

Review of Starcke Park Golf Course

Prepared for



Presented by

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NGF - KEEPING GOLF BUSINESSES AHEAD OF THE GAME SINCE 1936

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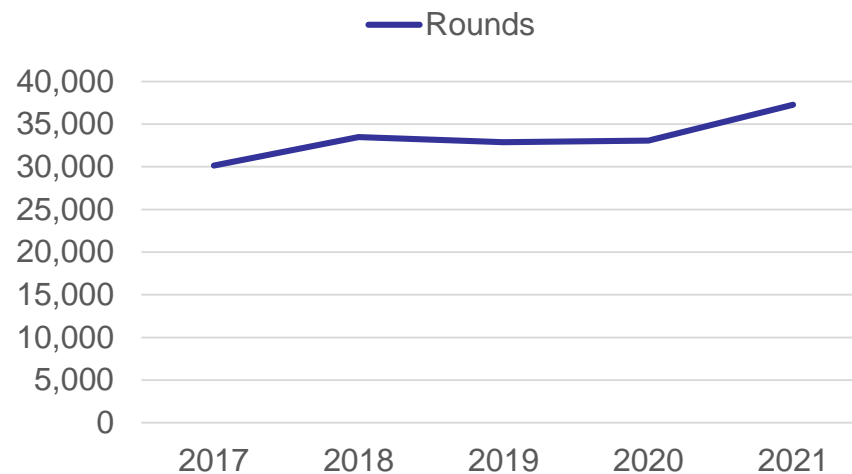
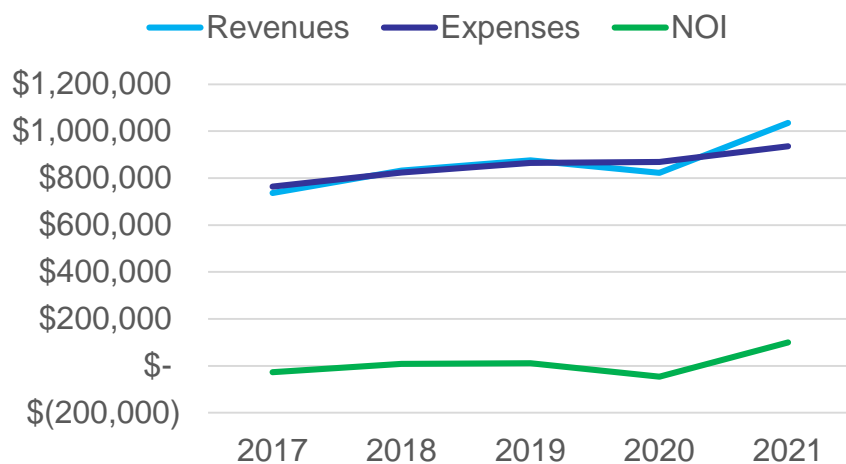
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- Founded 1936
- Custom golf facility research and consulting
- **Independence – do not design or manage golf courses**
- Municipal golf consulting industry leader
- Principals have 55+ years experience
- Team included Texas-based ASGCA golf course architects, Jeff Brauer (Arlington) and Brian Ross (Austin)

- City goal is to identify a viable business model for SPGC that helps ensure long-term sustainability
- NGF retained to provide independent review of golf course and operations in context of best practices
- Identify facility deficiencies and recommend needed capital improvements
- Identify potential enhancements to operations
- Provide financial pro forma projections

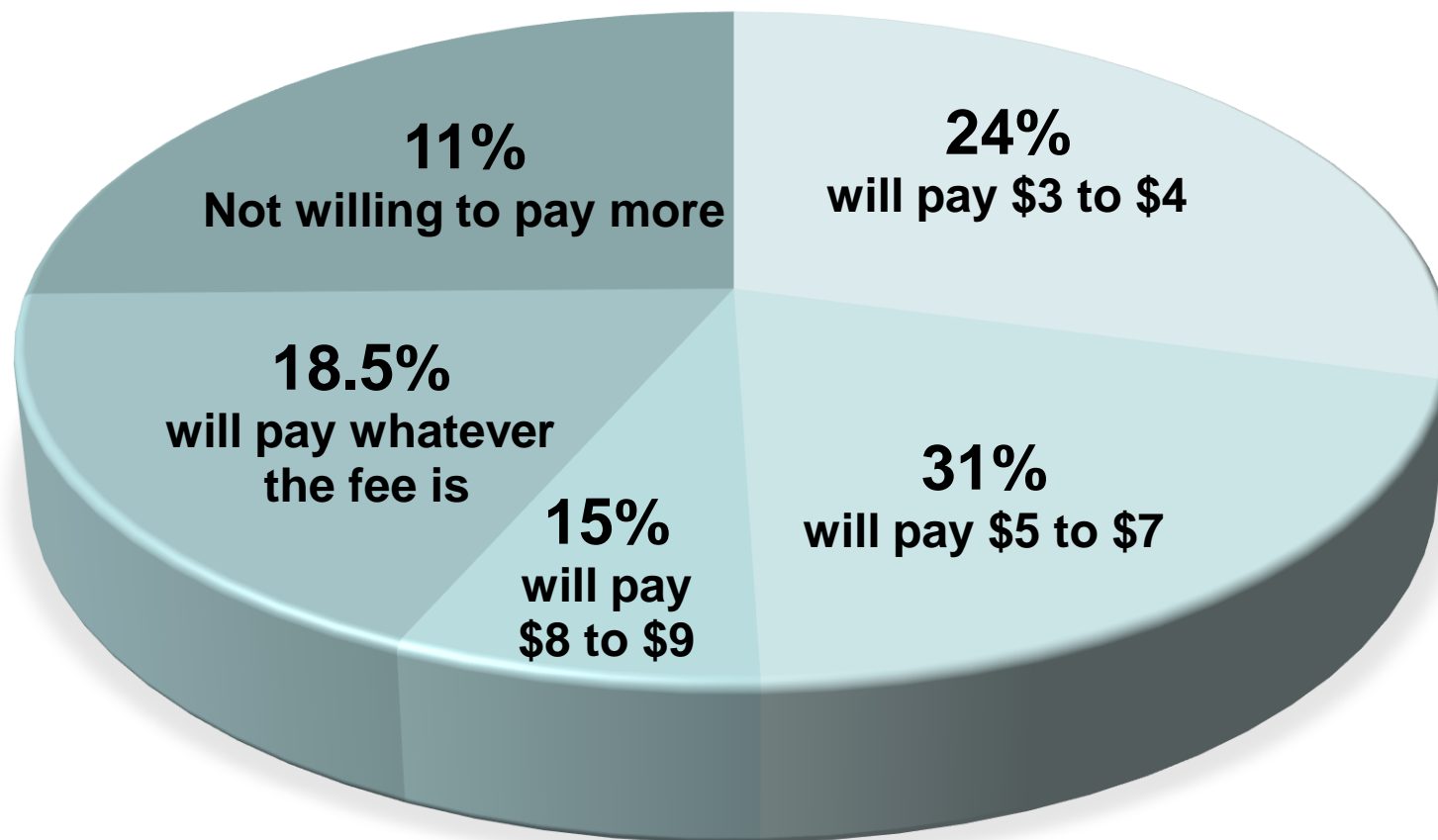
- Popular municipal golf course w/ regional customer base
- Budget constraints: Mtce. Staff - 5 FT + 1 PT; regional benchmark ~6 FT/3.5 PT (U.S. 5/6); Mtce. Budget of \$535,000 vs. regional avr. \$639,000 (national \$614,000)
- Positives: Location; history; loyal core customer base; population growth in Seguin and region
- Room for improvement: Marketing / Programming / Player Development
- Constraints to revenue growth: Infrastructure past time for replacement; insufficient budget; very competitive, low-fee market; minimal F&B service

5-Year Performance Trend



- 137 survey completes – lack of email database dampened response, but enough to provide directional guidance
- 96% male; 61% over age 50; 25% members
- Overall customer satisfaction well below average compared to other 'value' price point courses and national benchmark
- **Like most:** Friendly staff, convenient location, affordability
- **Lowest ratings:** Condition of all golf course playing areas (esp. tees, greens, bunkers); condition of golf carts; on-course services
- About 80% very or somewhat likely to take advantage of expanded food & beverage service at SPGC
- A little more than half of responding members would pay \$4-\$6 higher surcharge after renovation (19% would not / 30% unsure)

Willingness to Pay More (Daily Fees)



Market Analysis - Golf Demand & Supply

- Local golf participation rates well below national benchmark
- Only one other golf course (The Bandit) within 10 miles of SPGC, 3 others within 20 miles (2 public)
- Relatively favorable demand-supply ratios (golfers per 18 holes)
- SPGC (peak riding fee \$40) at low end of market
- Key competitors to SPGC include Landa Park GC, The Bandit, Olympia Hills and several Alamo Trail courses
- Regional golf courses average 36,000+ annual rounds, compared to national average of $\pm 29,000$; quite a few in range of 50K – 60K
- SPGC must invest due to aged infrastructure and to keep up with Alamo Trail golf facilities and Landa Park GC

Operational Key Findings & Recommendations

- Daily fees: regular (at least biennial) nominal increases to keep up with “cost of production”; higher increases if renovation
- Membership fees – haven’t changed in 6 years and are well “below market”
- Maintenance staffing: bring to minimum 6 FT + 3 PT; higher levels after facility renovation
- Food & Beverage – explore options like hot dog cart; outdoor grill on weekends; grab-and-go items
- Marketing – raise awareness/stimulate trial after renovation; grand reopening plan
- Technology – email database; upgrade website
- Programming and Player Development – needs higher priority; make primary responsibility of new Assistant Golf Professional?

Operational Key Findings & Recommendations

Summary Daily Fee Pricing – Competitive Subset

Golf Facility	18H Prime Time Green Fee (WD/WE)	18H Twilight Green Fee (WD/WE)	9H Green Fee (WD/WE)	Senior Green Fee (WD/WE)	Junior Green Fee (WD/WE)	PP Cart Fee (9/18)
Starcke Park Golf Course	\$22/\$25	\$14/\$14	\$14/\$14	\$18/\$18	\$12/\$12	\$10/\$15
The Bandit Golf Club	\$51/\$89	\$41/\$53	\$30/\$49	\$42 M-Fri only	\$25/\$35	Included
Brackenridge Park Golf Course	\$53/\$63	\$33/\$38	\$28/\$34	\$44 M-F only	n/a	\$8.50/\$16
Landa Park Golf Course	\$45/\$49	\$35/\$35	n/a	\$39 M-Fri only	\$10.50/\$13	Included ¹
Northern Hills Golf Course	\$29/\$34	\$23/\$28	\$17/\$20	\$23 M-F only	n/a	\$8.50/\$16
Olympia Hills Golf & Event Ctr. ²	Open \$58/\$67 Res. \$45/\$46	Open \$45/\$50 Res. \$35/\$40	n/a	\$52/\$57	\$15/\$20	Included
Willow Springs Golf Course	\$29/\$34	\$23/\$28	\$17/\$20	\$23 M-F only	n/a	\$8.50/\$16
Randolph Oaks Golf Course	E1-E4 \$14/\$18 E5-O10 \$19/\$24 Non-DoD Civilian \$27/\$32	\$11/\$13 All categories	n/a	n/a	n/a	\$15

Fees as presented on website; some may include tax, others not; rounded to nearest half-dollar.

Discount program rates, such as Alamo City Golf Trail Players Club, not shown.

1. Carts included except for Junior rates.

2. Resident discounts available for Universal City residents

- ASGCA Texas-based golf course architects Jeff Brauer and Brian Ross assessed: design/routing; conditions; safety
- Typical life-cycle of golf course components is 20 to 30 years; SPGC well past this on all infrastructure
- Course conditions poor; Greens - combination of high play, low maintenance budgets, older equipment, and presence of 7-8 mutations of grass has led to poor putting surfaces
 - Tees undersized, unlevel; Driving Range – insufficient teeing area and safety issues; Irrigation System and Bunkers obsolete
- Have seemingly reached an inflection point – needs major overhaul to remain viable as a golf course

Renovation Option 1 - Recommended

- NGF-recommended comprehensive renovation for SPGC:
 - ▶ Rebuild / Replace major infrastructure components, including greens, green surrounds, tees, bunkers, irrigation system
 - ▶ Improve and enlarge driving range landing area and teeing area; mitigates safety issues
 - ▶ Add short game practice area
 - ▶ Re-routes and enhances design features - Hole #s 10, 14, 17, 18
 - ▶ Enlarge #18 irrigation lake
 - ▶ Pecan tree mitigation
 - ▶ **Preliminary Cost Estimate (mid-range) = \$7.6 million***
 - ▶ ***Does not include operating losses during construction year – estimated at \$850K for one-year / \$1.3 million for two-year projects**

Renovation Option 2 – “Critical Fixes”

- Recommended Plan if funding constraints:
 - ▶ Rebuild / Replace major infrastructure – rebuild / replace
 - ▶ Driving range work to tee area, nets, range machine only
 - ▶ No re-routing / design work to add interest and enhance safety
 - ▶ #18 lake dredged, and possibly enlarged
 - ▶ Less tree mitigation
 - ▶ **Preliminary Cost Estimate (mid-range) = \$5.85 million***
 - ▶ ***Does not include operating losses during construction year – estimated at \$850K for one-year / \$1.3 million for two-year projects**

Renovation Option 2 – Financial Impact

GOLF RENOVATION	\$6.0M
Less: ARPA FUNDS	\$1.5M
Remainder Issued in Debt	<u>\$4.5M</u>

Annual Debt Payment on \$4.5M	\$	225,000
Number of Rounds per Year		30,000
Increase Per Round	\$	7.50

Timing Considerations – 1-Year vs. 2-Year

- NGF recommendation: Single-Year renovation
 - ▶ Up to 8 months construction + grow-in
 - ▶ Factors favoring 1-Year renovation for SPGC:
 - ▶ Finances: lower overall construction cost – economies of scale ($\pm 20\%$ lower overall cost); operating loss during construction about 50% lower; net result is \$1 million+ less that will have to be bonded
 - ▶ Minimizes overall timeframe / disruption to golf course
 - ▶ Contractors – fewer and higher bids under multi-year
 - ▶ Other – pump / pipeline issues; parts and turf availability; potential for material inconsistency
 - ▶ More impact on reopening

Financial Outlook – Major Renovation

- Major renovation as recommended plus implementation of key NGF operational recommendations, increased budget
- Rounds: 37,000 in Year 1; stabilized 40,000 by Year 3
- Significantly higher revenue per round; enhanced budgets to preserve quality of asset and golfer experience
- Positive net income is projected at \$164,000 in Year, reaching a stabilized profit of about \$284,000 by Year 3
- After annual debt/capital costs (25-year bond of \$5.8 million) estimated at \$783,000, total General Fund support is estimated to be \$619,000 in Year 1, stabilizing at ~\$500,000
- Based on net incremental cash flow, warranted level of investment is estimated at \$6.3 million

Golf Course Renovation Timeline:

8/2/2022: NGF Presentation.

9/6/2022: Council votes to proceed and hire an architect.

11/15/2022: Council votes to accept the chosen architect's bid.

5/2/2023: Architect's presentation and vote to proceed with project.

8/15/2023: Council votes to accept contractor's bid.

11/1/2024: Project begins.

10/1/2025: Course reopens.

Questions & Answers

Subsequent Information

- City & golf course staff meetings
- Facility tour & physical review
- Market analysis – demographic, economic, competitive
- Golfer survey
- Operations review
- Analysis of historical operating data
- Financial projections

Recent Facility Performance

- Consistent rounds played averaged $\pm 33,000$ from FY18 to FY20, jumped by 12.8% to 37,000+ in FY21
- Total revenues increased by \$409,000, or 48%, between FY17 and FY21
- Golf playing fees (green, member dues, carts, driving range) account for 80% to 85% of total revenues
- Total operating and labor expenses increased by $\pm 23\%$ between FY17 and FY21
- Average net operating loss (excl. Depreciation) of about **(\$13,600)** FY17-FY20; profit of just under \$100K in FY21
- City subsidy has declined since switched from private pro shop operator

- Relatively low Median Age and Income not predictive of strong golf participation
- Dense regional market from which to draw customers: 45-minute drivetime market has 1.7 million residents; twice that amount within 60 minutes
- Seguin grew by 17% between 2010 and 2020; ~13,000 new housing units in development pipeline
- Diverse economy that lags somewhat in retail area

- Surge in capital investment for existing facilities – 1,400+ major renovations totaling \$4.2 billion over last 15 years
- Supply correction that began in 2006 is slowing down
- Increasing diversity of junior participants and beginners
- Increase in ‘off-course’ participation (e.g., Topgolf); large pool of interested prospects
- Baby Boomers continue to retire in large numbers
- Covid-19 Demand Surge – new & returning golfers; 2020 rounds played up by 61 million (13.9%); up 5.5% in 2021
- Covid ‘dividend’ eroding? -5.7% rounds YTD through June, but industry equipment shipments remain very strong

Financial Outlook – As Is / Steady State

- No consequential changes to local/regional economy or competitive landscape (applies to both scenarios)
- No substantive capital investment (repairs as needed), but implementation of key NGF operational recommendations, increased budget and inflation-based fee increases
- Some level of “Covid dividend” persists
- Rounds decline from projected 35,000 in FY23 to 31,500 in FY27 due to deteriorating playing conditions
- Net income steadily declines to a loss of **(\$143,000)** in FY27
- After annual note payments ranging from \$276,000 to \$352,000, total General Fund support is ~\$204,000 in FY23, growing to just under \$500,000 in FY27