tournament and Outings..... | 36 |
| Pace of Play | 37 |
| Land Sale/Lease Considerations | 37 |
| Golf System Marketing | 38 |
| System-Wide Operational Performance | 39 |
| Rounds | 40 |
| Revenues | 40 |
| Expenses..... | 41 |
| System Summary | 42 |
| FY2014 Performance | 45 |
| INDIVIDUAL FACILITIES | 46 |
| Analysis of Bonneville Golf Course | 46 |
| Location, Access and Neighborhood..... | 46 |
| Golf Course Review..... | 47 |
| Summary of NGF Consulting Observations | 48 |
| Bonneville Facility Physical Upgrade Recommendations | 50 |
| Operations and Staffing..... | 53 |
| Facility Performance and Data Analysis..... | 54 |
| NGFC Recommendations – Bonneville Golf Course | 59 |
| Summary – Bonneville Golf Course | 60 |
| Analysis of Rose Park Golf Course/Jordan River Par-3..... | 64 |
| Location, Access and Neighborhood..... | 64 |
| Facility Review..... | 65 |
| Summary of NGFC Observations..... | 65 |
| Rose Park Facility Physical Upgrade Recommendations | 67 |
| Operations and Staffing..... | 70 |
| Facility Performance and Data Analysis..... | 71 |
| NGFC Recommendations – Rose Park Golf Course | 76 |
| Summary – Rose Park Golf Course | 77 |
| Analysis of Nibley Park Golf Course..... | 79 |
| Location, Access and Neighborhood..... | 80 |

| | |
|--|-----|
| Golf Course Review..... | 81 |
| Summary of NGFC Observations..... | 81 |
| Nibley Park Facility Physical Upgrade Recommendations | 83 |
| Operations and Staffing..... | 85 |
| Facility Performance and Data Analysis..... | 87 |
| NGFC Recommendations – Nibley Park Golf Course | 91 |
| Summary – Nibley Park Golf Course | 92 |
| Analysis of Glendale Golf Course..... | 95 |
| Location, Access and Neighborhood..... | 95 |
| Golf Course Review..... | 95 |
| Summary of NGFC Observations..... | 96 |
| Glendale Facility Physical Upgrade Recommendations | 97 |
| Operations and Staffing..... | 99 |
| Facility Performance and Data Analysis..... | 101 |
| NGFC Recommendations – Glendale Golf Course | 105 |
| Summary – Glendale Golf Course | 105 |
| Analysis of Mountain Dell Golf Courses | 108 |
| Location and Access | 108 |
| Golf Course Review..... | 109 |
| Summary of NGFC Observations..... | 109 |
| Mountain Dell Facility Physical Upgrade Recommendations..... | 111 |
| Operations and Staffing..... | 113 |
| Facility Performance and Data Analysis..... | 115 |
| NGFC Recommendations – Mountain Dell Golf Course..... | 120 |
| Summary – Mountain Dell Golf Course..... | 121 |
| Analysis of Forest Dale Golf Course | 124 |
| Location, Access and Neighborhood..... | 124 |
| Golf Course Review..... | 124 |
| Summary of NGFC Observations..... | 125 |
| Forest Dale Facility Physical Upgrade Recommendations | 127 |
| Operations and Staffing..... | 128 |
| Facility Performance and Data Analysis..... | 130 |
| NGFC Recommendations – Forest Dale Golf Course | 133 |
| Summary – Forest Dale Golf Course | 134 |
| Analysis of Wingpointe Golf Course | 137 |
| Location, Access and Surrounding Elements | 137 |
| Golf Course Review..... | 138 |
| Summary of NGFC Observations..... | 138 |
| Wingpointe Facility Physical Upgrade Recommendations..... | 140 |
| Operations and Staffing..... | 142 |
| Facility Performance and Data Analysis..... | 143 |
| NGFC Recommendations – Wingpointe Golf Course..... | 147 |
| Summary – Wingpointe Golf Course..... | 148 |

| | |
|--|------------|
| GOLF INDUSTRY STANDARDS, NORMS, AND OPERATIONAL ISSUES | 151 |
| Public Golf Operational Norms..... | 151 |
| Public Golf Facility Rounds Expectations..... | 151 |
| Public Golf Facility Revenue Expectations..... | 152 |
| Public Golf Facility Expense Expectations..... | 152 |
| Public Golf Facility Average Revenue and Expense per Round..... | 153 |
| Public Golf Course Staffing..... | 154 |
| Golfer Expectations of Better Quality Public Golf Facilities..... | 155 |
| Golf Course Expectations..... | 155 |
| Clubhouse Expectations..... | 156 |
| Service Expectations..... | 157 |
| Food and Beverage Operations..... | 157 |
| SALT LAKE CITY GOLF DIVISION OPERATIONAL CONSIDERATIONS..... | 159 |
| Management Options..... | 159 |
| Option 1: Self-Operation by Salt Lake City..... | 159 |
| Option 2: Concession Agreements..... | 160 |
| Option 3: Full Service Management Contract..... | 162 |
| Option 4: Full Service Operating Lease..... | 164 |
| Discussion..... | 166 |
| One, Some, or All of Salt Lake City Golf Facilities..... | 166 |
| Closure of One or More Salt Lake City Golf Course..... | 167 |
| Other Thoughts on Golf Course Closure..... | 167 |
| EXTERNAL FACTORS AFFECTING THE OPERATION OF PUBLIC GOLF COURSES | 168 |
| Demographics, Economy and Weather..... | 168 |
| Demographic Analysis..... | 168 |
| MOSAIC Analysis..... | 169 |
| Local Economy Factors..... | 171 |
| Weather Impact – Golf Playable Days (2009-2012)..... | 172 |
| Golf Market Supply and Demand Indicators..... | 175 |
| National Trends in Golf..... | 175 |
| Tendencies and Preferences that Influence the Demand for Golf..... | 178 |
| Estimated Salt Lake City Golf Market..... | 180 |
| Golf Course Market Supply / Demand Summary..... | 181 |
| Salt Lake City Competitive Golf Market..... | 183 |
| Map of Competitive Facilities..... | 183 |
| Summary Information – Key Competitors..... | 184 |
| Summary Operating Data – Key Competitors..... | 185 |
| Significant Findings..... | 186 |
| Secret Shopper Summary..... | 187 |
| External Factors Summary..... | 188 |
| NGF CONSULTING RECOMMENDATIONS FOR SALT LAKE CITY GOLF..... | 189 |

| | |
|--|------------|
| System-Wide Organizational Recommendations | 189 |
| Salt Lake City Golf Administration and Structure | 189 |
| Public/Private Joint Venture Recommendations | 190 |
| Land Sale/Lease Considerations | 191 |
| Physical Upgrade Priorities | 191 |
| Irrigation, Water Source and Turf Reduction..... | 191 |
| NGFC Priority List of Physical Upgrades | 191 |
| Basic Operational Recommendations | 194 |
| Better Employ Technology | 194 |
| Marketing Upgrade Recommendations..... | 195 |
| Fee Discussion and Recommendation..... | 197 |
| General Maintenance Recommendations..... | 198 |
| Other Operational Recommendations..... | 200 |
| FINANCIAL ANALYSIS OF EXPECTED SLC GOLF DIVISION PERFORMANCE..... | 202 |
| Summary of SLC Golf Projections (2014-2018)..... | 202 |
| Salt Lake City Golf System Summary by Line Item | 203 |
| Salt Lake City Golf System Summary by Facility | 204 |
| Summary of Golf Facilities' Economic Performance | 206 |
| SLC Golf with Reduction to Six Facilities (Course Closure)..... | 207 |
| Rose Park / Jordan River Closure..... | 207 |
| Salt Lake City Golf System Summary by Line Item – Rose Park Closed in 2015 | 208 |
| Salt Lake City Golf System Summary by Facility – Rose Park Closed in 2015 | 209 |
| Summary of Golf Facilities' Economic Performance – Rose Park Closed in 2015..... | 211 |
| Summary of Course Closure Considerations | 211 |
| SUMMARY STATEMENT..... | 212 |
| LIMITING CONDITIONS..... | 213 |
| APPENDICES (UNDER SEPARATE COVER)..... | 214 |
| Appendix A – Architectural Exhibits..... | 214 |
| Appendix B – NGCOA Guidelines for Third-party Resellers | 214 |
| Appendix C – Golf Course Life Cycle | 214 |

Executive Summary

SUMMARY STATEMENT AND MOST IMPORTANT RECOMMENDATIONS

Salt Lake City Corporation (“City”) operates a vibrant enterprise of eight golf courses through a separate division – Salt Lake City Golf Division (“SLC Golf Division” or “SLC Golf”). The City is operating its golf facilities in a highly competitive market; however, the golf courses are “living, breathing assets” that require continual investment. The purpose of this study is to help the City determine the capital required to maximize the economic potential of the golf courses and minimize the burden on the City. It is the principal observation of National Golf Foundation Consulting, Inc. (“NGFC” or “NGF Consulting”) that the strategic vision for each golf course needs to be defined as a unique selling proposition for each location, and then communicated effectively to the targeted customer base.

In consideration of a defined mission statement and the City’s desire to maintain a fiscally successful and efficient Golf Division, NGF Consulting offers the following seven most important of our many recommendations to Salt Lake City:

1. Complete a full renovation of Bonneville Golf Course to capture the historic quality of the property for maximum revenue generation.
2. Conduct a complete re-thinking of the Rose Park/Jordan River golf complex to either close the golf courses entirely or reconfigure the property to a more manageable, efficient, and market-appropriate mix of amenities.
3. Complete other upgrades to improve the quality of the golf courses and “catch up” on previously deferred maintenance.
4. Consider other investments to enhance revenue, such as a clubhouse expansion at Mountain Dell.
5. Take immediate action to control the cost of water and administrative allocations (which far exceed national benchmarks), as these costs currently threaten the ongoing financial viability of the golf courses.
6. Create a unique brand at each facility that reflects a distinctive identity, and incorporate this brand in all signage, scorecards, and marketing.
7. Take action to increase the utilization of technology to maximize marketing opportunities for the system as a whole and for each location.

The Salt Lake City Golf Division has the unique potential to redefine its role and purpose within the community based on the recommendations contained herein. This report presents the thought processes, rationale, and economic data to assist the City Council in making an informed decision based on the research and analysis performed to achieve that goal.

SYSTEM BACKGROUND

Salt Lake City is operating eight golf facilities that include six 18-hole regulation golf courses, two 9-hole golf courses, and one par-3 golf course (Jordan River). These golf courses are geographically spread out around Salt Lake City, and each is located within a clearly defined sub-market that possesses different characteristics for the support of golf facilities. NGF Consulting has also observed that several of the SLC golf properties are considerably larger than the “standard” of 125 to 135 acres needed for an 18-hole golf course (55-60 acres for a 9-

hole golf course). Therefore, there may be excess property associated with these golf courses that could represent a financing mechanism for the facilities, subject to certain assumptions and criteria being met so as to preserve the predominance of open space that these facilities provide.

In reviewing this system in late 2013, it appears as though SLC Golf has experienced what can best be described as a “perfect storm” of events in the last few years, including a national recession, increasing competition, extremely high water costs, and variable weather. **NGF Consulting has also observed that there is no strategic vision for the role and purpose of each course, and that establishing this vision will be important to defining the level of investment ultimately appropriated to these golf facilities.**

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Salt Lake City is operating eight separate golf facilities that clearly suffer from some competitive disadvantages due to issues that are both controllable and uncontrollable by the SLC Golf Division. NGFC found six key specific areas of deficiency or underperformance around which our core recommendations to the City focus:

1. Declining physical condition of golf facilities coupled with a lack of adequate ancillary amenities (clubhouse, food, beverage, etc.).
2. A golf system with higher-than-appropriate administrative overhead expense.
3. Extraordinarily high cost of water and the use of potable water to irrigate all but one of the golf courses.
4. Less-than-optimal use of technology common in the golf industry that could be improved to enhance marketing and promotion of the golf facilities.
5. A tight external golf market with a very narrow band of green fee pricing, reducing segmentation opportunities for multi-course operators like SLC Golf.
6. Uncontrollable factors such as the recent recession and unpredictable weather conditions.

NGF Consulting finds that action on the six controllable items noted above will result in the greatest relief of economic stress to the system. NGFC recognizes that in operating public golf facilities there are variables to the operation that can be controlled by the owner (City) and variables that cannot be controlled. Uncontrollable factors include location of the facilities, demand for golf, market competition, condition of the national, local, and regional economy, and weather. While some of the key controllable factors were identified above, other controllable factors include the quality of services offered and the appropriate pricing to create a match of price and value. The review and NGFC recommendations contained in this report are designed to focus on the factors of the golf system that can be controlled by the City and to form the foundation of a system-wide business plan for golf.

The following paragraphs summarize our findings and recommendations for each individual facility and the Salt Lake City Golf system as a whole. This executive summary is intended to provide an “at-a-glance” review of the full NGF Consulting report. Additional detail can be found in the full body of this report and its appendices.

KEY FINDINGS ON PERFORMANCE AND EXTERNAL FACTORS

The NGF Consulting review of performance showed the challenges facing SLC Golf. As part of our review, NGF Consulting has made direct comparison to industry standards and norms, although some of the accounting systems in place with SLC Golf made this difficult. Specifically, the SLC Golf Division is choosing to count rounds using a 9-hole counting method, and NGFC data for comparison are based on a “start” counting method. Still, the review did show that SLC Golf compares favorably in terms of rounds and revenue, but unfavorably in terms of expenses. Specifically, the administrative / overhead and water cost expenses were the most “out-of-line” when compared to industry standards.

Performance Findings

- **Rounds and Revenue.** The Salt Lake City Golf system had produced a stable level of rounds prior to 2009, with a steep decline (12%) in 2010 and 2011, recovery in 2012 and further decline in 2013. The declines in rounds and revenue are generally comparable to the total U.S. average of 10% decline in golf course revenue over the same period. Total SLC Golf revenue from all sources was \$8,491,384 in 2012, a 13% increase over 2011. The total in 2013 was \$7,988,009, or a 6% decline in 2013.
- **Expenses.** The \$7.35 million in operating expenses (including admin) have declined about 8.4% since 2009, although there was increase in 2012 and 2013. The expenses to maintain each individual SLC golf facility are lower than golf course operating expense averages for standard public golf courses in the nation, and we note that labor expenses tend to be in proper proportion (52% at Salt Lake City compared to a “standard” of 50%). However, when City administrative and overhead expenses are added in, the total operating expense become much higher than is standard for the industry.

External Factor Findings

The external (uncontrollable) factors that affect the City’s ability to sell golf service to the public tend to be mixed in the period of this 2013 review. The national and City economies appear to be recovering from a recent recession, competition is still strong, demographics are changing, and the weather is unpredictable. Other findings:

- NGFC has documented a general decline in spending on golf from consumers and a rapid inflation in expenses to operate golf facilities nationwide.
- The greater Salt Lake City area has many favorable attributes related to economic activity that can translate to high golf activity, including a strong tourist and corporate presence that should be targeted by SLC Golf. The ratio of golf courses to population is favorable for golf course operators in Salt Lake City overall.
- Each of the seven golf facility sub-markets is not uniform in demand/supply characteristics and potential for golf activity. The Bonneville, Nibley Park and Forest Dale sub-markets show strong golf demand, while the Glendale and Rose Park/Jordan River markets are the weakest. The Wingpointe and Mountain Dell areas do not have resident populations so these are destination properties fully reliant on visitors for support.
- The golf season in Salt Lake City tends to be around seven months long (on average), thus reducing the time period to earn golf revenue. Any alteration of the “average” climate can lead to variability making budget planning more difficult.

- The Salt Lake City golf courses have several competitors that have been identified. In general, our review showed that SLC Golf courses generally do not compare well to their immediate competitors, with playing conditions and clubhouse amenities that are below standard. However, despite the conditions, SLC golf courses tend to offer a comparable pricing schedule. This would suggest that the overall value for service received is lower than optimal for SLC golf courses.

Secret Shopper

As part of our review, the NGFC team retained a *Golf Magazine* Top-100 Golf Course Rater to secret shop each of the City's golf courses and several key competitors. The findings showed:

- Salt Lake City's golf courses are at a competitive disadvantage with respect to course layout and clubhouse amenities.
- The SLC golf courses were not in optimal condition and have several capital issues that need to be addressed.
- Only Bonneville, Mountain Dell Lake and Wingpointe rated as a top-quality golf course in the system.
- The on-site staff at SLC golf courses was courteous, helpful and engaging.
- The overall value received for the green fee paid was low.
- Some of the golf courses are not "women-friendly" in both design and operation.

OVERALL SYSTEM FINDINGS AND RECOMMENDATIONS

NGFC has reviewed the operation and management of SLC golf courses with special focus on the physical condition and capital needs of each individual facility in the system. The NGFC team has addressed a large variety of issues in our attached report and we will not review every issue we covered in this executive summary. Rather, we will use this limited space to provide a summary of the most important findings on this municipal golf system along with specific recommendations. The most important subjects reviewed include: (1) water expense; (2) system administration and structure; (3) capital needs; (4) capital needs funding and (5) other items of note.

Irrigation, Water Source and Turf Reduction

NGF can state that total water expense for the SLC golf courses is very high, and action to reduce this expense should be the highest priority of the SLC Golf Division. Total water expense in SLC golf totaled \$830,000 in 2009, increasing to over \$1.3 million in 2013. NGFC recommends that the City commence with plans to complete the infrastructure necessary to switch to secondary water sources as soon as is reasonable at Bonneville, Glendale and Forest Dale (Siemens plan). These changes should be completed as part of a master plan and consider other changes to the property being proposed by NGFC (more below), most notably at Bonneville and Rose Park. The Rose Park / Jordan River golf facility is the most economically challenged facility in the SLC Golf Division, and the property is not sustainable "as-is." If the City agrees to continue with golf at Rose Park/Jordan River and enact some type of site renovation, the secondary water use plan will ultimately be dependent on the program selected for the site, but the infrastructure that will be required to provide the secondary source to the site should commence as soon as is practical.

The second component of the water use reduction plan involves the introduction of new non-managed turf ("native") areas on the golf courses to help reduce the maintenance "footprint" of each facility and to reduce water use and capital costs associated with irrigation maintenance

and replacement. NGFC fully supports this program and recommends that it be enacted at all golf courses in conjunction with other renovation / upgrade considerations and under the supervision of a golf course architect to assist in proper planning to fit the existing golf course and with an eye toward maintenance efficiency, golf course playability and pace of play.

Salt Lake City Golf Administration and Structure

The basic oversight and structure of SLC Golf appears appropriate, but focus should be redirected towards enhanced marketing and the use of technology that is a key to marketing golf courses in 2013. In the body of this report, NGFC has offered several specific recommendations on marketing and technology that should be adopted by this system, potentially leading to improved revenue performance.

Salt Lake City needs to create a formal 20-year master plan for golf. The NGFC observation is that of a “day-to-day” mentality in operating the golf courses with key decisions made separately and without order or planning. The NGFC recommendation is for the system to be organized under a formal plan, identifying the goals for the system and each individual facility. The general framework of the NGFC recommendation is that each individual SLC golf facility has its own unique identity, all under a common SLC Golf banner and theme such as “something for everyone.” The individual course themes and product can be:

| Salt Lake City Golf System NGFC Recommended Individual Golf Facility Placement | |
|---|---|
| Golf Facility | Theme and Goals |
| Bonneville GC | Premier “must play” 18-hole championship golf facility that is attractive to visitors but priced to serve residents |
| Wingpointe GC | Premier destination-oriented golf facility focused on attracting airport-related tourists and corporate outings. |
| Mountain Dell GC | Premier destination-oriented golf facility focused on attracting mountain tourists and corporate outings. |
| Glendale GC | Lower fee regulation golf focused on corporate and business functions/events with popular driving range |
| Rose Park GC | Lesser quality 18-hole course for residents with focus on player development and recreational golf activity |
| Forest Dale GC | High quality 9-hole golf course for residents |
| Nibley Park GC | Fun 9-hole course for residents with focus on player development and recreational golf activity |

Capital Needs and Priorities

The physical upgrade needs documented by NGF Consulting total at least \$22.6 million, divided by highest priority items that require immediate attention (\$10.6 million), investments that should lead directly to increased revenue (\$2.0 million) and lower priority items that can be completed over 10+ years (\$10.0 million). In addition, NGFC has also outlined the priority by facility to aid in City planning and is based on both the greatest immediate need and the ability to generate return on investment. The NGFC recommended priority of investment by facility:

1. Bonneville GC (can be signature course for the system)
2. Rose Park / Jordan River (if City elects to retain golf)
3. Nibley Park GC (focus on new player development)
4. Glendale GC (revenue enhancement opportunities)

5. Mountain Dell GC (revenue enhancement opportunities)
6. Forest Dale GC (golf course upgrades needed)
7. Wingpointe GC (if remain open as golf course – also this is a newer facility with lower overall capital needs).

Highest Priority by Item

Below is the NGFC recommended list of the highest priority items for the full SLC Golf Division. This list is based on the above-noted list of facility priorities, as well as the highest priority items in the system. The priority of NGFC improvements by project:

1. All actions to improve irrigation efficiency, add non-managed turf (“native”) areas and reduce water use and associated costs
2. Full Bonneville golf course renovation
3. Rose Park / Jordan River reconfiguration (if City elects to retain golf at this site)
4. Maintenance facility upgrades at Glendale
5. Maintenance facility upgrades at Forest Dale
6. New tournament pavilion at Glendale
7. Range expansion / golf course reconfiguration at Nibley Park

NGFC estimated total expense of these highest priority items is as shown below:

| Salt Lake City Golf System NGFC Recommended Highest Priority Items | | |
|---|-------------------------|--------------------------|
| | Low Estimate | High Estimate |
| Bonneville (golf course renovation) | \$6,350,000 | \$7,065,000 |
| R. Park/J. River (golf course reconfiguration) | \$2,630,000 | \$3,160,000 |
| Nibley Park (range, golf course reconfiguration) | \$490,000 | \$640,000 |
| Glendale (irrigation, water, pavilion, maint. Fac.) | \$315,000 | \$362,000 |
| Mountain Dell (irrigation) | \$295,000 | \$320,000 |
| Forest Dale (irrigation, water, maint. Fac.) | \$335,000 | \$400,000 |
| Wingpointe (irrigation, water) | \$150,000 | \$160,000 |
| Total High Priority | \$10,565,000 | \$12,107,000 |

Other High Priority – Lead to Increase Revenue

Below is the recommended list of other high priority items that NGFC believes will lead directly to enhanced revenue for the system, but each requires considerable investment:

1. Clubhouse renovation/addition at Mountain Dell
2. New front lawn project at Nibley Park (Public Putting Green or Mini Golf)

NGFC estimated total expense of these highest priority items is as shown below:

| Salt Lake City Golf System Other High Priority Items to Enhance Revenue | | |
|--|-------------------------|--------------------------|
| | Low Estimate | High Estimate |
| Clubhouse Renovation/addition at Mountain Dell | \$1,700,000 | \$1,900,000 |
| Front Lawn Project at Nibley Park | \$250,000 | \$290,000 |
| Total High Priority/Revenue Enhancement | \$1,950,000 | \$2,190,000 |

Lower Priority by Item

Below is a brief summary of some of the key lower priority items recommended by NGFC and documented in this report. The list below is not meant to be exhaustive, but highlights the most important of the lower priority items as seen by NGFC in late 2013:

1. New clubhouse at Bonneville (possibly shifted to higher priority dependent on ability to fund)
2. Clubhouse, cart storage, maintenance facility upgrades at Rose Park
3. Golf course fix-up, maintenance facility and clubhouse upgrade at Nibley Park
4. Cart paths, staging/patio, golf upgrade, clubhouse upgrade and new maintenance facility at Glendale
5. Upgrade entry, parking, cart paths and minor remodel/short game at Mountain Dell
6. Greens, drainage and other upgrades at Forest Dale
7. Cart path upgrades, tournament pavilion at Wingpointe

NGFC estimated total expense of all (in addition to those listed above) lower priority items:

| Salt Lake City Golf System NGFC Recommended Lower Priority Items | | |
|---|-------------------------|--------------------------|
| | Low Estimate | High Estimate |
| Bonneville Clubhouse | \$4,000,000 | \$4,400,000 |
| R. Park/J. River remaining projects | \$1,595,000 | \$1,740,000 |
| Nibley Park remaining projects | \$1,180,000 | \$1,440,000 |
| Glendale remaining projects | \$315,000 | \$360,000 |
| Mountain Dell remaining projects | \$1,330,000 | \$1,490,000 |
| Forest Dale remaining projects | \$990,000 | \$1,195,000 |
| Wingpointe remaining projects | \$660,000 | \$790,000 |
| Total Lower Priority | \$10,070,000 | \$11,415,000 |

Capital Program – Recommended Sequencing

The NGFC recommendation for sequencing major items can be shown in the chart below:

| Schedule by Facility | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------|-------------|-----------------|-----------------|---------------|------|
| Bonneville GC | Master Plan | Renovation | Grand Re-open | | |
| Rose Park / Jordan River | Master Plan | Reconfiguration | Grand Re-open | | |
| Nibley Park | Master Plan | | Range Expansion | Add mini Golf | |
| Glendale | | Turf/Irrig. | Pavilion | | |
| Mountain Dell | | | | Clubhouse | |
| Forest Dale | | | | Greens | |
| Wingpointe | | | Pavilion | | |

Capital Needs Funding

NGFC recommends the SLC Golf Division aggressively pursue all non-traditional funding opportunities presented as a means to off-set the high cost of the capital program. Funding options that look favorable to SLC Golf and should be pursued include:

- **Naming Rights** – NGFC was informed that the Salt Lake City Corporation had recently passed an ordinance that allows naming rights at City facilities. This is becoming more common in municipal golf nationwide.
- **University of Utah Partnership** – The SLC Golf Division is considering a proposal to work with the University of Utah to develop a mutually beneficial partnership at Bonneville GC. The partnership could also include naming rights for the facility and/or clubhouse as well.
- **Utah PGA**– the SLC Golf Division is also considering a proposal to provide a host facility for the Utah PGA Section at Bonneville GC. This program would provide office space and a home golf course to this section of the PGA.
- **Donor / Sponsorship** – A program to allow donations at various levels and offer the donors some benefits such as season passes, advance tee times, special golf bags and name recognition on plaques and/or donor displays.
- **Land Sale Considerations** - NGFC recommends the SLC Golf Division aggressively pursue possible land sale opportunities. The locations with the greatest land sale possibilities include Bonneville GC, Rose Park/Jordan River GC and Glendale GC. It is the opinion of NGFC that to sell off (or lease) excess golf course property and use proceeds to improve the City’s golf courses would be a good use of these land assets and still be consistent with the open space and public purpose uses of the City’s golf courses.

Other Key Operational Items

Other key items of note in the SLC Golf system are listed below. This list is not intended to be fully exhaustive, but does address the most important issues facing SLC Golf, other than the items noted above:

- **Technology Optimization** – SLC Golf would benefit from full utilization of the technology tools at its disposal. NGFC recommends upgrades to SLC Golf Division

technology with focus on three areas that would greatly aid the Golf Division's marketing initiatives to stimulate revenue:

- Customer database segmentation through enhanced reporting.
- Email practices integration with social media emphasizing open, bounce and click-through rates.
- Web site remodel to focus dynamic transaction based orientation vs. static page.
- **Community Involvement** – NGFC has observed a very high level of community involvement at the golf courses, going above and beyond what is usual and customary in areas such as junior golf, hosting (and even coaching) middle and high school golf teams, tournaments, outings, other education and charity events. NGFC sees this as a real positive for the system and recommends that it continue.
- **Privatization** - NGFC has reviewed several options for “privatizing” the SLC golf operation. In summary, it does not appear as though privatizing this golf system will lead directly to improved performance:
 - A management contract will add a large \$240,000 to \$480,000 expense item to the system without any guarantees to the City (City retains risk);
 - Concession contracts are difficult to administer and don't provide any guaranteed revenue to the City (City retains risk); and
 - A lease could be considered, but only if the new lessee provides capital for the above-noted required capital items.
- **Staff** – The SLC Golf Division has a strong and competent staff, both in administration and at each individual facility. This appears to be a real strength in the City's golf operation. Further, the SLC Golf Division has a great internal training program, allowing golf professionals and superintendents to start at 9-hole courses and work their way up to middle-quality 18-hole courses and higher-quality 18-hole courses, all within the SLC system.
- **Pricing** – NGFC does not recommend major changes in green fee pricing, as courses are generally priced appropriately. Some of the main proposed changes:
 - Adding a non-resident rate at 15% to 20% higher for all green fees at Wingpointe, Mountain Dell and Bonneville.
 - No change in fees at Forest Dale and Nibley Park.
 - Reduce fees by \$1 per 9 holes at Glendale GC.
 - Reduce fees by \$2 per 9 holes at Rose Park GC.
- **System Integrity** - The 7-facility Salt Lake City Golf system has advantages stemming from the variety of offerings and geographic distribution. Any break-up of this system will result in a spin-off of better-performing facilities and a possible situation of internal competition. It is the NGFC recommendation that the system remain as one single group of facilities, with the possible exception of Rose Park/Jordan River closing as a golf course.

INDIVIDUAL FACILITY SUMMARY

Bonneville Golf Course

Strengths: A charming historical course, centrally located in affluent neighborhood, with a fundamentally strong architectural design.

Weaknesses: The course is aging and has serious capital needs. The irrigation system is antiquated and inefficient, resulting in significant waste in irrigation. The clubhouse and range create a negative first impression. That impression is reinforced by the small pro shop and food and beverage concessionaire that does not match a high quality golf course.

Opportunities: An upgraded facility with a modern and larger clubhouse and new irrigation system would provide the foundation for a vastly superior customer experience and likely a higher green fee rate. The trimming of trees could vastly improve the vistas.

Rose Park/Jordan River GC

Strengths: The suburban location and convenient access along a major thoroughfare in north central Salt Lake City. The range and practice facilities provide opportunities to learn the game. The Jordan River concept of a short par-3 golf course for new entrants to the game and for family recreation play is ideal.

Weaknesses: The poorest conditioned course amongst the Salt Lake City golf courses. This is a low quality golf course that has declined in maintenance condition in recent years. Varying smells from the oil refinery and water treatment plants proliferate depending on wind conditions. There are many dead trees adorning the course on every hole and the ancillary and support amenities are in need of improvement. It is ironic that a golf course designed for beginners (Jordan River) is incredibly difficult with small greens, poor turf and trees blocking shots.

Opportunities: Possible reconfiguration and/or even sale/lease of property to raise the requisite capital in a financially challenged enterprise to reinvest in other facilities. The conversion of the facility to an Executive course, with the closure of Jordan River would provide ample golf for the immediate local market. The investment required to mediate the challenges at Jordan River would not be offset by any financial return and resources should be invested elsewhere.

Nibley Park Golf Course

Strengths: Central location on busy street finds a recreational course that provides interest for the accomplished golfers and driving range is convenient.

Weaknesses: The short length and narrow width of the driving range limits revenue potential. The facility has an excessively large parking lot.

Opportunities: Location provides opportunity for implementation of family center recreation concept with miniature golf, expanded driving range. Removal of select trees would vastly improve turf conditions.

Glendale Golf Course

Strengths: Appropriate basic entry level golf course with extensive driving range and short game practice area. Green condition was excellent.

Weaknesses: Location in industrial vs. residential and lack of adequate clubhouse facilities diminish revenue opportunities. The basic flow and golfer staging is inefficient. There are numerous dead trees on the golf course (unsightly).

Opportunities: A pavilion to host tournaments and outings > 100 golfers would provide opportunity to boost rounds.

Mountain Dell Golf Courses (Canyon and Lake)

Strengths: Mountain golf experience available close to metro area. The courses provide a challenging test for accomplished players and beginners alike.

Weaknesses: Clubhouse is undersized and cannot host large events. The turf conditions between two courses is different, with the Lake Course having better, more consistent playing surface. Canyon Course fairways are contaminated with multiple varieties of grass. Forced carries on the back-9 of the Canyon Course create challenge for recreational golfer.

Opportunities: Expanded clubhouse to host tournaments and outings would serve as attractive focal point for mountain golf experience.

Forest Dale Golf Course

Strengths: Delightful inner city golf course that could be a premier 9-hole facility that is centrally located in an affluent neighborhood with a fundamentally strong architectural design.

Weaknesses: Greens are the worst in the system and strong potential of total failure. “Band-Aid” approaches are no longer sufficient. Trees have been overgrown adversely impacting playing corridors and turf conditions (shade). Slow pace of play mitigates opportunity for quick, enjoyable round of golf.

Opportunities: Overall golf course improvement to make for delightful golf experience.

Wingpointe Golf Course

Strengths: A contemporary golf course with modern features immediately proximate to a major national and regional airport. This course has received national recognition and is considered amongst the better golf courses within the State.

Weaknesses: A remote course with no residential housing bordering the airport, the course’s attraction is founded in its layout. All golf demand must come from a wider-than-normal geography.

Opportunities: With the future airport plans unknown, the acceleration of annual rent likely, the prospects for this golf course are unknown. What makes the golf course great, i.e., water hazards, is limited by the FAA in trying to control flocking birds.

FINANCIAL OVERVIEW SUMMARY

NGFC has made projections for each of the individual SLC Golf facilities, detailed in this report. We note that these projections are based on NGFC estimates for future performance in consideration of recommendations made for each individual facility and the system as a whole.

Summary of Performance

| Summary Salt Lake City Golf Courses | | | | | |
|---|--|----------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total System Revenue | \$7,388,200 | \$6,325,800 | \$8,253,300 | \$8,784,200 | \$9,364,400 |
| Less: | | | | | |
| System Cost of Sales | \$477,700 | \$439,500 | \$528,800 | \$558,600 | \$593,800 |
| System Operating Expense | \$7,345,000 | \$6,331,200 | \$7,173,860 | \$7,490,500 | \$7,938,900 |
| Total Debt Service | \$504,300 | \$595,500 | \$776,400 | \$876,200 | \$876,200 |
| Net Before Other (Loss) | (\$938,800) | (\$1,040,400) | (\$225,760) | (\$141,100) | (\$44,500) |
| CIP | \$397,000 | \$326,000 | \$408,000 | \$417,000 | \$442,000 |
| Debt Proceeds | \$0 | \$9,000,000 | \$0 | \$1,700,000 | \$0 |
| Capital Spending | (\$0) | (\$9,000,000) | (\$0) | (\$1,700,00) | (\$0) |
| Land Sale/Partnership/Donations | <i>No Income Assumed – Amount to be Determined</i> | | | | |
| Salt Lake Golf Net Income (Loss) | (\$1,335,700) | (\$1,366,400) | (\$633,760) | (\$558,100) | (\$486,500) |

The results of the analysis show that even with NGFC recommendations and the modest growth of rounds and revenues, we still expect Salt Lake City Golf system to see challenges in the next few years. This is primarily due to the large administration cost in the system and the large losses at the Rose Park/Jordan River complex.

By enhancing the facilities as recommended by NGFC, the SLC Golf Division will improve its financial position and create a golf system that is capable of covering all of its basic day-to-day operations, including administration, but not debt service. This is common in municipal golf throughout the country as only about one-third of all municipally-owned golf courses can cover all expenses and debt service. **Thus, it is the finding of NGF Consulting that the Salt Lake City Golf Division cannot sustain itself, even with enhancements unless some external funding source is found (land sale, donations, partnerships, taxpayer support, etc.).**

Course Closure Consideration

NGFC has considered the performance of the City golf system under the consideration that the City will close Rose Park and Jordan River beginning in 2015, and use the property as a park with several more “passive” features. This review was completed to show the City what the potential direct economic effect might be, assuming that closure of this course results in reduction of most of the operating expenses of an entire golf complex, but retaining a basic park maintenance budget.

| Summary Salt Lake City Golf Courses – Rose Park Closed 2015 | | | | | |
|---|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total System Revenue | \$7,388,200 | \$6,420,700 | \$7,607,900 | \$8,130,000 | \$8,629,700 |
| Less: | | | | | |
| System Cost of Sales | \$477,700 | \$448,700 | \$506,800 | \$536,000 | \$567,400 |
| System Operating Expense | \$7,345,000 | \$5,955,200 | \$6,548,061 | \$6,839,602 | \$7,261,903 |
| Total Debt Service | \$504,300 | \$420,500 | \$569,600 | \$669,400 | \$669,400 |
| Net Before Other (Loss) | (\$938,800) | (\$403,700) | (\$16,561) | \$84,998 | \$130,997 |
| CIP | \$397,000 | \$331,000 | \$371,000 | \$380,000 | \$401,000 |
| Debt Proceeds | \$0 | \$6,000,000 | \$0 | \$1,700,000 | \$0 |
| Capital Spending | (\$0) | (\$6,000,000) | (\$0) | (\$1,700,000) | (\$0) |
| Land Sale/Partnership/Donations | <i>No Income Assumed – Amount to be Determined</i> | | | | |
| Salt Lake Golf Net Income (Loss) | (\$1,335,700) | (\$734,700) | (\$387,561) | (\$295,002) | (\$270,003) |

Summary of Course Closure Considerations

The simple closing of one (or more) of the 18-hole golf courses as a means to reduce expense is not recommended by NGFC, even though our economic review of the option does show that the SLC Golf Division economic performance does improve with the closure of Rose Park and Jordan River. However, we note that this review still shows an overall loss in the system after all debt, capital and administration is considered, showing the basic finding about this golf system remains even in this scenario – **the SLC Golf Division cannot sustain itself, even with enhancements unless some external funding source is found (land sale, donations, partnerships, taxpayer support, etc.).**

SUMMARY CONCLUSION

It is our opinion that the City's golf operation is at a very critical point in its history. Declining performance has not only created stress within the system, but has resulted in a lack of reinvestment in the system in terms of major capital repairs. The position the City is in is a familiar one to us. If immediate action to correct the problems are not taken, the golf program is likely to engage in a "death spiral" where declining performance leads to continued budget cut-backs. These cut-backs, in turn, affect the performance of the facility and usually end up reducing revenue by more than the cost savings, thereby accelerating the decline.

Yet, there is a lot of reason for optimism as well. The system is located in a market with historically strong golf demand and the overall ratio of demand and supply is generally favorable, compared to other similar sized communities. Further, we find that most of the issues that led to declining financial performance are correctable. However, the capital needs of the golf courses are such that immediate action is necessary, and such action must be completed in conjunction with other concurrent projects to reduce water use (Siemens project). Coordination between these initiatives will assure an enhanced final product and more efficient and less expensive golf operation.

In summary, our findings are that Salt Lake City is operating popular golf facilities with amenities that are good enough to generate close to \$8.0 million in revenue. NGFC found six key specific areas that we feel are the most significant contributors to the recent declines in economic performance of Salt Lake City Golf Courses:

1. Lack overall strategic vision for golf in Salt Lake City
2. Declining conditions at all City golf facilities

3. A need to improve marketing to maximize the use of technology
4. High City overhead and utilities (water) expense structure
5. A tight external golf market with a very narrow band of green fee pricing
6. Unpredictable and unfavorable weather, coupled with a declining interest in golf nationwide and regionally

In review of Salt Lake City golf system, NGF Consulting finds that action on these above items will provide the greatest relief of economic stress to the system, although we recognize the high cost of capital improvements. Assuming it is in the best interest of Salt Lake City for the golf system to remain viable, it is expected that these changes will provide some economic relief to Salt Lake City Golf Fund. The most important NGFC recommendations for Salt Lake City Golf include:

1. Create a formal plan and strategic vision for the City's golf courses
2. Take immediate action to reduce water use on all golf course properties
3. Upgrade the physical condition of the golf courses and clubhouses, especially Bonneville, and creating a new plan for Rose Park
4. Be prepared to accept alternate funding sources such as naming rights, public / private partnerships and even sale/lease of excess golf course property
5. Take steps to reduce administrative and overhead expenses
6. Improve use of technology and marketing
7. Create a more segmented system, with greater variety of offerings and pricing

Introduction

National Golf Foundation Consulting, Inc. (“NGF Consulting” or “NGFC”) was retained by Salt Lake City Corporation (“City”) to analyze the financial performance, physical condition, marketing, and management/operations of each of the City’s eight golf facilities within the Salt Lake City Golf Division (“SLC Golf Division” or “SLC Golf”). The purpose of this review is to complete a full strategic review of the City’s golf system and evaluate the long term potential of each of facility and the system as a whole. Of special focus for this review are the physical condition of each facility and the preparation of a recommended and prioritized timeline, including potential costs, for any improvements that may be recommended. In addition, the NGFC team has detailed the overall economic condition of the SLC Golf Division and the market environment in which each facility operates, and has provided a set of recommendations for each individual facility and the system in its entirety.

BACKGROUND

The Salt Lake City golf system dates back to the original development of Forest Dale Golf Course in the early 1900s. Since that time, the City has completed several renovations and additions, the most recent of which was the addition of the modern, links-style golf course at Wingpointe Golf Course in 1990. As a result, the City is now operating a widely diverse system of golf courses that offers “something for everyone,” from the beginner all the way up to seasoned golf professionals.

In the last several years, the economic performance of the City golf system has declined, with a slight resurgence in 2012, followed by further decline in 2013 and expected for FY2014. This has led to stress within the system in light of fiscal commitments. Each of the eight facilities has been experiencing decline, although it is clear that some are faring worse than others. In reviewing the Salt Lake City Golf Division, it is clear that these golf courses are important to the City, and add value to the City’s overall park and open space offering.

NGFC REVIEW – 2013

In 2013, NGF Consulting was retained by the City to assist with evaluating the SLC Golf Division and to make recommendations to help ensure the long-term viability of the system. This includes a thorough review of the system on an ‘as-is’ basis, as well as a review of the system’s capital needs and effects of deferred maintenance. It is expected that the results of this NGFC study will be used by the City as a guide for the future of the golf system, and to help prepare a more formal master plan of needed improvements and the priority and sequencing of such improvements.

The findings and recommendations presented by NGFC in this report are based on NGF Consulting experience, knowledge of golf industry best practices, and a review of each facility. NGFC completed tours and meetings with key personnel (at each property and administration) in September and October of 2013.

NGFC activities completed to date include meetings with the staff from Salt Lake City Parks and Recreation Department, Finance Department, several City Council Members and other senior City staff. In addition, the NGFC team had meetings and interviews with other SLC Golf staff at each individual facility and members of the City’s Golf Advisory Committee and Task Force. These meetings involved substantive discussions about all key aspects of SLC Golf operations,

as well as detailed reviews of each subject golf course. Further, the NGFC consultants completed seven separate in-depth tours / inspections of each facility with complete interviews of each on-site manager and golf superintendent.

The key components and issues of this report include:

- Overall condition and operating efficiencies of SLC Golf
- A review of golf industry standards and norms of operation
- Status of the broader Salt Lake City market area, with focus on external issues that can affect public golf operations, including the balance between demand and supply
- A comprehensive review of each SLC golf course and its present physical condition and capital needs
- A careful estimate of the cost of capital needs at each facility
- An estimate of realistic economic potential of the SLC Golf system and its ability to fund needed capital improvements
- Benchmarking SLC Golf operations with industry standards and norms
- A review of alternate models of operation (i.e. privatization)

The NGFC consulting engagement was managed by Richard B. Singer, Director of Consulting Services, with assistance from other NGFC staff including: Ed Getherall, Senior Operations Director; Clark Brown, Director of Research; and Judy Cook, Consulting Administrator. Additional support was provided by additional team members Forrest Richardson, James Keegan, and Robert Springmeyer. In addition to meetings with Salt Lake City officials and golf course personnel, the NGFC consultants collected materials to aid in understanding the local market area, weather data, other regional municipal golf operations, and golf operations in general. NGFC also collects considerable information and data on the golf industry on an ongoing basis as a regular part of our organization's work, and much of this information and data is presented throughout this report.

Overview of Salt Lake City Golf System

The Salt Lake City Golf system comprises eight golf facilities, seven of which are located within the City (Mountain Dell is outside of the City). These golf courses represent a mix of facility types and development histories. The first City golf course was Forest Dale in the early 1900s. The City then added Nibley Park (1922) and Bonneville (1929) in the 1920s, followed by other “traditional” golf facilities developed in the 1960s and 1970s like Mountain Dell GC (1960), Rose Park (1962) and Glendale (1973). The 9-hole par-3 Jordan River was added in 1986. In the 1990s, the City added the newer Wingpointe GC and a second course at Mountain Dell.

As a whole, the golf system was able to generate over \$8.3 million in total revenue in FY2012. With total basic operating expenses around \$7.8 million, the combined four golf facilities are operating with revenues that are sufficient to cover the basic day-to-day expenses, before the addition of other City expenses such as overhead, internal fund charges, debt and depreciation. This basic financial condition is comparable to the majority of municipal golf course operations nationwide, very few of which are able to cover all direct expenses AND large depreciation or debt service (only 20% can cover debt and depreciation). The facilities, golf course type, amenities, and year open are shown below:

| Golf Facility | Type | Year Open | Amenities |
|----------------------------|--------------------|------------------|--|
| Mountain Dell Golf Courses | 36-Hole Regulation | 1960 | Two 18-hole championship golf courses, driving range and clubhouse |
| Wingpointe Golf Course | 18-Hole Regulation | 1990 | 18-hole championship golf course with driving range and clubhouse |
| Glendale Golf Course | 18-Hole Regulation | 1973 | 18-hole regulation-length golf course with driving range and clubhouse |
| Bonneville Golf Course | 18-Hole Regulation | 1929 | 18-hole regulation-length golf course with driving range and clubhouse |
| Rose Park Golf Course | 18-Hole Regulation | 1962 | 18-hole regulation-length golf course with driving range and clubhouse |
| Jordan River Par-3 | 9-Hole Par-3 | 1986 | 9-hole par-3 golf course with small pro shop |
| Forest Dale Golf Course | 9-Hole Regulation | 1904 | 9-hole golf course with clubhouse (houses golf administration office) |
| Nibley Park Golf Course | 9-Hole Regulation | 1922 | 9-hole golf course with large driving range and small clubhouse |

In our review of Salt Lake City Golf system, the NGF Consulting team found good quality golf facilities that are spread out evenly over Salt Lake City. Despite being very different in style and quality, NGFC found a very similar operation at these facilities, thus not taking advantage of the variety of offerings to the golfing public. Thus, the City may find it worthwhile to consider creating a plan to better segment the courses in the system, with lower fee facilities, middle fee facilities and higher fee facilities. Also, it appears that the golf courses in Salt Lake City system have growing capital needs and the City should begin planning for some important capital investments in these properties that will be needed to sustain, and even grow rounds and revenue performance. In short, the City may find that Salt Lake City Golf courses need to be

better promoted to take advantage of the multiple offerings, noting that the system has a golf facility to serve every segment of existing golf demand, from a beginner 9-hole par-3 course at Jordan River, to a short 9-hole course and driving range at Nibley Park, to middle-quality golf courses at Glendale, Rose Park, Bonneville and Forest Dale, to the “destination” championship golf at Wingpointe and Mountain Dell.

As part of this consulting effort, NGF Consulting has observed very dedicated and hard-working staffs at all Salt Lake City golf facilities. All of the facilities are presently operating under somewhat reduced staffing due to budgetary limitations, and are trying to get by with often very limited resources. Salt Lake City should prepare for physical improvements that will be needed at each of these golf courses to help improve financial performance and increase revenues.

ORGANIZATION AND ADMINISTRATION

The golf program for Salt Lake City is organized as an Enterprise Fund with a central administration and golf managers and lead superintendents at each individual facility. To oversee operations, the Golf Enterprise has a single Golf Program Director, an individual who has been in this position with Salt Lake City golf for over eight years. The structure in place includes a system of City control of the golf courses that is consistent with successful municipal golf programs nationwide, and offers the City both centralized strategic oversight and on-site facility control.

Organizational Structure 2013

The key administrative and management positions for Salt Lake City Golf include:

| Salt Lake City Golf System Key Management and Administrative Positions - 2013 | |
|--|---|
| Golf Administration Positions (all FT) | Primary Responsibilities |
| Golf Program Director | Senior manager for overall golf program |
| Golf Program Accountant | Key financial position |
| Business/Marketing manager | Oversees marketing and programs |
| Office Technician | Office support staff |
| Office Facilitator | Office support staff |
| Key On-Site Staff | Primary Responsibilities |
| Head Professional | Oversee golf operations |
| Superintendent | Oversee golf maintenance |

Contract Agreements in Place

The SLC Golf Program has several contracts in place to help facilitate the golf operation, the most significant of which are the six concession agreements for food and beverage services at the golf courses. Agreements of this type are common in municipal golf and necessary to sustain operations in an efficient manner. A summary of SLC golf contracts and some key terms are shown in the table below:

**Salt Lake City Golf System
Key Contracts in Place - 2013**

Food and Beverage Agreements

| Agreement | Service Provided | End of Agreement Term | Key Terms |
|-----------------------------------|--|------------------------------|--|
| Wingpointe GC F & B | Exclusive right to operate F&B in rest. + snack bar | 12/31/2013 | Concessionaire pays City 11% of gross sales in year 2, 12% year 3, and 13% years 4 & 5 |
| Rose Park GC F & B | Exclusive right to operate F&B in restaurant | 12/31/2014 | Concessionaire pays City \$1,500 per month + 13% of gross sales |
| Nibley Park GC F & B | Exclusive right to operate F&B | 12/31/2016 | City pays concessionaire \$3,000 annually to subsidize costs |
| Mountain Dell F & B | Exclusive right to operate F&B, banquets, restaurant | 12/31/2016 | Concessionaire pays City \$1,200 + 10% gross, not to exceed \$5,000/mo., 4% increase to monthly minimum each year. |
| Glendale GC F & B | Exclusive right to operate restaurant concession | 12/31/2013 | Concessionaire pays City \$1,575/mo. + 12% gross. |
| Bonneville & Forest Dale GC F & B | Exclusive right to operate café concession, including banquets / parties | 12/31/2016 | Concessionaire pays City \$2,600/mo. + 9% < \$250k, 10% \$250k-\$300k, 11% > \$300k |

Other Miscellaneous Agreements

| Agreement | Service Provided | End of Agreement Term | Key Terms |
|-----------------------|---|------------------------------|--|
| Golf Car Purchase | 451 electric and 34 gas carts | 12/31/2013 | Purchase of carts with trade-in allowance for next purchase |
| Golf Reservation Mgt. | Golf reservation and mgt. software | Annual renewable | \$53,750 per year |
| Golf Operations Mgt. | Golf reservation / PS operations, POS | Annual renewable | Trade out (more later in report) |
| Credit Card Proces. | Credit / Debit card processing for all courses | Annual renewable | Per transaction expense |
| Golf Scorecards | Scorecard design, printing, supply + ads | 12/31/2010 | Contractor provides golf scorecards with ads at no cost to City, W profit sharing payments of \$5,000/year |
| Security System | Provide security system at Forest Dale GC | Annual | \$1,251/year |
| Security Alarms | Furnish, install, and monitor security systems at City golf courses | Monthly | Approx. \$65 +/- per course |
| Window Cleaning | Exterior and interior window cleaning services up to 4 times/year | 12/31/2013 | Per cleaning cost \$45 - \$250 |
| Tree Cutting/Removal | Provide tree cutting + removal svcs. as needed | 4/30/2015 | Variable |
| Portable Toilets | Provide, clean + maintain portable toilets | 11/5/2014 | Variable |
| Christmas Tree Sales | Display and sell Christmas trees at Nibley Park | 12/31/2015 | Concessionaire pays City \$11,785 each year |

Accounting / Recording Rounds Played

The record-keeping and financial reporting in the SLC Golf Division appears appropriate and adequate for internal and external analysis. The SLCF Golf Division has several formal written policies related to cash handling, gift certificates, account policies and others that are a strong positive for the system.

One area observed by NGFC consultants was that the system is recording 9-hole rounds as its base measure for analysis and evaluation. NGFC recommends using the golf industry standard that defines a round of golf as “one individual beginning a round in an authorized start.” Thus in effect, the industry is counting “starts” as opposed to 9-hole rounds or even 18-hole equivalents. Using this industry method allows for easier comparison to national and regional benchmarks (that was hindered by this method in this report), and still allows for review of different round types (9-hole, 18-hole, weekday, weekend, etc.) as recorded within the Point-of-Sale (POS) system.

In preparing our financial analysis of the SLC Golf Division, the NGFC team identified several challenges with respect to the accounting procedures employed by the Golf Division, making comparison to national benchmarks difficult. It should be noted that the accounting department of the Golf Division was able to reconstruct the financial statements in order to produce financial statements that could be compared to national benchmarks. Among our key observations on the system’s accounting procedures:

- Capital Improvement Projects (CIP - \$1 surcharge) is collected at the course level but deducted from each facility’s total revenue allocated to the omnibus account.
- While it is possible to reconstruct the financial statements in accordance with generally accepted accounting principles for golf courses, we noted the following opportunities to create more meaningful reports:
 - Revenue should be summarized by green fees, carts, merchandise, range, food & beverage and other. Currently, those categories have various general ledger accounts that are not subtotaled for quick comparison to industry benchmarks.
 - Expenses should be summarized by administrative (labor, other expenses), pro shop (labor, other expenses), and maintenance (labor, other expenses). Currently, the general ledger accounts are not subtotaled for quick comparison to industry benchmarks.

Administration and Overhead

In addition to the basic day-to-day operation of each individual SLC golf course, the system has an administration office to oversee the golf operation. This department includes its own revenue and expense that can be added to the overall system financial performance. The total expenses to operate the golf courses include approximately \$848,400 in administration, inclusive of some \$294,000 in administrative fees the Golf Division Enterprise Fund pays to the General Fund.

These charges are common with Enterprise Funds, but can often define profitability, even though they are one City department charging another City department for services. However, if this was a private business, many of these services would have to be secured elsewhere, although perhaps for a lower cost. The summary of City administrative charges include:

| Salt Lake City Golf Courses Summary of Administrative Fees (2009-2013) | | | | | |
|---|------------------|------------------|------------------|------------------|--------------------------|
| Charge | FY2009 | FY2010 | FY2011 | FY2012 | Budget FY2013 |
| Admin Fees – Mgt. Services | \$190,544 | \$156,185 | \$146,015 | \$175,894 | \$160,000 |
| Government Immunity | 1,162 | 7,046 | 4,061 | 4,055 | 5,000 |
| Payment in Lieu of Taxes | 2,377 | 0 | 33,689 | 29,031 | 18,284 |
| Risk Management Premium | 41,981 | 85,646 | 61,800 | 56,944 | 57,526 |
| Transfer to IMS | 11,946 | 16,176 | 21,310 | 27,940 | 18,371 |
| Total | \$247,560 | \$265,053 | \$266,875 | \$293,864 | \$259,181 |
| Source: Salt Lake City | | | | | |

In performing strategic reviews for multi-facility municipalities around the United States, NGFC has observed central service allocations ranging from \$50,000 to \$300,000, and Salt Lake City is on the higher end of the range observed. Of equal concern is the total budget of the administrative department. A comparison of recent NGFC engagements to review multi-facility municipalities shows:

| Total Administration Comparable Large Municipal Golf Systems | | | | |
|---|--|---|--|--|
| | City of Denver, CO (7 facilities) | City of Lincoln, NE (5 facilities) | City of Aurora, CO (7 facilities) | Salt Lake City (8 Facilities) |
| Payroll | \$488,788 | \$353,041 | \$484,400 | \$364,040 |
| Other Expenses | \$227,051 | \$250,575 | \$199,000 | \$483,964 |
| Total | \$715,839 | \$603,616 | \$683,400 | \$848,004 |

Such comparisons have to be viewed with extreme caution, but the review suggests that no-payroll administrative expenses in SLC Golf are higher than other communities. However, to prudently manage a golf enterprise, one needs to be ever mindful that the “administrative department” can become a large uncontrollable account in which expenses are incurred and accountability for such is often lax.

Public-Private Partnerships

The SLC Golf Division and the City have been considering various ideas to help raise capital to complete the upgrade projects as proposed. Key concepts related to possible public-private partnerships that are being considered include:

Naming Rights – NGFC was informed that the Salt Lake City Corporation had recently passed an ordinance that allows naming rights at City facilities. Therefore, it is now possible for the golf courses to potentially secure funding for various projects through the sale of naming rights. This is becoming more common in municipal golf and NGFC has observed new projects in other communities being completed through this method (i.e. *Name* Tournament Pavilion or the new *Name* Clubhouse at XYZ Golf Course).

University of Utah Partnership – The SLC Golf Division is considering a proposal to work with the University of Utah to develop a mutually beneficial partnership at Bonneville GC. The program would involve the University providing capital to SLC Golf in exchange for certain benefits and use at Bonneville GC, such as providing a home golf course for the University’s

golf teams, providing additional turf management and professional golf management classes, University golf leagues and designated rooms in a new clubhouse. The partnership could also include naming rights for the facility and/or clubhouse as well.

Utah PGA– the SLC Golf Division is also considering a proposal to provide a host facility for the Utah PGA Section at Bonneville GC. This program would provide office space and a home golf course to this section of the PGA.

Donor Hole Sponsorship – SLC Golf Division has proposed a plan to attract private donations to fund improvements at SLC Golf facilities, most notably Bonneville GC. The program would allow donations at various levels and offer the donors some benefits such as season passes, advance tee times, special golf bags and name recognition on plaques and/or donor displays.

Capital Improvement Fund

The Salt Lake City Golf system has an internal policy of setting aside income for a capital improvement fund (CIP). The fund is used for larger projects that the courses might need, such as irrigation systems, clubhouse renovations, green reconstruction, building tee boxes, cart paths, bunker renovations, on course restrooms, etc. The capital improvement program is \$1 dollar is collected from every 9-hole round that goes into a fund for capital improvements. SLC Golf reported collecting \$360,000 in the fund to date, representing about 19 months of collections. One area of concern for NGFC is that the City deducting the CIP money collected from every course’s gross revenue and then adding it to an account that is shown as a separate economic entity. NGFC sees this self-funding capital program could be a strong positive for the golf system and recommends it be continued.

GOLF COURSE OPERATIONS

The basic structure of Salt Lake City Golf system is organized with formal management and oversight from the City’s Golf Program Administration and its Director. Each golf course then has an on-site golf professional and a golf superintendent to oversee operations. All golf course staff on site at each of the eight courses are direct Salt Lake City employees, except food and beverage employees. This structure is still the most common form of operation for municipal golf courses in the United States.

Staffing

The basic staffing for SLC Golf facilities include the positions shown in the table below. Although there are some variations from facility to facility, this is the basic structure of “standard” positions for each facility in the system. Full-time (FT) positions include full-time positions with salary and benefits. Some part-time positions may involve more than 40 hours per week, but are without benefits. All positions within the food and beverage service areas are the responsibility of the contract concessionaire. It is expected that Wingpointe, Bonneville and Mountain Dell would require the most pro shop responsibilities, due to higher fees and higher customer expectations, as well as more large tournaments. The SLC system has a great advantage with a strong internal training system. Golf Pro and superintendents can start at 9-hole courses and work their way up to middle 18 hole courses and higher-quality 18-hole courses, all within the SLC system.

| Golf Maintenance Positions | Pro Shop / Operations Positions |
|------------------------------------|--|
| Golf Superintendent (FT) | Head Golf Professional (FT) |
| Asst. Superintendent (FT) | Assistant Golf Professional (FT or PT) |
| Golf Maintenance Worker (FT or PT) | Seasonal Golf Workers (PT) |
| Seasonal Groundskeepers (PT) | Range / Cart Workers (PT) |

Staffing Totals

Assuming the NGFC standard of 1,678 hours per year for one Full Time Equivalent (FTE) position, the total system has 111.33 FTE's in 2013. The NGFC review of staffing at each Salt Lake City Golf facility shows the following total FTE estimate as of September 2013:

| Salt Lake City Golf System Total Facility Staffing – 2013 | | | |
|---|---------------------------------|------------------------------------|------------------------------|
| Facility | Pro Shop Staff (FTE) | Maintenance Staff (FTE) | Total Staff (FTE) |
| Bonneville GC | 8.33 | 9.00 | 17.33 |
| Wingpointe GC | 5.00 | 6.60 | 11.60 |
| Glendale GC | 6.00 | 7.00 | 13.00 |
| Forest Dale GC | 4.20 | 6.70 | 10.90 |
| Rose Park GC/Jordan River P-3 | 11.00 | 9.20 | 20.20 |
| Nibley Park GC | 5.20 | 5.70 | 10.90 |
| Mountain Dell GCs | 15.00 | 12.70 | 27.70 |
| Total | 54.73 | 56.90 | 111.33 |
| Avg. per 18-H Regulation* | 6.9 | 7.0 | 13.9 |
| * Includes Wingpointe, Bonneville, Glendale and Mountain Dell (2) only. | | | |

Technology Review - Point of Sale (POS) and Reservation System

As part of this strategic review, NGFC completed an analysis of the SLC Golf Division's use of technology based on a template developed as an integral component of a Ph.D. dissertation conducted in conjunction with the Clemson University PGA Professional Golf Management Program. This template allowed NGFC to compare the SLC Golf Division to its industry peers, resulting in a "score" on use of technology. After our review, NGFC finds that the SLC Golf Division scored 32 out of 50, compared to a national median score of 25 out of 50. This suggests that SLC Golf is "far ahead" of their peers in the use of technology. As shown below, the various modules utilized to manage the golf courses are highlighted:

| Your Rating of technology adaption. | | |
|---|---|------------------------------|
| Less than 20 "yes": High School - potential to boost income greater than \$200,000. | | YOUR SCORE 32 |
| 21 - 30 "yes": College - typical use by a golf course - potential to boost income greater than \$100,000. | | |
| 31 - 40 "yes": Graduate - in top 25% of golf courses - potential to boost income greater than \$50,000. | | |
| More than 40 "yes": Post graduate - top 1% of golf courses in US - potential to boost income greater than \$25,000. | | |
| | | |
| Category | Module - List Current Vendor to Facility Our Evaluation if You Are You're the Using Technology to Maximize the Investment Retu | Vendor Name |
| Software Vendor | Point of Sale | EZLinks |
| | Open-to-Buy | BRYCE |
| | Tee time reservation system | EZLinks |
| | Report Writer | EZLinks/SLCIT Custom Reports |
| | Yield Management | EZLinks |
| | Web Site Developer | Imavex |
| | Email Marketing System, i.e., Vertical Response, Constant Contact | Ezlinks, Imavex |
| | Customer Survey tool, i.e., Survey Monkey | Imavex, Survey Monkey |
| | Food and Beverage | n/a |
| | Hotel Reservation System | n/a |

Opportunities to Leverage Technology to Boost Revenue

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

| Opportunities to Further Leverage Technology | The Benefit |
|---|---|
| The tee sheet is not fully interface with the POS system. | Identification of who is playing your golf course and what they are spending is to segment the database for effective targeted email marketing. |
| The tee sheet isn't the primary screen from which all transactions are entered – SLC not capturing who is playing the golf course and their transaction spending. | Using the POS system to merely record a green fee eliminates the opportunity to identify and measure unique customers and their spending patterns. |
| The customer database is not effectively segmented to determine the age, income, ethnicity, and playing habits of your customers. | Matching the golf experience provided to the demographics of a course's database is important to maximize the revenue potential of each facility. |
| Registration kiosks are not available at POS terminals to facilitate golfer's registering for targeted emails. | Allowing the golfer to self-register helps expand the database. |
| The tee time reservation booking engine on Salt Lake City site requires extra clicks in order to book. | Organizing the web site to facilitate customer transactions will enhance service, encourage greater Internet booking and save pro shop labor in processing reservations. |
| The web site does not provide the opportunity for a golfer to register for course newsletters, specials, tournaments or outings. | Building a customer database of 4,000 email address per 18-hole equivalent is the median currently within the golf industry. Even with the City's 33,890 email addresses, there is opportunity to expand the current customer file. |
| The social media tools are not automatically integrated into email marketing initiatives. Therefore, for each message, it is necessary to separately post in duplicate each message to each distribution channel, thus consuming unnecessary labor. | Labor savings and economies of scale can be achieved through using an email delivery tool that automatically integrates to the leading social media forums, i.e., Facebook, twitter, Instagram, etc. |
| Salt Lake City's web site is not effective. The bounce rate is 50%; customers view only 2.60 pages on average and spend only 2.46 minutes on the site. | Understanding how golfers are using the web site provides effective feedback to ensure that the site is properly constructed. |
| A smartphone application has not been developed nor can golfers receive text alerts broadcast from the email system. | The average person checks their cell phone 150 times per day. Having a mobile application facilitates connecting with the customer. |

Review of POS and Reservation System

Salt Lake City is presently using the *EZ-Links* system for Point-of-Sale (POS) at all of the City courses. Key areas of review by NGFC in this study include:

- By utilizing the EZ Links system, the SLC Golf Division is able to:
 - Create a customer database of upwards of 4,000 names per 18 holes.
 - Integrate the Tee-Time Reservation System with POS.
 - Issue identification cards and/or capture golfers' email addresses.
 - Communicate with customers via an opt-in email marketing program.
 - Display tee times by best available time or price (maximum two times displayed).
 - Center a marketing focus on the City's golf website.

- Develop a consolidated reporting system, and monitor the 15 key management benchmarks.
- Thus, the system allows SLC Golf opportunity to:
 - Maximize Revenue
 - Create a web-based marketing presence
 - Sell reservation cards for premium access
 - Maximize yield management
 - Create a distinct brand for the City golf courses
 - Increase operational efficiency
 - Better internal control
 - Timely and more meaningful reporting
 - Elimination of repetitive tasks by staff
 - Enhance customer service
 - 24-hour access to tee-time reservations
 - Email communication of promotions, tournaments, and updates
 - Sell prepaid gift cards online
- An online registration system integrated into the POS system can identify specific golfer interests, such as last-minute tee times, tournaments, and other course activities.
- The Salt Lake City Golf Division licenses the EZ Links software through barter. The Golf Division provides the third party vendor tee times daily to liquidate at whatever price they deem appropriate to generate revenue to provide for their compensation.
- It was reported to NGFC that \$105,000 in tee times were sold by EZ Links during the prior fiscal year. In addition, it was reported to NGFC that the Golf Division provides about \$40,000 in inventory in exchange for advertising and selected media placements. This amount should be considered as the “cost” for the system.
- EZ Links is asking for additional tee times and consideration for the continued license of the software

This review of the POS and other technology systems in Salt Lake City golf courses shows the **City is strong in its use of technology, but improvements could be beneficial.** More comprehensive use of the efficient systems already in place will help Salt Lake City understand its business better with improved reporting and sales data, while also providing assistance in marketing and customer tracking. In all, NGFC will make significant recommendations on this subject as it is viewed by the consultants as key to improving the overall Salt Lake City golf system (more in recommendations section).

Food and Beverage Operations

Ideally, every golf facility (regardless of type) needs to have some type of food and beverage operation. Food and beverage operations at golf facilities tend to achieve two goals: (1) provide direct revenue; and (2) help increase the overall volume of rounds and other revenues at the facility. As noted in the “Standards and Norms” presented later in this report, a high volume of net revenue is not expected from food and beverage operations. The typical 18-hole public golf course will earn about \$6.10 per round in food and beverage, leading to an expected total gross revenue level of around \$240,000 (±) per year, less direct costs. This would be considered “typical” for a regulation 18-hole public golf course playing around 40,000 (±) rounds, unless there was additional space for large banquets, parties, meetings, luncheons, etc. Having

appropriate space available to host large banquets, parties and golf events/tournaments will certainly add to the potential revenue at golf facilities, both directly (increased F & B sales) and indirectly (increase green and cart fees).

As a subset of food and beverage service at golf courses, the service of beer and other alcoholic beverages is a natural partner to golf activities. Just as the overall food and beverage operation will enhance the golf experience and produce revenue, the service of at least beer will also add to direct revenue and help increase rounds and other revenues. The same can be said for beverage carts, which provide an important level of customer service that improves the overall golf experience and provides a competitive advantage (or eliminates a competitive disadvantage) over other golf courses a consumer can choose.

Salt Lake City Golf Facility F & B Structure

The food and beverage operation at SLC Golf courses is made up of reduced service snack bars with limited grill or kitchen space and limited seating. Only Forest Dale has any real banquet capacity beyond 50 (+/-) persons. This structure limits the opportunity for enhanced F & B revenue, but also limits the golf courses ability to sell larger golf events and tournaments. A summary of the food and beverage concessions at Salt Lake City Golf courses is shown below:

| Salt Lake City Golf System Food and Beverage Concession Review | | | | | | |
|---|--|--|---------------------------|--------------------------------|-----------------------------|------------------------------|
| Course | Basic Features | Est. 2012 Gross Revenue (to Concessionaire) | Gross Rev./ Round* | Total 2012 City Revenue | City Rev. % of Total | Change Recommended |
| Wingpointe | Snack bar, banquets, on-course service | \$131,100 | \$2.22 | \$17,044 | 13.0% | If remain open, add pavilion |
| Bonneville | Snack bar, banquets, on-course service | \$125,000 | \$1.61 | \$17,800 | 14.2% | Add banquet space |
| Forest Dale | Small Snack bar w/only banq. Space in SLC system | \$177,800 | \$3.90 | \$19,560 | 11.0% | No Change |
| Mountain Dell | Restaurant | \$92,350 | \$0.87 | \$18,835 | 20.4% | Expand event space |
| Glendale | Snack bar, banquets, on-course service | \$96,300 | \$1.35 | \$11,550 | 11.0% | Add pavilion |
| Nibley Park | Snack bar, terrace | Not Available | | | | No change |
| Rose Park | Snack Bar | Not Available | | | | Site renovation |

*Per round revenue is per 9-hole round – not for direct comparison to industry.

Golf Cart Issues

The Salt Lake City Golf Division is responsible for operating and maintaining fleets of golf carts and maintenance equipment, as is appropriate and customary at municipal golf courses and multi-course golf systems. Salt Lake City Golf has chosen to operate with a mix of owned and leased carts and equipment.

Cart Operations

The golf system employs a fleet of power carts for rental at all golf facilities, with only two carts at Jordan River. These carts are mostly all electric, which are generally less expensive to

operate (both for the cost of gasoline and the ease of maintenance on the carts), and electric carts generally are preferred by golfers as they are quieter and do not have the exhaust fumes. However, electric cart fleets require appropriate storage facilities for re-charging batteries each evening.

The storage of carts is an issue at all facilities except Wingpointe and Forest Dale, where facilities are adequate. The other facilities suffer from too little storage area or storage that is in need of significant upgrades and repairs. The NGFC recommendations presented later in this report will address cart storage improvements at all facilities. Of utmost concern are needed safety measures for proper storage and ventilation.

A summary of cart operations at Salt Lake City Golf facilities is shown in the table that follows. The data presented show that cart revenue showed a strong increase in 2012, after two consecutive years of decline. The roughly \$1.9 million earned in cart revenue in 2012 is very close to the \$1.88 million earned in 2009, falling as low as \$1.7 million in 2011. Golfers choose to walk for two reasons: (1) to save money, and (2) to add an exercise component to the enjoyment of the activity. The trend in the golf industry is to make carts mandatory, as many of Salt Lake City area competing golf courses have done. This leaves the City courses as among few left for golfers wishing to walk the course.

| Salt Lake City Golf Cart Operations Review | | | | | |
|---|----------------------------|--|------------------------------------|--|--|
| Course | Cart No. + Type | Storage | Total 2012 Cart Revenue | Average 2012 Cart Revenue per Round | Trend Since 2009* |
| Bonneville | 65 Electric | Indoor under clubhouse | \$346,788 | \$4.47 | Decline in 2010 and 2011 w/12% increase in 2012 |
| Wingpointe | 70 Electric | Indoor under clubhouse | \$241,647 | \$4.10 | Steady decline |
| Glendale | 60 Electric | Indoor under clubhouse | \$281,509 | \$3.96 | Steady with slight decrease in 2012 |
| Forest Dale | 28 Elec. + 6 Gas | Indoor under clubhouse | \$148,584 | \$3.26 | Steady with slight increase in 2012 |
| Rose Park | 57 Electric | Stored in 2 locations | \$221,094 | \$4.02 | Steady in 2009, 2010 and 2012, w/big decline in 2011 |
| Nibley Park | 12 Gas | Small indoor area behind clubhouse | \$115,975 | \$3.23 | Steady increase |
| Mountain Dell | 150 Electric | Cart shed under parking lot | \$546,406 | \$5.14 | Decline in 2010 and 2011 w/8% increase in 2012 |
| Total System | | | \$1,902,003 | \$4.12 | Decline in 2010 and 2011 w/12% increase in 2012 |
| *Trend is in average cart revenue per round. | | | | | |

Range Operations

The table below shows that the driving range business represents a minor part of Salt Lake City Golf facilities' revenue, with only one facility exceeding \$100,000 in range revenue in FY2012. NGFC notes that range facilities are generally small at three of the facilities. A realistic target for

range revenues at facilities with driving ranges of this type is roughly \$2.00 per round of golf, although this is based on “starts” as opposed to the 9-hole round system used in SLC. If SLC golf could generate a realistic \$1.000 per 9-hole round, the Division would generate around \$460,000 in total driving range revenue for the system. The NGFC recommendations related to Salt Lake City range operations center around ways to increase activity and revenue within this system.

| Salt Lake City Golf Driving Range Operations Review | | | | | |
|--|----------------------------|--|---------------------------|--------------------------------|---|
| Course | # Hitting Stations* | Notes | 2012 Range Revenue | Range Revenue per Round | Change Recommended |
| Bonneville | 25 | Small, grass only range | \$54,747 | \$0.71 | Consider expanding the range to enable full shots |
| Wingpointe | 35 | Full grass range of adequate size | \$37,658 | \$0.64 | No changes |
| Glendale | 30 | Full grass range of adequate size | \$71,967 | \$1.01 | Prepare for eventual netting replacement |
| Forest Dale | No Driving Range | | | | |
| Rose Park/ Jordan River | 20 | Small range with awkward configuration | \$34,266 | \$0.62 | Consider lights for night use if allowable |
| Nibley Park | 35 | Small range with limited length. Golfers frequently hit balls over nets. | \$101,280 | \$2.82 | Consider expanding range to add more stations and/or add lights for night use. Prepare for eventual netting replacement |
| Mountain Dell | 15 + | Full grass range double sided | \$43,173 | \$0.41 | No Changes |
| Total System | | | \$343,091 | \$0.74 | |
| * NGFC estimate | | | | | |

Range Ball Dispensing

Range balls at all Salt Lake City golf facilities are obtained directly from token-operated range ball dispensing machines. It is expected that this operation can be eased and enhanced by adding some form of self-service, automated range dispensing system that involves use of a magnetic “swipe” card that can be reloaded as the customer wishes. Coupled with a proper POS, this system will increase sales, use of quantity discounts, and customer tracking.

Water Issues and Use

One of the major expenditures for every golf course operation is water. This expense item is particularly large in the SLC Golf Division, as all but one of the facilities (Mountain Dell) is using the City’s potable water system to irrigate the golf courses. Thus, “drinking water” is being used to irrigate the SLC golf courses and adjusting this source of water has become a key consideration for the future of the golf system. In addition to adjusting the source of irrigation, it is important for the City to begin developing reasonable, long-term methods for reducing water consumption. Any reduction in the volume of water used on SLC Golf courses can help to

reduce expense in the operation. The table below shows the total cost for water at each of the SLC courses. The table shows the impact of the 2013 drought on water expense in the system.

| Salt Lake City Golf System Water / Irrigation Expense 2012 | | | | | | | | |
|---|--------------------|------------------|--------------------|--------------------|--------------------|--------------------------|-----------------------|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 09-12 Average | % of Total | Key Improvement Recommendation |
| Bonneville | \$226,148 | \$160,922 | \$200,281 | \$237,091 | \$276,556 | \$206,111 | 19.8% | Sec. + Renovation |
| Wingpointe | \$215,112 | \$148,489 | \$168,154 | \$197,521 | \$217,382 | \$182,319 | 17.0% | Native |
| Glendale | \$218,130 | \$173,711 | \$201,425 | \$218,050 | \$246,361 | \$202,829 | 19.0% | Native + Secondary |
| Forest Dale | \$61,671 | \$47,279 | \$54,880 | \$53,085 | \$70,541 | \$54,229 | 5.2% | Native + Secondary |
| Rose Park | \$250,208 | \$179,740 | \$204,699 | \$229,931 | \$280,983 | \$216,145 | 20.6% | Renovation |
| Jordan River | \$25,679 | \$18,306 | \$23,889 | \$26,442 | \$39,479 | \$23,579 | 2.4% | Renovation |
| Nibley Park | \$48,991 | \$40,132 | \$55,182 | \$36,948 | \$61,624 | \$45,313 | 4.4% | Secondary |
| Mountain Dell | \$124,914 | \$94,989 | \$129,754 | \$132,890 | \$158,592 | \$120,637 | 11.5% | Native |
| Total Water Exp. | \$1,170,853 | \$863,568 | \$1,038,264 | \$1,131,958 | \$1,351,518 | \$1,111,232 | 100.0% | |
| Code: Native = expand practice of allowing some areas of the GC to remain natural and not irrigated, typically reserved for facilities with high water expense. Secondary = switch to secondary water source (i.e. Siemens plan). Renovation = Prepare for full site renovation, then decide water source. | | | | | | | | |

Utah is no stranger to the importance of water conservation and water rationing. In lean times, when water delivery must be managed, certain areas on a golf course will develop higher priority than others. To demonstrate how water is distributed on a typical course, we have included the following statistical information:

- The most heavily used areas on the golf course are the tees and greens. This equates to approximately 10% of the total area of most courses. While these are the highest demand areas, they use very little water overall. Trees also increase the use of irrigation water, with more trees leading to more irrigation water used.
- The approach and landing areas are also heavily used, but account for only 15% to 20% of the golf course. The other areas of the fairways account for another 20% of the course, and 30% of the typical course is playable rough area, or the area between the tee and fairway. Lastly, 20% of the typical course is non-playable or tall rough, which has the lowest irrigation demand.
- When extreme water conservation is required, water use can be reduced 20% simply by not irrigating the non-playable rough areas and 50% by eliminating irrigation in all rough areas. Introducing “native” or “natural” areas within the course is one of the best and most widely used methods for conserving water.

Winter Operations

It is common practice at golf courses in this climate for certain activities to be undertaken during the colder winter months, even if golf demand is very low or non-existent. SLC golf courses are presently staffed by full time golf professionals and superintendents, and it is not likely that there would be any real savings in expense for these positions to be reduced to part time. There is a need for golf professionals to conduct their pre-season planning and conduct marketing, while golf superintendents conduct maintenance applications and work on equipment and irrigation during the winter. Further, the presence of these positions allows SLC to continue operating its golf facilities through the winter months, on a day-by-day basis depending on weather. This practice is common in this market, where golf is often played during the winter season. Depending on the weather, there is revenue to be made by keeping the facilities open through the winter, provided the staffing plan is appropriate. A heavy reliance on seasonal/part-time labor will make possible some improved revenue opportunities. Specifically, winter operations can include:

| Golf Facility | Comments |
|----------------------------|--|
| Wingpointe Golf Course | With a more mild micro-climate, this facility has historically hosted the highest number of winter rounds of golf |
| Bonneville Golf Course | Bonneville has played very little golf in Jan. and Feb. each of the last four years. SLC can consider closing this course for those months |
| Forest Dale Golf Course | FD has hosted a reasonable number of rounds in Jan. and Feb. each of the last four years – enough to justify the course being open. |
| Glendale Golf Course | Glendale has hosted a reasonable number of rounds in Jan. and Feb. each of the last four years – enough to justify the course being open. |
| Rose Park/Jordan River | RP/JR has hosted a reasonable number of rounds in Jan. and Feb. each of the last four years – enough to justify the course being open. |
| Nibley Park Golf Course | The large range operation and year-round demand justify this facility remaining open. |
| Mountain Dell Golf Courses | With a more severe micro-climate, this facility has historically hosted no activity for 4 months in winter. All but clubhouse operations should be closed. |

Increased Participation from Women

The NGFC review of the SLC Golf Division shows that the City's golf courses are very favorable for women based on course yardages, but could use some improvement in ancillary facilities, retail and service. This issue is related to other issues in this review, including rounds, revenue, and pace of play. In fact, the issue is so important that NGFC finds improvement in economic performance to be unlikely without improvement in the female segment of the golf market.

National Golf Foundation Research

Recent NGF studies have been related to women and golf, and NGF has documented that increased participation in the female segment is a key to improving golf facility rounds and revenue performance. In our review, NGFC found several facets that female golfers conveyed

to our researchers that were key in their consideration of where and how much to participate in golf. As a result, NGFC has identified several common characteristics that female-friendly golf facilities exhibit, such as:

- Golf courses that are not too overly difficult, and have a most forward tee of less than 4,800 yards, with no “forced carries” of over 60 – 80 yards (see table below).
- Restrooms (cleaned several times a day) at least every six holes on the golf course.
- Retail merchandise appropriate for ladies with apparel in the proper sizes.
- Food and beverage selections such as salads and wraps.
- At least one female instructor and a golf staff that takes a consistent approach to all players regardless of gender.
- The availability of women’s club rental sets.
- Programing for both beginners (opportunity for social involvement) and experienced players (leagues, well coordinated at desirable times).

| Golf Facility | Yardage from Most Forward Tee |
|------------------------|--------------------------------------|
| Bonneville GC | 4,696 Yards |
| Wingpointe GC | 5,228 Yards |
| Glendale GC | 4,789 Yards |
| Rose Park GC | 4,831 Yards |
| Mountain Dell (Lake) | 5,066 Yards |
| Mountain Dell (Canyon) | 5,447 Yards |
| Forest Dale GC | 4,554 Yards |
| Nibley Park GC | 4,682 Yards |

Fee Structure

The table that follows shows the fee structure at Salt Lake City golf courses. The City does not offer a resident rate or reduced fee for City residents, there is also no separate fees for weekdays and weekends. NGFC will provide specific recommendations regarding golf fees later in this report, and cover all issues related to each golf course, seniors, discounts, third-party wholesalers, residents, and multi-play programs.

| 2013 Golf Fees | | | | | | |
|--|----------------|-----------------|-----------------------|-----------------|-----------------------|----------|
| WEEKDAYS (Monday-Friday, Excluding *Observed Holidays) | | | | | | |
| Course | Regular | | Senior (65 and older) | | Junior (17 and under) | |
| | 9 Holes | 18 Holes | 9 Holes | 18 Holes | 9 Holes | 18 Holes |
| Bonneville | \$18.50 | \$35.00 | \$15.50 | \$29.00 | \$8.00 | \$16.00 |
| Forest Dale | \$14.00 | n/a | \$12.00 | n/a | \$8.00 | n/a |
| Glendale | \$15.00 | \$30.00 | \$13.00 | \$26.00 | \$8.00 | \$16.00 |
| Jordan River Par-3 | \$8.00 | n/a | \$7.00 | n/a | \$6.00 | n/a |
| Mountain Dell Canyon | \$18.50 | \$35.00 | \$15.50 | \$29.00 | \$8.00 | \$16.00 |
| Mountain Dell Lake | \$18.50 | \$35.00 | \$15.50 | \$29.00 | \$8.00 | \$16.00 |
| Nibley Park | \$13.00 | n/a | \$11.00 | n/a | \$8.00 | n/a |
| Rose Park | \$14.00 | \$28.00 | \$12.00 | \$24.00 | \$8.00 | \$16.00 |
| Wingpointe | \$17.00 | \$33.00 | \$14.00 | \$27.00 | \$8.00 | \$16.00 |
| Golf Cart Rental | 9 Holes | 18 Holes | | | | |
| Single Rider | \$7.00 | \$14.00 | | | | |
| Double Rider | \$14.00 | \$28.00 | | | | |
| Private Car Trail Fee | \$5.00 | \$10.00 | | | | |
| Range Balls | | | | | | |
| Small Bucket | | \$4.00 | | | | |
| Large Bucket | | \$7.00 | | | | |
| Range Pass 10 Large Buckets | | \$50.00 | | | | |
| Miscellaneous Fees | | | 9 Holes | 18 Holes | | |
| Golf cart cover rental | | | \$5.00 | \$10.00 | | |
| Golf club rental - standard | | | \$7.00 | \$14.00 | | |
| Golf club rental - premium | | | \$15.00 | \$30.00 | | |
| Jordan River Par-3/USGA grant junior club rental | | | \$3.00 | \$6.00 | | |
| Pull cart rental - standard | | | \$2.00 | \$4.00 | | |
| Pull cart rental - premium | | | \$3.50 | \$7.00 | | |
| Jordan River Par-3 pull cart rental | | | \$1.00 | n/a | | |
| Advance reservations - 9 days to 1 year out per player | | | n/a | \$5.00 | | |
| Jordan River Par-3 10-round Punch Pass | | | Regular | Senior | Junior | |
| | | | \$50.00 | \$40.00 | \$40.00 | |

*The Golf Division observes the following holidays: Memorial Day, July 4th, July 24th and Labor Day.
As of January 1, 2013, \$1.00 per nine-hole round will be allocated to a Dedicated Golf Capital Improvement Fund to be used exclusively to complete improvement projects at Salt Lake City's golf courses.

SLC Golf Passes

The Salt Lake City Golf System offers three programs designed to provide discounts for frequent users of the golf facilities. These include a loyalty program (LoyalTee Discount Card), a program for pre-payment of green fees on an annual basis (Golf Passport) and the annual practice pass for Rose Park GC. These memberships are sold at each facility or through the Golf Administration office with rates shown in the tables following this discussion. To summarize, the table below shows the full SLC Golf Division rounds, divided out by type to show the total volume of discount and pass rounds in the system:

| Salt Lake City Golf System Rounds Played by Type (2009-2013*) | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------------|---------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 350,035 | 296,358 | 248,184 | 261,541 | 174,691 | 289,030 | 55.7% |
| Discount | 110,731 | 119,320 | 159,846 | 180,923 | 125,121 | 142,705 | 39.9% |
| Pass | 12,355 | 14,036 | 16,371 | 19,176 | 13,622 | 15,485 | 4.3% |
| Total 9-Hole Rounds | 473,121 | 429,714 | 424,401 | 461,640 | 313,434 | 447,219 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Golf Passport Program

The second pass program in SLC golf is the Golf Passport program, which is essentially a full, pre-paid green fee program, allowing golfers to pay for a full year of green fees in advance. These passports include several varieties including a weekday only pass (Birdie Pass), unlimited play pass (Double Eagle Pass) and a Wingpointe/Rose Park-only pass designed for golfers in the western part of Salt Lake City. There is also a Junior Summer and a Junior Annual pass offered. There used to be a "Par" and "Eagle" pass that was discontinued in 2013. These passes are valid for one year from the date of purchase. To account for the newly added CIP program, 9% of each Golf Passport sold is allocated to the CIP Fund so that Golf Passport rounds will contribute to the fund along with daily play green fees.

A summary of the fees for Golf Passports is shown below:

| Salt Lake City Golf Adult Passports | | | | |
|--|--|--|----------------|---------------|
| | | | Price | |
| Passport | Courses | Passport Specifications | Regular | Senior |
| BIRDIE Weekday 9-Course | Valid at all Salt Lake City Courses | May be used anytime Mon through Thu and Fri until 12:00 Noon. Not valid on holidays | \$1195 + tax | \$955 + tax |
| DOUBLE EAGLE Unlimited 9-Course | Valid at all Salt Lake City Courses | May be used seven days a week including holidays | \$1845 + tax | \$1475 + tax |
| WINGPOINTE/ ROSE PARK Unlimited 2 - Course | Valid at Wingpointe + Rose Park - limited time offer | May be used seven days a week including holidays | \$795 + tax | \$645 + tax |
| Salt Lake City Golf Junior Golf Passports | | | | |
| Passport | Courses | Passport Specifications | Price | |
| JUNIOR SUMMER May-August | Valid at all Salt Lake City Courses | <u>Valid May 1 - Aug 31:</u> Valid anytime M-Thu and Fri before 12:00 Noon Valid Sat, Sun and holidays after 12:00 Noon | \$275 + tax | |
| JUNIOR ANNUAL | Valid at all Salt Lake City Courses | May be used seven days a week including holidays | \$550 + tax | |

A review of the Golf Passport program shows that on average, the City has earned about \$915.00 per passport pass sold, equating to an average of \$4.87 per 9-hole round of golf in 2012 and \$8.08 in 2013 (partial year). Overall, it looks as though the passport program is allowing golf to be played for around 50% of the total system average per round, which is appropriate for a full pre-paid green fee arrangement. A summary of the program is shown in the table below.

| Salt Lake City Golf Courses LoyalTee Program | | |
|---|---------------|---------------|
| | 2012 | 2013 |
| Total Passes Sold | 102 | 120 |
| Total Pass Revenue | \$93,378 | \$110,035 |
| Total Pass Rounds | 19,176 | 13,622 |
| Avg. Revenue per Pass | \$915.47 | \$916.96 |
| Avg. Revenue per Pass Round | \$4.87 | \$8.08 |
| Total System Average Green Fee Revenue per Round | \$10.54 | \$15.11 |

LoyalTee Card

The LoyalTee program was introduced in March 2012 and has quickly grown in popularity, with total sales nearly doubling in the second year. The program is growing in popularity among public golf courses nationwide and is high on the list of common NGFC recommendations to public golf courses, and this program appears to be one of the better ones. The SLC LoyalTee program is a system of discounts and rewards for using SLC golf courses. The program costs golfers \$45 for the year with key benefits such as:

- 20% green fee discount at all Salt Lake City courses. Valid all day Monday through Friday and after 12:00 p.m. weekends & holidays.
- 10% green fee discount on weekend mornings. Valid weekends & holidays before 12:00 p.m.
- Larger discounts (30% or more) during select off-peak times during the year and at various courses. Off-peak times and rates vary by time of year and by course.
- 30% discount on range balls. Valid anytime at any Salt Lake City driving range.
- Extra day booking window when booking tee times online.
- The opportunity to earn rewards points that can be redeemed for range balls, cart rentals and pro shop merchandise discounts. Members earn 100 reward points for each 9-hole round or 200 points for each 18-hole round. Points expire at the end of the calendar year. Redemption includes:
 - Large bucket of range balls: 1,000 points
 - 9-hole single rider cart rental: 2,500 points
 - 10% discount on pro shop merchandise purchase: 4,000 points
- SLC Golf has reported the following sales history on LoyalTee Cards:

| Salt Lake City Golf Courses LoyalTee Program | | |
|---|--------------------------------------|--|
| Year | Total LoyalTee Cards Sold | Total LoyalTee Card Revenue |
| 2012 | 1,824 | \$62,580 |
| 2013 | 314,732 | \$113,000 |

Rose Park Practice Pass

In 2013, the city began to offer a pass to provide discounts to frequent users of the Rose Park practice amenities. A total of 100 passes had been sold in 2013. The pass costs \$149 and includes benefits:

- Unlimited range balls at Rose Park driving range
- Unlimited and unrestricted golf at the Jordan River Par-3 Golf Course
- A LoyalTee Discount Card Membership (\$45 value).

Community Involvement Summary

One of the key aspects related to the success of municipal golf facilities is the ability to remain involved with the community at large and provide the appropriate programming to both keep the public engaged with the facilities and provide adequate service to the community. The SLC golf courses show very active community involvement that is much greater than other municipal golf systems reviewed by NGFC. This is a very strong positive for the system both in terms of increased economic potential, as well as providing community support for the facilities to remain part of the overall City offering. A brief summary of each facility's community involvement is shown in the table that follows:

Salt Lake City Golf Community Involvement Summary

| Course | Leagues* | Schools | Lessons/ Education | Group Events 20+ Players | Market Niche |
|---------------|--|---|--|--|---|
| Bonneville | Junior, Men, 2 Ladies (441) | East High Boys + Girls. Regional Tourn. Westminster Clg. + Univ. Utah | Clinics, schools, school classes | 19 events totaling over 1,600 players | Bonneville is home course for many in the local neighborhood, but also attracts a wide following |
| Wingpointe | Junior, Men, Ladies. (232) | Hosted 3 regional events + Westminster Clg. + Univ. Utah | Very active in Junior golf 96 in Junior league plus host UJGA event | 14 events totaling over 1,350 players | Course gets traffic from the airport, with people planning their layover to play. Challenges include a lack of banquet facilities to handle large corporate outings |
| Glendale | Men, Ladies, Couples, Corporate. (420) | Olympus High Boys + Girls. Regional Tourn. Westminster Clg. + Univ. Utah | Clinics, schools, school classes | 15 events totaling over 1,150 players | Has niche w/local business and strong league participation. Also a niche in adult player development with approximately 300 adults per year taking golf lessons |
| Forest Dale | Men, Ladies. (275) | Not active in high schools. Does host Westminster Clg. + Univ. Utah | Limited with some clinics, school classes | 16 events totaling over 750 players | Even w/o driving range, FD provides an opportunity for beginners and competitive players to work on golf game. |
| Rose Park | Men, Ladies, Corp. (266) | West HS Boys + Girls. Host meets, State and regional champ. On-site pro is West HS coach. Westminster Clg. + Univ. Utah. | Numerous clinics, schools school classes | 23 events totaling over 1,950 players | RP is home course for many in the local neighborhood, but also attracts a wide following of junior play and high use of practice range and short game area |
| Nibley Park | Junior, Men, Ladies. (340) | Skyline, Olympus, East, Judge, Highland, Rowland Hall HS Boys + Girls. Host meets, State and regional champ. On-site pro was Rowland Hall HS coach. Westminster + Univ. Utah. | Numerous clinics, schools school classes, focus on youth | 7 events totaling over 550 players | NP is home course for many in the local neighborhood, and has become a key player development facility focusing on youth. |
| Mountain Dell | Men, 3 Ladies (375) | Skyline, Highland, Judge HS Boys + Girls. Host meets, State and regional champ. On-site pro was Judge HS coach. Westminster Clg. + Univ. Utah. | Numerous clinics, schools school classes | 48 events totaling over 3,600 players | Mtn. Dell doubles as a resort- style, destination and municipal golf course. Abundant wildlife and nature are key signatures. |

*Total participants in parentheses.

Tournament and Outings

NGFC has observed that tournaments and outings can be big business in the Salt Lake City golf market, and it is expected that the 18-hole courses in the SLC Golf Division (Bonneville, Wingpointe, Mountain Dell, Rose Park and Glendale) should have a large tournament segment. It appears that within the SLC Golf Division, all these courses are active in hosting a good volume of tournaments, although the facilities are limited in gathering space for large events of over 50 players.

It is clear from the NGFC review that Salt Lake City Golf courses need to do more to attract tournaments and outings to all of the 18-hole golf courses. Most of the deficiency can be traced to the lack of adequate ancillary amenities such as a gathering space for participants after these events, and the lack of a full kitchen, grill, or bar. The only facility in the SLC system capable of

hosting over 50 patrons for a sit-down meal is Forest Dale GC, a 9-hole golf course. This lack of gathering space puts the system at a severe competitive disadvantage for attracting large tournaments. NGFC also notes that some competitor golf courses in the area are engaged in direct marketing of tournaments to prospects, as opposed for waiting for prospects to contact them (more in recommendations section).

Pace of Play

A well-managed pace and flow of play is critical to the financial success of any golf course. Whether the course is municipal, resort or a private club, the problem of “slow play” erodes the player’s enjoyment of the entire playing experience, and therefore results in:

- Player frustration – even anger, usually directed at fellow players and the course
- Player perception of receiving low value for money spent and time invested – no matter what the green fee
- A resultant loss of player loyalty, or the course’s ability to build customer loyalty
- A course reputation for “slow play” – resulting from an active direct marketing campaign waged by disgruntled customers that send the powerful message to potential customers that the course consistently delivers a product of low or no value
- A declining number of rounds played
- A loss of revenue

Interestingly, the problem that is called “slow play” is not really a problem in and of itself. What we call “slow Play” is really a symptom of one or more underlying course design and/or management problems that if understood, can be corrected. Key causes of slow play in Salt Lake City golf system include:

- High volume of play with too short of tee time intervals (intervals should be longer).
- Course design and set-up – rough too high in places, course set up is not integrated to match the stated goals of pace.
- The lack of any on-course marshaling or rangers – i.e. an authority figure to help move play along.

Land Sale/Lease Considerations

One of the issues presented to us was the potential of selling portions of one of the golf courses as a method to raise revenue for the Golf Division and fund some of the identified capital needs. NGFC has observed that several of the SLC golf properties are considerably larger than the “standard” of 125 to 135 acres needed for an 18-hole golf course (55-60 acres for a 9-hole golf course). As a general rule, NGFC is reluctant to ever recommend that a City sell a golf course or even portions of a municipal golf course. However, given the size of the properties involved and the significant capital needs within the golf system (more later in this report), this is one financing method that should be considered, if the proceeds gained are significant enough to off-set the capital needs of the Golf Division. A summary of the SLC golf facilities by acreage and the NGFC opinion on possible land sale considerations:

| Salt Lake City Golf Land Sale/Lease Considerations | | |
|---|-------------|--|
| Golf Facility | Total Acres | Comments |
| Wingpointe GC | 190 | The site is owned by the Airport, thus removing any land sale possibilities. The Airport site also limits reconfiguration options. |
| Bonneville GC | 180 | Bonneville has over 180 acres and only 120 being maintained as golf. There are several locations on the golf course that appear to offer possibility for land sale, including the far east section by the 13 th and 14 th holes, and the far west section by holes #6-8 along Foothill Dr. |
| Forest Dale GC | 53 | FD is a small site with a fully enclosed core golf course. The only possible land sale consideration at FD would be the ¾-acre overflow parking area just to the south of the main parking and along S. 900 E. |
| Glendale GC | 160 | Glendale has enough property to consider the sale or lease of a small parcel (6 to 8 acres) for uses that would be keeping with the immediate neighborhood. However, the basic design of the course, the presence of the Jordan River and limited identifiable open parcels on the perimeter of the golf course diminish the possibilities. |
| Rose Park/J. River | 120/35 | Although the total acreage is small, there does appear to be some locations within this combined RP/JR property that could be removed from the golf course, either as land sale or reposition of property. Key locations include areas along N. Redwood Rd. or on the east side of property around N. 1200 W., where a previous land sale was completed. |
| Nibley Park GC | 54 | NP is a small site with a fully enclosed core golf course. Land could be free up with re-planning to make it a smaller golf course. The 6/10-acre site just east of the clubhouse along S. 700 E. and presently used for a chipping/practice area is prime. |
| Mountain Dell GC | 260 | With two separate 18-hole golf courses, there does not appear to be any excess property within Mountain Dell. |

Golf System Marketing

Traditionally, NGFC recommends marketing budgets for golf courses of at least 2% of total gross facility revenue, or roughly \$140,000 for Salt Lake City in 2012. Review of budgets shows that \$76,800 was spent on advertising in 2012, plus the system has a dedicated Business/Marketing Manager whose compensation should be included as part of the marketing budget. One of the key observations by NGFC in this review was the high quality of the marketing of SLC golf courses, and the adoption of most all of the key components typically recommended by NGFC for public course marketing.

In review of the existing system, NGFC found the following key strategies undertaken by the Division in marketing and promoting City golf courses:

- Focus on golf pass and discount programs (LoyalTee, Passports).
- Increase promotion of junior and adult golf education and instructional programs.
- Implement new text message program.

- New course signage.
- Maximizing all use in POS, such as discount SKUs and promotion codes.
- Partner with external marketing / advertising agency for improved promotional material design.
- Continuing use of customer satisfaction surveys.
- Work to promote the proposed capital improvement projects through public information pieces.
- Golf cart GPS units – expand program to other courses and maximize opportunities to sell ad space.

Website Review

It is clear that in 2013 and the foreseeable future, the Internet is the most significant piece of golf course marketing. NGF research shows upwards of 80% of all golfers get information on golf course from the internet, especially while travelling to a new market. As a result, the Internet is now the most important single element in a golf facility's (or golf facility system's) marketing. The Web has several key advantages over other forms of advertising:

- **Cost.** A Website is relatively inexpensive to set up and maintain.
- **Reach.** Almost every household that contains a golfer has access to the Internet.
- **Information.** The amount of information that can be put on the Web is virtually unlimited.

NGFC has viewed the Salt Lake City Golf website, which is located as part of the overall City Website at www.slc-golf.com. This address appears to be easy and memorable enough to be easy to find. The information contained on this site included:

- Basic green fee pricing information
- Ability to book tee times online
- Links to the individual Salt Lake City courses
- Information on the loyalty program
- Tournament schedule
- Gift cards

The above list covers some of the key features that NGFC normally recommends for public golf courses, the most important of which is being able to book tee times online. In summary, the SLC Golf Division website is one of the better sites we have viewed, and this should contribute to a high volume of activity.

SYSTEM-WIDE OPERATIONAL PERFORMANCE

NGFC has completed a full review of the performance of Salt Lake City Golf courses. This review is summarized in the paragraphs that follow and expanded upon in review of the golf industry "Standards and Norms" presented later in this report. In summary, it appears that Salt Lake City Golf courses are performing with activity, revenue, and expenses that are in line with general expectations when compared to other municipal golf systems across the nation, considering that SLC golf is operating in a seasonal climate with only eight months of reasonable activity each year. The review below covers rounds activity, revenues and expenses over the last few years.

Rounds

The table below shows total rounds by facility since 2008. We note that over this timeframe, SLC Golf experienced a significant decline from 2009 to 2011, falling by about 10%, and then recovering with a strong 2012 (8.8% increase 2011-2012). In comparison, the total U.S. golf industry has experienced a 9.7% decline in municipal golf course rounds between 2005 and 2010, with a 3% decline from 2009 to 2010. Total average rounds (“starts”) per 18 holes now stands at 31,527 for municipal golf courses, and it is believed by NGFC that most all the SLC golf courses would exceed this figure if the counting method were comparable, with only Rose Park falling below this comparative figure.

| Salt Lake City Golf System Total Rounds Played by Facility (2009 – 2012) | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|------------------|----------------|---------------|
| Year | 2009 | 2010 | 2011 | 2012 | 2013 | Total | 2009-2012 Avg. | % of Total |
| Bonneville | 74,001 | 68,649 | 68,507 | 77,569 | 52,141 | 340,867 | 72,182 | 16.2% |
| Wingpointe | 66,881 | 58,502 | 58,113 | 58,991 | 37,570 | 280,057 | 60,622 | 13.3% |
| Glendale | 72,635 | 68,527 | 64,956 | 71,118 | 47,088 | 324,324 | 69,309 | 15.4% |
| Forest Dale | 43,539 | 40,346 | 39,662 | 45,641 | 30,204 | 199,392 | 42,297 | 9.5% |
| Rose Park | 65,274 | 56,297 | 49,227 | 54,979 | 37,300 | 263,077 | 56,444 | 12.5% |
| Jordan River | 14,401 | 11,324 | 9,408 | 11,151 | 10,377 | 56,661 | 11,571 | 2.7% |
| Nibley Park | 35,058 | 30,608 | 31,788 | 35,930 | 23,895 | 157,279 | 33,346 | 7.5% |
| Mountain Dell | 101,332 | 95,460 | 102,740 | 106,261 | 74,988 | 480,781 | 101,448 | 22.9% |
| Total | 473,121 | 429,713 | 424,401 | 461,640 | 313,563 | 2,102,438 | 420,488 | 100.0% |
| % Change | | -9.2% | -1.2% | 8.8% | -32.1% | | | 41% |

Source: Salt Lake City Golf Division

Revenues

The table below shows total gross revenue by facility (including administration) since 2009. We note that the total for 2012 is the highest in any of the years shown, showing a recent peak of performance. In comparison, we see that SLC Golf facilities are operating with revenues that tend to be above the average for ‘standard’ courses (under \$40 green fee), although the comparison is not “apples-to-apples” as SLC figures do not include food and beverage revenue. The U.S. average revenue for standard public golf courses was \$1,047,000 in 2012.

| Salt Lake City Golf System Total Revenue by Facility (2009 – 2012) | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|---------------|
| Year | 2009 | 2010 | 2011 | 2012 | 2013 | Total | 2009-2012 Avg. | % of Total |
| Bonneville | \$1,310,395 | \$1,273,082 | \$1,252,927 | \$1,503,025 | \$1,382,762 | \$6,722,191 | \$1,334,857 | 17.0% |
| Wingpointe | \$1,211,091 | \$1,134,014 | \$1,071,610 | \$1,180,948 | \$1,013,163 | \$5,610,826 | \$1,149,416 | 14.2% |
| Glendale | \$1,130,708 | \$1,161,649 | \$1,048,470 | \$1,200,941 | \$1,147,977 | \$5,689,745 | \$1,135,442 | 14.4% |
| Forest Dale | \$637,637 | \$605,817 | \$582,866 | \$687,853 | \$645,158 | \$3,159,331 | \$628,543 | 8.0% |
| R. Park/J. River | \$1,009,696 | \$1,008,711 | \$834,744 | \$907,075 | \$878,198 | \$4,638,424 | \$940,057 | 11.7% |
| Nibley Park | \$560,270 | \$511,659 | \$518,265 | \$656,374 | \$637,115 | \$2,883,683 | \$561,642 | 7.3% |
| Mountain Dell | \$1,895,441 | \$1,807,935 | \$1,804,043 | \$2,015,152 | \$1,988,206 | \$9,510,777 | \$1,880,643 | 24.0% |
| Admin | \$204,093 | \$278,380 | \$412,816 | \$340,016 | \$148,738 | \$1,384,043 | \$308,826 | 3.5% |
| Total | \$7,959,331 | \$7,781,247 | \$7,525,741 | \$8,491,384 | \$7,841,317 | \$39,599,020 | \$7,939,426 | 100.0% |
| % Change | | -2.2% | -3.3% | 12.8% | -7.7% | | | |

Source: Salt Lake City Golf Division

Average Revenue Analysis

The total average revenue earned per round of golf was \$18.39 (per 9-hole round) for the full system in 2012. The average for standard public golf courses in the U.S. (based on “starts – not 9-hole rounds) was \$23.51 for total golf revenue per round (green, cart, membership and range), plus an additional \$9.70 in ancillary spending for a total of \$33.21 per round (industry standard is for “starts”). In general, SLC is playing a comparable volume of rounds, and is likely earning comparable revenue per round that the total U.S. standard (averages displayed in next section of this report).

Expenses

The table below shows total operating expenses by facility (including administration) since 2009. We note the totals show that SLC Golf has been able to reduce total expenses on the system by approximately 8.6% between 2009 and 2012, with some increase expected for 2013. The overall expenses to operate SLC Golf facilities are comparable to slightly lower than expense averages for standard public golf courses in the nation (average facility = \$997,200 in expenses).

| Salt Lake City Golf System Total Expenses* by Facility (2009 – 2012) | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|---------------|
| Year | 2009 | 2010 | 2011 | 2012 | 2013 | Total | 2009-2012 Avg. | % of Total |
| Bonneville | \$918,839 | \$813,617 | \$895,302 | \$1,005,489 | \$1,021,870 | \$4,655,117 | \$908,312 | 12.5% |
| Wingpointe | \$887,760 | \$911,890 | \$888,634 | \$899,172 | \$937,466 | \$4,524,922 | \$896,864 | 12.2% |
| Glendale | \$913,697 | \$845,590 | \$879,477 | \$938,939 | \$972,299 | \$4,550,002 | \$894,426 | 12.3% |
| Forest Dale | \$484,152 | \$463,923 | \$455,093 | \$502,328 | \$553,928 | \$2,459,424 | \$476,374 | 6.6% |
| R. Park/J. River | \$1,030,826 | \$943,568 | \$1,049,281 | \$1,276,872 | \$1,373,695 | \$5,674,242 | \$1,075,137 | 15.3% |
| Nibley Park | \$535,613 | \$551,866 | \$497,993 | \$481,795 | \$512,039 | \$2,579,306 | \$516,817 | 7.0% |
| Mountain Dell | \$1,194,637 | \$1,182,333 | \$1,152,797 | \$1,400,620 | \$1,385,780 | \$6,316,167 | \$1,232,597 | 17.0% |
| Admin | \$2,076,225 | \$1,504,438 | \$1,037,634 | \$848,004 | \$881,345 | \$6,347,646 | \$1,366,575 | 17.1% |
| Total | \$8,041,749 | \$7,217,225 | \$6,856,211 | \$7,353,219 | \$7,638,422 | \$37,106,826 | \$7,367,101 | 100.0% |
| % Change | | -10.3% | -5.0% | 7.2% | 3.9% | | | |

Source: Salt Lake City Golf Division. *Direct operating expenses only – excludes cost of sales.

System Summary

A summary of performance of SLC Golf Division is presented in aggregate and by facility.

| Salt Lake City Golf System Summary of Performance (2009 – 2012) | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2009 | 2010 | 2011 | 2012 | Average |
| Rounds | 473,121 | 429,713 | 424,401 | 461,640 | 438,585 |
| Revenue | | | | | |
| Net Green Fees | \$4,519,334 | \$4,398,211 | \$4,160,845 | \$4,865,782 | \$4,474,946 |
| less rain checks | (53,157) | (59,168) | (55,860) | (48,361) | (54,463) |
| Cart Fees | 1,883,925 | 1,795,274 | 1,700,990 | 1,902,350 | 1,799,538 |
| Driving Range | 329,774 | 327,872 | 304,809 | 343,091 | 325,257 |
| Lessons | 48,790 | 53,609 | 56,369 | 49,279 | 53,086 |
| Other Rentals | 68,116 | 69,208 | 65,719 | 73,707 | 69,545 |
| Merchandise | 772,119 | 738,056 | 751,291 | 825,715 | 771,687 |
| Admin Rev. | 204,093 | 278,380 | 412,816 | 340,016 | 343,737 |
| Other | 34,719 | 55,831 | 32,486 | 50,637 | 46,318 |
| F & B Lease | 151,618 | 123,974 | 96,276 | 89,168 | 103,139 |
| Total Revenue | \$7,959,331 | \$7,781,247 | \$7,525,741 | \$8,491,384 | \$7,939,426 |
| System-Wide Cost of Sales | \$585,581 | \$512,207 | \$535,073 | \$505,311 | \$534,543 |
| System Gross Margin | \$7,373,750 | \$7,269,040 | \$6,990,668 | \$7,986,073 | \$7,404,883 |
| Expense | | | | | |
| Total Personnel Services | \$3,564,574 | \$3,591,047 | \$3,559,688 | \$3,786,449 | \$3,625,440 |
| Operating & Maint. Supply | 622,207 | 526,099 | 533,169 | 598,321 | 569,949 |
| Water Expense | 1,170,853 | 863,568 | 1,038,264 | 1,131,958 | 1,051,161 |
| Other Utilities | 113,728 | 96,269 | 139,624 | 199,804 | 137,356 |
| Other Charges and Services | 1,145,801 | 1,236,929 | 1,208,868 | 1,193,828 | 1,196,357 |
| Capital Expenditures | 1,277,960 | 775,413 | 240,242 | 317,712 | 652,832 |
| Advertising | 116,929 | 93,387 | 98,157 | 95,899 | 101,093 |
| Other / Misc. | 13,358 | 18,174 | 21,860 | 29,248 | 20,660 |
| Total Expenditures | \$8,025,410 | \$7,200,886 | \$6,839,872 | \$7,353,219 | \$7,354,847 |
| Net Operating Income | (\$651,660) | \$68,154 | \$150,796 | \$632,854 | \$50,036 |
| Interest Expense | \$251,970 | \$517,546 | \$755,930 | \$504,232 | \$507,420 |
| Net After Debt | (\$903,630) | (\$449,392) | (\$605,134) | \$128,622 | (\$457,384) |
| CIP | \$0 | \$0 | \$0 | (\$176,423) | (\$44,106) |
| Debt Proceeds | \$1,213,728 | \$682,966 | \$0 | \$0 | \$474,174 |
| Land Sale | \$0 | \$0 | \$425,000 | \$0 | \$106,250 |
| Salt Lake Golf Net Income | \$310,098 | \$233,574 | (\$180,134) | (\$47,801) | \$78,934 |
| Source: Salt Lake City Golf Division | | | | | |

**Salt Lake City Golf System
Summary of per Facility Performance (2009 – 2012)**

| | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------|--------------------|-------------------|-------------------|--------------------|
| Bonneville | | | | |
| Total Facility Revenue | \$1,310,395 | \$1,273,082 | \$1,252,927 | \$1,503,025 |
| Cost of Sales | \$73,467 | \$81,382 | \$81,217 | \$83,358 |
| Facility Operating Expense | \$918,839 | \$813,617 | \$895,302 | \$1,005,489 |
| Debt Service | \$48,684 | \$93,631 | \$137,476 | \$88,793 |
| CIP | \$0 | \$0 | \$0 | \$31,729 |
| Bonneville Net Income | \$269,405 | \$284,452 | \$138,932 | \$293,656 |
| Wingpointe | | | | |
| Total Facility Revenue | \$1,211,091 | \$1,134,014 | \$1,071,610 | \$1,180,948 |
| Cost of Sales | \$154,150 | \$119,849 | \$142,829 | \$122,114 |
| Facility Operating Expense | \$887,760 | \$911,890 | \$888,634 | \$899,172 |
| Debt Service | \$31,977 | \$72,539 | \$100,921 | \$68,944 |
| CIP | \$0 | \$0 | \$0 | \$26,029 |
| Wingpointe Net Income | \$137,204 | \$29,736 | (\$60,774) | \$64,689 |
| Glendale | | | | |
| Total Facility Revenue | \$1,130,708 | \$1,161,649 | \$1,048,470 | \$1,200,941 |
| Cost of Sales | \$55,616 | \$61,893 | \$59,769 | \$57,463 |
| Facility Operating Expense | \$913,697 | \$845,590 | \$879,477 | \$938,939 |
| Debt Service | \$37,852 | \$76,770 | \$105,529 | \$67,677 |
| CIP | \$0 | \$0 | \$0 | \$28,596 |
| Glendale Net Income | \$123,543 | \$177,396 | \$3,695 | \$108,266 |
| Forest Dale | | | | |
| Total Facility Revenue | \$637,637 | \$605,817 | \$582,866 | \$687,853 |
| Cost of Sales | \$34,642 | \$32,176 | \$31,310 | \$35,615 |
| Facility Operating Expense | \$484,152 | \$463,923 | \$455,093 | \$502,328 |
| Debt Service | \$18,527 | \$37,990 | \$66,628 | \$48,371 |
| CIP | \$0 | \$0 | \$0 | \$18,977 |
| Forest Dale Net Income | \$100,316 | \$71,728 | \$29,835 | \$82,562 |
| Rose Park/Jordan River | | | | |
| Total Facility Revenue | \$1,009,696 | \$1,008,711 | \$834,744 | \$907,075 |
| Cost of Sales | \$67,514 | \$62,247 | \$51,165 | \$49,888 |
| Facility Operating Expense | \$1,030,826 | \$943,568 | \$1,049,281 | \$1,276,872 |
| Debt Service | \$32,047 | \$64,935 | \$95,607 | \$63,560 |
| Land Sale | \$0 | \$0 | \$425,000 | \$0 |
| CIP | \$0 | \$0 | \$0 | \$26,296 |
| Rose Park J. River Net Income | (\$120,691) | (\$62,039) | \$63,691 | (\$509,541) |
| Nibley Park | | | | |
| Total Facility Revenue | \$560,270 | \$511,659 | \$518,265 | \$656,374 |
| Cost of Sales | \$26,130 | \$22,908 | \$34,487 | \$53,961 |
| Facility Operating Expense | \$535,613 | \$551,866 | \$497,993 | \$481,795 |
| Debt Service | \$24,657 | \$26,849 | \$49,628 | \$24,971 |
| CIP | \$0 | \$0 | \$0 | \$15,875 |
| Nibley Park Net Income | (\$26,130) | (\$89,964) | (\$63,843) | \$79,772 |

| Mountain Dell | 2009 | 2010 | 2011 | 2012 |
|---|--------------------|--------------------|--------------------|--------------------|
| Total Facility Revenue | \$1,895,441 | \$1,807,935 | \$1,804,043 | \$2,015,152 |
| Cost of Sales | \$174,062 | \$131,752 | \$134,296 | \$102,912 |
| Facility Operating Expense | \$1,194,637 | \$1,182,333 | \$1,152,797 | \$1,400,620 |
| Debt Service | \$41,887 | \$128,493 | \$183,802 | \$141,916 |
| CIP | \$0 | \$0 | \$0 | \$28,921 |
| Mountain Dell Net Income | \$484,855 | \$365,357 | \$333,148 | \$340,783 |
| Administration | | | | |
| Total Admin Revenue | \$204,093 | \$278,380 | \$412,816 | \$340,016 |
| Admin Operating Expense | \$2,059,886 | \$1,488,099 | \$1,021,295 | \$848,004 |
| Debt Service | \$16,339 | \$16,339 | \$16,339 | \$0 |
| Add Back Debt Proceeds | \$1,213,728 | \$682,966 | \$0 | \$0 |
| Net Administration | (\$658,404) | (\$543,092) | (\$624,818) | (\$507,988) |
| Summary Salt Lake City Golf System | | | | |
| Total System Revenue | \$7,959,331 | \$7,781,247 | \$7,525,741 | \$8,491,384 |
| System-Wide COS | \$585,581 | \$512,207 | \$535,073 | \$505,311 |
| System Operating Expense | \$8,025,410 | \$7,200,886 | \$6,839,872 | \$7,353,219 |
| Total Debt Service | \$251,970 | \$517,546 | \$755,930 | \$504,232 |
| CIP | \$0 | \$0 | \$0 | \$176,423 |
| Add Back Proceeds (Debt/Land) | \$1,213,728 | \$682,966 | \$425,000 | \$0 |
| Salt Lake Golf Net Income | \$310,098 | \$233,574 | (\$180,134) | (\$47,801) |
| Source: Salt Lake City Golf Division | | | | |

System Summary Discussion

The NGFC review of Salt Lake City Golf system economic performance has revealed the following:

- The review shows a large system with almost \$8.5 million in total top-line revenue earned in FY2012 representing a recent high, with an increase of 10.5% from FY2011. The lowest revenue earned in recent years came in FY2011, with a total of \$7.53 million.
- Total operating expenses had been decreasing from 2009 through 2011 to just over \$7.35 million in FY2012 (including administration). This level of expense is likely the “bare minimum” that can be spent under the present structure and still maintain the integrity of the golf system. The NGFC review has shown that recent reductions in expenses have added to mounting issues of deferred maintenance at each property (more in next section).
- The system's financial position had improved considerably in FY2012, with favorable weather and a rebounding economy. Using 2012 as a template, SLC Golf can be self-sustaining to cover its basic operations and a significant portion of its interest expenses. This is a common position in municipal golf in the U.S. as just under one in three (33%) of all municipal golf courses were able to fully cover debt service payments in 2011.
- The NGFC review of the SLC Golf Division showed higher-than-standard expenses in the administration of the SLC golf courses. This was observed in both overall administrative expenses, and the direct City overhead charge of Admin fees.

FY2014 Performance

The NGFC review has occurred at or near the end of FY2013. Our review of operating data and projections for FY2014 revealed the following:

- The revenue increases projected for 2014 are unlikely to occur. A 9.6% increase in revenue in one year, in a competitive market, without capital improvement, is remote while expenses are forecast to rise 2.5% even though fringe benefit costs and maintenance expenses, two of the more critical disbursements that create value for the golfer are projected to fall. The projections for cart revenue (increases 20%) and driving range revenue (increases 15%) do not appear achievable.
- Merchandise revenue is projected to increase 5.7%, while merchandise cost of goods sold is projected to fall 14%. This is despite most manufacturers increasing their wholesale prices as the economy strengthens.
- The weather forecast for Spring 2014 is adverse to golf (more later in this report).
- The Salt Lake City golf system was on pace to match or exceed FY2012 revenues in FY2013.
- Total expense to operate the facilities is expected to increase for 2013 as the system had matched 2012 total expenses by the 10th month of FY2013.
- Despite a projected increase in revenue in FY2013, total rounds activity is lagging slightly behind the FY2012 total through 10 months of FY2013. It appears that the very favorable weather in early calendar 2012 had contributed to a strong year of activity and the rounds performance in FY2013 appears to be coming “back to normal” for the system.

Based on this review it is the expectation of NGFC that FY2013 will come in close to the expected budget, but that projections for 2014 appear to be too aggressive.

Individual Facilities

ANALYSIS OF BONNEVILLE GOLF COURSE

Bonneville represents the City's "Point of Pride" golf facility. The course was originally built as a 9-hole course in 1929. That design is credited to William Henry Tucker, an Englishman who migrated to the United States and began laying out courses beginning in the 1920s. Tucker was renowned as a turfgrass expert, eventually moving west before settling in New Mexico where he lived until his death in 1954.

The "new" Bonneville was established as a 9-hole course in 1952. It was re-designed from the old Tucker layout by the renowned William Park "Billy" Bell along with his son, William Francis Bell. The father and son team only co-designed a handful of courses. These dual projects followed WWII as the younger Bell began assuming responsibilities for the firm's work while the elder Bell began taking it easier. William P. Bell is best known for his celebrated work at Bel-Air and Riviera (Los Angeles) with George C. Thomas, Jr., and later as the co-designer of Torrey Pines (San Diego) along with his son. Bonneville's 18 holes were designed in the same general time as Torrey Pines, although the full 18 holes at Torrey Pines did not get built until 1956-57. The second nine at Bonneville came along in 1959, finishing the Bell's vision for the course. The Bells also transformed The Country Club (Salt Lake City) in 1952, taking an older design by William K. Watson and creating what exists today as one of the premiere private clubs in Utah.

Recently, Bell designed courses have enjoyed a renaissance as more of their work becomes appreciated. We feel that a significant portion of the City's asset at Bonneville rests with the Bell Legacy and how that legacy is preserved and presented. As with many Bell courses, much of the classic aesthetic and design strategy has become lost to time at Bonneville. The primary causes are gradual changes to greens and bunkers, plus remodel work that amounted to replacement as opposed to restoration. In some areas the overgrowth of trees has compromised strategy, not to mention the once panoramic views across the course, to downtown and nearby mountains. Without doubt, the location and ideal terrain found at Bonneville create a superior golf setting.

Location, Access and Neighborhood

Bonneville GC is located in the northeastern quadrant of Salt Lake City, immediately proximate to Utah's Hogle Zoo and the University of Utah. The property is bisected by Wasatch Drive, with eight holes (1, 5-9, 10 & 11) on the west side and 10 holes (2-4, 11-17) on the east side. A City park with two baseball fields and 10 tennis courts sits on the east side of Wasatch Dr. between the 5th and 10th holes. The western boundary of the course is Foothill Dr., a major roadway through the area.

Access to Bonneville GC is provided by Connor St., although this entrance is not readily identifiable for golfers unfamiliar with the area, and signage is limited and poor. Connor St. has an awkward intersection with E. Sunnyside Ave. (the major east-west thoroughfare in the area), making entrance to the golf course problematic for those travelling west on Sunnyside Ave. Thus, despite the golf course being located in immediate proximity to the major intersection between Foothill and Sunnyside, the entrance to the property is awkward. As a result, the overall market Bonneville GC may be reduced slightly as those unfamiliar with the property may have difficulty finding it.

Bonneville Neighborhood

The immediate area around Bonneville GC is primarily residential, with some office and retail and the proximity to the University of Utah. Other key area findings with implications for golf course demand include:

- The local market has a large population base with growth rates trending at twice the national average in increases in number of households.
- Bonneville GC is proximate to the University of Utah (32,000+ students and 17,000+ staff). The local market has smaller-than-average household size, and younger demographics within 10 miles, likely due to the smaller homes and the number of students around the University of Utah campus.
- Retail Spending Potential in the 10 mile radius market area shows at or above National norms for Participation and Lessons in sports/recreation and slightly lower in equipment.
- The average daily traffic count for Sunnyside Avenue near Bonneville is 14,495 autos and at Foothill Blvd near Bonneville is 44,165 autos in 2011.
- Within one mile of Bonneville GC, the demographics are highly correlated with high golf activity:
 - 41.2% of households have annual incomes over \$100,000
 - Median home value is \$339,859
 - 4,819 households in “neighborhood”
 - Property value in the “neighborhood” are among the highest in Utah

Golf Course Review

Bonneville GC represents a challenging, yet enjoyable golf course that is both aesthetically appealing and playable for all skill levels of golfers. The golf course appears to be very popular with golfers in Salt Lake City Golf market, and could be a must-play regional draw for customers seeking a destination for golf. The recommendations we have set forth follows this approach and planning. A summary of the golf course follows:

- 6,900-yard, Par 72 Regulation Course
- 4,700-yard to 6,900-yard Flexibility
- Limited Length Practice Range
- (2) Practice Greens
- Small “Utilitarian” Pro shop, Snack Bar and Limited Public Facilities
- Small Cart Storage
- On-course Snack Bar and Restrooms

Summary of NGF Consulting Observations

The NGFC inspection of the Bonneville GC led to the following observations, many of which represent key property deficiencies and issues that could be improved to improve overall economic performance. A summary of the NGFC review of Bonneville includes:

Arrival/Entry

- Access requires driving through residential streets and neighborhood
- Directional signage (en route) is sparse, small and difficult to see
- Parking lot slopes exceeds customary gradient for efficient use, parking and access
- Clubhouse is hidden and not immediately accessible
- Maintenance facility is poorly situated and interferes with public uses and access

Clubhouse

- Clubhouse is small, outdated and in need of significant repair
- Building lacks meeting and event space
- Kitchen facilities are only able to meet “snack counter” level of service
- Cart storage is undersized and outdated
- Outdoor spaces and views are obstructed by tree overgrowth

Practice Facilities

- Practice range is significantly undersized (short)
- Limited flight balls are used to overcome short range
- Practice tees are not ideally aligned away from adjacent properties
- Range netting/fencing is not adequate to contain use and is in disrepair
- Practice putting and short game greens are undersized
- Staging for group instruction and training is significantly limited
- ADA access appears limited to areas

Golf Course

- Irrigation system is outdated, insufficient and lacking control for good water conservation. System relies on potable water
- Managed turf areas are large and could be reduced with conversion to native grass in select locations
- Some holes are situated too close to Foothill Drive and residential areas
- Tees need leveling with some added tees for yardage flexibility for beginning and less experienced players
- Bunkers need rebuilding to overcome deferred maintenance issues (poor drainage, sand consistency, adherence to classic “Bell Style”, etc.)
- Bunkers, in some locations, should be restored and put back into play to uphold the original Bell design
- Cart paths need replacement throughout, including ADA access
- Drainage is insufficient in some areas
- Trees have been allowed to overgrow with shade, root intrusion and view obstruction issues
- Some trees are crowding fairways and diminishing strategy of the original design

- There is limited or no screening of adjacent recreation uses
- Signage and course furnishings are deficient
- On-course snack bar and restrooms are deficient
- Additional on-course restrooms may be needed
- An old house on the course is being used for chemical and fertilizer storage

Golf Course Playability

- Par-72 layout with open fairways, tree cover, and generally wide hole-corridors.
- Greens are inconsistent with several being original and some being newer greens built to different soils profiles (greens need to be rebuilt to classic “Bell Style”). Greens appear to have reduced in size due to mowing practices.
- The course has four sets of tees (Black, Blue, White, Gold), with the longest measuring 6,872 yards and a USGA slope rating of 125 (slightly ‘harder’ than the USGA median slope rating of 117). The most forward tee measures 4,696 with a slope rating of 105, or easier than the “standard.”
- The most forward tee is commonly associated with a “ladies” tee, and the length of less than 4,800 yards helps to maximize appeal in the female segment.

Maintenance Facility

- Building has no running water or sanitary facilities
- Safety measures, such as an emergency wash station are lacking
- Appropriate fertilizer, chemical and storage areas are lacking
- Sand and gravel bins are lacking
- Security fencing and systems are lacking
- Office, staff and shop areas are insufficient
- Facility, overall, is lacking necessary facilities, systems and amenities

Marketing & Branding

- The “Bell Legacy” is not communicated sufficiently
- The course is not differentiated enough from other City golf facilities

Summary

Overall, the Bonneville GC offers a good quality public golf course that is generally enjoyable to play, yet requires skill and accuracy to play well. This mix of ease and difficulty gives the Bonneville GC great flexibility in marketing and ability to attract golfers of all skill levels. In short, there is nothing inherent in the design of the golf course that would serve to limit its market appeal, although NGFC does believe the course has several infrastructure systems and features that have outlived their lifecycle.

An example is the aging irrigation system that was retro-fitted in 1977. This old system has been held together with stop-gap measures never intended to last this long. Typically, golf irrigation systems in the Salt Lake City region will last 20 to 25 years if appropriately maintained with annual capital improvements and replacements of certain components. Here, the staff copes with a system that is now close to exceeding its customary lifecycle by double.

Other infrastructure, such as greens root zone, drainage and bunkers, are well past their useful lifecycles. Cart paths fall into this same category with many areas patched or so deteriorated that it is difficult to know there is even a path present. Staff and management does their best with the old systems and areas but is unable to provide what we would call “A” conditions. NGF

Consulting, due to turf conditions, greens conditions and inconsistency of bunkers, grades Bonneville a “C+” in terms of course conditions.

The clubhouse is significantly undersized to handle any group much larger than 20-30 players. Even small groups are not attracted to the limited food and beverage set-up. The maintenance facility is barely operational in its current condition. It is likely not in compliance with certain requirements for storage, access and safety.

Bonneville Facility Physical Upgrade Recommendations

NGF Consulting considered two options to address deficiencies and issues at Bonneville. These options are:

1. Address issues and make needed repairs over time, phasing work across 3 to 5 years with clubhouse work coming at the end of this time period.
2. Undertake a major planning and restoration project, addressing all needs and deficiencies within a 2 year window.

Given the revenue enhancement and cost-savings potential, we feel strongly that the opportunities at Bonneville are strong enough to justify Option 2 as in the best interests of the City. The downside of Option 1 is that the facility would be under some degree of turmoil and reconstruction for an extended period of time. Not only would there be decreased revenue from these interruptions, but certain efficiencies in rebuilding necessary parts of the course would likely be lost to doing the work in stages. If completed as one single project, we feel that the City would realize both the best cost relative to return, and also compress lost revenue to a shorter closure and interruption period.

In terms of the maintenance facility, the replacement must occur as soon as possible. In terms of the arrival, parking and clubhouse, our recommendation is that a replacement and retrofit of the existing building be undertaken simultaneously with the full scope of work at Bonneville.

Recommended Upgrades

The overall condition of the Bonneville Golf Course property is good, although upgrades are needed in key areas as noted. The property has been maintained at a minimum level for many years and maintenance issues and projects have been deferred to a point where large-scale upgrade is now required. The City will have to consider the improvements at Bonneville GC will approach or exceed \$10 million, although this amount will result in a first-class golf facility that could become the true jewel of public golf in Salt Lake City. As the price tag for renovation will be high, the City may have to explore less traditional options for financing the project such as public-private joint venture or even selling off excess acreage for development (more discussion on this from NGFC later in this report).

NGF Consulting, working in association with our consultant team, has identified workable solutions to make nominal modifications to the golf course in order to free up approximately nine acres of land (See exhibit in **Appendix A**). The location of this property includes one parcel along Foothill Drive and one accessed off of Wasatch Drive near the recreation amenities. The course reconfiguration would be resolved by the pending work of Siemens Industry, Inc. (i.e., “Master Planning for Bonneville”) and is expected to generally involve 4-5 new green sites, 2-3 shifted golf fairways and some re-aligned golf holes. The intention is to preserve the 6,800-yard, par 72 course with changes occurring in the areas shown on the attached Land Use Exhibit.

An Event Lawn is conceptually shown along the main entry drive as realigned. This space will serve as an outdoor event area to extend the services afforded by the new clubhouse during

large gatherings. This area is approximately one acre in size. Disposition of the residential structure located adjacent to the existing reservoir (near current Hole No. 16 tees) has not been fully evaluated as part of our work. We recommend that the Master Planning scope to be performed by Siemens Industry, Inc. include this question for eventual use or removal of this structure.

The physical improvements recommended for Bonneville, presented in order of NGFC recommended priority:

1. **Roadmap & Master Plan** – The City should conduct a formal and comprehensive plan for the Bonneville GC to include all of the features and amenities to be renovated to create the “must play” experience. This process will take upwards of 4-6 months for planning and an additional 2-3 months for review and public input. **NGFC estimates total professional fees for this service will be \$30,000 to \$40,000.**
2. **Golf Course Improvement** – NGFC recommends a program to upgrade the golf course and uphold the Bell Legacy, restoring features but respecting modern golf demands. The NGFC program involves rebuilding all features (tees, greens, bunkers, paths, etc.) and implementing a course-wide tree management program. Irrigation replacement, water source conversion and managed turf area conversion will be accomplished using best practices. **NGFC estimates approximately \$3.3 to \$3.7 million for the project, inclusive of soft costs for engineering, demo/site work and preparation.**
3. **Entry Drive & Parking**– Modifications to the entry will be part of a project to enhance and expand the practice range, and to correct deficiencies in the current parking gradients by creating tiered levels of parking and more appropriate access for the new clubhouse. **NGFC estimates \$500,000 to \$525,000 for the project.**
4. **New Irrigation, Pump & Storage** – A full and complete upgrade to the Bonneville GC irrigation system. **NGFC estimates \$900,000 to \$1.0 million for the project.**
5. **On-Course Services** – Bonneville’s on-course services for golfers should be upgraded. On course restrooms may be accommodated with the course reconfiguration work in terms of providing more access during an 18-hole round to the existing location of the snack bar and restrooms currently in place. **NGFC Estimated cost = approximately \$80,000 to \$100,000.**
6. **Maintenance Facility Upgrade** – Bonneville needs upgrade to its facilities for maintenance of the golf course. The NGFC plan involves relocation of the maintenance facility further north, behind the outfield limits of the baseball fields. This location is lower in the landscape and would additionally open the potential for the higher parcel to be used for more productive, public use, especially considering its dramatic view potential. The new maintenance facility would be constructed to meet requirements for all storage, safe handling and staff accommodation. **NGFC estimates approximately \$800,000 to \$900,000.**
7. **Clubhouse Upgrade** – Bonneville would benefit from upgrades to the clubhouse with two options:
 - a. **Upgrade Existing Clubhouse** – (in lieu of pro shop retrofit below). **NGFC estimated cost = \$200,000 to \$220,000.**
 - OR**
 - b. **Construct a New Clubhouse**– Develop a brand new clubhouse at Bonneville that draws on themes from the original 1935 architecture and

includes all key existing amenities (pro shop, grill, kitchen, restrooms, offices, but also adds new amenities such as an entry vestibule, a banquet facility for 300+ patrons, locker rooms, cart storage, staging area, bag drop and a patio with outdoor dining. **NGFC estimated cost = \$4.0 to \$4.4 million.**

8. **Driving Range / Short Game Area**– the NGFC plan includes changes to the practice facility to be lengthened and better aligned to reduce errant balls. The goal is to develop a world-class practice area, encompassing the range, short game, practice greens and adjacent old pro shop. **NGFC estimates approximately \$430,000 to \$460,000 for the project.**
9. **Pro Shop Retrofit**– the NGFC plan includes using the adjacent old pro shop that would be retrofitted for new uses. As noted in our overall concept plan, uses for this facility may range from City services to potential headquarters for golf associations and/or university programs. **NGFC estimates approximately \$110,000 to \$120,000 for the project.**

The estimated cost to complete the above noted facility improvements are detailed in the table below, excluding lost revenue due to business disruption that may occur.

| Bonneville Golf Course Needed Physical Improvements | | |
|--|-------------------------------|--------------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Master Plan | \$30,000 | \$40,000 |
| Golf Course Improvement | 3,300,000 | 3,700,000 |
| Entry Drive & Parking | 500,000 | 525,000 |
| New Irrigation, Pump & Storage | 900,000 | 1,000,000 |
| On-Course Services | 80,000 | 100,000 |
| Maintenance Facility Upgrade | 800,000 | 900,000 |
| Clubhouse Upgrade | 200,000 | 220,000 |
| Driving Range / Short Game Area | 430,000 | 460,000 |
| Pro Shop Retrofit | 110,000 | 120,000 |
| Total Primary Bonneville Upgrades | \$6,350,000 | \$7,065,000 |
| Additional Option | | |
| New Clubhouse | \$4,000,000 | \$4,400,000 |
| Total Bonneville Upgrades | \$10,350,000 | \$11,465,000 |

Operations and Staffing

Bonneville GC is presently operated directly by the Salt Lake City Golf Division, with all staff employed directly by Salt Lake City Golf. The only exception to this is the food and beverage service that is provided via contract with Western Food Service Co., Inc. Key terms of this agreement are shown below:

Food and Beverage Concession

| | |
|-------------------------|--|
| Agreement with: | Western Food Service Co., Inc. |
| Product/Service: | Exclusive right to operate a café concession at Bonneville, including banquet/special events/private parties; may install and operate vending machines and other coin-operated devices |
| Term: | January 1, 2015 through December 31, 2016; option for 5 1-year extensions (replacing agreement for 2012-2014) |
| Pricing: | <p>Concessionaire pays a monthly minimum fee of \$2,600 plus a percentage as follows:</p> <ul style="list-style-type: none"> -9% of sales up to \$250,000 -10% of sales from \$250,001 to \$300,000 -11% of sales over \$300,000 <p>Concessionaire pays City for waste/recycling, utilities (except water and gas), 50% of television service, and all costs for maintenance/repair of fixtures/equipment</p> |

Staffing

The reported staff at Bonneville includes five full-time positions and an additional 31 part-time positions (12 in maintenance and 19 in pro shop operations). Part-time workers work a variety of hours ranging from only 3 or 4 hours per week, up to 39 hours per week. The overall staff at Bonneville equates to approximately 17.33 FTE's and is summarized below:

| Bonneville Golf Course Facility Staffing 2013 | |
|--|---------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Assistant Golf Professional | FT = 1.0 FTE |
| Additional Seasonal Golf Staff (19 positions avg. 13 hrs/week) | PT = 6.33 FTE |
| Golf Course Maintenance Employees | |
| Superintendent | FT = 1.0 FTE |
| Assistant Superintendent | FT = 1.0 FTE |
| Maintenance Worker | FT = 1.0 FTE |
| Additional Seasonal Maint. Staff (12 positions avg. 22 hrs/week) | PT = 6.0 FTE |

The "standard" golf facility in the U.S. with seasonal climates (8 to 10-month golf season) employed a total of 20 FTE personnel in 2012, with 11 in golf maintenance, 6 in pro shop/operations and another 3 for clubhouse/F & B. This level of staffing represents a reduction from 2009 figures (see next chapter on norms). As a result, many golf operations around the country are operating with very lean staff and Bonneville GC is no different. Based on the NGFC review of the Bonneville GC staffing, and in comparison to golf industry norms, it appears that

Bonneville GC is operating with a staff that is comparable to industry standards, yet barely sufficient to sustain operations at a high level.

Food and Beverage Operations

The food and beverage operation at Bonneville GC appears to be “standard” for a public golf course operation, serving the basic concession needs of golfers in an efficient and convenient fashion, but with limited ability to expand the menu and/or host larger events and parties.

The food and beverage service at Bonneville is provided through two separate venues of operation: (1) the Bonneville snack shop and (2) on-course beverage carts. The Bonneville snack shop service includes counter service of a basic menu of items. A review of the menu shows modest pricing on items, with soft drinks at \$1.50 to \$2.00, beer at \$2.00 to \$3.25 (\$9 for a pitcher), burgers, sandwiches and melts at between \$4.50 to \$6.50 (hot dogs at \$2.50) and breakfast at \$3.25 to \$6.00. Seating is convenient in the snack area, but space is limited to a max of 40 +/- patrons.

The “typical” food and beverage concession at public golf courses produces approximately \$6.10 per round, including banquets (see next chapter), with approximately 40% cost of sales and three FTE for the operation. The result is total net earnings on F & B for public golf courses falling close to 10% of revenue at best. As the City’s agreement with Western Food Service calls for payment that is comparable to this 10%, the agreement looks to be appropriate.

In summary, NGFC believes that the food and beverage operation at Bonneville is limited, and that it is likely that improvements to the kitchen facilities at Bonneville would lead to increases in both direct revenue (increase F & B sales) and indirect revenue (increased rounds of golf).

Driving Range Operations

The driving range operation at Bonneville Golf Course represents a potential additional revenue source to help support operations and labor. However, the range is of small size and poorly configured. Range improvements would be expected to add to overall facility revenue. Despite the present small size and limited other practice amenities the Bonneville range generated over \$54,700 in 2012. This equates to revenue of \$0.71 per round of golf, or an amount that is lower than the industry “standard” of \$2.00 per round (or \$1.00 per 9-hole round).

Facility Performance and Data Analysis

Bonneville is a public golf course generating the vast majority of its revenue totals from green and cart fees. The following paragraphs summarize the facility’s activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

The tables below show reported rounds activity at Bonneville since 2009. We note that over this timeframe, Bonneville experienced a significant decline from 2009 to 2011, falling 7.4%, and then recovering with a strong 2012 (13.2% increase 2011-2012). Significant impacts to rounds totals were recorded during the 2010 and 2011 period, including both immediate effects of a recession in late calendar year 2008, and other weather events. The winter of 2012 was unseasonably warm, allowing for increased rounds in FY2012.

In reviewing the rounds totals by month for the last several years, NGFC notes the clearly definable peak season for golf in Salt Lake City with highest activity in May through August summer season. There is a small “shoulder” season in April, September and October, and a slower winter season where some rounds are generated on a weather-permitting basis.

| Bonneville Golf Course Rounds by Month (FY2008-2013*) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 0 | 0 | 0 | 837 | 0 | 0.3% |
| February | 0 | 0 | 0 | 0 | 0 | 0.0% |
| March | 2,456 | 3,434 | 1,795 | 4,752 | 2,523 | 4.3% |
| April | 7,109 | 4,417 | 5,011 | 8,184 | 7,125 | 8.6% |
| May | 11,574 | 9,215 | 9,191 | 10,994 | 10,285 | 14.2% |
| June | 10,742 | 9,864 | 11,052 | 10,907 | 10,920 | 14.7% |
| July | 11,763 | 12,230 | 11,086 | 10,973 | 10,632 | 16.0% |
| August | 11,763 | 10,657 | 11,086 | 10,560 | 10,656 | 15.3% |
| September | 9,002 | 9,623 | 9,328 | 10,560 | 0 | 13.3% |
| October | 6,473 | 6,624 | 7,343 | 6,200 | 0 | 9.2% |
| November | 3,119 | 2,484 | 2,191 | 3,134 | 0 | 3.8% |
| December | 0 | 101 | 424 | 468 | 0 | 0.3% |
| Total | 74,001 | 68,649 | 68,507 | 77,569 | 52,141 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Bonneville Golf Course Rounds Played by Type (2009-2013*) | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|------------------------------|-----------------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 51,769 | 46,532 | 39,010 | 42,976 | 27,484 | 45,072 | 52.7% |
| Discount | 20,594 | 19,896 | 26,938 | 31,968 | 22,775 | 24,849 | 43.7% |
| Pass | 1,638 | 2,221 | 2,559 | 2,625 | 1,882 | 2,261 | 3.6% |
| Total 9-Hole Rounds | 74,001 | 68,649 | 68,507 | 77,569 | 52,141 | 72,182 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity

As we will present later in the 'Competitive Analysis' section, current rounds played volumes at Bonneville are within the norms for public 18-hole golf facilities operating within Salt Lake City Metro region. Based on Bonneville' market positioning, location, and quality, NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about $\pm 80,000$ to $\pm 85,000$ rounds in a good weather year. Thus, NGFC has not termed this a "capacity": Bonneville is fully capable of hosting rounds in excess of 80,000, but it should not be expected at this location at this time.

Revenue Analysis

NGF Consulting's review of performance shows that Bonneville has experienced relatively steady income, with declines in 2010 and 2011 to match rounds, with strong increase in 2012. The \$1.5 million earned in FY2012 represented a recent high water mark for the facility. The line item review shows strong increases in three main categories - green fee, cart fee and merchandise revenue. When compared to industry averages (see next chapter), we see that Bonneville is operating with revenues that are significantly higher than the average for 'Standard' courses (under \$40 green fee). The U.S. average revenue for Standard public golf courses was \$1,047,000 (18 holes) in 2012, inclusive of all facility revenue.

**Bonneville Golf Course
Total Gross Revenue – 2009-2013***

| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|
| Net Green Fees | \$786,325 | \$753,804 | \$742,244 | \$925,575 | \$880,789 | \$801,987 |
| less rain checks | (10,558) | (10,833) | (10,151) | (10,301) | (7,301) | (10,461) |
| Cart Fees | 323,018 | 308,594 | 308,578 | 346,788 | 291,320 | 321,745 |
| Driving Range | 57,391 | 56,216 | 52,056 | 54,747 | 50,653 | 55,103 |
| Lessons | 5,145 | 5,220 | 4,920 | 5,805 | 6,435 | 5,273 |
| Other Rentals | 10,179 | 9,789 | 10,780 | 13,517 | 9,193 | 11,066 |
| Merchandise | 116,607 | 120,813 | 120,620 | 144,469 | 125,806 | 125,627 |
| Other | 2,433 | 5,496 | 480 | 4,625 | 5,867 | 3,259 |
| F & B Lease | 19,855 | 23,983 | 23,400 | 17,800 | 20,000 | 21,260 |
| Total Revenue | \$1,310,395 | \$1,273,082 | \$1,252,927 | \$1,503,025 | \$1,382,762 | \$1,334,857 |
| Annual % Change | | -2.8% | -1.6% | 20.0% | -8.0% | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in 2012 totaled \$19.38. We note this estimate is based on the 9-hole round counting system employed by SLC golf, making comparison to national “standards” difficult. The average for Standard public golf courses in the U.S. was \$23.51 for total golf revenue per round (start), plus an additional \$9.70 in ancillary spending (food, beverage + merchandise – see next chapter).

**Bonneville Golf Course
Average Revenue per Round 2009 – 2013***

| Rounds | 74,001 | 68,649 | 68,507 | 77,569 | 52,141 | 72,182 |
|----------------------|----------------|----------------|----------------|----------------|----------------|------------------------------|
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$10.63 | \$10.98 | \$10.83 | \$11.93 | \$16.89 | \$11.11 |
| Cart Fees | \$4.37 | \$4.50 | \$4.50 | \$4.47 | \$5.59 | \$5.59 |
| Driving Range | \$0.78 | \$0.82 | \$0.76 | \$0.71 | \$0.97 | \$0.76 |
| Lessons | \$0.07 | \$0.08 | \$0.07 | \$0.07 | \$0.12 | \$0.07 |
| Other Rentals | \$0.14 | \$0.14 | \$0.16 | \$0.17 | \$0.18 | \$0.15 |
| Merchandise | \$1.58 | \$1.76 | \$1.76 | \$1.86 | \$2.41 | \$1.74 |
| Other | \$0.03 | \$0.08 | \$0.01 | \$0.06 | \$0.11 | \$0.05 |
| F & B Lease | \$0.27 | \$0.35 | \$0.34 | \$0.23 | \$0.38 | \$0.29 |
| Total Revenue | \$17.71 | \$18.54 | \$18.29 | \$19.38 | \$26.52 | \$19.62 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Expense Analysis

Basic expenses to operate and maintain the course totaled just over \$1.0 million in 2012, plus an additional \$93,200 for direct cost of merchandise sold (not an expense). The trend for the facility had been decreases in 2010 and 2011, with increase in 2012 and 2013. The expenses to maintain this facility are comparable to the average for standard public golf courses in the nation (average 18-hole facility = \$997,200 in expenses for golf facility operations excluding COS).

| Bonneville Golf Course Total Operating Expenses – 2009-2013* | | | | | | |
|---|------------------|------------------|------------------|--------------------|--------------------|------------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Direct Cost of Sales | \$73,467 | \$81,382 | \$81,217 | \$83,358 | \$93,208 | \$79,856 |
| Operating Expenses | | | | | | |
| Total Personnel | \$479,649 | \$463,280 | \$474,058 | \$521,865 | \$526,048 | \$492,980 |
| Op. & Maint. Supply | 79,685 | 62,078 | 72,778 | 97,905 | 73,140 | 77,117 |
| Water Expense | 226,148 | 160,922 | 200,281 | 237,091 | 276,556 | 220,200 |
| Other Utilities | 18,588 | 11,718 | 17,888 | 30,011 | 31,073 | 21,856 |
| Other Chgs. + Svcs. | 114,769 | 115,353 | 127,397 | 116,177 | 115,053 | 117,750 |
| Capital Expenditures | 0 | 266 | 2,900 | 2,440 | 0 | 1,121 |
| Total Operating Expense | \$918,839 | \$813,617 | \$895,302 | \$1,005,489 | \$1,021,870 | \$931,023 |
| Combined Total Facility Expense | \$992,306 | \$894,999 | \$976,519 | \$1,088,847 | \$1,115,078 | \$1,010,879 |
| Total CIP | \$0 | \$0 | \$0 | \$31,729 | \$61,083 | |
| Source: Salt Lake City Golf Division. *First 10 months of FY2013. | | | | | | |

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Bonneville are compared to the industry averages in the following table:

| Industry | Indicator | Bonneville GC | Total 2012 |
|---------------------------------------|--------------------|----------------------|--------------------|
| 50% | Labor | 51.9% | \$521,865 |
| 5% | Utilities | 26.6% | \$267,102 |
| 45% | All other Expenses | 21.5% | \$216,522 |
| Total Expense | | | \$1,005,489 |
| Source: Salt Lake City Golf Division. | | | |

Bonneville Golf Course Operations Summary

Bonneville generated just over \$1.5 million in revenue for the City in 2012, up over 17% over 2011. Total expenses to maintain the golf course are just under \$1.18 million (including cost of sales and interest), an amount that appears appropriate to slightly lower than the expected average for an 18-hole facility. The basic summary of the Bonneville golf operation financial position from the City perspective and before other items (depreciation and internal charges) are considered is shown in the table that follows:

| Bonneville Golf Course Summary of Operations 2009 – 2012 | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Bonneville | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$1,310,395 | \$1,273,082 | \$1,252,927 | \$1,503,025 |
| Less: | | | | |
| Cost of Sales | \$73,467 | \$81,382 | \$81,217 | \$83,358 |
| Facility Operating Expense | \$918,839 | \$813,617 | \$895,302 | \$1,005,489 |
| CIP | \$48,684 | \$93,631 | \$137,476 | \$88,793 |
| Debt Service | \$0 | \$0 | \$0 | \$31,729 |
| Bonneville Net Income | \$269,405 | \$284,452 | \$138,932 | \$293,656 |
| Source: Salt Lake City Golf Division. | | | | |

Other summary points from NGFC regarding the Bonneville GC include:

- Despite the high rounds activity, there is opportunity to enhance revenue at Bonneville by increasing the volume of event and tournament rounds, and enhancing participation from the female segment. This will require new investment in the Bonneville GC facility as noted by NGFC in this report.
- Although the labor / non-labor mix appears to be in line with industry standards, a significant portion of non-labor expense at Bonneville is utilities expense, the largest portion of which is the direct cost of irrigation water. The high cost of water at Bonneville has hurt the facility both in planning expenses (high variance - unpredictability of needs) and it has led to reductions in other non-labor expenses such as repairs and maintenance, applications and small projects. This has led directly to the deferred capital issues reviewed by NGFC in 2013.

NGFC Recommendations – Bonneville Golf Course

Bonneville is a good quality public golf facility with an outstanding location and basic design features that allow this facility to be one of the premier public golf courses in Salt Lake City. However, the facility does have key deficiencies as identified by NGFC:

- Overall conditions have been deteriorating the last several years due to some key maintenance items being deferred;
- The clubhouse facility is old and outdated with limited capacities for hosting large events and tournaments;
- The driving range / practice amenities are small and less desirable;
- The irrigation system is very inefficient, leading to added expense in the operation.

Given the above-noted deficiencies, Bonneville GC is not operating at its full revenue potential. This facility could become a premier public golf facility, offering high quality for a reasonable price with facilities that are ideal for both daily play and an ideal place to host tournaments or outings. However, some modification to the property will be required to bring this facility to its maximum potential.

In light of this reality, NGFC recommendations for Bonneville are designed to improve its economic performance with: (1) upgrades to its physical infrastructure; (2) continuing to maintain the facility with a modest staff; and (3) upgrading the marketing and promotional activities by both on-site and City administrative staff.

Bonneville Recommendations

- Operate the facility on an “as-is” basis in 2014 while preparing for a major renovation in 2015. During the planning phase of upgrades, the City can work to enact portions of a plan to change to a secondary water source for irrigation. Items such as the infrastructure and pumping needed for the secondary source, but hold off on specific on-course changes and upgrades.
- NGFC recommends the City undertake the major renovation proposed by NGFC as a single project with planning in 2014, project construction in 2015 and grand re-opening in 2016. The project should be completed as a whole due to the intense nature of the upgrades that are required (i.e. irrigation work) and the inefficiency of staggering the program. The total cost of the upgrade should range between \$6.0 to \$7.0 million for the golf course and an additional \$4.0 to \$4.4 million for the clubhouse (these pieces can be completed separately). The program will transform Bonneville into a premiere golf experience, embracing the classic era strategy and ambiance that was such a rich part of its legacy, including a new clubhouse that draws from the WPA history of the site.
- The City should carefully evaluate and consider all public/private models for providing capital to this project. Some concepts reviewed by NGFC include:
 - Possible sale or lease of adjacent developable parcels.
 - Possible partnership with Utah PGA for headquarters site. There should be remuneration to the City for use of the facility.
 - Possible partnership with University of Utah for home golf site. There should be remuneration to the City for use of the facility.

- Upon completion of the upgrade program recommended by NGFC, the City should re-introduce the Bonneville GC back to the community with a carefully planned and well-promoted “grand re-opening.” In addition, the City must maintain the golf course to an “A” level of quality in terms of maintenance, adherence to the design intent and preservation of this special asset.
- Improve the marketing and promotion of the facility, both within the system and for Bonneville individually. As a method to improve marketing, Salt Lake City should work to improve the Bonneville GC website (or web page) with special focus on the quality of the golf course and as an ideal space for tournaments and events (after physical upgrades).
- In addition to web marketing, the continued and expanded production of facility-specific printed materials and advertisements is also recommended. Additional activities such as direct selling of outings and tournaments to regional businesses, organizations, and charitable organizations through enhancing print materials and direct selling (cold calls, meetings, other facility tournaments, etc.).
- NGFC recommends no changes to the fee structure at Bonneville for 2014, with a more comprehensive review completed after 2015 renovations. All indications are that this facility is priced appropriately within its immediate competitive set, although some twilight and other discounts could be added. As part of the segmented fee program recommended by NGFC, Bonneville would be positioned to be less expensive than Mountain Dell and Wingpointe, but higher than Glendale and Rose Park. NGFC also recommends the City add a new resident/non-resident breakdown (more in system recommendations).
- Implement a plan to limit non-golf access to the golf course, either through more clearly stated policies and signage or new unobtrusive fencing.
- The City could start immediately to implement portions of the secondary water source program. If the City elects to NOT pursue the NGFC recommended major upgrade, then the full secondary water source program should be completed (through the Siemens program) in its entirety.

Summary – Bonneville Golf Course

Given its location, quality of golf course, and pricing structure, Bonneville Golf Course has the potential to become the premier public golf course in Salt Lake City, but some upgrade is needed as noted. Further, this golf course is functioning with outdated irrigation that is costing the city money and there is urgency to get this corrected to both change the supply of irrigation water and become more efficient in its use.

This facility is able to handle a much larger volume of golf rounds than is presently being served, with activity reduced due in part to weather and economic issues, but also due to limitations in its physical condition. As a note, Bonneville has the strongest local demographics of any course in the SLC system and there is a high concentration of golfers in the immediate local market.

It is clear that the key issues facing Salt Lake City in the Bonneville operation relate more to the physical needs of the facility, as opposed to operations. The course would benefit from some changes that would enhance the overall offering and make the facility more appealing to tournaments and organized events.

However, NGFC is cognizant of the high cost associated with the recommended physical enhancements, and urges the City to “think outside the box” on funding. While NGFC is not providing an outright recommendation on how to best utilize land assets in SLC golf, there does appear to be opportunity for the City to take advantage of its large golf property at Bonneville GC (25% to 30% larger than “standard” 18-hole golf course). NGF Consulting believes there may be a robust market for a ground lease at each of the sites we have identified. Possible uses for the Foothill Drive land may be neighborhood services, mixed use live-work or multifamily. For the recreation area site, possible uses may include a destination restaurant, meeting lodge, museum or lodge headquarters for a community organization/group. This site has dramatic view potential if properly planned. We believe both sites may be leased under arrangements where proceeds from the leases and uses could be earmarked to support public recreation, including some of the specific improvements for the Bonneville Golf Facility. In this scenario, the land would remain owned by the City and developed under a long term lease arrangement under a public-private agreement.

In short, Bonneville will likely remain a strong revenue producer for the foreseeable future, provided the City and Bonneville staff can be successful in completing enhancements as recommended by NGFC. As the facility has a generally high amount of revenue earned per round of golf, it is expected that revenue can grow considerably with any increase in activity.

As-Is Economic Performance

The estimates in this section show Bonneville’s performance at various rounds played totals (worst case, ‘as-is,’ modest growth and best case), assuming expected 2013 inputs for revenues and expenses. The table shows that Bonneville GC can cover all on-site obligations with rounds approaching 60,000, with net income before other City charges exceeding \$355,000 with rounds as high as 80,000. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

| Bonneville Golf Course Estimated City Economic Performance at Various Rounds Totals | | | | |
|--|-------------------|--------------------|--------------------|--------------------|
| Revenue/Rounds | 50,000 | 60,000 | 70,000 | 80,000 |
| Green Fees | \$600,000 | \$720,000 | \$840,000 | \$960,000 |
| Carts | 225,000 | 270,000 | 315,000 | 360,000 |
| Driving Range | 37,500 | 45,000 | 52,500 | 60,000 |
| Merchandise | 92,500 | 111,000 | 129,500 | 148,000 |
| F & B | 15,000 | 18,000 | 21,000 | 24,000 |
| Lessons & Other | 15,500 | 18,600 | 21,700 | 24,800 |
| Total Revenue | \$985,500 | \$1,182,600 | \$1,379,700 | \$1,576,800 |
| Direct Cost of Sales (Merchandise) | \$58,800 | \$70,600 | \$82,400 | \$94,100 |
| Expenses: | | | | |
| Total Personnel Services | \$515,000 | \$540,000 | \$560,000 | \$580,000 |
| Operating & Maint. Supply | 80,000 | 100,000 | 110,000 | 125,000 |
| Water Expense | 220,000 | 220,000 | 220,000 | 220,000 |
| Other Utilities | 24,000 | 28,000 | 30,000 | 32,000 |
| Other Charges and Services | 135,000 | 150,000 | 160,000 | 170,000 |
| Total Expense | \$974,000 | \$1,038,000 | \$1,080,000 | \$1,127,000 |
| Net Income Before Capital, City Charges, and Debt. (Loss) | (\$47,300) | \$74,000 | \$217,300 | \$355,700 |

NGFC Projections 2014-2018

NGF Consulting has created a cash flow model for the continued operation of Bonneville, through 2018, assuming a “standard” market environment over the next five years. This projection is intended to provide a realistic projection of economic performance of Bonneville in the next five years considering NGFC assumptions, particularly the plan to completely renovate the golf course in 2015, and re-opening a brand new and improved Bonneville in 2016. Base assumptions in preparing this financial performance estimate include:

- The overall economic condition remains stable, without any sizable increase or decrease in Salt Lake City area economy, employment, or visitation.
- Bonneville continues to operate “as-is” through 2014, then close for a full year in 2015, re-opening as an improved and renovated golf course in 2016. NGFC has assumed no revenue for the facility while closed for 2015.
- A key improvement is in irrigation, where a more modern efficient system, a secondary water source and expanded non-maintenance areas lead to significant reductions in water expense. The golf course and driving range are enhanced, leading to revenue improvement in both areas. NGFC has ***not*** assumed a new clubhouse at Bonneville in these projections.
- NGFC projects 65,000 total 9-hole rounds for Bonneville in 2014, increasing to 70,000 to 74,000 total 9-hole rounds upon reopening in 2016 (conservative estimate). NGFC projects this to become a new “stable” level of rounds, with some years falling below and some years rising above this expected ‘average’ figure.
- Total average green fee revenue per round is expected to increase by 10-12% in 2016, after renovation, while driving range revenue per round is expected to increase by 100%. NGFC has also assumed that the City can adhere to some increases in green fees every other year (2.5% - approximately \$0.50).
- Other revenue items such as carts, merchandise and other ancillary revenue is expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Expenses are reduced by 50% during the 2015 closure of the golf course for renovation, and assume an increase upon re-opening to account for enhanced quality and service.
- Traditional debt service and CIP is assumed to continue, with new debt added in 2015 for the proposed renovation. NGFC has assumed approximately \$6.0 million in debt at 3% for 25 years.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Bonneville Golf Course Projected Economic Performance with NGFC Recommendations | | | | | |
|--|-----------------------------|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | Master Plan | Closed for Renovation | Grand Re-open | No Capital | No Capital |
| Rounds | 65,000 | 0 | 70,000 | 72,000 | 74,000 |
| Revenue | | | | | |
| Net Green Fees | \$780,000 | \$0 | \$980,000 | \$1,008,000 | \$1,046,400 |
| Cart Fees | 292,500 | 0 | 318,200 | 327,200 | 339,700 |
| Driving Range | 52,000 | 0 | 105,000 | 109,100 | 113,200 |
| Lessons | 5,200 | 0 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 11,100 | 0 | 11,900 | 12,200 | 12,600 |
| Merchandise | 120,300 | 0 | 138,700 | 145,500 | 152,500 |
| Other | 3,900 | 0 | 4,200 | 4,300 | 4,400 |
| F & B Lease | 19,500 | 0 | 23,600 | 24,700 | 25,900 |
| Total Revenue | \$1,284,500 | \$0 | \$1,589,600 | \$1,640,000 | \$1,704,700 |
| Less: Direct Cost of Sales | \$76,500 | \$0 | \$88,200 | \$92,500 | \$97,000 |
| Gross Margin | \$1,208,000 | \$0 | \$1,501,400 | \$1,547,500 | \$1,607,700 |
| Operating Expenses | | | | | |
| Total Personnel Services | \$550,000 | \$275,000 | \$605,000 | \$629,200 | \$654,400 |
| Operating & Maint. Supply | 85,000 | 42,500 | 93,500 | 97,200 | 101,100 |
| Water Expense | 220,000 | 50,000 | 110,000 | 114,400 | 119,000 |
| Other Utilities | 28,000 | 14,000 | 30,000 | 31,200 | 32,400 |
| Other Charges and Services | 150,000 | 75,000 | 165,000 | 171,600 | 178,500 |
| Total Operating Expense | \$1,033,000 | \$456,500 | \$1,003,500 | \$1,043,600 | \$1,085,400 |
| Net Operating Income after Expense (Loss) | \$175,000 | (\$456,500) | \$497,900 | \$503,900 | \$522,300 |
| CIP | \$65,000 | \$0 | \$70,000 | \$72,000 | \$74,000 |
| Historic Debt | \$88,800 | \$0 | \$44,300 | \$44,300 | \$44,300 |
| New Debt | | \$350,000 | \$350,000 | \$350,000 | \$350,000 |
| Net Operating Income after Debt (Loss) | \$21,200 | (\$806,500) | \$33,600 | \$37,600 | \$54,000 |

ANALYSIS OF ROSE PARK GOLF COURSE/JORDAN RIVER PAR-3

The Rose Park Golf Course is the most unique and economically challenged golf facility in Salt Lake City Golf system. Combined with the adjoining Jordan River par-3 course, the golf facility offers a variety of amenities, including an 18-hole regulation golf course, a 9-hole par-3 golf course, driving range and clubhouse facility. Although the two facilities are technically separate, for the purposes of our evaluation, NGF Consulting combines the two facilities in our architectural and facilities review. Rose Park GC includes 120 total acres while Jordan River is 35 total acres.

Rose Park in its current configuration is an 18-hole course. Joseph Michael “Mick” Riley, a golf professional and course manager, is generally credited with the layout of the original nine holes. In 1959 William F. “Billy” Bell added nine holes and remodeled the original holes. While a Bell design of similar age to Bonneville GC, Rose Park lacks the ideal rolling and interesting land offered by Bonneville. Also, it did not involve the elder Bell as co-designer (William P. Bell passed away in 1953).

All of the golf holes at Rose Park are consistently flat with only the tees, greens and bunkers offering much in the way of terrain interest. Additionally, Rose Park must coexist with adjacent industrial uses that take away from the ambiance to some degree as there is little screening of nearby tanks and buildings. However, the course represents a very playable golf experience that has good views from some locations. The golf holes that border the Jordan River are interesting due to the vegetation that forms the edge along this area of the course.

NGF Consulting believes that the Rose Park and Jordan River golf facilities, with ample planning and commitment by the City, could be transformed into a more suitable and appealing facility that is more self-sustaining and a better fit for the surrounding neighborhood.

Location, Access and Neighborhood

Rose Park and the adjoining Jordan River Par-3 golf courses are located in the north Central section of the City and within a defined “Rose Park” neighborhood. The courses lie on the east side of N. Redwood Rd. (68), approximately 1.0 to 1.5 miles south of W. 2300 N. and 0.5 miles north of W. 100 N, with access to each site (separate access and parking) via N. Redwood Rd. As this section of north Salt Lake runs with a north-south orientation, the location may serve to limit the market area for the course to locations within the defined 4-mile by 1.5 mile section of the City that is bound by I-215 to the west, I-80 to the south, I-15 to the east and I-215 connector to the north.

Rose Park Neighborhood

The immediate area around the Rose Park and Jordan River golf courses is almost entirely residential or light commercial, reflecting the “bedroom community” section of north Salt Lake City. Other key area findings with implications for golf course demand include:

- The local market has a large population base with a strong growth rate.
- The average daily traffic count on Redwood Road at golf course is 13,440 autos.
- The local Rose Park/Jordan River area shows several characteristics that tend to coincide with lower-than-average participation in golf, including:
 - The market shows below average potential spending index for sports and recreation activities
 - 76.9% of households within 1-mile have annual incomes under \$75,000

- Median home value within 1-mile is \$158,262
- 93.4% of housing units within 1-mile are valued at less than \$250,000
- 2,434 households in 1-mile “neighborhood”

Facility Review

Although Rose Park and Jordan River are separate facilities with separate entrances, clubhouse/kiosk and parking, the two properties are interconnected through proximity and operation. Recent economic performance of the two golf courses has been declining, leading to stress within the SLC Golf Division. A summary of the golf course properties follows:

Rose Park Facility

- 6,900-yard, Par 72 Regulation Course
- 4,800-yard to 6,900-yard Flexibility
- Average Length Practice Range (240-yards)
- 2 Practice Greens
- Outdated “Utilitarian” Pro shop, Snack Bar and Limited Public Facilities
- Outdated Cart Storage
- On-course Restrooms

Jordan River Facility

- 2,100-yard, par 27 Nine-hole Course
- Make-shift Range and Teaching Area
- Short Game Practice Area
- Small Pro shop Building

Summary of NGFC Observations

The NGFC inspection of Rose Park and Jordan River golf courses led to the following observations:

Arrival/Entry

- Directional signage (en route) should be larger, more prominent and more numerous.
- Parking lot lacks landscaping and is in disrepair with drainage issues.
- Signage is generic and not “special.”
- The two facilities should ideally share one common entry and public facility.
- Maintenance area is unsightly to the public.

Clubhouse

- Clubhouse is in need of significant repair and upgrade.
- Building needs a more exciting entryway.
- Building lacks meeting and event space.
- Kitchen facilities are only able to meet “snack counter” level of service.
- Cart storage is outdated and not large enough for current operation.
- Outdoor spaces are restricted and not appealing.

Practice Facilities

- Practice range is undersized (average length at 240-yards).
- Range netting/fencing is in disrepair.
- Practice putting and short game greens are undersized (Rose Park).
- Staging for group instruction and training is significantly limited.

Golf Course

- Irrigation system is outdated, insufficient and lacking control for water conservation.
- Water use relies on potable water and should be converted to a secondary source.
- Managed turf areas should be reduced with conversion to native grass in many locations.
- Tees need leveling with some added tees for yardage flexibility for beginning and less experienced players.
- Bunkers need rebuilding to overcome deferred maintenance issues (sand consistency and quality).
- Cart paths are a partial system and need repair throughout with many new paths needed.
- Drainage is insufficient in some areas with an evacuation pump not ample to dewater the course rapidly in a high storm event.
- Trees are in marginal health in some locations; dead/dying trees should be removed.
- Signage and course furnishings need to be upgraded.
- Additional on-course restrooms may be needed.

Maintenance Facility

- Primary buildings have no running water or sanitary facilities.
- Buildings are a miss-match and all undersized.
- Safety measures, such as an emergency wash station are lacking.
- Sand and gravel bins are lacking • designated chemical storage enclosure is needed.
- Adequate lighting and HVAC are lacking in enclosed buildings.
- Security fencing and systems are lacking.
- Office, staff and shop areas are insufficient.
- Facility, overall, is lacking necessary facilities, systems and amenities.
- An old, deteriorating trailer is on the grounds.
- Debris and junk abounds.

Marketing & Branding

- The image and branding appears generic without any special qualities expressed.
- The course is not differentiated enough from other City golf facilities.

Jordan River Specific Deficiencies

- The practice areas are somewhat duplicative to Rose Park.
- Maintenance effort requires travel 1/3 mile in each direction.
- Tree growth has crowded playability and compromised maintenance and turf health
- Greens are too small and were never appropriate for golf use.
- Public has access to steep slopes along Jordan River.

Summary

Rose Park GC offers a unique public golf experience that could be a nice complement to the SLC system by providing a much needed avenue for lesser-skilled golfers and beginners. The combined properties are configured in such a way so as to limit the opportunity for success. Jordan River in particular may not be sustainable in its current configuration.

The primary deficiency of the Rose Park GC is the aging irrigation system with virtually no control to effectively irrigate the turf areas with a consistent, non-over-watered rate of irrigation. Many parts and components of the irrigation system have been held together over the years without any significant replacement. Fortunately, the current superintendent has spent more than 40 years at the facility and knows how to manage the system despite its shortcomings.

Typically, golf irrigation systems in the Salt Lake City region will last 20 to 25 years if appropriately maintained with annual capital improvements and replacements of certain components. This system is entering its third cycle without appropriate replacement and updating. It is a wonder that the turf conditions are as good as they are. NGF Consulting grades the playing conditions “C-” at Rose Park specifically. The primary issue with conditions is isolated drainage problems and greens that have thatch and suffer from poor irrigation coverage. Other issues are, as noted, tree management and constancy of bunkers.

The clubhouse is significantly undersized to handle any large groups or tournaments. This has obviously affected use at Rose Park as tournaments will go elsewhere to take advantage of meeting space, a full kitchen and bar services. In summary, the clubhouse is a very outdated building with minimal amenities, and all of those are “old school” in size, configuration and flexibility. The on-course restroom near Hole No. 13 is in good condition. Depending on final decisions by the City, this facility may prove adequate for the golf uses.

The maintenance facility is barely operational in its current condition. It does not appear to be in compliance with requirements for storage, access and safety. There is no running water or sanitary facilities. Workers must use the clubhouse, on-course facilities or very rudimentary facilities in an old residential building within the maintenance compound. Debris and junk are prevalent at this facility to such a volume as may prove financially beneficial as scrap metal.

Rose Park Facility Physical Upgrade Recommendations

NGF Consulting considered three options to address deficiencies and issues at the Rose Park/Jordan River facilities. These options are:

1. Address issues and make needed repairs over time, phasing work 2-3 years; determining what to do with Jordan River and whether this par-3 course may possibly be combined with the main Rose Park clubhouse, parking and practice areas.
2. Close both facilities, rendering the land available for other park or open space uses; potentially returning Jordan River to disc golf use.
3. Adopt a major transformation plan that would effectively convert the golf facility to an Executive-length, 18-hole course with an improved practice facility; return Jordan River to disc golf use; and make available new park uses to include small parks, a dog park, community gardens, community orchards, farmer’s market spaces and approximately 18 acres of potential multifamily residential use.

NGF Consulting feels that Options 2 and 3 hold merit in the context of the City's overall golf program and offering. However, based on the potential to generate revenue from a ground lease and/or sale of 18 acres of developable land, and the opportunities associated with bringing new park uses to the Rose Park Community, our preference is Option 3. Short of moving forward with a conversion such as Option 3 will allow, we feel that Option 2 (closure) will be a prudent move. We recognize that further study is required and urge the City to review the narrative, probable costs and programming for Option 3 in this light. Our work here is not intended to complete the planning and feasibility cycle, but to stimulate it moving forward as it relates to the full golf and park offerings within the City.

Recommended Program to Reconfigure Rose Park / Jordan River (Option 3)

NGFC recommends that if the combined Rose Park/Jordan River facility is to remain open and viable as a golf course, a transformation of the facility to one that fits a void within the current City golf program should be adopted. This would include the following enhancements and changes:

1. Change the 18-hole course to an executive course, located mostly on the eastern area of the Rose Park property. The new course should be an 18-hole, par-62 course of about 4,100 yards in length.
2. Transform the practice area to full-length (300 yards) range and create a new short game and learning areas.
3. Create a specific plan for clubhouse enhancements that will include a new plan for cart storage and a specific plan for entry, parking and landscape enhancements.
4. Create a specific plan for maintenance area rebuilding.
5. Master plan the existing 9-hole par-3 course and remaining property for small parks, a dog park, community gardens, community orchards, farmer's market spaces and integration of the original disc golf layout.
6. Master plan potential land use for approximately 18 acres of multifamily residential use
7. Plan conversion of from potable to a secondary water source and include a plan to reduce managed turf areas, eliminating approximately 65% of the existing golf turf area (45 acre footprint for managed turf).
8. Plan and implement an arbor asset program

To fulfill Option 3, our team proposes the creation of the "Rose Park Community Commons," a multi-use park and open space that caters to diverse recreation uses, golf play and a strong sense of community. At the heart of the Land Use Exhibit (exhibit in **Appendix A**) is the existing Rose Park clubhouse that could be altered or replaced, with the ultimate goal of creating a building and grounds that will serve not only golfers, but other groups. As a long range plan the City may wish to consider rebuilding a new Community Commons Center.

As described, the Rose Park Community Commons will form a linked series of open space uses including golf, golf learning, community gardens, orchards and a farmer's market event space. A new multifamily neighborhood could become part of this plan by utilizing approximately 18 acres of land as shown. The land made available for park uses would not need to be developed immediately, but could be undertaken over time through a specific park master plan adopted by the City for this important neighborhood.

The above program would involve several elements, the key pieces of which include:

1. **Roadmap & Master Plan** – The City should conduct a formal and comprehensive plan for the Rose Park Community Commons to include all of the features and amenities to be renovated. This process will take upwards of 4-6 months for planning and an additional 3-4 months for review and public input. **NGFC estimates total professional fees for this service will be \$30,000 to \$40,000.**
2. **Golf Course Improvement** – NGFC recommends a program to move the golf course to the eastern land across the Jordan River. The reconfigured course is envisioned to be an executive-length 18-hole course playing to a length of approximately 4,100 yards. The golf course would involve all new construction with no existing features or systems left in place. The new configuration is estimated to comprise approximately 86 acres with just 45 acres of managed turfgrass. **NGF estimates approximately \$2.5 to \$3.0 million for the project, inclusive of soft costs for engineering, demo/site work and preparation.**
3. **Driving Range / Short Game Area**– the NGF plan includes expanding the length and width of the existing Rose Park practice range, with programming for this area including the range, short game development, teaching and training areas. **NGF estimates approximately \$100,000 to \$120,000 for the project.**
4. **Maintenance Facility Upgrade** – We recommend rebuilding major portions of the existing facility and grounds. A major clean-up is required, ridding the grounds of junk, debris and the unused trailer. Some structures can be re-used, especially with less turf to manage and a smaller overall golf facility as the course operation is will not need quite as extensive facility as a regulation, full-length 18-hole course. The new maintenance facility (and upgrades) would be constructed to meet requirements for all storage, safe handling and staff accommodation. **NGFC estimates approximately \$500,000 to \$550,000.**
5. **Clubhouse Upgrade and Additions** – Additions and improvements to the existing clubhouse will effectively allow this building to become a Community Center that can be utilized for other park and community uses and events. The upgrade would include entry enhancements, carpet, new exterior and interior paint, removal of bars from windows, installation of security cameras, new restrooms; new landscaping, upgrade HVAC, screening from refuse, fix roofing issues / leaks, add cart washing area. Long range plans could certainly replace the building should funding for such work be secured. **NGFC Estimated cost = \$800,000 to \$850,000.**
6. **New Cart Storage Structure** – A new facility to store carts. **NGFC Estimated cost = approximately \$180,000 to \$200,000.**
7. **Entry Drive and Parking** – A new tone and feel of the entry would be to capture the new “Rose Park Community Commons” theme. Landscaping and screening of the maintenance area would be integral to this work. **NGFC Estimated cost = \$100,000 to \$120,000.**
8. **Jordan River Upgrade** - The Jordan River pro shop would serve the disc golf facility and be put back into use per the original design and intention. The parking and access afforded to the Jordan River area would augment the primary entry and parking that would be enhanced at Rose Park. Trails will connect these areas. **NGFC Estimated cost = \$15,000 to \$20,000.**

| Rose Park / Jordan River Golf Course Recommended Reconfiguration (Option 3) | | |
|--|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Roadmap + Master Plan | \$30,000 | \$40,000 |
| Golf Course Improvement | 2,500,000 | 3,000,000 |
| Driving Range / Short Game Area | 100,000 | 120,000 |
| Maintenance Facility Upgrade | 500,000 | 550,000 |
| Clubhouse Upgrade + Additions | 800,000 | 850,000 |
| New Cart Storage | 180,000 | 200,000 |
| Entry Drive + Parking | 100,000 | 120,000 |
| Jordan River Upgrade | 15,000 | 20,000 |
| Total Rose Park Reconfiguration | \$4,225,000 | \$4,900,000 |

NGF Consulting, in discussions with Siemens Industry, Inc., understands that there is pending planning work for the Rose Park Golf Course. We encourage the City to explore reconfiguration plans, should this direction be determined by the City as a viable option to explore prior to commencing planned changes as proposed by Siemens. Planning could be initiated and carried out with the work Siemens has been tasked to prepare.

Operations and Staffing

Rose Park GC is presently operated by the SLC golf enterprise with all staff employed by Salt Lake City Golf. Jordan River employees are also employed by SLC golf and the Rose Park Head Professional oversees the Jordan River par-3 operation. The only exception to this is the food and beverage service that is provided via contract with Western Food Service Co, Inc. Key terms of this agreement are shown below:

Food and Beverage Concession

| | | | | |
|-------------------------|--|----------------------------------|-------------------------------|---|
| Agreement with: | Western Food Service Co., Inc. | | | |
| Product/Service: | Exclusive right to operate F&B in restaurant; may install and operate vending machines and other coin-operated devices; and operate beverage/snack cart when 100 or more golfers are on the course | | | |
| Term: | January 2009 through December 31, 2014; option for 5 1-year extensions | | | |
| Pricing: | Concessionaire pays City by the following schedule: | | | |
| | Rounds / Calendar Year | Minimum Monthly Guarantee | Total Minimum Payments | Annual % Based on 8-month Season |
| | 64,999 or Fewer | \$1,500 | \$12,000 | 13% |
| | 65,000-69,999 | \$1,600 | \$12,800 | 13% |
| | 70,000-74,999 | \$1,700 | \$13,600 | 13% |
| | 75,000-79,999 | \$1,800 | \$14,400 | 13% |
| 80,000 or More | \$1,900 | \$15,200 | 13% | |
| | Concessionaire pays City for use of City dumpsters and utilities | | | |

Staffing

The staff at Rose Park and Jordan River includes six full-time positions and an additional 24 part-time positions (9 in maintenance and 15 in pro shop operations). Maintenance staff at Rose Park is responsible for Jordan River, although the pro shop operations staff at Jordan River appears more separate from Rose Park. This split responsibility structure appears to be a good fit for the 9-hole Jordan River facility, but total staffing appears to be high given the small size of the combined operation. The reconfiguration recommended by NGFC and detailed previously should help to reduce the overall staff requirements of the combined facilities. The present staff at Rose Park / Jordan River equates to 20.2 FTE's (second largest in the SLC Golf Division) and is summarized below:

| Rose Park/Jordan River Golf Course Facility Staffing 2013 | |
|--|--------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Assistant Golf Professional | FT = 1.0 FTE |
| Additional Seasonal Golf Staff (15 positions avg. 24 hrs/week) | PT = 9.0 FTE |
| Golf Course Maintenance Employees | |
| Superintendent | FT = 1.0 FTE |
| Assistant Superintendent | FT = 1.0 FTE |
| Maintenance Worker | FT = 2.0 FTE |
| Additional Seasonal Maint. Staff (9 positions avg. 23 hrs/week) | PT = 5.2 FTE |

Food and Beverage Operations

The food and beverage operation at Rose Park GC is consistent with a small snack bar operation that is the “standard” for a public golf course operation, and at the other courses in the SLC system operated by Western Foods. Rose Park has limited indoor space and a limited kitchen, but there is an outside patio area that could be covered and become a nice supplement to the indoor snack bar seating.

The “typical” food and beverage concession at public golf courses produces approximately \$6.10 per round, including banquets (see next chapter), with approximately 40% cost of sales and three FTE for the operation. The result is total net earnings on F & B for public golf courses falling close to 10% of revenue at best. As the City's agreement with Western Foods calls for a minimum monthly payment to the City, plus 13% of additional revenue, the agreement looks to be appropriate.

Facility Performance and Data Analysis

Rose Park is an 18-hole public golf course with a driving range and clubhouse. Jordan River includes a par-3 golf course and small starter kiosk. Combined, the two facilities are generating revenue from green fees, cart fees and driving range sales. The following paragraphs summarize the combined Rose Park/Jordan River activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

The following tables show reported rounds activity at Rose Park and Jordan River since 2009. We note that over this timeframe, Rose Park experienced a general, but unsteady decline of 17% from 2009 to 2012, although the lowest total was in 2011. This decline has been consistent between the two golf courses with both Rose Park and Jordan River experiencing similar year-over-year changes between 2009 and 2012. The rounds by month show a wider spread between months than other courses in the SLC system, but still very little play in December, January and February.

| Combined Rose Park / Jordan River Golf Course Rounds by Month (FY2008-2013*) | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 0 | 224 | 545 | 595 | 0 | 0.5% |
| February | 1,345 | 2,525 | 1,368 | 1,454 | 0 | 2.5% |
| March | 3,925 | 4,348 | 2,960 | 3,914 | 3,439 | 5.6% |
| April | 6,949 | 6,749 | 4,757 | 6,945 | 6,627 | 9.3% |
| May | 11,347 | 8,582 | 6,710 | 9,029 | 9,492 | 13.1% |
| June | 10,797 | 8,400 | 7,747 | 8,385 | 9,770 | 13.0% |
| July | 13,637 | 10,045 | 10,007 | 8,275 | 8,722 | 15.4% |
| August | 13,637 | 11,681 | 10,007 | 9,507 | 9,627 | 16.5% |
| September | 8,799 | 7,859 | 7,586 | 9,507 | 0 | 12.4% |
| October | 5,564 | 4,885 | 4,237 | 5,550 | 0 | 7.4% |
| November | 3,491 | 1,922 | 1,548 | 2,278 | 0 | 3.4% |
| December | 184 | 401 | 1,163 | 691 | 0 | 0.9% |
| Total | 79,675 | 67,621 | 58,635 | 66,130 | 47,677 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Rose Park Golf Course Rounds Played by Type (2009-2013*) | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|------------------------------|-----------------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 42,187 | 36,609 | 19,735 | 27,125 | 19,299 | 31,414 | 46.2% |
| Discount | 21,473 | 17,794 | 27,454 | 24,132 | 15,729 | 22,713 | 33.4% |
| Pass | 1,614 | 1,894 | 2,038 | 3,722 | 2,272 | 2,317 | 3.4% |
| Total 9-Hole Rounds | 65,274 | 56,297 | 49,227 | 54,979 | 37,300 | 56,444 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Jordan River Par-3 Golf Course Rounds Played by Type (2009-2013*) | | | | | | | |
|--|---------------|---------------|--------------|---------------|---------------|------------------------------|-----------------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 12,364 | 9,575 | 7,906 | 6,971 | 4,686 | 9,204 | 79.5% |
| Discount | 2,020 | 1,740 | 1,479 | 4,157 | 4,815 | 2,349 | 20.3% |
| Pass | 17 | 9 | 23 | 23 | 876 | 18 | 0.2% |
| Total 9-Hole Rounds | 14,401 | 11,324 | 9,408 | 11,151 | 10,377 | 11,571 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity

Capacity at Rose Park is reflective of a “standard” 18-hole course in this market, adjusted downward for the somewhat small and isolated local Rose Park neighborhood. NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about ±65,000 to ±70,000 rounds in a good weather year. At Jordan River, the capacity is reflective of a smaller 9-hole par-3 golf course and the much lower rounds activity that is typically associated with this type of facility. NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about ±25,000 to ±30,000 rounds in a good weather year. Even though these facilities are capable of hosting rounds in excess of 90,000 combined rounds, the City should not expect this level at Rose Park and Jordan River at this location at this time.

Revenue Analysis

NGF Consulting’s review of performance shows that the Rose Park complex has experienced a steady decline in revenue, with Rose Park falling from \$920,000 to \$835,000 and Jordan River falling from \$86,000 to \$70,000 between 2009 and 2012. The total revenue reported for Jordan River is extremely low and at a level that is unsupportable by any reasonable level of maintenance.

| Combined Rose Park / Jordan River Golf Course Total Gross Revenue – 2009-2013* | | | | | | |
|---|--------------------|--------------------|------------------|------------------|------------------|------------------------------|
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$623,993 | \$612,500 | \$500,061 | \$541,870 | \$537,442 | \$569,606 |
| less rain checks | (3,709) | (5,403) | (4,435) | (3,837) | (3,806) | (4,346) |
| Cart Fees | 225,818 | 235,364 | 192,468 | 221,441 | 186,475 | 218,773 |
| Driving Range | 39,104 | 37,685 | 34,806 | 34,266 | 29,645 | 36,465 |
| Lessons | 1,600 | 2,674 | 4,099 | 2,904 | 5,076 | 2,819 |
| Other Rentals | 8,968 | 11,260 | 8,685 | 8,985 | 7,926 | 9,475 |
| Merchandise | 85,454 | 82,378 | 71,962 | 79,760 | 87,077 | 79,889 |
| Other | 6,453 | 7,051 | 7,993 | 7,109 | 10,531 | 7,152 |
| F & B Lease | 22,015 | 25,202 | 19,105 | 14,577 | 17,832 | 20,225 |
| Total Revenue | \$1,009,696 | \$1,008,711 | \$834,744 | \$907,075 | \$878,198 | \$940,057 |
| Annual % Change | | -0.1% | -17.2% | 8.7% | -3.2% | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in the combined facility in 2012 totaled \$13.32, which is the lowest figure in the SLC system. The split was \$14.81 per 9-hole round at Rose Park and \$5.99 per 9-hole round at Jordan River. There were no specific line items that stood out in this review as Rose Park generated 59% of the total revenue from green fees with over \$1.42 per round in merchandise and \$4.02 in carts. At Jordan River, it is almost entirely green fees as \$5.47 (91%) is from green fees.

We note this estimate is based on the 9-hole round counting system employed by SLC golf, making comparison to national “standards” difficult. The average for Standard public golf courses in the U.S. was \$23.51 for total golf revenue per round (start), plus an additional \$9.70 in ancillary spending (food, beverage + merchandise – see next chapter).

Expense Analysis

Basic expenses to operate and maintain the combined facility totaled just over \$1.276 million in 2012, plus an additional \$50,000 for direct cost of merchandise sold (not an expense). The trend for the facility had been significant increases from 2009 through 2013, with the largest increases coming in 2012 and 2013. The expenses to maintain this facility are higher than standard for public 18-hole golf courses in the nation (average 18-hole facility = \$997,200 in expenses for golf facility operations excluding COS), although the total is for 27-holes including Jordan River. Still, the Jordan River operation is small and should not add much expense to the total (roughly \$137,500 in 2012), showing that the separate clubhouse may be contributing to the increased expense.

| Combined Rose Park / Jordan River Golf Course Total Operating Expenses – 2009-2013* | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Direct Cost of Sales | \$67,514 | \$62,247 | \$51,165 | \$49,888 | \$65,055 | \$57,704 |
| Operating Expenses | | | | | | |
| Total Personnel | \$544,740 | \$559,333 | \$534,055 | \$589,119 | \$586,490 | \$562,747 |
| Op. & Maint. Supply | 78,861 | 57,716 | 77,639 | 70,165 | 119,860 | 80,848 |
| Water Expense | 275,887 | 198,046 | 228,588 | 256,373 | 320,462 | 255,871 |
| Other Utilities | 17,278 | 14,177 | 21,177 | 28,514 | 27,006 | 21,630 |
| Other Chgs. + Svcs. | 102,452 | 105,222 | 117,940 | 133,064 | 122,042 | 116,144 |
| Capital Expenditures | 10,406 | 8,073 | 69,409 | 199,536 | 197,204 | 96,926 |
| Other / Misc. | 1,202 | 1,001 | 473 | 101 | 631 | 682 |
| Total Operating Expense | \$1,030,826 | \$943,568 | \$1,049,281 | \$1,276,872 | \$1,373,695 | \$1,134,848 |
| Combined Total Facility Expense | \$1,098,340 | \$1,005,815 | \$1,100,446 | \$1,326,760 | \$1,438,750 | \$1,192,552 |
| Total CIP | \$0 | \$0 | \$0 | \$26,296 | \$48,480 | |
| Source: Salt Lake City Golf Division. *First 10 months of FY2013. | | | | | | |

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Rose Park/Jordan River are compared to the industry averages in the following table:

| Industry | Indicator | R. Park/J. River GC | Total 2012 |
|---------------------------------------|--------------------|----------------------------|--------------------|
| 50% | Labor | 46.1% | \$589,119 |
| 5% | Utilities | 22.3% | \$284,887 |
| 45% | All other Expenses | 31.6% | \$402,866 |
| Total Expense | | | \$1,276,872 |
| Source: Salt Lake City Golf Division. | | | |

Rose Park Golf Course Operations Summary

| Rose Park Golf Course Summary of Operations 2009 – 2012 | | | | |
|--|--------------------|-------------------|-----------------|--------------------|
| Rose Park | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$1,009,696 | \$1,008,711 | \$834,744 | \$907,075 |
| Land Sale Proceeds | \$0 | \$0 | \$425,000 | \$0 |
| Less: | | | | |
| Cost of Sales | \$67,514 | \$62,247 | \$51,165 | \$49,888 |
| Facility Operating Expense | \$1,030,826 | \$943,568 | \$1,049,281 | \$1,276,872 |
| Debt Service | \$32,047 | \$64,935 | \$95,607 | \$63,560 |
| CIP | \$0 | \$0 | \$0 | \$26,296 |
| Rose Park Net Income | (\$120,691) | (\$62,039) | \$63,691 | (\$509,541) |
| Source: Salt Lake City Golf Division. | | | | |

The above table shows Rose Park/Jordan River operation generated just over \$907,000 in revenue for the City in 2012, down almost 13% since 2010. Total expenses to maintain the golf courses are just over \$1.326 million (including cost of sales and interest), an amount that appears to be high for this facility, even though it is 27-holes. Other summary points from NGFC regarding the Rose Park GC include:

- Rose Park GC appears to be underperforming, with a recent acceleration in the revenue declines. The losses on this operation continue to mount and have exceeded \$500,000 in 2012 and 2013.
- The Jordan River portion of this property is in a high state of disrepair as noted in the previous capital section. It appears that the overall quality of the par-3 golf course is so low that it is just not desirable for golfers anymore. It will take significant capital to restore this facility to a desirable level, and it is not likely to be any real return from such an investment.
- This large combined properties gives the Rose Park/Jordan River complex some flexibility in redesign to modify the property into a different configuration that can incorporate some of the existing elements (low fee, beginner golf, driving range) into a more efficient and manageable property.
- This adjustment may involve reconfiguration **to make possible** the potential sale of a small portion (or portions) of the property to help raise funds to complete the renovation. This would be consistent with a similar move made by the City at this property in recent years.
- The location also gives Rose Park opportunity for site modification as the Rose Park neighborhood is changing and more desirous of a less intense golf facility that still offers some of the basic elements that exist today, but geared more toward a lower income and less “golf sophisticated” population.
- Although the labor / non-labor mix appears to be in line with industry standards, a significant portion of non-labor expense at Rose Park is the direct cost of irrigation water. The high cost of water at Rose Park has implications for both planning for expenses (high variance in water cost and use), and the resulting reductions in other non-labor expenses such as repairs and maintenance, applications and small projects – all leading to deferred capital issues reviewed by NGFC in 2013.

NGFC Recommendations – Rose Park Golf Course

The Rose Park/Jordan River complex is clearly a unique facility within the SLC Golf Division with its own unique structure and issues to consider. The facility has been in decline for some time, and this is reflected in both the condition of the golf courses and its economic performance. From the NGFC perspective one thing is clear: **Rose Park and Jordan River are not sustainable as is, and change will be required if a golf facility is to survive at this location.** For the longer term, this facility can perform a great service to Salt Lake City by offering a low cost recreation alternative to both youth and adults, while also helping to grow golf demand in the local market by developing new players. Given this latter function, it should be acceptable to the City to cover the economics of this facility as it is helping to increase activity at the other 18-hole courses. The NGFC recommendations for this facility include:

- Regardless of what is ultimately decided for the future of this facility, the City must complete a master plan for the long term of Rose Park/Jordan River **before** any physical alterations are undertaken, including the irrigation / water source program.
- NGFC recommends that the City adopt a plan to transform this aging facility into a more user-friendly “Executive Length” golf course to embrace a more diverse array of golfers while freeing up land for community and neighborhood park uses that go beyond golf. This plan will accomplish:
 - Reduce the size of the golf course, thus reducing expense and water use/cost (in conjunction with Siemens work);
 - Modify the golf course to better match the local market area demand for golf; and
 - Potentially free up property that can then be used for additional parks/open space and other non-golf uses.
- As part of this program, the City should study potential revenue streams by freeing up land for a ground lease or public-private partnership to create a new multifamily neighborhood with excess Rose Park property.
- The City should seek to maximize the new golfer development aspect of the facility through expanded lessons, programs, camps, golf schools, etc. A key component of this programming should include direct assistance to help new golfers “transition” from the Rose Park facility to the other 18-hole courses in Salt Lake City system.
- One such upgrade that should be considered is the addition of lights for night use (if possible). This investment would produce new revenue as the facility would generate appeal in newer segments, especially college-age golfers seeking evening recreation.
- Offer free rental clubs to golfers as a means to help sell green fees.

Summary – Rose Park Golf Course

Given its facility type, it is clear to NGFC that this property will always represent a challenge for Salt Lake City. This property is not earning enough revenue to cover appropriate basic expenses, and it has some capital needs that NGFC is recommending be delayed until a formal plan for renovation can be completed.

This facility still has a place in the City golf system, although it should not be expected to operate at an economic profit, as such an expectation will lead to expense reductions that could be harmful to the facility. Instead, the City should think of Rose Park as its “feeder” course, developing new players that can eventually seek out golf service at the other 18-hole City facilities.

As-Is Economic Performance

The estimates in this section show the combined Rose Park / Jordan River performance at various rounds played totals (worst case, ‘as-is,’ modest growth and best case), assuming a continuation of the existing 2013 operation (‘as-is’). Adjustments due to facility modifications are presented next. The table shows that this facility will always struggle to achieve any kind of profitability, even if rounds activity can grow to activity levels approaching 2009. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

| Combined Rose Park / Jordan River Golf Course Estimated City Economic Performance at Various Rounds Totals | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Rose Park Rounds | 45,000 | 55,000 | 65,000 | 75,000 |
| Jordan River Rounds | 10,000 | 12,500 | 15,000 | 20,000 |
| Green Fees | \$439,500 | \$538,600 | \$637,800 | \$750,000 |
| Carts | 157,500 | 192,500 | 227,500 | 262,500 |
| Driving Range | 31,500 | 38,500 | 45,500 | 52,500 |
| Merchandise | 66,000 | 81,000 | 96,000 | 114,000 |
| Lessons & Other | 18,300 | 22,300 | 26,400 | 31,500 |
| F & B | 12,200 | 14,900 | 17,600 | 20,300 |
| Total Revenue | \$725,000 | \$887,800 | \$1,050,800 | \$1,230,800 |
| Direct Cost of Sales (Merch.) | \$48,600 | \$59,700 | \$70,800 | \$84,000 |
| Expenses: | | | | |
| Total Personnel Services | \$540,000 | \$560,000 | \$580,000 | \$600,000 |
| Operating & Maint. Supply | 85,000 | 100,000 | 110,000 | 120,000 |
| Water Expense | 255,000 | 255,000 | 255,000 | 255,000 |
| Other Utilities | 20,000 | 24,000 | 26,000 | 28,000 |
| Other Charges and Services | 110,000 | 120,000 | 125,000 | 130,000 |
| Total Expense | \$1,010,000 | \$1,059,000 | \$1,096,000 | \$1,133,000 |
| Net Income Before Capital, City Charges and Deprec. (Loss) | (\$333,600) | (\$230,900) | (\$116,000) | \$13,800 |

NGFC Projections 2014-2018

NGF Consulting has created a cash flow model for the continued operation of Rose Park and Jordan River, assuming the City will decide to commit to this property remaining a golf course. Given the poor expected economics of this property under “as-is” condition, NGFC has assumed that the only scenario under which Rose Park would continue to operate would be a full renovation scenario that reduces the combined Rose Park / Jordan River property to one 18-hole executive golf course with extended practice facility (previously shown as Option 3). Base assumptions in preparing this financial performance estimate include:

- The overall economic condition remains stable, without any sizable increase or decrease in Salt Lake City area economy, employment, or visitation.
- Rose Park and Jordan River continue to operate “as-is” through 2014, then close for a full year in 2015, re-opening as a new 18-hole executive golf course with a smaller property footprint in 2016. NGFC has assumed no revenue for the facility while closed for 2015.
- A key improvement is in irrigation, where a reduced property, more efficient system and a secondary water source leads to significant reductions in water expense. The golf course is reduced and the driving range is enhanced. NGFC has ***not*** assumed a new clubhouse at Rose Park in these projections.
- NGFC projects 44,000 total 9-hole rounds for Rose Park and an additional 11,000 for Jordan River in 2014, increasing to 48,000 to 54,000 total 9-hole rounds upon reopening in 2016 (no Jordan River). NGFC projects this to become a new “stable” level of rounds, with some years falling below and some years rising above this expected ‘average’ figure.
- Total average green fee revenue per round is expected to reflect fee reductions associated with the new executive-type golf course. NGFC projects driving range revenue per round is expected to increase by 16.7% after renovation.
- Other revenue items such as carts, merchandise and ancillary revenue is expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Expenses are reduced by 50% during the 2015 closure of the golf course for renovation, and assume an increase upon re-opening.
- Traditional debt service and CIP is assumed to continue, with new debt added in 2015 for the proposed renovation. NGFC has assumed approximately \$3.0 million in debt at 3% for 25 years.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Rose Park / Jordan River Golf Course Projected Economic Performance with NGFC Recommendations | | | | | |
|--|--------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | Master Plan | Closed for Reconfiguration | Grand re-open | No Capital | Minor Projects |
| Rounds | RP=44,000 JR=11,000 | 0 | 48,000 | 50,000 | 54,000 |
| Revenue | | | | | |
| Net Green Fees | \$436,200 | \$0 | \$432,000 | \$454,500 | \$495,800 |
| Cart Fees | 154,000 | 0 | 171,400 | 180,300 | 196,700 |
| Driving Range | 132,000 | 0 | 168,000 | 176,800 | 192,800 |
| Lessons | 2,200 | 0 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 5,700 | 0 | 6,200 | 6,500 | 7,000 |
| Merchandise | 52,800 | 0 | 59,900 | 63,700 | 70,100 |
| Other | 6,600 | 0 | 7,200 | 7,500 | 8,100 |
| F & B Lease | 11,900 | 0 | 13,500 | 14,300 | 15,800 |
| Total Revenue | \$801,400 | \$0 | \$866,200 | \$912,600 | \$996,300 |
| Less: Direct Cost of Sales | \$34,600 | \$0 | \$39,300 | \$41,800 | \$46,000 |
| Gross Margin | \$766,800 | \$0 | \$826,900 | \$870,800 | \$950,300 |
| Operating Expenses: | | | | | |
| Total Personnel Services | \$560,000 | \$280,000 | \$420,000 | \$436,800 | \$454,300 |
| Operating & Maint. Supply | 100,000 | 50,000 | 105,000 | 109,200 | 113,600 |
| Water Expense | 255,000 | 125,000 | 110,000 | 114,400 | 119,000 |
| Other Utilities | 20,000 | 16,000 | 22,000 | 22,900 | 23,800 |
| Other Charges and Services | 120,000 | 60,000 | 130,000 | 135,200 | 140,600 |
| Total Operating Expense | \$1,055,000 | \$531,000 | \$787,000 | \$818,500 | \$851,300 |
| Net Operating Income after Expense (Loss) | (\$288,200) | (\$531,000) | \$39,900 | \$52,300 | \$99,000 |
| CIP | \$55,000 | \$0 | \$48,000 | \$50,000 | \$54,000 |
| Historic Debt | \$63,600 | \$0 | \$31,800 | \$31,800 | \$31,800 |
| New Debt | | \$175,000 | \$175,000 | \$175,000 | \$175,000 |
| Net Operating Income after Debt (Loss) | (\$406,800) | (\$706,000) | (\$214,900) | (\$204,500) | (\$161,800) |

ANALYSIS OF NIBLEY PARK GOLF COURSE

Nibley Park GC is a good quality short 9-hole golf course with a very active driving range at a prime location along a busy City thoroughfare. The Nibley Park GC was established in 1921 when the City took over land once home to Calder's Park, a Victorian era amusement venue. Calder's Park offered a tranquil lagoon for boating and fishing (still a part of Nibley Park Golf Course) as well as many other diversions. With interest in Calder's park waning, the land was sold in 1921 to Charles Nibley who then donated it to Salt Lake City on the condition that it would always remain open park space. That condition was met by transforming the park into a nine-hole golf course. Joseph Michael "Mick" Riley was the first golf professional at Nibley Park, eventually remodeling the course in 1929. Harold B. Lamb, winner of the 1922 Utah State Open is credited with the original layout of Nibley Park at the time of the land transfer to the City and its rebirth as a golf course.

Today the golf holes at Nibley Park are an odd assortment of classic parkland holes with several remodeled holes that do not quite fit to the classic style. At places the pleasant little course sports holes are very difficult to play. Nibley Park seems to be a candidate for fun and non-intimidating golf. But, at No. 3 for example, a 214-yard par-3 over a water hazard to a nearly impossible, small green greets the player. There is also a 400-yard par-4 (very long) and all of the “short” holes are anything but “short.”

NGF Consulting believes that the Nibley Park Course is an ideal location and site at which to celebrate the City’s commitment to bringing new players to the game. If the facility were given this mission statement, we feel it is possible to significantly increase use, bring more diverse groups to the facility, and capitalize on the growing number of families that are looking for rewarding activities that are fun and enjoyable. In order to accomplish this, we believe that certain reconfiguration must take place to expand the practice opportunities and intensive the fun in the layout.

Location, Access and Neighborhood

Nibley Park GC is located in the East Central section of the City and at the very western edge of the “South Salt Lake” neighborhood. The course lies at the intersection of E. 2700 S. and S. 700 E., with access via S. 700 E. The interchange with I-80 is ½ mile north at S. 700 E. Nibley Park is very convenient and accessible for this part of Sale Lake City and there is nothing inherent with this location or its access that would serve to limit its activity/rounds potential.

Nibley Park Neighborhood

The immediate area around Nibley Park GC is almost entirely residential or light commercial, reflecting the “bedroom community” section of Sale Lake City. This site is also very proximate (3/4 of a mile) to another Salt Lake City golf course the Forest Dale GC. Other key area findings with implications for golf course demand include:

- The local market has a large population base with growth rates trending at twice the national average in increases in number of households.
- The local Nibley Park area shows several characteristics that tend to coincide with lower-than-average participation in golf, including:
 - Higher-than-average proportion of rental homes within 10 miles
 - 82% of households within 1-mile have annual incomes under \$75,000
 - Median home value within 1-mile is \$182,250
 - 8,317 households in 1-mile “neighborhood”

Golf Course Review

Nibley Park GC is a good quality short 9-hole golf course with a very active driving range at a prime location along a busy City thoroughfare. A summary of the amenities in place at Nibley Park includes:

- 2,900-yard, Par 34 9-hole Course
- 2,300-yard to 2,900-yard Flexibility
- Short Length Practice Range (210-yards)
- (2) Practice Greens (one barely usable)
- Makeshift Short Game Practice and Learning Area
- Outdated “Utilitarian” Pro shop, Snack Bar and Limited Public Facilities
- Small Cart Storage

Summary of NGFC Observations

The NGFC inspection of Nibley Park GC shows a facility with great potential, especially if focused on a role of developing new golfers that may ultimately graduate to other SLC golf courses. A summary of the NGFC review of Nibley Park includes:

Arrival/Entry

- Directional signage has been improved recently but could be better leading to the facility.
- Parking lot lacks landscaping and is in disrepair.

Clubhouse

- Clubhouse is in need of repair and upgrade.
- Building needs a more exciting entryway.
- Building lacks meeting and event space.
- Kitchen facilities are only able to meet “snack counter” level of service.
- Cart storage is outdated.
- Outdoor spaces are restricted and not appealing.
- Clubhouse area is constrained with too much activity in a small area.

Practice Facilities

- Practice range is undersized (average length at 240-yards).
- Range netting/fencing is in disrepair.
- Practice putting is undersized.
- Staging for group instruction and training is significantly limited.

Golf Course

- Irrigation system is outdated, insufficient and lacking control for good water conservation.
- Water use relies on potable water and should be converted to a secondary source.
- The lake shoreline needs to be reinforced with other lake improvements.
- Managed turf areas should be reduced with conversion to native grass in some locations.

- Tees need leveling with some added tees for yardage flexibility for beginning and less experienced players.
- Overall, the holes should be better configured for play of all types with an emphasis on fun and enjoyable golf.
- Greens are deteriorating and need to be fully reconstructed.
- Bunkers need rebuilding to overcome deferred maintenance issues (sand consistency and quality).
- Drainage ditches need to be planned and mitigated for condition, location and suitability to the strategy of the golf holes.
- Cart paths are in disrepair where installed; paths may be eliminated based on study and planning to determine needs.
- Drainage is insufficient in some areas.
- Trees are in need of an overall arbor asset plan.
- Signage and course furnishings need to be upgraded.
- An on-course restroom is needed.

Maintenance Facility

- Primary buildings have no running water or sanitary facilities.
- Need material bins.
- Safety measures, such as an emergency wash station are lacking.
- Need fuel tank screening.
- Need overall facility screening.

Marketing & Branding

- The image and branding appears very generic without any special qualities expressed.
- The course is not differentiated enough from other City golf facilities.

Summary

Nibley Park GC offers a simple and challenging 9-hole golf experience that is convenient in location and time required to play. The facility also include a driving range that is very popular in Salt Lake City and produces the highest level of driving range revenue in the SLC Golf Division. While there is nothing inherent in the design of the golf course that would serve to limit its market appeal, NGFC has **identified that changes to this property could make it an ideal golf learning environment that could lead to improved revenue at not just this facility, but ultimately all of the SLC golf courses.**

The primary deficiency of Nibley Park is in the aging infrastructure systems, most notably the irrigation system which dates in some places to the 1930s. Additionally, drainage, the root zones on the greens, the bunkers and the system of ditches across the course are in need of repair, mitigation and/or reconstruction. The water source at Nibley Park should be converted to a secondary system as has been discussed by the City and their consultant (Siemens). As part of this work, upgrades and reconfiguration of portions of the golf course and practice area should be undertaken for efficiencies associated with doing all of the needed work at one time. Some areas of managed turf can be removed, providing a well-thought-out plan is created to make sure the course remains fun and playable with an appropriate dose of challenge.

NGF Consulting grades the playing conditions “D+” at Nibley Park. We base this on two primary issues: (1) over shaded areas where turf cannot be established, let alone maintained, and (2)

greens conditions, which are very poor. Many areas of the course, especially under tree canopies, are bare dirt that quickly turns into mud when wet. The old irrigation system compounds this issue by delivering too much water to some areas while other areas are starved of water. The greens suffer from deferred maintenance and, mostly, their age. Except for greens that were rebuilt, most are original and simply are past their lifecycle. Rebuilding all greens at Nibley Park is an essential investment in order to get the facility into the next generation as a quality recreation experience.

The lagoon represents a tremendous asset to Nibley Park. Unfortunately the shoreline has reached a point where large portions are falling into the lagoon due to erosion, root intrusion and overgrown vegetation that eats away at the tender edges. The lagoon should be addressed by careful planning in concert with a civil engineer. Ideally, the lagoon should become more integrated to the common area of the pro shop and putting green. While it is desirable to continue to have a fun “across-the-pond” No. 9 finishing hole, planning should weigh the benefits and possibilities that reconfiguration could bring to the important area out in front of the clubhouse, and proximate to the opening hole, practice putting green, patio, etc. **Our evaluation shows it is possible for reconfiguration at this location for an exciting area to be created while making important improvements to circulation and uses.**

The portable restroom should be replaced with a proper facility. Depending on reconfiguration and planning, it may be possible to share facilities with the proposed Youth Golf Training Center (refer to Nibley Park Land Use Exhibit in **Appendix A**). The clubhouse is significantly undersized to handle most groups or even reasonably sized events. We show a proposed expansion of the building to include more spaces for group activity. The maintenance facility is lacking some needed screening, plumbing and better storage. Improvements are not top priority, but should be considered as soon as practical.

Nibley Park Facility Physical Upgrade Recommendations

NGF Consulting recommends one approach at Nibley Park, to be prioritized based on other work and the City’s commitment to fund Nibley Park improvements based on the expected return on that investment of new player development. The upgrades can be divided into: (1) changes to improve the golf course and enhance revenue; and (2) changes to improve operating efficiencies.

Recommended Changes to Improve the Golf Course + Enhance Revenue

The following scope of work involves a plan for restoration and remodeling:

- Expansion and lengthening of the practice range with some reconfiguration of golf holes as required accommodating this and other needs.
- Rebuild all greens and all bunkers, adding a few additional bunkers as appropriate. Adjust some tees, adding forward tees as appropriate.
- Study and implement a new putting venue of some type (“Public Putting Green” or even “miniature golf”) area that would occupy the “front lawn” of the facility.
- Add a new “Youth Golf Training Area” area that would be situated immediately north of the clubhouse/pro shop area.
- Plan a restroom facility, to potentially be combined with the Youth Golf Training Area.
- Plan improvements to the entry (new signage, landscaping, etc.).
- Study and plan a clubhouse expansion to address creation of new spaces for meetings and events (cost not included in NGFC estimate).

| Nibley Park Golf Course Facility Improvements to Increase Revenue | | |
|--|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Practice Range Expansion | \$250,000 | \$350,000 |
| Golf Holes Reconfiguration | 200,000 | 240,000 |
| Greens, Bunkers, Tees | 250,000 | 400,000 |
| Youth Training Area | 100,000 | 200,000 |
| New Public Putting Green/Mini Golf | 250,000 | 290,000 |
| On Course Restroom | 50,000 | 70,000 |
| Entry Improvements | 80,000 | 150,000 |
| Total Primary Nibley Park Upgrades | \$1,180,000 | \$1,700,000 |

Recommended Improvements to Enhance the Efficiency of Operations

Items proposed to improve operating efficiency include:

- Nibley Park GC has a relatively lower water expense than other courses in the SLC system. The plan for conversion from potable to a secondary water source and adding a pumping system for this objective should be explored, but initial review shows a much higher cost than is justified.
- Plan reduction in managed turf areas, eliminating approximately 25% of the existing golf turf area
- Plan and implement an arbor asset program
- Plan necessary maintenance facility improvements (provide running water and sanitary facilities, material bins, safety measures, fuel tank screening and overall facility screening)
- Lagoon shoreline repair with some associated reconfiguration of golf holes in the areas adjoining the lagoon. Re-work ditches for playability and functionality.

| Nibley Park Golf Course Efficiency + Maintenance Improvements | | |
|--|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Water Source Conversion, Irrigation + Turf | \$650,000 | \$750,000 |
| Implement Arbor Work | 40,000 | 50,000 |
| Maintenance Facility Upgrades | 50,000 | 70,000 |
| Lagoon / Shoreline Repair | 100,000 | 150,000 |
| Total Primary Nibley Park Upgrades | \$840,000 | \$1,020,000 |

The above-detailed program would total some \$1.4 million to \$2.2 million (excluding major clubhouse upgrade), and provide an upgraded and more marketable and more efficient golf course operation. The result would make the golf course more playable to a wider segment of golfers. By reconfiguring the course in certain areas it will be possible to create opportunities for increased practice uses, training and lessons, youth golf programs and more public access. One example is the creation of some type of “Public Putting Green” (or mini golf course) that will literally become the “front lawn” of Nibley Park right at the edge of S. 700 E., exposing thousands of people to the golf course as they commute every day.

The NGF Consulting proposed changes will also:

- Retain the charm and ambiance of the parkland setting (with trees and lush turf), while creating more fun and perhaps less yardage for less-skilled golfers.
- Allow the practice range and practice areas to expand for higher and better uses, and the associated benefit of more revenue.
- Provide better and safer public use by separating the golf holes from the range areas.
- Create better integration of the lagoon to the clubhouse, giving the clubhouse areas more room for the public to sit, relax, and hold events,
- Provide availability of land for a Youth Golf Training Area.

As noted, the byproduct of these improvements is appropriate shortening of the golf course. This is not to be confused with making the course easier, but should be thought of as reducing the intimidation factors that currently come with having such long holes relative to par value. While it cannot be determined ahead of proper and thorough planning, we believe that Nibley Park is perhaps a better venue at about 2,400-yards and a par of 32. This is a reasonable goal to have during the planning work.

Adding a Youth Golf Training Area should be a top priority for the City. Depending on the intensity of this addition to Nibley Park, the proposed budget of \$250,000 may not cover what comes out of planning and public input. However, the City needs to begin someplace and the development of a Master Plan. By conceptually setting aside approximately .75 acres in the Land Use Exhibit (**Appendix A**), we have planted the seed for what could become the proving ground for developing new golfers to use the City's other courses.

Operations and Staffing

Nibley Park GC is presently operated by the SLC golf enterprise with all staff employed by Salt Lake City Golf. Nibley staff is augmented by the shared responsibilities of the Forest Dale Superintendent, who also has responsibilities at Nibley Park.

Food and Beverage Concession

Food and beverage service at Nibley Park is provided via concession contract with Western Food Service Co, Inc. Key terms of this agreement are shown below:

| | |
|-------------------------------|--|
| Agreement with: | Western Food Service Co., Inc. |
| Product/Service: | Exclusive right to operate F&B in restaurant, banquet room, and patio areas, including special events; may install and operate vending machines and other coin-operated devices Concessionaire provides all furnishing/equipment necessary (except City's existing equipment) |
| Term: | March 13, 2012 through December 31, 2016; option for 5 1-year extensions |
| City Responsibilities: | City pays for repair/replacement of its owned equipment and furnishings, garbage/recycling fees, utilities except telephone, sand structural repair; and for any repair or improvement required for Concessionaire to obtain necessary licenses and permits City agreed to invest a minimum of \$4,000 during first 2 years (aggregate) and a minimum of \$6,000 during years 3-5 (aggregate) for a total minimum of \$10,000 for facility improvement investment |
| Pricing: | City pays Concessionaire \$3,000 annually to subsidize costs of operation |

Staffing

Nibley Park employs three full-time positions and an additional 18 part-time positions (4 in maintenance and 14 in pro shop operations). Nibley Park shares a head superintendent with Forest Dale GC. It appears that SLC golf is getting good value and efficiency from this structure, even though additional part-time labor may be required. The overall staff at Nibley Park equates to 10.9 FTE's and is summarized below:

| Nibley Park Golf Course Facility Staffing 2013 | |
|--|--------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Additional Seasonal Golf Staff (14 positions avg. 12 hrs/week) | PT = 4.2 FTE |
| Golf Course Maintenance Employees | |
| Assistant Superintendent* | FT = 1.0 FTE |
| Maintenance Worker | FT = 1.0 FTE |
| Additional Seasonal Maint. Staff (4 positions avg. 37 hrs/week) | PT = 3.7 FTE |
| FT superintendent at Forest Dale has responsibilities at Nibley Park | |

Food and Beverage Operations

The food and beverage operation at Nibley Park GC is very lean, but consistent with several others in the SLC system using Western Food Service. There is very little room at Nibley Park to expand the operation or enhance the F & B offering, but the nice setting with the lagoon does lend itself well to outside F & B service of some type.

As noted, the "typical" public golf F & B concession produces approximately \$6.10 per round, with only about 10% falling to the City in profit at best. As this facility has been struggling to hold F & B vendors, the City is presently paying a small \$3,000 stipend to the vendor to subsidize the

cost of operations. This is the only facility in the SLC system on this structure and it appears appropriate given the small size and limited revenue potential of the Nibley Park F & B concession.

Facility Performance and Data Analysis

Nibley Park is a 9-hole public golf course generating the vast majority of its revenue totals from green fees, cart fees and driving range revenue (Nibley has the highest grossing driving range in the SLC system). The following paragraphs summarize the facility’s activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

Nibley Park GC has generated rounds performance similar to the other SLC courses, with reduction in activity in 2010 and 2011, followed by strong recovery in 2012. This facility has the lowest rounds total of any course in the system (except Jordan River par-3). It is assumed that the immediate effects of a recession in late calendar year 2008, and other weather events have impacted rounds activity at Nibley Park. The winter of 2012 was unseasonably warm, allowing for increased rounds at Nibley Park.

In reviewing the rounds totals by month for the last several years, NGFC notes the clearly definable peak season for golf in Salt Lake City with highest activity in May through August summer season. There is a small “shoulder” season in April, September and October, and a slower winter season where some rounds are generated on a weather-permitting basis.

| Nibley Park Golf Course Rounds by Month (FY2008-2013*) | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 0 | 0 | 111 | 364 | 0 | 0.4% |
| February | 285 | 628 | 347 | 477 | 0 | 1.3% |
| March | 1,863 | 1,851 | 1,291 | 2,654 | 1,997 | 5.7% |
| April | 3,291 | 2,752 | 2,415 | 3,831 | 3,344 | 9.2% |
| May | 5,331 | 3,971 | 3,904 | 5,041 | 4,513 | 13.7% |
| June | 4,805 | 4,469 | 4,987 | 5,115 | 5,007 | 14.5% |
| July | 5,808 | 4,854 | 5,193 | 4,882 | 4,438 | 15.5% |
| August | 5,808 | 4,722 | 5,193 | 4,677 | 4,596 | 15.3% |
| September | 4,178 | 3,665 | 4,157 | 4,677 | 0 | 12.5% |
| October | 2,432 | 2,682 | 2,753 | 2,729 | 0 | 7.9% |
| November | 1,220 | 953 | 987 | 1,166 | 0 | 3.2% |
| December | 37 | 61 | 450 | 317 | 0 | 0.6% |
| Total | 35,058 | 30,608 | 31,788 | 35,930 | 23,895 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

**Nibley Park Golf Course
Rounds Played by Type (2009-2013*)**

| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
|----------------------------|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| Rack Rate | 28,011 | 22,933 | 21,066 | 22,479 | 15,869 | 23,622 | 66.4% |
| Discount | 6,561 | 7,245 | 10,167 | 12,846 | 7,702 | 9,205 | 32.2% |
| Pass | 486 | 430 | 555 | 605 | 324 | 519 | 1.4% |
| Total 9-Hole Rounds | 35,058 | 30,608 | 31,788 | 35,930 | 23,895 | 33,346 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity

It appears that Nibley Park is hosting rounds activity that is lower than other public 9-hole golf facilities. Based on Nibley's market position, location, and quality, NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about ±50,000 to ±55,000 rounds in a good weather year. Despite the higher "capacity," the City should not expect rounds totals to be much higher than 45,000 9-hole rounds annually. Still, this facility is probably the SLC course that is most under-performing relative to capacity, given the prime location along S. 700 E.

Revenue Analysis

NGF Consulting's review of performance shows that Nibley Park has experienced relatively steady income, with declines in 2010 and 2011 to match rounds, with strong increase in 2012. The \$656,400 earned in FY2012 represented a recent high water mark for the facility. NGFC does not have separate data on the performance of 9-hole courses for comparison, although anecdotal evidence suggests this revenue production is likely stronger-than-average, due largely to the presence of the high revenue driving range. Data for 18-hole facilities is displayed in the next chapter.

**Nibley Park Golf Course
Total Gross Revenue – 2009-2013***

| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
|-------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| Net Green Fees | \$270,009 | \$277,213 | \$271,804 | \$339,789 | \$327,484 | \$289,704 |
| less rain checks | (1,431) | (1,990) | (2,976) | (2,912) | (2,704) | (2,327) |
| Cart Fees | 104,051 | 89,792 | 90,978 | 115,975 | 104,251 | 100,199 |
| Driving Range | 81,804 | 84,023 | 83,839 | 101,280 | 94,002 | 87,737 |
| Lessons | 11,815 | 8,620 | 4,425 | 6,635 | 7,320 | 7,874 |
| Other Rentals | 6,774 | 6,123 | 5,757 | 7,416 | 6,048 | 6,518 |
| Merchandise | 36,221 | 37,227 | 53,847 | 78,952 | 87,439 | 51,562 |
| Other | (189) | 1,289 | 1,229 | (123) | 1,490 | 552 |
| F & B Lease | 51,216 | 9,362 | 9,362 | 9,362 | 11,785 | 19,826 |
| Total Revenue | \$560,270 | \$511,659 | \$518,265 | \$656,374 | \$637,115 | \$561,642 |
| Annual % Change | | -8.7% | 1.3% | 26.6% | -2.9% | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in 2012 totaled \$18.27. While the NGF does not have separate data on the performance of 9-hole courses for comparison, we are able to compare the 9-hole course's performance with other SLC courses as the 18-hole courses are using a 9-hole-rounds metric. The comparison shows strong performance for Nibley on a per-round basis, again due to the strong performance of the driving range.

| Nibley Park Golf Course Average Revenue per Round 2009 – 2013* | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------------|
| Rounds | 35,058 | 30,608 | 31,788 | 35,930 | 23,895 | 33,346 |
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$7.70 | \$9.06 | \$8.55 | \$9.46 | \$13.71 | \$8.69 |
| Cart Fees | \$2.97 | \$2.93 | \$2.86 | \$3.23 | \$4.36 | \$3.00 |
| Driving Range | \$2.33 | \$2.75 | \$2.64 | \$2.82 | \$3.93 | \$2.63 |
| Lessons | \$0.34 | \$0.28 | \$0.14 | \$0.18 | \$0.31 | \$0.24 |
| Other Rentals | \$0.19 | \$0.20 | \$0.18 | \$0.21 | \$0.25 | \$0.20 |
| Merchandise | \$1.03 | \$1.22 | \$1.69 | \$2.20 | \$3.66 | \$1.55 |
| Other | (\$0.01) | \$0.04 | \$0.04 | (\$0.00) | \$0.06 | \$0.02 |
| F & B Lease | \$1.46 | \$0.31 | \$0.29 | \$0.26 | \$0.49 | \$0.59 |
| Total Revenue | \$15.98 | \$16.72 | \$16.30 | \$18.27 | \$26.66 | \$16.84 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Expense Analysis

Basic expenses to operate and maintain the course totaled just under \$482,000 in 2012, plus an additional \$54,000 for direct cost of merchandise sold (not an expense). The trend for the facility has been a steady decline, with increases in cost of sales to reflect increases in merchandise sales. NGFC does not have separate data on the performance of 9-hole courses for comparison, although anecdotal evidence suggests this revenue production should be close to the national average for 9-hole courses. Data for 18-hole facilities is displayed in the next chapter.

| Nibley Park Golf Course Total Operating Expenses – 2009-2013* | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Direct Cost of Sales | \$26,130 | \$22,908 | \$34,487 | \$53,961 | \$61,719 | \$34,372 |
| Operating Expenses | | | | | | |
| Total Personnel | \$341,986 | \$317,752 | \$311,805 | \$311,984 | \$306,504 | \$318,006 |
| Op. & Maint. Supply | 64,529 | 41,956 | 55,871 | 48,035 | 66,607 | 55,400 |
| Water Expense | 48,991 | 40,132 | 55,182 | 36,948 | 61,624 | 48,575 |
| Other Utilities | 10,221 | 10,909 | 16,414 | 17,013 | 15,013 | 13,914 |
| Other Chgs. + Svcs. | 69,887 | 69,604 | 58,641 | 63,615 | 62,381 | 64,826 |
| Capital Expenditures | 0 | 71,512 | 0 | 4,200 | 0 | 15,142 |
| Other / Misc. | (1) | 1 | 80 | 0 | (90) | (2) |
| Total Operating Expense | \$535,613 | \$551,866 | \$497,993 | \$481,795 | \$512,039 | \$515,861 |
| Combined Exp. | \$561,743 | \$574,774 | \$532,480 | \$535,756 | \$573,758 | \$550,233 |
| Total CIP | \$0 | \$0 | \$0 | \$15,875 | \$29,538 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Nibley Park are compared to the industry averages in the following table:

| Industry | Indicator | Nibley Park GC | Total 2012 |
|--|--------------------|----------------|------------------|
| 50% | Labor | 64.8% | \$311,984 |
| 5% | Utilities | 11.2% | \$53,961 |
| 45% | All other Expenses | 24.0% | \$115,850 |
| Total Expense | | | \$481,795 |
| Source: Salt Lake City Golf Division and NGFC. | | | |

Nibley Park Golf Course Operations Summary

Nibley Park generated \$656,400 in revenue in 2012, up almost 24% over 2011 (largest increase in SLC system). Total expenses to maintain the golf course are just over \$535,700 (including cost of sales and interest), an amount that appears appropriate for a 9-hole facility. The basic summary of the Nibley Park operation financial position from the City perspective and before other items (depreciation and internal charges) are considered is shown in the table that follows:

| Nibley Park Golf Course Summary of Operations 2009 – 2012 | | | | |
|--|-------------------|-------------------|-------------------|------------------|
| Nibley Park | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$560,270 | \$511,659 | \$518,265 | \$656,374 |
| Less: | | | | |
| Cost of Sales | \$26,130 | \$22,908 | \$34,487 | \$53,961 |
| Facility Operating Expense | \$535,613 | \$551,866 | \$497,993 | \$481,795 |
| Debt Service | \$24,657 | \$26,849 | \$49,628 | \$24,971 |
| CIP | \$0 | \$0 | \$0 | \$15,875 |
| Nibley Park Net Income | (\$26,130) | (\$89,964) | (\$63,843) | \$79,772 |
| Source: Salt Lake City Golf Division. | | | | |

Other summary points from NGFC regarding the Nibley Park GC include:

- Nibley Park GC appears to be under-performing in its golf course operation, but over-performing in its driving range operation. In all, the facility has experienced very strong growth in 2012, going above and beyond reasonable expectations. This appears to be a credit to the senior staff at this facility.
- As the golf course is under-performing, there is large growth potential for this golf course to host more rounds and increase revenue. Some capital investment in facilities will be required to achieve this.
- The location in a residential section of Salt Lake City and proximity to I-80 gives Nibley Park strong advantage, and opens up opportunities for the property to take advantage of its open property “footprint” and approximately one acre of unused space with frontage along S. 700 E.
- The labor/non-labor expenses at Nibley Park GC appear to be out of balance, with a much higher labor proportion and the lowest utilities expense in the SLC system. This appears to be the result of reductions in other non-labor expenses such as

repairs and maintenance, applications and small projects. This has led directly to the deferred capital issues reviewed by NGFC in 2013.

NGFC Recommendations – Nibley Park Golf Course

Nibley Park is a unique property in the SLC system in that it has the highest grossing driving range in the system along with a declining 9-hole golf course. The NGFC review shows that this facility had been showing a loss on operations until a turnaround with a new head professional in 2012. With its large driving range/practice complex, the generally easy 9-hole golf course and prime location along a major thoroughfare (S. 700 E.), Nibley Park makes an ideal golf learning center facility for the SLC system on the east side of Salt Lake City. The mission for this property should be to establish Nibley Park as a family-oriented, fun and enjoyable reprieve from the day-to-day hustle and bustle of everyday life, focusing on a playable course with opportunities for beginners, practice and family events.

Nibley Park Recommendations

- Like Rose Park, the City must complete a master plan for the long term of Nibley Park *before* any physical alterations are completed, including the proposed irrigation water source program.
- SLC Golf should enhance the focus on the driving range and practice components of the Nibley Park facility and NGFC physical recommendations related to expanding the driving range reflect this possibility.
- Nibley Park GC has a relatively lower water expense than other courses in the SLC system. Therefore, the general concepts of the proposed secondary water source program should be adopted, but only if the cost does not exceed \$100,000 to \$150,000 and only within the context to whatever changes are made to the golf course and/or driving range.
- The large space on the east lawn in front of the clubhouse with direct frontage to S. 700 E. is a great asset to this property and a more comprehensive use should be considered. This may involve simply expanding the golf practice component with a nicer “public putting area,” or even involve a more profit-oriented concept such as a miniature golf course. The new miniature golf course added to Aqua Golf in 2009 produced close to \$130,000 in revenue in the first year after opening (more in market section of this report).
- The City should continue to maximize the new golfer development aspect of the facility through expanded lessons, programs, camps, golf schools, etc. A key component of this programming should include direct assistance to help new golfers “transition” from Nibley Park to the other 18-hole courses in the SLC system.
- One upgrade for the City to consider at Nibley Park is the addition of low-intensity ground lighting for night use (if allowable) of the driving range. This investment would produce new revenue as the facility would generate appeal in newer segments seeking evening recreation.
- Continue to make golf equipment available to new golfers at low cost, especially to juniors, perhaps even providing free rental sets.
- NGFC recommends no adjustments in fees for 2014 as Nibley Park already has an appropriate niche in fees. The NGFC recommended “non-resident” rate program for non-Salt Lake City golfers should not apply to Nibley Park (more in system recommendations).

Summary – Nibley Park Golf Course

Nibley Park provides a great opportunity for the SLC Golf Division in both opportunity to increase revenue at this facility and the opportunity to help increase the number of golfers in Salt Lake City, thus increasing revenue at other SLC golf facilities. Further, these opportunities are presented and can be achieved without a very large capital investment, as much of the infrastructure that is needed to achieve these goals is already present at Nibley Park. This facility will have a key place in the City golf system, and the active range and good location should lead to strong economic performance. The result is a facility in the SLC system that can be both a revenue generator and new player developer at the same time.

As-Is Economic Performance

| Nibley Park Golf Course Estimated City Economic Performance at Various Rounds Totals | | | | |
|---|-------------------|------------------|------------------|------------------|
| Revenue/Rounds | 25,000 | 30,000 | 35,000 | 40,000 |
| Green Fees | \$237,500 | \$285,000 | \$332,500 | \$380,000 |
| Carts | 81,300 | 97,500 | 113,800 | 130,000 |
| Driving Range | 75,000 | 90,000 | 105,000 | 120,000 |
| Merchandise | 56,300 | 67,500 | 78,800 | 90,000 |
| F & B | 7,500 | 9,000 | 10,500 | 12,000 |
| Lessons & Other | 11,300 | 13,500 | 15,800 | 18,000 |
| Total Revenue | \$468,900 | \$562,500 | \$656,400 | \$750,000 |
| Direct Cost of Sales (Merch.) | \$36,900 | \$44,300 | \$51,700 | \$59,000 |
| Expenses: | | | | |
| Total Personnel Services | \$295,000 | \$310,000 | \$320,000 | \$335,000 |
| Operating & Maint. Supply | 50,000 | 65,000 | 70,000 | 75,000 |
| Water Expense | 52,000 | 52,000 | 52,000 | 52,000 |
| Other Utilities | 14,000 | 16,000 | 17,000 | 18,000 |
| Other Charges and Services | 70,000 | 80,000 | 85,000 | 90,000 |
| Total Expense | \$481,000 | \$523,000 | \$544,000 | \$570,000 |
| Net Income Before Capital, City Charges and Deprec. (Loss) | (\$49,000) | (\$4,800) | \$60,700 | \$121,000 |

The estimates in this section show Nibley Park's performance at various rounds played totals (worst case, 'as-is,' modest growth and best case), assuming a continuation of the existing 2013 operation ('as-is'). Adjustments due to proposed changes to the facility are presented next. The table shows that Nibley Park GC is capable of being among the more profitable facilities, due largely to the presence of a successful driving range. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

NGFC Projections 2014-2018

The cash flow model for Nibley Park projects the economic performance for the next five years considering the continued operation of the facility as a lesser-quality 9-hole golf course with extensive driving range and practice amenities. NGFC has assumed the City will invest in this property, both to help improve the facility's revenue and to function as a feeder facility to help grow golf in Salt Lake City. Base assumptions in preparing this financial performance estimate include:

- The overall economic condition remains stable, without any sizable increase or decrease in Salt Lake City area regional economy, employment, or visitation.
- Nibley Park will continue to operate “as-is” through 2015 while improvements and changes are made to the golf course and driving range. It is assumed that the Nibley Park facility will remain open during its renovation in 2015 and 2016. NGFC has assumed reduced revenue and expenses for Nibley Park in 2016, the peak of renovations.
- A key improvement is in expansion of the driving range and the addition of some form of miniature golf course. NGFC experience in other markets suggests this can be accomplished on the site for the investment shown. NGFC has reviewed several facilities including Aqua Golf in Denver, Kennedy Golf Course in Denver and Jefferson Park in Arlington, VA. These facilities each had 18 holes of miniature golf, all added within the last five years to an existing golf facility and each earned between \$115,000 and \$130,000 in top-line gross revenue, or about \$4 to \$4.50 per round of mini golf.
- NGFC assumes 32,000 rounds in 2014, with growth to 39,000 rounds in 2015 to reflect enhanced use while Bonneville is closed for renovation. After Bonneville re-opens, Nibley Park will see rounds decline in 2016 during renovation, then regain to a stable 35,000 rounds.
- Average green fee revenue per round is based on the assumption that NGFC recommended changes to fees are adopted, including no changes at Nibley Park. NGFC has also assumed a modest 1% increase every other year through 2018.
- Other revenue items such as carts, merchandise and ancillary revenue are expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases. A more aggressive lesson program is assumed beginning in 2016.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Traditional debt service and CIP is assumed to continue. Expenses are assumed to increase with the mini golf addition.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Nibley Park Golf Course Projected Economic Performance with NGFC Recommendations | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|---|---|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | No Capital | Master Plan | Range Expansion | Mini Golf | Other |
| Rounds | 32,000 | 39,000 | 26,000 | 35,000 + 22,000 Mini golf rounds | 35,000 + 25,000 Mini golf rounds |
| Revenue | | | | | |
| Net Green Fees | \$304,000 | \$370,500 | \$253,500 | \$341,300 | \$350,000 |
| Mini Golf | \$0 | \$0 | \$0 | \$77,000 | \$89,300 |
| Cart Fees | 104,000 | 128,000 | 86,200 | 117,200 | 118,400 |
| Driving Range | 96,000 | 118,200 | 104,000 | 141,400 | 142,800 |
| Lessons | 6,400 | 7,800 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 6,400 | 7,800 | 5,200 | 7,000 | 7,000 |
| Merchandise | 72,000 | 89,500 | 60,900 | 83,600 | 85,200 |
| Other | 1,600 | 2,000 | 1,300 | 1,800 | 1,800 |
| F & B | 9,600 | 11,900 | 8,100 | 11,100 | 11,400 |
| Total Revenue | \$600,000 | \$735,700 | \$527,200 | \$789,400 | \$815,900 |
| Less: Direct Cost of Sales | \$47,200 | \$58,700 | \$40,000 | \$54,800 | \$55,900 |
| Gross Margin | \$552,800 | \$677,000 | \$487,200 | \$734,600 | \$760,000 |
| Operating Expenses: | | | | | |
| Total Personnel Services | \$310,000 | \$322,400 | \$257,920 | \$355,000 | \$369,200 |
| Operating & Maint. Supply | 60,000 | 62,400 | 49,920 | 67,500 | 70,200 |
| Water Expense | 52,000 | 54,100 | 43,280 | 58,600 | 60,900 |
| Other Utilities | 14,000 | 14,600 | 11,680 | 15,800 | 16,400 |
| Other Charges and Services | 80,000 | 83,200 | 66,560 | 90,000 | 93,600 |
| Total Operating Expense | \$516,000 | \$536,700 | \$429,360 | \$586,900 | \$610,300 |
| Net Operating Income after Expense (Loss) | \$36,800 | \$140,300 | \$57,840 | \$147,700 | \$149,700 |
| CIP | \$32,000 | \$39,000 | \$26,000 | \$35,000 | \$35,000 |
| Historic Debt | \$25,000 | \$0 | \$12,400 | \$12,400 | \$12,400 |
| New Debt | | \$0 | \$0 | \$0 | \$0 |
| Net Operating Income after Debt (Loss) | (\$20,200) | \$101,300 | \$19,440 | \$100,300 | \$102,300 |

ANALYSIS OF GLENDALE GOLF COURSE

Glendale Golf Course is an 18-hole championship golf facility originally developed in 1973 and designed by William F. Bell, son of the more famous William P. Bell, co-designer of notable layouts such as Bel-Air, Riviera and Annandale. The Bells worked together for several years following WWII with the younger Bell continuing the business, William P. Bell & Sons, with numerous designs throughout the West (including Utah). Glendale is well positioned geographically in Salt Lake City to provide an enjoyable and accessible golf experience. While conditions in certain areas have gone down over the years, the anatomy of the course is very good and could easily be returned to a better experience.

Location, Access and Neighborhood

Glendale GC is located in northwest Salt Lake City, with a site between I-15/I-80 and I-215, just north of 2100 S. Freeway. This location proximate to three major area freeways provides excellent convenience and accessibility for the Glendale GC. Entrance to the site is via W. 2100 S. proximate to the intersection with Redwood Rd. The Glendale GC property is split by the Jordan River, with 14 holes (1-12, 17-18) on the west side and four holes (13-16) on the east side, connected by a single bridge. The Jordan River Parkway Trail runs alongside the river through and the 5th, 6th, 12th and 17th holes.

Glendale Neighborhood

The immediate area around Glendale GC is primarily industrial / commercial, with some residential to the immediate north. The “Glendale” neighborhood is located at the southern end of a six-square-mile section of the City that is bound by I-215 to the west, 2100 S. Parkway to the south, I-80/15 to the east and I-80 to the north. Other key area findings with implications for golf course demand include:

- The local market has a large population base with growth rates trending at twice the national average in increases in number of households.
- The local Glendale area shows several characteristics that tend to coincide with lower-than-average participation in golf, including:
 - Over 1/3 of the households in the 10-mile market area are renter occupied
 - 86.2% of households within 1-mile have annual incomes under \$75,000
 - Median home value within 1-mile is \$143,225
 - 97.2% of housing units within 1-mile are valued at less than \$250,000
 - 16% of housing units within 1-mile are valued at less than \$100,000
 - 2,300 households in 1-mile “neighborhood”

Golf Course Review

Glendale GC represents a simple and straightforward municipal golf course that has broad appeal to golfers of all skill levels. The facility also includes additional amenities to add to its appeal, such as a large driving range and a clubhouse which make this facility an important component in the overall SLC Golf Division. While the golf course does appear to be popular with golfers in Salt Lake City Golf market, there is some evidence that the declining conditions are of growing concern. A summary of the golf course follows:

- 6,900-yard, Par 72 Regulation Course
- 4,800-yard to 6,900-yard Flexibility

- (1) Primary Practice Green
- (1) Short Game Area and Green
- Full-length Practice Range
- Clubhouse with Snack Bar, Small Restaurant Area and Pro shop
- Limited Cart Storage

Summary of NGFC Observations

The NGFC inspection of Glendale GC led to the following observations, many of which represent key property deficiencies and issues that could be improved to improve overall economic performance. A summary of the NGFC review of Glendale includes:

Arrival/Entry

- Directional signage to the facility could be more prominent and more numerous
- Generic facility signage that is not special nor in theme with the facility
- Parking area lacks landscaping and is in disrepair

Clubhouse

- Clubhouse is small, outdated and in need of repair and upgrades (reconfigured pro shop, upgrade restrooms and add screening, new paint, carpet, HVAC, better dining/grill and upgraded electrical/lighting)
- Building lacks meeting and event space
- Needs better cart staging that does not obstruct views
- Kitchen facilities are only able to meet “snack counter” level of service
- Cart storage is undersized and outdated, and needs safety measures
- Outdoor spaces and views are obstructed by tree overgrowth

Practice Facilities

- Short game area could be improved with better screening and amenities

Golf Course

- Turf areas damaged by poor drainage and flooding are a continual issue
- Cart paths are incomplete in areas and in need of significant repair
- The lakes shorelines are deteriorating and need to be restored and reinforced
- Irrigation pump system installed is not used
- Lakes built for irrigation pose design and maintenance issues
- Trees are poorly maintained and managed
- Excessive managed turf should be reduced
- Water use relies on potable water and should be converted to a secondary source
- Bunkers need rebuilding to overcome deferred maintenance issues (poor drainage, sand consistency, adherence to a style)
- Signage and course furnishings need to be upgraded
- Permanent on-course restrooms are needed

Golf Course Playability

- Par-72 layout with open fairways, limited tree cover, and generally wide hole-corridors.

- Some greens appear to have reduced in size due to mowing practices.
- The course has four sets of tees (Black, Blue, Silver, Gold), with the longest measuring 6,908 yards and a USGA slope rating of 118 (very close in difficulty to the USGA median slope rating of 117). The most forward tee measures 4,789 with a slope rating of 105, or easier than the “standard.”
- The most forward tee is commonly associated with a “ladies” tee, and the length of less than 4,800 yards helps to maximize appeal in the female segment.

Maintenance Facility

- Need wash bay for equipment
- Need adequate plumbing
- Need separate storage area for fertilizer other than in main building
- Need protective fencing and security system
- Provide required safety systems
- Need to clean up debris and old equipment
- Need to mitigate the ill-suited location of facility that interrupts play at Hole No. 18 and poses issues for the maintenance staff

Marketing & Branding

- The facility should be better marketed to reflect its Bell-designed legacy

Summary

Glendale GC offers a good quality public golf course that is generally easy to play. Also, there is nothing inherent in the design of the golf course that would serve to limit its market appeal, although NGFC has observed isolated deficiencies in turf conditions, overall tree management and quality and consistency of the bunkers. If these three categories were properly planned and renovated, the conditions would improve greatly and the reputation of the golf course would escalate dramatically.

In terms of design, Glendale suffers from being “bland” across a flat and open site. There may be opportunities to upgrade this facility and improve the aesthetics and experience for golfers through improved textures of grass, native areas and additional tree plantings. An added benefit would be the relationship to the community with more of a true parkland open space located in the heart of a busy area of the City.

Rounding out the deficiencies is the arrival, clubhouse and area available to group events. In terms of the Arrival, Glendale looks and feels like a common, lower-end “municipal” facility with no special entry, signage or landscaping. The clubhouse is undersized and the maintenance facility is not well located. The parking lot is a vast sea of asphalt with pot holes and virtually no landscape at all. It is hardly a welcoming arrival.

Glendale Facility Physical Upgrade Recommendations

Essential to Glendale’s future is a restoration of the image and appeal that seems to have been lost to time and a changing landscape of golf options. We understand that many groups and events are turned away because of the lack of facilities and perception that the course is in the middle of train tracks, industrial buildings and warehouses. While the location cannot be changed, the positive side to this reality is that Glendale is well located and an easy drive from the center of Salt Lake City. The City needs to re-focus its marketing, branding and image to two themes: (1) The Bell-design Legacy, and (2) Convenience, Playability and Facilities.

Recommended Primary Upgrades

The physical improvements recommended for Glendale, presented in order of NGFC recommended priority:

1. **Roadmap & Master Plan** – The City should conduct a formal and comprehensive plan for the Glendale GC to include all of the features and amenities to be renovated to create the “must play” experience. This process will take upwards of 2-3 months for planning. **NGFC estimates total professional fees for this service will be \$18,000 to \$22,000.**
2. **Turf Reduction / Water Source Conversion** – Work in conjunction with Siemens to fully implement the secondary water source program. **NGFC Estimated cost = approximately \$300,000 to \$350,000.**
3. **Event Pavilion** – Glendale GC would benefit greatly from the addition of a new event pavilion capable of hosting at least 100 persons (perhaps up to 150). This could be located on space due south of the driving range in the present parking lot area. NGFC envisions a fully covered pavilion with amenities such as ceiling fans and built-in barbecue grill. **NGFC Estimated cost = \$150 per sf = \$180,000 - \$210,000 for 1,200 to 1,400 sf (incl. ‘soft’ costs for development).**
4. **Cart Path Repairs** – Program to improve/smooth cart paths throughout golf course. **NGFC Estimated cost = approximately \$30,000 to \$40,000.**
5. **Maintenance Facility Upgrade**– Make immediate upgrades associated with safety. **NGFC estimates \$8,000 to \$10,000 for the project.**
6. **New Cart Staging and Patio Area** – Improve the area around the existing clubhouse for a better cart staging area and the addition of a new outdoor seating area (patio) in place of the existing cart staging area. **NGFC estimates approximately \$20,000 to \$30,000 for the project.**
7. **On-Course Services** – Glendale’s on-course services for golfers should be upgraded. One on-course restroom should be added in proximity to the 6th and 12th holes, near the Jordan River Bridge. **NGFC Estimated cost = \$55,000 to \$65,000.**

Recommended Secondary Upgrades

The “secondary” or Phase II improvement recommended for Glendale:

1. **Golf Course Improvement** – NGFC recommends a program to upgrade the golf course and uphold the Bell Legacy and modify three to four holes. The NGFC program involves modifying some features such as bunkers, cart paths, hole adjustments and implementing a course-wide tree management program. **NGFC estimates approximately \$1.1 to \$1.2 million for the project, inclusive of soft costs for engineering, demo/site work and preparation.**
2. **Short Game Area Improvement** – Modify the range and add a new short game practice area. **NGFC Estimated cost = approximately \$80,000 to \$100,000.**
3. **Clubhouse** – Expand the clubhouse to add additional banquet/gathering space and create a separate “grill” structure. New pro shop, grill, kitchen, men’s & women’s rest rooms, cart storage (under), bag drop off, designate delivery/ back of house location. **NGFC Estimated cost = approximately \$650,000 to \$700,000.**
4. **Maintenance Facility** – Implement a plan to relocate the maintenance facility to an area of the courses where it makes better sense and does not interfere with the golfers. **NGFC estimates \$350,000 to \$375,000, inclusive of soft costs.**

The estimated cost to complete the above noted facility improvements are detailed in the table below, excluding lost revenue due to business disruption that may occur.

| Glendale Golf Course Needed Physical Improvements | | |
|--|-------------------------------|--------------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Master Plan | \$18,000 | \$22,000 |
| Turf Reduction / Water Source Conversion | 110,000 | 120,000 |
| Event Pavilion | 180,000 | 210,000 |
| Cart Path Repairs | 30,000 | 40,000 |
| Maintenance Facility Upgrade | 7,000 | 10,000 |
| Cart Staging / Patio | 20,000 | 30,000 |
| On-Course Services | 55,000 | 65,000 |
| Total Primary Glendale Upgrades | \$420,000 | \$495,000 |
| Optional "Secondary" Upgrades | | |
| Golf Course Improvement | \$1,100,000 | \$1,200,000 |
| Short Game Area | 80,000 | 100,000 |
| Clubhouse Upgrade | 650,000 | 700,000 |
| Maintenance Facility | 350,000 | 375,000 |
| Total Glendale Upgrades | \$2,600,000 | \$2,870,000 |

Operations and Staffing

Glendale GC is presently operated directly by the Salt Lake City Golf Division, with all staff employed directly by Salt Lake City Golf. The only exception to this is the food and beverage service that is provided via contract with Western Food Service Co., Inc. Key terms of this agreement are shown below:

Food and Beverage Concession

| | |
|-------------------------|--|
| Agreement with: | Western Food Service Co., Inc. |
| Product/Service: | Exclusive right to operate restaurant concession; may install and operate vending machines and other coin-operated devices Concessionaire agreed to invest minimum \$10,000 for equipment/furnishings, within 6 months of agreement Concessionaire agreed to pay all costs of operation except building structure. |
| Term: | January 1, 2006 through December 31, 2010; option for 5 1-year extensions |
| Pricing: | Concessionaire pays a monthly minimum fee plus 12% gross sales less sales tax: -2006 and 2007: \$1,575 monthly minimum Remainder of years in agreement and any extensions: \$1,650 monthly minimum |

Staffing

The reported staff at Glendale includes five full-time positions and an additional 23 part-time positions (6 in maintenance and 12 in pro shop operations). Part-time workers work a variety of hours ranging from only 2 or 3 hours per week, up to 46 hours per week. The overall staff at Glendale equates to approximately 13.0 FTE's and is summarized below:

| Glendale Golf Course Facility Staffing 2013 | |
|---|--------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Assistant Golf Professional | FT = 1.0 FTE |
| Additional Seasonal Golf Staff (12 positions avg. 13 hrs/week) | PT = 4.0 FTE |
| Golf Course Maintenance Employees | |
| Superintendent | FT = 1.0 FTE |
| Assistant Superintendent | FT = 1.0 FTE |
| Maintenance Worker | FT = 1.0 FTE |
| Additional Seasonal Maint. Staff (6 positions avg. 30 hrs/week) | PT = 4.0 FTE |

The “standard” golf facility in the U.S. with seasonal climates (8 to 10-month golf season) employed a total of 20 FTE personnel in 2012, with 11 in golf maintenance, 6 in pro shop/operations and another 3 for clubhouse/F & B. This level of staffing represents a reduction from 2009 figures (see next chapter on norms). Based on the NGFC review of the Glendale GC staffing, and in comparison to golf industry norms, it appears that Glendale GC is operating with a staff that is well below industry standards and barely sufficient to sustain operations.

Food and Beverage Operations

The food and beverage operation at Glendale GC is consistent with a small snack bar operation that is the “standard” for a public golf course operation, serving the basic concession needs of golfers in an efficient and convenient fashion, but with limited ability to expand the menu and/or host larger events and parties.

The food and beverage service at Glendale is provided through two separate venues of operation: (1) the Glendale snack shop and (2) on-course beverage carts. The Glendale snack shop service includes counter service of a basic menu of items. A review of the menu shows modest pricing on items, with soft drinks at \$1.50 to \$2.00, beer at \$2.50 to \$3.25 (\$9 for a pitcher), burgers, sandwiches and melts at between \$4.50 to \$6.50 (hot dogs at \$2.50) and breakfast at \$3.25 to \$6.00. Seating is convenient in the snack area, but space is limited to a max of 40 +/- patrons.

The “typical” food and beverage concession at public golf courses produces approximately \$6.10 per round, including banquets (see next chapter), with approximately 40% cost of sales and three FTE for the operation. The result is total net earnings on F & B for public golf courses falling close to 10% of revenue at best. As the City's agreement with Western Food Service calls for minimum payment to the City plus 12% of gross sales above a defined level, the agreement looks to be appropriate.

In summary, NGFC believes that the food and beverage operation at Glendale is limited, and that it is likely that improvements to the kitchen facilities at Glendale would lead to increases in both direct revenue (increase F & B sales) and indirect revenue (increased rounds of golf).

Driving Range Operations

The driving range operation at Glendale GC represents the second highest revenue in the SLC system. This range is well situated and is of sufficient length (350+ yards) to have strong appeal. However, the width of the range is small (100 yards) and requires netting to protect the 1st and 2nd holes. Despite the limited tee stations, the Glendale range generated over \$62,500 in 2012. This equates to revenue of \$1.01 per round of golf, or an amount that is comparable to the industry “standard” of \$2.00 per round (or \$1.00 per 9-hole round).

Facility Performance and Data Analysis

Glendale is a public golf course generating the vast majority of its revenue totals from green and cart fees. The following paragraphs summarize the facility’s activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

The tables below show reported rounds activity at Glendale since 2009. We note that over this timeframe, Glendale experienced a decline of 10.6% from 2009 to 2011, followed by a recovery of 9.5% to over 71,100 9-hole rounds in 2012. Significant impacts to rounds totals were recorded during the 2010 and 2011 period, including both immediate effects of a recession in late calendar year 2008, and other weather events. The winter of 2012 was unseasonably warm, allowing for increased rounds in FY2012.

In reviewing the rounds totals by month for the last several years, NGFC notes the clearly definable peak season for golf in Salt Lake City with highest activity in May through September summer season. There is a small “shoulder” season in March, April and October, and a slower winter season where some rounds are generated on a weather-permitting basis. It does appear that Glendale GC is hosting more rounds in December, January and February than any of the other SLC courses except Wingpointe, thus justifying remaining open during these months.

| Glendale Golf Course Rounds by Month (FY2008-2013*) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 0 | 253 | 333 | 786 | 0 | 0.5% |
| February | 1,409 | 3,476 | 1,550 | 2,019 | 0 | 3.0% |
| March | 4,503 | 4,884 | 3,391 | 5,301 | 4,443 | 6.5% |
| April | 6,600 | 5,444 | 4,220 | 6,367 | 6,869 | 8.2% |
| May | 9,884 | 8,251 | 6,698 | 9,070 | 9,120 | 12.2% |
| June | 9,484 | 9,133 | 9,418 | 8,984 | 9,239 | 13.4% |
| July | 10,742 | 9,663 | 9,843 | 8,671 | 8,694 | 14.0% |
| August | 10,742 | 9,361 | 9,843 | 9,865 | 8,723 | 14.4% |
| September | 8,971 | 8,555 | 9,069 | 9,865 | 0 | 13.2% |
| October | 5,939 | 6,311 | 6,389 | 5,886 | 0 | 8.8% |
| November | 4,090 | 2,801 | 2,641 | 3,372 | 0 | 4.7% |
| December | 271 | 395 | 1,561 | 932 | 0 | 1.1% |
| Total | 72,635 | 68,527 | 64,956 | 71,118 | 47,088 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Glendale Golf Course Rounds Played by Type (2009-2013*) | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 54,429 | 40,826 | 34,749 | 38,394 | 26,483 | 42,100 | 56.2% |
| Discount | 15,105 | 24,713 | 26,814 | 28,686 | 17,881 | 23,830 | 38.0% |
| Pass | 3,101 | 2,989 | 3,393 | 4,038 | 2,724 | 3,380 | 5.8% |
| Total 9-Hole Rounds | 72,635 | 68,528 | 64,956 | 71,118 | 47,088 | 69,309 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity

As we will present later in the 'Competitive Analysis' section, current rounds played volumes at Glendale are slightly lower than, but within the norms for, public 18-hole golf facilities operating within Salt Lake City Metro region. Based on Glendale's market positioning, location, and quality, NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about ±80,000 to ±85,000 rounds in a good weather year. Thus, NGFC has not termed this a "capacity": Glendale is fully capable of hosting rounds in excess of 80,000, but it should not be expected at this location at this time.

Revenue Analysis

NGF Consulting's review of performance shows that Glendale has experienced relatively steady income, with decline in 2011 and with strong increase in 2012. The \$1.2 million earned in FY2012 represented a recent high water mark for the facility. When compared to industry averages (see next chapter), we see that Glendale is operating with revenues that are higher than the average for 'Standard' courses (under \$40 green fee). The U.S. average revenue for Standard public golf courses was \$1,047,000 (18 holes) in 2012, inclusive of all facility revenue.

| Glendale Golf Course Total Gross Revenue – 2009-2013* | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$634,302 | \$657,043 | \$590,631 | \$714,687 | \$714,372 | \$649,166 |
| less rain checks | (6,862) | (6,417) | (6,427) | (7,245) | (6,592) | (6,738) |
| Cart Fees | 293,512 | 295,283 | 258,742 | 281,509 | 240,818 | 282,262 |
| Driving Range | 70,547 | 69,350 | 64,172 | 71,967 | 62,557 | 69,009 |
| Lessons | 25,235 | 27,565 | 31,800 | 25,305 | 26,830 | 27,476 |
| Other Rentals | 5,456 | 7,357 | 5,656 | 5,982 | 4,143 | 6,113 |
| Merchandise | 91,398 | 89,253 | 88,070 | 89,113 | 88,563 | 89,459 |
| Other | 1,588 | 4,636 | 976 | 8,073 | 3,103 | 3,818 |
| F & B Lease | 15,532 | 17,579 | 14,850 | 11,550 | 14,183 | 14,878 |
| Total Revenue | \$1,130,708 | \$1,161,649 | \$1,048,470 | \$1,200,941 | \$1,147,977 | \$1,135,442 |
| Annual % Change | | 2.7% | -9.7% | 14.5% | -4.4% | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in 2012 totaled \$16.89. We note this estimate is based on the 9-hole round counting system employed by SLC golf, making comparison to national "standards" difficult. The average for Standard public golf courses in the U.S. was \$23.51 for total golf revenue per round (start), plus an additional \$9.70 in ancillary spending (food, beverage + merchandise – see next chapter).

| Glendale Golf Course Average Revenue per Round 2009 – 2013* | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|------------------------------|
| Rounds | 72,635 | 68,528 | 64,956 | 71,118 | 47,088 | 69,309 |
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$8.73 | \$9.59 | \$9.09 | \$10.05 | \$15.17 | \$9.37 |
| Cart Fees | \$4.04 | \$4.31 | \$3.98 | \$3.96 | \$5.11 | \$4.07 |
| Driving Range | \$0.97 | \$1.01 | \$0.99 | \$1.01 | \$1.33 | \$1.00 |
| Lessons | \$0.35 | \$0.40 | \$0.49 | \$0.36 | \$0.57 | \$0.40 |
| Other Rentals | \$0.08 | \$0.11 | \$0.09 | \$0.08 | \$0.09 | \$0.09 |
| Merchandise | \$1.26 | \$1.30 | \$1.36 | \$1.25 | \$1.88 | \$1.29 |
| Other | \$0.02 | \$0.07 | \$0.02 | \$0.11 | \$0.07 | \$0.06 |
| F & B Lease | \$0.21 | \$0.26 | \$0.23 | \$0.16 | \$0.30 | \$0.21 |
| Total Revenue | \$15.57 | \$16.95 | \$16.14 | \$16.89 | \$24.38 | \$16.38 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Expense Analysis

Basic expenses to operate and maintain the course totaled just under \$939,000 in 2012, plus an additional \$57,400 for direct cost of merchandise sold (not an expense). The trend for the facility had been decreases in 2010 and 2011, with increase in 2012 and 2013. The expenses to maintain this facility are comparable to the average for standard public golf courses in the nation (average 18-hole facility = \$997,200 in expenses for golf facility operations excluding COS).

| Glendale Golf Course Total Operating Expenses – 2009-2013* | | | | | | |
|---|------------------|------------------|------------------|------------------|--------------------|------------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Direct Cost of Sales | \$55,616 | \$61,893 | \$59,769 | \$57,463 | \$61,119 | \$58,685 |
| Operating Expenses | | | | | | |
| Total Personnel | \$480,394 | \$477,072 | \$493,137 | \$507,147 | \$483,798 | \$488,310 |
| Op. & Maint. Supply | 73,104 | 77,600 | 56,012 | 61,696 | 110,515 | 75,785 |
| Water Expense | 218,130 | 173,711 | 201,425 | 218,050 | 246,361 | 211,535 |
| Other Utilities | 18,466 | 15,300 | 20,737 | 45,663 | 33,850 | 26,803 |
| Other Chgs. + Svcs. | 104,425 | 97,469 | 108,166 | 106,383 | 97,775 | 102,844 |
| Capital Expenditures | 18,549 | 4,439 | 0 | 0 | 0 | 4,598 |
| Other / Misc. | 629 | (1) | 0 | 0 | 0 | 126 |
| Total Operating Expense | \$913,697 | \$845,590 | \$879,477 | \$938,939 | \$972,299 | \$910,000 |
| Combined Total Facility Expense | \$969,313 | \$907,483 | \$939,246 | \$996,402 | \$1,033,418 | \$968,686 |
| Total CIP | \$0 | \$0 | \$0 | \$28,596 | \$56,256 | 0 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Glendale are compared to the industry averages in the following table:

| Industry | Indicator | Glendale GC | Total 2012 |
|----------------------|--------------------|-------------|--------------------|
| 50% | Labor | 54.0% | \$507,147 |
| 5% | Utilities | 28.1% | \$263,713 |
| 45% | All other Expenses | 17.9% | \$168,079 |
| Total Expense | | | \$1,005,489 |

Source: Salt Lake City Golf Division.

Glendale Golf Course Operations Summary

Glendale generated just over \$1.17 million in revenue for the City in 2012, up almost 12% over 2011. Total expenses to maintain the golf course are just over \$996,000 (including cost of sales and interest), an amount that appears appropriate to slightly lower than the expected average for an 18-hole facility. The basic summary of the Glendale golf operation financial position from the City perspective and before other items (depreciation and internal charges) are considered is shown in the table that follows:

| Glendale Golf Course Summary of Operations 2009 – 2012 | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Glendale | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$1,130,708 | \$1,161,649 | \$1,048,470 | \$1,172,345 |
| Less: | | | | |
| Cost of Sales | \$55,616 | \$61,893 | \$59,769 | \$57,463 |
| Facility Operating Expense | \$913,697 | \$845,590 | \$879,477 | \$938,939 |
| Debt Service | \$37,852 | \$76,770 | \$105,529 | \$67,677 |
| Glendale Net Income | \$123,543 | \$177,396 | \$3,695 | \$108,266 |

Source: Salt Lake City Golf Division.

Other summary points from NGFC regarding the Glendale GC include:

- Glendale GC appears to be underperforming somewhat, most likely due to its location and the local demographics and economy of the “Glendale” neighborhood.
- This location also gives Glendale a strong corporate and business presence related to all the business and industry in its immediate proximity. Thus, enhancements to the property’s appeal to corporate and group events (outings, tournaments, etc.) will help to improve the economics of the operation. This will require new investment in the Glendale GC facility as noted by NGFC in this report.
- Although the labor / non-labor mix appears to be in line with industry standards, a significant portion of non-labor expense at Glendale is the direct cost of irrigation water. The high cost of water at Glendale has implications for both planning for expenses (high variance in water cost and use), and the resulting reductions in other non-labor expenses such as repairs and maintenance, applications and small projects – all leading to deferred capital issues reviewed by NGFC in 2013.

NGFC Recommendations – Glendale Golf Course

Glendale is a good quality public golf facility featuring a basic design that is very playable, but some upgrade to the facility's infrastructure is needed and recommended by NGFC. The most important need at present is the adoption of the Siemens program to move the facility to a secondary water source leading directly to savings of as much as \$200,000 to \$250,000 per year. NGFC is also recommending that the City invest in a few items that could lead to increased revenue, such as a new tournament pavilion and/or cart path upgrades. In all, the NGFC recommendations are designed to help the Glendale sustain its green fee structure in the middle range of SLC Golf Division and at the level below Bonneville, but higher than Rose Park.

Glendale Recommendations

- Complete the physical upgrade recommendations detailed previously by NGFC. The most important of these recommendations are the turf reduction/water source conversion plan and the addition of a new event pavilion. The plan to switch to a secondary water source and reduce turf is less interdependent on other upgrades than Bonneville, but should still be completed using a golf architect to preserve the quality of golf playability, pace and aesthetics.
- As a secondary recommendation, Glendale could complete some simple modifications to the clubhouse, such as improving the area around the clubhouse to for a better cart staging area and the addition of a new outdoor seating area (patio) in place of the existing cart staging area.
- The City can improve the individual facility marketing at Glendale GC and even consider a full “re-branding” of the facility. NGFC has suggested celebrating the legacy of William F. “Billy” Bell by continuing to improve and enhance this strategically positioned 18-hole parkland course, intensifying the parkland setting and even changing the name to the “Billy Bell Golf Course.” This change is expected to shift the focus from a location descriptive to one that embodies the theme of the golf course. While “Glendale” describes where the course is located, this is not as important as what the course offers in terms of its authentic design.
- NGFC recommends minor adjustments to the fee structure at Glendale for 2014, primarily a reduction in the highest green fee of \$2 for 18 holes, bringing the fee to \$28 (same as Rose Park in 2013). NGFC recommends that Glendale fall in the middle of our recommended golf fee segmentation plan, with fees below Bonneville, but higher than Rose Park (more in system recommendations).
- The Glendale property asset may have certain areas that could be freed up for development uses by the City. NGF Consulting has not studied this potential in any detail, but offers a thought to the City to consider this as a Master Plan for Improvement is developed. If 6-8 acres might be made available for lease uses that would be keeping with the immediate neighborhood, it could be possible to fund or partially fund improvements by earmarking the lease revenues to these improvements for park/recreation benefit.

Summary – Glendale Golf Course

With the addition of a new tournament pavilion and possible re-branding, Glendale GC has the potential to improve its economic performance, but some investment will be required. The facility is able to handle a much larger volume of golf rounds than is presently being served, and NGFC recommended improvements should help restore rounds activity. It is clear that the key issue facing Salt Lake City in the Glendale operation is how to best add to the volume of activity

at this facility through increasing the organized event schedule of tournaments, outings, charity functions, etc.

As-Is Economic Performance

The estimates in this section show Glendale's performance at various rounds played totals (worst case, 'as-is,' modest growth and best case), assuming expected 2013 inputs for revenues and expenses. The table shows that Glendale GC will need to generate at least 60,000 rounds annually to cover all on-site obligations. Even with rounds total exceeding 70,000, the facility is not expected to generate net revenue at levels comparable to Bonneville GC. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

| Glendale Golf Course Estimated City Economic Performance at Various Rounds Totals | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Revenue/Rounds | 50,000 | 60,000 | 70,000 | 80,000 |
| Green Fees | \$500,000 | \$600,000 | \$700,000 | \$800,000 |
| Carts | 200,000 | 240,000 | 280,000 | 320,000 |
| Driving Range | 50,000 | 60,000 | 70,000 | 80,000 |
| Merchandise | 62,500 | 75,000 | 87,500 | 100,000 |
| F & B | 13,500 | 16,200 | 18,900 | 21,600 |
| Lessons & Other | 26,000 | 31,200 | 36,400 | 41,600 |
| Total Revenue | \$852,000 | \$1,022,400 | \$1,192,800 | \$1,363,200 |
| Direct Cost of Sales (Merch.) | \$41,000 | \$49,200 | \$57,400 | \$65,600 |
| Expenses: | | | | |
| Total Personnel Services | \$505,000 | \$520,000 | \$535,000 | \$550,000 |
| Operating & Maint. Supply | 100,000 | 105,000 | 115,000 | 125,000 |
| Water Expense | 210,000 | 210,000 | 210,000 | 210,000 |
| Other Utilities | 24,000 | 28,000 | 30,000 | 32,000 |
| Other Charges and Services | 105,000 | 115,000 | 125,000 | 130,000 |
| Total Expense | \$944,000 | \$978,000 | \$1,015,000 | \$1,047,000 |
| Net Income Before Capital, City Charges and Deprec. (Loss) | (\$133,000) | (\$4,800) | \$120,400 | \$250,600 |

NGFC Projections 2014-2018

The NGF Consulting cash flow model for Glendale GC through FY2018 assumes a "standard" market environment over the next five years. This projection is intended to provide a realistic projection of economic performance of Glendale in the next five years considering NGFC assumptions, particularly the addition of a new tournament pavilion to be open by 2015. Base assumptions in preparing this financial performance estimate include:

- The overall economic condition remains stable, without any sizable increase or decrease in the Salt Lake City MSA regional economy, employment, or visitation.
- NGFC projects 65,000 total rounds in 2014, with a large increase in 2015 to account for Bonneville golfers seeking service at a nearby SLC 18-hole facility. With some upgrades in place, Glendale is then assumed "stabilize" at 70,000 to 71,000 rounds (conservative estimate). NGFC projects this to become a new "stable" level of rounds, with some years falling below and some years rising above this expected 'average' figure.

- Average green fee revenue per round is based on the assumption that NGFC recommended changes to fees are adopted, including a small decrease in peak fees at Glendale. NGFC has also assumed a modest 1% increase in fees every other year through 2018.
- Other revenue items such as carts, merchandise and ancillary revenue is expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Traditional debt service and CIP is assumed to continue.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Glendale Golf Course Projected Economic Performance with NGFC Recommendations | | | | | |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | Irrigation + Turf | New Pavilion | Minor Projects | Minor Projects | Minor Projects |
| Rounds | 65,000 | 77,000 | 71,000 | 70,000 | 70,000 |
| Revenue | | | | | |
| Net Green Fees | \$650,000 | \$847,000 | \$781,000 | \$777,700 | \$785,500 |
| Cart Fees | 260,000 | 311,100 | 289,700 | 288,500 | 291,400 |
| Driving Range | 65,000 | 77,800 | 72,400 | 72,100 | 72,800 |
| Lessons | 22,800 | 27,000 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 5,900 | 6,900 | 6,400 | 6,300 | 6,300 |
| Merchandise | 81,300 | 98,200 | 92,300 | 92,900 | 94,700 |
| Other | 5,200 | 6,200 | 5,700 | 5,600 | 5,600 |
| F & B Lease | 17,600 | 21,200 | 19,900 | 20,100 | 20,500 |
| Total Revenue | \$1,107,800 | \$1,395,400 | \$1,275,400 | \$1,272,200 | \$1,286,800 |
| Less: Direct Cost of Sales | \$53,300 | \$64,400 | \$60,500 | \$60,900 | \$62,100 |
| Gross Margin | \$1,054,500 | \$1,331,000 | \$1,214,900 | \$1,211,300 | \$1,224,700 |
| Operating Expenses: | | | | | |
| Total Personnel Services | \$520,000 | \$540,800 | \$562,400 | \$584,900 | \$608,300 |
| Operating & Maint. Supply | 115,000 | 125,000 | 130,000 | 135,200 | 140,600 |
| Water Expense | 210,000 | 115,000 | 119,600 | 124,400 | 129,400 |
| Other Utilities | 24,000 | 25,000 | 26,000 | 27,000 | 28,100 |
| Other Charges and Services | 105,000 | 109,200 | 113,600 | 118,100 | 122,800 |
| Total Operating Expense | \$974,000 | \$915,000 | \$951,600 | \$989,600 | \$1,029,200 |
| Net Operating Income after Expense (Loss) | \$80,500 | \$416,000 | \$263,300 | \$221,700 | \$195,500 |
| CIP | \$65,000 | \$77,000 | \$71,000 | \$70,000 | \$70,000 |
| Historic Debt | \$67,700 | \$0 | \$33,800 | \$33,800 | \$33,800 |
| New Debt | | \$0 | \$0 | \$0 | \$0 |
| Net Operating Income after Debt (Loss) | (\$52,200) | \$339,000 | \$158,500 | \$117,900 | \$91,700 |

ANALYSIS OF MOUNTAIN DELL GOLF COURSES

The Mountain Dell Golf Course facility appears to be the premier golf facility for the SLC system, both in terms of quality of the golf courses and economic performance. The facility enjoys a prime location as the first mountain golf course that travelers will come upon when venturing from Salt Lake City into the mountains east of the City. Unlike the other golf courses in the Salt Lake City system, the property used by Mountain Dell GCs is not actually within the City limits of Salt Lake City. However, the facility is still regarded as a significant City asset and forms a key centerpiece to the adjacent Mountain Dell Reservoir area. The facility is typically open through the end of November with seasonal closure until April of the following year. This compresses the use of Mountain View to a season of approximately eight months per year.

The facility includes two separate 18-hole golf courses – Lake and Canyon, forming a 36-hole complex with clubhouse and driving range. Mountain Dell is a tremendous setting with an equally tremendous series of golf holes. Among the two courses are a diversity of holes from an original design in the 1960s and additional/remodeled holes from the 1990s. The original course (now primarily the Canyon Course), carved gracefully from the rugged terrain, was a design of William F. Bell, well known to Utah Golf and the City's golf assets. The Lake Course, and integrated portions of the older Canyon layout, was designed by William Howard Neff, also a well-known golf architect to Utah and the Salt Lake City area.

Bell's design, as noted, is a graceful and more classic layout. Neff's work is more edgy, significantly more contrived, and covers even more rugged terrain. The two courses are distinctly different, yet NGF Consulting recommends even more differentiation as improvement work is carried out over the years. Ideally, a Master Plan carefully prepared to incorporate this goal will be adopted for the facility.

The two courses are well planned and in good condition. While there are some issues to address, the overriding issue at Mountain Dell is the significantly undersized clubhouse facility. The otherwise excellent destination golf facility, with fantastic views and its natural mountain setting, is simply losing out on use and revenue by continuing with its small and outdated group and banquet space. NGF Consulting believes that Mountain Dell must adopt an aggressive plan to expand its clubhouse so groups of 200-300 people could book and enjoy the public facility. This single undertaking may very well represent the greatest opportunity for large-scale enhancement of revenue, and thus should be a high priority for the system.

Location and Access

Mountain Dell GC has a unique location within the Salt Lake City golf system in that the facility is not actually within the City limits. Rather, Mountain Dell is located along the I-80 freeway between Salt Lake City and the popular mountain resort/ski areas of Park City, Heber City and Wasatch Mountain SP. It is only 10 miles from downtown Salt Lake City to Mountain Dell, although the drive seems longer due to the elevation change. Still, assuming normal traffic, travel from downtown to Mountain Dell should be under 15 minutes.

Mountain Dell is the first golf course that travelers heading into the mountains from Salt Lake City will come across. The exit to the property is well marked at Highway 65, providing immediate access to the golf course that is situated just alongside the north of I-80. As a result, this facility is expected to function as a "destination-type" golf facility, with strong potential demand coming from golfers living beyond the standard public golf course drive time of approximately 20 minutes. Further, it appears that this location in the mountains provides for a colder climate than other Salt Lake City golf courses, thus resulting in a much shorter golf season and reduced activity/rounds potential (more later in this section).

Mountain Dell Surrounding Elements

The immediate area around Mountain Dell GC is dominated by the proximity to I-80 and the travel corridor into the mountain area resorts and ski locations. Other key area findings with implications for golf course demand include:

- There are no residential units within one mile of Mountain Dell GC.
- One of the key markets for Mountain Dell is persons from Park City and Salt Lake County either searching for warmer or colder weather depending on the season.
- Park City is 20+ miles from Mountain Dell and includes a permanent population of approximately 7,500 and three major ski resorts. On average, the tourist population greatly exceeds the number of permanent residents and adds some \$530 million to the area economy.
- Within 10 miles, demographics show sparse population that is generally older with above average potential spending index for sports and recreation activities.
- The average daily traffic count for I-80 at Mountain Dell is 46,000 autos.

Golf Course Review

Mountain Dell GC includes both older (1960s) and newer (1990s) golf elements to form a full 36-hole facility. The overall property was designed and built to be operated as a high end public golf facility, with focus on tourists and some group events and outings. The two Mountain Dell golf courses tend to be on the longer and harder side in terms of playability, which may limit the appeal to the broadest segment of golfers. This is a weakness that can be overcome, but investment to expand the gathering and event space will be the key to maximizing the facility's economic potential. A summary of the golf courses follows:

Lake Course

- 6,700-yard, Par 71 Regulation 18-hole Course
- 5,100-yard to 6,700-yard Flexibility

Canyon Course

- 6,800-yard, Par 72 Regulation 18-hole Course
- 5,400-yard to 6,800-yard Flexibility

Clubhouse & Grounds

- Outdated and undersized clubhouse
- Cart storage (under parking); also undersized
- 3 Practice Greens
- Full-length Practice Range (double ended)
- Teaching area at range

Summary of NGFC Observations

The NGFC inspection of Mountain Dell GC led to the following observations, the most important of which is the deficiencies in the facility clubhouse that could be improved to improve overall economic performance. A summary of the NGFC review of Mountain Dell includes:

Arrival/Entry

- Directional signage is good, but could be improved and placed in proper locations. The signage is also very generic and is not special or tied to the Mountain Dell setting and golf courses.

- Parking area is in need of repair and improvement.
- The separate cart storage facility leaks and is configured under portions of the parking lot.

Clubhouse

- Clubhouse is too small, outdated and in need of upgrades.
- Building lacks meeting and event space.
- Kitchen facilities are undersized.
- Outdoor patio spaces are limited, yet represent spectacular areas.
- Patio railings are in need of repair.
- Lower level spaces are poorly utilized.

Practice Facilities

- The driving range tee area proximate to the clubhouse is limited.
- Route to access west tee area must navigate a “caged” path.
- A more intense and useful short game area is needed.

Golf Course

- Irrigation system needs better control and integrated software to manage older and newer components and infrastructure.
- Cart paths need repair throughout the facility.
- Bunkers need drainage with some bunkers to be renovated.
- Forward tees should be considered for many holes to soften length for women, especially on the Canyon course.
- Older greens need study to determine how to bring them on par with newer constructed greens.
- Water availability in the Fall is often an issue and needs to be addressed.
- Canyon Course and Lake Course designs need to be differentiated more.
- Some golf holes and design features (e.g., the wooden bulkheads on the Lake Course) should be addressed relative to long term sustainability and cost.

Golf Course Playability

- Two distinct golf courses – The Lake course is a more “traditional” layout with a par-71 course, water hazards and limited tree cover. The Canyon Course is more rugged and hilly with mountain views, no water hazards and narrow mountain holes.
- Each course has four sets of tees (Black, Blue, White, Gold).
- The longest tee on the Lake Course is 6,745 yards and plays to a USGA slope rating of 129 (much harder than the USGA median slope rating of 117). The most forward tee measures 5,066 with a slope rating of 111, or slightly easier than the “standard.”
- The longest tee on the Canyon Course is 6,787 yards and plays to a USGA slope rating of 126 (also much harder than the USGA median slope rating of 117). The most forward tee measures 5,447 with a slope rating of 121. This is the longest and hardest forward tee course for women in the SLC Golf Division.
- The most forward tee is commonly associated with a “ladies” tee, and the length of greater than 4,800 yards can serve to minimize the appeal in the female segment.

Maintenance Facility

- Building needs plumbing/sanitary facilities.
- Wash bay needed for equipment.
- Sand and gravel bins are lacking.
- Security fencing and systems are lacking.
- More storage areas are needed.
- Fertilizer and chemical storage needed.
- Debris surrounding facility needs to be cleaned up.
- Office space needed.

Marketing & Branding

- The special setting and 36-hole configuration needs to be better communicated through the branding and marketing effort.
- The image and branding should reflect more of a golf “club” rather than “just another municipal golf facility.”

Summary

Mountain Dell GC offers a unique public golf experience that is vastly different from the other courses in the metro area and other courses in the SLC system. Also, there is nothing inherent in the design of the golf course that would serve to limit its market appeal, although NGFC has noted deficiencies in clubhouse size and function, thus limiting revenue potential. This single undertaking is essential in order that this facility be positioned to generate more revenue and serve more customers.

The entry and parking areas, and the very (very) odd cart storage “cave” located under a portion of the parking lot, need attention to make it look more like a destination “golf club” as opposed to a run-of-the-mill municipal golf operation. The maintenance facility needs essential upgrades as noted.

In terms of the golf courses, the facility needs a carefully orchestrated priority list that will enable in-house maintenance efforts to dovetail to capital spending. Fortunately, there is not a lot of “high priority” work to be done at the two courses, yet adopting a formal approach to improvements is will fill a noticeable void.

Mountain Dell Facility Physical Upgrade Recommendations

NGF Consulting recommends the following list of improvements for Mountain Dell. We have separated these into two categories; (1) Clubhouse and Facility Improvements, and (2) Golf Course Improvements. These improvements may be approached separately or concurrently. An optional approach is to determine priorities and phasing after the preparation of Master Plans for each of the golf course, clubhouse, maintenance and entry/parking areas.

Recommended Improvements to the Clubhouse Facility

As noted, the clubhouse upgrade is a key for enhancing revenue at this location. The investments listed below are designed to maximize the volume of space available at this clubhouse so as to both increase use by golfer groups (tournaments, outings, etc.) and non-golfer groups (parties, banquets, weddings, etc.). The physical improvements recommended for Mountain Dell Clubhouse include an expansion and other items such as lighting, flooring, finishings, HVAC, etc. as shown below:

| Mountain Dell Golf Course Needed Clubhouse Improvements | | |
|--|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Clubhouse Expansion/Upgrades | \$1,700,000 | \$1,900,000 |
| Entry & Parking Upgrades + Signage | 280,000 | 300,000 |
| Repair, Renovate, Expand Cart Storage | 70,000 | 80,000 |
| Upgrade Exist. Maintenance Facility | 120,000 | 125,000 |
| Repair, Renovate, Expand Cart Storage | 70,000 | 80,000 |
| Total Mountain Dell Upgrades | \$2,240,000 | \$2,485,000 |

Recommended Improvements to the Golf Courses

NGFC recommends making nominal, yet highly beneficial and needed, golf course improvements. In addition to focusing on differentiating the two courses, NGF Consulting recommends that remediation work be implemented that includes water use reduction, improved strategy and playability and an enhanced practice/instruction area. The base level of physical improvements recommended for Mountain Dell golf courses, presented in order of NGFC recommended priority:

| Mountain Dell Golf Course Golf Course Improvements | | |
|---|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Cart Path Work | 120,000 | 160,000 |
| Forward Tee Additions (20) | 60,000 | 70,000 |
| Turf Reduction Effort | 15,000 | 20,000 |
| Greens Work (Exist.) | 200,000 | 220,000 |
| Irrigation Control Upgrades | 280,000 | 300,000 |
| Screening (new vegetation planting) | 10,000 | 10,000 |
| Bunker Work | \$110,000 | \$125,000 |
| Remodeling (bulkheads, new bunkers, tree work) | 180,000 | 200,000 |
| Major Short Game Area Upgrade | 180,000 | 200,000 |
| Total Mountain Dell Upgrades | \$1,155,000 | \$1,305,000 |

Operations and Staffing

Mountain Dell GC is presently operated by the SLC golf enterprise, with all staff employed by Salt Lake City Golf. The only exception to this is the food and beverage service that is provided via contract with Tres Hombres Inc. Key terms of this agreement are shown below:

Food and Beverage Concession

| | |
|-------------------------------|--|
| Agreement with: | Tres Hombres Inc. |
| Product/Service: | Exclusive right to operate restaurant concession, which includes the restaurant areas, on the golf course, banquets and special events; may install and operate vending machines and other coin-operated devices |
| Term: | (Undated) through December 31, 2016; option for 5 1-year extensions |
| City Responsibilities: | Cleaning, painting outside of clubhouse, repair existing facilities, service and clean HVAC system By 10/31/12, City agreed to invest a minimum of 10% of gross sales rent received from Concessionaire into F&B-related repairs/improvement. |
| Pricing: | Concessionaire pays City monthly (March through October) by the following schedule: |
| | 2012 & 2013: \$1,200 + 10% gross, not to exceed \$5,000/mo. |
| | 2014 through 2016: 4% increase to monthly minimum each year |

Staffing

Mountain Dell has the largest staff of any course within the SLC Golf Division. This is appropriate given the two golf courses and large volume of business. The reported staff at Mountain Dell includes eight full-time positions and an additional 41 part-time positions (11 in maintenance and 30 in pro shop operations). Part-time workers work a variety of hours ranging from only 4 or 5 hours per week, up to 46 hours per week. The overall staff at Mountain Dell equates to 27.7 FTE's and is summarized below:

| Mountain Dell Golf Courses Facility Staffing 2013 | |
|--|---------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Assistant Golf Professional | FT = 2.0 FTE |
| Additional Seasonal Golf Staff (30 positions avg. 16 hrs/week) | PT = 12.0 FTE |
| Golf Course Maintenance Employees | |
| Superintendent | FT = 1.0 FTE |
| Assistant Superintendent | FT = 2.0 FTE |
| Maintenance Worker | FT = 2.0 FTE |
| Additional Seasonal Maint. Staff (11 positions avg. 28 hrs/week) | PT = 7.7 FTE |

The “standard” 18-hole golf facility in the U.S. with seasonal climates (8 to 10-month golf season) employed a total of 20 FTE personnel in 2012, with 11 in golf maintenance, 6 in pro shop/operations and another 3 for clubhouse/F & B. Adjusted for 36-holes, the standards would be 14-16 in maintenance, 10 in pro shop operations and 3-4 in food and beverage. Based on the NGFC review of the Mountain Dell GC staffing, and in comparison to golf industry norms, it appears that Mountain Dell GC may be slightly overstaffed in pro shop operations, but slightly understaffed in golf course maintenance.

Food and Beverage Operations

The food and beverage operation at Mountain Dell GC appears to be a step higher than other courses in the SLC Golf Division, both in terms of the menu and the restaurant ambience that is provided. The restaurant set-up tends to be more formal and quick “grab-n-go” items that are popular with golfers are limited.

The food and beverage service at Mountain Dell is provided through two separate venues of operation: (1) the “Canyon Pines” restaurant; and (2) on-course beverage carts. Canyon Pines includes full table service and a bar area for counter service. A review of the menu shows pricing on items slightly higher than other SLC courses, which is appropriate given the location, setting and tourist clientele. The menu includes breakfast from \$2 to \$5, and sandwiches and burgers \$5.00 to \$8.00 (hot dogs at \$3 to \$5). Seating is convenient in the restaurant area, with adaptable space that can host up to 100 +/- patrons.

The “typical” food and beverage concession at public golf courses produces approximately \$6.10 per round, including banquets (see next chapter), with approximately 40% cost of sales and three FTE for the operation. The result is total net earnings on F & B for public golf courses falling close to 10% of revenue at best. As the City’s agreement with Tres Hombres calls for payment to the City of \$1,200 per month plus 10% of gross sales, the agreement looks to be appropriate.

In summary, NGFC believes that the food and beverage operation at Mountain Dell is a good fit for the facility as presently configured, but adjustment would be needed if the City were to invest in a clubhouse expansion. If the City were to undertake such a move, would lead to increases in both direct revenue (increase F & B sales) and indirect revenue (increased rounds of golf). These improvements are clearly a high priority at Mountain Dell, as there is a strong potential for high revenue from large golf events and banquets.

Facility Performance and Data Analysis

Mountain Dell is a 36-hole destination / resort golf course generating the vast majority of its revenue totals from green and cart fees. The following paragraphs summarize the facility's activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

The tables below show reported rounds activity at Mountain Dell since 2009. We note that over this timeframe, Mountain Dell experienced relatively steady rounds activity, with decline coming only in 2010 (6% decline). Rounds at Mountain Dell appear to be highly affected by weather, as the location has a definable "micro-climate" that is different from the valley golf courses. As a result, very little, if any, golf is hosted at Mountain Dell in the December through March winter season, and very strong activity in July through September when the temperature is cooler at Mountain Dell. There is a large and active "shoulder" season in May, June and October, with very light activity the rest of the year.

| Mountain Dell Golf Course (Combined Lake + Canyon) Rounds by Month (FY2008-2013*) | | | | | | |
|--|----------------|---------------|----------------|----------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 0 | 0 | 0 | 0 | 0 | 0.0% |
| February | 0 | 0 | 0 | 0 | 0 | 0.0% |
| March | 226 | 0 | 0 | 1,618 | 579 | 0.5% |
| April | 2,054 | 2,170 | 696 | 4,848 | 3,268 | 2.4% |
| May | 15,466 | 8,411 | 8,290 | 9,410 | 11,638 | 10.2% |
| June | 17,123 | 18,138 | 19,631 | 18,561 | 18,512 | 18.1% |
| July | 22,699 | 23,363 | 24,877 | 23,246 | 20,416 | 23.2% |
| August | 22,699 | 20,823 | 24,877 | 21,112 | 20,575 | 22.1% |
| September | 15,394 | 15,295 | 17,719 | 21,112 | 0 | 17.1% |
| October | 4,502 | 6,358 | 6,566 | 5,095 | 0 | 5.5% |
| November | 1,169 | 902 | 84 | 1,193 | 0 | 0.8% |
| December | 0 | 0 | 0 | 66 | 0 | 0.0% |
| Total | 101,332 | 95,460 | 102,740 | 106,261 | 74,988 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Mountain Dell Golf Course (Combined Lake + Canyon) Rounds Played by Type (2009-2013*) | | | | | | | |
|--|----------------|---------------|----------------|----------------|---------------|------------------------------|-----------------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 78,676 | 71,669 | 67,842 | 61,715 | 42,637 | 69,976 | 56.9% |
| Discount | 20,976 | 21,414 | 32,055 | 42,298 | 30,696 | 29,186 | 40.9% |
| Pass | 1,680 | 2,377 | 2,843 | 2,248 | 1,655 | 2,287 | 2.2% |
| Total 9-Hole Rounds | 101,332 | 95,460 | 102,740 | 106,261 | 74,988 | 101,448 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity Issues

The rounds capacity for Mountain Dell reflects the 36-hole operation and the shorter golf season observed at the Mountain Dell location. As we will present later in the 'Competitive Analysis' section, historical rounds played at Mountain Dell are within the norms for public 18-hole golf

facilities operating within Salt Lake City Metro region, and stronger than other courses operating in the mountains east of SLC. Based on Mountain Dell's market positioning, location, and quality, NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about ±105,000 to ±110,000 rounds in a good weather year. Thus, NGFC has not termed this a "capacity": Mountain Dell is fully capable of hosting rounds in excess of 110,000, but it should not be expected at this location at this time.

Revenue Analysis

Mountain Dell is the clear revenue leader in the SLC Golf Division with total gross revenue approaching \$2.0 million in 2012. The \$2.015 million earned in FY2012 represented a recent high water mark for the facility. When compared to industry averages (see next chapter), we see that Mountain Dell is operating with revenues that are in line with 'Standard' courses (under \$40 green fee). The U.S. average revenue for Standard public golf courses was \$1,047,000 (18 holes) in 2012, inclusive of all facility revenue.

| Mountain Dell Golf Course Total Gross Revenue – 2009-2013* | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$1,090,358 | \$1,051,045 | \$1,062,692 | \$1,195,205 | \$1,227,986 | \$1,099,825 |
| less rain checks | (16,410) | (20,228) | (19,330) | (14,481) | (13,400) | (17,612) |
| Cart Fees | 531,699 | 506,581 | 505,169 | 546,406 | 489,552 | 522,464 |
| Driving Range | 31,579 | 35,821 | 34,739 | 43,173 | 38,099 | 36,328 |
| Lessons | 1,945 | 3,025 | 1,810 | 1,635 | 1,365 | 2,104 |
| Other Rentals | 16,402 | 15,240 | 15,715 | 18,403 | 16,815 | 16,440 |
| Merchandise | 213,670 | 180,307 | 185,582 | 203,372 | 198,643 | 195,733 |
| Other | 1,300 | 10,986 | 1,899 | 2,604 | 9,615 | 4,197 |
| F & B Lease | 24,898 | 25,158 | 15,767 | 18,835 | 19,531 | 21,165 |
| Total Revenue | \$1,895,441 | \$1,807,935 | \$1,804,043 | \$2,015,152 | \$1,988,206 | \$1,880,643 |
| Annual % Change | | -4.6% | -0.2% | 11.7% | -1.3% | |
| Source: Salt Lake City Golf Division. *First 10 months of FY2013. | | | | | | |

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in 2012 totaled \$18.96. We note this estimate is based on the 9-hole round counting system employed by SLC golf, making comparison to national “standards” difficult. The average for Standard public golf courses in the U.S. was \$23.51 for total golf revenue per round (start), plus an additional \$9.70 in ancillary spending (food, beverage + merchandise – see next chapter).

| Mountain Dell Golf Course Average Revenue per Round 2009 – 2013* | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|------------------------------|
| Rounds | 101,332 | 95,460 | 102,740 | 106,261 | 74,988 | 101,448 |
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$10.76 | \$11.01 | \$10.34 | \$11.25 | \$16.38 | \$10.84 |
| Cart Fees | \$5.25 | \$5.31 | \$4.92 | \$5.14 | \$6.53 | \$5.15 |
| Driving Range | \$0.31 | \$0.38 | \$0.34 | \$0.41 | \$0.51 | \$0.36 |
| Lessons | \$0.02 | \$0.03 | \$0.02 | \$0.02 | \$0.02 | \$0.02 |
| Other Rentals | \$0.16 | \$0.16 | \$0.15 | \$0.17 | \$0.22 | \$0.16 |
| Merchandise | \$2.11 | \$1.89 | \$1.81 | \$1.91 | \$2.65 | \$1.93 |
| Other | \$0.01 | \$0.12 | \$0.02 | \$0.02 | \$0.13 | \$0.04 |
| F & B Lease | \$0.25 | \$0.26 | \$0.15 | \$0.18 | \$0.26 | \$0.21 |
| Total Revenue | \$18.71 | \$18.94 | \$17.56 | \$18.96 | \$26.51 | \$18.54 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Expense Analysis

Basic expenses to operate and maintain the course totaled just over \$1.4 million in 2012, plus an additional \$102,900 for direct cost of merchandise sold (not an expense). The trend for the facility had been a steady increase each year through 2012. The expenses to maintain this facility are lower than the average for standard public golf courses in the nation (average 18-hole facility = \$997,200 in expenses for golf facility operations excluding COS), reflecting strong efficiencies in this 36-hole operation (particularly in golf course maintenance).

**Mountain Dell Golf Course
Total Operating Expenses – 2009-2013***

| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| Direct Cost of Sales | \$174,062 | \$131,752 | \$134,296 | \$102,912 | \$138,955 | \$135,756 |
| Operating Expenses | | | | | | |
| Total Personnel | \$693,780 | \$696,220 | \$685,051 | \$734,054 | \$735,370 | \$708,895 |
| Op. & Maint. Supply | 135,655 | 129,214 | 118,352 | 200,328 | 129,150 | 142,540 |
| Water Expense | 124,914 | 94,989 | 129,754 | 132,890 | 158,592 | 128,228 |
| Other Utilities | 24,080 | 20,861 | 26,649 | 36,820 | 39,934 | 29,669 |
| Other Chgs. + Svcs. | 200,741 | 208,016 | 192,992 | 203,167 | 179,847 | 196,953 |
| Capital Expenditures | 15,466 | 33,036 | 0 | 93,462 | 142,888 | 56,970 |
| Other / Misc. | 1 | (3) | (1) | (101) | (1) | (21) |
| Total Operating Expense | \$1,194,637 | \$1,182,333 | \$1,152,797 | \$1,400,620 | \$1,385,780 | \$1,263,233 |
| Combined Total Facility Expense | \$1,368,699 | \$1,314,085 | \$1,287,093 | \$1,503,532 | \$1,524,735 | \$1,398,989 |
| Total CIP | \$0 | \$0 | \$0 | \$28,921 | \$84,546 | |
| Source: Salt Lake City Golf Division. *First 10 months of FY2013. | | | | | | |

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Mountain Dell are compared to the industry averages in the following table:

| Industry | Indicator | Mountain Dell GC | Total 2012 |
|---------------------------------------|--------------------|------------------|--------------------|
| 50% | Labor | 52.4% | \$734,054 |
| 5% | Utilities | 12.1% | \$169,710 |
| 45% | All other Expenses | 35.5% | \$496,856 |
| Total Expense | | | \$1,400,620 |
| Source: Salt Lake City Golf Division. | | | |

Mountain Dell Golf Course Operations Summary

Mountain Dell generated just over \$2.015 million in revenue for the City in in 2012, up over 10% over 2011. Total expenses to maintain the golf course are just over \$1.524 million (including cost of sales and interest), an amount that appears lower than the expected average for a 36-hole facility. The basic summary of the Mountain Dell golf operation financial position from the City perspective and before other items (depreciation and internal charges) are considered is shown in the table that follows:

| Mountain Dell Golf Course Summary of Operations 2009 – 2012 | | | | |
|--|------------------|------------------|------------------|------------------|
| Mountain Dell | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$1,895,441 | \$1,807,935 | \$1,804,043 | \$2,015,152 |
| Less: | | | | |
| Cost of Sales | \$174,062 | \$131,752 | \$134,296 | \$102,912 |
| Facility Operating Expense | \$1,194,637 | \$1,182,333 | \$1,152,797 | \$1,400,620 |
| Debt Service | \$41,887 | \$128,493 | \$183,802 | \$141,916 |
| CIP | \$0 | \$0 | \$0 | \$28,921 |
| Mountain Dell Net Income | \$484,855 | \$365,357 | \$333,148 | \$340,783 |
| Source: Salt Lake City Golf Division. | | | | |

Other summary points from NGFC regarding the Mountain Dell GC include:

- Mountain Dell is the most profitable golf facility in the SLC system and has several advantages to maintain this status, including two distinct high quality 18-hole golf courses and a prime location adjacent to a major interstate and gateway to the tourist-dominated Wasatch Mountain areas.
- Despite the strong economic performance, Mountain Dell could perform even better if it was able to increase its capacities related to hosting large events, parties and tournaments. At present, Mountain Dell is losing the golf event and tournament business to the State's Wasatch Mountain Golf Course and losing the event and party business to the State's Soldier Hollow Golf Course. Both of these facilities are much farther from the Salt Lake City, indicating an opportunity for Mountain Dell, if facilities were appropriate.

NGFC Recommendations – Mountain Dell Golf Course

The NGFC recommendations related to Mountain Dell GC relate to the potential to grow revenue at this location through the expansion of the clubhouse facilities. As this option carries great capital investment, the City will have to decide where this fits within the overall capital needs of the golf system but NGFC can assert a belief that this is an investment the City can make that will result in direct economic return. Staff at Mountain Dell reported that group outing and event business inquiries are strong and that many are turned away to other facilities (like Soldier Hollow and Wasatch Mountain) due to the lack of appropriate clubhouse accommodations at Mountain Dell.

Given this, the NGFC team has identified two levels of physical upgrades that could potentially lead to improved economic performance at Mountain Dell: (1) Clubhouse expansion to increase capacity; and (2) minor golf course improvements requiring modest investment, mostly to improve irrigation efficiency and improve practice amenities.

Mountain Dell GC is at the very top of the SLC Golf Division in terms of golf course quality, and it has some locational advantages with direct proximity to the mountain resorts. However, to be successful in its operation, Mountain Dell GC will need to improve its marketing and promotion and take active steps to enhance awareness of the golf course in the mountain resort areas and separate itself from the common association as “just another municipal golf course.”

Mountain Dell Recommendations

- Establish a plan for expanding the clubhouse. Despite the large capital investment required, NGFC expects considerable increase in revenue should follow and expanded clubhouse at Mountain Dell GC. The City should also complete the other upgrades proposed by NGFC.
- Enhance the direct marketing of the facility, with specific focus on the mountain areas in and around the Park City location. Enhance the separate web-page for Mountain Dell that focuses on the high quality of golf, the two distinct golf courses and the convenient location just off I-80. Make sure to add photos of the Mountain Dell facility to both the overall Salt Lake City Golf webpage and the pages assigned for Mountain Dell.
- In addition to web marketing, the continued and expanded production of facility-specific printed materials and advertisements is also recommended. Additional activities such as direct selling and placement of materials in hotel lobbies and individual hotel rooms. Focus on specific marketing for this 36-hole facility, establishing it as the best tournament event destination for the Salt Lake City / Park City Region.
- Mountain Dell GC should always make sure to have high quality rental golf club sets available and include notice of this availability in advertising and on the website.
- NGFC recommends no adjustments to the fee structure at Mountain Dell, until upgrades are completed. After the completion of some upgrades, NGFC would place Mountain Dell GC at the higher end of the system, with its highest peak weekend green fee for non-residents at \$42.00 (\$56 with cart). From this highest fee, there would be several discounts for weekdays, seniors, juniors, and twilight. NGFC also recommends considering a “non-resident” rate for non-Salt Lake City golfers at all the courses, with the spread between residents and non-residents being the highest at Mountain Dell GC (more in system recommendations).

Summary – Mountain Dell Golf Course

Given the quality of the golf courses at Mountain Dell, this facility has the potential to become one of the more popular higher fee golf courses in the region, and thus produce strong revenue. The potential high quality of the facility, coupled with its ideal highway-access location, combine to make this facility a strong potential draw for tourists heading to the mountains for recreation.

It is clear that the key issue facing Salt Lake City in the Mountain Dell operation is what to do to expand and improve the clubhouse operation, given the fact that this investment is likely to provide the greatest long-term economic return for SLC golf. An improved and expanded clubhouse at Mountain Dell will improve the ability to attract additional golf events (tournaments, outings, etc.), and non-golf events (weddings, parties, banquets, etc.), thus enhancing revenue.

As-Is Economic Performance

The estimates in this section show Mountain Dell's performance at various rounds played totals (worst case, 'as-is,' modest growth and best case), assuming a continuation of the existing 2013 operation ('as-is'). Adjustments due to proposed facility and/or fee changes are presented next. The table shows that Mountain Dell GC is capable of exceeding \$1.9 million in revenue under its present fee and operating structure. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

| Mountain Dell Golf Courses Estimated City Economic Performance at Various Rounds Totals | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Revenue/Rounds | 80,000 | 90,000 | 100,000 | 110,000 |
| Green Fees | \$900,000 | \$1,012,500 | \$1,125,000 | \$1,237,500 |
| Carts | 412,000 | 463,500 | 515,000 | 566,500 |
| Driving Range | 40,000 | 45,000 | 50,000 | 55,000 |
| Merchandise | 160,000 | 180,000 | 200,000 | 220,000 |
| F & B | 21,600 | 24,300 | 27,000 | 29,700 |
| Lessons & Other | 21,600 | 24,300 | 27,000 | 29,700 |
| Total Revenue | \$1,555,200 | \$1,749,600 | \$1,944,000 | \$2,138,400 |
| Direct Cost of Sales (Merch.) | \$105,000 | \$118,100 | \$131,200 | \$144,300 |
| Expenses: | | | | |
| Total Personnel Services | \$730,000 | \$760,000 | \$780,000 | \$800,000 |
| Operating & Maint. Supply | 175,000 | 190,000 | 200,000 | 210,000 |
| Water Expense | 128,000 | 128,000 | 128,000 | 128,000 |
| Other Utilities | 28,000 | 35,000 | 37,000 | 39,000 |
| Other Charges and Services | 190,000 | 210,000 | 225,000 | 240,000 |
| Total Expense | \$1,251,000 | \$1,323,000 | \$1,370,000 | \$1,417,000 |
| Net Income Before Capital, City Charges and Deprec. (Loss) | \$199,200 | \$308,500 | \$442,800 | \$577,100 |

NGFC Projections 2014-2018

The cash flow model for the continued operation of Mountain Dell, through 2018 is shown and assumes a “standard” market environment over the next five years. This projection is intended to provide a realistic projection of economic performance of Mountain Dell, considering only modest changes to the facility until a clubhouse expansion project is completed in 2017. NGFC has also assumed that the City will adopt NGFC recommendations on modest fee changes (new resident/non-resident split). Base assumptions include:

- The overall economic condition remains stable, without any sizable increase or decrease in the Salt Lake City MSA regional economy, employment, or visitation.
- NGFC projects 88,000 total rounds in 2014, with a large increase in 2015 to account for Bonneville and/or Rose Park golfers seeking service while those courses are closed for renovation. NGFC then projects 95,000 to 100,000 rounds in 2016-2018, with this amount expected to become the new “stable” level of rounds, with some years falling below and some years rising above this expected ‘average’ figure.
- Average green fee revenue per round is based on the assumption that NGFC recommended changes to fees are adopted, including a 15% to 20% increase in fees for Utah non-residents. NGFC has also assumed fee increases in 2017 to coincide with the opening of an expanded clubhouse and the expectation of an increase in tournament/outing business.
- Other revenue items such as carts, merchandise and ancillary revenue is expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Traditional debt service and CIP is assumed to continue, with new debt for the new clubhouse beginning in 2017.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Mountain Dell Golf Courses Projected Economic Performance with NGFC Recommendations | | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | Minor Projects | Minor Projects | Minor Projects | Clubhouse Expansion | Other |
| Rounds | 88,000 | 104,000 | 95,000 | 100,000 | 105,000 |
| Revenue | | | | | |
| Net Green Fees | \$1,056,000 | \$1,248,000 | \$1,151,400 | \$1,325,000 | \$1,405,200 |
| Cart Fees | 453,200 | 541,000 | 499,100 | 540,000 | 572,700 |
| Driving Range | 44,000 | 52,500 | 48,500 | 51,500 | 54,600 |
| Lessons | 1,800 | 2,100 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 17,600 | 20,800 | 19,000 | 20,000 | 21,000 |
| Merchandise | 176,000 | 212,200 | 197,700 | 212,200 | 227,300 |
| Other | 4,400 | 5,200 | 4,800 | 5,000 | 5,300 |
| F & B Lease | 23,800 | 28,600 | 26,700 | 55,000 | 58,900 |
| Total Revenue | \$1,776,800 | \$2,110,400 | \$1,955,200 | \$2,217,700 | \$2,355,000 |
| Less: Direct Cost of Sales | \$115,500 | \$139,200 | \$129,700 | \$139,200 | \$149,100 |
| Gross Margin | \$1,661,300 | \$1,971,200 | \$1,825,500 | \$2,078,500 | \$2,205,900 |
| Operating Expenses: | | | | | |
| Total Personnel Services | \$780,000 | \$811,200 | \$843,600 | \$928,000 | \$965,100 |
| Operating & Maint. Supply | 195,000 | 202,800 | 210,900 | 219,300 | 228,100 |
| Water Expense | 128,000 | 133,100 | 138,400 | 143,900 | 149,700 |
| Other Utilities | 28,000 | 29,100 | 30,300 | 31,500 | 32,800 |
| Other Charges and Services | 210,000 | 218,400 | 227,100 | 236,200 | 245,600 |
| Total Operating Expense | \$1,341,000 | \$1,394,600 | \$1,450,300 | \$1,558,900 | \$1,621,300 |
| Net Operating Income after Expense (Loss) | \$320,300 | \$576,600 | \$375,200 | \$519,600 | \$584,600 |
| CIP | \$88,000 | \$104,000 | \$95,000 | \$100,000 | \$105,000 |
| Historic Debt | \$141,900 | \$70,500 | \$70,500 | \$70,500 | \$70,500 |
| New Debt | | \$0 | \$0 | \$99,800 | \$99,800 |
| Net Operating Income after Debt (Loss) | \$90,400 | \$402,100 | \$209,700 | \$249,300 | \$309,300 |

ANALYSIS OF FOREST DALE GOLF COURSE

Forest Dale is an excellent 9-hole course that could be considered one of the top 9-hole courses in the region and even the country. There are many in the golf industry that believe the notion that 9-hole courses are worth the time, suggesting that in today's time-urgent society they are actually a perfect alternative to spending five or more hours dealing with a full 18-hole round and all its rituals.

Forest Dale is promoted as the oldest golf course in operation in Utah, dating to 1906. Not much is known about its original layout, but evidence of archaic features can be seen in the existing course. Joseph Michael "Mick" Riley, a golf professional and course manager known for his early work in the Salt Lake City area is generally credited with helping to layout and form the course prior to the City taking over in 1935. Riley was the first head professional at Nibley Park Golf Course in 1922. In 1988, William Howard Neff, ASGCA, remodeled the course.

NGF Consulting believes that Forest Dale is best preserved as a classic style course, with details at every turn following the look and feel of the c. 1900s clubhouse and pleasant 9-hole layout that unfolds on the simple, sloping terrain.

Location, Access and Neighborhood

Forest Dale GC is located in the East Central section of the City and within the "Sugarhouse" neighborhood. The course lies just to the south of I-80 with access via S. 900 E. The interchange with I-80 is ½ mile west at S. 700 E. Forest Dale is very convenient and accessible for this part of Sale Lake City and there is nothing inherent with this location or its access that would serve to limit its activity/rounds potential.

Forest Dale Neighborhood

The immediate area around Forest Dale GC is almost entirely residential or light commercial, reflecting the "bedroom community" section of Sale Lake City. This site is also very proximate (3/4 of a mile) to another Salt Lake City golf course the Nibley Park GC. Other key area findings with implications for golf course demand include:

- The local market has a large population base with growth rates trending at twice the national average in increases in number of households.
- The local Forest Dale area shows several characteristics that tend to coincide with lower-than-average participation in golf, including:
 - Higher-than-average proportion of rental homes within 10 miles
 - 82% of households within 1-mile have annual incomes under \$75,000
 - Median home value within 1-mile is \$182,250
 - 8,317 households in 1-mile "neighborhood"

Golf Course Review

Forest Dale GC is a good City golf course that is declining in quality but appears to be popular with City golfers. The 9-hole golf course offers a shorter design that is easy to play and play with a shorter time commitment. The facility offers a simple and straightforward golf course without a lot of "frills" or major hazards that can add difficulty. As a result, this course tends to play easy for the golfer and appears particularly popular with senior age players. A summary of the golf course follows:

- 3,100-yard, Par 36 Regulation 9-hole Course
- 2,300-yard to 3,100-yard Flexibility
- (1) Practice Green
- Small “Warm-up” Hitting Area
- Classic Clubhouse with Snack Bar, Restaurant Area and Meeting Room
- Small Cart Storage
- Associated Offices for the City’s Golf Administration

Summary of NGFC Observations

The NGFC inspection of Forest Dale GC led to the following observations, many of which represent key property deficiencies and issues that could be improved to improve overall economic performance. A summary of the NGFC review of Forest Dale includes:

Arrival/Entry

- Directional signage (en route) should be larger, more prominent and more numerous.
- Generic facility signage, not special or tied to the classic clubhouse and course.
- Secondary (south) parking area is strewn with debris and an old shack.

Clubhouse

- Clubhouse is small, outdated and in need of repair.
- Although small, this building has the largest meeting and event space in the SLC Golf Division.
- Kitchen facilities are only able to meet “snack counter” level of service.
- Cart storage is undersized and outdated.
- Outdoor spaces and views are obstructed by tree overgrowth.

Practice Facilities

- Warm-up area is limited.
- No short game area (other than warm-up area).

Golf Course

- Irrigation control system is outdated and insufficient for good water conservation. The water use relies on potable water and should be converted to a secondary source.
- Managed turf areas should be reduced with conversion to native grass in select locations.
- Some holes are configured with long distances to the next tee.
- Tees need leveling with some added tees for yardage flexibility for beginning and less experienced players.
- Bunkers need rebuilding to overcome deferred maintenance issues (poor drainage, sand consistency, adherence to a style).
- Bunkers and greens should be studied to see what opportunities there may be to restore some of the original locations to the layout.
- Greens are in poor shape due to a build-up of organics in the root zone. Greens appear to have reduced in size due to mowing practices.
- Cart paths need repair and development throughout, or should be studied to see what minimal path system would be prudent.

- Some holes are too close to neighboring land uses.
- Drainage is insufficient in some areas and the drainage ditches that interrupt play are blind to the golfer and should be planned with piped crossings, or adjusted to form strategy rather than cause confusion to players.
- Trees have been allowed to overgrow with shade and root intrusion.
- Trees, in some areas, are crowding fairways and diminishing strategy of the original design.
- The ponds shoreline is deteriorating and needs to be restored and reinforced.
- Signage and course furnishings need to be upgraded.
- Permanent on-course restrooms are needed.

Golf Course Playability

- Nine-hole, Par-36 layout with open holes, several water hazards and considerable tree cover.
- The course has three sets of tees (Black, White, Gold), with the longest measuring 6,252 (2x 9-holes) and a USGA slope rating of 116 (easier than the USGA median slope rating of 117). The most forward tee measures 4,554 with a slope rating of 107, or much easier than the “standard.”
- The most forward tee is commonly associated with a “ladies” tee, and a length less than 4,800 total yards will help to maximize appeal in the female segment.

Maintenance Facility

- Building has no running water or sanitary facilities.
- Sand and gravel bins are lacking.
- Security fencing and systems are lacking.
- More storage areas are needed.

Marketing & Branding

- The classic look and feel is not communicated sufficiently (signage and marketing).
- The course is not differentiated enough from other City golf facilities.

Summary

Forest Dale GC offers a simple and player-friendly 9-hole golf experience that is convenient in location and time required to play. While there is nothing inherent in the design of the golf course that would serve to limit its market appeal, NGFC has identified several areas of upgrade that would both help improve the overall efficiency of this operation, but also enhance its appeal and desirability for golfers.

The most noticeable condition issue at Forest Dale is the condition of the greens. NGF Consulting recommends the improvement of these greens as a top priority at Forest Dale. Green conditions represent the most essential quality of a golf course’s conditioning. Study after study supports this fact. While there are other issues, none remain as important as getting the greens to an “A” condition. Presently we grade the greens as “D” compared to other regional facilities. The primary cause of greens problems at Forest Dale is their age and fact that they were built on native soils with very little, if any, drainage or soil amendments such as sand or porous additives.

Apart from greens, Forest Dale is in need of new tees, bunker restoration, pond work and a tree upgrade. The aforementioned drainage ditches need to be studied for ways to incorporate them into the course’s strategy, or in some instances pipe the ditches across play areas.

Of utmost importance at Forest Dale is to adopt a “language” for the course that will intensify the classic, turn-of-the-century feel of the grand clubhouse and parkland setting. The charm of Forest Dale, with its tight borders to an established neighborhood, must be preserved and, at every chance, be preserved as if the property were a museum.

It is not realistic to do more at Forest Dale in regards to practice amenities than to potentially replace the short warm-up area with a better and more engaging short game facility. Rather than continue with the haphazard hitting tee and target flags, a small series of greens and bunkers could prove much more useful and could possibly produce some revenue in the form of instruction.

The maintenance facility should be outfitted with sanitary facilities. Ideally these would be accessible by customers at Hole Nos. 2 and 6 tees. This would give patrons access to restrooms after No. 1, No. 5 and No. 9. This is ample and no other restroom development should be considered.

Forest Dale Facility Physical Upgrade Recommendations

Based on the above-noted review and issues, NGFC is recommending upgrades to the facility in two categories: (1) Improvements to the playability of the golf course playing area; and (2) Improvements to enhance the efficiency of operations.

Recommended Improvements to the Golf Course Playing Area

NGF Consulting recommends one simple approach at Forest Dale, involving the following scope of work to be carried out following a detailed historical study and plan for restoration of golf features:

- Rebuild all greens
- Rebuild all bunkers, adding missing bunkers as appropriate
- Re-work ditches
- Repair lake shoreline
- Adjust some tees, adding forward tees as appropriate
- Make nominal improvements to the entry (new signage, landscaping, etc.)
- Reduce foliage cover at clubhouse, opening views to and from the clubhouse

| Forest Dale Golf Course Golf Course Improvements | | |
|---|-------------------------------|--------------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Rebuild Greens (10 greens) | \$400,000 | \$500,000 |
| Bunker Upgrade (10 bunkers) | 80,000 | 90,000 |
| Drainage Ditches | 100,000 | 120,000 |
| Repair Lake Shoreline | 60,000 | 70,000 |
| Tee Adjustments | 20,000 | 30,000 |
| Entry Improvements | 70,000 | 90,000 |
| Total Primary Forest Dale Upgrades | \$730,000 | \$900,000 |

Recommended Improvements to Enhance the Efficiency of Operations

Items proposed to improve operating efficiency include:

- Plan conversion of from potable to a secondary water source; adding a pumping system for this objective
- Plan reduction in managed turf areas, eliminating approximately 25% of the existing golf turf area
- Plan and implement an arbor asset program
- Maintenance Facility upgrades, to include restroom facilities (can also be used by golfers) and the addition of running water, providing separate fertilizer storage building, creating a fenced in maintenance yard and covered area for equipment.
- Make nominal enhancements to the clubhouse (upgrade restroom, tile and fixtures; improve ADA access to/ around building; replace HVAC system/ units; repaint interior/ exterior; replace carpet; improve clubhouse lighting; update grill/dining area).

| Forest Dale Golf Course Efficiency + Maintenance Improvements | | |
|--|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Irrigation (pumping) Upgrades | \$250,000 | \$300,000 |
| Turf Program | 15,000 | 20,000 |
| Maintenance Facility Upgrades | 70,000 | 80,000 |
| Tree Adjustments (Golf + Clubhouse) | 60,000 | 70,000 |
| Clubhouse Upgrades | 200,000 | 225,000 |
| Total Primary Forest Dale Upgrades | \$595,000 | \$695,000 |

The above-detailed program would total some \$1.3 million to \$1.6 million, and provide an upgraded and more marketable and more efficient golf course operation. The changes would reduce water consumption by an estimated at 25% from existing, improve the water delivery efficiency by an estimated at 25%. The program would likely require a golf course closure period of 6-10 months, inclusive of a “grow-in” period.

Operations and Staffing

Forest Dale GC is presently operated by the SLC golf enterprise with all staff employed by Salt Lake City Golf. The only exception to this is the food and beverage service that is provided via contract with Western Food Service Co, Inc. Key terms of this agreement are shown below:

Food and Beverage Concession

| | |
|-------------------------|---|
| Agreement with: | Western Food Service Co., Inc. |
| Product/Service: | Exclusive right to operate a café concession at Bonneville and Forest Dale Golf Courses, including banquet/special events/private parties; may install and operate vending machines and other coin-operated devices |
| Term: | January 1, 2015 through December 31, 2016; option for 5 1-year extensions (replacing agreement for 2012-2014) |
| Pricing: | <p>Concessionaire pays a monthly minimum fee of \$2,600 plus a percentage as follows:</p> <p>9% of sales up to \$250,000, 10% of sales from \$250,001 to \$300,000 11% of sales over \$300,000</p> <p>Concessionaire pays City for waste/recycling, utilities (except water and gas), 50% of television service, and all costs for maintenance/repair of fixtures/equipment</p> |

Staffing

The reported staff at Forest Dale includes three full-time positions and an additional 15 part-time positions (7 in maintenance and 8 in pro shop operations). Part-time workers work a variety of hours ranging from only a few hours to over 40 hours per week. Forest Dale has a unique situation in that the head superintendent also shares similar duties at the nearby Nibley Park GC. It appears that SLC golf is getting good value and efficiency from this structure, even though additional part-time labor may be required. While this split responsibility structure may be a fit for 9-hole golf courses it is not recommended for 18-hole facilities. The overall staff at Forest Dale equates to 10.9 FTE's and is summarized below:

| Forest Dale Golf Course Facility Staffing 2013 | |
|---|--------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Additional Seasonal Golf Staff (8 positions avg. 16 hrs/week) | PT = 3.2 FTE |
| Golf Course Maintenance Employees | |
| Superintendent* | FT = 1.0 FTE |
| Maintenance Worker | FT = 1.0 FTE |
| Additional Seasonal Maint. Staff (7 positions avg. 27 hrs/week) | PT = 4.7 FTE |
| * Shares duties with Nibley Park | |

Food and Beverage Operations

The food and beverage operation at Forest Dale GC is consistent with a small snack bar operation that is the "standard" for a public golf course operation and at the other courses in the SLC system. Forest Dale has a unique place in the system in that it is the facility with the largest banquet/meeting space, but no full kitchen to support it. The outside covered veranda is a nice supplement to the indoor snack bar seating.

The "typical" food and beverage concession at public golf courses produces approximately \$6.10 per round, including banquets (see next chapter), with approximately 40% cost of sales

and three FTE for the operation. The result is total net earnings on F & B for public golf courses falling close to 10% of revenue at best. As the City's agreement with Western Foods calls for payment to the City of 9% to 11% of gross sales, the agreement looks to be appropriate.

In summary, NGFC believes that the food and beverage operation at Forest Dale is limited, and that improvements to the kitchen facilities at Forest Dale would lead to increases in both direct revenue (increase F & B sales) and indirect revenue (increased rounds of golf). Having the largest banquet space at a 9-hole course is limiting the potential of the system, as larger golf events and tournaments will usually prefer an 18-hole golf course.

Facility Performance and Data Analysis

Forest Dale is a 9-hole public golf course generating the vast majority of its revenue totals from green and cart fees. The following paragraphs summarize the facility's activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

Forest Dale GC has generated rounds performance similar to the other SLC courses, with reduction in activity in 2010 and 2011, followed by strong recovery in 2012. It is assumed that the immediate effects of a recession in late calendar year 2008, and other weather events have impacted rounds activity at Forest Dale. The winter of 2012 was unseasonably warm, allowing for increased rounds at Forest Dale.

In reviewing the rounds totals by month for the last several years, NGFC notes the clearly definable peak season for golf in Salt Lake City with highest activity in May through August summer season. There is a small "shoulder" season in April, September and October, and a slower winter season where some rounds are generated on a weather-permitting basis.

| Forest Dale Golf Course Rounds by Month (FY2008-2013*) | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 0 | 0 | 133 | 517 | 0 | 0.4% |
| February | 332 | 799 | 355 | 580 | 0 | 1.2% |
| March | 2,180 | 2,401 | 1,832 | 3,107 | 2,563 | 5.6% |
| April | 4,011 | 3,561 | 2,826 | 4,559 | 3,861 | 8.8% |
| May | 6,788 | 4,920 | 4,480 | 6,203 | 5,711 | 13.2% |
| June | 6,443 | 5,962 | 6,531 | 6,471 | 6,326 | 15.0% |
| July | 6,937 | 6,468 | 6,402 | 6,458 | 5,963 | 15.5% |
| August | 6,937 | 6,329 | 6,402 | 6,113 | 5,780 | 15.2% |
| September | 5,106 | 5,102 | 5,227 | 6,113 | 0 | 12.7% |
| October | 3,103 | 3,408 | 3,606 | 3,377 | 0 | 8.0% |
| November | 1,659 | 1,189 | 1,232 | 1,674 | 0 | 3.4% |
| December | 43 | 207 | 636 | 469 | 0 | 0.8% |
| Total | 43,539 | 40,346 | 39,662 | 45,641 | 30,204 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Forest Dale Golf Course Rounds Played by Type (2009-2013*) | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 32,511 | 29,176 | 25,689 | 27,830 | 17,862 | 28,802 | 59.1% |
| Discount | 10,416 | 10,516 | 13,113 | 16,183 | 11,598 | 12,557 | 38.4% |
| Pass | 612 | 654 | 860 | 1,628 | 744 | 939 | 2.5% |
| Total 9-Hole Rounds | 43,539 | 40,346 | 39,662 | 45,641 | 30,204 | 42,297 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity

It appears that Forest Dale is hosting rounds activity that is consistent with other public 9-hole golf facilities. Based on Forest Dale's market positioning, location, and quality, NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about $\pm 50,000$ to $\pm 55,000$ rounds in a good weather year. Despite the higher "capacity," the City should not expect rounds totals to be much higher than 45,000 9-hole rounds annually.

Revenue Analysis

NGF Consulting's review of performance shows that Forest Dale has experienced relatively steady income, with declines in 2010 and 2011 to match rounds, with strong increase in 2012. The \$687,000 earned in FY2012 represented a recent high water mark for the facility. NGFC does not have separate data on the performance of 9-hole courses for comparison, although anecdotal evidence suggests this revenue production is stronger-than-average. Data for 18-hole facilities is displayed in the next chapter.

| Forest Dale Golf Course Total Gross Revenue – 2009-2013* | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|----------------------|
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$426,329 | \$403,058 | \$387,314 | \$456,525 | \$436,699 | \$418,307 |
| less rain checks | (3,155) | (3,779) | (2,540) | (1,707) | (1,664) | (2,795) |
| Cart Fees | 139,885 | 124,072 | 122,860 | 148,584 | 133,975 | 133,850 |
| Lessons | 0 | 280 | 0 | 0 | 0 | 70 |
| Other Rentals | 7,405 | 6,465 | 5,736 | 5,908 | 5,316 | 6,379 |
| Merchandise | 46,707 | 50,986 | 52,307 | 53,945 | 49,746 | 50,986 |
| Other | 17,897 | 23,923 | 17,168 | 24,598 | 19,763 | 20,897 |
| F & B Lease | 2,569 | 812 | 21 | 0 | 1,323 | 851 |
| Total Revenue | \$637,637 | \$605,817 | \$582,866 | \$687,853 | \$645,158 | \$628,543 |
| Annual % Change | | -5.0% | -3.8% | 18.0% | -6.2% | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in 2012 totaled \$15.07. While NGFC does not have separate data on the performance of 9-hole courses for comparison, we are able to compare the 9-hole courses' performance with other SLC courses as the 18-hole courses are using a 9-hole-rounds metric. The average for Standard public 18-hole golf courses in the U.S. was \$23.51 for total golf revenue per round (start), plus an additional \$9.70 in ancillary spending (food, beverage + merchandise – see next chapter).

| Forest Dale Golf Course Average Revenue per Round 2009 – 2013* | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------------|
| Rounds | 43,539 | 40,346 | 39,662 | 45,641 | 30,204 | 42,297 |
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$9.79 | \$9.99 | \$9.77 | \$10.00 | \$14.46 | \$9.89 |
| Cart Fees | \$3.21 | \$3.08 | \$3.10 | \$3.26 | \$4.44 | \$3.16 |
| Lessons | \$0.00 | \$0.01 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Other Rentals | \$0.17 | \$0.16 | \$0.14 | \$0.13 | \$0.18 | \$0.15 |
| Merchandise | \$1.07 | \$1.26 | \$1.32 | \$1.18 | \$1.65 | \$1.21 |
| Other | \$0.41 | \$0.59 | \$0.43 | \$0.54 | \$0.65 | \$0.49 |
| F & B Lease | \$0.06 | \$0.02 | \$0.00 | \$0.00 | \$0.04 | \$0.02 |
| Total Revenue | \$14.65 | \$15.02 | \$14.70 | \$15.07 | \$21.36 | \$14.86 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Expense Analysis

Basic expenses to operate and maintain the course totaled just over \$502,000 in 2012, plus an additional \$35,600 for direct cost of merchandise sold (not an expense). The trend for the facility has been relatively steady, with the largest increase occurring in the current FY2013. NGFC does not have separate data on the performance of 9-hole courses for comparison, although anecdotal evidence suggests this revenue production should be close to the national average for 9-hole courses. Data for 18-hole facilities is displayed in the next chapter.

| Forest Dale Golf Course Total Operating Expenses – 2009-2013* | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Direct Cost of Sales | \$34,642 | \$32,176 | \$31,310 | \$35,615 | \$35,863 | \$33,436 |
| Operating Expenses | | | | | | |
| Total Personnel | \$256,566 | \$271,931 | \$258,012 | \$281,607 | \$302,815 | \$274,186 |
| Op. & Maint. Supply | 64,332 | 49,121 | 46,248 | 52,624 | 68,340 | 56,133 |
| Water Expense | 61,671 | 47,279 | 54,880 | 53,085 | 70,541 | 57,491 |
| Other Utilities | 9,869 | 10,968 | 14,586 | 16,653 | 18,670 | 14,149 |
| Other Chgs. + Svcs. | 91,983 | 83,624 | 81,368 | 78,977 | 80,084 | 83,207 |
| Capital Expenditures | 0 | 0 | 0 | 18,074 | 13,478 | 6,310 |
| Other / Misc. | (269) | 1,000 | (1) | 1,308 | 0 | 408 |
| Total Operating Expense | \$484,152 | \$463,923 | \$455,093 | \$502,328 | \$553,928 | \$491,885 |
| Combined Total Facility Expense | \$518,794 | \$496,099 | \$486,403 | \$537,943 | \$589,791 | \$525,321 |
| Total CIP | \$0 | \$0 | \$0 | \$18,977 | \$36,443 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Forest Dale are compared to the industry averages in the following table:

| Industry | Indicator | Forest Dale GC | Total 2012 |
|--|--------------------|----------------|------------------|
| 50% | Labor | 56.1% | \$281,607 |
| 5% | Utilities | 13.9% | \$69,738 |
| 45% | All other Expenses | 30.1% | \$150,983 |
| Total Expense | | | \$502,238 |
| Source: Salt Lake City Golf Division and NGFC. | | | |

Forest Dale Golf Course Operations Summary

Forest Dale generated just under \$668,800 in revenue for the City in 2012, up almost 15% over 2011. Total expenses to maintain the golf course are just under \$538,000 (including cost of sales and interest), an amount that appears appropriate for a 9-hole facility. The basic summary of the Forest Dale golf operation financial position from the City perspective and before other items (depreciation and internal charges) are considered is shown in the table that follows:

| Forest Dale Golf Course Summary of Operations 2009 – 2012 | | | | |
|--|------------------|-----------------|-----------------|-----------------|
| Forest Dale | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$637,637 | \$605,817 | \$582,866 | \$687,853 |
| Less: | | | | |
| Cost of Sales | \$34,642 | \$32,176 | \$31,310 | \$35,615 |
| Facility Operating Expense | \$484,152 | \$463,923 | \$455,093 | \$502,328 |
| Debt Service | \$18,527 | \$37,990 | \$66,628 | \$48,371 |
| CIP | \$0 | \$0 | \$0 | \$18,977 |
| Forest Dale Net Income | \$100,316 | \$71,728 | \$29,835 | \$82,562 |
| Source: Salt Lake City Golf Division. | | | | |

Other summary points from NGFC regarding the Forest Dale GC include:

- Forest Dale GC appears to be performing appropriately for a modestly-priced, in-city 9-hole public golf course.
- The location in a residential section of Salt Lake City and proximity to I-80 gives Forest Dale strong advantage for a facility of this type to achieve stronger-than-standard economic performance.
- Utility expenses are higher than standard, mostly a reflection of the cost of water for irrigation. This line item is particularly problematic not just for the high cost, but for the high variance from year-to-year making planning difficult.

NGFC Recommendations – Forest Dale Golf Course

Forest Dale is a great example of a high quality 9-hole course with a great location, rich history and a loyal following. However, NGFC did observe that conditions may be beginning to decline due to recent budget/labor reductions. The most important of these is the condition of the greens, which are the worst in the SLC Golf Division. NGFC offers a warning that the greens condition at Forest Dale is such that “Band-Aid” fixes may not continue to work and the greens

could ultimately be lost entirely. While Forest Dale has operational and marketing challenges similar to other Salt Lake City Golf courses, maintaining the high quality physical condition of this golf facility will be a key to making the marketing efforts successful.

The NGFC recommendations for Forest Dale are designed to improve its economic performance primarily through physical upgrades and enhanced marketing. The fee structure should always be such that Forest Dale presents a good quality, low priced alternative for Salt Lake City golfers, with fees below that of the 18-hole course but still higher than Nibley Park.

Forest Dale Recommendations

- The City should commit to an effort to return this course and clubhouse to a classic, Golden Age golf experience by rebuilding features reminiscent of those of the 1920s-30s, establishing it as one of the best 9-hole course in the Western U.S.
- NGFC recommends the physical upgrades identified for Forest Dale be completed, but done over a period of several years. The highest priority upgrades to be undertaken as soon as is reasonable include:
 - Complete the plan for irrigation upgrade and change to secondary water source;
 - Replace and upgrade the greens
 - Repair the pond shoreline
 - Upgrade the maintenance facility and add restrooms; and
 - Complete the program to improve the drainage ditches.
- NGFC recommends no adjustments in fees for 2014 as Forest Dale already has an appropriate niche in fees. The NGFC recommended “non-resident” rate program for non-Salt Lake City golfers should not apply to Forest Dale (more in system recommendations).

Summary – Forest Dale Golf Course

Given its location, NGFC expects that Forest Dale will be able to generate rounds activity that is at least as strong as any other 9-hole golf course in this market area. The concern from NGFC is that the City will view the lower revenues associated with a 9-hole operation as a reason to reduce expense budgets, putting the quality of the product (greens) even more at risk. The facility is such that it needs some upgrade to make it more appealing, and it may take several years to complete all the upgrades that NGFC sees as necessary.

As-Is Economic Performance

The estimates in this section show Forest Dale’s performance at various rounds played totals (worst case, ‘as-is,’ modest growth and best case), assuming a continuation of the existing 2013 operation (‘as-is’). The table shows that Forest Dale GC can be profitable, even at low activity. If this facility can grow to 50,000 rounds, then net income before other charges is expected to exceed \$107,000. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

| Forest Dale Golf Course Estimated City Economic Performance at Various Rounds Totals | | | | |
|---|-------------------|------------------|------------------|------------------|
| Revenue/Rounds | 35,000 | 40,000 | 45,000 | 50,000 |
| Green Fees | \$350,000 | \$400,000 | \$450,000 | \$500,000 |
| Carts | 113,800 | 130,000 | 146,300 | 162,500 |
| Merchandise | 43,800 | 50,000 | 56,300 | 62,500 |
| Other | 17,500 | 20,000 | 22,500 | 25,000 |
| Total Revenue | \$529,700 | \$605,200 | \$681,000 | \$756,500 |
| Direct Cost of Sales (Merch.) | \$28,700 | \$32,800 | \$36,900 | \$41,000 |
| Expenses: | | | | |
| Total Personnel Services | \$300,000 | \$310,000 | \$325,000 | \$340,000 |
| Operating & Maint. Supply | 60,000 | 70,000 | 80,000 | 90,000 |
| Water Expense | 55,000 | 55,000 | 55,000 | 55,000 |
| Other Utilities | 14,000 | 16,000 | 17,000 | 18,000 |
| Other Charges and Services | 90,000 | 95,000 | 100,000 | 105,000 |
| Total Expense | \$519,000 | \$546,000 | \$577,000 | \$608,000 |
| Net Income Before Capital, City Charges and Deprec. (Loss) | (\$18,000) | \$26,400 | \$67,100 | \$107,500 |

NGFC Projections 2014-2018

The cash flow model for Forest Dale projects the economic performance of Forest Dale in the next five years considering the continued operation of the facility as a better-quality 9-hole golf course with limited upgrades until 2017. Base assumptions in preparing this financial performance estimate include:

- The overall economic condition remains stable, without any sizable increase or decrease in Salt Lake City area regional economy, employment, or visitation.
- NGFC assumes 40,000 rounds in 2014, with growth to 45,000 rounds in 2015 to reflect enhanced use while Bonneville is closed for renovation. After Bonneville re-opens, Forest Dale hosts 42,000 rounds in 2016. NGFC assumes the course closure for three months in golf season for a greens renovation and then rounds peaking at 46,000 after re-opening.
- Average green fee revenue per round is based on the assumption that NGFC recommended changes to fees are adopted, including no changes at Forest Dale. NGFC has also assumed a modest 1% increase in fees every other year through 2018.
- Other revenue items such as carts, merchandise and ancillary revenue are expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases. A more aggressive lesson program is assumed beginning in 2016.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Traditional debt service and CIP is assumed to continue.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Forest Dale Golf Course Projected Economic Performance with NGFC Recommendations | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | No Capital | Minor Projects | Minor Projects | New Greens | Other |
| Rounds | 40,000 | 45,000 | 42,000 | 32,000 | 46,000 |
| Revenue | | | | | |
| Net Green Fees | \$400,000 | \$450,000 | \$424,200 | \$336,000 | \$494,500 |
| Cart Fees | 130,000 | 147,700 | 139,200 | 107,200 | 155,600 |
| Lessons | 0 | 0 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 5,200 | 5,900 | 5,500 | 4,200 | 6,000 |
| Merchandise | 50,000 | 57,400 | 54,600 | 42,400 | 62,200 |
| Other | 20,000 | 22,500 | 21,000 | 16,000 | 23,000 |
| Total Revenue | \$605,200 | \$683,500 | \$652,500 | \$514,800 | \$751,300 |
| Less: Direct Cost of Sales | \$32,800 | \$37,700 | \$35,800 | \$27,800 | \$40,800 |
| Gross Margin | \$572,400 | \$645,800 | \$616,700 | \$487,000 | \$710,500 |
| Operating Expenses: | | | | | |
| Total Personnel Services | \$310,000 | \$322,400 | \$335,300 | \$260,000 | \$360,000 |
| Operating & Maint. Supply | 80,000 | 83,200 | 86,500 | 60,000 | 90,000 |
| Water Expense | 55,000 | 57,200 | 59,500 | 50,000 | 65,000 |
| Other Utilities | 14,000 | 14,600 | 15,200 | 15,800 | 16,400 |
| Other Charges and Services | 100,000 | 104,000 | 108,200 | 85,000 | 110,000 |
| Total Operating Expense | \$559,000 | \$581,400 | \$604,700 | \$470,800 | \$641,400 |
| Net Operating Income after Expense (Loss) | \$13,400 | \$64,400 | \$12,000 | \$16,200 | \$69,100 |
| CIP | \$40,000 | \$45,000 | \$42,000 | \$32,000 | \$46,000 |
| Historic Debt | \$48,400 | \$0 | \$24,200 | \$24,200 | \$24,200 |
| New Debt | | \$0 | \$0 | \$0 | \$0 |
| Net Operating Income after Debt (Loss) | (\$75,000) | \$19,400 | (\$54,200) | (\$40,000) | (\$1,100) |

ANALYSIS OF WINGPOINTE GOLF COURSE

Wingpointe Golf Course is an 18-hole links-style championship golf facility that is the newest addition to the SLC Golf Division, developed in 1990. Wingpointe is also the most acclaimed of the City's golf courses, as *Golfweek* magazine has ranked Wingpointe among the top municipal courses in the U.S., and Wingpointe has been in the top 30 on multiple occasions. Wingpointe is continually ranked among the top courses in Utah by *Golfweek* and others. The Wingpointe design is credited to Arthur Hills and Keith Foster. Although the course is not a true "links," the course is designed and constructed to emulate a links layout with native grasses, bump-and-run type shots and few trees or vegetation other than the bordering native grasses.

The property on which the Wingpointe GC sits is owned by the SLC Airport. The future of Wingpointe is uncertain based on decisions to be made by the Salt Lake City Airport Board concerning land uses. Some of these decisions, which are pending, may involve FAA regulations regarding how land at the airport can be used based on revenue returned to the City. Given the uncertainty of the future of Wingpointe, planning for the future of this facility can be difficult. The NGFC team has developed a plan for the property that we believe could help to increase revenue, and the City will have to decide on implementation based on the future of this golf course. Our team has identified certain improvements should be made if it is determined that the golf will remain open. In summary, there are three outcomes we see for Wingpointe:

1. Closure of the facility
2. Reconfiguration under the conceptual plan (for enhanced revenue to the City)
3. Improvements to the existing facility (should continuation be determined and significant enhanced revenue is not a factor)

Location, Access and Surrounding Elements

Wingpointe GC has a unique location at the southern end of the Salt Lake City International Airport (SLC), and in the northwest section of Salt Lake City. Wingpointe GC is a true "airport golf course" situated on property wholly owned by SLC. The course is bisected by Terminal Dr. with 13 holes to the east of the roadway (1-11, 17-18) and five holes to the west (12-16), all connected by a tunnel under Terminal Dr.

Access to the golf course is provided via the Bangerter Highway/Terminal Dr., which provides direct airport access from I-80 at the golf course site. However, although clearly visible from both I-80 and Terminal Dr., the golf course is not directly accessible from the highways and a turn onto N. 3700 W. is required to get to the facility and signage on this turn is not clear. In all, the site is generally convenient to access and is in proximity to several elements that can help generate activity, such as the airport and local hotels and businesses. This facility is expected to function as a "destination-type" golf facility, with strong potential demand coming from golfers living beyond the standard public golf course drive time of approximately 20 minutes. Further, it appears that this location in the valley and close to the Great Salt Lake provides for a slightly milder climate than other areas of the Salt Lake metro area, thus allowing for a slightly longer golf season and greater activity/rounds potential (more later in this section).

Wingpointe Surrounding Elements

The immediate area around Wingpointe GC is dominated by the proximity to SLC and the airport-related industries and services. This has implications for the golf course as almost all activity at Wingpointe is expected to come from well beyond a "traditional" local market. Other key area findings with implications for golf course demand include:

- There are no residential units within one mile of Wingpointe GC.

- Within 10 miles, demographics show younger and lower income residents, with 54% of the households earning below \$50,000 annually.
- Wingpointe is surrounded by industrial and manufacturing businesses located in the *International Center* directly west of the airport, as well as several other industrial and manufacturing businesses located on the South side of I-80.
- There are six hotels located on the east side of the airport (west of I-80), and 16 hotels on the west side of the airport, all in immediate proximity to Wingpointe GC.
- The average daily traffic count for I-80 at Terminal Drive was 58,775 autos and at Terminal Drive at I-80 was 13,565 in 2011.

Golf Course Review

Wingpointe GC is a newer public golf facility that was designed and built to be operated as a high end public golf facility, although the City appears to be operating Wingpointe much the same as the other 18-hole courses in the system. Wingpointe GC is also longer and harder than the other courses in the system, which may limit its appeal to the broadest segment of golfers. This can be a weakness, but can also be a strength if the City were to consider changing the operation to reflect more of a destination-type golf experience (more later in this report). A summary of the golf course follows:

- 7,200-yard, Par 72 Regulation Course
- 5,200-yard to 7,200-yard Flexibility
- (2) Practice Greens
- Full-length practice range
- c. 1990s Clubhouse with limited group space
- Small restaurant area with snack bar-type service and kitchen
- Cart Storage (below)
- Associated Offices for facility administration

Summary of NGFC Observations

The NGFC inspection of Wingpointe GC led to the following observations, many of which represent key property deficiencies and issues that could be improved to improve overall economic performance. A summary of the NGFC review of Wingpointe includes:

Arrival/Entry

- Directional signage to the facility through the airport property is virtually non-existent until after required turns need to be made.
- Directional signage should be larger, more prominent and more numerous
- Refuse area needs screening.
- Sand and gravel bins need to be installed so parking lot is not used.

Clubhouse

- Clubhouse is in need of repairs (roofing, paint exterior, new carpet, interior painting, new tile in restrooms, new restroom fixtures/countertops).
- Building lacks meeting and event space beyond the restaurant space
- Kitchen facilities are limited.
- Cart storage needs upgrades (ventilation, new overhead door, lighting, chemical storage).

Practice Facilities

- Short game practice is limited.

Golf Course

- Irrigation control/layout does not permit isolated watering.
- Many areas of native grass are too dense and thick; these areas affect pace and play (these areas need to be changed to reduced watering through irrigation layout changes).
- Water use relies on potable water and should be converted to a secondary source.
- Bunkers need rebuilding to overcome deferred maintenance issues (poor drainage, sand consistency, adherence to a style).
- Some areas of turf are in decline as a result of poor soils.
- Cart paths need repair throughout.
- Drainage is insufficient in some areas.
- Golfers express concerns about mosquitos in summer.
- The pond shorelines are deteriorating and need to be restored and reinforced.
- Signage and course furnishings need to be upgraded.
- Damaged rain shelters need to be removed.

Golf Course Playability

- Par-72 layout with open holes, a lot of water hazards and no tree cover.
- The greens are modern design with some undulation adding to the playing challenge.
- The course has four sets of tees (Black, Blue, Silver, Gold), with the longest measuring 7,185 yards and a USGA slope rating of 130 (much harder than the USGA median slope rating of 117). The most forward tee measures 5,228 with a slope rating of 113, or slightly easier than the “standard.”
- The most forward tee is commonly associated with a “ladies” tee, and the length of greater than 4,800 yards can serve to minimize the appeal in the female segment.

Maintenance Facility

- Facility is ill-situated to the golf course – requires FAA access through a controlled gate and is too far from the golf course.
- Sand and gravel is routinely dumped in the parking lot as a result of poor access.
- Provide safety required items.
- Remove unused equipment.

Marketing & Branding

- The course is not differentiated enough from other City golf facilities.
- Marketing to airport workers and nearby businesses is underplayed.
- Marketing to airport passengers is underplayed.
- The “links” nature of the course should be more fully communicated, along with credit to Keith Foster, the primary designer.

Summary

Wingpointe GC offers a unique public golf experience that is vastly different from the other courses in the metro area and other courses in the SLC system. Also, there is nothing inherent in the design of the golf course that would serve to limit its market appeal, although NGFC has

observed that the unique “links-style” design has a more narrow appeal to a smaller segment of golfers. There is also the issue of how much longer this site will remain a golf course, potentially affecting the overall planning for the future of this facility. As noted, the NGFC team has reviewed three distinct options (Closure, Reconfiguration and/or Improvement) so the City can select what approach to take at Wingpointe.

NGF Consulting feels strongly that the City and Salt Lake City Airport Board consider heavily the potential value to the airport and the City that Wingpointe brings. A highly ranked course near a major airport can have the following revenue benefits:

- Direct revenue generated from golf operations
- Indirect revenue generated based on its amenity to airport passengers
- Economic development to area “aviation” businesses
- Indirect revenue to area “airport” hotels

The golf course playing area is in good condition with normal signs of age. Most deferred maintenance is focused on isolated items such as bridge planks, signage, bunker work and cart paths. The most costly item to address is likely adjustment of the irrigation system, although this investment would save water and cost, and it will make the layout much more playable without dense, overgrown grass areas.

The clubhouse needs certain upgrades to finishes and the cart storage area locate below the main building. If the City decides to continue operating the course without major reconfiguration, then a pavilion area and enclosure of the existing patio to should be considered as a way of attracting groups of 180-220 people.

Relocation of the maintenance facility should be considered as a long term improvement if the City opts to continue operating the course. This would have the effect of reducing travel time for maintenance staff getting to and from the golf course. Staff must now travel as much as 1.6 miles to reach the most distant area of the course from their facility.

Rain/Wind shelters should not, in our opinion, be rebuilt. The golf course offers multiple points to seek shelter. These include the on-course restroom and tunnel under the airport entrance. Additionally, carts with enclosures can be easily configured and rented at a premium on days when rain or wind appears likely.

Wingpointe Facility Physical Upgrade Recommendations

Wingpointe GC appeared to have a well-maintained golf course at the time of the NGFC visit in September 2013. NGFC expects that Wingpointe will have maintenance requirements at the highest level in SLC golf, due to the higher quality nature of the offering. It is of great importance that maintenance at Wingpointe be efficient, both in total labor, utilities, and supplies.

The overall condition of the Wingpointe GC property is good. Given the relatively recent (23 years) development of the golf course, all infrastructure is clearly within its expected useful life (see **Appendix C**). In looking to the future, some items should be considered for upgrade at Wingpointe, mostly related to improving irrigation efficiency, bunkers and cart paths/bridges. In identifying potential upgrades to Wingpointe the uncertain future has been considered and thus our recommendations divided into two categories: (1) Improvements to the existing facility assuming continuation of the current program; and (2) Reconfiguration under a new conceptual plan for enhanced revenue to the City.

Recommended Improvements to the Existing Facility (Option 1)

The base level of physical improvements recommended for Wingpointe, presented in order of NGFC recommended priority:

1. **Irrigation Improvements** – Work in conjunction with Siemens to fully implement the secondary water source program. **NGFC Estimated cost = \$150,000 to \$160,000.**
2. **Cart Path Repairs** – Program to improve/smooth cart paths throughout golf course. **NGFC Estimated cost = approximately \$30,000 to \$40,000.**
3. **Drainage Upgrade**– Make immediate upgrades associated with drainage of site. **NGFC estimates \$10,000 to \$15,000 for the project.**
4. **Turf Remediation / Conversion** – Program to improve turf condition throughout golf course. **NGFC Estimated cost = approximately \$15,000 to \$20,000.**
5. **Event Pavilion** – Wingpointe GC would benefit greatly from the addition of a new event pavilion capable of hosting at least 100 persons (perhaps up to 150). This could be located on space east of the clubhouse between the parking lot and driving range. NGFC envisions a fully covered pavilion with amenities such as ceiling fans and built-in barbecue grill. **NGFC Estimated cost = \$150 per sf = \$180,000 - \$210,000 for 1,200 to 1,400 sf (incl. ‘soft’ costs for development).**
6. **Pond Shoreline Upgrade**– Make immediate upgrades associated with ponds and shorelines. **NGFC estimates \$35,000 to \$45,000 for the project.**
7. **Signage Upgrade**– Make immediate upgrades associated with signage to and around the facility, with facility theming (more later) emphasized. **NGFC estimates \$15,000 to \$25,000 for the project.**
8. **Bunker Enhancements** – Improve all the bunkers on the golf course. **NGFC estimates approximately \$220,000 to \$260,000 for the project.**
9. **Clubhouse/Cart Storage** – Make basic clubhouse improvements (roofing, paint exterior, new carpet, interior painting, new tile in restrooms, new restroom fixtures/countertops) and enhance the cart storage facility (ventilation, new overhead door, lighting, chemical storage). **NGFC Estimated cost = \$155,000 to \$175,000.**

| Wingpointe Golf Course Needed Physical Improvements (Option 1) | | |
|---|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Irrigation Improvements | \$150,000 | \$160,000 |
| Cart Path Repairs | 30,000 | 40,000 |
| Drainage Upgrade | 10,000 | 15,000 |
| Turf Remediation/Conversion | 15,000 | 20,000 |
| Event Pavilion | 180,000 | 210,000 |
| Pond Shoreline Upgrade | 35,000 | 45,000 |
| Signage Upgrade | 15,000 | 25,000 |
| Total Primary Wingpointe Upgrades | \$435,000 | \$515,000 |
| Optional “Secondary” Upgrades | | |
| Bunker Enhancements | \$220,000 | \$260,000 |
| Clubhouse / Cart Storage | 155,000 | 175,000 |
| Total Wingpointe Upgrades | \$810,000 | \$950,000 |

New Conceptual Consideration (Option 2)

Assuming the City is committed to the longer term continuation of Wingpointe as a top quality golf course facility, the City can consider another course of action designed to significantly upgrade the site into a destination resort-type facility. **The program would call for a minor reconfiguration of the golf course to provide space for a 150-room Airport Hotel** and major conference center (see Conceptual Plan **Appendix A**). We refer to the Airport Hotel as the “SLC Conference Center & Hotel.” This approach would likely ensure a marked increase in revenue from the site.

NGF Consulting recommends a formal land planning and financial feasibility study be undertaken should the City determine that this option may be worthwhile for the long term improvement of Salt Lake City Airport amenities and use. The conceptual plan prepared by NGFC assumes that the general site of the existing clubhouse, if retained to a 36-foot height, would be commensurate with aviation operations at Salt Lake City Airport. Obviously this assumption needs to be verified.

The cost for course reconfiguration to facilitate the hotel site would be as follows:

| Wingpointe Golf Course Major Renovation Consideration (Option 2) | | |
|---|---------------------------|----------------------------|
| Highest Priority Items | Low Estimated Cost | High Estimated Cost |
| Golf Course Reconfiguration | \$575,000 | \$600,000 |
| Golf Course Improvements | 550,000 | 575,000 |
| Clubhouse / Cart Storage | 155,000 | 175,000 |
| Clubhouse Expansion | 625,000 | 650,000 |
| Soft Costs (fees, permits, etc.) | 170,000 | 200,000 |
| Total Primary Wingpointe Upgrades | \$2,075,000 | \$2,200,000 |

Operations and Staffing

Wingpointe GC is presently operated by the SLC golf enterprise, with all staff employed by Salt Lake City Golf. The only exception to this is the food and beverage service that is provided via contract with Classic Foods, LLC. Key terms of this agreement are shown below:

Food and Beverage Concession

| | |
|-------------------------|---|
| Agreement with: | Classic Foods, LLC |
| Product/Service: | Exclusive right to operate F&B in restaurant and snack bar; may install and operate vending machines and other coin-operated devices; and operate beverage/snack cart when 100 or more golfers are on the course |
| Term: | Original agreement ended December 31, 2012, and has been extended for one year through December 31, 2013 |
| Pricing: | <u>Original Agreement</u> Concessionaire paid 11% of gross sales in year two, 12% year three, and 13% years four and five <u>One-year Extension</u> 10% of gross sales in 2013 (half of which is for past-due balance owed to City) until paid in full |

Staffing

The reported staff at Wingpointe includes five full-time positions and an additional 18 part-time positions (6 in maintenance and 12 in pro shop operations). Part-time workers work a variety of hours ranging from only 4 or 5 hours per week, up to 46 hours per week. The overall staff at Wingpointe equates to 11.6 FTE's and is summarized below:

| Wingpointe Golf Course Facility Staffing 2013 | |
|---|--------------|
| Pro Shop Employees | |
| Head Golf Professional | FT = 1.0 FTE |
| Assistant Golf Professional | FT = 1.0 FTE |
| Additional Seasonal Golf Staff (12 positions avg. 10 hrs/week) | PT = 3.0 FTE |
| Golf Course Maintenance Employees | |
| Superintendent | FT = 1.0 FTE |
| Assistant Superintendent | FT = 1.0 FTE |
| Maintenance Worker | FT = 1.0 FTE |
| Additional Seasonal Maint. Staff (6 positions avg. 24 hrs/week) | PT = 3.6 FTE |

The “standard” golf facility in the U.S. with seasonal climates (8 to 10-month golf season) employed a total of 20 FTE personnel in 2012, with 11 in golf maintenance, 6 in pro shop/operations and another 3 for clubhouse/F & B. This level of staffing represents a reduction from 2009 figures (see next chapter on norms). Based on the NGFC review of the Wingpointe GC staffing, and in comparison to golf industry norms, it appears that Wingpointe GC is operating with a staff that is well below industry standards and barely sufficient to sustain operations.

Food and Beverage Operations

The food and beverage operation at Wingpointe GC is consistent with a small snack bar operation that is the “standard” for a public golf course operation, serving the basic concession needs of golfers in an efficient and convenient fashion, but with limited ability to expand the menu and/or host larger events and parties.

The “typical” food and beverage concession at public golf courses produces approximately \$6.10 per round, including banquets (see next chapter), with approximately 40% cost of sales and three FTE for the operation. The result is total net earnings on F & B for public golf courses falling close to 10% of revenue at best. As the City’s agreement with Classic Foods calls for payment to the City of 11% to 13% of gross sales, the agreement looks to be appropriate.

In summary, NGFC believes that the food and beverage operation at Wingpointe is limited, and that it is likely that improvements to the kitchen facilities at Wingpointe would lead to increases in both direct revenue (increase F & B sales) and indirect revenue (increased rounds of golf). These improvements would not be a high priority at Wingpointe, especially in light of the uncertainty about the future of the property.

Facility Performance and Data Analysis

Wingpointe is a public/resort golf course generating the vast majority of its revenue totals from green and cart fees. The following paragraphs summarize the facility’s activity (rounds), revenue and expenses required to maintain the facilities and service customers.

Activity Levels

The tables below show reported rounds at Wingpointe since 2009. We note that over this timeframe Wingpointe has experienced a steady decline, falling from over 66,800 9-hole rounds in FY2009 to under 59,000 rounds in FY2012. Staff reports some decline related to rumors that the facility is closing, as well as irrigation issues and dry conditions. There are also immediate effects of a recession in late calendar year 2008, and other weather events. The winter of 2012 was unseasonably warm, allowing for increased rounds at other SLC golf courses, but not adding much to Wingpointe. In reviewing the rounds totals by month, NGFC notes a distinct difference with Wingpointe GC rounds activity as compared to other SLC courses. While Wingpointe still has a peak of activity in the May through September summer, the “shoulder” season at Wingpointe is longer and there is a much higher volume of December, January and February play than any of the other SLC courses.

| Wingpointe Golf Course Rounds by Month (FY2008-2013*) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | % of Total |
| January | 1,526 | 671 | 1,720 | 2,006 | 0 | 2.4% |
| February | 3,013 | 1,710 | 1,858 | 2,828 | 0 | 3.9% |
| March | 4,092 | 4,445 | 3,019 | 4,411 | 4,960 | 6.6% |
| April | 6,014 | 5,689 | 4,830 | 5,976 | 5,915 | 9.3% |
| May | 9,110 | 7,696 | 6,946 | 7,336 | 6,589 | 12.8% |
| June | 8,613 | 7,777 | 7,047 | 7,734 | 6,873 | 12.9% |
| July | 8,646 | 7,257 | 7,991 | 6,030 | 5,877 | 12.3% |
| August | 8,646 | 6,953 | 7,991 | 7,078 | 7,356 | 12.6% |
| September | 7,561 | 7,388 | 7,215 | 7,078 | 0 | 12.1% |
| October | 5,273 | 5,533 | 5,389 | 4,817 | 0 | 8.7% |
| November | 4,091 | 2,262 | 2,201 | 2,876 | 0 | 4.7% |
| December | 296 | 1,121 | 1,906 | 821 | 0 | 1.7% |
| Total | 66,881 | 58,502 | 58,113 | 58,991 | 37,570 | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

| Wingpointe Golf Course Rounds Played by Type (2009-2013*) | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|------------------------------|-----------------------|
| Type | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average | % of Total |
| Rack Rate | 50,088 | 39,038 | 32,187 | 34,051 | 20,371 | 38,841 | 54.2% |
| Discount | 13,586 | 16,002 | 21,826 | 20,653 | 14,054 | 18,017 | 37.4% |
| Pass | 3,207 | 3,462 | 4,100 | 4,287 | 3,145 | 3,764 | 8.4% |
| Total 9-Hole Rounds | 66,881 | 58,502 | 58,113 | 58,991 | 37,570 | 60,622 | 100.0% |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Capacity

Current rounds at Wingpointe are slightly lower than, but within the norms for, public 18-hole golf facilities operating within Salt Lake City Metro region. Based on Wingpointe’s market positioning, location, and quality, NGF Consulting has estimated a reasonable number of expected yearly 9-hole rounds activity of about ±85,000 to ±90,000 rounds in a good weather year, or an amount that is the highest in the SLC system, although the City should not expect rounds totals to be much higher than 60,000 to 65,000 9-hole rounds annually.

Revenue Analysis

NGF Consulting's review of performance shows that Wingpointe has experienced the 2010 and 2011 decline in revenue that several of the other SLC courses have experienced, with close to 8% growth to over \$1.18 million in FY2012. When compared to industry averages (see next chapter), we see that Wingpointe is operating with revenues that are higher than the average for 'Standard' courses (under \$40 green fee). The U.S. average revenue for Standard public golf courses was \$1,047,000 (18 holes) in 2012, inclusive of all facility revenue.

| Wingpointe Golf Course Total Gross Revenue – 2009-2013* | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$688,018 | \$643,548 | \$606,099 | \$692,131 | \$612,555 | \$657,449 |
| less rain checks | (11,032) | (10,518) | (10,001) | (7,878) | (5,159) | (9,857) |
| Cart Fees | 265,942 | 235,588 | 222,195 | 241,647 | 191,456 | 241,343 |
| Driving Range | 49,349 | 44,777 | 35,197 | 37,658 | 33,626 | 41,745 |
| Lessons | 3,050 | 6,225 | 9,315 | 6,995 | 2,565 | 6,396 |
| Other Rentals | 12,932 | 12,974 | 13,390 | 13,496 | 9,405 | 13,198 |
| Merchandise | 182,062 | 177,092 | 178,903 | 176,104 | 158,272 | 178,540 |
| Other | 5,237 | 2,450 | 2,741 | 3,751 | 1,609 | 3,545 |
| F & B Lease | 15,533 | 21,878 | 13,771 | 17,044 | 8,834 | 17,057 |
| Total Revenue | \$1,211,091 | \$1,134,014 | \$1,071,610 | \$1,180,948 | \$1,013,163 | \$1,149,416 |
| Annual % Change | | -6.4% | -5.5% | 10.2% | -14.2% | |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Average Revenue Analysis

The total average revenue earned per 9-hole round of golf played in 2012 totaled \$20.02. We note this estimate is based on the 9-hole round counting system employed by SLC golf, making comparison to national "standards" difficult. The average for Standard public golf courses in the U.S. was \$23.51 for total golf revenue per round (start), plus an additional \$9.70 in ancillary spending (food, beverage + merchandise – see next chapter).

| Wingpointe Golf Course Average Revenue per Round 2009 – 2013* | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|------------------------------|
| Rounds | 66,881 | 58,502 | 58,113 | 58,991 | 37,570 | 60,622 |
| Revenue | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Net Green Fees | \$10.29 | \$11.00 | \$10.43 | \$11.73 | \$16.30 | \$10.85 |
| Cart Fees | \$3.98 | \$4.03 | \$3.82 | \$4.10 | \$5.10 | \$5.10 |
| Driving Range | \$0.74 | \$0.77 | \$0.61 | \$0.64 | \$0.90 | \$0.69 |
| Lessons | \$0.05 | \$0.11 | \$0.16 | \$0.12 | \$0.07 | \$0.11 |
| Other Rentals | \$0.19 | \$0.22 | \$0.23 | \$0.23 | \$0.25 | \$0.22 |
| Merchandise | \$2.72 | \$3.03 | \$3.08 | \$2.99 | \$4.21 | \$2.95 |
| Other | \$0.08 | \$0.04 | \$0.05 | \$0.06 | \$0.04 | \$0.06 |
| F & B Lease | \$0.23 | \$0.37 | \$0.24 | \$0.29 | \$0.24 | \$0.28 |
| Total Revenue | \$18.11 | \$19.38 | \$18.44 | \$20.02 | \$26.97 | \$20.08 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Expense Analysis

Basic expenses to operate and maintain the course totaled just over \$899,000 in 2012, plus an additional \$122,000 for direct cost of merchandise sold (not an expense). The trend for the facility has been relatively steady, with the largest increase occurring in the current FY2013. The expenses to maintain this facility are lower-than-average for standard public golf courses in the nation (average 18-hole facility = \$997,200 in expenses for golf facility operations excluding COS).

| Wingpointe Golf Course Total Operating Expenses – 2009-2013* | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013* | 2009-2012 Average |
| Direct Cost of Sales | \$154,150 | \$119,849 | \$142,829 | \$122,114 | \$139,540 | \$134,736 |
| Operating Expenses | | | | | | |
| Total Personnel | \$460,509 | \$466,304 | \$470,653 | \$476,633 | \$486,739 | \$472,168 |
| Op. & Maint. Supply | 96,028 | 76,041 | 72,005 | 79,057 | 103,698 | 85,366 |
| Water Expense | 215,112 | 148,489 | 168,154 | 197,521 | 217,382 | 189,332 |
| Other Utilities | 15,226 | 12,336 | 22,173 | 25,130 | 24,276 | 19,828 |
| Other Chgs. + Svcs. | 97,115 | 149,534 | 148,394 | 120,831 | 103,370 | 123,849 |
| Capital Expenditures | 3,470 | 59,186 | 7,256 | 0 | 1,999 | 14,382 |
| Other / Misc. | 300 | 0 | (1) | 0 | 2 | 60 |
| Total Operating Expense | \$887,760 | \$911,890 | \$888,634 | \$899,172 | \$937,466 | \$904,984 |
| Combined Total Facility Expense | \$1,041,910 | \$1,031,739 | \$1,031,463 | \$1,021,286 | \$1,077,006 | \$1,039,720 |
| Total CIP | \$0 | \$0 | \$0 | \$26,029 | \$43,566 | \$0 |

Source: Salt Lake City Golf Division. *First 10 months of FY2013.

Direct Expense Findings

The two key expense categories of labor and non-labor expenses at Wingpointe are compared to the industry averages in the following table:

| Industry | Indicator | Wingpointe GC | Total 2012 |
|-----------------|----------------------|----------------------|-------------------|
| 50% | Labor | 53.0% | \$476,633 |
| 5% | Utilities | 24.8% | \$221,651 |
| 45% | All other Expenses | 22.2% | \$199,888 |
| | Total Expense | | \$899,172 |

Source: Salt Lake City Golf Division and NGFC.

Wingpointe Golf Course Operations Summary

Wingpointe generated just over \$1.18 million in revenue for the City in 2012, up almost 8% over 2011. The total expense to maintain the golf course is just over \$1.09 million (including cost of sales and interest), an amount that appears appropriate for an 18-hole facility. The basic summary of the Wingpointe golf operation financial position from the City perspective and before other items (depreciation and internal charges) are considered is shown in the table that follows:

| Wingpointe Golf Course Summary of Operations 2009 – 2012 | | | | |
|---|------------------|-----------------|-------------------|-----------------|
| Wingpointe | 2009 | 2010 | 2011 | 2012 |
| Total Facility Revenue | \$1,211,091 | \$1,134,014 | \$1,071,610 | \$1,180,948 |
| Less: | | | | |
| Cost of Sales | \$154,150 | \$119,849 | \$142,829 | \$122,114 |
| Facility Operating Expense | \$887,760 | \$911,890 | \$888,634 | \$899,172 |
| Debt Service | \$31,977 | \$72,539 | \$100,921 | \$68,944 |
| CIP | \$0 | \$0 | \$0 | \$26,029 |
| Wingpointe Net Income | \$137,204 | \$29,736 | (\$60,774) | \$64,689 |
| Source: Salt Lake City Golf Division. | | | | |

Other summary points from NGFC regarding the Wingpointe GC include:

- Wingpointe GC appears to be underperforming somewhat, most likely due to its location and the lack of any immediate residential market. Wingpointe is functioning as a destination golf property, relying on non-local play for its activity.
- This location also gives Wingpointe a strong advantage for a destination golf course, as it is able to tie in directly with the SLC Airport and local airport hotels. While some enhancement of facilities may help to improve marketability, most of the efforts for this facility will center around enhancing its marketing and awareness and increasing efforts to tie in with airport hotels.
- Although the labor / non-labor mix appears to be in line with industry standards, utility expenses are much higher than standard, mostly a reflection of the cost of water for irrigation. This line item is particularly problematic not just for the high cost, but for the high variance from year-to-year making planning difficult. The high cost of water at Wingpointe has also led to reductions in other non-labor expenses such as repairs and maintenance, applications and small projects.

NGFC Recommendations – Wingpointe Golf Course

The NGFC recommendations related to the Wingpointe GC are somewhat dependent on the ultimate determination of the future of this facility continuing as a golf course. As the operation of this property is uncertain, planning for the future of the property presents a challenge. The NGFC team has identified two levels of physical upgrades that could potentially lead to improved economic performance: (1) minor existing facility improvements requiring modest investment; and (2) a major conceptual change to the property requiring substantial investment.

Wingpointe GC is at the very top of the SLC Golf Division in terms of golf course quality, and it has some locational advantages with direct proximity to the airport. However, to be successful as a destination golf property the facility has to meet a certain standard of quality and maintenance that is possible at Wingpointe, but not presently achieved. Further, to be successful in its operation, Wingpointe GC will need to improve its marketing and promotion and take active steps to enhance awareness of the golf course in the SLC airport community (passengers, crew, hotels, etc.).

Given this, the NGFC recommendations for Wingpointe to improve its economic performance center around adjusting the facility to be operated more toward the higher-end of the golf market, focusing on visitors, tournaments, area hotels, and corporations. The City should also

work to make adjustments in marketing to enhance the awareness of the facility as an ideal location for these segments, as opposed to just another municipal golf course in SLC system.

Wingpointe Recommendations

- Establish the short-term and long-term future of this property. If the course is expected to remain in operation for at least five more years, then the City should undertake study to explore the possibility of switching to a secondary water source at this location.
- Enhance the direct marketing of the facility, with specific focus on the SLC Airport and surrounding hotels. Enhance the separate web-page for Wingpointe that focuses on the unique (for this area) links-style golf course, the proximity to the airport and the ideal site for tournaments and outings. Make sure to add photos of the Wingpointe facility to both the overall Salt Lake City Golf webpage and the pages assigned for Wingpointe. Photos should show the high quality of the Wingpointe golf course and clubhouse.
- In addition to web marketing, the continued and expanded production of facility-specific printed materials and advertisements is also recommended. Additional activities such as direct selling and placement of materials in hotel lobbies and individual hotel rooms. Work directly with airport area hotel managers to coordinate golf activity among hotel guests.
- Consider changing the name of the golf course to: WINGPOINTE GOLF LINKS to reinforce the links-style of the highly ranked course.
- Wingpointe GC should always make sure to have high quality rental golf club sets available and include notice of this availability in advertising and on the website.
- NGFC recommends no adjustments to the fee structure at Wingpointe, until upgrades are completed. After the completion of some upgrades, NGFC would place Wingpointe GC at the higher end of the system, with its highest peak weekend green fee for non-residents at \$39.00 (\$53 with cart). From this highest fee, there would be several discounts for weekdays, seniors, juniors, and twilight. NGFC also recommends considering a “non-resident” rate for non-Salt Lake City golfers at all the courses, with the spread between residents and non-residents being the highest at Wingpointe GC (more in system recommendations).

Summary – Wingpointe Golf Course

Given the quality of the golf course Wingpointe Golf Course has the potential to become one of the more popular higher fee golf courses in the region, and thus produce a strong volume of revenue. The potential high quality of the facility, coupled with its proximity to the airport, combine to make this facility a strong potential regional draw for the area.

It is clear that the key issues facing Salt Lake City in the Wingpointe operation are: (1) defining the future of this property and matching investment to the established horizon; (2) how to maximize the organized event schedule of tournaments, outings, charity functions, etc.; and (3) how to improve marketing and promotional activities to get the message out about Wingpointe and help to increase demand for the facility.

As-Is Economic Performance

The estimates in this section show Wingpointe' performance at various rounds played totals (worst case, 'as-is,' modest growth and best case), assuming a continuation of the existing 2013 operation ('as-is'). Adjustments from proposed facility and/or fee changes are presented next.

The table shows that Wingpointe GC is capable of exceeding \$1.0 million in revenue under its present fee and operating structure, and over \$1.3 million with 65,000+ 9-hole rounds. NGFC has prepared these projections noting that there is variability in expenses at higher rounds (i.e., more maintenance needed when more rounds are played – figures rounded to nearest \$100).

| Wingpointe Golf Course Estimated City Economic Performance at Various Rounds Totals | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Revenue/Rounds | 50,000 | 55,000 | 60,000 | 65,000 |
| Green Fees | \$600,000 | \$660,000 | \$720,000 | \$780,000 |
| Carts | 200,000 | 220,000 | 240,000 | 260,000 |
| Driving Range | 32,500 | 35,800 | 39,000 | 42,300 |
| Merchandise | 150,000 | 165,000 | 180,000 | 195,000 |
| F & B | 13,500 | 14,900 | 16,200 | 17,600 |
| Lessons & Other | 18,000 | 19,800 | 21,600 | 23,400 |
| Total Revenue | \$1,014,000 | \$1,115,500 | \$1,216,800 | \$1,318,300 |
| Direct Cost of Sales (Merch.) | \$113,300 | \$124,600 | \$135,900 | \$147,200 |
| Expenses: | | | | |
| Total Personnel Services | \$500,000 | \$520,000 | \$540,000 | \$580,000 |
| Operating & Maint. Supply | 120,000 | 135,000 | 150,000 | 160,000 |
| Water Expense | 190,000 | 190,000 | 190,000 | 190,000 |
| Other Utilities | 20,000 | 24,000 | 26,000 | 28,000 |
| Other Charges and Services | 115,000 | 125,000 | 130,000 | 135,000 |
| Total Expense | \$945,000 | \$994,000 | \$1,036,000 | \$1,093,000 |
| Net Income Before Capital, City Charges and Deprec. (Loss) | (\$44,300) | (\$3,100) | \$44,900 | \$78,100 |

NGFC Projections 2014-2018

The cash flow model for the continued operation of Wingpointe, through 2018 is shown and assumes a “standard” market environment over the next five years. This projection is intended to provide a realistic projection of economic performance of Wingpointe, considering the only modest changes to the facility in consideration of an uncertain future. NGFC has assumed that if this facility continues as a golf course, the City will adopt NGFC recommendations on modest fee changes (new resident/non-resident split) and the addition of a tournament pavilion in 2016. Base assumptions in preparing this financial performance estimate include:

- The overall economic condition remains stable, without any sizable increase or decrease in the Salt Lake City MSA regional economy, employment, or visitation.
- NGFC projects 52,000 total rounds in 2014, with a large increase in 2015 to account for Bonneville and/or Rose Park golfers seeking service while those courses are closed for renovation. NGFC then projects 56,000 to 58,000 rounds in 2016-2018, with this amount expected to become the new “stable” level of rounds, with some years falling below and some years rising above this expected ‘average’ figure.
- Average green fee revenue per round is based on the assumption that NGFC recommended changes to fees are adopted, including a 15% to 20% increase in fees for Utah non-residents. NGFC has also assumed fee increases in 2016 to coincide with a new tournament pavilion and the expectation of an increase in tournament/outing business.

- Other revenue items such as carts, merchandise and ancillary revenue is expected to hold to actual 2012-2013 levels through 2018, with only 1% annual increases.
- Expenses are adjusted to reflect the changes noted above, with 4% increases in expenses each year. Traditional debt service and CIP is assumed to continue.
- As the NGFC projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

| Wingpointe Golf Course Projected Economic Performance with NGFC Recommendations | | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 (Projected) | 2015 (Projected) | 2016 (Projected) | 2017 (Projected) | 2018 (Projected) |
| Key Project | Irrig. + Turf | Other | Pavilion | Minor Projects | Minor Projects |
| Rounds | 52,000 | 61,000 | 56,000 | 58,000 | 58,000 |
| Revenue | | | | | |
| Net Green Fees | \$624,000 | \$732,000 | \$728,000 | \$754,000 | \$761,500 |
| Cart Fees | 208,000 | 244,000 | 238,000 | 246,500 | 249,000 |
| Driving Range | 33,800 | 40,000 | 37,100 | 38,800 | 39,200 |
| Lessons | 4,200 | 4,900 | 8,000 | 9,000 | 10,000 |
| Other Rentals | 11,400 | 13,400 | 12,300 | 12,800 | 12,800 |
| Merchandise | 156,000 | 184,800 | 179,200 | 187,500 | 189,300 |
| Other | 3,100 | 3,700 | 3,400 | 3,500 | 3,500 |
| F & B Lease | 14,000 | 16,800 | 16,800 | 17,700 | 18,100 |
| Total Revenue | \$1,054,500 | \$1,239,600 | \$1,222,800 | \$1,269,800 | \$1,283,400 |
| Less: Direct Cost of Sales | \$117,800 | \$139,500 | \$135,300 | \$141,600 | \$142,900 |
| Gross Margin | \$936,700 | \$1,100,100 | \$1,087,500 | \$1,128,200 | \$1,140,500 |
| Operating Expenses: | | | | | |
| Total Personnel Services | \$520,000 | \$540,800 | \$562,400 | \$584,900 | \$608,300 |
| Operating & Maint. Supply | 142,000 | 147,700 | 153,600 | 159,700 | 166,100 |
| Water Expense | 190,000 | 175,000 | 140,000 | 145,600 | 151,400 |
| Other Utilities | 20,000 | 20,800 | 21,600 | 22,500 | 23,400 |
| Other Charges and Services | 125,000 | 130,000 | 135,200 | 140,600 | 146,200 |
| Total Operating Expense | \$997,000 | \$1,014,300 | \$1,012,800 | \$1,053,300 | \$1,095,400 |
| Net Operating Income after Expense (Loss) | (\$60,300) | \$85,800 | \$74,700 | \$74,900 | \$45,100 |
| CIP | \$52,000 | \$61,000 | \$56,000 | \$58,000 | \$58,000 |
| Historic Debt | \$68,900 | \$0 | \$34,400 | \$34,400 | \$34,400 |
| New Debt | | \$0 | \$0 | \$0 | \$0 |
| Net Operating Income after Debt (Loss) | (\$181,200) | \$24,800 | (\$15,700) | (\$17,500) | (\$47,300) |

Golf Industry Standards, Norms, and Operational Issues

NGFC has presented a selection of basic golf industry information designed to help educate Salt Lake City on “reasonable expectations” for public golf operations in the U.S. Information provided includes operational norms for public golf courses (rounds, revenues, expenses, staffing) as well as some other “standards” consistent with successful public golf courses.

PUBLIC GOLF OPERATIONAL NORMS

For comparison purposes to Salt Lake City golf courses, we present a review of selected NGFC data from our bi-annual surveys of golf facilities, supplemented by data provided by the PGA of America through its “*Performance Trak*” data collection. This includes data from the aggregate of all golf courses in the U.S. (by category), as well as data from selected sub-categories of golf facilities including mid-range (middle fee) public golf facilities. These data are detailed in the National Golf Foundation publication, *Operating & Financial Performance Profiles of 18-hole Golf Facilities in the U.S.* These figures were included and used for this effort as they represent “reasonable estimates” for comparison to Salt Lake City Parks golf courses. In addition, NGF Consulting has added estimates from the “*Future of Public Golf in America*” study completed in 2012 and presented at the annual NGF Golf Business Symposium.

Public Golf Facility Rounds Expectations

NGF research indicates that the average number of rounds played per 18-hole golf course has been declining in the last 25 years. The totals now stand at an average of 31,527 rounds for municipal golf courses, 26,071 for all daily fee (privately-owned, open to the public), and 19,402 for private (member only) clubs. We note these figures all represent significant declines since 1985, with acceleration of decline since 2001. As a benchmark comparison, average rounds per 18-hole municipal golf course was around 42,000± in 2000 and just over 36,000± rounds in 2005.

NGF uses a golf industry standard that defines a round of golf as “one individual beginning a round in an authorized start” – NGF is essentially counting “starts” as a round. We understand that SLC Golf has been using 9-hole rounds as a metric for evaluating performance. As this is not the industry standard, the SLC method does not enable appropriate comparison to industry benchmarks and other facilities. During the course of this study, NGFC has used the industry standard of “starts” to count rounds played and recommends the City adopt this counting method for all future reporting.

| Average Total Rounds Played By Facility Type 2009, 2011 + 2012 | | | |
|---|-------------|-------------|-------------|
| | 2009 | 2011 | 2012 |
| Daily Fee | 26,009 | 24,394 | 26,071 |
| Municipal | 32,497 | 29,681 | 31,527 |
| Private | 17,748 | 18,323 | 19,402 |
| Source: National Golf Foundation and PGA <i>Performance Trak</i> . | | | |

Public Golf Facility Revenue Expectations

NGF research indicates that the total of all golf facility revenues in the U.S. represents a \$22.3 billion industry, down from a peak of \$29.1 billion in 2005. The section below shows the NGFC estimate for total golf facility revenue (public and private combined) in the United States for recent years.

Revenue Detail for 'Standard' Public Golf Courses

Further detail on 'standard' public golf facility operations in the United States has been collected by NGFC over the years, a summary of which is presented below for 2009 and 2012. 'Standard' public golf courses are those with green fees below \$40 (excluding carts). The NGFC consultants feel that this represents the best measure of comparison to performance at SLC Golf Courses, and is used for this purpose throughout the NGFC engagement for Salt Lake City.

| Public Standard Average Revenues | | | |
|---|--------------------|--------------------|--------------|
| | 2005 | 2012* | % change |
| Green fees, cart fees and member/passholder revenue | \$679,280 | \$666,100 | -1.9% |
| All other golf revenue | \$76,930 | \$75,000 | -2.5% |
| F&B revenue (incl. banquets) | \$214,400 | \$192,200 | -10.4% |
| Merchandise revenue | \$80,080 | \$78,300 | -2.2% |
| All other operating revenue | \$37,560 | \$35,400 | -5.8% |
| Total Revenue | \$1,088,250 | \$1,047,000 | -3.8% |

Source: *Operating & Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.*, 2011 edition, National Golf Foundation, and "Future of Public Golf in America" study – 2012. *Estimated totals derived from sample research in 2012.

Public Golf Facility Expense Expectations

NGFC research indicates that all golf facilities in the U.S. had a total of \$21.3 billion in direct operating expenses, down 20.5% from a high of \$26.8 billion in 2001. The section below shows the NGFC estimate for total golf facility expenses (public and private combined) in the United States for recent years.

Operating Expense Detail for 'Standard' Public Golf Courses

Further detail on 'Standard' public golf facility operational expenses in the United States from 2005 and 2012 are displayed below. NGFC will use these figures for comparison to SLC Golf Courses throughout the NGFC engagement for Salt Lake City.

| Public Standard Average Expenses | | | |
|----------------------------------|------------------|----------------|--------------|
| | 2005 | 2012* | % change |
| Total maintenance costs | \$377,160 | \$442,300 | 17.3% |
| Golf car fleet costs | \$31,120 | \$32,500 | 4.4% |
| COGS F&B | \$86,360 | \$77,400 | -10.4% |
| COGS merchandise | \$56,450 | \$55,200 | -2.2% |
| Other expenses | \$315,280 | \$389,800 | 23.6% |
| Total Expenses | \$866,360 | 997,200 | 15.1% |

Notes: "Total maintenance costs" includes payroll, supplies, and equipment. "Other expenses" is a large category because it includes all non-maintenance payroll and all other operating expenses. Source: National Golf Foundation 2013.

Other Expense Findings

NGFC has also included basic information on golf industry ‘standards’ for golf courses of all types in all climates. Industry standards can vary depending upon specific courses, but as a “rule of thumb,” allocated spending in key areas coincide with the percentages displayed below. The two most significant of these figures for the analysis of Salt Lake City Golf Divisions are the percentage of labor expense and utilities, as addressed by NGFC for each individual facility.

| Key Area | Allocated Spending |
|-----------------------------|--------------------|
| Labor | 50% |
| Products, Supplies & Repair | 15% |
| Services (Incl. Equipment) | 10% |
| Utilities | 5% |
| Other | 20% |

Source: Golf Course Superintendents Association of America (GCSAA) and NGFC. Expense totals do not include non-recurring capital expenses, amortization, or depreciation.

Public Golf Facility Average Revenue and Expense per Round

The following section provides NGFC estimates for revenues and expenses per round of golf played for each of ‘Standard’ golf facilities. As this measure is based on the industry system of counting rounds, the data presented is based on “starts,” thus making comparison to SLC golf courses difficult as the City is using 9-hole rounds as its method for tracking play.

Public ‘Standard’ Revenue and Expense per Round

NGFC research indicates that public golf courses in the U.S. with green fees under \$40 average \$33.21 in total facility revenue per round of golf in 2012. Of this figure, \$23.51 (70.8%) is derived from “golf” sources (green, cart, pass fees and driving range), with the remaining \$9.70 (29.2%) per round derived from “ancillary” (mostly merchandise, food + beverage) sources. Overall, this figure has increased by almost 10% between 2005 and 2012, although we note that 2012 was a particularly strong year for golf in much of the U.S. due to outstanding winter weather.

| Standard Public Golf Courses Average Revenue Per Round | | | |
|---|---------|---------|----------|
| | 2005 | 2012 | % change |
| Total Revenue | \$30.23 | \$33.21 | 9.9% |
| Golf Revenue | \$21.01 | \$23.51 | 11.9% |
| F&B revenue (incl. banquets) | \$5.96 | \$6.10 | 2.3% |
| Merchandise revenue | \$2.22 | \$2.48 | 11.7% |
| All other operating revenue | \$1.04 | \$1.12 | 7.7% |

Source: *Operating & Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.*, 2011 edition, National Golf Foundation, and “*Future of Public Golf in America*” study – 2010

Lower-fee public golf courses in the U.S. average \$31.63 in total facility expenses per round of golf. Of this figure, \$14.03 (44.4%) is derived from golf course maintenance, with the remaining \$17.60 (55.6%) per round derived from all other expenses. Overall, this figure increased by about 31.5% between 2005 and 2012.

| Standard Public Golf Courses Average Expense Per Round | | | |
|---|----------------|----------------|-----------------|
| | 2005 | 2012 | % change |
| Total maintenance costs | \$10.47 | \$14.03 | 34.0% |
| Golf car fleet costs | \$0.86 | \$1.03 | 19.8% |
| Total COGS | \$3.97 | \$4.21 | 6.0% |
| Other expenses | \$8.76 | \$12.36 | 41.0% |
| Total Facility Expense | \$24.06 | \$31.63 | 31.5% |

Source: *Operating & Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.*, 2011 edition, National Golf Foundation, and “*Future of Public Golf in America*” study – 2012

Public Golf Course Staffing

As noted for each individual facility, SLC Golf is operating its facilities with City labor in all areas of operation, except food and beverage service. This structure is the single most common organizational arrangement for municipal golf courses in the U.S., although the trend is moving in the direction of privatizing as an effort to reduce labor expense. The discussion that follows will help Salt Lake City identify a “standard” for staffing a public golf course operation for ultimate use in establishing a program for staffing at all Salt Lake City Golf courses. However, we note that given the relative quality of each facility and the level of rounds played and revenue production, it is clear that a “one size fits all” approach will not be appropriate for this system.

There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The number of staff needed for a particular golf operation depends on several factors, not the least of which is budget considerations. Personnel costs typically represent the largest single expense item in a golf course operation, as is the case for Salt Lake City Golf courses. Therefore, an analysis of these costs is essential to understanding the financial performance of Salt Lake City Golf operation. The NGFC review of public golf operations nationwide in 2012 revealed the following averages for full-time staffing at 18-hole public golf courses nationwide:

| U.S. Averages Distribution of Staffing – Full-Time Equivalents (Year-Round) | | | | | | |
|--|---|-------------------|--|---------------------|--|---------------------|
| | | Total U.S. | Daily Fee Golf Courses by season length | | Municipal Golf Courses by season length | |
| | “Typical” Salt Lake City Golf Course in 2012** | Avg.* | 10-12 mos.* | <10 mos.* | 10-12 mos.* | <10 mos.* |
| Golf Maintenance Staff | 7.0 | 10.0 | 9.5 | 7.0 | 10.5 | 9.0 |
| Pro Shop Staff | 7.0 | 6.5 | 6.0 | 5.0 | 7.5 | 5.5 |
| Clubhouse Staff (F&B) | Incl. | 3.0 | 3.0 | 2.0 | 2.0 | 2.5 |
| Total | 14.0 | 19.5 | 18.5 | 14.0 | 20.0 | 17.0 |

Source: National Golf Foundation. *Includes average per 18 holes and is based on combination of PT and FT. **Includes only the 18-hole courses Bonneville, Wingpointe, Rose Park, Glendale, and Mountain Dell.

GOLFER EXPECTATIONS OF BETTER QUALITY PUBLIC GOLF FACILITIES

Golf consumers have developed certain expectations about the package of amenities they expect at golf courses of various levels of quality. These expectations extend to both the physical attributes (maintenance) of a facility as well as the level of service provided. In this section, NGFC will provide a basic “checklist” of amenities and services that are expected at various levels of golf course quality and should be considered within the overall program of Salt Lake City Parks golf system. This includes a review of golf course facilities, support amenities, and service.

Golf Course Expectations

A summary of categories of expectations for golfers at middle-to-better quality golf courses (Wingpointe, Bonneville, Mountain Dell) includes:

- Clean carts
- Good scenery
- Appropriate length and challenges (see below)
- Well maintained conditions
- Well maintained greens
- Well maintained fairways
- Well maintained tees
- Well maintained bunkers
- Clearly marked and visible yardage and hazard indicators
- Rough that is not too difficult and ball can be found
- Practice facility
- On-course facilities / water fountains

Golf Course Standards (Length of Tees)

The length of tees on a golf course can significantly impact course performance in three ways: Marketing (inherent appeal), playability, and pace of play. All three areas are important, but are often overlooked when a course is initially laid out.

From a marketing perspective, the length of tees that means the most is the one from the back tee. Any course that does not measure at least 7,000 yards from the back tee is at a disadvantage to be marketed as a true upscale “championship” facility. This is especially true for courses in resort areas or who count a lot on non-local play, especially tourists. The reason the back yardage is so important is not because golfers will actually play from there (fewer than 4% of golfers will play from tees over 7,000 yards), but because golfers have come to equate distance with quality -- a perception that is fed by the media. In Salt Lake City system, Wingpointe GC meets this criterion and can be a factor in adjusting the market position of this course (more in recommendations).

While the back tee yardage is important to get golfers to the course for the first time, the length from the other tees is critical in getting them to return. This is because playability is crucial to generating return play. Golfers tend to prefer courses where they can score at their “normal” level. If a course is perceived as being too easy, it is considered inferior. On the other hand, few golfers want to get “beaten up” every time they play. Ideally, a course would appear challenging but allow most golfers to be able to score at their normal level.

The most commonly preferred yardage for male golfers is around 6,250 yards plus or minus 250 yards. Psychologically the “6” is critical. The average male golfer (who typically will shoot anywhere from 90 to 105) will normally choose the shortest tee that is at least 6,000 yards long. You will find this tee, regardless of color, will be the most popular tee on almost every course -- typically receiving 40-50% or more of the play. There is some logic to this yardage as it will allow most male golfers to use almost every club in their bag when they play. At this yardage, most male golfers will typically be able to reach every hole in regulation at most courses.

However, as golfers age, they are no longer able to hit the ball as far. As a result, they are no longer able to reach all the holes in regulation at 6,000 plus yards. So for seniors, the most comfortable and preferred yardage tends to be from 5,400 to 5,800 yards. Women, on the other hand, tend to hit the ball about 80% as far as men. So the equivalent distance of a 6,000 yard tee would be 4,800 yards. Thus, women tend to prefer yardage of 4,800 or less.

When these yardages are not present, golfers are forced to play from a length where they are not comfortable. In reviewing the yardages at Salt Lake City Golf facilities, it seems that the system provides an excellent mix of yardage offerings, with a different mix of distances at the two Mountain Dell courses and long middle tees at Bonneville.

| Golf Facility | Longest Tee Yardage | Middle Tee Yardage | Forward Tee Yardage |
|----------------------|---------------------|--------------------|---------------------|
| Wingpointe GC | 7,185 | 6,665 / 6,096 | 5,228 |
| Bonneville GC | 6,872 | 6,469 / 5,906 | 4,696 |
| Mountain Dell Canyon | 6,787 | 6,416 / 6,016 | 5,447 |
| Mountain Dell Lake | 6,745 | 6,049 / 5,463 | 5,066 |
| Rose Park GC | 6,834 | 6,514 / 5,980 | 4,831 |
| Glendale GC | 6,908 | 6,380 / 5,812 | 4,789 |

Clubhouse Expectations

Basic expectations of golf course clubhouses from golf consumers at middle-to-better quality public golf courses (Wingpointe, Bonneville, Mountain Dell) include:

- Visually appealing entrance and landscaping
- Area to drop golf bags directly from auto
- Clean and clearly marked entrance
- Appropriate and visible art and decorations
- Visually appealing pro shop area
- Room to shop and view items for sale + ease of purchase
- Convenient restrooms cleaned twice daily
- Clear logistics and ergonomics (where do I go to check in?)
- Space and comfortable chairs to sit and relax
- Space for gatherings / tournaments (at least 72 patrons on 18 holes)
- Wi-Fi and cell service available
- Space to privately change clothes/shoes (if necessary)
- Nice views of the golf course
- Good food and beverage service

- Alcohol service (at least beer) and a comfortable place to go to enjoy food and drinks and reflect on their round with friends
- Big screen TVs in the lounge/bar and/or grill area that are always tuned to sports

The above items represent the basic package of clubhouse amenities expected by golfers to complete a better quality golf experience. Attention to these details will help produce repeat customers and strong “word-of-mouth” recommendations. In general, Salt Lake City Golf facilities are just barely meeting these expectations and improvement at several facilities (most notably Bonneville and Mountain Dell) is a centerpiece of NGFC recommendations.

Service Expectations

Basic service expectations from golf consumers at middle-to-better quality public golf courses (Wingpointe, Bonneville, Mountain Dell) include:

- Availability of, and accommodation for booking tee-times
- Assistance with golf bag drop
- Ease of parking
- Friendly/courteous staff at check-in counter
- Pro shop stocked with appropriate basic items (balls, tees, gloves, umbrellas, etc.)
- Carts cleaned and fully charged for a round
- Courteous starter attentive to golfer needs
- Management/staff attention to pace-of-play
- Courteous ranger moving play along
- Beverage cart service
- On-course restroom / drinking stations
- Ability to conveniently consume snacks/beverages after 9th hole (the “turn”)
- Assistance with golf bag after the round
- Ability to conveniently consume snacks/beverages after 18th hole (“19th hole”)
- Pro shop open when round complete

The above items represent the basic service package expected by golfers to complete a better quality golf experience. Attention to these details will help produce repeat customers and strong “word-of-mouth” recommendations. NGFC notes there are deficiencies in these areas at Salt Lake City courses, but service overall tends to match the fee structure.

Food and Beverage Operations

The food and beverage (F&B) operation at most golf courses is critical to the facility’s profitability, either positively or negatively. The F&B operation, though, is more important to the success of a golf course than simply its direct contribution to the bottom line. What is often undervalued, perhaps because it is so hard to measure, is the F&B’s impact to the overall desirability of a golf course and thus its effect on rounds performance.

There is no question that for most golfers a golf course’s F&B operation significantly impacts the overall golfing experience. Given that an 18-hole golf round usually takes four to four and half hours to play, a golf round is inevitably going to impact at least one meal for a golfer. Further, many golfers enjoy relaxing after a round of golf, preferably while eating and/or drinking. This is an important social time as the golfers reflect on the round, settle bets, and often discuss

various issues that may have nothing to do with golf. (Notably, a golf course is a popular spot to conduct business).

As a result, a facility's F&B operation can be either an asset or a detriment to a facility. If the quality of food is excellent and the atmosphere and service are good, there is no doubt that the operation will have a positive impact on golf course performance. However, if the F&B is lacking (or even non-existent) it can deter a lot of players from even coming to the course. This is true if for no other reason than convenience. Given that the golfer is likely to need a place to eat either before, after or even during a round, if the golf course cannot provide the meal, the golfer must find another place – adding additional time and inconvenience to the round. Further, a golfer tends to want to satisfy thirst and hunger immediately. If this cannot be done at the golf course, the round can be much less pleasant.

On the other hand, if the food quality and service are good, it adds to the golf experience and increases the desirability of the golf course as a place to play. A high quality F&B operation can help make up for any deficiencies of the golf course. Similarly, a poor F&B operation can drag even a good golf operation down.

Successful Food and Beverage Operations at Golf Facilities

From a golf perspective, the F&B operation does not need to be elaborate; a simple grill operation is often sufficient. Golfers are looking mostly for tasty items that can be prepared and delivered quickly in an inviting and friendly atmosphere. Hot dogs and hamburgers are still the overwhelmingly most popular items served. However, with healthy selections becoming more socially acceptable and appealing and with the desire to expand the market to include women and seniors, other menu items are required. There should be salad and healthy sandwich choices as well as fruit offerings. To increase appeal to regulars, there should be daily specials. A "signature" item is always desirable.

It is also important to understand that the F&B operation is not limited to the grill or restaurant, but definitely extends to the golf course. Many golf operators have discovered that offering a good beverage cart operation not only creates a new profit center, but also increases total rounds performance. Golfers tend to enjoy beverage cart service, when the operators are well-trained and personable and the prices and selection reasonable. It is not uncommon for a mid-level facility to average more than \$1 to \$2 per round from beverage cart sales alone. However, to be successful, a beverage cart operation needs to have the following:

- **Good Servers.** The attendants need to be friendly and helpful.
- **Beer.** Beer is the beverage of choice for a large percentage of golfers. Having beer readily available will significantly help performance – both for the F&B operation and for the golf course.
- **Good Selection.** Savvy operators track what golfers are buying and do their best to keep these items in stock and available on the golf cart.
- **Consistency.** This is perhaps the most important ingredient of all. To be successful, the beverage cart must be present consistently. It cannot be operated only during "peak" days and at "peak times." Golfers need to be trained to expect that the beverage cart will be there in order to leave their coolers behind and for the beverage cart to have a positive impact on the golf course rounds.

Where F&B operations tend to create fiscal problems for a golf facility is when they start offering dinner services that go beyond the typical golf course fare and try to compete with restaurants.

Salt Lake City Golf Division Operational Considerations

One of the key issues for review by the NGF Consulting team was the issue of overall governance and structure of Salt Lake City Golf facilities, and to review and analyze options for the optimal structure of the City's system. Before we present our findings and recommendations on this subject, we believe it will be useful to provide a summary of the various management options available to public sector golf course operations.

MANAGEMENT OPTIONS

In our experience, there is no ideal operating scenario that fits all situations, and each municipal entity must arrive at its own unique approach to operation and maintenance. In the following section, we summarize the options available to Salt Lake City by presenting descriptions of the most typical operational structures for public sector golf facilities, as well as advantages, disadvantages and public policy implications of each. These options, which are presented in order of most direct City involvement to the least City involvement, include:

- **Self-Operation.** Under this scenario, the City would operate all seven City golf facilities under the supervision of the Golf Program Director, and with on-site authority given to an individual manager at each location. All employees in both pro shops and maintenance would be Salt Lake City employees (status quo for SLC Golf).
- **Concession Agreements.** Often structured as “personal services” contracts with municipalities, typically involving Pro Shop, Food and Beverage and/or Maintenance and would involve the City contracting for one, some, or all of these services.
- **Full-Service Management Contract.** Hire a management company to operate all aspects of the City's Golf Courses.
- **Full Service Lease.** Lease the facilities to a private operator in exchange for an annual (or monthly / quarterly) lease payment to the City.

Management contracts and operating leases are the most commonly used terms to describe a contract between a municipality and a private golf course operator. Each has significant differences, but also several common characteristics. A general discussion of each option, along with key advantages and disadvantages is presented in the following paragraphs.

Option 1: Self-Operation by Salt Lake City

Self-operation gives the municipality the greatest control over golf operations. Under this option, the City retains full control of all aspects of the operation and all revenues (including green fees, cart fees, range, merchandise, snack bars, etc.) would belong to the City, as would all expenses associated with operating and maintaining the golf course. This is still the most common form of operation for municipal golf courses nationwide.

Advantages of Self-Operation

- Direct City control of the assets.
- All workers are City employees.
- Full participation in upside revenue potential.

Disadvantages of Self-Operation

- Requires municipal administrative support for the operation.
- Potential operating inefficiencies due to “red tape”, bureaucracy, and/or procurement issues.
- The municipality may lack necessary expertise in managing golf facilities, and would have to add staff for this purpose.
- All employees would be subject to municipal labor policies for wages, benefits (if applicable), termination policy, etc.
- Golf operation may experience fiscal loss and require subsidies from other departments (i.e., taxpayer support).

Discussion and Policy Implications

Any golf facility owner must consider how it views its golf facilities. If the City's golf courses in Salt Lake City are seen primarily as amenities to the overall City experience like other recreation amenities that have lower cost recovery, then the municipality should be prepared to realize lower economic return, and self-operation likely makes the most sense. However, if the municipality requires a positive economic return from its golf courses, then the self-operation option may not be the most effective in terms of maximizing economic performance and minimizing taxpayer support. Also, if a municipality is unable to fund needed capital improvements and/or is deferring routine maintenance, the result will be a less attractive product for golfers, leading to continued rounds and revenue decreases, and ultimately resulting in larger and larger subsidies by the municipality and continued deferral of needed capital upgrades.

Option 2: Concession Agreements

This form of agreement is similar to a lease agreement. However, a concession agreement usually involves granting a license to operate a facility rather than the right to occupy the premises. It is very common in the golf industry, especially in the food and beverage service area, and presently exists at Salt Lake City golf courses in the food/beverage operations.

Food and Beverage Concession

The most common concession agreement at municipal golf courses nationwide is the food and beverage concession. This agreement typically covers all aspects of food and beverage operations and is in place in many municipalities due to restrictions on public sector agencies holding liquor licenses. These agreements will typically involve the concessionaire owning all revenues and paying a share to the municipality (usually around 10% of gross revenue). The concessionaire is responsible for all direct expenses (cost of sales, labor, materials, etc.) and can sometimes add capital investment such as kitchen equipment. If banquets and other non-golf events are hosted at the facility the concessionaire would have rights to provide all food and beverage service, but concessionaire collection of room rental fees is not common.

Pro Shop Concession

The second most typical concession agreement would be for the Pro Shop, including one or more of the range, lessons, merchandise, or other defined revenue centers. The most common pro shop concession agreements usually involve the municipality owning all green fees and any other revenue centers tied to large capital investment (i.e. carts). Pro shop concessionaires will often receive payment from the municipality for a share of certain pre-established revenue centers in order to cover direct expenses for overseeing golf operations. All money will typically flow in one direction with either the municipality collecting all revenue and paying the concessionaire, or vice-versa. Because of the short term of most pro shop concession agreements, there is little opportunity for the concessionaire to make major investments.

Maintenance-Only Concession

Another area of separate concessions is in maintenance-only contracts. This model has become more common in certain areas of the country where labor costs for maintenance are increasing too rapidly to keep under control, or where maintenance staffs have been reduced significantly to reduce expense thereby reducing the overall quality of maintenance. Golf course maintenance, including associated labor, is almost universally the largest single line expense item on a golf course's operating budget. This is especially true in public sector golf operations, when employee wage and benefit costs are often significantly higher than in the private sector.

There are a number of companies that specialize in fixed-fee outsourced golf course maintenance, and these companies are able to offer considerable maintenance cost savings due to several reasons, foremost of which is the ability to employ cost-effective manpower and scheduling strategies, which most municipalities are constrained from doing. Additional savings are often achieved through the ability of the larger companies to leverage national purchasing agreements for equipment, materials, and supplies, and through other economies of scale.

Advantages of Concession Agreements

- The municipality is generally removed from the day-to-day operation (in a pro shop concession) in exchange for collecting green (and other) fees.
- The term of a concession agreement is typically shorter than an operating lease.
- In a maintenance-only contract the vendor will typically provide equipment. The agreement will typically include a reduction in labor expense with comparable quality.
- The municipality does not have to staff functions related to golf operations (e.g., reservations, green/cart fee collection, driving range operations, customer service, programming), food & beverage, and golf course maintenance, but receives all green fee revenue and a pre-determined percentage of other gross receipts.
- Concession contracts can provide a steady net income to the municipality for some components of the operation, thus somewhat reducing the overall operating risk.

Disadvantages of Concession Agreements

- Concession agreements do not provide guaranteed revenue to the municipality, and the municipality remains responsible for most capital expenditures. Depending on the structure of the deal, some capital improvements, such as expansion of banquet space, are likely to accrue more benefit to the vendor than to the municipality.
- Possible conflict between concessionaires when multiple concessions involved, or if the municipality retains one function (i.e. maintenance). If contracts do not expire simultaneously the City may end up tied to a contractor for longer than truly desired.
- Contract enforcement still requires municipal staff time and overhead expense, although this should be reduced from the self-operation scenario.
- Concessions usually result in revenue not being treated equally. If the concessionaire benefits from one source of revenue (range or merchandise), than vendor attention tends to focus on these areas, rather than City revenue.

Discussion and Policy Implications

The advantages to this type of arrangement are the municipality's relief of day-to-day operational responsibilities, while still retaining some control of the operation and keeping community service benefit. The system can also help reduce a municipality's overall operating costs, including administration and overhead expense. However, in structures where there are multiple agreements, or where the municipality retains a key function, this is not always possible due to the requirements of managing multiple concessions and getting all involved "on the same page."

Option 3: Full Service Management Contract

The primary goal of a management contract or management agreement is to provide a golf facility with a single experienced, professional operator to be responsible for all aspects of the golf facility program, thus relieving the owner (municipality) of this task. In a typical management contract, the municipality hires a firm that is charged with all management and maintenance responsibility. The municipality funds all capital improvements, and the management firm hires all employees. Because employees work for the management firm and not the municipality, payroll cost may be less; thus, the operating expenses would be reduced from self-operation, and possibly from a multiple concession arrangement.

The management firm collects all revenue and provides accounting reports to the municipality. All revenues belong to the municipality, as well as the responsibility for all expenses. The municipality reimburses the management firm for all payroll expenses and pays the firm a management fee. Typical services provided under the management agreement include, but are not limited to:

- Personnel/Training/Human Resources
- Payroll / Benefit Administration
- Budgeting
- Marketing
- Accounting and Reporting
- Tee Sheet Management
- Agronomic Support

While the management company performs these functions, the municipality retains overall control of the operation and is the ultimate determinant of items such as fee structures, compensations, policies, employment practices, etc. (though it receives considerable input from the management entity).

The management firm submits detailed budgets to the municipality prior to the operating year. The municipality monitors the firm's utilization of budgeted funds and is responsible for any unforeseen expenses beyond the control of the management firm. Because of the close working relationship between the municipality and the management firm, the changing golf economy, and capital requirements of golf courses, the typical management contract requires frequent revision. The length of the typical agreement is relatively short, two to eight years, and may include option periods. The most typical initial term is eight years.

The management firm collects all revenue and provides accounting reports to the City, who reimburses the management firm for all payroll expenses and pays the firm a management fee. The most typical management agreement that NGFC observes today involve compensation that comprises a fixed dollar amount plus an incentive component that is predicated on percentages of gross receipts or net income, over and above the established minimum revenues (terms may be influenced by IRS regulations if tax-exempt bond financing of facility improvements is involved). The incentive earned is typically predicated on the municipality achieving its predetermined goals with respect to financial performance. Also, the operating expense budget must be maintained at the original projection for incentives to be earned. Total compensation to the management company varies depending on the size of the facility and the level of responsibility of the management firm, but the industry "standard" is 3% to 6% of total facility gross revenues. The Salt Lake City should anticipate a management fee for Salt Lake City Golf courses to be:

| Estimated Management Fees Salt Lake City Golf Courses | | | |
|--|-------------------------------|--|---|
| Facility | 2012 Gross Revenue | Low Management Fee Estimate | High Management Fee Estimate |
| Wingpointe GC | \$1,154,919 | \$34,600 | \$69,300 |
| Bonneville GC | \$1,471,296 | \$44,100 | \$88,300 |
| Forest Dale GC | \$668,876 | \$20,100 | \$40,100 |
| Glendale GC | \$1,172,345 | \$35,200 | \$70,300 |
| Rose Park GC/Jordan Riv | \$880,779 | \$26,400 | \$52,800 |
| Nibley Park GC | \$640,499 | \$19,200 | \$38,400 |
| Mountain Dell GCs | \$1,986,231 | \$59,600 | \$119,200 |
| Total | \$7,974,945 | \$239,200 | \$478,400 |

Advantages of Management Contracts

- In municipalities with multiple facilities, management contracts can help to streamline disjointed operations into one single and efficient structure.
- The very nature of the agreement ensures that management company interests with respect to the golf course are aligned with the interests of the municipality/owner.
- Marketing and overall operating cohesion and effectiveness is generally maximized under this structure if a qualified company is chosen.
- A single entity controls every aspect of the golfer experience from the time he or she sets foot on the property.
- There is substantial upside to the municipality when a facility is on the upswing, as the municipality owns all of the net revenues, minus incentives earned by the management company. Also, incremental revenues generated by capital investments belong to the municipality.
- Operating costs may be reduced because the management firm hires all employees at costs that can be less than what the municipality would have to pay. (This benefit accrues mostly to municipalities that manage and/or maintain their facilities with public labor).
- The management entity provides all on-site staff and performs the management and maintenance functions. However, the municipality retains overall control and remains the ultimate authority on fee structures, compensation, policies, employment practices, etc. Therefore, the management contract provides the most flexibility and municipal control of any structure short of self-operation.

Disadvantages of Management Contracts

- Though this option offers the municipality more control than with an operating lease, it offers less control than self-operation.
- The municipality still needs a person in the structure with golf course expertise who could spend sufficient time overseeing the golf operation and contract compliance.
- Unlike an operating lease, management contracts do not provide a guaranteed income for the municipality, and the fixed portion of the management fee is guaranteed as long as the contract provisions have been met. Therefore, positive net operating income to the municipality is not assured (operating risk remains with City).
- Unlike with a lease agreement, the municipality would still be responsible for the capital improvements (a key issue in Salt Lake City).

Discussion and Policy Implications

The full-service management contract structure can result in significant positive results and is an option that is typically considered as a reaction to insufficient economic performance and the inability of municipal staff to either appropriately operate the golf course or control expenses. The overall quality of these types of agreements rests with the municipality's ability to find a qualified company, negotiate a contract that is "win-win" for both sides, and then provide proper oversight to see to it that the contract is complied with.

In conjunction with a well-constructed contract, the management contract form of operation provides the controls necessary to protect a substantial asset. A management contract, unlike a lease agreement, offers no assurance of a net profit to the municipality. In the case where a golf facility is experiencing, or expects to experience, an upswing in revenues due to factors such as an improved product or new capital investment, the management contract provides the greatest amount of up-side revenue potential to the municipality, and allows the municipality to reinvest in operating and capital programs. Finally, this option provides the most flexibility of any management style short of self-operation.

Option 4: Full Service Operating Lease

The primary goals of an operating lease are to relieve the golf course owner (municipality) of all operating concerns, to ensure a minimum rent payment to the municipality, and to improve and/or protect the asset. An operating lease is similar to a management contract in that the lessee, like the management firm, hires and fires all employees and is responsible for the day-to-day operation of the facility. The difference between the two is that the lessee would be committed to pay all operating expenses, supply equipment, and, typically, provide some capital for investment in the golf facility. The ability of the selected private vendor to have control over the labor resource at the facility, and not have to pay "municipal" wages and benefits, would be key to making this arrangement work. These leases are typically for a longer term (longer than 10 years), especially when large lessee capital investment is involved.

In exchange for incurring all operating expenses and capital upkeep, the private lessee would receive most (if not all) of the revenue and pay the municipality either a flat payment (flat lease) or a percentage of revenue (percentage lease). In today's golf economy, there are fewer and fewer properties for which the economics of a lease work for both parties, as reduced net cash flows often will not provide guaranteed minimum lease payments, profit for the lessee, and funding of required capital improvements. Also, IRS regulations (e.g., rule 97-13) may preclude this option entirely if tax-exempt bond financing of facility improvements is at issue, if some of NGFC recommended upgrades are financed using this method.

Advantages to Leasing

- **Burden of Risk.** If structured appropriately, leasing the facility to a private entity can shift the burden of operational risk to the lessee. This includes the risk associated with rising labor and other expenses, as well as potential downturns in rounds played and revenues. Barring a breach of the contract, the municipality would have a guaranteed net revenue stream. The only expenses remaining with the municipality will be those associated with administering the contract, oversight, and compliance.
- **Simplicity.** The municipality's day-to-day administration of the golf facilities could be significantly reduced or eliminated. (As with all privatized management options, the municipality should still have a person who has golf course expertise monitoring the operation and enforcing contract compliance).
- **Capital Improvements.** Depending on the relative attractiveness of the business opportunity to the private entity, the lease terms could require (or at least incentivize)

the lessee to make, or at least contribute significantly to, needed capital improvements (key issue at all SLC golf courses).

- **Maintenance Equipment.** The lessee would be responsible for providing maintenance equipment and golf carts, or could assume the balance of existing leases.
- **Reduce Municipal Involvement.** Minimizes political influence with less direct involvement of the City in setting fees, policies, and practices.

Disadvantages to Leasing

- **Control.** This lease option offers municipalities the least amount of control over the golf course operation, especially with regard to pricing and community benefits (leagues, clubs, high schools, etc.).
- **Profit Motive.** This is closely tied to the control issue. If not carefully executed, a lease arrangement may conflict with the objective of providing an affordable recreation activity for residents, as private interests (including maximizing return) can often be in opposition to public interests (such as providing a community service).
- **Revenue Constraint.** As would be expected when one party shares a disproportionately low share of the risk, the municipality would receive less of the upside revenue potential than it would with a management contract.
- **Long Term.** Leases are typically for a long term, especially if capital improvements are included in the lease terms. This makes it difficult to get out of the lease, should the municipality become displeased with the lessee's operation of the facility.
- **Down Market.** The lessee may be forced to cut maintenance expenses and/or raise fees if revenues do not meet expectations. Unexpected golf market downturns often lead to declines in property condition or the lessee seeking to renegotiate terms.

Discussion and Policy Implications

While leasing of public sector golf facilities was popular in previous decades, its popularity waned in the 1990s as golf revenues were increasing and public agencies began to see what they thought were large sums in golf revenue going to an outside vendor and not being reinvested in the facility or going as profit to the municipality. However, since the turn of the 21st century, leases are again becoming more attractive to municipalities in the face of public sector budget challenges. Leasing out the golf operations shifts the burden of operating risk to the private vendor, helps to reduce (or eliminate) large fiscal losses, and, in some cases, provides a guaranteed revenue stream to public agencies. In most cases, the vendor will also contribute to capital improvements.

Although the appeal of turning everything over to an outside agency does have merit, especially in terms of transferring operational risk, we should note some downsides of this option. First, the City would have much less control over operational issues such as pricing and programs. Second, it may be difficult to attract an acceptable vendor with lease terms palatable to both the City and the vendor(s), especially given the capital needs documented at SLC golf courses. The golf course owners that find trouble in lease agreements often have entered into agreements where one party is doing considerably better than the other. If the deal is too favorable to the City, the lessee may struggle and the facilities could suffer. Likewise, if the deal is too favorable for the vendor, the City could experience lower returns than expected.

DISCUSSION

The NGFC review of the various operational considerations for Salt Lake City Golf facilities shows that two of the four options presented are probably not the best fit for Salt Lake City and can be eliminated from further evaluation:

- **Management Agreement.** The management agreement would add a new expense line of some \$240,000 to \$480,000 per year, **to be paid regardless of actual performance (risk remains with City)**. Also, this option very rarely includes the kind of large-scale capital investment that the SLC Golf Division is requiring at this time. And finally, this option is usually a response to poor management, a situation that NGFC does not believe exists in SLC Golf as the courses and the system appear to be well managed, with only a few specific and correctible issues.
- **Traditional Concession.** This option will likely produce too many “working parts” that require attention and shift SLC Golf’s burden from managing golf courses to managing contracts. The City will likely still be responsible for covering losses and making capital improvements (retain risk). Thus the multiple concession option is not likely to bring the SLC Golf Division into a more favorable economic position than it is at present.

In light of this, NGFC sees the continued self-operation (as-is), or some form of lease agreement as the two most appropriate options for the City going forward. However, NGFC must also note that if the City opts to pursue a lease agreement for Salt Lake City Golf courses, the key issue that must be addressed prior to making the evaluation is the issue of whether to include one, some, or all of Salt Lake City facilities in the agreement.

One, Some, or All of Salt Lake City Golf Facilities

Another consideration for Salt Lake City if it considers some type of lease agreement in the operation of its golf courses is which of the facilities courses will be placed within this structure. As noted throughout this report, the key issue facing the SLC Golf Division is the mounting physical needs at the golf courses, which needs are not uniform throughout (i.e. some courses have greater needs than others). There may also be the possibility that a private vendor will want only certain facilities that they deem most profitable (Bonneville, Mountain Dell, Wingpointe), leaving Salt Lake City with its lower-performing golf courses. Other issues to consider include:

- Some facilities in the system may not be overly profitable, but serve some other “public purpose” such as recreation amenity or new player development service.
- If Salt Lake City does not commit to a lease agreement model at all seven facilities (retaining some as self-operated), the City may find itself competing with its own golf properties for customers and market share.
- Several of Salt Lake City Golf facilities would benefit from infrastructure upgrades that will require a high level of capital to complete.

CLOSURE OF ONE OR MORE SALT LAKE CITY GOLF COURSE

Another option Salt Lake City can consider to help improve the overall financial condition of the golf system would be to close one (or more) of the system's golf courses. This closure could come in several forms either as a pre-determined change in property use, or through extremely poor economic performance. The City has asked NGFC to consider this option under the idea that the closure of a golf course would reduce overall operating expense, thus improve the Golf Fund's financial position.

The NGFC review of Salt Lake City golf course facilities in 2013 suggests that this course of action should be considered at two locations:

- **Wingpointe** – The Wingpointe GC sits on property owned by SLC Airport with policies directed towards maximizing profitability. NGFC has learned that there may be an increase in the lease payment to the Airport for the site or a possible full re-thinking of the site entirely. Both options would lead to a closure of Wingpointe and NGFC recommends that the City firmly establish the future of this property before and capital investment in upgrades is contemplated.
- **Rose Park / Jordan River** – The Rose Park and Jordan River golf courses combine for the largest economic loss in the SLC Golf Division, losing over \$500,000 in each of the last two fiscal years. NGFC has observed and stated elsewhere in this report that this combined **facility is not sustainable as is, and there must be a change to the operation if it is to remain as a viable golf facility**. NGFC has recommended a full property re-configuration and the City will have to decide if this option is to be considered. If the City is not prepared to undertake the renovation / property change as recommended by NGFC than full closure of the facility should be considered.

Other Thoughts on Golf Course Closure

- There is a cost to close a City golf course, both in terms of direct capital remediation and on-going maintenance. City data provided to NGFC indicates the City spends about \$1,000 per acre per year on park maintenance, which would become a new expense to the City for the closed golf course, if maintained as a passive park with no revenue.
- An estimated one-third of the rounds that were being played on the closed Salt Lake City golf course would end up being recovered at the remaining golf courses. NGFC research into golf course closures like this suggest that about 1/3 of rounds are lost entirely, 1/3 end up at other (non-Salt Lake City) area golf courses and 1/3 at other Salt Lake City courses.
- The closing of one golf course is not likely to reduce the City's administrative overhead. The City's overhead on the Golf Fund will either: (1) be re-allocated across five or six courses instead of seven or eight, thus increasing the per-facility overhead charges on the remaining courses; or (2) re-allocated into the City's General Fund. The underlying overhead costs will not be reduced.

External Factors Affecting the Operation of Public Golf Courses

In this section of the report, NGF Consulting will provide a summary of important external factors that have direct effect on the operation of Salt Lake City golf courses. This includes a review of local demographics and the economy, national trends in golf industry demand and supply and a specific estimate of golf demand in Salt Lake City and each SLC course's local sub-market. NGFC will also provide a review of other golf courses in the market area that compete with the SLC golf courses' market share. We will then provide a summary of these factors and how they relate to the continued operation of Salt Lake City Golf facilities.

DEMOGRAPHICS, ECONOMY AND WEATHER

NGFC has examined certain factors that have the potential to affect the performance of Salt Lake City Golf courses. Following are some key observations highlighting the basic demographics, economy, climate, and transportation of Salt Lake City, and the potential impact of each on golf activity. The overall findings are viewed as generally mixed for SLC golf courses in that the City's economy is stable, but the this stability is not uniform for each facility sub-market. We also note a shorter golf season in Salt Lake City, resulting in limited rounds and revenue potential that is ultimately very dependent on weather.

Demographic Analysis

With more than 1.17million people (2012 estimate), the Salt Lake City Metropolitan Statistical Area (MSA) has seen growth at a faster rate, and income that are higher than the total U.S.

| MSA / State / National Summary Demographics | | | |
|--|-------------------------------|--------------|--------------|
| | Salt Lake City MSA | Utah | U.S. |
| Population 1990 Census | 768,069 | 1,722,845 | 248,584,652 |
| Population 2000 Census | 968,850 | 2,233,153 | 281,399,034 |
| CAGR 1990-2000 | 2.35% | 2.63% | 1.25% |
| Population 2010 Census | 1,124,197 | 2,763,885 | 308,745,538 |
| CAGR 2000-2010 | 1.50% | 2.16% | 0.93% |
| Population Projected 2013 | 1,167,611 | 2,870,558 | 314,419,291 |
| Population 2018 Projected | 1,276,117 | 3,137,238 | 328,556,267 |
| CAGR 2010-2018 | 1.60% | 1.60% | 0.78% |
| Median HH Income (2013 Estimate) | \$58,748 | \$56,610 | \$51,804 |

CAGR = Compound Annual Growth Rate. Source: NGF Consulting, Tactician Corporation, Applied Geographic Solutions

The local communities that surround each SLC Golf site have differing basic demographic characteristics. The market around Bonneville has the highest median household income, and relatively high population. Wingpointe and Mountain Dell are two destination-type golf courses with virtually no surrounding residential community. While these rings do not necessarily represent the true "market" for each SLC golf course, the localized analysis does give an indication of the characteristics of the immediate local populations and the level of support that can be expected from the "fall-out-of-bed" markets that surround each property.

Local Population and Income 2013

| | Population | | Median HH Income | |
|----------------------------|-------------|-------------|------------------|-------------|
| | 1-Mile Ring | 5-Mile Ring | 1-Mile Ring | 5-Mile Ring |
| Wingpointe Golf Course | 118 | 110,427 | \$67,991 | \$38,832 |
| Glendale Golf Course | 7,209 | 315,749 | \$40,081 | \$42,601 |
| Forest Dale Golf Course | 20,286 | 328,298 | \$48,172 | \$45,193 |
| Bonneville Golf Course | 11,690 | 211,333 | \$69,735 | \$46,237 |
| Rose Park/Jordan River GCs | 13,007 | 135,117 | \$44,753 | \$41,202 |
| Nibley Park Golf Course | 20,516 | 348,253 | \$41,622 | \$45,887 |
| Mountain Dell Golf Courses | 89 | 3,751 | \$101,783 | \$111,114 |

Source: NGF Consulting, Tactician Corporation, Applied Geographic Solutions. N/A = not available

MOSAIC Analysis

Many of America's largest retail businesses use the MOSAIC™ lifestyle database as a method to help establish appropriate locations for outlets. The MOSAIC profile divides all Americans into specific definable groups as outlined below:

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

The objective of this type of analysis is to:

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

This methodology is applicable in identifying the financial potential of a golf course and the type of golf course operating structure (value, standard, premium) that may be best suited for the local community. The majority of golfers can be classified in the top three tiers of the MOSAIC lifestyle database. Thus, golf courses that are located in neighborhoods with adjacent populations classified as “Affluent Suburbia, Upscale American and Small-Town Contentment,” are likely to outperform those located in the areas classified as “Blue-collar Backbone, Rural Villages and Farms, or Struggling Societies.”

Local SLC MOSAIC Profile

The NGFC team has identified six measures that can help determine the potential of a golf course within a 5-mile radius of the facility:

1. The concentration of sophisticated singles, bourgeois prosperity, carrier and family, and comfortable retirement as defined by MOSAIC.
2. The median household income.
3. The median age.
4. The proportion of minority populations (African-American, Asian-American and Hispanic).
5. The number of golfers per 18 holes.
6. The slope rating (as a proxy for golf course quality and price).

To clarify, in sub-markets showing lower incomes, low number of golfers per facility, and a high slope rating (i.e. higher price), a facility will consistently be challenged economically. Even where the income is high, if the golfers-per-18-holes is low, the course will face challenges. Also, if the income is high, the golfers-per-18-stable, and the local community ethnicity very diverse, the golf course will still be challenged economically depending on the type of course layout and the golf experience provided. For Salt Lake City, the demographic profile surrounding each golf course is reflected below:

| MOSAIC Profile vs. Golf Course Net Income: Direct Correlation | | | | | | | | | | | | | |
|---|------------------------|--------------------------------|---------|---------|--------|--------|----------|----------------------|--------|-------|----------|------------------|-------|
| Golf Course | 2013 Course Net Income | 2 Mile Radius 2010 Census Data | | | | | | Golfers Per Facility | Slope | | | | |
| | | 1 | 3 | 5 | 10 | 15 | Income | | | Age | Hispanic | African American | Asian |
| Bonneville | 117,809 | 39.50% | 21.40% | 9.20% | 6.20% | 14.20% | \$66,524 | 33.50 | 3.30% | 0.70% | 4.10% | 1,979 | 125 |
| Forest Dale | -29,446 | -0.80% | 5.40% | 2.00% | 6.30% | 16.80% | \$48,372 | 32.30 | 12.60% | 2.30% | 4.20% | 1,781 | 116 |
| Glendale | -9,375 | 10.50% | -4.60% | -11.90% | 5.40% | 16.50% | \$40,189 | 27.20 | 42.80% | 5.20% | 5.10% | 529 | 118 |
| Jordan River | -83,775 | -23.30% | -22.40% | -7.60% | 1.60% | 10.20% | \$44,012 | 29.40 | 48.50% | 4.50% | 4.00% | 623 | N/A |
| Mountain Dell - Canyon | 118,505 | 51.60% | 54.60% | 56.30% | 54.10% | 21.70% | \$96,152 | 32.90 | 11.20% | 2.30% | 4.20% | 1,781 | 126 |
| Mountain Dell - Lake | 118,505 | 51.60% | 54.60% | 56.30% | 54.10% | 21.70% | \$96,152 | 32.90 | 11.20% | 2.30% | 4.20% | 1,781 | 138 |
| Patriot | 8,851 | -19.10% | 3.50% | 2.30% | 7.00% | 17.20% | \$41,714 | 32.60 | 19.20% | 3.10% | 4.40% | 1,607 | 120 |
| Rose Park | -589,122 | -20.80% | -18.60% | -3.30% | 1.50% | 9.50% | \$43,179 | 28.10 | 42.90% | 4.90% | 5.00% | 488 | 117 |
| Wingpointe | -176,353 | 3.50% | -20.50% | -20.20% | 1.00% | 11.60% | \$66,750 | 27.70 | 35.70% | 3.50% | 3.20% | | 138 |
| Utah | | | 20.90% | | | | \$54,964 | 29.20 | 13.00% | 1.10% | 2.00% | 3,191 | |

As illustrated in the chart above, there is a direct correlation between the financial performances of the Salt Lake City golf courses and the demographic market in which they are located. Bonneville and Mountain Dell generate substantial net income while the other courses tend to be financially challenged. We find that a championship golf course with an appropriate clubhouse to encourage daily fee play and host tournaments and outings is appropriate at Bonneville and Mountain Dell. Forest Dale and Nibley appear to be properly suited for their location, while Glendale, Rose Park/Jordan River and Wingpointe all appear to lack the appropriate demographics or number of golfers living in proximity to be able to financially self-sustaining. The Rose Park site looks like it would support a more beginner-oriented facility such as an 18-hole executive golf course and practice facility.

Local Economy Factors

It is clear that the recent (2008-2012) recession has had a direct effect on the demand for golf both nationally and locally, as decreased discretionary income and the plunging values of many stock portfolios, retirement accounts, and homes has led to reductions in recreational / leisure spending. The restaurant industry in Utah has certainly experienced this phenomenon, and interviews with area golf operators have borne out that this has happened to them, as golfers are shifting to less expensive rounds, and tournament and banquet business is off at many clubs. On the other hand, deep declines in asset values may result in many golfers giving up expensive memberships at private golf clubs in favor of playing at high quality public courses.

Some observations related to the local area economy in 2013:

- Salt Lake City is the capital and most populous city of the state of Utah. Salt Lake City is at the center of all that is "Utah," including numerous attractions, universities and businesses. The State Capital and large infrastructure offer Salt Lake City advantages over other similar-sized communities that can have a positive impact on the demand for golf.

Economy and Employment

- The modern economy of Salt Lake City is service-oriented, with government, trade, transportation, utilities, and professional and business services as major industries. The city is known as the "Crossroads of the West" for its central geography in the Western United States. The daytime population of Salt Lake City proper swells to over 315,000 people, not including tourists or students.
- Other economic activities include tourism, conventions, and major suburban call centers. Tourism has increased since the 2002 Olympic Winter Games and many hotels and restaurants were built for the events. The convention industry has expanded since the construction of the Salt Palace convention center in the late 1990s, which hosts trade shows and conventions, including the annual Outdoor Retailers meeting and Novell's annual BrainShare convention.
- Unemployment in Salt Lake County in August 2013 was 4.5%, well below last year's (July 2012) count of 5.8%, and considerably lower than the National figure (October 2013) of 7.3%.
- **Tourism** - Tourism is a major industry in Utah and the State is well known for its year-round outdoor and recreational activities. Utah has five national parks, seven national monuments, seven national forests and numerous state parks and monuments. Utah is well known for its winter activities and has seen an increase in tourism since the 2002 Winter Olympics. Park City is home to the United States Ski Team. Utah's ski resorts are primarily located in northern Utah near Salt Lake City and Park City, in

reasonable proximity to Salt Lake City and several SLC golf courses (Mountain Dell in particular). Other key tourism facts:

- Total spending by travelers and tourists to Utah in 2009 = \$6.2 billion
 - Total visitor nights 2010 = 3,007,970 (55% winter and 45% summer)
 - Total overnight winter visitors 2010 = 280,645; summer visitors = 234,098
 - Total visitors to Utah State Parks in 2011 = 4,803,876; to Utah Welcome Centers = 413,196
- **Auto Transportation** – Salt Lake City lies at the convergence of two cross-country freeways; I-15, which runs north-to-south just west of downtown, and I-80, which connects downtown with Salt Lake City International Airport just to the west and exits to the east through Parley's Canyon. I-215 forms a 270-degree loop around the city. SR-201 extends to the western Salt Lake City suburbs. Salt Lake City's surface street system is laid out on a simple grid pattern. Road names are numbered with a north, south, east, or west designation, with the grid originating at the southeast corner of Temple Square downtown. The automobile transport system in the City is ideal and helps to expand the market draw from recreational activities such as golf courses.
 - **Air Transportation** - Salt Lake City International Airport is located 4 miles west of downtown, and includes a major hub for Delta Air Lines. The presence of this hub allows SLC to be accessed from over 100 non-stop destinations, making this location easily accessible to a wide geography. A total of over 22 million passengers flew through SLC Airport in 2009 ranking this as the 21st busiest airport in the United States in total passengers. The presence of this major and convenient airport has impact on SLC area businesses, including golf courses.

Weather Impact – Golf Playable Days (2009-2012)

Golf is an outdoor activity and thus weather will impact activity and revenue. NGFC estimates that over 90% of golf rounds are played when the temperature is between 55 and 90 degrees. Rain, snow, and wind are mitigating factors that will reduce the number of playable days. Monitoring the number of playable golf days in a year compared to a 10-year trend allows an analyst the opportunity to filter the financial information to clearly differentiate between the impact of weather and the impact of management on a course's performance.

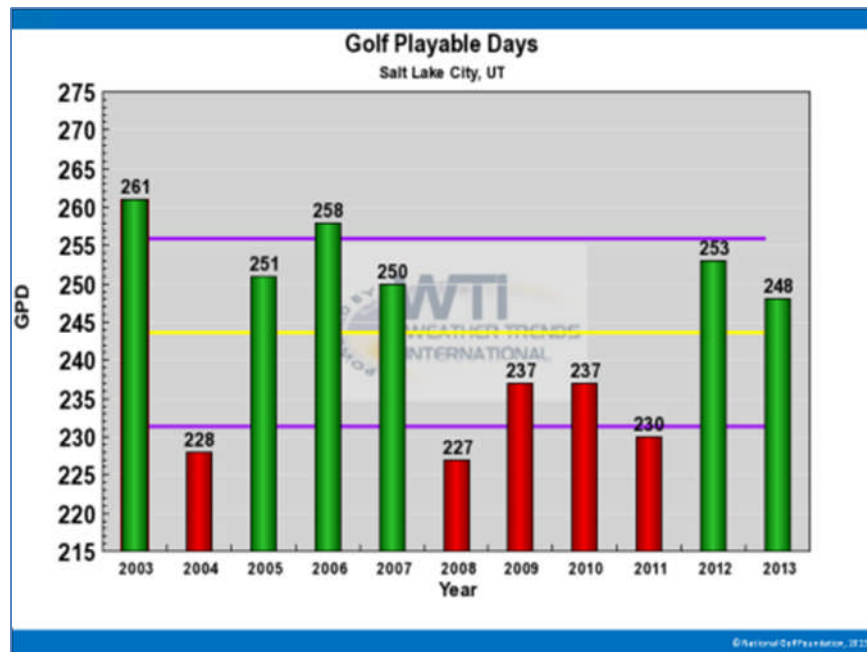
Salt Lake City possesses a highly variable four-season humid continental climate: Both summer and winter are long, with hot, dry summers and cold, snowy winters, and with spring and fall serving as brief but comfortable transition periods. Spring is the wettest season, while summer is very dry. Salt Lake City features large variations in temperatures between seasons. During summer, there are an average of 56 days per year with temperatures of at least 90°F, 23 days of at least 95°F, and 5 days of 100°F. Snow occurs on average from November 6 to April 18, producing a total average of 61.0 inches. As a result, the golf season is relatively limited in Salt Lake City and there is a definable short season within which all golf income must be earned.

While the above information notes the “standards” for climate in the area, the table below shows actual data on climate in Salt Lake City from 2003 through 2013. This period coincides with a significant reduction in rounds of golf recorded at SLC golf facilities, and although these climate data clearly show there was climate impact, it does not tell the full story of rounds reductions at the seven subject SLC facilities.

Annual Golf Playable Days

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

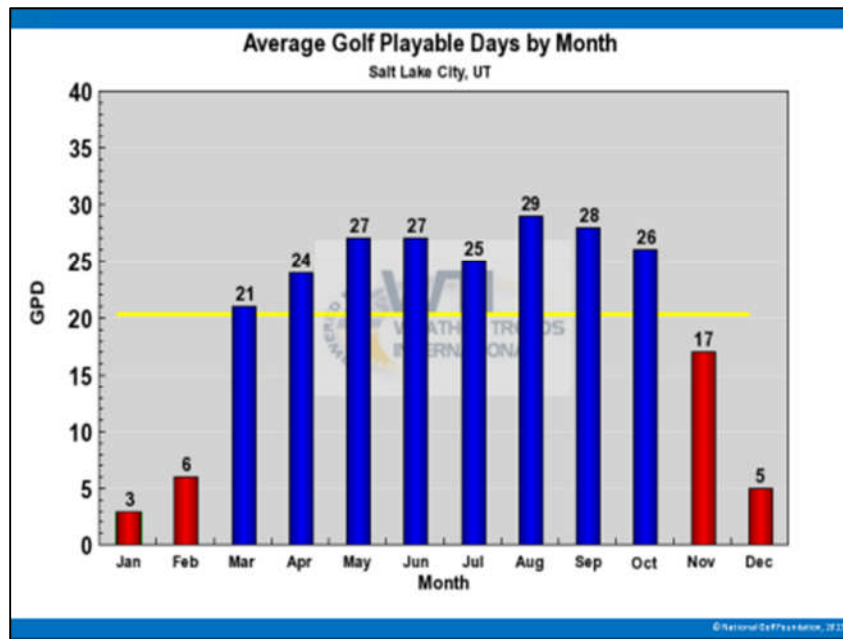
In three of the past four years (2009 – 2012), the amount of playable days at Salt Lake City was significantly below Salt Lake City’s 10-year average. On average, there are 244 playable golf days per year in Salt Lake City, as illustrated below:



Based on this chart, and the knowledge that weather to date for 2013 has been unfavorable, it would be reasonable to expect that revenues in FY 2014 are likely to be at least 5% below those achieved in FY 2013.

Viable Operating Season

A second analysis of weather-playable days reveals that the Salt Lake City effectively has a seven-month golf season, as illustrated below:



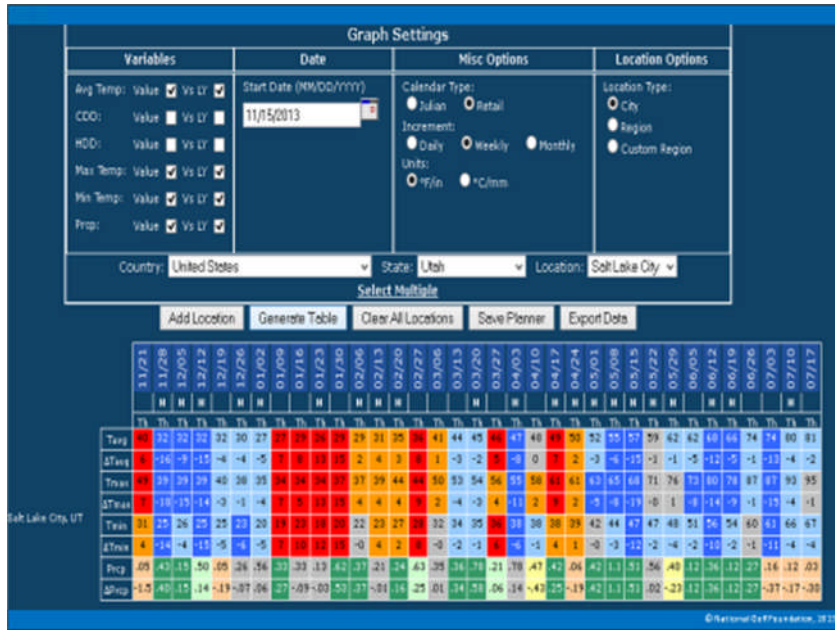
Underperforming the Weather

Analysis of weather-playable days can reveal whether golf facilities are meeting reasonable expectations, or if something other than weather (i.e. controllable factors) is impacting rounds performance.

The NGFC review shows that SLC Golf facilities outperformed the weather from 2009 – 2011, the past two years the golf courses appears to be underperforming in relationship to the number of player days available. While golf management would be quick to sight uncontrollable factors for such decline (i.e., the economy), it is the opinion of NGFC that the decline is most likely attributable to controllable factors – the most important of which is the physical condition of the golf courses and the need to improve the quality of the product being offered to the public. Additional leveraging technology through segmentation of data and implementing yield management with dynamic pricing should be considered.

Storm Clouds Ahead

Short- and long-term weather forecasting provides a golf management team the opportunity to adjust its operational practices. To illustrate, the 36-week advanced weather forecast for Salt Lake City is illustrated below. Note that, as in 2013, it appears that spring will be late in coming in 2014; the maximum temperature doesn't exceed 50 degrees until the week of April 10. Fifty degrees is an important benchmark, since that is the temperature required for the germination of most grasses to begin. The 2014 spring forecast for Salt Lake City is that it will be far colder and rainier than in 2013, thus, reducing golf income expectations.



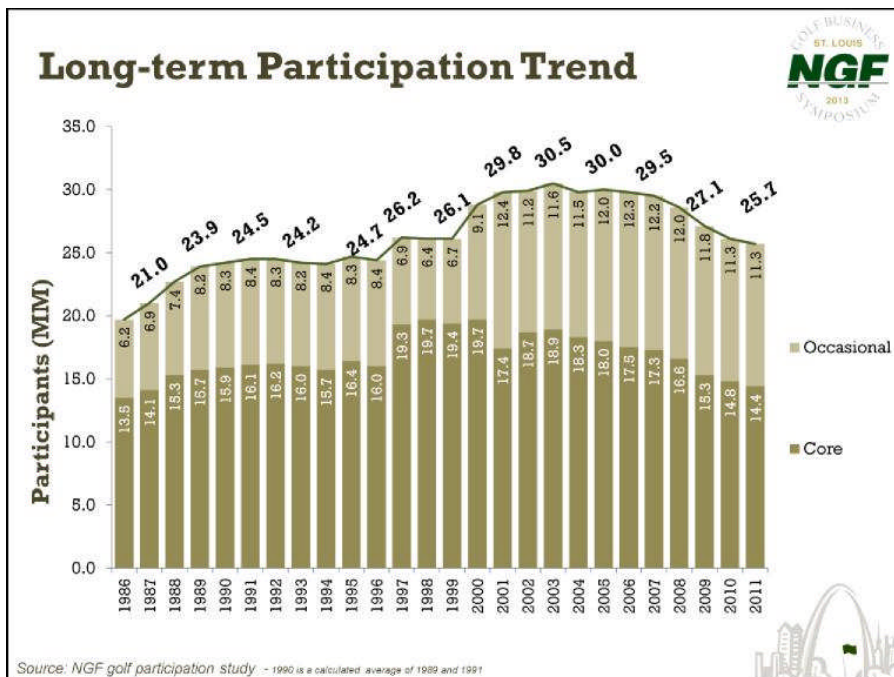
Note: The areas on the chart that are dark blue represent that temperatures will be approximately 200% colder than the year before. Green represents 200% more precipitation than the previous year

GOLF MARKET SUPPLY AND DEMAND INDICATORS

NGFC made several key observations regarding the local Salt Lake City area golf market, including national trends, local demand/supply, and area golf facility competition.

National Trends in Golf

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 9% of the population today. NGFC estimates that the number of golfers fell in 2011 to 25.7 million, essentially even with 2010. For research purposes, a golfer is defined as a person age 6 or above who plays at least one round of golf in a given year.



Number of Golfers - Golf participation remained flat in 2012. NGFC participation research revealed that there were about 25.3 million golfers in 2012, just off the 2011 figure of 25.7 million. The year over year drop is within error, but there is a longer term trend with 4.7 million golfers lost since 2005. This loss is due to both a decline in new beginners and a problem in retention – golf is losing more people than it is gaining in new beginners.

In a review of reasons, lapsed golfers identified time and money as most important, but the ‘fun factor’ also loomed large when it comes to retention. Two thirds of lapsed golfers just weren’t having any fun. That can certainly be attributed to any of the reasons they gave for leaving - lack of skill, not being comfortable on the course, frustration, difficulty of the game, etc. And if they’re not having fun, they’re probably not going to perceive much value.

Improving retention will help golf’s participation problem tremendously. Making golfers feel more comfortable on the course is paramount to retention, as is helping beginners feel good enough about their skills to lessen frustrations and eliminate embarrassment. All of this will contribute to making golf more FUN, and build a larger base of committed players. This has relevance in the SLC Golf Division where facilities such as Nibley Park and Jordan River can offer a quality venue for less-skilled golfers seeking a fun round of golf.

| All U.S. Golfers(in millions) | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 1985 | 1990 | 1995 | 2000 | 2005 | 2012 |
| All golfers age 6+ | 19.5 | 27.4 | 24.7 | 28.8 | 30.0 | 25.3 |
| Source: National Golf Foundation | | | | | | |

2012 Rounds Played – The Largest Single-Year Jump since the Millennium - The most influential factor in the golf economy in 2012 was the 5.7% increase in rounds played, through the end of the year. The resulting increase of 27 million rounds takes the national total to about 490 million. Since rounds declined approximately 11% or 55 million during the past 10 years, 2012 alone recovers half of that dip.

Nearly every state experienced a gain versus 2011. The geographic engine for the improvement has been a huge section of the northern half of the country where average year-over-year growth was 9.5%, compared to 3.8% for the rest of the country. Improved weather was the biggest influence on rounds played. PGA PerformanceTrak has reported a healthy 6.5% increase in playable days nationwide in 2012. Weather in the northern region of the country that drove up the national rounds played numbers was particularly favorable compared to 2011. Playable days in these states increased 13.6%, compared to 5.5% in the rest of the country.

It is important to note that Mother Nature probably doesn’t deserve all the credit for the increase in rounds played. National measurements of consumer confidence and spending have also been slowly and consistently edging upward from dips we saw in the Great Recession. Feelings of personal financial well-being are undoubtedly tied to an individual's positivity toward all types of discretionary and recreational spending, including golf.

As you would expect, golf course operators have benefitted most directly from the jump in rounds played. PerformanceTrak reported that median golf fee revenues were up 6.6% at member facilities through December 2012. However, given that “all golf is local,” individual facility performance is largely driven by the nature of local competition, weather, and economic/socio-demographic factors.

Competition certainly remains fierce in many markets, and the battle for market share is illuminated by the following statistic: the national average for rounds-per-18 holes – approximately 32,000 – is more than 20% lower than it was prior to the start of the building boom in the late 1980s. Despite positive trends, golf remains a “buyer’s market.”

Rounds played for the first two months of 2013 are off about 6% compared to 2012. However, if we compare the first two months of 2013 to 2011, it shows we are UP by almost 7%. This illustrates what an extraordinary year 2012 was for favorable weather.

Golf Industry Outlook for 2013

Golf continues to recover slowly from the recession of 2008/2009. The recovery has been very modest to date. The outlook for 2013 is for modest sales growth in golf consumer products and services, and golf course equipment and supplies. Rounds played are most likely to drop somewhat from 2012 levels, as the number of play days are unlikely to match those of last year, but overall course revenues should not be as affected. Course closures will continue to outpace openings significantly, resulting in another year of supply correction with negative net growth.

Continued economic uncertainty and anemic U.S. economic growth will continue to provide a headwind against rising consumer confidence and spending. However, both are likely to continue to rise slowly provided there are no major disruptive events.

2012 Facility Openings and Closings - U.S. golf course openings remain at historic lows, as NGFC recorded only 13.5 openings in 2012, compared to 154.5 golf course closures, measured in 18-hole equivalents (18HEQ). As in recent years, closures were disproportionately lower priced public facilities (68% of total closures). According to NGFC data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of 499.5 golf courses (18HEQ), which represents a drop of 3.3% off the peak supply year of 2005.

| | Openings | Closures | Net Change |
|------------|-----------------|-----------------|-------------------|
| Total 2012 | 13.5 | 154.5 | -141.0 |
| Daily Fee | 8.5 | 130.5 | -122.0 |
| Municipal | 1.5 | 8.5 | -7.0 |
| Private | 3.5 | 15.5 | -12.0 |

Source: National Golf Foundation, 2013

Local Golf Course Closure - Following a nation-wide trend, three golf courses closed in the area in the last ten years, including the University of Utah GC in Salt Lake City closed in 2009, Golf City in Ogden closed in 2005 and Nordic Valley in Eden closed in 2003.

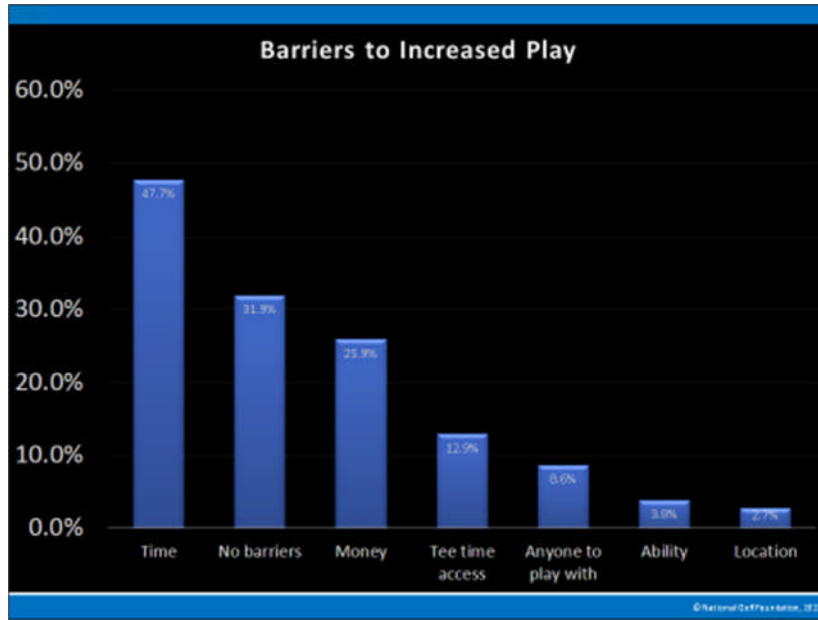
Tendencies and Preferences that Influence the Demand for Golf

Through NGFC research, it is clear that certain characteristics are predictable, as highlighted below:

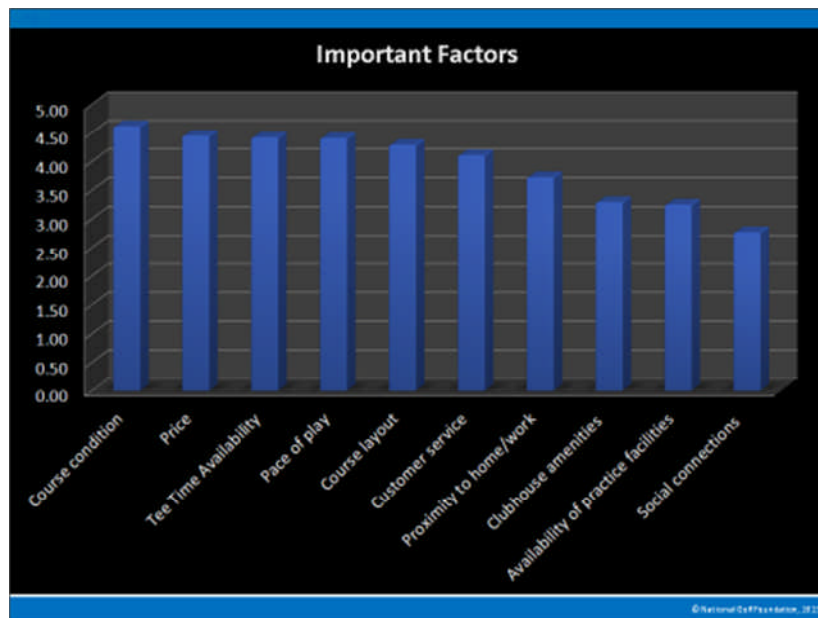
| Just the Facts: The Industry | |
|------------------------------|---|
| 90% Rounds | Live or work within 30 minutes of golf course |
| 15% of Customers | Core golfers generate 60% of revenue |
| Defectors | 50% play course once and don't return within 12 months |
| Distinct Customers | 6,000 golfers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

In, essence, 60% of a golf course's revenue is generated from 15% of the customers. This 15% represents an average of 6,000 distinct customers who play 4 to 7 different golf courses, resulting in a total of more than 30,000 rounds per year played at the average golf course. Interestingly, NGFC research also shows that 50% of the golfers who play a golf course one year will not return the next, especially if the golf course is not effectively communicating with golfers (email, social media, etc.). Those defectors are replaced by a new set of golfers who are playing the first time or returning after a one year absence or greater.

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



We note that the expense of the sport is ranked third with 25% indicating it as a key barrier. This we can see that continued discounting and lowering price may not be the key to increased participation. The key to financial success in managing a golf course is not focusing on price but rather the value created by the experience offered. Where the experience equals or exceeds the rate charged, customer loyalty is created. Where the experience is less than the price charged, customer attrition occurs. It is the belief of NGFC that the recent drop in rounds, while influenced by the weather is also a result of a declining experience provided to the golfer from the lack of capital investment. In conducting surveys, and as confirmed in the survey conducted for this review of Salt Lake City golfers, NGF Consulting realizes that golfers select a course based on the following criteria:



Course conditions and price are always have been the highest rates factors since NGFC started conducting consumer surveys in 1970.

Estimated Salt Lake City Golf Market

NGF Consulting uses actual data from competing golf facilities to provide documentation of the local golf economy, and this information is presented in this report. NGF Consulting also utilizes predictive models as benchmarks for estimating potential market strength. The methodology for determining the relative strength of the subject market is described in the following section.

Predicted Local Golf Demand

The **Golfing Household Index** is based on Predicted Number of Golfing Households, and compares golfing household participation in a particular geography to the national base index of 100. The **Rounds Index** is based on Predicted Number of Rounds, and compares the propensity of rounds played per household in a particular geography to the national average rounds index of 100.

Local Golf Demand Indices

The golf demand indices for each of the eight Salt Lake City golf system sub-markets are above the U.S. standard for golf participation (U.S. Standard Index = 100), and also higher for rounds played. For comparison, NGFC has provided the indices for Salt Lake City MSA and the State of Utah as a whole.

| Predicted Golf Demand 2013 | | | | |
|--|-------------------------|------------|------------------|--------------|
| 5-mile Rings | # of Golfing Households | Golf Index | Predicted Rounds | Rounds Index |
| Wingpointe Golf Course | 5,131 | 93 | 111,999 | 88 |
| Glendale Golf Course | 17,300 | 97 | 373,371 | 91 |
| Forest Dale Golf Course | 20,741 | 105 | 455,273 | 100 |
| Bonneville Golf Course | 14,763 | 108 | 323,021 | 102 |
| Rose Park Golf Course/Jordan River P-3 | 8,195 | 95 | 172,484 | 96 |
| Nibley Park Golf Course | 22,296 | 106 | 492,149 | 101 |
| Mountain Dell Golf Courses* | 679 | 217 | 19,935 | 275 |
| Overall Salt Lake City MSA | 73,663 | 106 | 1,676,833 | 93 |
| State of Utah | 175,317 | 97 | 3,362,749 | 88 |

Source: National Golf Foundation *Small sample of residents makes data less reliable.

Corporate Market Demand

As noted, the Salt Lake City MSA has a considerable number of large corporate and public employers. Although potential corporate demand for golf rounds is difficult to quantify, it is clear that Salt Lake City Golf facilities should target this market by emphasizing high quality facilities and the willingness of the staff to accommodate large corporate events and outings.

Golf Course Supply Factors

There are a total of 36 golf facilities in the Salt Lake City MSA, comprising 639 holes of golf. The table below shows the total number of golf facilities and total golf holes within five miles of each Salt Lake City golf facility site, with a comparison to the number of households within that same geography. The resulting ratio is a telling measure of the relative supply of golf in any geography. The Household/Supply Ratios are derived by dividing the number of households by the number of 18-hole equivalent golf courses. This measure is used as a benchmark to establish the level of support (households) that is available for each 18 holes of golf in the market. For reference, there are. The Household /Supply index is derived from these ratios and compared with the base national figure of 100 (8,149 households per 18-H in the total U.S.).

As the following table indicates, four of Salt Lake City golf courses are located within markets that have Household/Supply indices at or above 200, indicating there are twice as many households available to support each 18-hole golf course (favorable). Only the Wingpointe Golf market has a Household/Supply index below 100, indicating fewer households available to support the 18-hole golf course (unfavorable). Overall, the SLC golf courses appear to be well positioned in terms of local competition within five miles of the sites.

| Golf Facility Supply 2013 | | | | |
|--------------------------------------|---|------------------------------------|------------------------------------|--|
| 5-mile Rings | Total No. of Golf Facilities | Total No. of Golf Holes | Households per 18 holes | HH per 18 Hole Index (US=100) |
| Wingpointe GC | 5 | 90 | 7,225 | 89 |
| Glendale GC | 9 | 135 | 15,526 | 191 |
| Forest Dale GC | 10 | 144 | 16,131 | 198 |
| Bonneville | 4 | 54 | 29,756 | 365 |
| Rose Park/Jordan River | 6 | 108 | 8,441 | 104 |
| Nibley Park | 10 | 144 | 17,198 | 211 |
| Mountain Dell | 1 | 36 | 1,023 | 13 |
| Salt Lake City MSA | 36 | 639 | 10,785 | 132 |
| State of Utah | 118 | 2,016 | 8,049 | 99 |

Source: National Golf Foundation.

Change in Golf Supply

The overall Salt Lake City MSA has seen new golf course construction over the last decade, with 45 new golf holes (2.5 18-hole equivalents) added since 2003. This figure represents about 7% of total existing inventory for total holes, compared to -0.8% for the total U.S.

| Golf Course Construction Activity, 2001 - 2010 | | | |
|---|---------------------------|----------------------|-------------|
| | Salt Lake City MSA | State of Utah | U.S. |
| Total holes added past 10 years | 45 | 306 | -2,241 |
| Public holes added past 10 years | 27 | 243 | 2,772 |
| Private holes added past 10 years | 18 | 63 | -5,013 |
| Percent Total Holes Added | 7.0% | 15.2% | -0.8% |
| Percent Public Holes Added | 5.8% | 14.6% | 1.4% |
| Percent Private Holes Added | 10.5% | 17.9% | -6.9% |

Source: National Golf Foundation

The NGFC tracking database indicates there are no golf facilities in planning or under construction in the Salt Lake City market area. The closest new golf course under development in the area is the new private Promontory Club under construction in Park City.

Golf Course Market Supply / Demand Summary

The collection of the previous data allows NGFC to make comparison between supply and demand in the broader Salt Lake City MSA and each SLC Golf facility sub-market. As expected, the results are comparable to the population and income data within the small rings areas around each property showing modest demand and a relatively (compared to households) low number of golf courses.

Market Status

Using the most basic measures of golf demand and supply, we note four possible combinations for any given geography: (1) favorable demand and favorable supply (“opportunity”); (2) favorable demand and unfavorable supply (“active”); (3) unfavorable demand and favorable supply (“inactive”); and (4) unfavorable demand and unfavorable supply (“saturated”).

As shown in the table below, all SLC Golf sites are in markets with generally favorable supply conditions, with a mix of demand conditions. Many successful golf facilities in the U.S. tend to be located in “opportunity” markets, although this is not universal. The Salt Lake City MSA would be categorized as “inactive,” with unfavorable demand and favorable supply.

| Golf Market Demand 2013 | | | |
|------------------------------------|---------------------|------------------------|----------------------|
| 10-mile Rings | Demand Index | HH/Supply Index | Market Status |
| Wingpointe Golf Course | 88 | 89 | Saturated |
| Glendale Golf Course | 91 | 191 | Inactive |
| Forest Dale Golf Course | 100 | 198 | Opportunity |
| Bonneville Golf Course | 102 | 365 | Opportunity |
| Rose Park/Jordan River | 96 | 104 | Inactive |
| Nibley Park Golf Course | 101 | 211 | Opportunity |
| Mountain Dell Golf Courses | 275 | 13 | Active |
| Salt Lake City MSA | 93 | 132 | Inactive |

Source: National Golf Foundation. N/A = Data not available

Golfers per 18 holes

NGFC has also evaluated the relative strength of these markets with a comparison to a national “threshold” of golfers per golf course within 10 miles of a golf course. In its 2009 publication *“The Future of Public Golf in America,”* NGFC hypothesized that the best predictor of a public golf course’s success was the number of golfers per 18 holes within a 10-mile radius, with 4,000 identified as the key number for projected financial stability. As shown in the table below, Salt Lake City Golf courses are all in sub-markets with fewer golfers per golf course than the identified threshold, except Glendale. In fact, the overall Salt Lake City MSA market has only 78% of the number of golfers per course compared to the identified threshold. Still, the overall Salt Lake City area market is still much more favorable than the State of Utah overall, which has fewer than 59% of the number of golfers per golf course compared to the identified threshold.

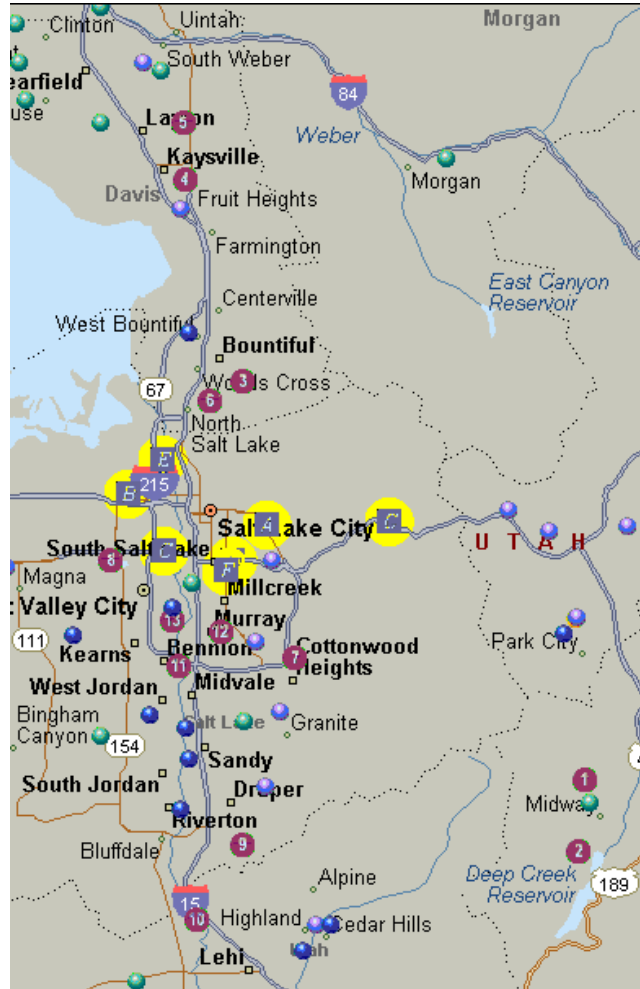
| 10-mile Rings | Est. No. of Golfers | Total 18-H Equivalent | Golfers per 18 holes |
|--|----------------------------|------------------------------|-----------------------------|
| Wingpointe GC | 55,000 | 15 | 3,667 |
| Glendale GC | 72,000 | 17 | 4,235 |
| Forest Dale GC | 71,300 | 21 | 3,395 |
| Bonneville GC | 57,000 | 18 | 3,167 |
| Rose Park/Jordan River | 48,000 | 14 | 3,428 |
| Nibley Park | 73,566 | 21 | 3,503 |
| Mountain Dell | 25,700 | 8 | 3,212 |
| Total U.S. “Threshold” for Successful Public Golf | | | 4,000 |
| Aggregate Salt Lake City MSA | 110,500 | 35.5 | 3,112 |
| Aggregate State of Utah | 263,000 | 112 | 2,348 |

Source: National Golf Foundation

SALT LAKE CITY COMPETITIVE GOLF MARKET

NGFC has reviewed the operations of 13 golf courses believed to reflect a representative sample of the key competitors for the various Salt Lake City golf courses. These facilities were identified based on several factors, including type and proximity of facility, price, and selection and input from SLC golf staff. In addition, the NGFC team had conducted a series of “secret shopper” reviews of the subject SLC golf courses as well as several of the identified competitors.

Map of Competitive Facilities



| MAP KEY | |
|---------------------------|------------------------|
| Salt Lake City Facilities | Competitive Facilities |
| A Bonneville | 1 Wasatch Mountain |
| B Wingpointe | 2 Soldier Hollow |
| C Glendale | 3 Bountiful Ridge |
| D Forest Dale | 4 Davis Park |
| E Rose Park /Jordan River | 5 Valley View |
| F Nibley Park | 6 Eaglewood |
| G Mountain Dell | 7 Old Mill |
| | 8 Stonebridge |
| | 9 South Mountain |
| | 10 Thanksgiving Point |
| | 11 Murray Parkway |
| | 12 Mick Riley |
| | 13 Fore Lakes |

Summary Information – Key Competitors

In the tables that follow, NGF Consulting presents summary operational information for a subset of golf facilities we've identified as either direct or secondary competitors to SLC Golf facilities. In a market such as Salt Lake City where there is much quality public golf to be enjoyed at very affordable rates, it can be difficult to precisely determine who is competing with whom. NGFC experience shows that when there is strong value and a variety of golf experiences available in a market, many avid golfers exhibit a willingness to travel for up to an hour or more to occasionally play golf courses other than their "home" club, so the list of facilities selected for comparison is by no means intended to be exhaustive.

| Identified Competitors – Summary Information | | | | | |
|--|------------------|-------------|------------------|----------------------|--------------------------------|
| Golf Facility | Location | Type | Year Open | Par / Slope | Front Tee / Back Tee |
| Wasatch Mountain Golf Course – Lake Wasatch Mountain Golf Course – Canyon | Midway | MU-36H | 1967/1973/1976 | 72 / 128 71 / 125 | 5,573 / 6,942 5,009 / 6,459 |
| Soldier Hollow Golf Course – Silver Soldier Hollow Golf Course – Gold | Midway | MU-36H | 2004 | 72 / 134 71 / 136 | 5,632 / 7,355 5,658 / 7,598 |
| Bountiful Ridge Golf Club | Bountiful | MU-18H | 1975 | 72 / 128 | 5,078 / 6,545 |
| Davis Park Golf Course | Fruit Heights | MU-18H | | 71 / 121 | 5,290 / 6,648 |
| Valley View Golf Course | Layton | MU-18H | 1975 | 72 / 132 | 5,689 / 7,162 |
| Eaglewood Golf Course | N. Salt Lake | MU-18H | 1994 | 71/123 | 5,173 / 6,772 |
| Old Mill Golf Course | Salt Lake City | MU 18H | 1998 | 71 / 125 | 4,744 / 6,769 |
| Stonebridge GC @ Lake Park | West Valley City | MU-27H | 1999 | 72 / | 4,684 / 7,078 |
| South Mountain Golf Club | Draper | MU 18H | 1998 | 72 / 130 | 5,165 / 7,080 |
| Thanksgiving Point Golf Course | Lehi | DF 18H | 1997 | 72 / 145 | 5,838 / 7,716 |
| Murray Parkway Golf Course | Murray | MU-18H | 1986 | 72 / 120 | 5,200 / 6,900 |
| Mic Riley Golf Course | Murray | MU-18H* | 1962 | 63 / 114 | 3,935 / 4,465 |
| Fore Lakes | | MU-18H* | 1974 | N/A | N/A |
| Type: DF – Daily Fee; MU – Municipal *9-hole par-3 + 9-hole executive. N/A = not available | | | | | |

Summary Operating Data – Key Competitors

The table below shows summary facility information for selected competitors we've identified. For total rounds, **starts are shown unless otherwise indicated, and were provided by the operators.**

| Summary Operating Data – Key Competitors | | | | | | | | |
|--|--|--------------------------|---------------------------|----------------------------|----------------------|------------------------|----------------|------------------------|
| Golf Facility | 2012 Financial Data* | 9-Hole Green Fee (WD/WE) | 18-Hole Green Fee (WD/WE) | Per Person Cart Fee (9/18) | Range Fees (sm / lg) | 18-Hole Twilight Rates | 18-Hole Senior | Annual / Seasonal Pass |
| Wasatch Mountain | Revenue = \$1,912,000 Expense = \$1,048,000 | \$15.50 | \$33 / \$35 | \$7 / \$14 | \$4 / \$8 | DNA | \$26 / \$35 | \$900 |
| Soldier Hollow | Revenue = \$1,011,000 Expense = \$1,083,000 | \$15.50 | \$33 | \$7 / \$14 | \$4 / \$8 | DNA | \$26 / \$26 | \$900 |
| Bountiful Ridge | Revenue = \$1,400,000 Expense = \$1,470,000 | \$14 | \$28 | \$6 / \$12 | N/A | DNA | \$12 | \$240 ¹ |
| Davis Park | Davis Park + Valley View Combined: Revenue = \$2,100,000 Expense = \$2,100,000 | \$14 | \$28 | \$7 / \$14 | N/A | DNA | \$22 | \$230 ¹ |
| Valley View | | \$14 | \$28 | \$7 / \$14 | \$3 / \$7 | DNA | \$22 | \$1,100 |
| Eaglewood | Revenue = \$1,182,000 Expense = \$1,375,000 | \$13 | \$26 | \$7 / \$14 | \$4 / \$7 | DNA | \$20 | DNA |
| Old Mill | Revenue = \$1,350,000 Expense = \$1,625,000 | \$16 | \$32 | \$7 / \$14 | \$4 / \$7 / \$10 | DNA | \$24 M-Th | DNA |
| Stonebridge | Revenue = \$1,800,000 Expense = \$1,900,000 | \$15 / \$22 ² | \$30 / \$43 ² | \$14 | | DNA | \$18 / \$32 | DNA |
| South Mountain | Revenue = \$1,600,000 Expense = \$1,100,000 | \$22 / \$24 | \$42 / \$45 | Included | | \$30 / \$35 | \$36 M-Th | DNA |
| Thanksgiving Point | N/A | \$38 / \$48 | \$67 / \$77 / \$87 | Included | | \$41 / \$51 | \$29 / \$39 | Corporate Only |
| Murray Parkway | Revenue = \$1,570,000 Expense = \$1,717,000 | \$14 | \$28 | \$7 / \$14 | N/A | DNA | \$23 | DNA |
| Mic Riley | Revenue = \$870,000 Expense = \$932,000 | \$14 | \$28 | \$7 / \$14 | \$4 / \$8 / \$11 | DNA | \$22 | DNA |
| Fore Lakes | N/A | \$8 / \$11 | \$16 / \$22 | \$6 / \$12 | N/A | DNA | \$16.50 | DNA |

KEY *Data from published Annual Budgets or CAFR – excludes all debt, depreciation + overhead. N/A – Information not available DNA – Does not apply
1 – Punch card for 20 9-hole rounds. 2 – Utah Resident / Non-Resident

Significant Findings

General Findings

- While every market is different, the Salt Lake City golf market is truly unique. The vast majority of public golf courses are owned by a governmental entity: State, County or City. Almost all of these municipal golf courses are losing money on operations.
- Each of these entities must balance the philosophical issue of providing recreation and leisure at an affordable price vs. creating a pricing matrix that is likely to ensure each course is financially self-sustaining, even though these goals are often at odds.
- The result of that philosophical debate is that NGFC observed a very narrow price differential between competitive golf courses, with the City's Bonneville and Mountain Dell golf courses being on the higher end.

Playing Fees

- The public golf course with the highest green fee in this market is Thanksgiving Point, which posts a prime time rate of \$87 (though fees are as low as \$42 on Sunday afternoon). Overall, green fee prices are tightly concentrated amongst the competitive set of golf courses between \$49 and \$42.
- In setting prices, it appears that golf courses are determining rates based on what competitors are charging rather than the differential value provided to the consumer. This has implications for SLC golf courses that are contemplating new capital investment, as the financial return on investment is not likely to be recaptured through an increase in green fees.
- Only two of the competitive courses offer a twilight rate discount. Most courses do not differentiate between weekday and weekends in rates. Both are consistent with SLC golf facilities.
- Wasatch Mountain, Soldier Hollow and Valley View are the only courses left that still offer a full, pre-paid golf pass. Most courses in this market have gone away from pre-paid passes and opted for either punch cards or loyalty cards (or both).
- Wasatch Mountain, Soldier Hollow and Thanksgiving Point all increased green fees in 2013 by about \$2 to \$3 over 2012 rates.

Features and Amenities

- Many golf courses (Thanksgiving Point, Soldier Hollow, Old Mill, South Mountain, Bountiful Ridge, Eaglewood) have modern with clubhouses or pavilions conducive to hosting tournaments, leagues and outings.
- The vistas from South Mountain, Bountiful Ridge, Old Mill, Eaglewood and Valley View are stunning. The opportunity to sit on the clubhouse deck and site see before or after a round is very inviting.
- For accomplished golfers seeking a competitive course layout to test their game, there are many outstanding alternatives: Soldier Hollow Gold or Silver, South Mountain, Bountiful Ridge, Old Mill, Wasatch State Park – Lake or Mountain, etc. Except for Soldier Hollow and Wasatch State Park, these courses are all located within 15 miles of downtown Salt Lake City and accessible through a convenient surface and highway road system.
- As a result, there are great opportunities to play golf in the Salt Lake City market at very competitive rates.

Comparison to SLC Courses

- SLC course clubhouses do not compare favorably to much of the competition. The clubhouses at SLC courses are older and outdated, with limited amenities and small spaces.
- In comparison to the competition, the food and beverage offerings at SLC courses are basic and uninspiring, offering only snack bar-type operations with the only true “restaurant” located at Mountain Dell.
- The principal asset of the SLC Golf facilities is their central location to a dense population base within the area. Each SLC golf course is convenient and easily accessible for its local customer base.

Secret Shopper Summary

To review the subject SLC Golf courses and make comparisons to competitors, the NGFC team retained a *Golf Magazine* Top 100 Course Rater to:

- Secret shop each of the City’s golf courses to measure value received considering the course layout, customer service, pace of play, availability of practices facilities and clubhouse amenities vs. and the prices paid.
- Visit 17 direct competitors of Salt Lake City to assess the customer experience, course layout and pricing at each facility.

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

The secret shopper review of Salt Lake City’s golf courses revealed that they are at a competitive disadvantage with respect to course layout and clubhouse amenities. Rating the golf experience on a scale 1-5 (5 is best), the NGFC secret shopper rated Bonneville, Mountain Dell, and Wingpointe as a “3,” Forest Dale, Nibley Park and Glendale rated a “2,” while Jordan River and Rose Park rated a “1.”

While the golf course designs and quality varied between SLC facilities, what was consistent was the customer service experience. Each staff person encountered was courteous, helpful and engaging. Each engaged in “small talk” to make the visitor feel welcome. Many times at municipal golf courses, staff can make the golfer feel that they are an inconvenience. Such was not the case at the Salt Lake City golf courses.

EXTERNAL FACTORS SUMMARY

Some summary points about the overall market environment within which Salt Lake City Golf courses are operating include:

- National trends in the golf industry are not favorable for operators of golf courses. The total number of “core” golfers is declining and total spending on golf is declining along with them. Similarly, the total number of golf courses has expanded in the last ten years, leading to a decline in per-course rounds and revenues collected. NGFC has also documented rapid inflation in expenses to operate golf facilities nationwide.
- The greater Salt Lake City area has many favorable attributes related to economic activity that can translate to high golf activity. However, each of the seven golf facility sub-markets is not uniform in demand/supply characteristics and potential for golf activity. The Bonneville, Nibley Park and Forest Dale sub-markets appear to be the strongest for golf, while the Glendale and Rose Park markets are the weakest. The Wingpointe and Mountain Dell areas do not have resident populations so these are destination properties fully reliant on visitors for support.
- Relative to its population, Salt Lake City has a smaller number of golf courses leading to a more favorable ratio of households to golf holes courses. While the market area has the potential to demand as many as 1.7 million rounds of golf annually, the golf season in Salt Lake City tends to be around seven months long (on average), thus reducing the timeframe in which golf can be played and golf revenue can be earned. Any alteration of the “average” climate can lead to increased or reduced rounds and golf revenue, making budget planning more difficult in Salt Lake City than other golf markets.
- Visitors to Salt Lake City are expected to contribute a significant volume of golf activity, especially at resort and tourist destinations such as Park City and the Wasatch Mountain area. This segment represents a sizable market opportunity for golf activity for Salt Lake City Golf courses, and a market segment that should be actively targeted with a wide range of promotional activities.
- NGFC has observed that Salt Lake City golf courses have several competitors that have been identified. In general, our review showed that Salt Lake City Golf courses generally do not compare well to their immediate competitors, with playing conditions and clubhouse amenities that are below standard. However, despite the conditions, SLC golf courses tend to offer a comparable pricing schedule. This would suggest that the overall value for service received is lower than optimal for SLC golf courses.

NGF Consulting Recommendations for Salt Lake City Golf

NGF Consulting has prepared a schedule of recommendations for the continued operation of Salt Lake City Golf system. These recommendations have been organized into three main categories: (1) System-wide basic oversight and structure; (2) Physical Upgrade Priorities; and (3) Specific Operational Recommendations. These recommendations are intended to apply to the system as a whole and are designed to benefit all facilities in the system. Previous discussion on the individual facilities provided additional recommendations unique to each Salt Lake City Golf property. In the chapter following these recommendations, NGF Consulting will display the potential financial impact of enacting all of the system-wide and individual facility recommendations.

SYSTEM-WIDE ORGANIZATIONAL RECOMMENDATIONS

NGFC recommends that Salt Lake City continue with its present operational structure with a commitment to enacting physical and marketing upgrades (especially electronic). The City should also implement other key NGFC recommendations, at least through the end of FY2015 to allow some of the new initiatives and physical upgrades to take full effect. This structure, if properly implemented, is believed by NGFC to offer Salt Lake City the greatest opportunity for improvement in both revenues and expenses, and create a streamlined operation with appropriate alignment of interests. Decisions on Wingpointe and Rose Park must come early in the process as the continuation of these properties has impact on the sequencing of other NGFC recommendations.

Further, NGFC recommends that if the City is to seek some type of lease arrangement for the system, that such arrangement includes a large-scale capital program that would be the responsibility of the new lease partner. Put simply, the City should **only** consider a lease if the new lessee is prepared to fund needed capital investments (more below).

Salt Lake City Golf Administration and Structure

Other key findings and recommendations regarding Salt Lake City Golf Administration include:

- **The basic oversight and structure of Salt Lake City Golf system must change to become more entrepreneurial and run the golf system more like a business and less like a public accommodation.** This means new and improved emphasis on marketing and promotion, especially to markets beyond Salt Lake City. This will mean enhancements to facilities and systems and mean that management will have to react quickly to changes in market characteristics.
- Salt Lake City needs to create a formal 20-year master plan for the golf system. The NGFC observation is that of a “day-to-day” mentality in operating the golf courses with key decisions made separately and without order or planning. The NGFC recommendation is for the system to be organized under a formal plan, identifying the goals for the system and each individual facility.
- The general framework of the NGFC recommendation is that each individual SLC golf facility has its own unique identity, all under a common SLC Golf banner and theme such as **“something for everyone.”**

- The individual course themes and product can be:

| Salt Lake City Golf System NGFC Recommended Individual Golf Facility Placement | |
|---|---|
| Golf Facility | Theme and Goals |
| Bonneville GC | Premier resident-oriented 18-hole championship golf facility |
| Wingpointe GC | Destination-oriented golf facility focused on attracting airport-related tourists and corporate outings. |
| Mountain Dell GC | Premier destination-oriented golf facility focused on attracting mountain tourists and corporate outings. |
| Glendale GC | Lower fee championship golf focused on corporate and business functions/events with popular driving range |
| Rose Park GC | Lower fee 18-hole golf course for residents with focus on new player development and recreational golf activity |
| Forest Dale GC | Standard 9-hole golf course for residents |
| Nibley Park GC | Value 9-hole golf course for residents with focus on new player development and recreational golf activity |

- The overall cost to administer the SLC Golf Division is higher than NGFC typically sees with similar multi-facility municipal golf systems. There are two areas of concern: water expenses and administrative costs. The water expense for the Golf Division is \$1,170,853 (\$156,113 per 18-hole equivalent) compared to an industry average of \$12,000. That expense alone accounts for 80% of the unfavorable variance compared to national median benchmarks.
- Other Accounting changes:
 - Revenue should be summarized by green fees, carts, merchandise, range, food & beverage and other. Currently, those categories have various general ledger accounts that are not subtotaled for quick comparison to industry benchmarks.
 - Expenses should be summarized by administrative (labor, other expenses), pro shop (labor, other expenses) and maintenance (labor, other expenses). Currently, the general ledger accounts are not subtotaled for quick comparison to industry benchmarks.

Public/Private Joint Venture Recommendations

NGFC recommends the SLC Golf Division aggressively pursue the public/private partnerships that were presented to NGFC and outlined earlier in this report. Of specific interest to NGFC is the naming rights and the donor hole sponsorships, two fund raising concepts that have been proven successful in other communities. The other partnerships appear favorable to the SLC Golf Division, but will ultimately be dependent on the level of financial support that the Utah PGA and the University of Utah are willing to provide.

Land Sale/Lease Considerations

NGFC recommends the SLC Golf Division aggressively pursue possible land sale or lease opportunities. NGFC has observed that several of the SLC golf courses have larger-than-standard property sizes, leaving several sizable and potentially marketable tracks of property that could be sold or leased, providing capital to help off-set the large-scale investment needs documented above. The locations with the greatest land sale possibilities include Bonneville GC, Rose Park/Jordan River GC and Glendale GC. It is the opinion of NGFC that to sell off (or lease) excess golf course property and use proceeds to improve the City's golf courses would be a good use of these land assets and still be consistent with the open space and public purpose uses of the City's golf courses.

PHYSICAL UPGRADE PRIORITIES

In the previous chapters, the NGFC team made specific recommendations for physical upgrades at each City golf course, with documented estimates of costs for each item. As most of the NGFC review is centered on enhancing activity, revenue and reducing expense, some of the physical improvements are a high overall priority for the system and should not be ignored or postponed for too long. We also note that some of the recommendations are interdependent with each other and thus should be coordinated as part of a master plan (i.e. secondary water source recommendations related to facility reconfigurations).

Irrigation, Water Source and Turf Reduction

NGFC can state that total water expense for the SLC golf courses is very high, and action to reduce this expense should be the highest priority of the SLC Golf Division. NGFC recommends that the City commence with plans to complete the infrastructure necessary to switch to secondary water sources as soon as is reasonable at Bonneville, Glendale and Forest Dale (Siemens plan). These changes should be completed as part of a master plan and consider other changes to the property being proposed by NGFC, most notably at Bonneville and Nibley Park. If the City agrees to continue with golf at Rose Park/Jordan River and enact some type of site renovation, the secondary water use plan will ultimately be dependent on the program selected for the site, but the infrastructure that will be required to provide the secondary source to the site should commence as soon as is practical.

The second component of the water use reduction plan involves the introduction of new non-managed turf ("native") areas on the golf courses to help reduce the maintenance "footprint" of each facility and to reduce water use and capital costs associated with irrigation maintenance and replacement. NGFC fully supports this program and recommends that it be enacted at all golf courses in conjunction with other renovation / upgrade considerations and under the supervision of a golf course architect to assist in proper planning to fit the existing golf course and with an eye toward maintenance efficiency, golf course playability and pace of play.

NGFC Priority List of Physical Upgrades

The physical upgrade needs documented by NGFC total between \$22 and \$26 million to be completed over several years. To make the list manageable, NGFC has divided the upgrade items into several layers of priority, including: (1) priority by facility; (2) highest priority items; (3) investments that should lead directly to increased revenue; and (4) lower priority items.

Upgrade Priority by Facility

Below is the NGFC recommended list of facilities in priority order by which upgrades should be commenced. This list is based on both the greatest immediate need, as well as the ability to generate return on investment. The priority of NGFC improvements:

1. Bonneville GC (can be signature course for the system)
2. Rose Park / Jordan River (if City elects to retain golf)
3. Nibley Park GC (focus on new player development)
4. Glendale GC (revenue enhancement opportunities)
5. Mountain Dell GC (revenue enhancement opportunities)
6. Forest Dale GC (golf course upgrades needed)
7. Wingpointe GC (if remain open as golf course – also this is a newer facility with lower overall capital needs).

Highest Priority by Item

Below is the NGFC recommended list of the highest priority items for the full SLC Golf Division. This list is based on the above-noted list of facility priorities, as well as the highest priority items in the system. The priority of NGFC improvements by project:

1. All actions to improve irrigation efficiency, add non-managed turf (“native”) areas and reduce water use and associated costs
2. Full Bonneville golf course renovation
3. Rose Park / Jordan River reconfiguration (if City elects to retain golf at this site)
4. Maintenance facility upgrades at Glendale
5. Maintenance facility upgrades at Forest Dale
6. New tournament pavilion at Glendale
7. Range expansion / golf course reconfiguration at Nibley Park

The NGFC estimated total expense of these highest priority items is as shown below:

| Salt Lake City Golf System NGFC Recommended Highest Priority Items | | |
|---|-------------------------|--------------------------|
| | Low Estimate | High Estimate |
| Bonneville (golf course renovation) | \$6,350,000 | \$7,065,000 |
| R. Park/J. River (golf course reconfiguration) | \$2,630,000 | \$3,160,000 |
| Nibley Park (range, golf course reconfiguration) | \$490,000 | \$640,000 |
| Glendale (irrigation, water, pavilion, maint. Fac.) | \$315,000 | \$362,000 |
| Mountain Dell (irrigation) | \$295,000 | \$320,000 |
| Forest Dale (irrigation, water, maint. Fac.) | \$335,000 | \$400,000 |
| Wingpointe (irrigation, water) | \$150,000 | \$160,000 |
| Total High Priority | \$10,565,000 | \$12,107,000 |

Other High Priority – Lead to Increase Revenue

Below is the recommended list of other high priority items that NGFC believes will lead directly to enhanced revenue for the system, but each requires considerable investment:

1. Clubhouse renovation/addition at Mountain Dell
2. New front lawn project at Nibley Park (Public Putting Green or Mini Golf)

The NGFC estimated total expense of these highest priority items is as shown below:

| Salt Lake City Golf System Other High Priority Items to Enhance Revenue | | |
|--|-------------------------|--------------------------|
| | Low Estimate | High Estimate |
| Clubhouse Renovation/addition at Mountain Dell | \$1,700,000 | \$1,900,000 |
| Front Lawn Project at Nibley Park | \$250,000 | \$290,000 |
| Total High Priority/Revenue Enhancement | \$1,950,000 | \$2,190,000 |

Lower Priority by Item

Below is a brief summary of some of the key lower priority items recommended by NGFC and documented in this report. The list below is not meant to be exhaustive, but highlights the most important of the lower priority items as seen by NGFC in late 2013:

1. New clubhouse at Bonneville (possibly shifted to higher priority dependent on ability to fund)
2. Clubhouse, cart storage, maintenance facility upgrades at Rose Park
3. Golf course fix-up, maintenance facility and clubhouse upgrade at Nibley Park
4. Cart paths, staging/patio, golf upgrade, clubhouse upgrade and new maintenance facility at Glendale
5. Upgrade entry, parking, cart paths and minor remodel/short game at Mountain Dell
6. Greens, drainage and other upgrades at Forest Dale
7. Cart path upgrades, tournament pavilion at Wingpointe

The NGFC estimated total expense of all (in addition to those listed above) lower priority items:

| Salt Lake City Golf System NGFC Recommended Lower Priority Items | | |
|---|-------------------------|--------------------------|
| | Low Estimate | High Estimate |
| Bonneville Clubhouse | \$4,000,000 | \$4,400,000 |
| R. Park/J. River remaining projects | \$1,595,000 | \$1,740,000 |
| Nibley Park remaining projects | \$1,180,000 | \$1,440,000 |
| Glendale remaining projects | \$315,000 | \$360,000 |
| Mountain Dell remaining projects | \$1,330,000 | \$1,490,000 |
| Forest Dale remaining projects | \$990,000 | \$1,195,000 |
| Wingpointe remaining projects | \$660,000 | \$790,000 |
| Total Lower Priority | \$10,070,000 | \$11,415,000 |

Capital Program – Recommended Sequencing

The NGFC recommendation for sequencing major items can be shown in the chart below:

| Schedule by Facility | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------|-------------|-----------------|-----------------|---------------|------|
| Bonneville GC | Master Plan | Renovation | Grand Re-open | | |
| Rose Park / Jordan River | Master Plan | Reconfiguration | Grand Re-open | | |
| Nibley Park | Master Plan | | Range Expansion | Add mini Golf | |
| Glendale | | Turf/Irrig. | Pavilion | | |
| Mountain Dell | | | | Clubhouse | |
| Forest Dale | | | | Greens | |
| Wingpointe | | | Pavilion | | |

BASIC OPERATIONAL RECOMMENDATIONS

Additional recommendations regarding basic operations that apply to all Salt Lake City Golf facilities include ideas for improving technology capabilities, upgrading the marketing, taking advantage of public/private joint opportunities, adjusting prices, food and beverage operations, and other general operating ideas.

Better Employ Technology

Technology is one of the most important and tools available to a golf course management team to create incremental revenue, and proper deployment of technology is critical in golf operations in 2013 and beyond. Technology defines and guides the marketing strategy to build a larger customer database, create customer loyalty and boost revenue. There are many opportunities for the SLC Golf Division to improve their use of technology. Our recommendations include:

- Better integrate the tee sheet into the POS system to identify exactly who is playing the golf courses and what they are spending, measuring each customer unique customer and their spending patterns. This is fundamental to segment the database and commence an effective targeted email marketing campaign (this is available in the present Golf Division POS).
- Segment the customer databases by facility to determine the age, income, ethnicity, and playing habits of customers as measured by the number of courses played, rounds played per year and dollars spent annually.
- The key to effective marketing is crafting tailored marketing messages. Sending one email to a valued customer thanking them for their loyalty, while sending a different email to those who haven't played in 90 days creates loyalty and repeat purchases.
- The creation of a customer database at the POS terminal is always a challenge. Have a separate kiosk where the golfer can self-register helps expand the database.
- The tee time reservation booking engine on slc-golf.com is not convenient. The process is not located on the home page in the upper left hand corner. Organizing the web site to facilitate customer transactions will enhance service, encourage greater Internet booking and save pro shop labor in processing reservations.

- Use the SLC Golf website to help build a customer database of 4,000 email address per 18-hole equivalent. There is a great opportunity to expand the current customer file for one to one marketing is far more effective that generic print advertising.
- The social media tools are not automatically integrated into email marketing initiatives. Labor savings and economies of scale can be achieved through using an email delivery tool that automatically integrates to the leading social media forums, i.e. Facebook, twitter, Instagram, etc.
- It is the suggestion of NGFC that an email marketing platform be adopted that integrates the customer database with social media platforms. Whether Vertical Response, Constant Contact, or another leading email marketing program be adopted, analyzing the opens, clicks, bounces, and un-subscribes is fundamental to building a successful email program.

A smartphone application has not been developed nor can golfers receive text alerts broadcast from the email system. The average person checks their cell phone 150 times per day. Having a mobile application facilitates connecting with the customer.

In summary, NGFC recommends upgrades to SLC Golf Division technology with focus on three areas that would greatly aid the Golf Division’s marketing initiatives to stimulate revenue:

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

Marketing Upgrade Recommendations

Few things can positively affect performance more than marketing, and there is often a direct correlation between the amount of money spent on marketing and economic performance. However, in today’s competitive and media-rich environment, it may take more than just money to be effective – it also has to be invested wisely.

In preparing our recommendations for Salt Lake City golf system, NGFC sees a two-pronged marketing approach: (1) A system-wide approach that promotes ALL facilities under a unified brand and logo; and (2) an individual facility approach that identifies and promotes each individual facility based on its unique characteristics and offering, along with its own unique brand and logo. The list of NGFC recommendations marketing may be short and may even include areas where the City is already active.

- **Branding** - The City courses fall under Salt Lake City Golf Division, and there has been a logo developed for “Salt Lake City Golf.” The logo, if done well, may become marketable in its own right on salable items (clothing, caps, etc.) which will help with merchandise sales. While there is a system brand, each facility should also have its own unique brand, reflected in signage, scorecards and marketing.
- **Theme** - Assuming our recommendation for the position of each golf course, the city can promote “a golf facility for everyone,” as there will be a clear progression of facility types from beginner (Nibley Park, Rose Park) all the way up to professional (Wingpointe) and everything in between. The City can work to create a strong theme in branding the City golf courses as offering “something for everyone.”

- **Strategy** - While the City should continue to market the brand of “Salt Lake City Golf” (all the City courses taken together), we would also encourage developing more facility-specific marketing. This will be essential for Wingpointe and Mountain Dell in particular, as these facilities will be targeting the area’s large tourist/visitor populations.

Website Marketing

In today’s world, the web is where golfers first turn when looking for a place to play, and this is especially true for visitors to the area. NGFC has observed that the SLC golf website is strong and includes several of the key features we typically recommend for sites like this. The only redesign changes recommended by NGFC are:

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

Other Marketing Recommendations

Staff – The City should maintain the position of Business / Marketing Manager to keep the website up to date, send out the email blasts, and regularly post on the social media sites.

Print Media - Contrary to popular opinion, print media is not dead, but still effective for golf. This is true in part because of the generally older population that plays golf, especially at the City courses. We encourage occasional ads in local papers and regional golf publications. Print campaigns should be coordinated with social media and email campaigns.

Brochure - Brochures can be effective, especially when promoting to tourists and for tournaments. The City should develop a high quality, professionally produced rack brochure for Salt Lake City Golf courses as a fold-out piece with “Golf” in the upper 1/3 of the front page. An enhanced commitment to distributing this piece and placing it in as many area visitor centers, hotels, tourist attractions with information racks, restaurants with tourist racks, Chambers of Commerce, etc. is reasonable. NGFC research (NGFC publication The U.S. Golf Travel Market) reveals that 44% of all golfers play golf when they travel.

Public Relations/Grand Re-opening - PR announcements are free and can be effective. Make sure to send out press releases, particularly on details related to the proposed upgrades/renovations and as each newly renovated facility hosts its “grand reopening.”

Tracking Ads - Savvy marketers realize it is important to constantly monitor the effectiveness of their marketing campaigns to identify which campaigns are actually working and allow for appropriate adjustments. Redemption ads (coupons) are always easy to track. Internet ads that require a “click” that can be monitored are also easy to track. More difficult are general ads, such as billboards or print ads, which do not provide a discount or other easily trackable item. There are still ways of tracking effectiveness. These include:

- **Tracking Play** - The bottom line is how much impact the ads have to the bottom line. Simply tracking play before and after an ad is run and comparing to similar time periods, can give you a good idea. Of course there are always confounding elements (such as weather), so ideally this is repeated.
- **Phone Number** - The cost of phones has dropped and the digital age has made it easier to track calls. A sure way of tracking an ads effectiveness is to give it a unique phone number (or website address, etc.) where the responses can be easily monitored.

Tournaments and Outings. The Salt Lake City Golf staff needs to be more aggressive in direct marketing to tournament and outing prospects to bring in a larger share of that business. Keys to marketing in this segment include some direct contact selling, as well as actively seeking groups, charities, and corporations that have hosted tournaments in the past.

Signage. The signage for some of Salt Lake City Golf courses should be improved, to the extent that is allowable by County, City, and local guidelines. It is recommended that any signage to Salt Lake City Golf sites include the facility logos (as opposed to Salt Lake City logo) and make locations of each golf course as clear as possible and note that each golf course is “open to the public.”

Fee Discussion and Recommendation

NGFC has reviewed the existing fee structure at Salt Lake City golf courses, as well as a review of competing facilities in each market. The review shows there is some room to adjust fees on several levels, including:

- Creating segmentation between the City golf facilities, rather than have “one-size-fits-all” approach; and
- Improving yield management – increasing fees at peak demand times and decreasing fees when demand is reduced.

In addition, NGFC has applied our green fee pricing model based (table below) on local market household income. This model suggests that the ability to adjust the price upward at Mountain Dell is heavily constrained by market conditions. However, there is a position that could be maintained that the prices at Glendale and Rose Park are significantly overvalued in comparison to the experience provided and local market.

| Salt Lake City Golf System NGFC Recommended Green Fee Pricing Model | | | | | |
|--|--------------------------------------|----------------------------|--------------------------|-----------------|------------------------------|
| Golf Course | Local Market Median HH Income | Potential Green Fee | Current Green Fee | Variance | Market Value Analysis |
| Bonneville | \$66,524 | \$49.89 | \$49.00 | \$0.89 | Appropriate |
| Forest Dale | \$48,371 | \$36.28 | \$37.44 | (\$1.16) | Overpriced |
| Glendale | \$40,189 | \$30.14 | \$44.00 | (\$13.86) | Overpriced |
| Mountain Dell | \$96,152 | \$72.11 | \$49.00 | \$23.11 | Underpriced |
| Nibley | \$41,714 | \$31.29 | \$35.67 | (\$4.38) | Overpriced |
| Rose Park | \$43,173 | \$32.38 | \$42.00 | (\$9.62) | Overpriced |
| Wingpointe | \$66,750 | \$50.06 | \$47.00 | \$3.06 | Underpriced |
| Note: 18 hole green price for Forest Dale and Nibley was determined by dividing 9-hole green rate by 60% and adding cart fee. | | | | | |

In light of the above table, NGFC has prepared a set of recommendations related to the fees charged at each Salt Lake City golf location for 2014. This new schedule of fees does not assume any of the large-scale capital projects recommended by NGFC, as these changes would have their own separate set of green fees along with them. Some of the main proposed changes:

- Adding a non-resident rate at 15% to 20% higher for all green fees at Wingpointe, Mountain Dell and Bonneville.
- No change in fees at Forest Dale and Nibley Park.
- Reduce fees by \$1 per 9 holes at Glendale GC.
- Reduce fees by \$2 per 9 holes at Rose Park GC.
- Adding twilight times during non-league days
- Adding super-twilight rates during the summer

General Maintenance Recommendations

Other recommendations related to overall day-to-day maintenance of City golf courses

- **Planning** - The City's golf program has done a good job of identifying needs. What is missing is an integrated series of facility Master Plans overlaid to priorities and "return on investment" projections. NGF Consulting cannot stress enough the need for detailed planning and study at each of the City's golf assets.

- **Arbor Work** - Tree policies (i.e., removal, care and new plantings) are currently lacking in the City's golf program. The City's tree professionals do spend time assisting the golf program, but our conclusion is that no one with golf design credentials is actively involved in tree work. We believe that the City's golf assets are equally important to the communities where the courses are located as they provide open spaces, shade and a reprieve from the asphalt and dense development of the urban areas. In essence, the trees at the courses are assets themselves. A more professional and well-planned approach to tree work is needed. Ideally this would be a global effort, integrated as part of the Master Planning at each facility. If taken and approached as a whole, our conclusion is that less money will be spent overall and more positive results will be realized with regard to the important element of trees.

Maintenance Area Decorum

NGF Consulting, during our time at each golf facility, noted undue debris, old equipment (unused) and junk littering all of the maintenance areas. This was quite prevalent and NGFC understands that policies and procedures exist for disposing of old equipment. Cameras for recording unused equipment have been provided to each superintendent, and there are forms and "simple" procedures for ridding maintenance facilities of old tractors, mowing units, metal drums, parts, etc. However, this system is obviously not functioning in Salt Lake City. Rather than try and resolve the problem, we will instead relate how this is handled in most golf operations:

- As equipment is mothballed, it is set aside, then evaluation is made whether to:
 - Sell
 - Recycle (as scrap metal, etc.)
 - Pick apart for parts
- Depending on "b" above, material is immediately rendered to an auction house or turf equipment dealer; a scrap metal yard or service; or is assigned to a mechanic to take apart and inventory for use as parts.

It was explained to us that when a superintendent may need a part for a particular mowing unit, they have to travel to each maintenance yard across the City until finding one — or not. Multiply this by several key employees and it is obvious this is a poor system. Equally inefficient is having to haul equipment from one facility to another to extract parts, etc.

NGF Consulting recommends that the City allow its golf program to work differently than other departments due to the specialized nature of golf equipment. Currently, the debris and junky clutter surrounding the City's maintenance facilities reflects poorly on how the golf program is managed. There is obviously a disconnect in this area of operations, and it should be corrected. The reasons for correcting this include health-safety, reducing fire hazard, potential revenue from scrap metal, potential savings from having to purchase new parts, sharing of equipment among facilities (what is junk to one course, may be a needed at another), vector control, etc.

Integration with Siemens Work

There are beneficial relationships between the work recommended to upgrade and reconfigure the City's golf assets and work currently being explored by Siemens Industry, Inc. NGF Consulting encourages the City to continue their energy/water/resource savings programs at the golf facilities with the caveat that much needed planning and Master Plan efforts, with prioritization, should be integrated to the Siemens work.

For example, Siemens is well along with proposals and analysis at Rose Park, yet our study (if adopted) usurps much of their work to date due to the conclusions of our evaluation and

analysis that long term sustainability of Rose Park requires a complete rethinking of the uses, land allocation and structure of the facility. In this instance, Siemens and the City would be advised to rethink the water conversion at that location to see how it might blend with our recommendations.

The same holds true, although to lesser degrees, at the other facilities currently being studied by Siemens. In our discussions with Siemens we have addressed findings at various stages of our work. The general recommendation is that Siemens be engaged to complete much of their planning, some of which is identified in our cost estimates/budgets as “Master Planning” or “Study” work at the courses.

Other Operational Recommendations

The changes proposed by NGFC related to the memberships and passports include the following key elements:

Becoming More “Women-Friendly”

As noted in several places in this report, the City courses do not appear to operate in a “women-friendly” fashion and tend to get a lower percentage of women players than the other area courses. While there are many reasons for this reality, we note that they are all fixable.

- **Length** - As noted throughout the report, some of the golf courses (Wingpointe, Mountain Dell Canyon) are too long for most women golfers. We recommend new forward tees at each course, with a length of 4,400 to 4,600 yards.
- **Restrooms** – Female golfers tend to be a lot more conscious about restrooms than male golfers (borne out by national surveys). In many cases, the City falls short on these standards, in both on-course restrooms (porta-pottys) and in clubhouses. The City needs to make a concerted effort to improve the restroom facilities for women and add more permanent on-course restroom facilities.
- **Merchandise** – In the City’s golf pro shops, women’s apparel appears scarce. Not only is this a lost revenue source, but it sends a message to women “you are not welcome here.”
- **Food and beverage** - Women tend to be more health and weight conscious than men. As a result, they want healthy choices on the menu, which are lacking at City courses.

Pace of Play Recommendations

Pace of play is the single biggest complaint from customers. Below are some corrective measures the City can take to reduce significantly the pace of play:

- **New Forward Tees** - creating shorter golf courses and promoting the “tee it forward” initiatives should help to get golfers to play from the most appropriate tee position.
- **Add Marshals** - We recommend utilizing marshals on busier days at most courses.
- **Course Maintenance** - We recommend that the rough be kept at no longer than 2 inches in length and that the areas under trees be kept as clear as possible. Better overall maintenance will help with the pace as well as overall customer satisfaction. At the highest volume courses, if pace continues to be a big problem, consider shortening the rough even more.
- **Monitor** - We recommend that the pace of play be consistently monitored and recorded. Look for patterns when it slows down to see if other adjustments may be required.

Third-Party Wholesale

The Salt Lake City Golf Division licenses the EZ Links software through a barter system. The Golf Division provides the third party vendor tee times daily to liquidate at whatever price they deem appropriate to generate revenue to provide for their compensation. It was reported to NGFC that \$105,000 in tee times were sold by EZ Links during the prior fiscal year. In addition, it was reported to NGFC that the Golf Division gives away about \$40,000 in inventory in exchange for advertising and selected media placements.

There is no greater issue in the golf industry than the impact of barter trade creating customer disintermediation. Though moving unsold inventory through wholesalers / discounters can be a very useful tool (and can result in increased awareness of a facility), NGFC does not recommend that it become a substitute for vigilant internal tee sheet / yield management. NGFC has witnessed instances where golf course management seemingly cedes too much control of its tee sheet management to on-line wholesalers. While EZ Links is asking for additional tee times and consideration for the continued license of the software, and while the typical software vendor liquidates \$26,500 in bartered tee times annual for access to their software representing a potential liquidated trade value of \$225,250 for the continued access to EZ Link's software. NGFC has included the National Golf Course Owner's Association's (NGCOA) recommendations for managing third-party wholesalers in **Appendix B** to this report.

Financial Analysis of Expected SLC Golf Division Performance

As part of this NGF Consulting study effort, the consultants have prepared an economic evaluation to show the potential economic performance of the City's golf courses under certain operational and/or performance scenarios. In this section of our report, the entire Salt Lake City Golf system's economic potential is evaluated and summarized, with estimates of individual facility performance that were presented earlier in this report. All NGFC projections are based on a set of assumptions that may or may not become reality. We feel that these estimates represent the best effort to create a "fair estimate of performance" for these facilities based on our complete review of each Individual operation.

SUMMARY OF SLC GOLF PROJECTIONS (2014-2018)

NGFC has made projections for each of the seven individual Salt Lake City Golf facilities, detailed in an earlier chapter of this report. In the table below, NGFC has summarized the projections on each facility's performance by revenue and expense line items and by individual facility. We note that these projections are based on NGFC estimates for future performance in consideration of recommendations made for each individual facility and the system as a whole.

The projections we have made include capital needs, with the total cost for defined projects presented earlier in this report. NGFC has assumed the City will use some form of debt (revenue or general obligation bonds) to finance the projects, although other alternatives should be considered. The NGFC identified alternate sources such as land sale considerations, public/private partnerships (Utah PGA – Univ. of Utah) and donor sponsorships. These should be explored to the fullest, but providing exact figures on funds that can be raised through these methods is beyond the scope of this consulting study. NGFC has used the bond financing approach in our projections to provide a frame of reference to the City on how the approximately \$11.0 million in new investments can be funded.

The details of NGFC projections are presented in the following tables, summarized both by line item for the total system and by facility. Other direct operating expenses, administration, CIP and debt service are included in the projections. The NGFC recommendations that are expected to have the most significant economic impact include:

- The modification of the fee structure, adding a new non-resident rate at Wingpointe and Mountain Dell, while lowering fees at Glendale and Rose Park;
- Renovating the Bonneville GC and Rose Park GC's in 2015 and 2016, providing upgrade at Bonneville and a new concept at Rose Park;
- Expanding the clubhouse at Mountain Dell in 2017
- Upgrading Salt Lake City system marketing, particularly Internet marketing, and Maximizing the use of technology in operations, leading to improved revenue;
- Continue the program to increase fees on a consistent basis to keep up with inflation;
- Committing to a program to control labor expense in the system through natural vacancies and retirements, with some re-staffing completed with part-time staff, when vacancies come open.

Salt Lake City Golf System Summary by Line Item

| Salt Lake City Golf Courses Projected Economic Performance with NGFC Recommendations | | | | | |
|---|--|----------------------|--------------------|--------------------|--------------------|
| Description | 2014 | 2015 | 2016 | 2017 | 2018 |
| Golf Rounds | 397,000 | 326,000 | 408,000 | 417,000 | 442,000 |
| Mini Golf Rounds | 0 | 0 | 0 | 22,000 | 25,000 |
| Revenue | | | | | |
| Green Fees | \$4,250,200 | \$3,647,500 | \$4,750,100 | \$4,996,500 | \$5,338,900 |
| Mini Golf | 0 | 0 | 0 | 77,000 | 89,300 |
| Cart Fees | 1,601,700 | 1,371,800 | 1,741,800 | 1,806,900 | 1,923,500 |
| Driving Range | 422,800 | 288,500 | 535,000 | 589,700 | 615,400 |
| Lessons | 42,600 | 41,800 | 56,000 | 63,000 | 70,000 |
| Other Rentals | 63,300 | 54,800 | 66,500 | 69,000 | 72,700 |
| Merchandise | 708,400 | 642,100 | 783,300 | 827,800 | 881,300 |
| Admin Revenue | 158,000 | 161,200 | 164,400 | 167,700 | 171,000 |
| Other | 44,800 | 39,600 | 47,600 | 43,700 | 51,700 |
| F & B Lease | 96,400 | 78,500 | 108,600 | 142,900 | 150,600 |
| Total Revenue | \$7,388,200 | \$6,325,800 | \$8,253,300 | \$8,784,200 | \$9,364,400 |
| System-Wide Cost of Sales | \$477,700 | \$439,500 | \$528,800 | \$558,600 | \$593,800 |
| System Gross Margin | \$6,910,500 | \$5,886,300 | \$7,724,500 | \$8,225,600 | \$8,770,600 |
| Expense | | | | | |
| Total Personnel Services | \$3,945,000 | \$3,507,400 | \$4,022,120 | \$4,236,100 | \$4,499,800 |
| Operating & Maint. Supply | 802,000 | 739,200 | 855,620 | 875,000 | 937,300 |
| Water Expense | 1,110,000 | 709,400 | 720,780 | 751,300 | 794,400 |
| Other Utilities | 148,000 | 134,100 | 156,780 | 166,700 | 173,300 |
| Other Charges and Services | 1,240,000 | 1,138,600 | 1,313,460 | 1,353,700 | 1,423,700 |
| Advertising | 100,000 | 102,500 | 105,100 | 107,700 | 110,400 |
| Total Expenditures | \$7,345,000 | \$6,331,200 | \$7,173,860 | \$7,490,500 | \$7,938,900 |
| Net Operating Income (Loss) | (\$434,500) | (\$444,900) | \$550,640 | \$735,100 | \$831,700 |
| Historic Debt | \$504,200 | \$70,500 | \$251,400 | \$251,400 | \$251,400 |
| New Project Debt | \$0 | \$525,000 | \$525,000 | \$624,800 | \$624,800 |
| Total Debt Service | \$504,200 | \$595,500 | \$776,400 | \$876,200 | \$876,200 |
| Net After Debt (Loss) | (\$938,700) | (\$1,040,400) | (\$225,760) | (\$141,100) | (\$44,500) |
| CIP | \$397,000 | \$326,000 | \$408,000 | \$417,000 | \$442,000 |
| Debt Proceeds | \$0 | \$9,000,000 | \$0 | \$1,700,000 | \$0 |
| Capital Spending | (\$0) | (\$9,000,000) | (\$0) | (\$1,700,000) | (\$0) |
| Land Sale/Partnership/Donations | <i>No Income Assumed – Amount to be Determined</i> | | | | |
| Salt Lake Golf Net Income (Loss) | (\$1,335,700) | (\$1,366,400) | (\$633,760) | (\$558,100) | (\$486,500) |

Salt Lake City Golf System Summary by Facility

| Bonneville Golf Course | | | | | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,284,500 | \$0 | \$1,589,600 | \$1,640,000 | \$1,704,700 |
| Cost of Sales | \$76,500 | \$0 | \$88,200 | \$92,500 | \$97,000 |
| Operating Expense | \$1,033,000 | \$456,500 | \$1,003,500 | \$1,043,600 | \$1,085,400 |
| Debt Service | \$88,800 | \$350,000 | \$394,300 | \$394,300 | \$394,300 |
| Bonneville Net Income (Loss) | \$86,200 | (\$806,500) | \$103,600 | \$109,600 | \$128,000 |

| Wingpointe Golf Course | | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,054,500 | \$1,239,600 | \$1,222,800 | \$1,269,800 | \$1,283,400 |
| Cost of Sales | \$117,800 | \$139,500 | \$135,300 | \$141,600 | \$142,900 |
| Operating Expense | \$997,000 | \$1,014,300 | \$1,012,800 | \$1,053,300 | \$1,095,400 |
| Debt Service | \$68,900 | \$0 | \$34,400 | \$34,400 | \$34,400 |
| Wingpointe Net Income | (\$129,200) | \$85,800 | \$40,300 | \$40,500 | \$10,700 |

| Glendale Golf Course | | | | | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,107,800 | \$1,395,400 | \$1,275,400 | \$1,272,200 | \$1,286,800 |
| Cost of Sales | \$53,300 | \$64,400 | \$60,500 | \$60,900 | \$62,100 |
| Operating Expense | \$974,000 | \$915,000 | \$951,600 | \$989,600 | \$1,029,200 |
| Debt Service | \$67,700 | \$0 | \$33,800 | \$33,800 | \$33,800 |
| Glendale Net Income (Loss) | \$12,800 | \$416,000 | \$229,500 | \$187,900 | \$161,700 |

| Forest Dale Golf Course | | | | | |
|--------------------------------------|-------------------|------------------|-------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$605,200 | \$683,500 | \$652,500 | \$514,800 | \$751,300 |
| Cost of Sales | \$32,800 | \$37,700 | \$35,800 | \$27,800 | \$40,800 |
| Operating Expense | \$559,000 | \$581,400 | \$604,700 | \$470,800 | \$641,400 |
| Debt Service | \$48,400 | \$0 | \$24,200 | \$24,200 | \$24,200 |
| Forest Dale Net Income (Loss) | (\$35,000) | \$64,400 | (\$12,200) | (\$8,000) | \$44,900 |

| Rose Park Golf Course/Jordan River Par-3 | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$801,400 | \$0 | \$866,200 | \$912,600 | \$996,300 |
| Cost of Sales | \$34,600 | \$0 | \$39,300 | \$41,800 | \$46,000 |
| Operating Expense | \$1,055,000 | \$531,000 | \$787,000 | \$818,500 | \$851,300 |
| Debt Service | \$63,600 | \$175,000 | \$206,800 | \$206,800 | \$206,800 |
| Forest Dale Net Income (Loss) | (\$351,800) | (\$706,000) | (\$166,900) | (\$154,500) | (\$107,800) |

| Nibley Park Golf Course | | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$600,000 | \$735,700 | \$527,200 | \$789,400 | \$815,900 |
| Cost of Sales | \$47,200 | \$58,700 | \$40,000 | \$54,800 | \$55,900 |
| Operating Expense | \$516,000 | \$536,700 | \$429,360 | \$586,900 | \$610,300 |
| Debt Service | \$25,000 | \$0 | \$12,400 | \$12,400 | \$12,400 |
| Nibley Park Net Income (Loss) | \$11,800 | \$140,300 | \$45,440 | \$135,300 | \$137,300 |

| Mountain Dell Golf Courses | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,776,800 | \$2,110,400 | \$1,955,200 | \$2,217,700 | \$2,355,000 |
| Cost of Sales | \$115,500 | \$139,200 | \$129,700 | \$139,200 | \$149,100 |
| Operating Expense | \$1,341,000 | \$1,394,600 | \$1,450,300 | \$1,558,900 | \$1,621,300 |
| Debt Service | \$141,900 | \$70,500 | \$70,500 | \$170,300 | \$170,300 |
| Mountain Dell Net Income (Loss) | \$178,400 | \$506,100 | \$304,700 | \$349,300 | \$414,300 |

| Administration | | | | | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Admin Revenue | \$158,000 | \$161,200 | \$164,400 | \$167,700 | \$171,000 |
| Less: | | | | | |
| Operating Expense | \$870,000 | \$901,700 | \$934,600 | \$968,900 | \$1,004,600 |
| Admin Net Income (Loss) | (\$712,000) | (\$740,500) | (\$770,200) | (\$801,200) | (\$833,600) |

Summary of Golf Facilities' Economic Performance

| Summary Salt Lake City Golf Courses | | | | | |
|---|--|----------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total System Revenue | \$7,388,200 | \$6,325,800 | \$8,253,300 | \$8,784,200 | \$9,364,400 |
| Less: | | | | | |
| System Cost of Sales | \$477,700 | \$439,500 | \$528,800 | \$558,600 | \$593,800 |
| System Operating Expense | \$7,345,000 | \$6,331,200 | \$7,173,860 | \$7,490,500 | \$7,938,900 |
| Total Debt Service | \$504,300 | \$595,500 | \$776,400 | \$876,200 | \$876,200 |
| Net Before Other (Loss) | (\$938,800) | (\$1,040,400) | (\$225,760) | (\$141,100) | (\$44,500) |
| CIP | \$397,000 | \$326,000 | \$408,000 | \$417,000 | \$442,000 |
| Debt Proceeds | \$0 | \$9,000,000 | \$0 | \$1,700,000 | \$0 |
| Capital Spending | (\$0) | (\$9,000,000) | (\$0) | (\$1,700,000) | (\$0) |
| Land Sale/Partnership/Donations | <i>No Income Assumed – Amount to be Determined</i> | | | | |
| Salt Lake Golf Net Income (Loss) | (\$1,335,700) | (\$1,366,400) | (\$633,760) | (\$558,100) | (\$486,500) |

The results of the analysis show that even with NGFC recommendations and the modest growth of rounds and revenues, we still expect Salt Lake City Golf system to see challenges in the next few years. A summary of findings from the tables above:

- By enhancing the facilities as recommended by NGFC, the SLC Golf system will improve its financial position and create a golf system that is capable of covering all of its basic day-to-day operations, including administration, **but not debt service**. This is common in municipal golf throughout the country as only about one-third of all municipally-owned golf courses can cover all expenses **and** debt service.
- Thus, it is the finding of NGFC that the SLC Golf Division cannot sustain itself, even with enhancements unless some external funding source is found (land sale, donations, partnerships, taxpayer support, etc.).
- This is primarily due to the large administration cost in the system and the large losses at the Rose Park/Jordan River complex.
- If the debt service in the system can be replaced by an alternate funding source, such as land sale, donations or public/private partnerships, than the system will be fully sustainable to cover its capital needs and investments to grow revenue.
- The above projections assume historical inflation in expenses and some inflation in fees charged for golf facilities. The Salt Lake City Golf courses will have to commit to at least some fee increases every year, or every other year, to meet the NGFC created projections.

SLC GOLF WITH REDUCTION TO SIX FACILITIES (COURSE CLOSURE)

NGFC has considered the performance of the City golf system under the consideration that the City will close Rose Park and Jordan River beginning in 2015, and use the property as a park with several more “passive” features. This review was completed to show the City what the potential direct economic effect might be, assuming that closure of this course results in reduction of most of the operating expenses of an entire golf complex, but retaining a basic park maintenance budget.

Rose Park / Jordan River Closure

In this scenario, Rose Park and Jordan River would be closed beginning in FY2015 and the land used as a passive park with multiple uses, such as ball/soccer fields, open space, bike trails, jogging trails, dog walk, Frisbee parks, etc. Other key assumptions include:

- All assumptions for capital upgrades and fees from the previous NGFC projection are continued, except all capital expenditures and revenue for Rose Park and Jordan River GC.
- NGFC estimates approximately 1/3 of Rose Park and Jordan River's approximately 55,000 annual rounds would be absorbed by other City golf courses:
 - Glendale and Wingpointe add 3,000 to 4,000 rounds per year in 2015-2018
 - Bonneville add 1,000 to 2,000 rounds per year in 2015-2018
 - Forest Dale and Nibley Park add 1,000 to 2,000 rounds per year in 2015-2018
 - No change in rounds projection at Mountain Dell
- Total on-site facility expenses are adjusted to \$1,000 per acre per year, or \$155,000 per year.
- All SLC Golf Division Admin charges remain as previously projected. It is assumed that even if the system is reduced by one golf course the total admin charges would remain intact.

Salt Lake City Golf System Summary by Line Item – Rose Park Closed in 2015

| Salt Lake City Golf Courses Projected Economic Performance Rose Park Closed 2015 | | | | | |
|---|--|--------------------|--------------------|--------------------|--------------------|
| Description | 2014 | 2015 | 2016 | 2017 | 2018 |
| Golf Rounds | 397,000 | 331,000 | 371,000 | 380,000 | 401,000 |
| Mini Golf Rounds | 0 | 0 | 0 | 22,000 | 25,000 |
| Revenue | | | | | |
| Green Fees | \$4,250,200 | \$3,703,000 | \$4,451,000 | \$4,697,800 | \$5,000,800 |
| Mini Golf | 0 | 0 | 0 | 77,000 | 89,300 |
| Cart Fees | 1,601,700 | 1,390,400 | 1,615,300 | 1,679,900 | 1,780,700 |
| Driving Range | 422,800 | 293,500 | 379,800 | 427,800 | 437,700 |
| Lessons | 42,600 | 42,200 | 48,000 | 54,000 | 60,000 |
| Other Rentals | 63,300 | 55,800 | 62,100 | 64,500 | 67,600 |
| Merchandise | 708,400 | 654,800 | 747,700 | 791,500 | 839,200 |
| Admin Revenue | 158,000 | 161,200 | 164,400 | 167,700 | 171,000 |
| Other | 44,800 | 40,200 | 41,500 | 37,400 | 44,900 |
| F & B Lease | 96,400 | 79,600 | 98,100 | 132,400 | 138,500 |
| Total Revenue | \$7,388,200 | \$6,420,700 | \$7,607,900 | \$8,130,000 | \$8,629,700 |
| System-Wide Cost of Sales | \$477,700 | \$448,700 | \$506,800 | \$536,000 | \$567,400 |
| System Gross Margin | \$6,910,500 | \$5,972,000 | \$7,101,100 | \$7,594,000 | \$8,062,300 |
| Expense | | | | | |
| Total Personnel Services | \$3,945,000 | \$3,227,400 | \$3,602,121 | \$3,799,302 | \$4,045,503 |
| Operating & Maint. Supply | 802,000 | 689,200 | 750,620 | 765,800 | 823,700 |
| Water Expense | 1,110,000 | 584,400 | 610,780 | 636,900 | 675,400 |
| Other Utilities | 148,000 | 118,100 | 134,780 | 143,800 | 149,500 |
| Other Charges and Services | 1,240,000 | 1,233,600 | 1,344,660 | 1,386,100 | 1,457,400 |
| Advertising | 100,000 | 102,500 | 105,100 | 107,700 | 110,400 |
| Total Expenditures | \$7,345,000 | \$5,955,200 | \$6,548,061 | \$6,839,602 | \$7,261,903 |
| Net Operating Income (Loss) | (\$434,500) | \$16,800 | \$553,039 | \$754,398 | \$800,397 |
| Historic Debt | \$504,200 | \$70,500 | \$219,600 | \$219,600 | \$219,600 |
| New Project Debt | \$0 | \$350,000 | \$350,000 | \$449,800 | \$449,800 |
| Total Debt Service | \$504,200 | \$420,500 | \$569,600 | \$669,400 | \$669,400 |
| Net After Debt (Loss) | (\$938,700) | (\$403,700) | (\$16,561) | \$84,998 | \$130,997 |
| CIP | \$397,000 | \$331,000 | \$371,000 | \$380,000 | \$401,000 |
| Debt Proceeds | \$0 | \$6,000,000 | \$0 | \$1,700,000 | \$0 |
| Capital Spending | (\$0) | (\$6,000,000) | (\$0) | (\$1,700,000) | (\$0) |
| Land Sale/Partnership/Donations | <i>No Income Assumed – Amount to be Determined</i> | | | | |
| Salt Lake Golf Net Income (Loss) | (\$1,335,700) | (\$734,700) | (\$387,561) | (\$295,002) | (\$270,003) |

Salt Lake City Golf System Summary by Facility – Rose Park Closed in 2015

| Bonneville Golf Course | | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,284,500 | \$0 | \$1,634,600 | \$1,685,400 | \$1,750,600 |
| Cost of Sales | \$76,500 | \$0 | \$90,800 | \$95,100 | \$99,700 |
| Operating Expense | \$1,033,000 | \$456,500 | \$1,003,500 | \$1,043,600 | \$1,085,400 |
| Debt Service | \$88,800 | \$350,000 | \$394,300 | \$394,300 | \$394,300 |
| Bonneville Net Income | \$86,200 | (\$806,500) | \$146,000 | \$152,400 | \$171,200 |

| Wingpointe Golf Course | | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,054,500 | \$1,300,500 | \$1,309,600 | \$1,356,700 | \$1,371,200 |
| Cost of Sales | \$117,800 | \$146,400 | \$145,000 | \$151,300 | \$152,800 |
| Operating Expense | \$997,000 | \$1,014,300 | \$1,012,800 | \$1,053,300 | \$1,095,400 |
| Debt Service | \$68,900 | \$0 | \$34,400 | \$34,400 | \$34,400 |
| Wingpointe Net Income | (\$129,200) | \$139,800 | \$117,400 | \$117,700 | \$88,600 |

| Glendale Golf Course | | | | | |
|-----------------------------|-----------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,107,800 | \$1,395,400 | \$1,329,000 | \$1,362,500 | \$1,378,000 |
| Cost of Sales | \$53,300 | \$64,400 | \$63,100 | \$65,300 | \$66,600 |
| Operating Expense | \$974,000 | \$915,000 | \$951,600 | \$989,600 | \$1,029,200 |
| Debt Service | \$67,700 | \$0 | \$33,800 | \$33,800 | \$33,800 |
| Glendale Net Income | \$12,800 | \$416,000 | \$280,500 | \$273,800 | \$248,400 |

| Forest Dale Golf Course | | | | | |
|--------------------------------|-------------------|-----------------|----------------|----------------|-----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$605,200 | \$698,700 | \$667,900 | \$530,600 | \$767,500 |
| Cost of Sales | \$32,800 | \$38,500 | \$36,700 | \$28,700 | \$41,700 |
| Operating Expense | \$559,000 | \$581,400 | \$604,700 | \$470,800 | \$641,400 |
| Debt Service | \$48,400 | \$0 | \$24,200 | \$24,200 | \$24,200 |
| Forest Dale Net Income | (\$35,000) | \$78,800 | \$2,300 | \$6,900 | \$60,200 |

| Rose Park Golf Course/Jordan River Par-3 | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$801,400 | \$0 | \$0 | \$0 | \$0 |
| Cost of Sales | \$34,600 | \$0 | \$0 | \$0 | \$0 |
| Operating Expense | \$1,055,000 | \$155,000 | \$161,201 | \$167,602 | \$174,303 |
| Debt Service | \$63,600 | \$0 | \$0 | \$0 | \$0 |
| Forest Dale Net Income | (\$351,800) | (\$155,000) | (\$161,201) | (\$167,602) | (\$174,303) |

| Nibley Park Golf Course | | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$600,000 | \$754,500 | \$547,200 | \$809,400 | \$836,400 |
| Cost of Sales | \$47,200 | \$60,200 | \$41,500 | \$56,400 | \$57,500 |
| Operating Expense | \$516,000 | \$536,700 | \$429,360 | \$586,900 | \$610,300 |
| Debt Service | \$25,000 | \$0 | \$12,400 | \$12,400 | \$12,400 |
| Nibley Park Net Income | \$11,800 | \$157,600 | \$63,940 | \$153,700 | \$156,200 |

| Mountain Dell Golf Courses | | | | | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Facility Revenue | \$1,776,800 | \$2,110,400 | \$1,955,200 | \$2,217,700 | \$2,355,000 |
| Cost of Sales | \$115,500 | \$139,200 | \$129,700 | \$139,200 | \$149,100 |
| Operating Expense | \$1,341,000 | \$1,394,600 | \$1,450,300 | \$1,558,900 | \$1,621,300 |
| Debt Service | \$141,900 | \$70,500 | \$70,500 | \$170,300 | \$170,300 |
| Mountain Dell Net Income | \$178,400 | \$506,100 | \$304,700 | \$349,300 | \$414,300 |

| Administration | | | | | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Admin Revenue | \$158,000 | \$161,200 | \$164,400 | \$167,700 | \$171,000 |
| Less: | | | | | |
| Operating Expense | \$870,000 | \$901,700 | \$934,600 | \$968,900 | \$1,004,600 |
| Admin Net Income (Loss) | (\$712,000) | (\$740,500) | (\$770,200) | (\$801,200) | (\$833,600) |

Summary of Golf Facilities' Economic Performance – Rose Park Closed in 2015

| Summary Salt Lake City Golf Courses – Rose Park Closed 2015 | | | | | |
|---|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total System Revenue | \$7,388,200 | \$6,420,700 | \$7,607,900 | \$8,130,000 | \$8,629,700 |
| Less: | | | | | |
| System Cost of Sales | \$477,700 | \$448,700 | \$506,800 | \$536,000 | \$567,400 |
| System Operating Expense | \$7,345,000 | \$5,955,200 | \$6,548,061 | \$6,839,602 | \$7,261,903 |
| Total Debt Service | \$504,300 | \$420,500 | \$569,600 | \$669,400 | \$669,400 |
| Net Before Other (Loss) | (\$938,800) | (\$403,700) | (\$16,561) | \$84,998 | \$130,997 |
| CIP | \$397,000 | \$331,000 | \$371,000 | \$380,000 | \$401,000 |
| Debt Proceeds | \$0 | \$6,000,000 | \$0 | \$1,700,000 | \$0 |
| Capital Spending | (\$0) | (\$6,000,000) | (\$0) | (\$1,700,000) | (\$0) |
| Land Sale/Partnership/Donations | <i>No Income Assumed – Amount to be Determined</i> | | | | |
| Salt Lake Golf Net Income (Loss) | (\$1,335,700) | (\$734,700) | (\$387,561) | (\$295,002) | (\$270,003) |

Summary of Course Closure Considerations

The simple closing of one (or more) of the 18-hole golf courses as a means to reduce expense is not recommended by NGFC, even though our economic review of the option does show that the SLC Golf Division economic performance does improve with the closure of Rose Park and Jordan River. However, we note that this review still shows an overall loss in the system after all debt, capital and administration is considered, showing the basic finding about this golf system remains even in this scenario – **the SLC Golf Division cannot sustain itself, even with enhancements unless some external funding source is found (land sale, donations, partnerships, taxpayer support, etc.).**

If the debt service in the system can be replaced by an alternate funding source, such as land sale, donations or public/private partnerships, than the system will be fully sustainable to cover its capital needs and investments to grow revenue even if Rose Park and Jordan River are removed from the equation.

Summary Statement

It is our opinion that the City's golf operation is at a very critical point in its history. Declining performance has not only created stress within the system, but has resulted in a lack of reinvestment in the system in terms of major capital repairs. The position the City is in is a familiar one to us. If immediate action to correct the problems are not taken, the golf program is likely to engage in a "death spiral" where declining performance leads to continued budget cut-backs. These cut-backs, in turn, affect the performance of the facility and usually end up reducing revenue by more than the cost savings, thereby accelerating the decline.

Yet, there is a lot of reason for optimism as well. The system is located in a market with historically strong golf demand and the overall ratio of demand and supply is generally favorable, compared to other similar sized communities. Further, we find that most of the issues that led to declining financial performance are correctable. However, the capital needs of the golf courses are such that immediate action is necessary, and such action must be completed in conjunction with other concurrent projects to reduce water use (Siemens project). Coordination between these initiatives will assure an enhanced final product and more efficient and less expensive golf operation.

In summary, our findings are that Salt Lake City is operating popular golf facilities with amenities that are good enough to generate close to \$8.0 million in revenue. NGFC found five key specific areas that we feel are the most significant contributors to the recent declines in economic performance of Salt Lake City Golf Courses:

1. Declining conditions at City golf facilities, especially Bonneville GC
2. A need to improve marketing to maximize the use of technology
3. High City overhead and utilities (water) expense structure
4. A tight external golf market with a very narrow band of green fee pricing
5. Unpredictable and unfavorable weather, coupled with a declining interest in golf nationwide and regionally

In review of Salt Lake City golf system, NGFC finds that action on these above items will provide the greatest relief of economic stress to the system, although we recognize the high cost of capital improvements. Assuming it is in the best interest of Salt Lake City for the golf system to remain viable, it is expected that these changes will provide some economic relief to Salt Lake City Golf Fund.

The most important NGFC recommendations for Salt Lake City Golf include:

1. Take immediate action to reduce water use on all golf course properties
2. Upgrade the physical condition of the golf courses and clubhouses
3. Be prepared to accept alternate funding sources such as naming rights, public / private partnerships and even sale/lease of excess golf course property
4. Improve technology and marketing
5. Create a more segmented system, with greater variety of offerings and pricing
6. Take steps to reduce administrative and overhead expenses

Limiting Conditions

The evaluation of Salt Lake City golf facilities was accomplished to form the basis of recommendations by NGF Consulting. The evaluation covers the base facilities (*i.e.*, the golf course, practice areas, clubhouse, maintenance facilities and grounds.) The evaluation does not provide in-depth evaluation of infrastructure, systems or analysis of such. More in-depth study, evaluation and analysis will be required to act upon conclusions presented within this report. In general, this additional study is best accomplished by detailed Master Plans, specific professional evaluations of infrastructure and structures (such as architectural surveys, structural inspections, irrigation audits, etc.) and prioritization consulting based on “cost vs. return” analysis.

All Statements of the Probable Cost (“Estimates”) represent the best estimates that can be provided in the context of the present work contracted to NGF Consulting. Cost estimates represent our best judgment of the probable costs as a design professionals and consultants. It is recognized, however, that we do not have control over the cost of labor, materials, equipment or course accessories, over contractors’ methods of determining bid prices, or over competitive bidding, market or negotiating conditions. Accordingly, NGF Consulting cannot state that proposed budgets, cost estimates and assumptions presented here will not vary depending on these factors or findings of further study and inspection.

Appendices

(Under Separate Cover)

APPENDIX A – ARCHITECTURAL EXHIBITS

APPENDIX B – NGCOA GUIDELINES FOR THIRD-PARTY RESELLERS

APPENDIX C – GOLF COURSE LIFE CYCLE