

Executive Summary

Sirius Golf Advisors, LLC (“Sirius”) was hired by the Northbrook Park District (“NPD”) to do an overall assessment of their golf operations, including the facilities at Sportsman’s Country Club (“SCC”) and at Anetsberger (“AGC”). The Sirius team included John Wait, President of Sirius and an expert in municipal golf facilities, noted golf course architect Jeffrey D. Brauer, and top agronomist, Peter Dejak.

In addition to our examination of the facilities, we interviewed all course managers and most of the staff, met with the NPD Commissioners and with various stakeholder groups, and visited over 50 of the competitors. In addition, Sirius conducted a web-based customer survey as well as a survey of the competition. We also received and analyzed area demographic and golf demand data supplied by the National Golf Foundation (“NGF”).

Because of the massive amounts of data reviewed, in the interest of time we will only discuss the most salient findings and recommendations in this section. As such, Sirius will be focused on what can be done to *improve* performance and customer satisfaction. Because of the emphasis on improvement, it may give the false impression that the current management team is somehow at fault. This is completely inaccurate and misleading. In fact, we found the management team within the Golf Division, as well as NPD itself, to be outstanding. We want to thank them, especially Greg Baron, for their tremendous assistance throughout this project. We could not have asked for more.

Market Analysis

We examined the market demographics around both SCC and AGC, looking at 15-, 30-, and 60-minute drive times, as well as the metro area. An overwhelming majority of the play at both facilities comes from within the 15-minute area.

The demographics of the area are very favorable for golf. We also found that golf demand was particularly strong in this area. When looking at supply versus demand, we found that *SCC is in the most competitive band*, especially in the local area. However, as we get farther away from the immediate area, the ratio changes in favor of the premium facility. In other words, *SCC needs to be able to attract golfers from more than 15-minutes away in order to have a favorable competitive environment*. But as we will see, SCC does not do this very well.

Competitive Review

The sheer number of golf facilities is incredibly impressive. There are 24 courses within 5 miles of SCC (15 public), 56 within 10 miles (34 public) and 170 within 25 miles (109 public).

To get a better perspective on competition, we took a closer look at 33 courses that were deemed comparable to the Classic 18, five for the East 9 and nine for AGC. The list was formed based on their location, nature of the facility and perceived target markets.

Below are the most salient findings.

Classic 18

- **Par:** As a Par 70 course, Classic 18 is at a *competitive disadvantage* as golfers tend to prefer the more traditional Par 72.
- **Back Yardage:** *Classic 18 is at a major disadvantage when it comes to back yardage.* It is too short for an estimated 17% of the market.
- **Forward Tees:** The Classic 18 course measures 5,280 yards from the forward tee, which is the tee most preferred by women. This is equivalent to a **7,542-yard** course for men! As such, it is not only overly difficult, but it naturally takes women a lot longer to play. This effectively slows down the pace of play, which affects *all* golfers. However, only a couple of courses in the area even come close to having equitable yardage. *With new forward tees in the 4,000 to 4,400-yard range, Classic 18 (and East 9) could dominate* the market for women golfers.

Performance Comparison

We had performance on 20 of the facilities, although not all facilities provided the same information. For example, we had rounds information from just 14. Below is a summary of the most important findings:

- **Rounds:** *Only three of 14 courses reported fewer rounds than the Classic 18. Classic 18 appears to be underperforming in the market.*
- **Green Fees:** The two operating 27-hole facilities in the area both generated significantly more green fee revenue than SCC.
- **Net Operating Income (NOI):** Net Operating Income is defined as Gross Revenue less cost-of-sales and *operating* expenses. Non-operating expenses such as depreciation and debt service are *not* included. Of the 19 operations reporting NOI, *eleven (58%) reported having a positive NOI*, while eight (42%), including SCC, had a loss. *The top 3 performing facilities, all with NOIs of over \$500,000, have significant banquet operations.* This includes neighboring Chevy Chase.

East 9

The results were similar for the East 9, especially with regards to being at a disadvantage for both being short, and having too long a forward tee. The East 9 is even longer than the Classic 18, with an equivalent yardage for women compared to men of 7,820 yards! *With new forward tees*, the East 9, like the Classic 18, has an *opportunity to dominate this market*, and greatly improve its pace of play.

We did find the East 9 to be the highest priced of the 9-hole facilities, suggesting it may be overpriced for the market, especially for non-residents.

Anetsberger

Facility-wise, AGC was consistent with the other facilities in the Par 3 marketplace. However, it had the second-lowest revenue among the six facilities reporting. *AGC is underperforming in the marketplace.*

Performance Analysis

We grouped those 20 facilities comparable to the Classic 18 for which we had performance information. We looked at Par, Household Income for the city in which the facility was located, back yardage, peak fee, food & beverage (F&B) revenue and google rating.

- SCC was in the lowest performing group in terms of percentage of facilities with a positive NOI *in all but one of these groupings*. In the one area in which it wasn't in the worst, it was in the 2nd worst (of four).
- *The factors that seemed to correlate strongest with performance were peak fees, yardage, and F&B income.*

Impact of Renovations and Rebranding

Sirius did a study in conjunction with NGF, on the impact of renovations and rebranding. The study, reproduced in Appendix C, showed that municipal facilities that had significant renovations increased performance substantially after the renovations. However, *by far the biggest impact was when the renovations were packaged with rebranding efforts.*

Conclusions

All three courses, the Classic 18, East 9 and AGC, are underperforming in the marketplace. The Classic 18 course needs to be stretched at both ends, becoming longer from the back tees and shorter from the forward. The East 9 desperately needs to be shorter from the forward.

A strong F&B program, especially one with banquet spaces, has proven to be a ticket for success in this market. And SCC has advantages over the other facilities in terms of location.

The East 9 may be better if repositioned at a lower fee structure, especially for non-residents.

We also point out alternative uses, such as foot-golf, would benefit AGC.

Performance Review

Below are the important findings:

- **Revenues** had been trending upwards until FY2015-16, then slipped last year. But overall has been very stable.
- **The Academy** has, by far, had the strongest growth over the past three years, increasing 40% over this time.
- **Revenue per round** has improved each of the last three years, helping negate the loss of rounds over the same time frame.
- **Weekend Rounds** have a substantially higher yield than weekday rounds on the Classic 18, averaging \$42.63 in green fees compared to \$24.89. This clearly illustrates the importance of weekend play.

4 Year Revenue History					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Average
Sportsman's Golf	\$1,988,936	\$2,004,396	\$2,057,978	\$1,966,047	\$2,004,339
Range	\$267,889	\$285,026	\$281,421	\$251,139	\$271,369
Academy	\$260,661	\$279,213	\$298,339	\$364,832	\$300,761
Anetsberger	\$128,068	\$129,704	\$122,254	\$125,937	\$126,491
Other	\$23,815	\$22,891	\$3,024	\$13,431	\$15,790
Total	\$2,669,369	\$2,721,230	\$2,763,017	\$2,721,385	\$2,718,750

- **Cart Usage** is very low for both the Classic 18 and East 9, indicating a high percentage of walkers. Carts were rented for only 48.25% of the 18-hole play and just 37.4% of the 9-hole play.
- **Merchandise Sales** averaged about \$4/round. Most premium courses, average \$8 or more per round. The difference is that Sportsman's does not sell facility logoed merchandise due to the lack of a marketable logo. Furthermore, at about 77%, the cost-of-sales is high. We normally expect around 70-72%.
- **Driving Range:** The driving range has clearly out-performed similar facilities, averaging \$262,000 over the past four years, although last year it slipped to \$225,000. This is impressive, given the relatively poor quality of the range.
- **Course Maintenance:** Course maintenance has averaged \$740,000 in expenses over the past four years. *This is low* for a department that is maintaining 36 holes of golf over two facilities.
- **Net Operating Income:** Overall, the Golf Division has averaged an operating loss of \$72,409. This has been improving in each of the past four years, going from a loss of \$178,747 in FY14 to a loss of \$72,915 last year. This is an improvement of \$105,832 or 59.2%.
- **"True" NOI:** We then adjusted the total NOI for the division, taking out that part of the \$300,000 annual admin fee that does not relate to any golf operation expenses, then adding back the employee contributions to the health insurance which is currently going to the HR Department and not back to the Golf Division. When these adjustments are made, the Golf Division essentially broke even last year.

Adjusted Net Operating Income					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Average
Stated NOI	(\$178,747)	(\$164,094)	(\$100,640)	(\$72,915)	(\$129,099)
Adjustments					
Admin Overhead fee	\$24,151	\$21,402	\$31,428	\$47,182	\$31,041
Est Empl Contribution	\$14,000	\$14,000	\$14,000	\$13,995	\$13,999
Adjusted NOI	(\$140,596)	(\$128,692)	(\$55,211)	(\$11,738)	(\$84,059)

Customer Feedback

With NPD's cooperation, we administered a web-based customer survey provided by NGF. About half the questions on the survey were standard questions that are presented to customers on all of NGF course surveys. The other half of the questions were custom questions.

Overall Customer Satisfaction

We were very surprised at just how poorly the three courses, and especially the Classic 18 fared. *Classic 18 respondents put this course in the bottom 20% of all courses in its rate band.*

Specific factors that were rated well below average included:

Classic 18

- **Overall Value** (bottom 28%)
- **Course Conditions** (bottom 12%)
 - **Condition of the Greens** (bottom 7%)
 - **Condition of the Bunkers** (bottom 7%)
 - **Condition of the Fairways** (bottom 14%)
- **Friendliness/Helpfulness of the Staff** (bottom 22%)
- **Pace of Play** (bottom 16%)
- **Course Design/Layout** (bottom 5%)
- **Overall Experience** (bottom 8%)
- **Condition of the Golf Carts** – rated in the bottom 1%.
- **Food and Beverage Service:** Rated in the bottom 1% for Premium and 2nd percentile for all, which is unacceptable for a premium facility.

East 9

- **Course Conditions** (bottom 31%)
- **Course Design/Layout** (bottom 7%)
- **Amenities** (bottom 2%)
- **Food and Beverage Service** (bottom 1%)
- **Overall Experience** (bottom 18%)

Anetsberger

- **Amenities** (bottom 30%)
- **Food and beverage** (bottom <1%)
- **Merchandise** (bottom 22%)
- **Course conditions:** Greens (22%) and tees (11%)

Custom Questions

- **Willingness to Fund Improvements:** Perhaps the most revealing custom question was “how much would you be willing to pay extra to help fund course improvements?” Over two-thirds of the Classic 18 and nearly that many for East 9 said they would be willing to pay more if it meant improved course conditions.
- **Importance of Improvements:** We asked customers to rate the importance of various improvement ideas. For the Classic 18 respondents, the highest rated response was “adding a short game area,” followed by “adding grass tees to the range,” “Improving the quality of the Classic 18,” “Improving the Greens on the Classic 18,” “Adding stalls to the range,” and “adding target greens to the range. For the East 9 responders, the highest rated was “Improving the quality of the East 9” followed by “adding a short game area,” “adding grass tees,” “allowing carts into parking lot,” “adding target greens”, “adding covered stalls”, and “renovating the clubhouse.”

How much would you pay to fund improvements?		
	Classic 18	East 9
	313	106
Nothing		
#	103	40
%	32.9%	37.7%
\$1-\$3		
#	120	49
%	38.3%	46.2%
\$4-6		
#	54	11
%	17.3%	10.4%
Whatever it took		
#	36	6
%	11.5%	5.7%

Facilities

This section reviews the facilities within the department, *excluding the range and the golf courses*, which are covered in the Architect’s Report.

Sportsman’s

Parking

The fact that parking is remote from the clubhouse, especially when coupled with the current procedure forbidding carts in the parking lot, is detrimental to the customer experience. It is especially hurtful to seniors and people with disabilities as handicap parking is extremely limited. It also virtually eliminates any outside business opportunities for the restaurant inside the clubhouse.

Clubhouse

We noted many serious deficiencies with the current clubhouse that are either inhibiting performance or adding inefficiencies to the operation. Chief among them:

- **Restaurant:** The “concession stand windows” are completely out-of-place at a course in this price range. It is more consistent with low-end facilities. The lack of a bar and banquet space not only represents lost business opportunity, but can keep golf customers away as well.

- **Offices:** All management offices are in the basement, away from both staff and customers. This isolation creates an unintended “ivory tower” effect and is detrimental to customer service, and operational efficiency.
- **Proshop:** The proshop area is not only dated, but it is very cramped. The counter is too high and intimidating to customers. Shorter customers have difficulty even seeing over it. The display area is limited and spills over into a hallway, which is out of view from the staff behind the counter.
- **Restrooms:** Like the rest of the facility, they are in need of updating. The locker rooms are obsolete. A gender bias is evident in that the men’s locker room has showers and the women’s does not.

The preferred *solution is a new clubhouse that will also provide new revenue opportunities through banquet and tournament sales.*

Miniature Golf

Our main concern about the miniature golf is that it seems out-of-place at Sportsman’s. It is also an extremely plain design that is out of touch with today’s market. *Our recommendation is to move miniature golf to AGC, where it is more consistent with the market at Techny Park.* Its presence there should boost performance of both the miniature golf and AGC.

Cart Building

The cart building, which formerly was a bowling alley, is a dilapidated building. Much of the 11,000-sq.ft. building is not being utilized. The area where the carts are stored is extremely dusty and full of birds. Carts go in clean at night, often are dirty by morning, requiring additional cleaning (inefficiency).

We recommend the cart barn be replaced. Our preference would be to *include cart storage as part of a new clubhouse*, with the cart storage underneath. The clear majority of the competing courses in this market have such an arrangement.

Anetsberger

Clubhouse

The “clubhouse” at AGC is very small, with almost no storage. This greatly limits its ability to help sell merchandise or food and beverage (almost non-existent currently). But the biggest issue is its location. It is not only remote from the 1st tee, the 1st tee is not visible from the clubhouse. This leads to control issues, which is a *significant* problem at the course.

Our recommendation is to place a modular building to serve as the proshop, near the first tee, possibly where the current picnic area is located. These can be leased for \$1,000 to \$1,500/month.

The cost to bring plumbing to the site and build a deck should be \$25,000 to \$50,000. We further suggest that the existing proshop be converted into a concession stand that can serve Techny Park. It would only be open during peak periods and special events.

Maintenance

The maintenance crew at AGC must use the Park's maintenance building, which is remote from the course and adds both labor and fuel costs. There is no on-site storage for materials, such as sand and chemicals, necessitating they be brought as needed from SCC, creating additional inefficiencies.

We recommend an inexpensive metal building be built on-site at AGC, with storage for most used equipment and supplies, and room for up to five carts for operations. The cost should be more than made up by the gained efficiency.

Recommendations for SCC

We recommend a new clubhouse be built for the facility. At the same time, we *recommend a new entrance sign and a redesigned parking lot*, bringing parking a lot closer to the clubhouse by removing the greenspace and relocating the retention pond.

The proposed clubhouse should:

- Have cart storage underneath
- Be about 10,000-12,000 sq. ft. in size
- Have a banquet room large enough to handle at least 200 people. The room should be able to be subdivided into at least two smaller rooms, making it easier to host smaller events or to host two small events simultaneously.
- Have a commercial kitchen
- Have a bar area, configured like a sports bar
- Have table service dining room with a capacity of 65 or so.
- Have a private dining room, capable of seating 25-40.
- Have a bridal changing room
- Have at least five offices for management
- Have a large deck
- Have an indoor training area under the clubhouse.

Because the cart storage will be underneath, the clubhouse will be elevated relative to the golf course. This will greatly enhance the view from the dining, banquet and proshop areas. A large deck will further enhance the clubhouse's appeal.

Paying for the Clubhouse

While a full feasibility study for a new clubhouse was beyond the scope of this study, we did take a quick look at its impact.

Golf

The table below shows the estimated impact a new clubhouse will have on performance of the two golf courses.

We anticipate more play, especially from non-residents. This will include both daily fee and tournament play. The latter is a high profit area that is largely underserved currently at SCC.

The total estimated impact is an additional \$245,393 in annual revenue.

Food and Beverage

There are three ways in which food and beverage revenue will be enhanced.

- Increased revenue from golfers
- Non-golf restaurant revenue
- Weddings and banquets

The latter two of these are areas of opportunity that are currently not being addressed by the existing facility. With regards to golfer income, the current operation is generating slightly over \$3/round from golfers.

This is less than one-third what is normal with premium facilities. A

new restaurant, combined with a bar and adding beverage cart service, should get this up to \$10/round or more.

Given SCC's prime location on Dundee, directly across from a large office park and off a major road, plus the general paucity of restaurants in the *immediate* area, we feel there is a significant opportunity for non-golf restaurant business, given that more convenient parking is created for restaurant customers.

New Revenue from Golf			
	Yield	Qty	Revenue
New Tournament Golfers		1,500	
Average GF and CF	\$65.00		
Average Merchandise	\$7.50		
Total Yield per Round	\$72.50		
Total Revenue			\$108,750
New Classic 18 Golfers		2,000	
Average GF	\$33.24		
Average CF	\$8.83		
Average Merchandise	\$4.10		
Average Range	\$1.50		
Total Yield per Round	\$47.67		
Total Revenue			\$95,334
New East 9 Golfers		1,500	
Average GF	\$18.14		
Average CF	\$3.80		
Average Merchandise	\$4.10		
Average Range	\$1.50		
Total Yield per Round	\$27.54		
Total Revenue			\$41,309
Grand Total			\$245,393

Food and Beverage					
	Daily Avg	# Days	Annual Qty	Avg Yield	Total
From Golf			65,000	\$10.00	\$650,000
Restaurant in-season	50	180	9,000	\$25.00	\$225,000
Restaurant off-season	120	180	21,600	\$25.00	\$540,000
Banquets					\$1,500,000
Total					\$2,915,000
NPD's share				10%	\$291,500

We also believe that significant banquet business is achievable with a banquet capacity of 300. We note several golf competitors are generating significant revenues, primarily from banquet sales. For example, Chevy Chase is generating over \$3,000,000 in sales.

In total, we are estimating annual F&B revenues of \$2,900,000. Assuming that this operation continues to be leased out, and further assuming the new lease is a revenue sharing one, providing at least 10% of the gross revenue to NPD, we get *an annual revenue stream of \$291,500 to NPD.*

Combining the two revenue streams, we get \$536,893 in increased revenue to NPD from the new clubhouse. Should debt financing be used, the improved cash flow will support a debt of \$7,500,000, assuming 20-year amortization and interest rate no more than 3.5%.

It should also be noted that if an indoor training area is built underneath as proposed, it should also have a significant impact on the Academy and allow it to become a 12-month operation. This could potentially add another \$100,000 in annual revenue to the above equation.

Interim Solutions

Recognizing that a new clubhouse and parking area may be years in the future, there are several things that can be done as soon as this off-season, that we recommend, including:

- **Cart Path:** Build a temporary cart path (probably gravel or crushed stone) going from the clubhouse down the east side of the parking lot to the range, where a cart parking area should be built. This will increase range utilization (and revenue) from golfers wanting to warm up before playing.
- **Bar:** Build a bar in the restaurant, around the concession windows. Then create a door from this area into the current serving area. We would then add table service during peak periods.
- **Proshop Counter:** Build a new counter in the proshop.
- **Hall:** Tear down the wall between the proshop and the hallway where merchandise is currently being displayed. This will increase the sales floor and decrease the clutter.

Total cost should be under \$250,000. The renovations would lead to both improved revenue and increased customer satisfaction.

Operations

As noted previously, the golf operations are very well managed. Below are suggestions for improvements, not criticisms of the current operations.

Staffing

- Consider reducing the number of Assistant Professionals, but making an additional one full-time.
- Consider using non-PGA managers and supervisors
- There needs to be an on-site manager at Anetsberger that is full-time during the season.

- Rangers should be trained to assist in other areas, such as fixing ball-marks, as well as looking for opportunities to provide better customer service, such as helping with lost balls.

Lesson Split

The current lesson split, which is at best 70/30 in favor of the professional, but can be lower, especially with camps and group lessons, is less generous than the industry and area standard of 80/20 splits. A mandated 40% margin on group lessons makes it difficult to attract and retain quality professional staff and makes the pricing noncompetitive. *We recommend relaxing these requirements.*

We also looked at the Assistant's scheduling and could verify that the time spent by the professional staff on private lessons, camps and clinics was *in addition to* their 40+ hours put in at the facility.

Permanent Tee Times

Permanent tee times are an established custom among area golf facilities. However, they can be detrimental, especially in encouraging new business. With the current set-up, an individual or group can continuously renew a specific time, year after year. *We strongly disapprove of this method.* Imagine being a tax paying citizen of the area and being told that they can never play *their* course during the most desirable times.

Our recommendations:

- Reenact the lottery for time slots
- Interfuse "open" tee times at every third tee time slot. This will allow the general public the opportunity to play during these peak periods.
- Consider increasing the rates for those high-demand times.
- Increase the program fee.

Carts

The two biggest issues with carts is their quality and the inability to use them in the parking lot.

Cart Quality

While we understand a new fleet is being purchase for next year, *we strongly recommend that they be replaced no more than every four years.*

Cart Quantity

Currently, SCC has 85 golf carts. A typical 27-hole golf course has 108 carts, allowing two groups with golf cars per hole to accommodate maximum load (especially for group events). SCC, because of the high percentage of walkers, you can get by with less. We recommend a minimum of 95, given you need some for rangers and for back-up.

Carts in the Parking Lot

Current procedure is to not let golf carts into the parking lot. To compensate, SCC offers a manned bag drop area. But with only two people working, it can quickly get overloaded during peak periods. And due to the distance between the parking lot and the clubhouse, this presents a major inconvenience to customers.

We recommend reconsidering this practice.

Female Friendly

Make the facility more female friendly by:

- New forward tees as noted previously
- Increase selection of female goods in the proshop
- Improve menu, adding more healthy choices
- Improve aesthetics of the restrooms, especially on the East 9.
- Hire more female employees

Food and beverage

The food and beverage operation at SCC can be summed up in one word: challenged. Part of this is due to the inadequate facilities, especially the “concession stand” in the clubhouse. But the operator also must take responsibility. We heard numerous complaints about both quality and service. And the vendor refuses to do beverage cart service on a regular basis. Beverage cart service is an *expected amenity* at most golf courses and all premium-priced facilities. It is more than a profit center, it is a vital customer service. And while the half-way house does help for the Classic 18 course, it is not convenient to the East 9.

We also recommend a revenue sharing lease as opposed to a flat-fee. This is fairer to both sides and can ultimately lead to significantly more revenue to NPD. Our suggested amount is 10% of the gross.

Merchandise Sales

The merchandise sales at SCC works out to about \$4/round. While this is about twice the national average for all public facilities, it is lower than expectation for premium ones, where we expect \$6 to \$10 per round. Our recommendations:

- **New Logo:** Currently, SCC sells no logoed shirts. This is primarily because the current logo is ineffective in terms of merchandise marketability for a golf facility competing in a premium market. *A new logo needs to be designed that is just for the golf course.*
- **Sales:** There should always be a sale. Rotate stock in and out of the sales area. Do not just use sales to sell unwanted merchandise!
- **Promote:** Sales should be widely promoted – on the website, through emails, in golf cart displays, and with signage throughout the clubhouse.
- **Counter:** Build a new proshop counter

Marketing

There is no factor that is more highly correlated with performance than marketing, yet it is often the first expense cut. This is because operators fail to recognize its importance. If revenues do not fall more than the marketing savings gained, the marketing was not doing the job in the first place!

Our recommendations:

- **Budget:** The biggest issue is budget. The recommended marketing budget for public courses is 3% of gross revenue. This would equate to \$78,000 for the Golf Division. Last year it was \$2,300.
- **Website:** There are a number of issues with the current website.
 - **“Searchability”:** A website is only good if people can find it. Design the website so that searches for golf in nearby towns and cities will come up with SCC.
 - **East 9:** East 9 is much overlooked on the current website.
- **Social Networking**
 - **Update** social networking on a regular basis. Twitter should be updated daily.
 - **Advertise:** Social media is perhaps the most effective advertising media in today’s market, especially with the younger golfers that SCC needs.

Anetsberger

In addition to the modular clubhouse recommended above, we recommend:

- **Fencing:** Add fencing around the south and west sides to discourage people walking on without paying
- **Supervisor:** Have an on-site full-time supervisor. Anetsberger is greatly overlooked by current management.
- **Carts:** We would like to see four golf carts available for customer rental. This would help increase play among seniors.
- **Make More of a Priority:** In general, Anetsberger is being overlooked in every aspect, from management, to maintenance and especially marketing. It is a nice facility that could get a lot more usage if it’s given a little more attention.

Architect’s Report

Below are some of the significant issues noted and potential solutions.

Practice Facility

- **Safety:** Range location, combined with net height, allows a number of balls to escape and hit on Dundee Road
- **Range Location:** Safety, convenience, adds operating costs

- **Range Size:** Too narrow, too short
- **No grass tees**
- **Narrow stalls**
- **Poor lighting**

Recommendations

Best solution would be to relocate adjacent to clubhouse, where a wider, deeper range can be built.

Cost/Benefit Analysis on Moving Range

Moving the range closer to the clubhouse will allow for the closing of the range house (assuming the miniature course is moved to AGC). This will save \$25,000 in labor.

Moving closer to the clubhouse should generate about \$1/round additional revenue from existing golfers. This generates an additional \$55,000 in revenue.

Expanding the number of tees, will increase capacity during the busy times. This should add another \$25,000 in revenue.

Adding covered and heated stalls allows for play in the off-season, as well as in inclement weather during the season. This should add another \$25,000 in revenue.

Combined, these add \$130,000 in cash flow. This would support a debt service of \$1,850,000. The cost of the new range is expected to be \$1,400,000 (with soft costs, about \$1,680,000).

However, this does not include the impact on the Academy. The Academy will also greatly benefit from the new range, especially with the indoor practice facilities. This has the potential to add another \$100,000 in revenue. In addition, the overall appeal of the facility will increase, which should add more rounds and even more revenue.

Classic 18

- **Length:** Too short from the back tees, too long from the front.
- **Safety:** a few holes and the range present safety concerns.
- **Par 35/70:** less desirable than Par 36 or 72.

Adding Length

We looked at three different options:

- **No Cost:** When we measured the distance from 2 yards in front of the back edge of all tees (the accepted measure for back tee length), we get 6,404 yards instead of the 6,278 on the scorecard. Simply change the scorecard to more accurately reflect the length.
- **Moderate Cost:** Add back tees to holes 2,3, 8, 12,15. Reshape 11. Move 17 tee east. Add alternative tee for 18, Adjusted yardage: **6,548** yards. Estimated cost: **\$240,000**
- **Reroute:** Moving four greens and an additional four tees. Result: **6,667 yards**. Cost **\$1,200,000**.

Shorten

As noted previously, all three nines at SCC are too long for women. This not only hurts its market appeal, but significantly slows down play.

We recommend a new set of forward tees be added, averaging about 45-50 yards shorter than the current ones.

Routing

- *Move tees back on 8 to make it a short par 4*
- *Move the 9th tee forward or back to shorten as a par 4, or make short par 5 (Recommended, but keep back tees in place for scorecard yardage)*

East 9

The East 9 would need to be rerouted if the range is relocated. This would include adding new holes on the existing range. The new yardage would be 3,189, which is longer than current, but short of what would be needed to add significant market share.

Infrastructure/Agronomy

Greens

The *greens have lived past their normal life cycle*. They drain poorly and have become contaminated with poa due to the poor infrastructure. The Classic 18 course loses all revenue for an average of 14 days a year due to the greens being too wet (poor drainage). This is costing an estimated \$70,000 in lost revenue.

Three options for renovating include:

- **XGD:** Placing drainage into existing greens. Advantages: Cost – an estimated \$378,000. Disadvantage: Doesn't address other needs and has limited lifespan of 10 years.
- **California Greens:** Rebuild the greens using the California method, which uses less greens mix than the USGA. Lifespan: 20 years. Cost: \$47,947/green, \$1,160,000 total
- **USGA:** These are the most preferred. They also have a 20-year lifespan. The East 9 already has USGA greens. Cost \$69,463/green, \$1,460,000 total.
- **Rebuild Complex:** This is where the entire greens complex is rebuilt, including bunkers, etc., giving a completely new look to the greens. The greens could be either California or USGA. Adds about \$60,000 to the cost, including cart path, bunkers, irrigation, etc.

Cost/Benefit Analysis

Assuming debt financing at 20 years and 3.5% interest, the XGD method would create \$26,500 debt service vs. \$70,000 added revenue. Generating an extra \$43,500/year. However, it only last 10 years, half as long as the others.

The California method would create \$81,500 in debt. But these require less maintenance. The combination of added revenue and less maintenance yields a break-even.

The USGA method would create \$105,789 in annual debt service. With the same maintenance gain as the California, it would result in a net loss of \$25,000/year.

XGD is initially the least expensive, but long-term, rebuilding with a sand-based system is more cost-effective. Superintendents generally prefer USGA greens and represent the “safest” choice. But California Greens have the best return.

Tees

The tees on the Classic 18 are also substandard and should be rebuilt on both courses.

Bunkers

The bunkers are substandard on both courses and suffer from poor drainage and inconsistent surface. We also recommend reducing some of the bunkers on the Classic 18 to lower maintenance costs and improve pace without affecting aesthetics or appeal.

We recommend the bunkers on both courses be rebuilt with “Best Billy Bunkers” lining. The cost for the Classic 18 would be \$708,750 and \$259,200 for the East 9.

Northbrook averages *70 rainy days* over a six-month golf season, and if all require a 4-person crew, 8 hours each, to fix, labor adds up quickly. At \$15 per hour, that comes to \$480 per day. If half of the rain days require re-shoveling, the cost is \$17,000. Less sand will be replaced each year, saving a similar amount for a total of \$34,000/year. The recommended liners would cost \$26,400 in debt service per year.

We also recommend replacing the sand on the Classic 18 (but not the East 9) with a “white” sand instead of the buff colored sand now. This is more consistent with the “Premium” facility and enhances the course’s appeal. The cost difference works out to about \$1,127 per year in added debt, or less than 25 additional rounds of revenue.

Cart Paths

The existing cart paths are worn. The lack of looping cart paths also costs the facility revenue as there are numerous days in which carts are not allowed out, but walkers are. In season, this has averaged *30 days per year, resulting in an estimated loss of \$160,000/year from cart sales and lost play from golfers who will not play unless they can ride*. The damage, though, is likely higher as golfers will get discouraged if the course is always restricting cart usage.

Replacing existing cart paths and adding continuous cart paths will cost an estimated \$1,253,075 with asphalt. This creates \$87,200 in annual debt versus the \$160,000 in added revenue. Moreover, we believe there would be additional maintenance savings of \$5,000/year, making the total benefit **\$72,800/year**.

Another possibility is to use porous paving. However, this more than doubles the cost to \$2,878,275. This would create \$202,000 in annual debt.

Drainage

There are notable drainage issues on both courses. Specific problem areas are seen on holes 13, 15 and 16 of the Classic 18. But there are low areas on seven other Classic 18 holes and several on the East 9.

Because of the complexity and age of the current systems installed, we recommend a comprehensive drainage study be done by a qualified engineer.

A new drainage system would cost \$10,000 to \$15,000 per hole. Assuming some existing systems could be reused, this could save 20% or so of the cost. A drainage fix for all 27 holes would cost an estimated \$290,000, or about \$20,000/year in debt. A lot of this cost would be made up for in maintenance savings from re-sodding, roping and mowing around wet areas.

An intermediate solution would be to just fix the drainage on those holes that are most problematic.

Irrigation

The current system is 17 years old on the Classic 18 and nearing its expected life cycle, but is currently in good condition.

While the Classic 18 irrigation system could last with partial changes/rebuilds/upgrades, if more comprehensive routing changes are implemented, reconstructing now, rather than in a few years may be wise. Play and revenue often suffer after years of constant disruption, suggesting full irrigation replacement if and when renovating other parts of the course.

On the East 9, though, the irrigation system is already at life expectancy at 27 years of age (normal is 25-30 years) and is increasingly becoming problematic.

A total replacement will be needed within 3-5 years if not addressed sooner. As with the Classic, any major renovations should also include the irrigation system replacement.

Clubhouse

We recommend a new clubhouse of 12,000 sq.ft. in size. The estimated cost, plus renovating and expanding the parking is \$7,878,420.

Projections

We made cash flow projections for four different scenarios. The projections were over a 10-year period. Detailed projections are found in Appendix G.

Scenario Development

While the number of combinations of different items needing renovating are endless, we felt it would be useful to create four different combinations to facilitate evaluations. They are:

- **Scenario 0: Status Quo** – This is what will likely happen if no capital improvements are made and no operational changes.

- **Scenario 1: Minimum** – This scenario includes most of the recommended operational changes, plus the minimum amount of renovations needed – based largely on the Superintendent's recommendations. This includes XGD drainage for the greens, new bunker sand (but not complete rebuild), intermediate clubhouse improvements, new irrigation on the East 9, adding fencing at AGC. Total estimated cost **\$2,524,138**.
- **Scenario 2: Moderate** – This adds needed length to the Classic 18 (6,548 yards), plus several other recommended improvements, including continuous cart paths, California greens on the Classic 18 course, new bunkers on all 27 holes with fabric liners, expanded range tee, portable tee shelter, new short game area, additional drainage work. It also expands the parking lot to the clubhouse, adds a modular clubhouse to AGC and moves the miniature golf to AGC and adds a storage building there. Total estimated cost **\$9,682,087**.
- **Scenario 3: Major** – This includes moving the range and building a new clubhouse. This will allow the facility to be rebranded and repositioned in the marketplace. Other improvements include: upgrade bunkers to Billy Bunker and use white sand on Classic 18, new irrigation on all 27 holes, increased water storage capacity. Total estimated cost **\$20,620,975**.

Assumptions

- **Phasing:** Construction starts in 2019 and is done over three years, one nine at a time, starting with the East 9 and range. Clubhouse improvements in Minimum and Moderate done in 2019. Moving miniature golf, adding the modular clubhouse and building the storage building at AGC would also be done in 2019. For the major, the new clubhouse would be finished by 2022.
- **Operational Changes:** Take effect in 2018.
- **Debt Financing:** We assume construction costs are all debt financed using revenue bonds at 3.5% interest over 20 years.
- **Food and Beverage:** For all but the status quo, we assume a new vendor, with a 10% revenue share lease.
- **Maintenance Savings:** We noted in the text the maintenance savings achieved by various renovations. The projections do not reflect these. Instead, it is assumed that the budget would remain the same, with the savings being applied to upgrading the overall conditioning.
- **Fees:** While we noted in our customer survey, the willingness to pay more for improvements, these are not reflected in the projections with the exception of the Major, which assumes both rebranding and repositioning the facility into a higher bracket (\$80 range).

Scenario 0: Status Quo

This scenario assumes that nothing will change. The result is the likely degradation of conditions, due to infrastructure, at all three courses, leading to customer deflections. This will be amplified by the reopening of Sunset Valley as well as recent and planned renovations at other area courses. Eventually, rates will fall to

try and recover volume. Expenses are slashed, but these effect revenues more than the savings and the “death cycle” begins.

Scenario 1: Minimum

Performance should jump with the operational changes in place and the few improvements that directly tie into performance. However, as with all the improvement scenarios, there will be a three-year period of heavy loss during the construction phase.

This scenario does not address the irrigation system on the Classic 18, requiring more major capital expenses *and* course closure would be needed 5-10 years down the line. Also, the greens, which only have a 10-year lifespan with the XGD method, will also need to be redone.

Performance will improve significantly initially, then level off and gradually decline as the issues *not* addressed become more significant.

Scenario 2: Moderate

The moderate performs at a much higher level in terms of revenue and net operating income. However, the high debt service yields a negative cash flow every year.

Scenario 3: Major

The major makes dramatic improvement to rounds, revenue and net operating income over the other scenarios. But it comes at a very high cost. It has the worst cash flow over the 10-year period due to an annual debt service of \$1,450,000.

Scenario Comparison

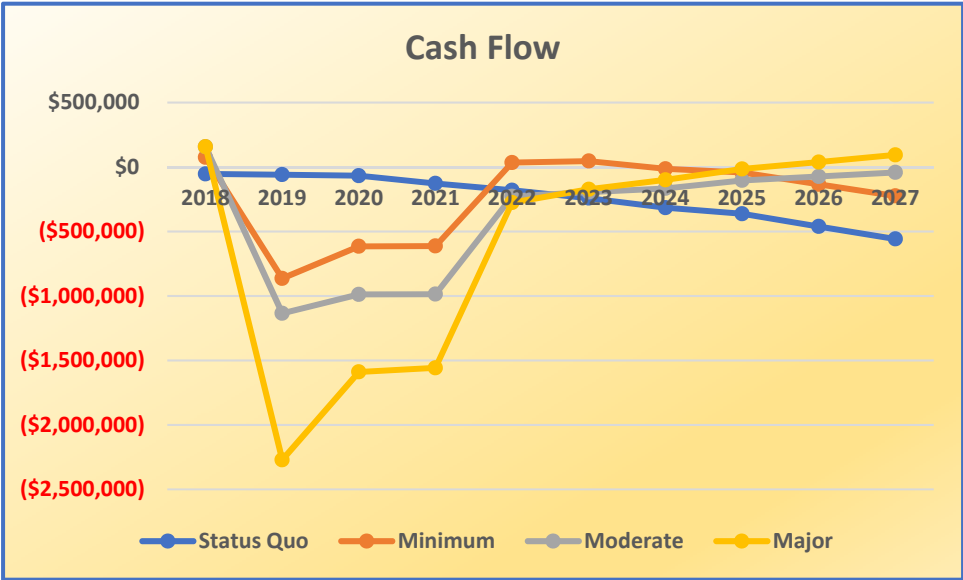
The table below compares the performance of the four scenarios on rounds, revenue, expenses, NOI and cash flow. We pick two key years, 2022 and 2027. 2022 is right after the facility reopens after renovations, and 2027 is the last year of the projection period. We also look at the subtotals for the first five years, second five years and total for the 10-years.

On initial inspection, the Minimal scenario seems to be the winner. It produces the best cash flow over the 10-year period. And the Major appears worst, as it had the worst cash-flow over that time frame.

But appearances can be deceiving. At the end of the 10-year period, if not before, the Minimal scenario will require another round of major renovations, including new irrigation and greens on the Classic 18. This will again result in closing the course, presumably over a two-year period. Not only will this be extremely costly, but it will also disrupt play substantially so soon after the previous construction.

Perhaps the key number to look at is the performance in year 10. The Major scenario **is the only scenario to produce a positive cash flow in year 10**, and presumably beyond. Thus, if we were to look at an extended 20-year period, the Major would be the winner, and by a considerable margin.

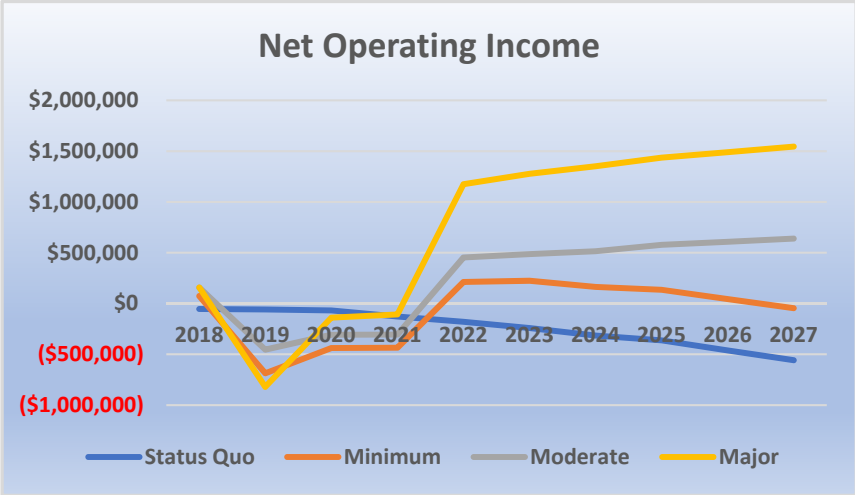
The chart to the right shows the cash flow over the 10-year period. We can see that the Major and Moderate scenarios trend up, while the others trend down.



Discussion

Using the cash flow analysis can be deceiving if the project is not 100% debt financed. As the graph below shows, there is a remarkable difference between the major and the other scenarios in terms of Net Operating Income, and the difference continues to grow. Thus, to the degree that non-debt financing, or at least revenue bonds, are not used, the Major looks better and better.

As our customer survey shows, SCC is dominated by seniors and locals. While this business is good, it is not healthy in the long-term to be so dependent on such a narrow market. SCC needs to be able to attract both younger golfers and golfers from a wider area (without losing the market it currently has). To do either of these things will require a better product and better marketing.



Within the report, we show how the following improvements easily pay for themselves, either in reducing costs or improving revenue (assuming 3.5% debt financing amortized over 20 years):

- A new clubhouse (up to \$7,500,000 cost)
- Looping cart paths
- Bunker repair
- Extending the yardage on the Classic 18
- New forward tees on both the Classic 18 and East 9

- Drainage improvements
- Greens rebuild on Classic 18 using California method
- Moving the range
- Adding covered/heated stalls to range

Other improvements are not as easy to isolate in their impact, making it difficult to do a true cost/benefit analysis. But they all contribute to the overall improvement in the golf experience, which will, in turn, greatly improve performance.

We believe that the *major scenario provides the best long-term solution for NPD* and provides a quality product that is more in line with the preferred image of the community. However, we also recognize that the clubhouse could be added to the Moderate scenario and that may work well too. We do believe that *a new clubhouse is essential*, although a slightly smaller one may work just as well at a savings of 10-15% (as long as it has a banquet room and the other key components outlined herein).

The biggest drawback to the Major scenario is its high cost, which, if 100% debt financed, creates a negative cash flow for the next 8 years, to the tune of a combined \$6,500,000. (After which, though, the cash flow becomes positive for the next 12 years). The best solution then, would be to find alternative funding sources that can reduce the amount of debt financing required. Some options include:

- **General Bonds:** As the clubhouse has benefits to NPD beyond golf, including it in a general bond funding would seem appropriate, at least to cover some of the costs.
- **Vendor Financing:** Several vendors may be willing to foot at least part of the bill in exchange for a long-term lease (at least 15 years). This is true for not only the clubhouse, but also for the golf course, should the NPD consider leasing the operation.
- **Donations:** Northbrook is a wealthy community, with many of its citizens playing the course. A fund-raising campaign would likely be able to fund a significant portion of the costs.
- **Naming Rights:** This has been a successful strategy for a lot of municipalities who sell the naming rights to the clubhouse in exchange for a significant contribution that will cover a significant percentage of the cost. Again, SCC's location in Northbrook, where there are several Fortune 500 companies and other large businesses, should prove favorable. Naming rights can also be extended to individual rooms, such as the Allstate banquet facility, etc. or to the facility itself.
- **Customers:** As noted previously, except for the Major scenario, our projections do not include an increase in fees, except from inflation. Yet in our survey, two-thirds of the customers indicated they would be willing to pay more to see these course improvements happen. However, the extra revenue generated from these increased fees would only fund a portion of the overall cost of them. The main increase in revenue comes from an

increase in volume. Furthermore, we expect that the increase is more likely to come from non-residents as we already see a high percentage of Northbrook residents playing here, and Northbrook is relatively small. As non-residents pay a higher fee structure, the *yield* per round should improve significantly with increased volume.

Rebranding

As our research has demonstrated, the biggest improvement in performance comes from a combination of renovations with a *rebranding* of the facility. This may or may not include market repositioning (price change).

We recommend a rebranding occur with any of the change scenarios. It is critical, though, for the Major, which is the only one that also includes a repositioning in the marketplace.

Rebranding should include:

- **New Name:** Sportsman's Country Club needs to be renamed. The current name has negative connotations and the facility has apparently developed a poor reputation in the marketplace, both as a "short course" and having poor playing conditions. Renaming will help emphasize that it is a different ball game now.
- **New Logo:** A new logo is important for SCC under any situation, but is critical to rebranding. The purpose should be to create interest and sell shirts, not including the part district as part of the logo should be considered.
- **Marketing:** Rebranding requires an extensive marketing campaign. Without it, the rebranding effort will not work. And this means a willingness to spend money. At a minimum, this should be \$75,000 and really, should be more in the first year.

Bottom Line

The bottom line is that the worst scenario is to do nothing.

Scenario Comparison

Scenario Comparison

	2022		2018-22		2027		2023-27		2018-27	
	total	Dif from SQ	total	Dif from SQ	total	Dif from SQ	total	Dif from SQ	total	Dif from SQ
SCC Rounds										
Status Quo	52,075		269,268		45,179		240,308		509,576	
Minimal	61,500	9,425	227,480	(41,788)	57,009	11,830	296,921	56,613	524,401	14,825
Moderate	63,000	10,925	228,980	(40,288)	65,415	20,236	322,205	81,897	551,185	41,609
Major	65,500	13,425	231,694	(37,573)	68,384	23,204	336,781	96,473	568,475	58,899
SCC Revenue										
Status Quo	\$1,989,186		\$10,051,004		\$1,727,528		\$9,200,209		\$19,251,213	
Minimal	\$2,517,774	\$528,588	\$9,330,464	(\$720,541)	\$2,367,688	\$640,160	\$12,346,107	\$3,145,898	\$21,676,570	\$2,425,358
Moderate	\$2,640,177	\$650,992	\$9,452,867	(\$598,137)	\$3,038,753	\$1,311,226	\$35,461,918	\$26,261,709	\$23,826,973	\$4,575,760
Major	\$3,492,431	\$1,503,246	\$10,327,871	\$276,867	\$4,114,011	\$2,386,483	\$19,394,317	\$10,194,109	\$29,722,188	\$10,470,975
Total Revenue										
Status Quo	\$2,889,031		\$14,453,630		\$2,606,748		\$13,646,471		\$28,100,100	
Minimal	\$3,500,760	\$611,729	\$13,811,303	(\$642,327)	\$3,390,229	\$783,480	\$17,383,839	\$3,737,368	\$31,195,141	\$3,095,041
Moderate	\$3,826,259	\$937,228	\$14,796,352	\$342,722	\$4,346,962	\$1,740,214	\$20,665,566	\$7,019,095	\$35,461,918	\$7,361,818
Major	\$4,963,572	\$2,074,541	\$15,690,579	\$1,236,950	\$5,756,832	\$3,150,084	\$27,004,235	\$13,357,764	\$42,694,814	\$14,594,714
SCC Expenses										
Status Quo	\$1,520,313		\$7,372,512		\$1,564,484		\$7,681,761		\$15,054,273	
Minimal	\$1,581,527	\$61,214	\$7,238,657	(\$133,855)	\$1,645,106	\$80,621	\$8,061,690	\$379,929	\$15,300,347	\$246,073
Moderate	\$1,592,145	\$71,832	\$7,249,276	(\$123,237)	\$1,712,157	\$147,673	\$8,257,107	\$575,346	\$15,506,382	\$452,109
Major	\$1,686,657	\$166,344	\$7,343,787	(\$28,725)	\$1,864,955	\$300,471	\$8,946,940	\$1,265,180	\$16,290,728	\$1,236,454

Scenario Comparison

	2022		2018-22		2027		2023-27		2018-27	
	total	Dif from SQ	total	Dif from SQ	total	Dif from SQ	total	Dif from SQ	total	Dif from SQ
Total										
Expenses										
Status Quo	\$2,680,910		\$13,043,966		\$2,790,768		\$13,680,176		\$26,724,143	
Minimal	\$2,783,048	\$102,138	\$13,019,709	(\$24,257)	\$2,930,485	\$139,717	\$14,317,208	\$637,031	\$27,336,917	\$612,774
Moderate	\$2,866,063	\$185,152	\$13,328,008	\$284,042	\$3,134,452	\$343,684	\$15,110,393	\$1,430,216	\$28,438,401	\$1,714,258
Major	\$3,084,991	\$404,080	\$13,450,784	\$406,818	\$3,413,830	\$623,063	\$16,399,232	\$2,719,055	\$29,850,016	\$3,125,873
NOI										
Status Quo	(\$180,270)		(\$487,590)		(\$557,991)		(\$1,938,675)		(\$2,426,265)	
Minimal	\$212,263	\$392,533	(\$1,272,019)	(\$784,429)	(\$46,435)	\$511,556	\$519,458	\$2,458,133	(\$752,561)	\$1,673,704
Moderate	\$389,868	\$570,138	(\$792,488)	(\$304,898)	\$568,285	\$1,126,276	\$2,485,553	\$4,424,227	\$1,693,064	\$4,119,329
Major	\$1,145,507	\$1,325,777	(\$124,551)	\$363,039	\$1,511,852	\$2,069,843	\$6,646,197	\$8,584,872	\$6,521,646	\$8,947,911
Cash Flow										
Status Quo	(\$180,270)		(\$487,590)		(\$557,991)		(\$1,938,675)		(\$2,426,265)	
Minimal	\$34,662	\$214,932	(\$1,982,423)	(\$1,494,833)	(\$224,036)	\$333,955	(\$190,946)	\$1,747,729	(\$2,173,369)	\$252,895
Moderate	(\$291,374)	(\$111,104)	(\$3,517,457)	(\$3,029,867)	(\$112,957)	\$445,034	(\$239,415)	\$1,699,259	(\$3,756,872)	(\$1,330,607)
Major	(\$305,407)	(\$125,137)	(\$5,928,207)	(\$5,440,617)	\$60,938	\$618,929	(\$608,373)	\$1,330,302	(\$6,536,580)	(\$4,110,315)