

Review of City of Evansville Golf System

Prepared for

City of
Evansville
— I N D I A N A —

Presented by

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NGF - KEEPING GOLF BUSINESSES AHEAD OF THE GAME SINCE 1936

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

- Retained to provide independent review in consideration of NGF experience and industry best practices
- City goal is to evaluate the current condition and future market potential of the four City golf facilities
- Identify potential revenue enhancement opportunities
- Identify deficiencies and prepare capital improvement plan
- Provide financial pro forma analysis under various scenarios

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

Summary of Findings

External Factors Affecting Golf Ops

- Modest size market with strong median household income, but slower population.
- Current economy shows signs of growth (new residential + commercial development, low unemployment).
- Overall trends in golf not favorable, but golf is not “dead.”
- Unfavorable balance between supply and demand for public-access golf in Evansville.
- Approximately 18,700 of population per 18 holes, with a target for balance of 30,000 population per 18 holes.
- Two key new entrants in market re-opening closed golf courses in Booneville and Henderson, KY.
- Thunderbolt Pass GC may close.

- Non-Reverting Fund for operation of golf facilities (any net income returned as new investment or saved for future).
- Recent declines have resulted in depletion of the Golf Fund, leading to severe cuts in expenses in order to maintain economic viability – (may be making it worse).
- Most expense reductions have been in personnel, impacting course conditions and thus golfer demand.
- Courses operated via concession with golf pros who employ mostly part-time staff to operate facilities.
- NGF observed little coordination between the pros and City.
- Playing fees generally appropriate for market (around \$21-\$24), but extensive discounting results in low average earned revenue for City (\$11.50 per round).

- City golf facilities are potentially sustainable, but require improvement in their playing conditions.
- All City courses need varying degrees of improvements and upgrades to remain viable as golf businesses.
- Most of the upgrades needed relate to infrastructure items that are well past expected useful life.
- NGF estimates about \$1.36 to \$1.69 million in needed improvements, mostly related to greens, drainage and cart paths, plus a levee project at Fendrich GC.
- The lack of a driving range at any of the City courses hampers revenue growth potential.

- City courses combined to produce close to \$1.14 million in golf revenue to the City in FY2018, down 11% from the \$1.27 million recorded in FY2017.
- Evansville golf system to be on a downward trend in revenue, with rounds activity and revenues falling by about 11% in FY2018.
- The combined four-facility Evansville golf system is operating with an annual economic shortfall of between **(\$217,000)** and **(\$266,000)**, thus requiring City taxpayers to provide support in the form of a “transfer-in” from the General Fund.

City of Evansville Golf Courses Total Rounds Played by Facility (2014 – 2018)

| Year | Helfrich Hills GC | Fendrich GC | McDonald GC | Wesselman Par 3 | Total | % Annual Change |
|-------------------------|-------------------|-------------|-------------|-----------------|--------|-----------------|
| 2014 | 22,325 | 31,779 | 19,364 | 7,586 | 81,054 | ----- |
| 2015 | 25,745 | 31,270 | 21,765 | 6,529 | 85,309 | +5.3% |
| 2016 | 24,763 | 32,122 | 18,635 | 5,063 | 80,583 | -5.5% |
| 2017 | 24,626 | 32,620 | 21,224 | 6,370 | 84,840 | +5.3% |
| 2018 | 22,999 | 27,760 | 19,799 | 4,877 | 75,435 | -11.1% |
| % Change 2014-18 | +3.0% | -12.7% | +2.3% | -35.7% | -6.9% | |

Individual Facility Reviews

- Oldest City-owned facility with most challenging layout.
- Located on the City's west side with smaller population base to support golf.
- Has experienced declines in activity, but hosts the most tournaments, outings and events among City courses.
- HHGC needs an estimated \$525,000 to \$645,000 of high priority improvements, most of which comes from greens improvements.
- A new range is possible on the north side of HHGC, but would be expensive to construct.
- Hosted only 23,000 rounds last year (2 previous years at 25,000 - well below the 30,800 average rounds per year for 18-hole municipal golf courses in Indiana.

- Most popular City course due to ease of play and good location.
- The most significant problem at Fendrich is flooding from Pigeon Creek and the numerous drainage issues on property.
- If not addressed, the City may find that the recent decline in rounds and revenue may become more pronounced over time.
- FGC has best clubhouse in the system, which should be central to marketing, with special focus on attracting new tournaments, outings, events and leagues to the facility.
- HHGC needs an estimated \$459,000 to \$555,000 of high priority improvements, most of which comes from enhancements to drainage and levee improvements.
- The total activity generated at FGC has traditionally been above 30,000 rounds, but fell hard in 2018 due to wet weather.

- A popular 9-hole course with a regular and loyal following.
- The course is well located and is easily accessible.
- Play over the past 5 years has averaged about 20,000 rounds, with season pass play representing 15% to 18% annually.
- MGC has little urgent capital needs other than some areas of improved conditioning.
- MGC is active in programming and leagues, helping to support activity and rounds.
- The modest clubhouse is original from 1971 and includes limited retail and F&B space. However, this building is very functional for the current operation.

- The Wesselman Par-3 has been operating for 50 years and both rounds and revenue have been declining rapidly.
- **Under its current structure, it is not possible for this facility to operate anywhere near a breakeven basis.**
- NGF finds that the market for this facility is currently very small and there are other facilities servicing this constituency.
- Without significant change in focus on beginners with a highly active player development program, the NGF team cannot see this facility as a viable golf enterprise.
- Three options for Wesselman:
 - Convert to passive park
 - Donate to nature preserve
 - Transform into a modern golf practice facility

NGF Recommendations

- Modify to City self-operation with all staff becoming City employees and a mix of both full and part-time (excluding F&B).
- If the Wesselman Par-3 is to remain open, the City should move it out of the Golf Enterprise Fund and place it in the General Fund.
- Create a new senior golf management position who reports directly to City management and is senior to all golf staff at all locations.
- Retain all F&B as separate concession with existing concessionaires at Helfrich and Fendrich GCs. The City will take over direct control of F&B / vending operation at McDonald GC.
- Create formal marketing plan, utilizing technology thru a **new POS system**, direct selling, advertising & branding.
- These changes may add cost to City budget, but also increase revenue from carts and merchandise sales.

Physical Recommendations

City of Evansville Golf Courses Summary of Preliminary Golf Facility Repair and Enhancements by Facility

| Facility | Key Projects | Low Estimate | High Estimate |
|--------------------------------|---|--------------------|--------------------|
| Helfrich Hills GC | Greens, drainage, cart paths, tees, clubhouse | \$525,000 | \$645,000 |
| John H. Fendrich GC | Levee project, cart paths, tees, bunkers | 459,000 | 555,000 |
| McDonald GC | Ponds, equipment, drainage | 375,000 | 490,000 |
| Total Base Improvements | | \$1,359,000 | \$1,690,000 |

Other Projects (TBD - Pending Future Site Considerations)

| | | | |
|--|--|--------------------|--------------------|
| Longer Term Upgrades (Beyond 5 years) | Helfrich irrigation, Fendrich irrigation, Helfrich bunkers | \$1,824,000 | \$2,040,000 |
| Other Investments | New range at Helfrich GC | 300,000 | 350,000 |
| Sub-Total Other Projects | | \$2,124,000 | \$2,390,000 |

| | | | |
|---|--|--------------------|--------------------|
| Total Estimated City-Wide Capital Investment | | \$3,483,000 | \$4,080,000 |
|---|--|--------------------|--------------------|

All figures are NGF Consulting estimates based on architect input and other similar projects completed in the last 3 years that have been provided to allow for preliminary planning. These amounts may or may not reflect actual costs for the City, and the City of Evansville should engage appropriate research to cost out specific projects.

Financial Outlook

(assuming changes as presented)

Cash Flow Models – Summary per Facility

| | Helfrich Hills Golf Course | Fendrich Golf Course | McDonald Golf Course |
|-------------------------------|---|---|---|
| Estimated Rounds | Stabilize at 29,000 by FY22 w/ changes/improvements | Stabilize at 33,500 by FY22 w/ changes/improvements | Stabilize at 18,000 by FY22 w/ changes/improvements |
| Estimated NOI* by 2024 | \$32,600 by FY2024 | \$68,400 by FY2024 | (\$52,000) by FY2024 An improvement of \$22,500 for FY2020 |

*Net operating income before depreciation and debt service.

Cash Flow Models – Summary Evansville Golf System per Year

| | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|-------------------------|-------------|------------|---------|---------|---------|
| Estimated Rounds | 77,500 | 82,000 | 85,500 | 85,500 | 85,500 |
| Estimated NOI* | (\$147,200) | (\$61,100) | \$8,300 | \$7,300 | \$5,700 |

*Net operating income before depreciation and debt service.

Summary Conclusions

- Make all golf system staff City employees and end the Pro contract structure
- Enhance the technology that supports operations (POS, website, marketing, etc.)
- Work with the Army Corps of Engineers to create a plan for Levee improvement at Fendrich GC
- Close the Wesselman Par-3 golf course (or transform into a modern golf learning center)
- Invest in, and modernize golf course marketing
- Negotiate a more favorable water rate structure for the City's municipal golf courses

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