



**Northcliffe Golf Course  
Facility Assessment  
for The City of Schertz, Texas**

**August 2011**

**prepared by:**





# **NORTHCLIFFE GOLF COURSE FACILITY ASSESSMENT**

**August 25, 2011**

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## **FORWARD**

Colligan Golf Design has been retained by the City of Schertz to provide a facility assessment for Northcliffe Golf Course. This assessment has been composed in order to provide the City of Schertz with an overview of the conditions of the various components associated with the facility and the cost to bring these components up to standards expected of a course in the Hill Country. While we have noticed many items, which could be added to improve Northcliffe Golf Course, it is our intention to address only those items, which are basic to the facility's daily operation and the areas, we were contracted to review.

The items addressed in our report are:

### **Golf Course**

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## **I. General Items**

### **A. Aesthetics**

Northcliffe would not be considered a very photogenic golf course. This is due primarily to the surrounding development, concrete drainage channels from the development and a severe lack of TLC over recent years.

There was also a major drought in progress at the time of the course inventory. With only 200,000 gallons or 1/5<sup>th</sup> of the water typically used to irrigate a course with the acreage of Northcliffe, it is impossible to create a lush attractive course.

### **B. Playability**

From a playability viewpoint, Northcliffe suffers from what most housing development courses suffer from, out of bounds. The majority of the golf holes have OB on one side and many have it on both sides. In addition, the many drainage ways throughout the course are hard to see or completely blind.

Bunkers on the course are in bad condition making them difficult to play out of and the greens are contaminated with several varieties of turf making putting very challenging.

### **C. Maintainability**

Overall the features at Northcliffe are fairly soft and maintenance friendly. However the drainage system that runs into and throughout the course add much in the way of maintenance. In addition, being a development course requires a large amount of trimming along the perimeter of the course.

These items with a tight budget make maintenance very challenging.

### **D. Security/Vandalism**

Once again, the culprit here is being a development course. The nature of these layouts is to have many openings from roads and adjacent property that will allow for access onto the course from many parts. The more access points, the more opportunity vandalism.

## **II. Greens**

### **A. Size**

The greens at Northcliffe average slightly under 5,000 square feet, ranging from 3,350 to 6,300. This size is adequate for the number of rounds presently being played on the course, but would be somewhat under sized should the rounds get over 40,000 per year.

## B. Grass Conditions

At the time of this assessment the greens had a good stand of grass on them. The primary issues are the various varieties on each green which makes for inconsistent growth habits and poor putting conditions. The grasses appear to be a combination of Tifdwarf, 328, 419 and common bermudagrass.



## C. General Character

The original construction method of the greens at Northcliffe is unknown. What is known is the greens are over 40 years old; this is almost twice the life expectancy of the average green according to the USGA.

The overall character of the greens and surrounds is fairly dated and nondescript, needing a fresh look to be more competitive in the market place.

## D. Contour Analysis

Due to the age of the greens, the majority of contour the greens had when they were new has disappeared due to the many layers of topdressing sand which have been applied.

## III. Tees

### A. Size

The tees at Northcliffe are of adequate size for the number of rounds being played on the course at this time. However, should rounds pick up these tees will need to be leveled and enlarged.

The tee on the practice range could stand to be leveled and enlarged as well.

## B. Turf Conditions

Much like the greens, the tees have a variety of grasses and weeds. The tees will need to be regrassed when they are enlarged.



## IV. Fairways

### A. Character

The overall character of the fairways at Northcliffe is very poor. They are very rough for play as well as riding in a golf cart.



## B. Turf Conditions

Like the character the turf conditions are very poor in the fairways. They are contaminated with a variety of grasses and weeds. All the fairways will need to be sprayed with several applications of herbicide, floated to create a smooth surface and then regrassed.

## V. Hazards

### A. Sand Bunkers

With a maintenance budget of \$250,000+/- there is no wonder that the sand bunkers are in bad condition. The course has 44 greenside bunkers and 6 fairway bunkers with a total of approximately 56,000 square feet.

All the bunkers will need to be renovated in order to bring the course up to a level that can demand higher fees while attracting more rounds. The renovation of the bunkers would include removing existing sand and drainage, reshaping bunkers, installation of liner, drainage and new sand.



The addition of new bunkers in high visibility areas of the course, such as the window along I-35, could help to attract attention to the course.

## B. Water

The water features at Northcliffe consist of 4 lakes. Two small, one medium and an irrigation lake with a surface area approximately 3.5 acres. At the time of our visit one of the small lakes was dry. The edges of the lakes could use repair from erosion due to wave action. In addition, they should be designed with a shelf around the perimeter for safety reasons.

Along with the lakes there were several dry drainage channels that carry storm water from the surrounding development. The water from the development is transferred onto the course via very unsightly concrete flumes that detract from any beauty the course might have.

A renovation of the course would require the addition of a below grade drainage system which make the course more playable, maintainable and more beautiful.

## C. Rough

At the time of our visit the rough had not been irrigated in some time due to the shortage of water. The irrigation system is capable of a maximum coverage of 130 acres but at the present time the only have enough to irrigate approximately half that amount.

When the course gets an increased water supply the rough can be grown to add definition and strategy to the course.

## D. Trees

There are very few trees and most of those are not very attractive. A master plan would recommend the addition of many more trees to add color, definition and strategy.

# VI. Cart Paths

## A. Impacts on the Course

The cart paths at Northcliffe are a full loop system, five to six foot wide.

In addition to being narrow, the paths tend to be very obtrusive visually. There are areas on the course where the paths are located in areas that could be considered to be in play and some that put the player in danger of being hit from adjacent holes.



#### **B. Condition**

The overall condition of the paths at Northcliffe is very poor. Many areas are severely cracked and will need to be repaired in the near future. CGD would recommend that new paths be installed throughout the course and that all liability issues be resolved in the process.



## VII. Drainage

### A. Flood Issues

As with many courses built within a housing development, Northcliffe serves as a drainage solution for the community. The storm drains within the neighborhood empty onto the course via unsightly concrete flumes which carry the water across the course into a ragged looking drainage ditches within the course.

There is no subsurface drainage system within the golf course. A system of this nature would help the course look better, drain more quickly and reduce erosion on the property.

### B. Adjacent Land

Northcliffe is no different than the majority of other courses having development surrounding them; the adjacent home owners use the course to drain water and will often run irrigation more than necessary. This can often cause maintenance problems around the perimeter of the course.

The majority of property around the course is developed however, there are a few tracts that will need to be watched to insure that silt will not wash onto the course when the construction process starts.

### C. On Course System

At the present time the on course drainage system consist of concrete swales, eroded ditches and a couple of ponds which help to slow the flow. There is no underground system at this time but it will be incorporated should the course be renovated.



#### **D. Future Issues**

With more development around the course being a certainty, more water will be coming due to the roof tops and concrete. In addition, oil, trash and more erosion will be taking place if it is not planned for. Silt can be the most damaging if it is not held in place and planned for.

#### **IX. Maintenance**

The maintenance area at Northcliffe appears to be in very poor condition. There is a main maintenance building, a building for the mechanic and a covered area for the large equipment which is exposed to the elements.

The main building is under sized and lacks adequate storage as is the mechanic bay.

Chemical/Fertilizer storage would most likely not pass governmental regulations as would the wash area.

The equipment used to maintain the course is old and in need of being replaced.

#### **X. Restrooms/Shelters**

There are two restrooms on the course at Northcliffe. The facility on the 7<sup>th</sup> tee is in very poor shape. The one next to 13 green is in very good condition and appears to be of better construction than most of the surrounding homes.



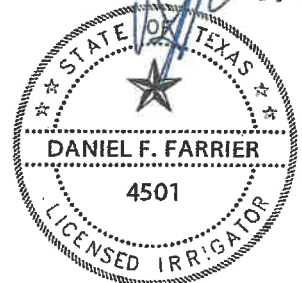
**NorthCliffe Golf Course  
Cibolo, Texas**

**Irrigation System Review**

August 2, 2011

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August 2, 2011

## **Irrigation System Review NorthCliffe Golf Course**

This report is an overview evaluation regarding the existing irrigation system of NorthCliffe Golf Course located in Cibolo, Texas.

The considerations presented are based on 1) discussion with Mr. Thomas Gonzales, the golf course superintendent; 2) site review; 3) brief discussion with Fleming Brothers, the 1999 renovation contractor, 4) brief discussion with Bill Crawford with Waterborne Pumps regarding the current condition of the pump station; and 5) 24 years of golf course irrigation design and engineering experience.

The opinions expressed were developed by looking at the primary components that make up the irrigation system and then considering how well they can work together to provide irrigation performance. Actual irrigation results are influenced by many considerations.

### **I. IRRIGATION PERFORMANCE**

The list on the right shows a number of common attributes used to determine the performance of an irrigation system.

Less than satisfactory performance of one item can degrade the achievable performance. As the weakest link in a chain determines the maximum strength of a chain, so it is with irrigation performance . . . the weakest irrigation component limits the overall performance. The achievable quality and consistency of turf are directly related to irrigation performance.

It is only when the irrigation sub-systems complement each other that exceptional irrigation performance is enabled. The most value (most performance for the least dollars) is achieved when the performance of each sub-system matches the level of performance of the others.

#### **Irrigation Performance Includes:**

- Coverage
- Special Optional Coverage
- Application Amount
- Horticultural Control
- Water Window
- Sprinkler Distribution Uniformity
- Scheduling Flexibility
- Cost
- Resource Efficiency
- Pipe and Pumping Flow Management
- Reliability/Longevity
- Water Conservation/Management

## II. NORTHCLIFFE IRRIGATION

### A. General

1. The NorthCliffe Golf Course irrigation system generally provides double to triple row coverage. It provides roughly 108 acres of coverage. The turf area within the golf course boundary is approximately 132 acres. Some areas of the course are restricted from reclaimed water irrigation.
2. The irrigation system uses reclaimed water provided by the sewage treatment plant located at the Northwest corner of the property. The plant has a treatment capacity of 200,000 gallons per day. Treated reclaimed water is delivered to the irrigation pond automatically. The treatment plant is operating at its capacity. Additional amounts of untreated sewage beyond the plant's capacity are pumped to other treatment facilities.
3. A water well is located near the irrigation pond. The cost and available use of well water is under the regulatory authority of a local water district. The flow rate capacity of the water well was not available and not known by the superintendent. It has not been used for several years. Further investigation of the drilling record filed with the TCEQ or the records that the local water authority may have is required to estimate the current flow rate capacity of the water well.
4. The existing irrigation system was designed and installed approximately 10 to 11 years ago. New piping and electric VIH (valve in head) sprinklers were used in the new design.
5. The system has a Toro Site Pro central control with OSMAC wireless control. There are 20 field satellites. Field satellites are RDR units without stand-alone capability. The central computer and software have not been upgraded since they were installed over 10 years ago.

### B. Coverage

1. There are approximately 850 large radius VIH sprinkler heads used in the irrigation system.
2. The coverage does not extend to the property boundaries. There are areas of significant size that are not irrigated. A depiction of the existing coverage is included at the end of this report.

### C. Horticultural Control

Horticultural control is the ability to adjust the irrigation in response to specific area watering requirements. Horticultural control is necessary to make adjustments based on turf type, sun & shade, mowing height, soil conditions, exposure, contours and other factors that affect wet and dry tendencies.

1. The large radius sprinklers heads are suitable for the existing modest contouring of the course architecture.

2. Separate sprinkler heads are provided for the green and green surrounds. Individual sprinkler station control is provided.
3. The spacing of fairway sprinklers is generally 80 feet.
4. Generally, two fairway heads are controlled by a single operating station. Sprinkler heads have been electrically tied together in the field as opposed to being tied at the satellite field controller.

D. Application Ability

Irrigation systems are designed with the ability to pump and distribute a sufficient volume of water to maintain quality turf during the months of July and August without rain. Critical factors in achieving suitable application ability are pumping capacity, piping distribution capacity, and the control system's flow management capability.

1. Pumping Considerations

- a) The existing pumping station has two 75 hp main pumps and a submersible pressure maintenance pump. The station VFD drive required replacement in 2009. The analog card of the PLC control was also replaced. Pumps were noted as worn out and producing less than their normal output. It was noted that the pumps were not free turning. Turning resistance is believed to be either calcium buildup or worn bearings.
- b) With full and normal equipment operation, the station should be able to provide a flow rate capacity of 1,400 to 1,500 gpm.
- c) The existing pumping system includes an automatic flushing filter and fertigation metering. The filter is being by passed. The filter mesh screens have been removed from the filters due to repeated clogging of the very fine openings of the screen.
- d) A system to inject chlorine bleach is provided in keeping with the requirements for using reclaimed water.
- e) The air conditioner for the VFD drive is not working. The main panel doors are left open to aid in the cooling of the VFD drive and electrical panels.
- f) The operating set pressure is 115 psi.
- g) The system is currently operated in the flow range of 600 to 1,000 gpm.

2. Piping Considerations

- a) The existing piping is adequately designed and sized to distribute the capacity of the pumping station (approx. 1,400 gpm).
- b) The Toro Site Pro central computer system has station based flow management and has the capability for excellent flow management

capability. This is the primary means to control and manage the distribution of flow throughout the piping network.

E. Water Resource

1. The existing irrigation is significantly limited by the available water resources.
2. The treatment plant provides up to 200,000 gallons of reclaimed water daily. The water provided is provided without charge. The golf course is the primary disposal site for the water treatment plant. The golf course is required to use the reclaimed water throughout the year independent of irrigation needs.
3. The available reclaimed water is inadequate as the primary water source for the irrigation system for most of the year. The system is designed to be able to distribute between 600,000 gallons and 750,000 gallons daily.
4. As the disposal site for the treatment plant, the golf course is required to distribute treated water year round. During winter months and generally wet conditions, the course must still dispose of the water. Some additional sprinklers have been added (that are not indicated on the 1999 design) to distribute reclaimed water out of golf play areas when the golf course doesn't need watering (the right side of hole 1).
5. The water well has not been used for the last several years. Its use and cost fall under the authority of a local water district.
6. The irrigation pond is approximately 3.5 acres in size. The volume of the water in the top 12" of capacity is approximately 1,144,500 gallons. The location of the pond makes the water level very aesthetically important.

III. GENERAL PERSPECTIVE

A. Existing

1. The distribution and application capacity of the piping irrigation system are adequate and suitable for achieving and maintaining very good turf within the existing areas of intended coverage. This includes the pumping volume, piping network, and control system.
2. The available reclaimed water resource is inadequate. The treatment plant's capacity of 200,000 gallons corresponds to a 0.08 inch irrigation application (without the consideration for loss as a result of pond evaporation). It is my opinion that water resource(s) for a golf course should be able to provide a maximum application of 0.3 inches.

B. Future Considerations

1. With the capacity of the existing reclaimed water resource, an additional primary water resource is required to meet normal summer time expectations for golf

course turf maintenance. Utilizing the water well and/or finding additional water resources is critical.

2. The following table indicates the estimated water pumping rates necessary for additional water resources necessary to provide full turf performance during the summer season for the existing coverage area. These amounts are in addition to the existing 200,000 reclaimed water supply.

Recharge Time	Recharge Amount	
	400,000 gallons	550,000 gallons
18 hours	370 gpm	510 gpm
24 hours	278 gpm	382 gpm

3. Additional pumping capacity would be required to irrigate the complete rough and course perimeter.
4. The existing main line piping could be supplemented to increase the distribution capacity to increase the coverage to rough and course perimeter.
5. Reclaimed water cannot be used where it would run off the property or in non-reclaimed ponds that overflow to adjacent property.
6. It is reasonable to consider that the existing pumping station should be replaced in the near future.
7. The field satellite controllers do not have stand-alone capability. Any irrigation renovation should include new field satellites.
8. Upgrading of the computer central hardware and software are overdue.

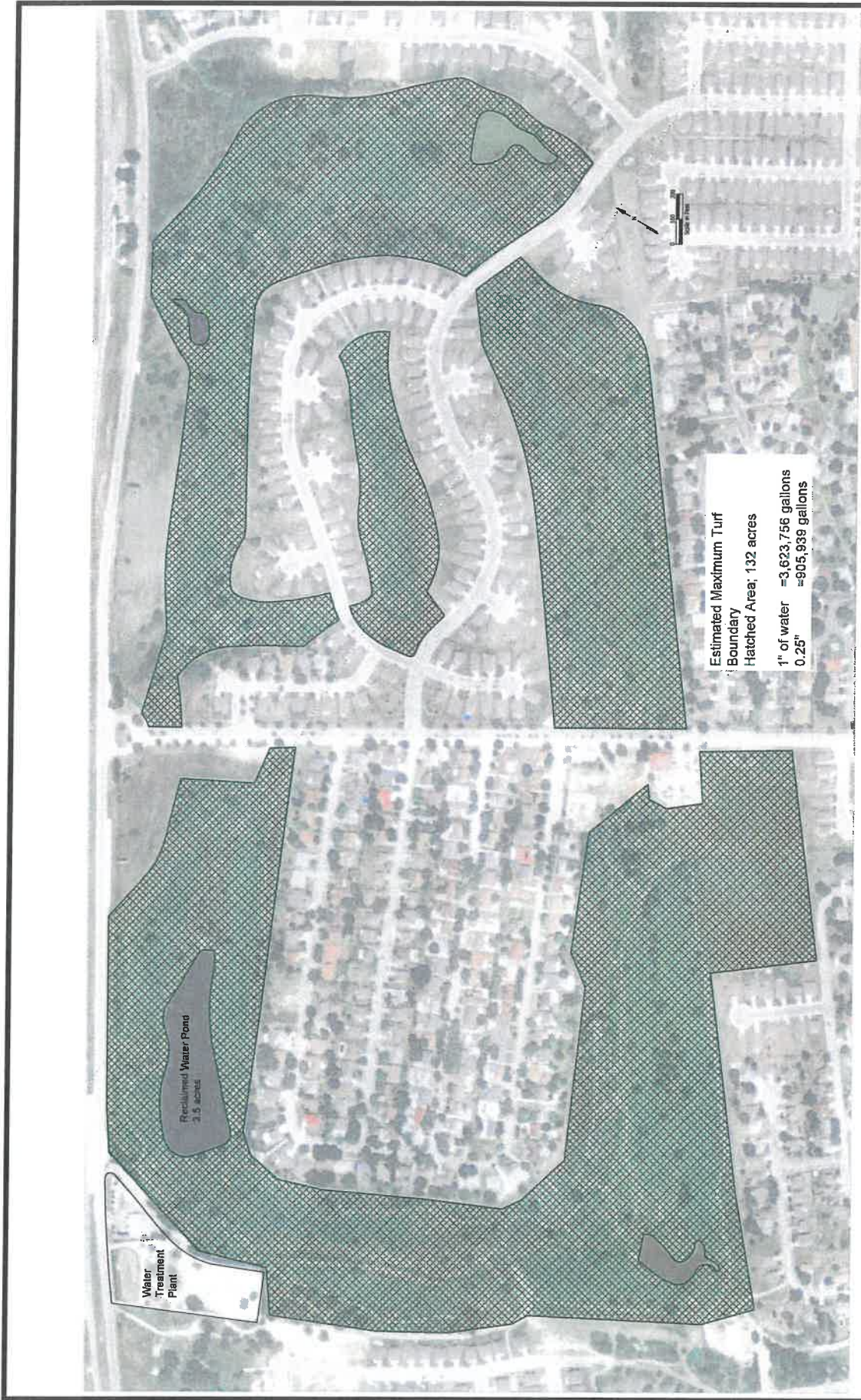
#### IV. SUPPORTING INFORMATION

##### A. Drawings

1. Est. Maximum Turf Boundary
2. Approx. Existing Coverage Area
3. 1999 Irrigation Design

##### B. Spreadsheets

1. Estimated water requirements for a 0.3 inch application using the existing irrigation system
2. Estimated water application ability if the water usage is restricted to 200,000 gallons



Water Treatment Plant

Reclaimed Water Pond  
3.5 acres

Estimated Maximum Turf  
Boundary  
Hatched Area: 132 acres  
1" of water = 3,623,756 gallons  
0.25" = 905,939 gallons

**NorthCliffe Golf Course**  
Cibolo, Texas

**Irrigation System**  
**Est. Maximum Turf Boundary**

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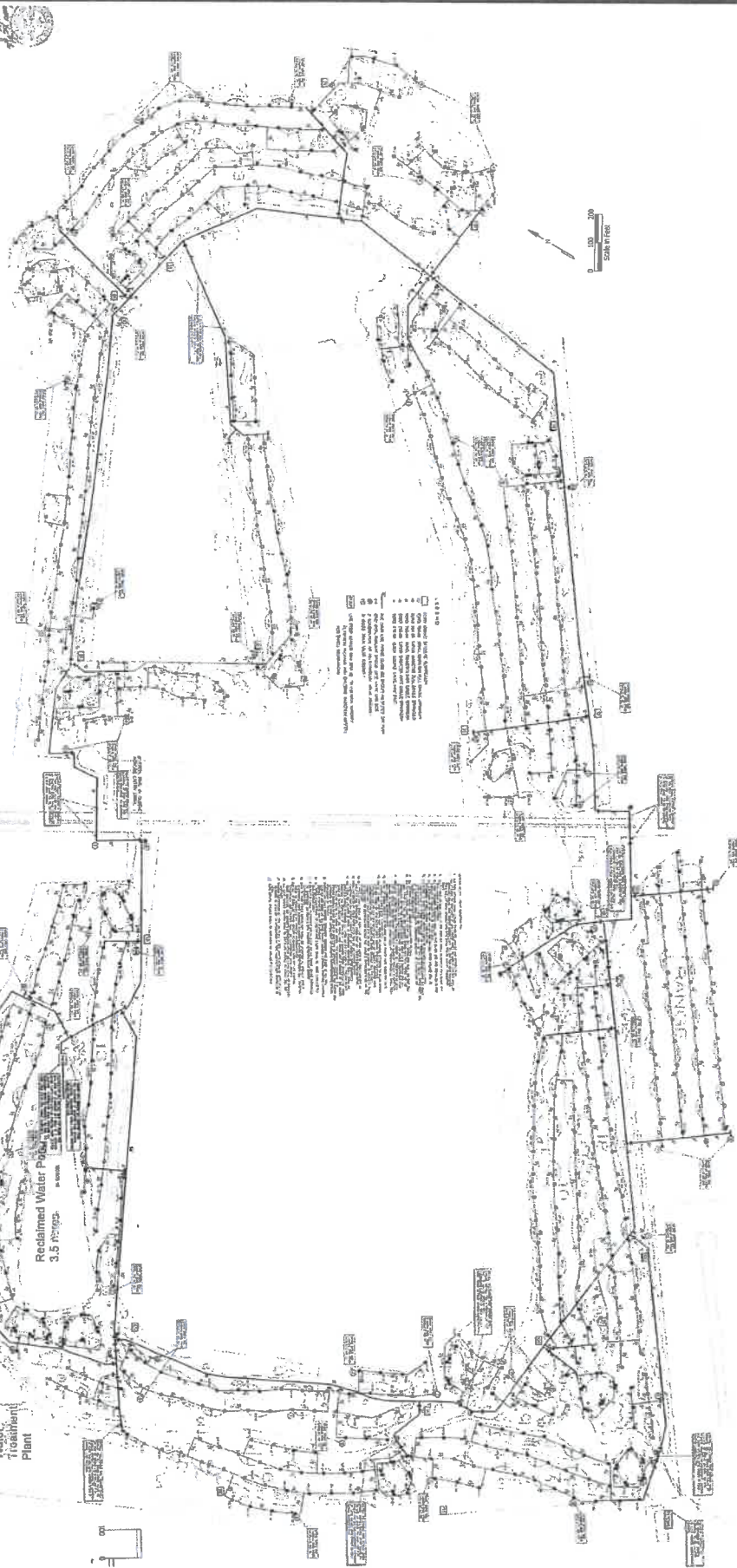
**Golfmaps<sup>sm</sup>**  
**IPD LLC**



DATE: 08/01/11  
 DRAWN BY: J. H. HARRIS  
 CHECKED BY: J. H. HARRIS  
 PROJECT NO.: 100-000000-0000  
 SHEET NO.: 100-000000-0000

**PIPING**  
**OCTOBER 9, 1999**

THE IRRIGATION SYSTEM WILL USE TREATED EFFLUENT  
 FROM THE WASTE TREATMENT PLANT. ALL IRRIGATION  
 SYSTEMS SHALL BE DESIGNED TO PROTECT THE SYSTEMS  
 AND CONSTRUCTION METHODS TO PROTECT THE SYSTEMS  
 OF THE GOLF AND ALL WORKERS INVOLVED IN THE PROJECT.



**NorthCliffe Golf Course**  
 Cibola, Texas

**Irrigation System**  
**1999 Irrigation Design**

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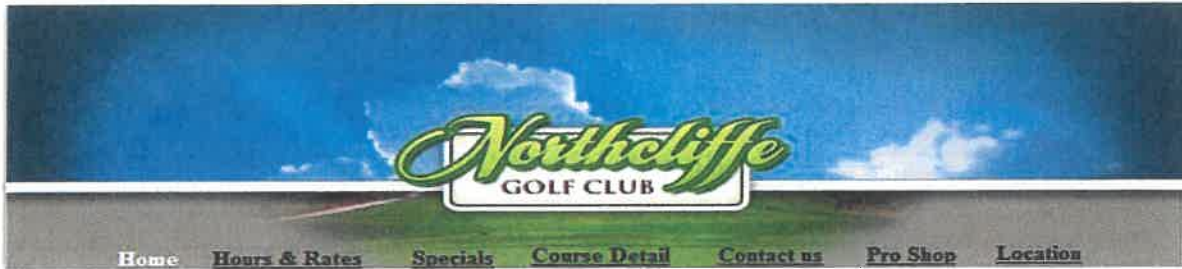
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Site Information & Historical Data		Estimated Weekly & Daily Irrigation Demand											
San Antonio, Texas		Application Amount (inches)											
Evapotranspiration (ET) & Water Surface Evaporation (WSE)		Sprinkler Information			1" run time			1.00 inch			1.80 inch		
ET	WSE	Total Qty	Head Type	Flow gpm	Precip Rate "/hr	run time minutes	gallons	gallons	gallons	gallons	gallons	gallons	
Jan	2.07	325,851	754-56	40.00	0.800	75.0	330,000	593,131	26,400	110	754-56	40.00	0.800
Feb	2.77	153,000	785-86	41.00	1.500	40.0	180,400	324,245	14,432	110	785-86	41.00	1.500
Mar	4.40	3.51	754-58	50.00	0.850	70.6	1,694,118	3,044,953	135,529	480	754-58	50.00	0.850
Apr	5.33	1,144,519	785-89	57	1.620	37.0	310,333	557,783	24,827	147	785-89	57	1.620
May	7.58	95,377											
Jun	8.21												
Jul	7.96												
Aug	8.03												
Sep	6.19												
Oct	4.95												
Nov	3.14												
Dec	2.15												
62.78	2.09												
						Total	2,514,951	4,520,113	201,188				
		<b>Pumping Projections</b>											
							Est. Daily Pumping Rate						201,188
							Water Window Hours						10.0
							Prog./Sch. Efficiency						80%
							Est. Hourly Pumping Rate (gpm)						419

Est. Range of Annual Irrigation Usage										Pond and Resource Evaluation (system design criteria)												
Case 1		Case 2		65%		75%		100%		Monthly Irrigation		Monthly Design ET		Monthly Evaporation Loss		Daily Average Irrigation		Required Transfer		Drawdown		
60% of ET	gallons	65%	gallons	75% of ET	gallons	100%	gallons	WSE	gallons	Evaporation Loss	gallons	Month	days per	gallons	gallons	18 hours	gpm	Transfer Time for 700 gpm	no Transfer	with Transfer		
Jan	0.93	2,342,584	1.35	3,383,732	2.07	5,205,742	2.07	2.07	197,620	30	180,112	167	4.3	1.89								
Feb	1.25	3,134,762	1.80	4,527,989	2.77	6,966,137	2.49	2.49	237,011	28	257,255	238	6.1	2.70								
Mar	1.98	4,979,405	2.86	7,192,474	4.40	11,065,344	3.89	3.89	370,538	31	368,899	342	8.8	3.87								
Apr	2.40	6,031,870	3.46	8,712,701	5.33	13,404,156	4.40	4.40	419,943	30	460,803	427	11.0	4.83								
May	3.41	8,578,157	4.93	12,390,671	7.58	19,062,570	5.46	5.46	520,756	31	631,720	585	15.0	6.62							0.43	
Jun	3.69	9,291,117	5.34	13,420,502	8.21	20,846,927	6.80	6.80	648,943	30	709,862	657	16.9	7.44							2.22	
Jul	3.58	9,008,196	5.17	13,011,839	7.96	20,018,214	7.66	7.66	730,394	31	669,310	620	15.9	7.02							3.04	
Aug	3.61	9,087,414	5.22	13,126,285	8.03	20,194,263	7.11	7.11	678,319	31	673,309	623	16.0	7.06							2.61	
Sep	2.79	7,006,117	4.02	10,118,503	6.19	15,566,928	5.17	5.17	482,716	30	555,321	486	12.7	5.61							1.21	
Oct	2.23	5,601,831	3.22	8,091,533	4.95	12,448,512	3.81	3.81	363,194	31	413,281	363	9.8	4.33							2.66	
Nov	1.41	3,553,484	2.04	5,132,811	3.14	7,896,632	2.62	2.62	249,696	30	271,544	251	6.5	2.85							1.21	
Dec	0.97	2,433,118	1.40	3,514,504	2.15	5,406,930	2.09	2.09	198,956	31	180,855	167	4.3	1.90							2.85	
28.25		71,047,055	40.81	102,623,524																		
Acre Feet		218.0		314.9																		





**Northcliffe Golf Club  
Operational Review and Evaluation of Alternatives  
August 15, 2011**

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Step 7: San Antonio Golf Survey

Step 8: Northcliffe Golfer Survey

## Executive Summary

### Conclusion

**Recommendation:** The acquisition of the Northcliffe Golf Club and its subsequent renovation by the City of Schertz is not advised.

However, we are of the opinion that, because of favorable demographic factors within 10 miles of that golf course and the desire of the City to establish a hotel/convention center complex on the north boundary of the City near I-35, a master plan could be created that will achieve the City's goals on a basis that would fiscally prudent.

### Rationale

Why not acquire Northcliffe Golf Club because of its superior location?

**Facts:** The investment return from the acquisition is likely to be negative. An annual subsidy from the general fund will likely be required to sustain the golf course operation and service the associated debt.

The following financial limitations exist:

- 1) The outstanding debt of \$2.5 million vastly exceeds the fair market value of the property.
- 2) The cost of renovation to render the current golf course competitive in today's environment will exceed \$3.0 million.
- 3) The cost of the construction of a new clubhouse will exceed \$3.0 million.
- 4) The golf course is located within the corridor of a housing complex, limiting the options for construction of the hotel/convention center.
- 5) The existing acreage is insufficient to achieve the objectives of the project, and the acquisition of additional land would be necessary.

### The Process

This operational analysis was created utilizing the framework of the Golf Convergence WIN™ Formula, which is made up of a geographic local market analysis, a weather impact analysis, technology integration, financial analysis and modeling, facilities assessment, operational review, customer evaluation, and measurement of golfer loyalty.

This research provided the following insights:

Step	Function	Description	Key Question	Valuable Insights Gained
1	Strategic	Geographic Local Market Analysis	Is there sufficient demand with appropriate demographics to meet the available supply? Are the age, income, ethnicity, and population density sufficient to sustain a golf course?	Supply and demand are in balance within a 10-mile radius.  The age, income, ethnicity and population density are sufficient to support 1 golf course.
2		Weather Impact Analysis	What impact has weather played on rounds v. management policies?	In seven of the last eight years, weather has adversely impacted revenue.
3	Tactical	Technology	How effectively has an integrated golf management solution been deployed to create the aggregation of data required to properly manage?	Not at all. POS basic cash register with limited web site functionality.
4a		Key Metrics	How does the operational performance compare to the 15 industry benchmarks that measure strengths and weaknesses?	Northcliffe is financially underperforming its peers.
4b		Financial Modeling/Revenue Management	Have accurate financial models that support proactive decision-making been developed? What debt service can the golf course cover? What is the current utilization and REVPAR?	Accurate financial models have not been developed.  Current operations would support less than \$500,000 in additional debt.
5	Operational	Golf Operation and Course Agronomic Review	The golf course design, agronomic and turf practices, and equipment levels are evaluated against best practices. What is the highest and best use for the property?	A renovation of this golf course is long overdue and would have a significant positive impact on revenue.
6		Management, Marketing and Operational Review	Does the value provided equal or exceed the associated fees? Are the proper operating procedures consistently deployed through each step of the "assembly line of golf"? The entrance to the clubhouse, staffing, organizational structure, merchandising, food and beverage, advertising, and marketing are evaluated and compared to the industry's best practices.	The current price, at rack rate, exceeds the value provided.  However, discounting is prevalent.
7		Customer Franchise Analysis	Who are your core customers and how much do they spend? What is the annual retention among the golfers?	Customer loyalty to Northcliffe is ranked 4th in the northeast San Antonio market.
8		Electronic Customer Survey	What are the barriers to increased play, what is the golfer's perceived value, and what is the primary reason one course is selected over another? How loyal are your customers?	Few barriers exist for increased play.

## The Research Undertaken

The insights gained, for this limited scope review, were obtained through the following sources:

- ◆ Analysis of the Tactician's national database and consumer studies conducted by the National Golf Foundation.
- ◆ Review of Weather Trends International analysis of playable days.
- ◆ Examination of the golf course's installed technology and review of its web site platform.
- ◆ Analysis of the PGA PerformanceTrak database of 50 key operational reports to the operational performance of Northcliffe.
- ◆ A three-day on-site inspection of Northcliffe and its competitors, to include Bandit, Landa Park, Olympia Hills, and Northern Hills.
- ◆ Meetings with management and staff.
- ◆ An electronic survey of staff and more than 4,000 San Antonio-area golfers whose input was solicited via a comprehensive electronic survey.

## The Course – Background Information

Northcliffe Golf Club, built in 1978, is a Joe Finger design featuring upwards of 50 bunkers. The par 72, 129 slope rated course is 6,728 yards in length. This links-style course features very forgiving fairways. Water hazards come into play on some holes, and out-of-bounds stakes line many of the fairways. The front nine is somewhat open and straight. The back nine has some fun holes that play around water, including the Par 3 17<sup>th</sup> over a lake. Some dry creeks could pose some problems with errant tee shots. The par 5's can be reached in two.

## Concluding Thoughts

These are very challenging times within the golf industry. The game has peaked. Supply exceeds demand nationally. Revenues are soft and expenses are fixed. Rounds are too long and lifestyles have changed. Ours is a time-crunched culture. These factors have a direct impact on the business of golf.

With golf in a blustery swirl, vision is often clouded and execution dulled. Today, many courses are implementing operational and tactical changes that lead to strategic failure.

The stewardship of a golf course blends the interests of many groups: City Council, management, staff, the public golfers, and taxpayers. Each group has a different view as to how the facility should operate. Their lenses tend to filter their versions of reality. It is not surprising that people can see the same data and reach very different conclusions.

Therefore, extreme caution must be exercised by when acquiring a golf course at the present time.

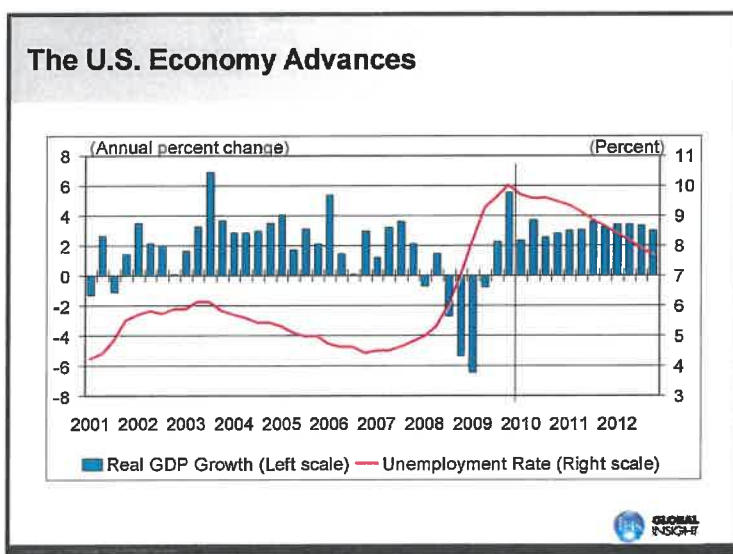
## Global Perspectives

### The Current Economic Outlook

Golf is a recreational sport that consumes the disposable income of its patrons. Golf competes for the entertainment dollars of its consumers.

The financial prosperity of golf is indirectly correlated to the world economy. To measure the impact of the current economic conditions on the golf industry, in April, 2010, the National Golf Foundation (NGF) included at its annual symposium a presentation titled, "Economic and Capital Markets at Home and Overseas."<sup>1</sup>

The speaker, Chris Holling, Vice President of IHS Global Insight, presented the case that the U.S. economy was at a crossroads. Negative factors included high unemployment, reduced asset values, tight credit, and high debt burdens. Countering those factors are real income growth, low inflation, low interest rates, and the stock market rally. The net result of those factors becomes reflected in the U.S. GDP growth rate, as highlighted below:



Of great concern is that the economy is considered at full employment when unemployment is 4%. Unemployment is expected to exceed 7.5% for the next three years. That factor alone has a significant impact on consumer confidence and on the average disposable income available for recreation and entertainment.

Interestingly, among those who play golf; this recreational activity consumes 3% of disposable per capita income (\$32,000<sup>2</sup>) or \$960 annually.

<sup>1</sup> IHS Global Insight, "Economic and Capital Markets and Homes and Overseas," April 29, 2010, Slide 4

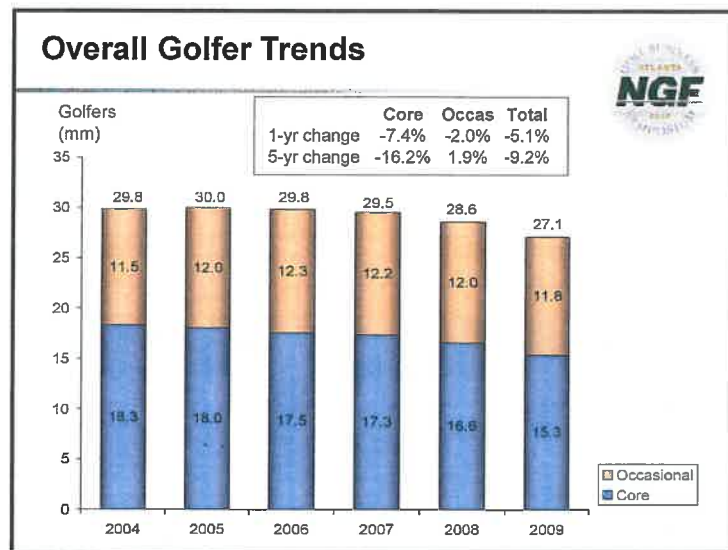
<sup>2</sup> <http://www.bea.gov/briefrm/percapin.htm>

## What Are the Implications for Golf?

In 2010, revenue decreased 3%, based on a 2.3% decline in rounds volume and a 0.9% decrease in the green fee median rate.<sup>3</sup> Six of every seven golf courses lost money. Rounds in 2011 are likely to stabilize consistent with the national economy and the rebound in the stock market, though unemployment remains troubling. The utilization of golf courses in 2010 was at 53%.

All economic forecasts from leading industry research groups forecast a “flat industry” for the foreseeable future. For the next decade, the sport is likely to remain at 25 to 30 million participants, and revenue growth will only come from market share increases (stealing your competitors’ customers) or price increases.

Those conclusions are reached based on overall golfer trends, as reflected below:



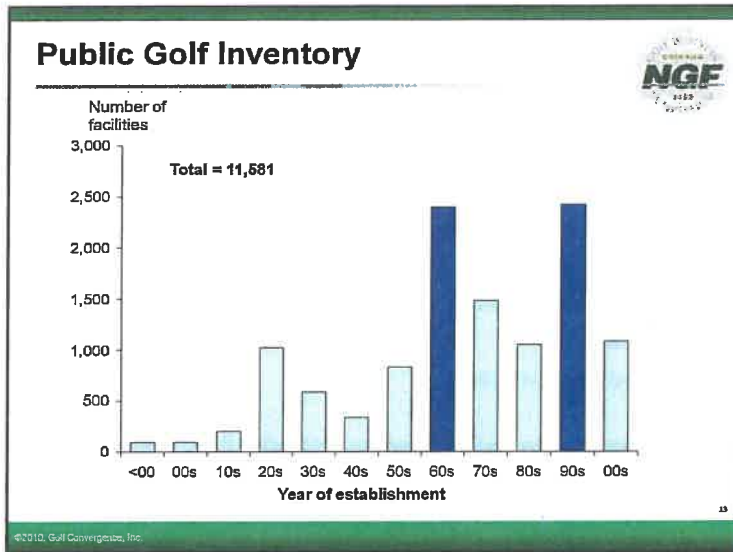
The net decrease of 1.5 million golfers from 2008 to 2009 included 5.2 million golfers who left the game; their numbers were not offset by the 1.7 million beginners and the 2.0 million former golfers who returned to the sport.

Since 1990, the growth in the number of golf courses is up 24%, while the number of golfers has increased only 16%. As a result, rounds played at each golf course have fallen from 40,400 in 1990 to 32,640 today. During this same period, while the number of golfers has fallen 9.2%, rounds volume has fallen 2.7%.

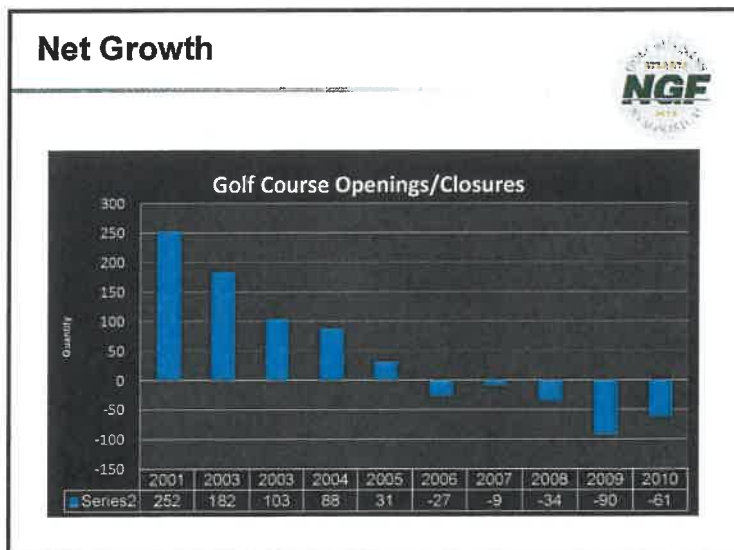
Today’s supply imbalance is mostly attributable to the golf courses opened during the 60’s and the 90’s, as reflected below:

<sup>3</sup> PGA PerformanceTrak, <http://www.pgalinks.com/index.cfm?ctc=1717>

<sup>4</sup> National Golf Foundation, “State of the Industry,” April 29, 2010, Slide 4.



For the past five years, for the first time in history, more U.S. courses have closed than opened, as evidenced in the following chart:



Thus, the largest contributing influences are “uncontrollable factors” at a national level, and a quick reversal is not likely. Therefore, there are no foreseeable changes which will provide Northcliffe the opportunity to grow based on a surge in demand or a dramatic restriction of supply.

The National Golf Foundation in 2009 published an extensive study on “The Future of Public Golf in America,”<sup>6</sup> which cited that 15% of the golf courses rated their financial health as extremely poor. Of those golf courses, 56% of daily fee golf courses were considering closing and selling, and 26% of

<sup>5</sup> National Golf Foundation, “State of the Industry,” April 29, 2010, Slide 15.

<sup>6</sup> National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slides 1 -43.

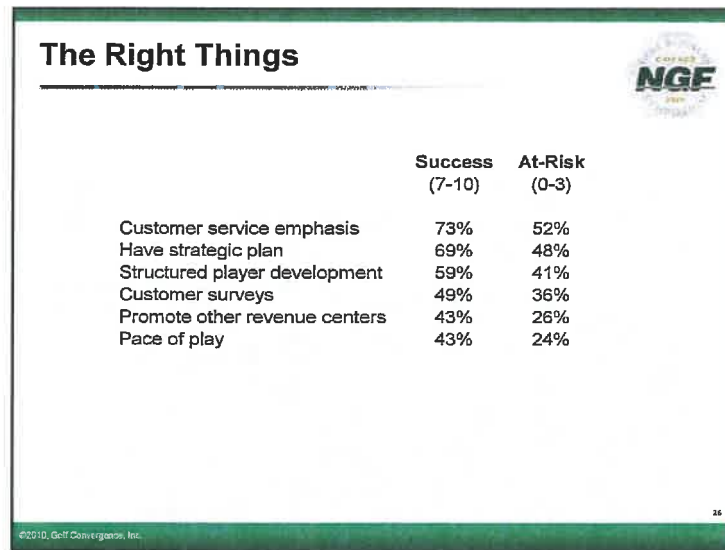
municipal golf courses were evaluating the same alternatives. Uniformly, with rounds and revenue off, losses increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were employed to boost rounds. Northcliffe has experienced the same.

As a result, the NGF concluded that from 500 to 1,000 golf courses will close or be sold during the next five years. The golf courses most at risk<sup>7</sup> were:

- ◆ Nine-hole facilities
- ◆ Facilities with lower price points
- ◆ Alternative facilities
- ◆ Facilities in less-populated areas

Perhaps the “facilities with lower price points” applies to Northcliffe; however, the demographics within the appropriate trade area are sufficiently strong to likely sustain a renovated golf course.

The NGF study further revealed significant differences between how successful golf courses were operating in contrast to those courses that were financially challenged. These differences are reflected below:<sup>8</sup>



	Success (7-10)	At-Risk (0-3)
Customer service emphasis	73%	52%
Have strategic plan	69%	48%
Structured player development	59%	41%
Customer surveys	49%	36%
Promote other revenue centers	43%	26%
Pace of play	43%	24%

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Maintaining customer databases, engaging in email marketing, and publishing newsletters are additional traits of successful facilities that have been widely recognized over the years. While Northcliffe does have a customer service emphasis, they are lacking in the other critical components of a successful golf course operation.

<sup>7</sup> National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009; Slide 21.

<sup>8</sup> National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slide 26.

## The Business of Golf

In theory, business is actually very simple. It is simply balancing supply against demand. By establishing the price that correctly balances the value delivered commensurate with market demand, net income is maximized.

Business can be made very complicated. The permutations of operating a successful golf course exponentially increase quickly when one considers the factors that impact supply (the number of golf courses) or those factors that affect demand (course conditioning, price, weather, service, and customer demographics and preferences).

In a perfect market, customers purchase products that satisfy their needs or desires for prices they determine to be the best value. Golfers purchase a round of golf for the price that creates the social status they seek, for the networking they want to achieve, for convenience to home or business, and for the recreational and leisure experience.

Unfortunately, capitalism is not about perfect markets. Inadequate information, undisciplined decision making, and government intervention can create aggregate failure. The essence of capitalism is for the successful entrepreneur to gain a strategic advantage over competitors within an imperfect market.

Thus, the goal of the golf course owner should be to blend the following triad:

- 1) Superlative information
- 2) Disciplined decision making
- 3) Crisp execution

But to achieve that strategic goal, the first component, superlative information, starts with an understanding of the breadth and depth of the golf industry.

An understanding of macroeconomics as it relates to supply and demand and the underlying performance, structure, and behavior of the golf industry creates the essential perspective necessary to craft a strategic plan as part of an operational analysis for which this study was commissioned. In the previous pages, we have examined macroeconomic supply and demand changes, but it is necessary to take a microeconomic perspective regarding demand.

### A Closer Look at Actual Demand: Who Is the Customer?

The financial health of the business of golf can be measured by many numbers. Three of the most effective are the relationship between the number of golf courses, the number of golfers, and the number of rounds played. Many factors influence those three components.

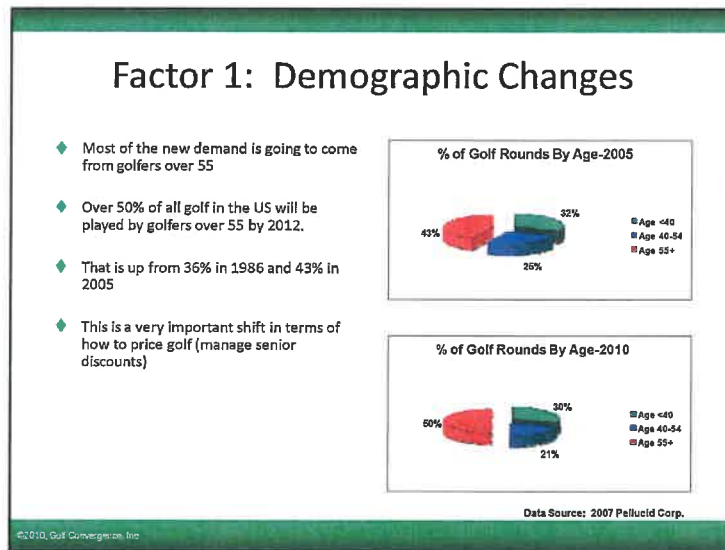
In order to compute the number of golfers and the number of rounds, we first need to define "golfer." The National Golf Foundation defines a "golfer" as an individual, age 6 or older, who played at least one round in the past year. "Core golfers" are defined as those adults 18 or older who play between eight and 24 rounds per year. The term "avid golfer" is used for those golfers who play more than 24 rounds per year. Other industry research groups use 12 years or older as the benchmark for what constitutes a golfer. Again, the golf industry's methods of gathering statistics are not standardized.

Another term that causes much debate is “round.” When you play a “round,” have you played nine or 18 holes? The most common use of the word “round” merely means “a start.” In other words, a golfer teed off on at least one hole.

With the term golfer now defined, a further analysis reveals that the game of golf is all of the following:

- 1) Golf is a game of the aging population.
- 2) Golf is a game of the wealthy.
- 3) Golf’s growth is constrained by the time-crunched nature of our society.

As has been demonstrated in economic surveys conducted throughout the world, golf thrives in cities where the population is aging. Over 68% of all golf rounds are played by those older than 43 years of age, as reflected below:



Not only is golf a game whose participants are aging, golf is also a game of the wealthy, and the sport is clearly losing its middle-class appeal, as reflected below:

Factor 2: Golf is Expensive						
Inc. Group	'00 % Golfers	'00 % HHs	Index	'05 % Golfers	'05 % HHs	Index
Upper Class \$75K+	27%	23%	115	49%	34%	144
Middle Class \$35-\$74.9K	43%	36%	119	35%	35%	100
Working Class <\$35K	30%	41%	73	16%	31%	52

Data Source: 2007 Pellicoid Corp.

©2010 Pellicoid Corp.

This chart reflects that using a baseline index of 100, the upper class constitutes a greater portion of golf's participants, while the relative frequency of participation by the middle class and the working class is decreasing.

The fact that golf is an elitist game is clearly demonstrated with the statistic that indicates that those with incomes of less than \$34,999 play only 3.45 rounds per year, while those with incomes greater than \$75,000 play 431% more, or 14.89 rounds per year. Golf is clearly losing its middle-class appeal.

All of this begs the question as to why golf is not more popular among the young, middle, and working classes.

First, the game is difficult to learn, and if you're not very good at it, it isn't a lot of fun. Second, the cost to even begin playing is high—clubs, shoes, golf balls. It's not uncommon to invest at least \$500 to more than \$3,000 to start. Third, a round of golf consumes the better part of a day. Fourth, the attitude present in many male-dominated pro shops creates a harsh and unfriendly environment for many women. Finally, many golf course personnel believe that they are "members" of the club, not "workers" at the club.

While the demand/supply imbalance bodes poorly for golf, such imbalance masks a more subtle and pervading problem that is retarding the growth of the game. That problem is the significant change in the demographics of how our society functions in the United States. Sociologists track seven major categories to determine the nature of a society, some of which are technology (i.e., medicine, computers), social trends (reduced social conformity), and demographics (i.e. baby boomers and Gen X).

Within the seven categories, when three or more become altered significantly, society changes. That is what has occurred during the past seven years. Labeled the "time crunch," societal changes include the following:

## Factor 3: A Time-Crunched Society

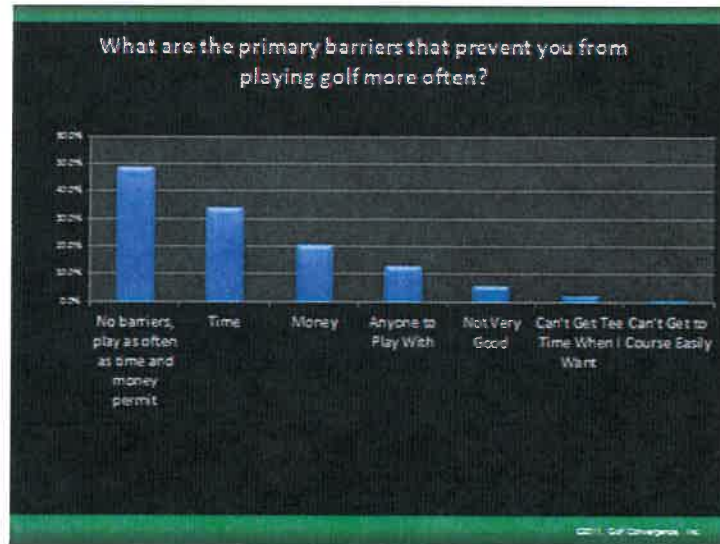
1. The **technology trap** of endless improvements: the more empowered technology makes you, the more you are expected to do.
2. The **update mandate**: We must be constantly updating our information: our devices (phones, email), our knowledge (events, educations), our values (tolerance to risk, work, etc.). We have dramatically increased our "work cycles." Employee productivity is up 24.2 in the past ten years.
3. The **marketplace of endless choices**: (47 car manufacturers, hundreds of models, thousands of choices.) Shopping takes a lot more energy, thought and time.
4. We have become an **experience economy**: Starbucks to see it made, Krispy Kreme to watch it bake, Harley to gather on weekends at events to participate.
5. **Lifestyle integration**: Our key value is that everything must be efficient and we can do it at once, causing the erosion of the barriers between home, work, and commuting.
6. **Child centeredness**: Our focus on wants, needs and desires have transferred from ourselves to our children. There is now a social status attached to the "child first" attitude. Our parents put themselves first. We put our children first.
7. **Conspicuous activation**: Status is now achieved by showing how busy you are and how many activities you are involved in.

Source: Golf 20/20, DYG, Inc. 2003

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The time crunch, in which 50% of all families are divorced and 80% of existing families have dual wage earners, has completely redefined the concept of leisure.

In a survey conducted of San Antonio area golfers, we asked, "What are the primary barriers to playing golf?" The survey results are outlined below:



The survey results for Northcliffe golfers are not encouraging. Those who might like to play more find time the constraint. The "no barrier to play" result indicates the demand for golf is at capacity. The

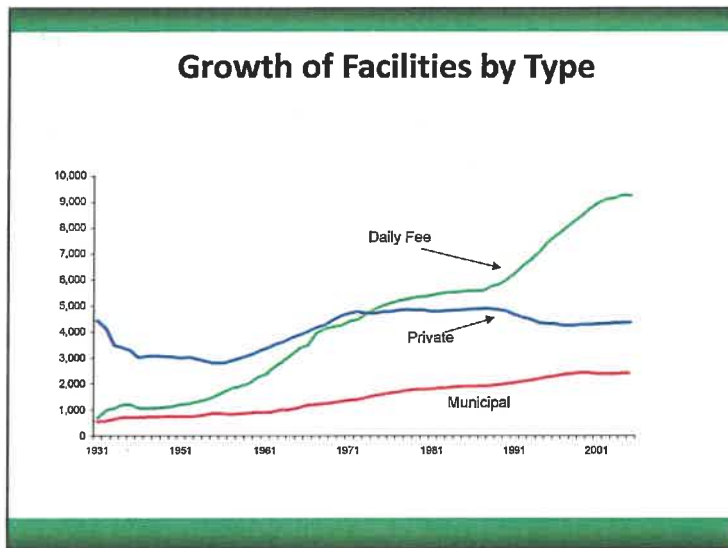
survey for Northcliffe also confirmed that the individuals who utilize the golf courses mirror the national demographic trends regarding age and household income.

The factors of golf's lessening popularity and changes within our societal framework have created the static environment that the Northcliffe golf course is experiencing.

### The Role of Government in Golf

Golf started in North America in the late 1880's. Access was largely through private country clubs.

Because of the origins of the game within America as private and club-based, municipalities filled the void for the public by building golf courses as part of their parks and recreation programs. The need for municipalities to continue to operate golf courses has been largely eliminated by the evolution of daily fee golf courses – those open to the public via private enterprise—which became a significant factor starting in the 1960's, as illustrated below:



The current debate: Is providing golf to citizens an essential function of government?

The role of government is to provide those essential services to a society that could not otherwise be provided efficiently or effectively by private enterprise. Hence, police, fire, water, sanitation, and highways are usually within the bailiwick of government. But if a need of the citizens is adequately met by private enterprise, should the government provide that service if it is not essential to the health and welfare of its citizens?

It is the finding of this report (as presented later in detail in Step 1, Geographic Local Market Analysis) that supply from private enterprise and other municipal entities meets the needs of the citizens in Schertz, Texas for golf as a recreational sport.

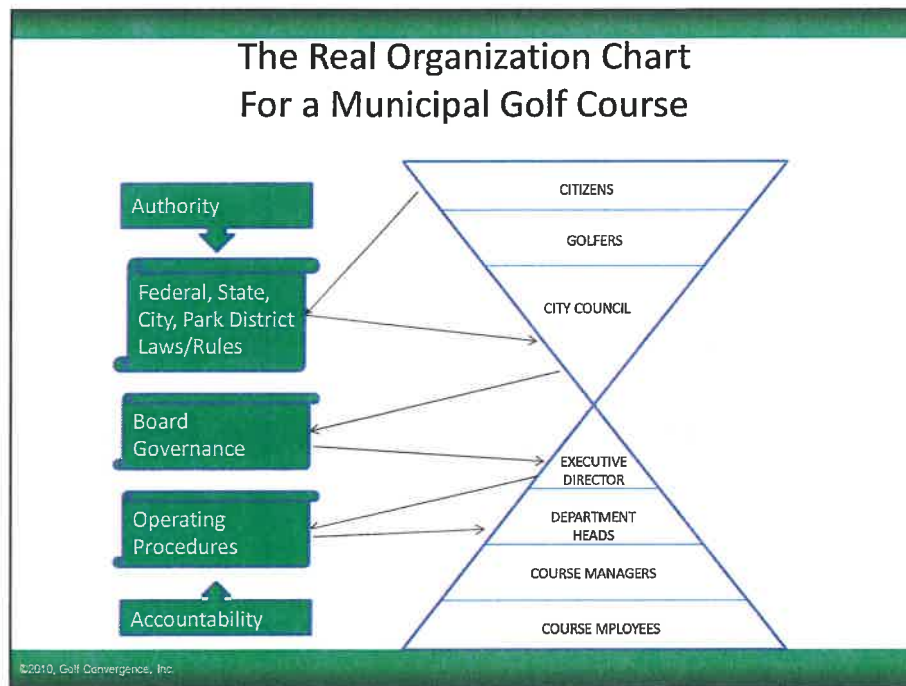
## The Organizational Chart of Municipal Golf

Municipal golf courses serve various constituencies, including: City Council, Management/Staff, Golfers, and, ultimately, Residents.

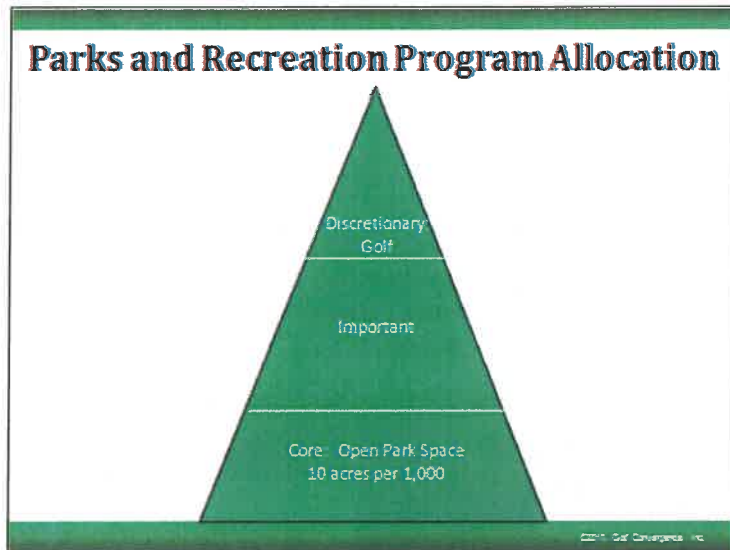
The mission statement of a municipal golf course can range from generating the largest possible return on investment, merely creating a value-based recreational opportunity, or alternatively, catering to the perceived needs of niche groups. Some golf courses also emphasize the value of teaching core values to young golfers.

The national brand image of municipal golf courses often gets a bad rap, especially those facilities viewed as an entry door to the game; they often are downtrodden and degrading. Such is not the case in with Northcliffe golf course, where, in the aggregate, management and staff are dedicated, hardworking, and passionate about creating value for their constituency. But decision making in response to the uncontrollable factors reported, as well as the lack of resources, often impairs the ability to execute.

With that considered, the real organization chart for a municipal golf course is as follows:



What is often lost in the debate on the viability of municipal golf courses is that “golf” is a discretionary program. This analysis was completed with the awareness that the allocation of Schertz’s Parks and Recreation Department resources should be consistent with national standards. The allocation of resources for the Parks and Recreation Department is determined by a matrix of core, important, and discretionary areas of importance, as highlighted in the chart below:



The first priority of the Parks and Recreation Department is to ensure that the entire community has open park space at a minimum of 10 acres per 1,000 in population. Golf is clearly discretionary, as private enterprise adequately provides this recreational amenity to the community at-large.

It is often falsely perceived that the role of government is to provide all things to all sectors. That is just not the case. There is a clear mandate that the community's needs outweigh those of a smaller sector.

Thus, there is not a mandate for government to provide a golf experience for every level of ability, nor is there a mandate, for example, for government to subsidize a special interest group such as junior golf.

Thus, in crafting a strategic vision, the harsh political and financial reality is that there are numerous constraints, largely unchangeable, that will preclude crafting the optimum plan that has a realistic chance of being implemented in the foreseeable future. Such limitations are why 15% of all municipal golf courses privatized their operations in 2010.

## Strategic Analysis

### Step 1: Geographic Local Market Analysis

#### Supply trends are neutral

For this business plan, we conducted intensive research of the demographic trends, the local golfer base, supply levels, mix, current supply/demand balance, and the impact of historical supply dilution. This analysis is undertaken because, in conducting strategic analysis for over 200 golf courses, certain characteristics, as highlighted below, are predictable:

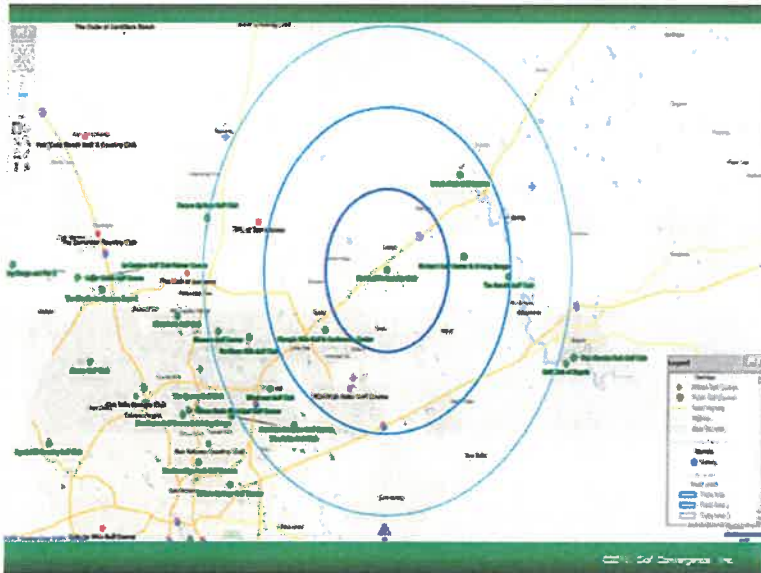
Just the Facts: Industry	
90% Rounds	30 Minutes
12% golfers	60% revenue
Distinct Customers	4,000: 4 to 7
Barrier	Time
Defectors	50%
Game	Caucasian, Rich, Old

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Ninety percent of all golf rounds originate from customers who live or work within 30 minutes of the golf course. Twelve percent of those customers generate 60% of the course's revenue. Those golfers play 4 to 7 different courses, and each course serves a median of 4,000 different customers who either say they are playing as much as they desire or that time is their biggest barrier to more frequent play, as confirmed again in the Northcliffe survey.

We know that 50% of the customers who play at a facility in a given year will not return the next. Furthermore, we know that the game of golf largely attracts Caucasians who are rich and older than the general population.

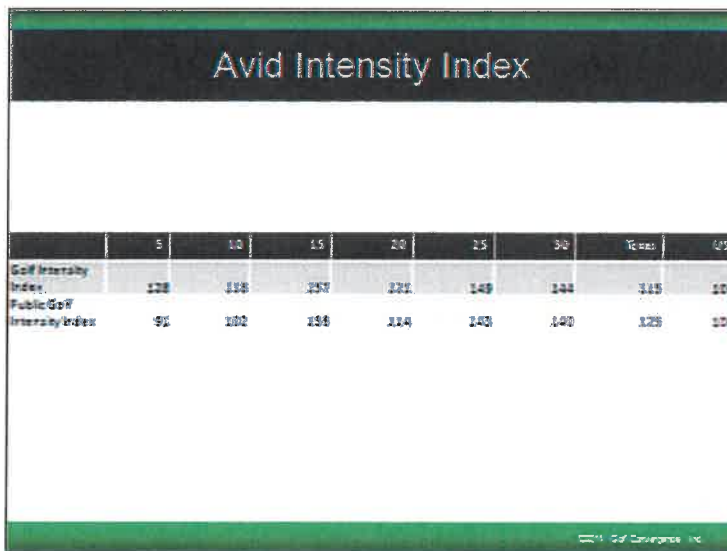
Thus, in determining the competitive forces surrounding Northcliffe, golf courses that are located within a 10/20/30-minute drive from Northcliffe were evaluated. The competitive map within a 5/10/15 mile radius of Northcliffe, which is generally used to determine the market potential of a golf course, is reflected below:



Note 1: Data sources for this analysis included: Tacticsians licensed annual consumer survey (2009), state-level facts on participation and frequency, National Golf Foundation database of 16,000 US golf facilities (not including stand-alone driving ranges), licensed U.S. Census data, 2000 actual, 2010 estimate and 2015 projections.

When considering price, quality, proximity, and accessibility to Northcliffe Golf Club, golfers have many viable alternative courses to play. However, proximity from work/home to the golf course is a determining factor in measuring the viability of a golf course and its tendency to prosper. A detailed list of these courses, as well as all research deliverables, is listed in the Table of Contents.

Presented below is a summary of the supply factors found from near Northcliffe to throughout the United States:



This chart reflects that the market for golf in the Northcliffe is oriented toward mid-tier facilities. The prime time for Northcliffe is \$35, plus a cart charge of \$15. The market is prone to discounting, and

the premium and the numerous value facilities have the flexibility to create a great golf experience for a reduced fee.

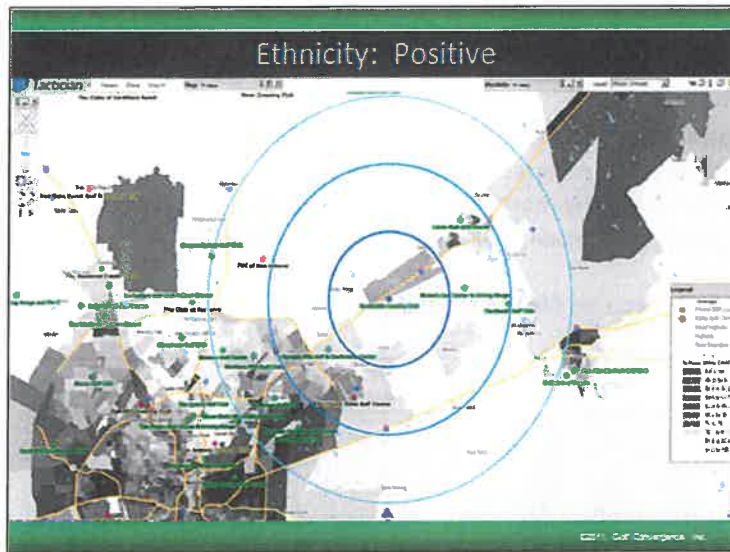
**Population Demographics – Income and Ethnicity Are Positive, Age Neutral**

To understand the potential growth opportunities for golf within a market, a study of the age, income, and ethnicity of the population within a 30-minute drive time is essential. Presented below are those statistics for Northcliffe:

The Raw Data - Demand								
	5	10	15	20	25	30	Texas	US
Age	94	94	93	93	92	89	91	100
Income	162	124	120	116	95	95	93	100
Disposable Income	146	119	113	108	89	92	92	100
Ethnicity Index	110	106	101	100	98	94	94	100
Adult Golfers	303	2,333	6,490	11,881	20,097	29,792	345,816	5,890,900
Total Golfers	1,878	9,491	24,066	44,332	74,991	96,016	1,290,337	24,322,000
Rounds Played	62,636	301,619	769,264	1,398,134	2,161,411	2,904,173	40,612,940	498,326,140
Rounds Played Per Golfer	33.88	31.85	31.13	31.34	30.46	30.26	31.51	19.83
Population	46,337	212,647	469,136	838,338	1,434,411	1,874,337	21,048,199	307,196,298
Golf Participation	4.04%	4.44%	4.92%	5.18%	5.21%	5.12%	5.15%	6.57%
Golfers per 1000	1.878	1,718	2,292	1,773	2,174	2,110	1,878	1,737

The chart reflects that golfer demographics are very favorable in the Northcliffe market. While the population is 11% younger than the national average, the income and ethnicity are very favorable to attracting sufficient customers.

The distribution of ethnicity is reflected in the chart below:



**Net Result – Supply Equals Demand**

For Northcliffe, the general golfer intensity is shown in the chart below:

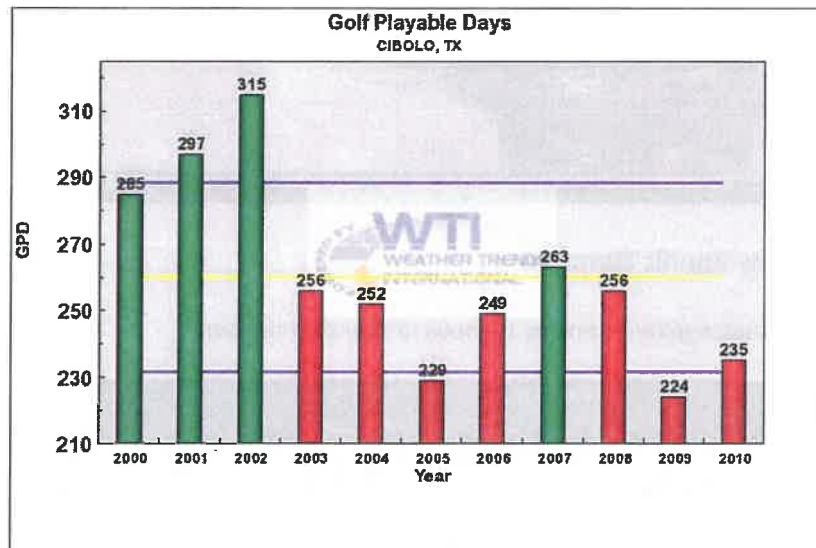


The conclusion is that segments in the Northcliffe market are vibrant, in contrast to the rest of the United States. In conclusion, the Northcliffe area is well situated to offer enjoyable, value-based entertainment to golfers.

## Step 2: Weather Impact Analysis (WIA)

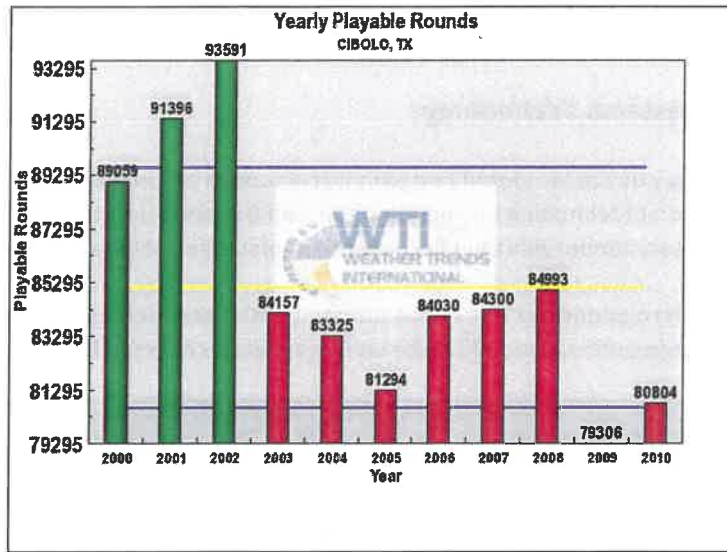
A key measure in determining if the revenue potential of a golf course is being realized is correlating the number of playable golf days to revenue. Measuring numerous variances, including Season Days, Golf Playable Hours, Equivalent Golf Playable Days, and Corporation Rounds in total, allows us to measure the efficiency of management in maximizing the course's potential.

The chart below has been prepared for the Cibolo, TX:



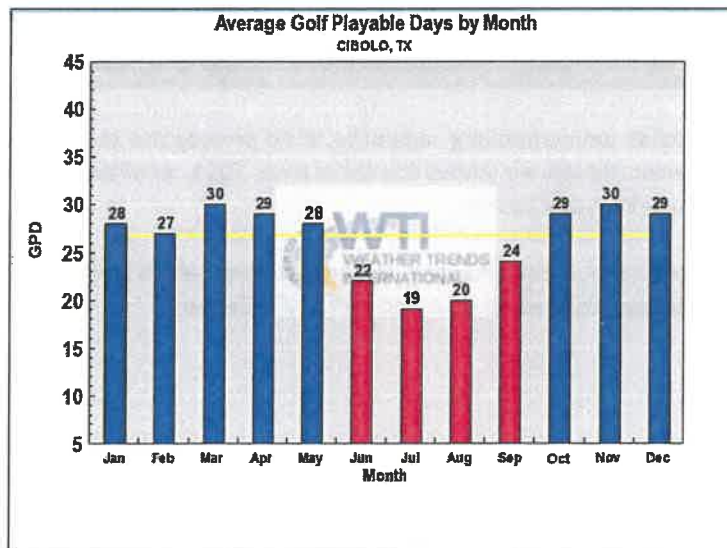
During the past decade, Northcliffe has averaged less than the 260 playable days per year.

The second step in determining whether the utilization of the golf course is industry-appropriate is to determine course capacity, based on the number of playable days the golf course could have achieved. Presented below is a chart highlighting course capacity:



The rounds potential in 2010 was 80,804 rounds. Considering that Northcliffe has averaged around 40,000 rounds during the past several years, the actual course utilization of 50.00% is slightly below the 2010 national course utilization rate of 53%.

While one would think that San Antonio provides year-round golf, the extreme high temperatures in the summer, the cold in the winter, and often the heavy rains during the spring limit play, as reflected in the chart below highlighting the average golf playable days by month.



The adverse weather in seven of the last eight years does provide the golf operator some hope of increased revenue.

## Tactical Analysis

### Step 3: Information Systems Technology

A fundamental test for any business is identifying who its customers are and what they are spending. Thus, we reviewed the use of technology by analyzing the Golf Department's internet use, the integration of tee time reservations with the POS, and the deployment of email-based communication.

Northcliffe lacks the ability to undertake any of the fundamental tasks necessary to optimize revenue. At the outset of the engagement in June, 2011, the web site was as reflected below:



While the above site lacked an online booking capability, it did provide the ability to join the mailing list. However, we noted that even though we joined the list in June, 2011, as of the date of this report, we have yet to receive an email from the course.

During our review of the web site, it was changed to the following, which is more real estate oriented and lacks all form and function required to drive incremental revenue:



Beyond the challenges noted with the web site, the software currently in use by Northcliffe doesn't provide for the capture of all the information needed to effectively manage a golf course. We noted the following deficiencies:

- ◆ Monthly financial reports are not prepared in accordance with generally accepted accounting principles for golf courses.
- ◆ No effective marketing programs are being conducted, because the central database does not delineate between acquired, core, and defector golfers.
- ◆ All 15 key financial reports by which to properly manage the facility are not available to golf course personnel, as summarized below:

15 Key Management Reports				
<b>Customer Analysis</b>				
Customer Distribution	Yes		No	✓
Customer Demographics (Via Survey)	Yes		No	✓
Customer Retention	Yes		No	✓
Customer Spending By Class (Via VSI)	Yes		No	✓
Customer Spending By Individual	Yes		No	✓
Zip Code Analysis	Yes		No	✓
<b>Facility Analysis</b>				
Merchandise Sales By Vendor (Via Acct.)	Yes		No	✓
Reservations By Booking Method	Yes		No	✓
Reservations By Day Of Week (Via VSI)	Yes		No	✓
Revenue Benchmarks	Yes		No	✓
Revenue Per Available Tee Time (Via Acct.)	Yes		No	✓
Revenue Per Department (Via Acct.)	Yes		No	✓
Revenue Per Hour (Via VSI)	Yes		No	✓
Round Per Revenue Margins	Yes		No	✓
Utilization	Yes		No	✓

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These reports, when gathered properly, provide the financial benchmarks necessary to maximize the investment return of a golf course. They provide precise insights on the key performance indicators for a golf course, including customer demographics, spending patterns, frequency of play, revenue per tee time, and course utilization. Lacking such information, the adjustment of rates, the efficacy of email programs, and the astute financial management of a golf course is pure guesswork.

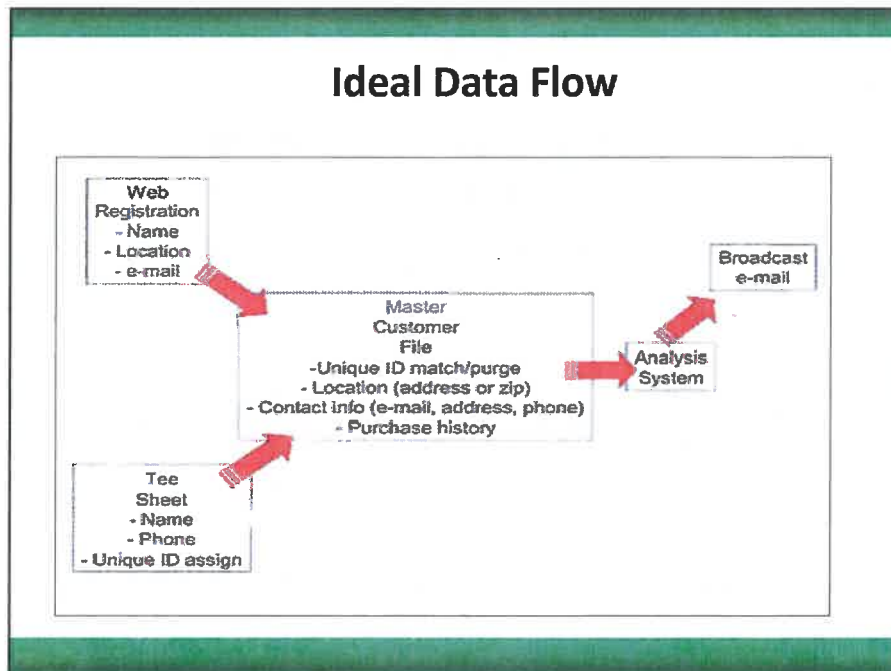
## Information Systems Technology Recommendations

The Golf Enterprise Fund lacks the critical information needed to effectively manage its golf courses. The solution to the dilemma faced requires the implementation of EZ Links, Fore Reservations, IBS or other popular golf management software programs.

As a result, the Golf Enterprise Fund will financially underperform until a resolution is found. The formula to profitably operate the course is simple and consists of the following steps:

- ◆ Create a customer database.
- ◆ Integrate the Tee-Time Reservation System with POS.
- ◆ Issue identification cards and/or capture golfers' email addresses.
- ◆ Communicate with your 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 your Web site.
- ◆ Develop a consolidated reporting system, and monitor the 15 key management reports.

As noted in the list above, Northcliffe is still a long way from ideal in its utilization of technology. The ideal system will have the following components:



An online registration system that is integrated into the POS system can identify specific golfer interests, such as last-minute tee times, tournaments, etc.

Northcliffe will also be able to engage in Customer Franchise Analysis to identify retained customers, defectors, and new acquisitions. Targeted messages to appropriate golfer segments can be automatically created and delivered monthly. Note: as a general rule of thumb, a course should only blast to its entire list of golfers two or three times per month.

The correct deployment of technology will yield the following benefits:

**Maximize Revenue**

- ✓ Web-based marketing presence
- ✓ Reservation cards sold for premium access
- ✓ Dynamic yield management
- ✓ Create distinct Northcliffe brand

**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, updates
- ✓ Sell prepaid gift cards online

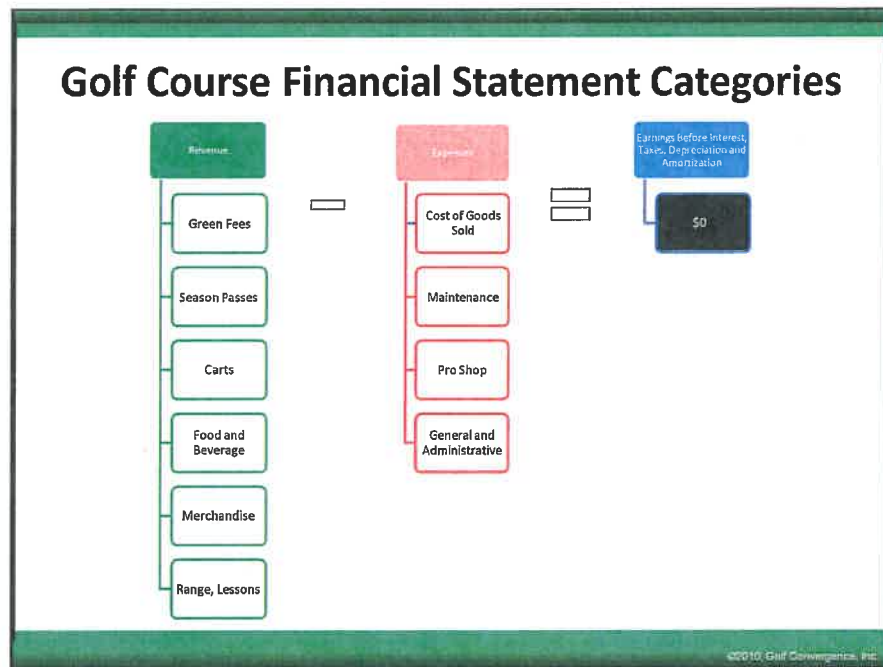
In conclusion, the proper use of technology is to create a management and marketing advantage. The creation of a unique selling proposition (such as affordability) that is communicated to the existing customer base will boost revenues. This can only be done effectively if technology is properly installed and utilized.

## Step 4: Financial Metrics

The foundation of a business is its financial statements. For management and staff, being able to plan, execute, and forecast accurate and meaningful financial information is imperative.

The financial statements prepared for Northcliffe aren't based on generally accepted principles used by successful golf courses.

The financial statements for a golf course are usually organized as follows:



In contrast, the Northcliffe consolidates the maintenance and pro shop expense.

Note that for the year ending December 31, 2010, gross revenues were reported at \$898,621, with a net loss of \$73,838. The income tax return stated total assets of \$2,263,388, with a deficit of \$200,706 in the capital accounts.

Presented below is Northcliffe's financial reporting for June, 2011:

REVENUE:	POS SALES ACTIVITY	98,956.21
EXPENSES:	ACCOUNTANT	0.00
	ADVERSTISEMENT	250.00
	AUTO ALLOWANCE/EPENSES	500.00
	BANK & CREDIT CARD FEES	193.48
	CABLE/PHONE/INTERNET	394.77
	CHARITABLE DONATIONS	560.00
	CLUBHOUSE REPAIR/MAINT/SUPPLY	187.42
	CONTRACT LABOR	1,039.00
	COST OF GOODS/ALCOHOL	3,218.42
	COST OF GOODS/FOOD AND BEV.	4,396.00
	COST OF GOODS/PRO SHOP INV.	2,990.44
	CREDIT LINE	1,500.00
	EQUIPMENT REPAIR/MAINT	2,008.58
	FUEL	0.00
	INSURANCE-HEALTH	3,600.00
	INSURANCE-PROPERTY	0.00
	INSURANCE-WORKERS COMP	0.00
	LANDSCAPING	2,300.00
	LEGAL FEES	0.00
	MISC/TRAVEL EXPENSE	679.31
	MORTGAGE	20000
	OFFCIE EXPENSES/POSTAGE	303.05
	PAYROLL	18,034.22
	PERMITS/LICENSE/DUES	1,790.00
	RENT-CARTS	4,507.34
	RENT-EQUIPMENT/TEXTRON	0.00
	SECURITY	43.70
	TAXES-CART	982.37
	TAXES-ESCROW	4,000.00
	TAXES-PROPERTY	0.00
	TAXES-STATE COMPTROLLER	7,091.35
	UTILITIES-ELECTRIC	2,633.37
	UTILITIES-WATER	664.86
	TOTAL	83,867.68
	NET PROFIT & LOSS	15,088.53

Reconstruction of the accounting records to conform to generally accepted principles for golf was beyond the scope of this limited operational review.

## Findings: Industry Benchmarks and Analysis

Why use benchmarks? Simply, they provide a frame of reference on which an operation can be reviewed.

A financial comparison of the Parks and Recreation Department's financials to industry benchmarks is presented below<sup>9</sup>:

Description	Northcliffe	Municipal	Daily Fee/Semi-Private	Private
Total Rounds Played	40,000	37,087	30,985	23,000
Total Facility Revenues	898,621	1,133,333	1,300,000	2,800,000
Revenue Per Round Utilized	22.46	30.56	41.96	121.73
Total Payroll	281,048	543,468	457,819	698,043
Net Income (EBITDA)	-73,868	206,000	200,000	250,000
Net Income as a % of Gross	8.2%	18.17%	15.38%	8.92%

<sup>9</sup> PGA PerformanceTrak, <http://apps.pgalinks.com/professionals/apps/memberinfor/AOSurvey/index.cfm>.

## Operational Analysis

### Step 5: Agronomic Review

#### Background – Agronomy

The scope of this engagement was limited to revenue-based initiatives, and does not include a comprehensive analysis of all aspects of the golf operation. However, to craft a strategic plan, it is necessary to undertake, on at least a limited scope, an agronomic review of the course and the associated maintenance. These have a significant impact on revenue.

Why? Turf grass is a living, breathing organism which will not stop growing. Courses face the challenges of proper staffing levels, adequate equipment to maintain prescribed levels of conditioning, and a budget that facilitates keeping turf conditions at a level that will attract daily play throughout the golf calendar year.

#### Maintenance: A Wide Range of Costs

An average 18-hole golf course covers 150 acres, of which only 100 acres are maintained turf grass,<sup>10</sup> and a course includes the following:

		Acreage	%
<b>Turf grass</b>	Rough	51	34.0
	Fairways	30	20.0
	Driving Range/Practice Areas	7	4.7
	Greens	3	1.3
	Tees	3	1.3
	Clubhouse House	3	1.3
	Nurseries	1	.7
	<b>Total</b>	<b>100</b>	<b>63.3</b>
<b>Non-Turf grass</b>	Non-turf grass landscape	24	16.0
	Water	11	87.3
	Building	6	4.0
	Bunkers	4.5	2.9
	Parking Lots	4.5	2.9
	<b>Total</b>	<b>50</b>	<b>33.1</b>

<sup>10</sup> GCSAA, "Golf Course Environmental Profile, 2007," Page 12. Note: In published report, averages were utilized which don't necessarily summarize to total.

The quality of the playing field can be reduced to a study of its four principal elements: 1) the cost of labor, which is the largest expense, 2) water, fertilizer, chemicals, 3) the constant cycle of capital improvements, and 4) the equipment required to maintain the course.

The cost of maintaining the various types of golf courses, usually laid out on about 150 acres of land, can vary from \$200,000 to more than \$2.5 million. The National Golf Foundation reported the following total maintenance costs in a report titled, "Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S."<sup>11</sup>

Description	Annual Maintenance Costs
Public Mid-Range Frostbelt	\$377,160
Public Mid-Range Sunbelt	540,660
Public Premium Frostbelt	555,460
Public Premium Sunbelt	825,640
Private Mid-Range U.S.	611,240
Private Premium U.S.	1,412,720

The Northcliffe maintenance costs are significantly lower than the NGF industry average per 18-hole equivalent, which is \$377,160 for a public sunbelt golf course. Of greater concern is that the condition of the golf courses in the survey conducted was rated as average. Also important significant deferred maintenance in fundamental projects, such as tree trimming and removal of dead trees, is evident at Northcliffe.

#### Northcliffe– Tired Assets; the Natural Replacement Cycle

Since a golf course is a living organism that is changing daily, creating a capital budget and providing an annual reserve to replace the vital components of a golf course is prudent and is accomplished via a reserve for a sinking fund.

Unfortunately, as golf courses begin losing money in a competitive market, the first cuts are always made by deferring capital expenditures. While understandable because of the large investment required to maintain each course, these cuts are often made without the continuing recognition that the condition of the golf course remains the number-one requirement of golfers.

The Golf Course Superintendents Association of America estimates that the amount of capital improvements required as part of a golf course's natural replacement cycle is \$2,200,086, and that a prudent golf course should create an annual capital improvements allowance of \$101,104.

Presented below are the estimated life spans of the various components of a golf course, as estimated by the GCSAA and the Golf Course Builders Association of America:

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<sup>11</sup> National Golf Foundation, "Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.," 2006 edition, pages 4, 10, 17, 24

## Capital Investment Matrix

Golf Course - Estimated Deferred Capital Expenditures: Conservative Approach					
		Years Minimum	Years Maximum	Estimated Cost to Replace	Annual Capital Reserve
Greens		15	30	657,761	21,925
Bunker Sand		5	7	44,800	6,400
Irrigation System		10	30	114,000	3,800
	Irrigation Control	10	15	121,000	8,067
	PVC Pipe	10	30	309,600	10,320
	Pump Station	15	20	97,790	4,890
Cart Paths	Asphalt	5	10	93,350	9,335
Cart Paths	Concrete	15	30	146,685	4,890
Practice Range Tees		5	10	37,680	3,768
Tees		15	20	150,720	7,536
Corrugated Pipe		15	30	398,180	13,273
Bunker Drainage Pipes		5	10	65,000	6,500
Mulch		1	3	1,200	400
Grass		Varies	Varies	N/A	
Total Deferred Capital				2,200,086	101,104

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As part of this analysis, using the matrix presented above, a detailed financial review of Northcliffe's deferred capital expenditures was conducted. Excluding required clubhouse renovations, it is estimated that the deferred capital expenditures are at \$2.2 million.

It should be highlighted that this sinking fund estimate represents the amount for capital improvement of the course infrastructure, but excludes the clubhouse facilities and parking lots at each golf course.

It has been the policy of Northcliffe to defer capital improvements; hence, the increasing deferred capital investment required. It is recommended that if the City of Schertz acquires the golf course, a sinking fund be created to ensure that the golf course infrastructure remains competitive with industry standards.


## Step 6: Golf Operations

### Creating Value

The formula for a successful golf course is simple; value = experience – price. To the extent that the experience created equals or exceeds the price, loyal customers are developed. To the extent that the price exceeds the experience derived, attrition occurs.

The potential experience that can be created is based on the start-up capital invested, the revenue generated, and the capital reserves that may be additionally required to sustain the operation.

Where the customer expectations exceed the assets committed, the results create customer consternation, which results in customer attrition and disappointing financial results; these are depicted below:

	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW			Hyundai
Examples	Pine Valley Seminole Whispering Pines	Cherry Hills, Los Angeles Riverbend			Brookhaven Pine
Cost (green fee + cart)	Over \$250 per round	\$175 to \$500 per round			\$50 per round
Access	By Invitation	Waiting List			Open Access
Style	Formal	Professional			Loose
Social Status	Generational Wealth	Upper Class			Anyone

**Value Gap**  
**Customer Expectations v. Assets**

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A golfer's perception of value is quickly determined based on the following:

1. Entrance to Property and Flowers?
2. Clubhouse Size?
3. Signage (welcoming rather than punitive)?
4. Parking Lot Paving?
5. Striping Patterns Observed on Greens and Fairways, if any?
6. Type of Grass on Course (bent or rye)?
7. Fairway Bunkers (many or few)?
8. Presence of Natural Hazards (trees, lakes, etc.)?

As part of this operational review, we photographed those aspects of the Northcliffe Golf Club and those of its top 5 competitors. Those photographs were shared with management and staff.

In doing so, we concluded that many within the golf industry have become seduced by the “game” of golf at the expense of their success in the “business” of golf.

Management and staff often forget that the golf course is a meeting place for businesspeople who work hard and want to be catered to and made to feel special in a beautiful setting. Course personnel need to recognize that golf provides families with a place to bond, friends with an opportunity to extend and deepen their camaraderie, juniors a venue to learn the values of discipline and ethics, seniors a well-earned hobby, and men’s and ladies’ groups the opportunity to meet and compete. Today’s savvy businessperson knows the golf course is an office, a lunch meeting, a conference room—it is common ground.

At its most basic, golf is simply entertainment, and golf courses are like theme parks—no two courses are identical, and each one offers a different thrill ride every time a customer plays.

Golf operations can be viewed as an “assembly line” in which each golfer proceeds, depending on the type of golf course, to 13 “touch points” which combine to identify the customer value experience: advertising, reservations, directions, club entrance, club house, golf shop, cart, range, starter, golf course, bathrooms, cart return, and restaurant. The following table illustrates the “Assembly Line of Golf.”

Touch Point	Municipal	Daily Fee	Resort	Private Club	Military
Reservations	X	X	X	X	X
Club Entrance	X	X	X	X	X
Bag Drop		X	X	X	
Cart: GPS		X	X		
Locker Room Before Round			X	X	
Pro Shop	X	X	X	X	X
Range	X	X	X	X	X
Starter & Marshalls	X	X	X	X	X
Beverage Cart Attendant		X	X	X	
Halfway House			X	X	
Cart Return—Club Cleaning			X	X	
Locker Room After Round			X	X	
Bar/Restaurant	X	X	X	X	X
Likely # of Contact Points	<b>6</b>	<b>9</b>	<b>13</b>	<b>12</b>	<b>6</b>

As expected, the higher the price per round of golf, the greater the number of anticipated touch points a golfer will experience. Thus, the exclusive private club, the high-end daily fee course, or exclusive resorts are likely to take advantage of many opportunities and to continue efforts to further enhance the overall impression.

Each golf course operation is a series of interconnected processes, the end product of which is a challenged, entertained, and satisfied customer. By understanding and exceeding your customers' unique needs and desires, customer loyalty can be created—and it will lead to financial success.

Therefore, the success of a course is measured by how much fun the customer has, and how his or her perception of personal service was met or exceeded. By understanding and exceeding each customer's unique needs and desires, customer loyalty is created, and that customer loyalty is essential to increasing revenue.

To properly analyze these touch points from an operational perspective, the following components are analyzed:

- ◆ Organizational Culture
- ◆ Labor Scheduling and Reporting of the following departments
  1. Pro Shop Staffing
  2. Starters
  3. Player Assistants
  4. Cart / Range Attendants
  5. Lessons
- ◆ Infrastructure
  1. Snack Bar and Beverage Carts
  2. Merchandising
  3. Miscellaneous

- ◆ Revenue Management and Demand Pricing
- ◆ Marketing

In undertaking revenue management, the first step is to prepare a list of the competitive set of golf courses. The Northcliffe metroplex was divided into the following tiers: platinum, gold, silver, bronze and steel. Within this market, no “platinum” courses such as Bethpage or Torrey Pines exist, though some might debate that TCP San Antonio fits into that category.

The competitive market set for Northcliffe, based solely on price, was determined to be:

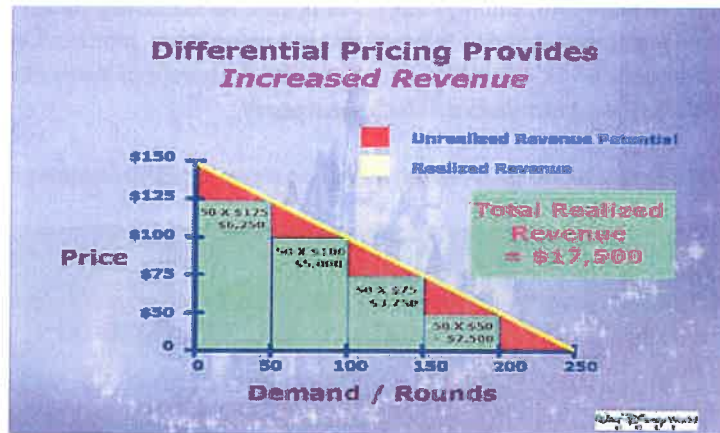
Competitive Marketplace							
Dist	Company Name	Total Holes	Year Opened	Type	Number of Tee Stations	Peak Green Fee	Sales Sq. Ft.
	Northcliffe Country Club	18	1979	DF	30	\$40	2,000
1.	Garcon Ridge Golf Center	N/A	1990		30	N/A	0
6.1	Olympia Hills Golf & Conference Center	18	2000	ML	4	\$45	1,000
6.3	Birdee's Golf Center & Driving Range	9	1987	DF	20	\$10	1,200
7.	Randolph Oaks Golf Course	18	1940	PN	40	\$30	2,000
8.	Lands Park Golf Course	18	1938	ML	0	\$30	900
	Smalling Oaks Golf Center	N/A	1994		30	N/A	1,500
9.	The Bendit Golf Club	18	1997	DF	25	\$50	1,000
10.	TPC of San Antonio	36	2010	PN	40	\$170	0
11.5	Windcrest Golf Club	9	1962	DF	0	\$15	900
11.8	Northern Hills Golf Club	18	1969	DF	15	\$40	1,300
12.	Woodlake Golf Club	18	1972	DF	20	\$40	900
13.	The Sports Authority	N/A			N/A	N/A	N/A
14.	Blossom Golf Center	9	1990	DF	40	\$10	1,800
14.5	Northeast Golf Center	N/A	1995		50	N/A	2,000
14.7	Jon's Golf Shop aka Club Scouter	N/A	1993		N/A	N/A	1,000

Yield management is the art of establishing rates by time of the day, day of the week, and time of the year by the golfer type and to thereby maximize revenue.

It is perceived that the prices set by municipalities serve as the “buoy” by which all prices are set in the market. Should a municipality raise its prices, the daily fee golf courses will also adjust their prices upward to reflect the incremental value the golfer experiences.

The goal of revenue management is simple: sell the right tee time to the right golfer at the right time at the right price. The failure to engage in dynamic yield management results in lost profit opportunities. Presented below is an example of how Walt Disney World creates tiered buckets to ensure revenue is maximized.

## Revenue Management Opportunities



Northcliffe has the price point of \$39 inclusive of cart. Unfortunately, from the current software, we were unable to calculate the yield per hour or the yield by rate type. Both of these statistics are essential to properly manage a golf course. In essence, management of Northcliffe is flying blind.

### Marketing

There is a significant opportunity to improve all aspects of marketing. The Northcliffe Golf Club serves a defined niche; the value-oriented golfer. This niche is largely filled by new entrants to the game, those seeking recreational rather than competitive entertainment, and seniors.

A comprehensive marketing plan should be developed. This campaign should embrace the theme that everyone in the community is a valued customer and welcome at the facility. As part of this comprehensive marketing plan, a Director of Marketing should be retained, and one has been budgeted within the cash flow forecasts developed for this strategic plan.

Understanding the challenges faced, Northcliffe, upon installing and fine tuning the software needed to facilitate customer data capture at the POS terminal, should engage in new marketing initiatives based on the following priorities:

With financial resources limited, it is often not where funds are invested that matters but where funds are conserved. It is suggested that generic brand advertising in local media be suspended. The funds invested are unlikely to produce incremental returns.

Conversely, the use of email, Twitter, and Facebook updates to the Northcliffe database is advised.

## Recommendations

It is advocated that Northcliffe undertake the following initiatives to integrate its culture into the national golf community:

- ◆ Join the National Golf Course Owners Association and participate in the Association's online Listserv forum, through which key employees can answer queries concerning best practices.
- ◆ Membership in the National Golf Foundation is also advocated; the Foundation's monthly newsletter offers a broad perspective about industry changes and appropriate responses to those changes.
- ◆ Finally, the Northcliffe Department should send a representative to the PGA Merchandise Show or to the NGCOA Annual conference, where numerous outstanding educational sessions are provided. These week-long educational programs for golf managers would be beneficial, especially since training of the staff has mostly been from internal resources.
- ◆ Engage in bi-weekly email marketing to the core/acquired and defectors with targeted messages to stimulate incremental play.

## Step 7: Golfer Survey

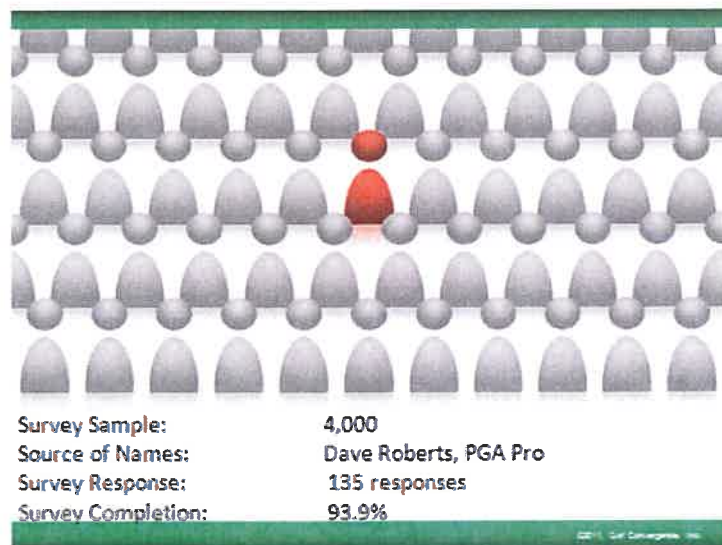
In creating a strategic plan, it is vital to understand the golf industry and the unique characteristics that define the sport. Presented below are some statistics regarding golf in the United States provided by the National Golf Foundation:

- ◆ There are 26.2 million golfers in the United States.
- ◆ 36.7 million Americans are golf participants, defined as anyone ages 5 and above who either played a round of golf or visited a golf practice facility.
- ◆ More than 45 percent of golfers (11.9 million) are between the ages of 18 and 39. Seniors (ages 50 and over) comprise another 33 percent or 8.6 million.
- ◆ There are 5.76 million female golfers, which is 22 percent of all golfers. There are 6.1 million juniors.

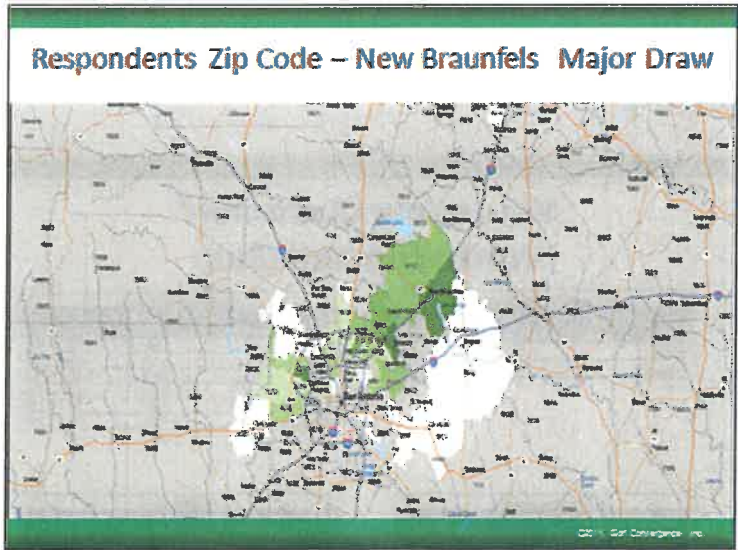
There are 16,057 facilities, 11,690 of which are open to the public.

- ◆ Only 22 percent of all golfers regularly score better than 90 for 18 holes on a regulation-length course. For females, the percentage is just 7 percent...and for males it is 25 percent.
- ◆ The average 18-hole score is 97 for men and 114 for women. It's an even 100 for all golfers.
- ◆ The average scores have changed very little over the years.

In conducting an operational analysis, obtaining a current perspective of Northcliffe's customer database by identifying each customer's age, gender, net income, ethnicity, playing frequency, favorite golf courses, and price point barriers, is valuable. The key point being measured is the opportunity to increase current market share.

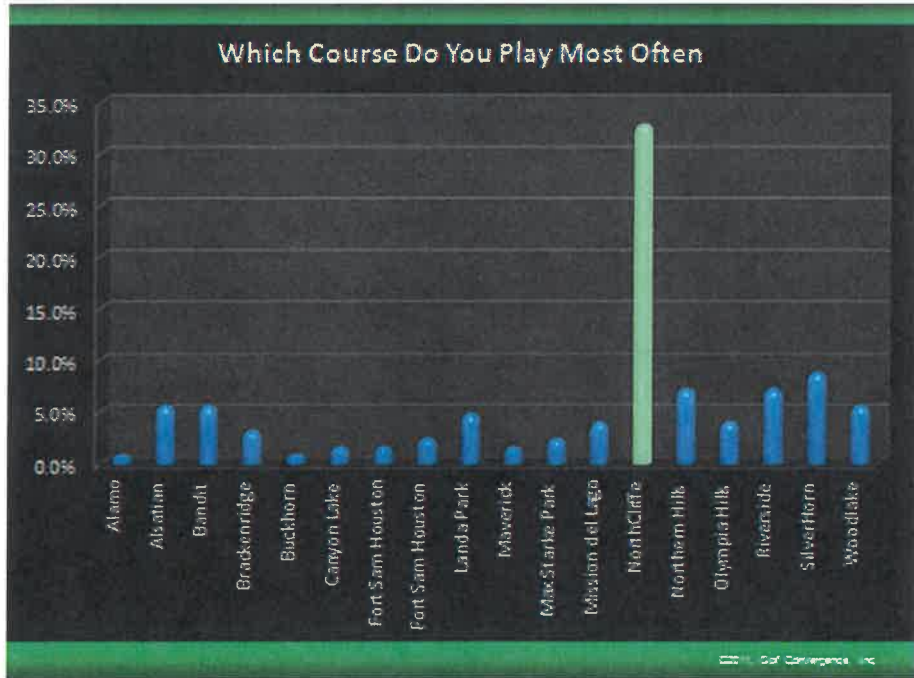


The survey remained open for 12 days, providing a 95% confidence factor and a margin of error on the results of 8% +-, which indicates that the results achieved are statistically valid. The zip codes of respondents were as follows:



Key: Respondents per zip code ranged from one (white) to 70 (dark green).

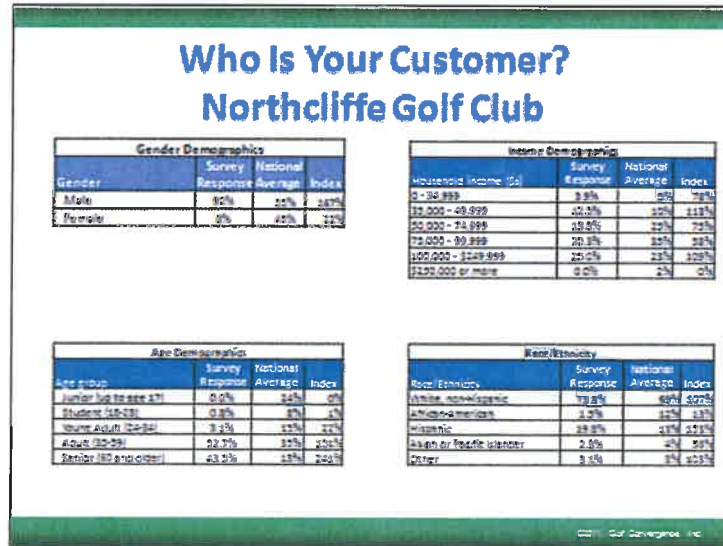
The respondents indicated that the courses they played most often were:



## Who Are the Customers?

The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the Northcliffe golfer was likely to be Caucasian, slightly older, and very wealthy.

These statistics were confirmed in the survey of Northcliffe golfers. Survey respondents have the following demographic profile:

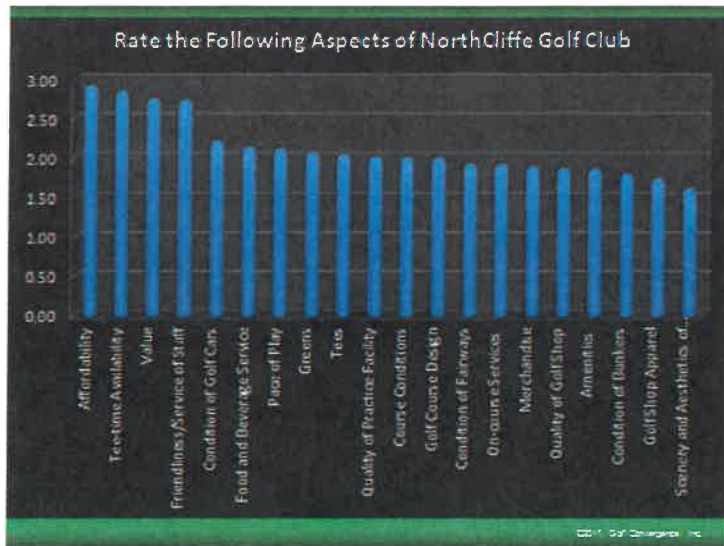


Northcliffe customers are older and wealthy – both great demographics for golf. Their penchant to play the Parks and Recreation Department golf courses emphasizes that cost is an important determinant in that decision.

The survey revealed that of these golfers, 38% visit four to seven golf courses to play between 19 and 40 rounds annually. 66% play more than 19 rounds per year, which puts them in the category known as core golfers. A slight majority prefer to pay between \$46 and \$85 for a weekend green fee and cart.

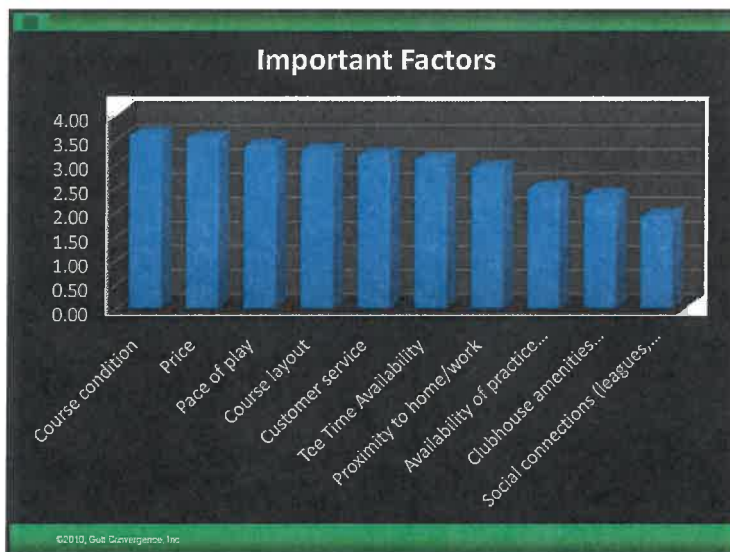
## What Do They Like About Northcliffe Golf Club?

The golfers were asked to rate 23 attributes of the Northcliffe Golf Club. What always surprises us about these surveys is the golfers always get it right as illustrated below:



### What Is Important?

When asked, "What factors are important to you in selecting one course over another, the results of the Northcliffe Golf Course survey are consistent with other surveys conducted by Golf Convergence and by leading trade organizations such as the Golf Course Superintendents Association of America. Conditioning and value (price/experience delivered) predict success as shown below:



Since a large part of the "experience" equation is the conditioning of the golf course, this should be no surprise.

Of concern is the fact that the survey respondents ranked “price” as the second most important criterion for choosing what course to play. Golfers often maintain that if the prices were lowered, the increase in rounds would offset the lower fees. Such a trade-off is perilous, as noted in the chart below:

Decrease in Price	Number of Additional Rounds Required to Offset Discount
5%	5.26%
10%	11.11%
15%	17.65%
20%	25.00%
25%	33.33%
30%	42.86%
35%	53.85%
40%	66.67%
45%	81.82%
50%	100.00%

### Lessons Learned

With 82.0% of the survey respondents indicating that they are likely or very likely to play Northcliffe Golf Club, it is important that the central conclusion of the survey be carefully considered by management:

“Capital improvements as outlined in this strategic plan should be implemented very quickly, as course conditions and price were cited in the golfer survey as significant concerns.”

Value is made up of many components. The value formula is straightforward. To the extent that the customer experience exceeds price, loyalty is created. To the extent that the price exceeds customer experience, loyalty is lost. Thus, while conditioning remains a dominant factor, being able to play quickly on the day and time desired continues to highlight the fact that we function within a time-crunched society. Northcliffe has the opportunity to profit by focusing on affordability and tee time availability.

## Step 8: Customer Loyalty

### Customers' Key Benchmarks

Knowing who your customers are, their spending preferences, and their frequency is fundamental to maximizing your net income, increasing your operational efficiency, and enhancing your customer service. This knowledge is the essential foundation for a meaningful marketing program. Without this information, which Northcliffe lacks, most golf courses greatly minimize their revenue opportunities.

A leading golf course management company<sup>12</sup> that serves more than 100 public golf courses has identified certain predictable characteristics:

- 1) A golf course, on average, has 8,000 distinct customers, from a minimum of 3,500 to a maximum of 11,000.
- 2) 10% to 20% of those customers are "initiators" and make the tee time.
- 3) 50% of those customers play the course merely once per year.
- 4) 50% of those who play will not return next year.
- 5) Only 13% will play six or more times.
- 6) Customers average six rounds played at a specific course per year.
- 7) A golf course will have a 20% wallet share of core golfers who play 40 rounds per year.
- 8) Customers become at risk of not returning when they haven't played your course in 90 days.
- 9) The response rate from customers offered a 20% off coupon, a 10% off coupon, or merely receiving acknowledgement that they are missed is nearly the same.

It is fair to conjecture that golfers at the Northcliffe courses have comparable profiles. However, without the use of a functional golf management system, measuring any of the key metrics is not possible at this time.

### Customer Franchise Analysis

The customer franchise analysis (CFA) provides operators with the first tool to win the share-of-golfer battle caused by the current oversupply environment in many markets. The CFA leverages information in the operator's point-of-sale (POS) or electronic tee sheet system to understand and target key customer groups, as described in Step 4 regarding financial metrics. The CFA measures customer franchise health, such as the number of unique guests acquired, retained, and lost, as well as the spending level of each group, down to the individual customer level.

Unfortunately, this analysis also could not be completed for the Northcliffe because, as has been noted, the tee sheet and the POS doesn't utilize an integrated golf management system.

As a result, Northcliffe is lacking critical metrics needed by a golf course to identify core customers, spending patterns, customer retention, turnover frequency of golfers, zip code distribution, course utilization, revenue per available tee time, and revenue per tee time purchased.

---

<sup>12</sup> Peter Hill, Billy Casper Golf Management, "Programming for Profit," February 4, 2009 presented at NGCOA Multi-Users Conference.

However, we were able to ascertain those factors that are vital to golfers at Northcliffe Golf Club. With the national average being 26, these courses received loyalty scores from 43 to -20, as noted below:



Note: "Promoter Score" is a term to measure the loyalty of a customer to a facility, i.e., are they "promoters" of that enterprise. The national average is 26.

Northcliffe's score is very favorable.

Why are those loyalty share numbers important? Loyalty correlates to wallet share, and the percentage of wallet share a course receives from its golfers is a highly predictive factor of success. Higher wallet share equals higher revenue equals higher net income. Wallet share represents the percentage of a golfer's money spent at each golf course versus the total amount spent annually by the golfer.

It is much easier to attract a greater wallet share of an existing customer through building loyalty than it is to attract a new customer to the golf course. Promoters refer five golfers per year to the facility, while strong detractors can provide up to five negative references.



Appendix

Step 1 (a): Tactician

Geographical Local Market Analysis

Power Point

# Northcliffe Golf Club

Creating a Strategic Plan

July 28, 2011

J.J. Keegan, Managing Principal



# Lesson 1: 8 Steps Golf Convergence **WIN**<sup>TM</sup> Formula

*Start*

*Finish*

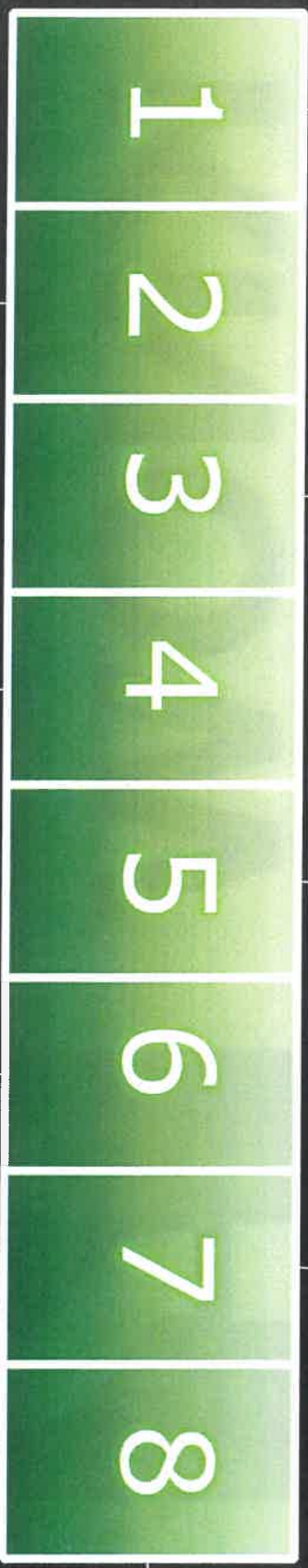
GLMA

Technology

Facilities

Surveys

*Start*



*Finish*

Weather  
Impact

Financial  
Metrics

Operations

Loyalty

DID YOU  
KNOW


Lesson 1



**Value = Experience - Price**



**Experience > Price**

A close-up photograph of a blue and white dimpled golf ball resting on a lush green grassy surface. The ball is positioned in the center of the frame, with the grass blades radiating outwards from it. The background is a soft-focus green, suggesting a golf course setting.

**Financial Prosperity if  
appropriate financial  
statements can be achieved**



**Price > Experience**

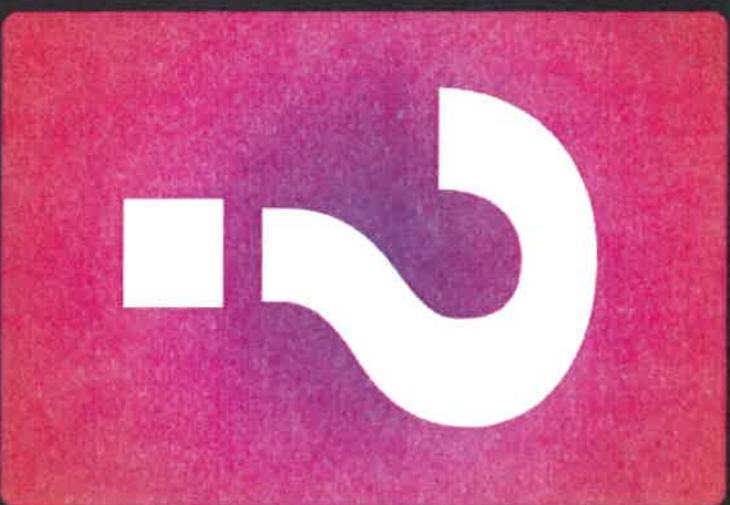
**May you rest in peace**



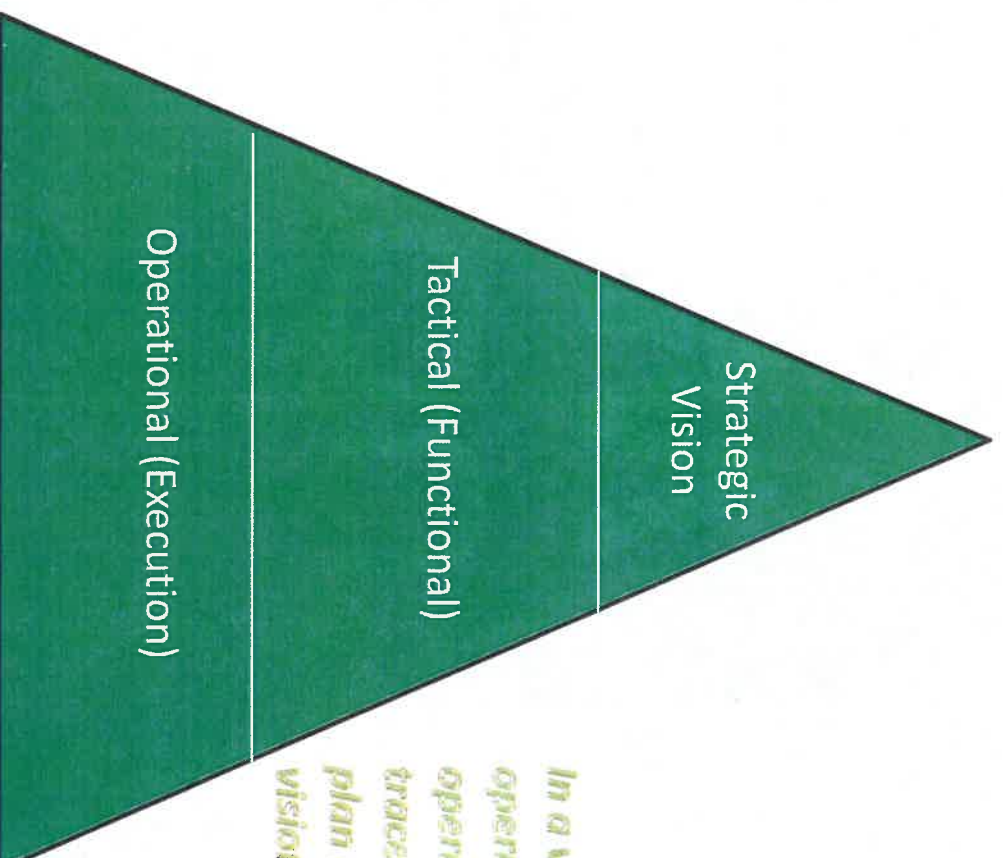
**Experience = Net Income + Capital Inv.**

DID YOU  
KNOW

Lesson 2



# A Strategic Plan

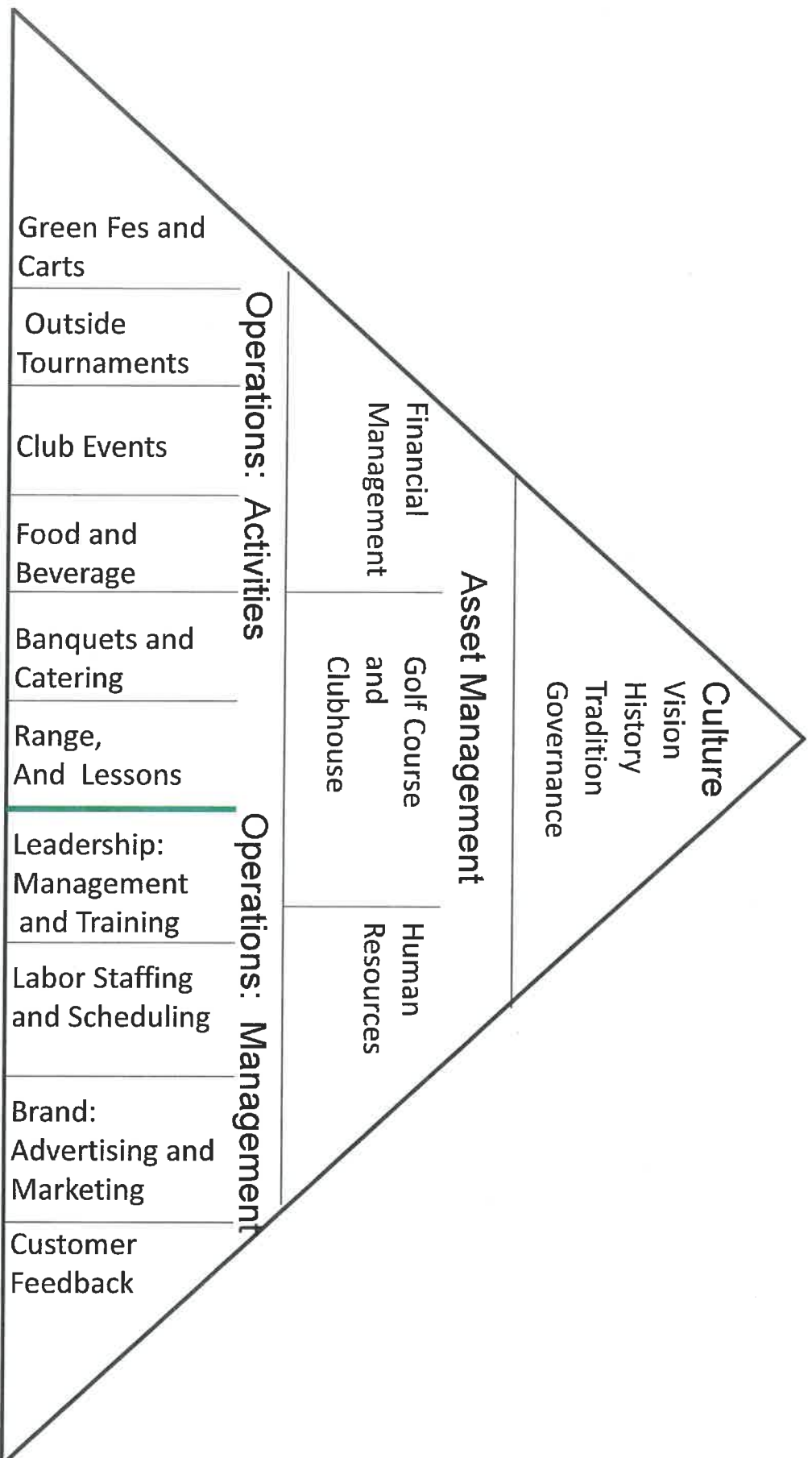


*In a well managed operation, every operational decision can be traced up to the tactical plan and up to the strategic vision*

# The BRO<sup>A</sup>DMOOR'S Service Standards

- 1) Make eye contact, smile and greet the guest or employee immediately.
- 2) Use the guest's or employee's name.
- 3) Escort guests or employees to their requested location.
- 4) Immediately approach a guest or employee who seems to be lost and offer them assistance.
- 5) Learn what is expected from your department so that you can anticipate the needs of the guests and employees you service.
- 6) Follow up on requests, even when it is not the duty of your department.
- 7) Never say: "I don't know." Say: "I'll find out."
- 8) Never appear hurried even if you are very busy.
- 9) If unable to comply with a guest's wishes, offer them an alternative. Avoid negative expressions like: "That's against hotel policy." or "This is not my table."
- 10) Keep the BRO<sup>A</sup>DMOOR spotless! If you see something that is out of place, pick it up! Remember, we are all a part of the BRO<sup>A</sup>DMOOR Beautification Committee.
- 11) Act professionally in public areas at all times. Stand erect and avoid leaning against walls or furniture.
- 12) Always recommend the BRO<sup>A</sup>DMOOR's restaurants and shop to our guests before suggesting other alternatives.
- 13) Take "ownership" of a guest's problem. Ensure the matter is resolved and that the guest is satisfied with your solution.
- 14) Respond to a guest's request within 10 minutes.
- 15) Know the services the hotel offers and the location of banquet facilities and meeting rooms.
- 16) Go the extra mile!

# A Strategic Plan



# What is Your Strategic Vision – Public Course?

## Determines Financial Resources Allocated

	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW	Volvo	Chevrolet	Hyundai
Examples	Kohler Bandon Dunes	Pinehurst Trump National	Bethpage Torrey Pines	Bear Dance Brown Deer Fossil Trace Paa Ko Ridge	City Park, Anywhere
Cost (green fee + cart)	Over \$250 per round	\$175 to \$500 per round	\$75 to \$200 per round	\$50 to \$100 per round	\$50 or less
Access	Reservations +30	Reservations +7	Reservations < 7	2 to 5 days	None
Style	Formal	Professional	Relaxed	Very Casual	Loose
Social Status	Top 20%	Top 40%	Upper Middle Class	Middle Class	Anyone

# Why is Your Strategic Vision – Public Course?

	Platinum	Gold	Silver	Bronze	Steel
Ranking	Top 100 World	Top 100 US	Top 100 Public	State Listing	None
Architect	Top 5 Modern Or Classic Architect	Top 10 Architect	Nationally Known Architect	State Known Architect	Unknown by Most Avid Golfers
Hosting Championships	National	National	State	Local	None
Slope	Over 140	130 to 139	125 to 129	120 to 124	Under 120
Conditioning	Summer Rules: Lush	Summer Rules – Good	Summer Rules Mostly Year Around	Conditioning Varies by Season	Winter Rules
Carts	Forecaddies Required	Caddies + Carts	Caddies rare: Carts: Electric plus hand carts	No caddies: Carts: Electric/Gas plus hand carts	No caddies: Carts: Electric/Gas plus hand carts

# Why is Your Strategic Vision – Public Course?

	Platinum	Gold	Silver	Bronze	Steel
Amenities	More than 10	7 to 10	4 to 6	2 or 3	None or 1
Customer Touch Points	13	10 to 12	7 to 9	4 To 6	3 or less
Cell Phones	Private Areas	On Course	Anywhere	Anywhere	Anywhere
Dress Code	Stringent, Restrictions Apply	Stringent	Appropriate	Relaxed	Modest
Jeans	No	No	Yes	Yes	Yes
Collared Shirts	Variable	Yes	Yes	Yes	Yes
Ladies pants	Restrictions apply	Dress code: Shorts permissible	Dress code: Shorts permissible	Very loose dress code	No dress code

# Why is Your Strategic Vision – Public Course?

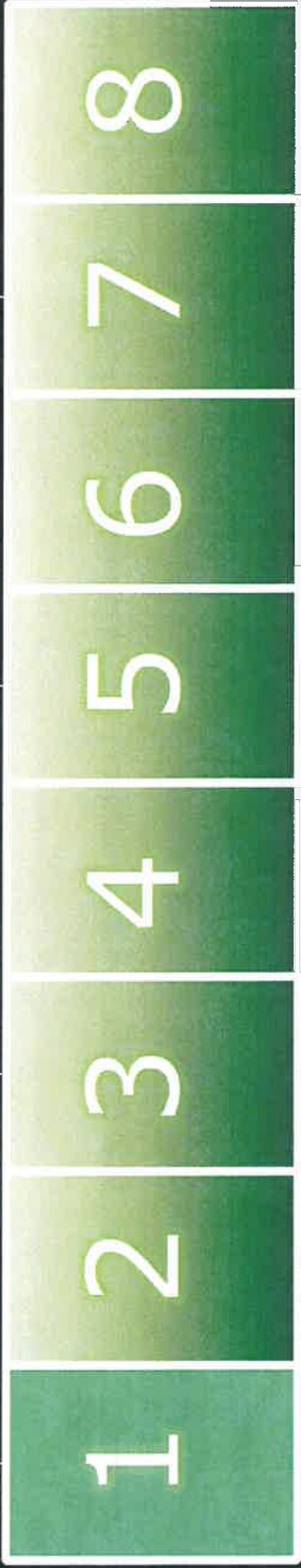
	Platinum	Gold	Silver	Bronze	Steel
Your Score					
Total Possible	19	19	19	19	19

## Public Club – Asset Base

	Platinum Top 10%	Gold Top 25%	Silver Median	Bronze 3 <sup>rd</sup> Quintile	Steel - Bottom 25%
Rounds Played	30,000	35,000	40,000	45,000	Over 50,000
Full Time Employees	> 40	> 20	> 10	> 5	< 5
Total Revenues	> \$3.5 million	> \$2 million	> \$1.5 million	> \$1 million	< \$1 million
Green Fes, Guest, Cart, Trail	> \$1.8 million	> \$1.0 million	\$750,000	> \$500,000	< \$500,000
Merchandise	> \$300,000	\$200,000	\$100,000	> \$75,000	< \$75,000
Maintenance	> \$800,000	> \$700,000	> \$500,000	> \$400,000	< \$400,000
Annual Renovation	> \$800,000	> \$700,000	> \$85,000	> \$50,000	< \$50,000
EBITDA	> 1,200,000	> \$600,000	> \$400,000	> \$200,000	< \$200,000

GLMA    Technology    Facilities    Surveys

*Start*



Weather  
Impact

Financial  
Metrics

Operations

Loyalty

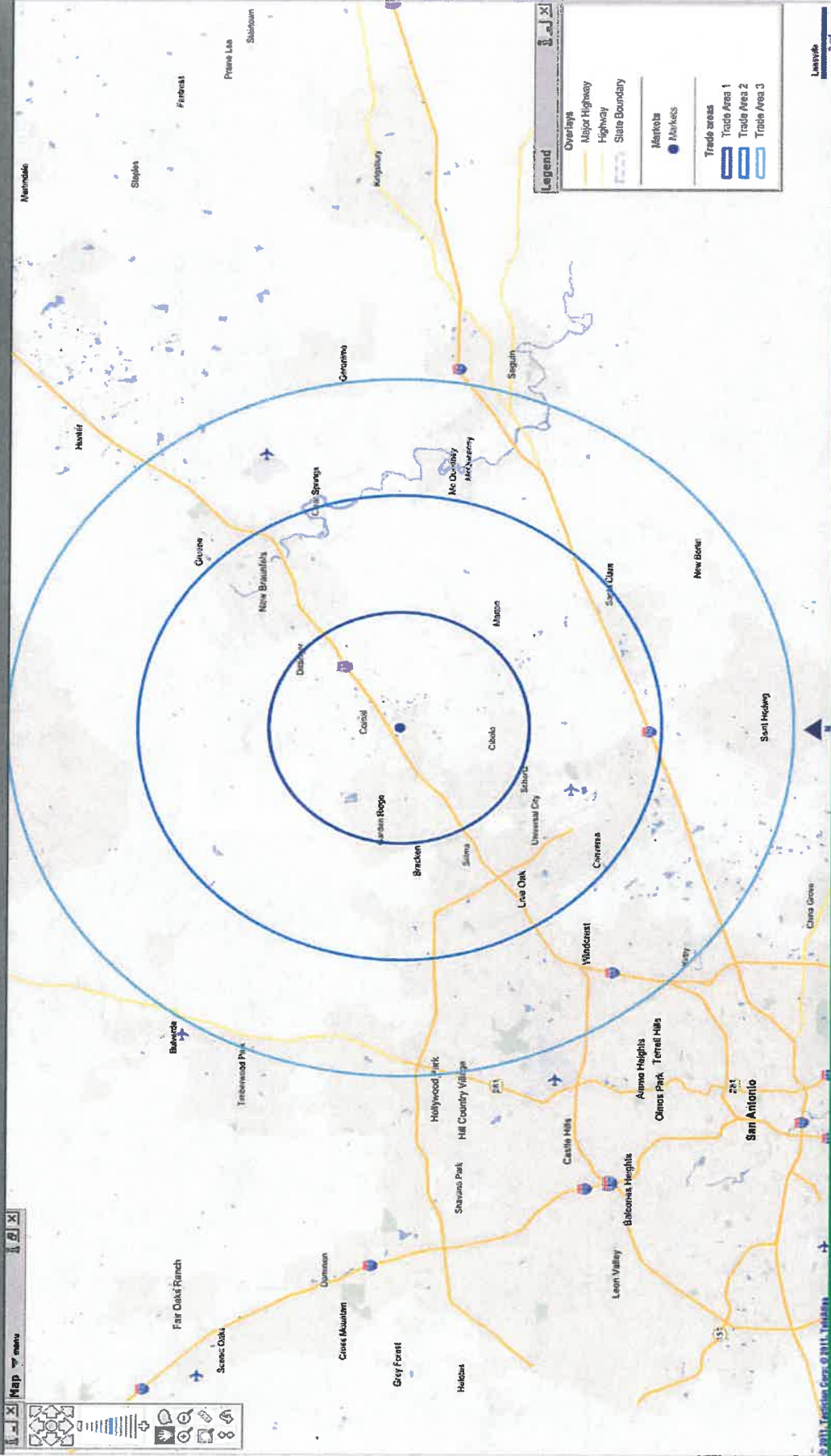
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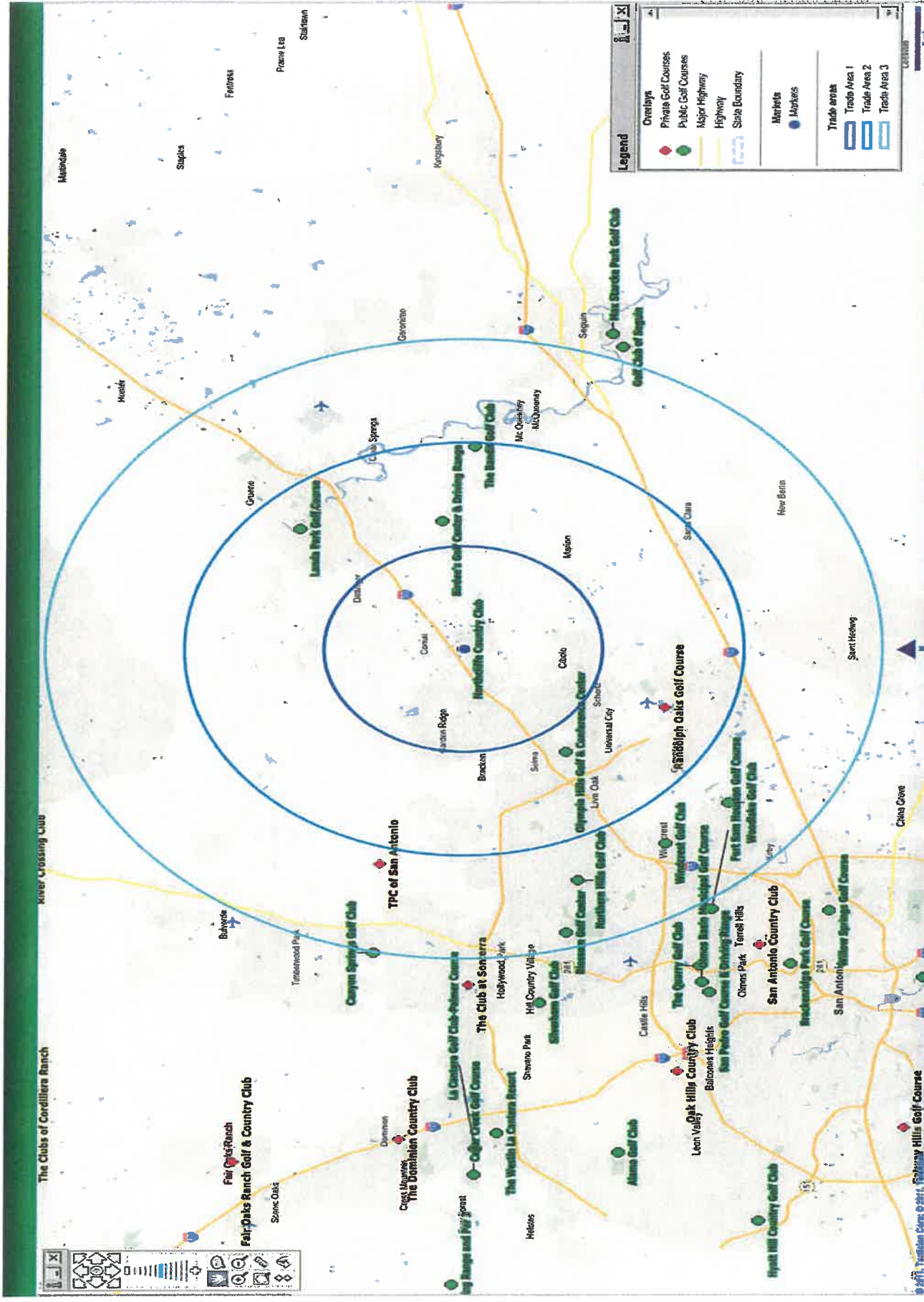
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# Immediate Competitive Landscape



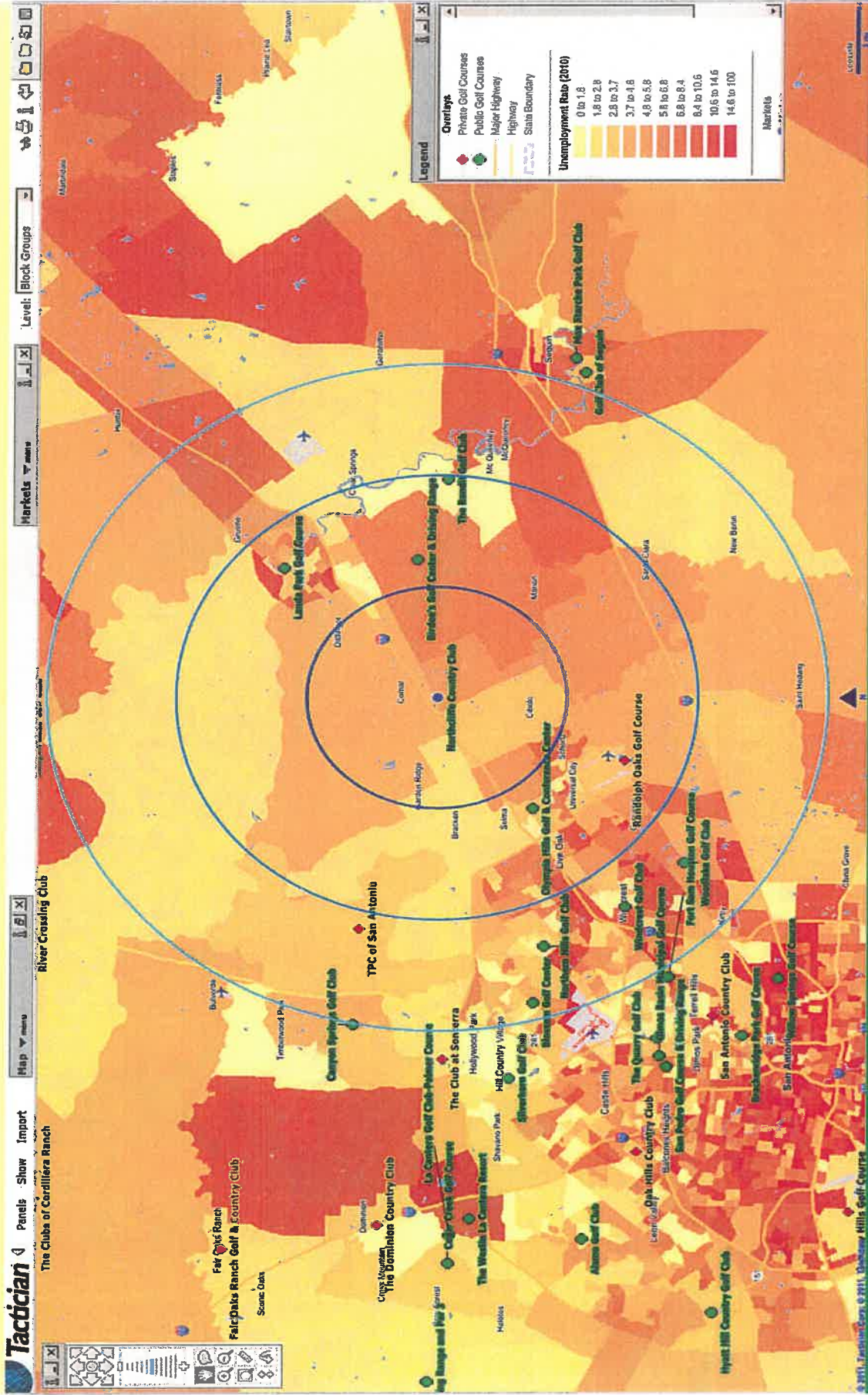




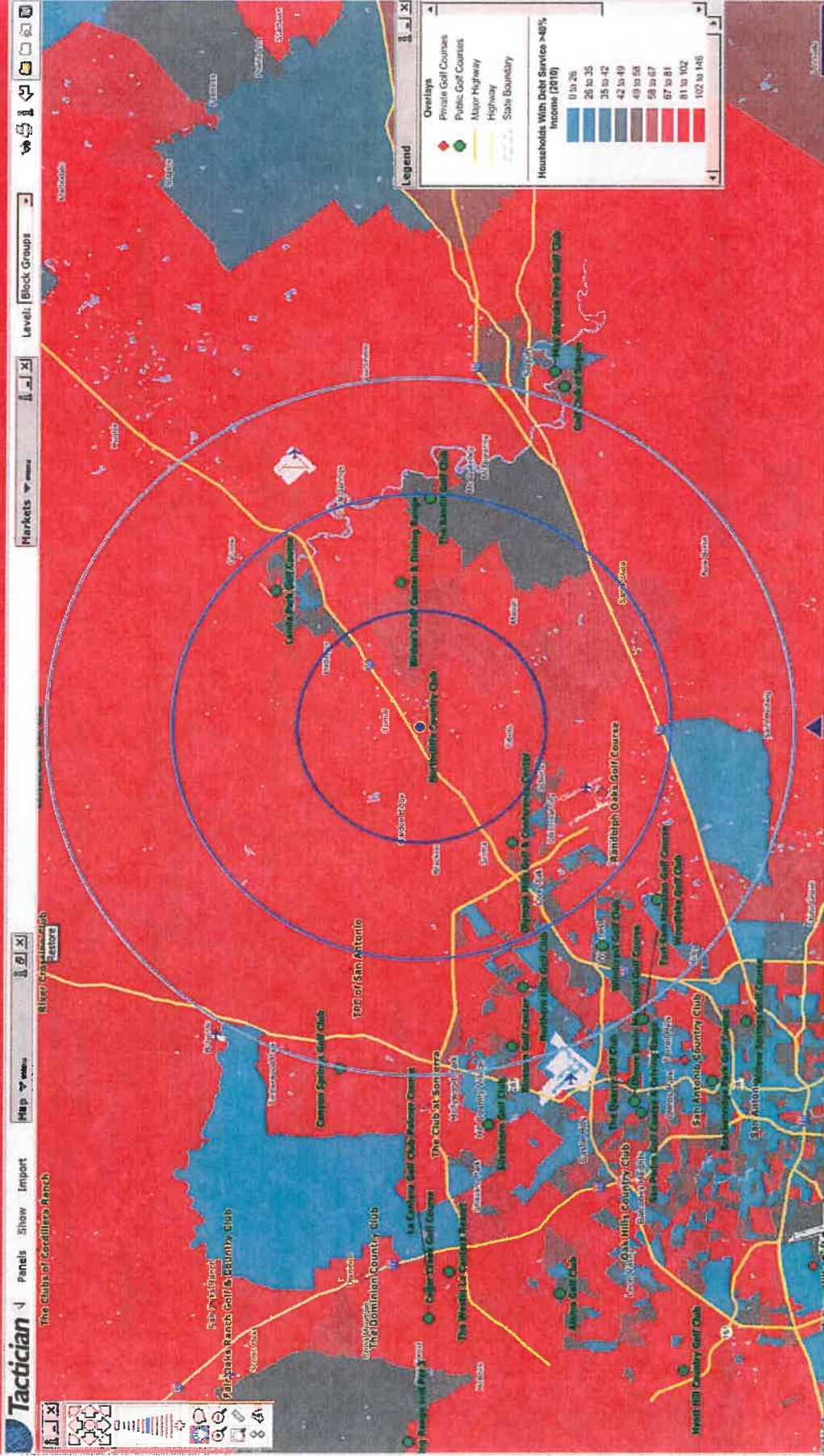




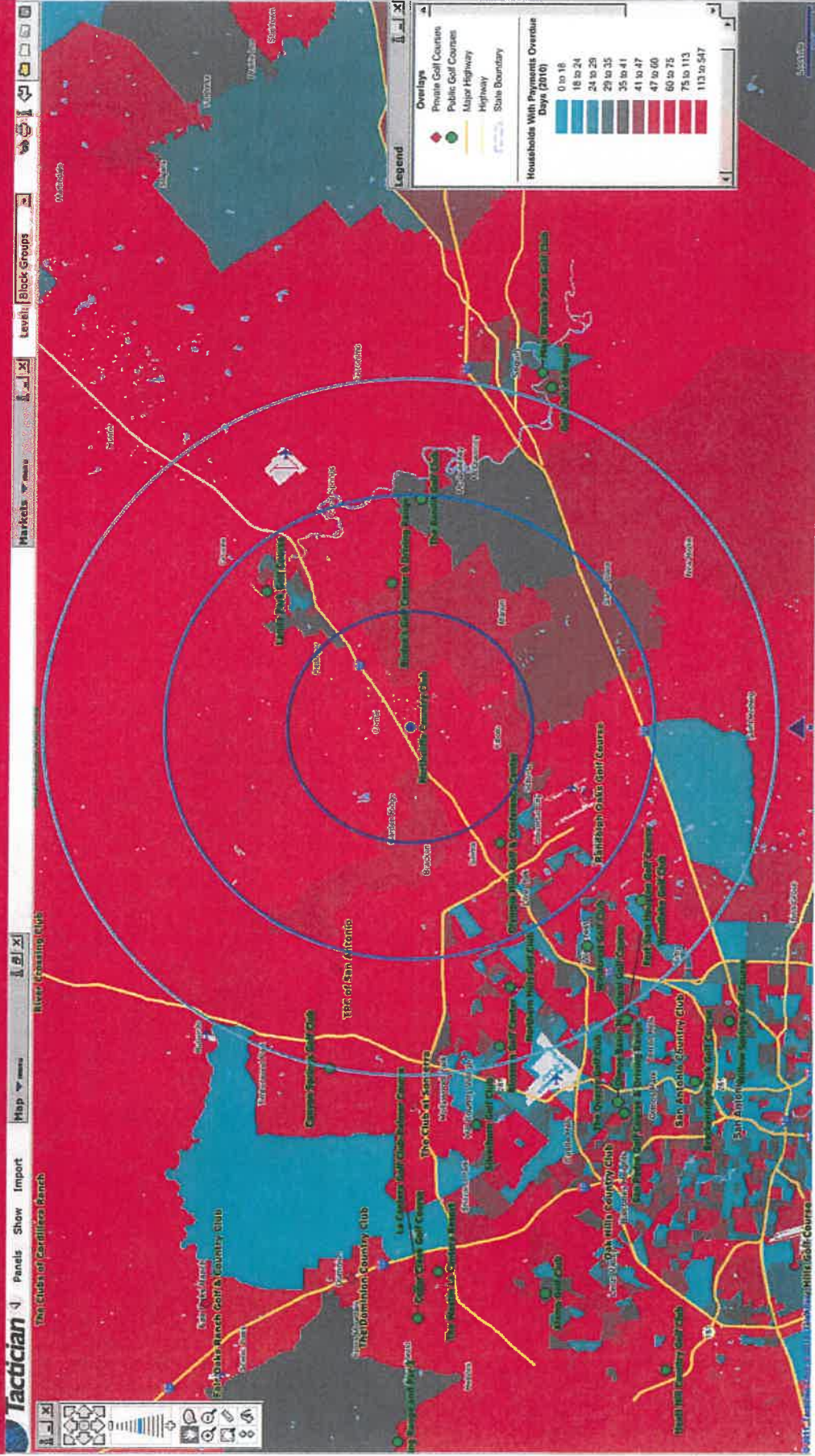
# Unemployment: OK



# Household With Debt Service > 40% of Income Yikes!

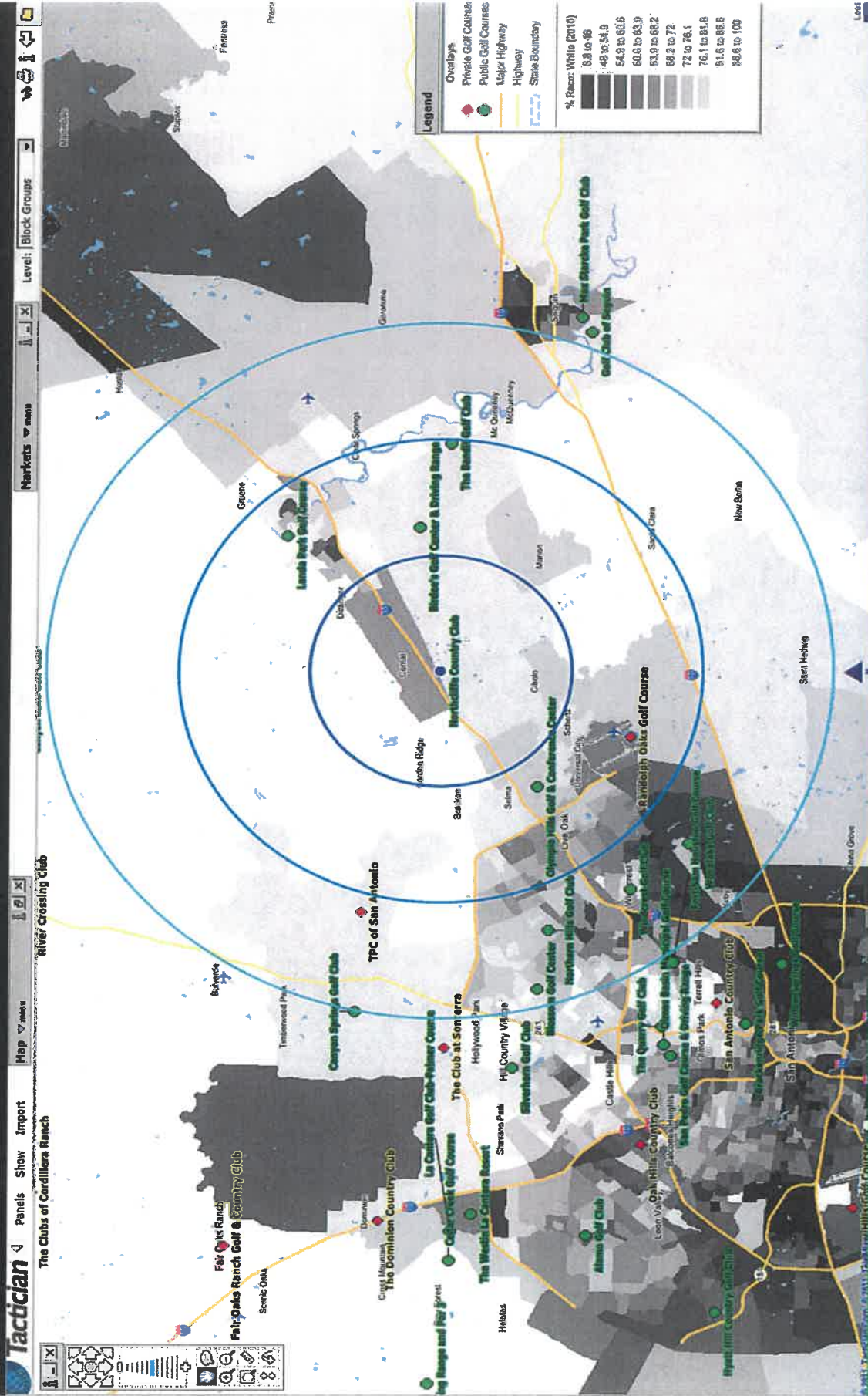


# Household With Payments Overdue > 60 Days Ouch!

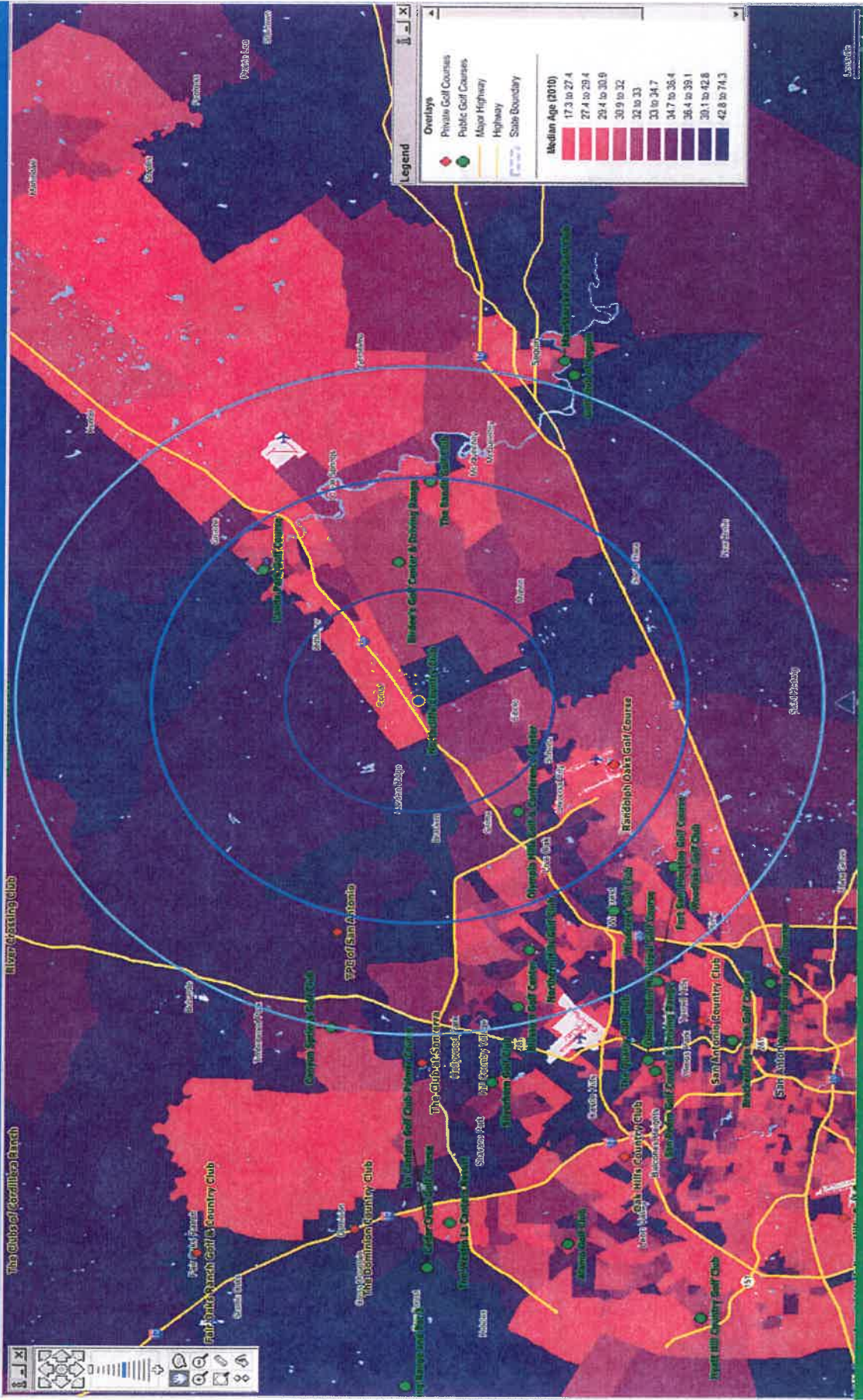




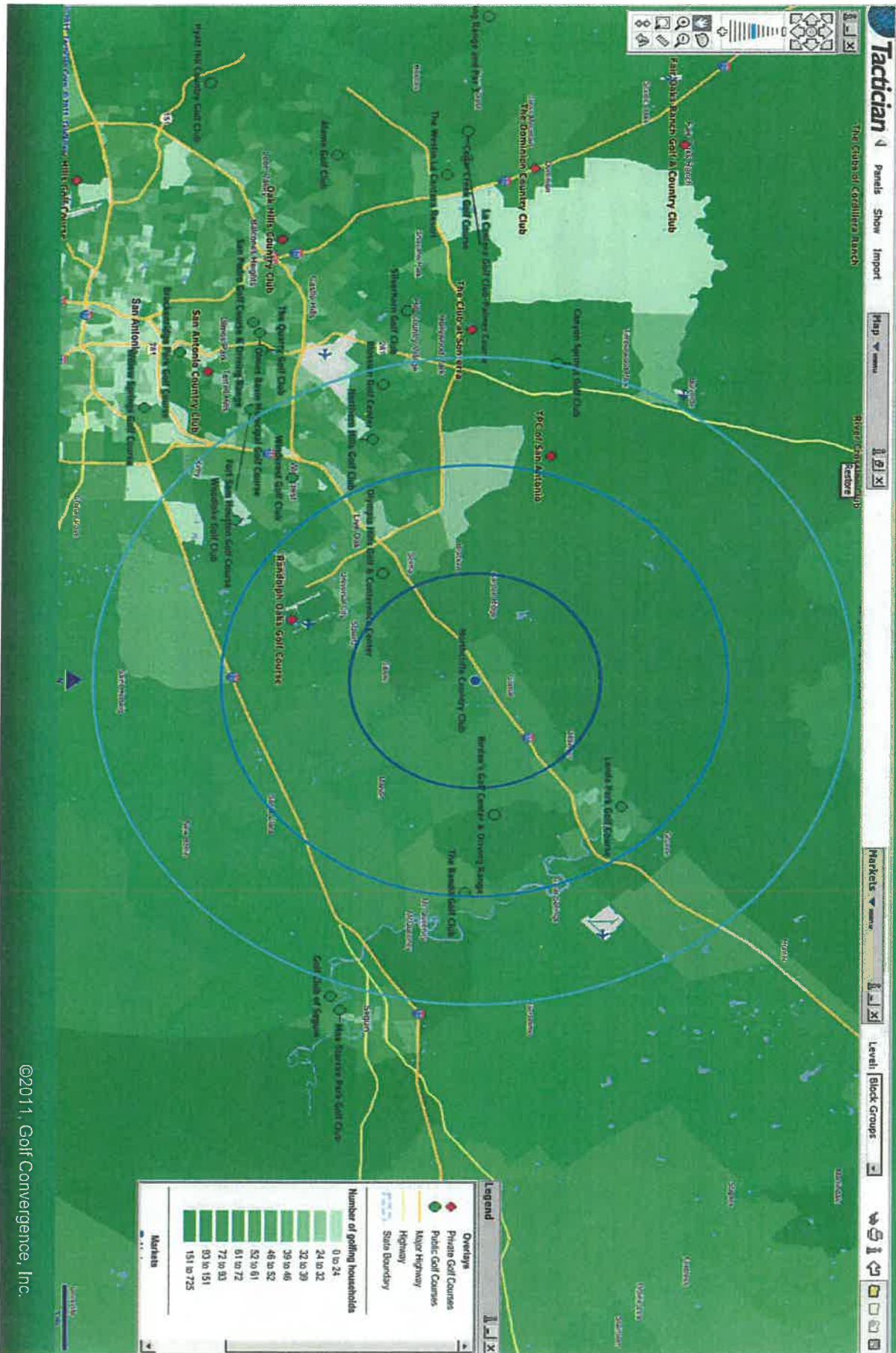
# Ethnicity: Positive



# Median Age: Neutral



# Number of Golfing Households: Fair



# Number of Rounds Played: Fair



# The Raw Data - Demand

	5	10	15	20	25	30	Texas	US
Age	94	94	93	95	92	89	91	100
Income	162	124	120	114	95	95	95	100
Disposable Income	146	119	113	108	93	92	92	100
Ethnicity Index	110	106	101	100	96	94	94	100
Avid Golfers	503	2,533	6,450	11,881	20,097	25,732	345,816	5,830,900
Total Golfers	1,878	9,451	24,066	44,332	74,991	96,016	1,290,357	26,322,000
Rounds Played	63,636	301,019	749,264	1,398,134	2,285,411	2,904,173	40,653,980	498,326,240
Rounds Played Per Golfer	33.88	31.85	31.13	31.54	30.48	30.25	31.51	18.93
Population	46,537	212,647	499,536	856,558	1,436,411	1,874,333	25,046,555	307,156,296
Golf Participation	4.04%	4.44%	4.82%	5.18%	5.22%	5.12%	5.15%	8.57%
Golfers per 18 Holes	1,878	1,718	2,292	1,773	2,174	2,110	1,678	1,737

# The Raw Data - Supply

	5	10	15	20	25	30	Texas	US
Public Facilities If Market In Balance	1	5	9	20	26	34	565.00	11,603
Private Facilities If Market In Balance	0	1	2	4	7	9	247.00	4,266
Total Facilities If Market In Balance	1	6	11	24	33	43	812	15,869
Private/Public Mix Premium/Value Mix %	0%	18%	29%	24%	26%	26%	30%	27%
Premium >\$71 %	0%	0%	0%	36%	43%	42%	21%	25%
Value \$40-\$70 %	100%	50%	45%	29%	24%	26%	82%	33%
Price <\$40 %	0%	33%	18%	38%	36%	35%	29%	56%
Golf Intensity Index	128	118	157	121	149	144	115	100
Public Golf Intensity Index	91	102	156	114	143	140	125	100

# Competitive Marketplace

Dist	Company Name	Total Holes	Year Open	Type	Number of Tee Stations	Peak Green Fee	Sales Sq. Ft.
0	Northcliffe Country Club	18	1978	DF	30	\$40	2,000
3.9	Garden Ridge Golf Center	N/A	1998		35	N/A	0
6.2	Olympia Hills Golf & Conference Center	18	2000	MU	4	\$49	1,000
6.3	Birdee's Golf Center & Driving Range	9	1987	DF	20	\$10	1,200
7.8	Randolph Oaks Golf Course	18	1948	PN	40	\$32	2,000
8.3	Landa Park Golf Course	18	1938	MU	0	\$35	600
9	Rolling Oaks Golf Center	N/A	1994		80	N/A	1,100
9.8	The Bandit Golf Club	18	1997	DF	25	\$61	1,000
10.8	TPC of San Antonio	36	2010	PN	40	\$175	0
11.9	Windcrest Golf Club	9	1962	DF	0	\$19	900
11.9	Northern Hills Golf Club	18	1969	DF	15	\$43	1,500
12.1	Woodlake Golf Club	18	1972	DF	20	\$41	800
13.7	The Sports Authority	N/A			N/A	N/A	N/A
14.2	Blossom Golf Center	9	1992	DF	40	\$10	1,800
14.3	Northeast Golf Center	N/A	1993		50	N/A	3,000
14.7	Jon's Golf Shop dba Club Scouter	N/A	1983		N/A	N/A	1,000

# Avid Intensity Index

	5	10	15	20	25	30	Texas	US
Golf Intensity Index	128	118	157	121	149	144	115	100
Public Golf Intensity Index	91	102	156	114	143	140	125	100

## Conclusions

1. Market is “in balance” within 10 mile radius and slightly underserved within the 15 mile radius.
2. Golfer participation rates are very low. For those that play, rounds played is very high.
3. There is insufficient premium courses in the market.
4. A renovation appears economically supportable as income levels and ethnicity within 15 mile radius positive.
5. A semi-public facility with appropriate priced annual passes (>\$1,500) might be viable operational model if appropriate access restrictions instituted.

## Appendix

### Step 1 (a): Tactician

#### Geographical Local Market Analysis

Excel

Category	5 Mile	10 Mile	15 Mile	Texas	U.S.	Data Source
<b>Demographics</b>						
Age (Median)	34.80	34.70	34.60	33.70	37.10	Demographic Trend Report
Age (Median)	34	34	34	33	37	Calculated
Income (Med Hhld)	\$ 83,705	\$ 64,209	\$ 61,967	\$ 49,150	\$ 51,618	Demographic Trend Report
Income (Med Hhld)	83,705	64,209	61,967	49,150	51,618	Calculated
Disposable Income (Med Hhld)	\$ 65,943	\$ 53,699	\$ 51,077	\$ 41,884	\$ 45,301	Income and Disposable Income
Disposable Income (Median)	65,943	53,699	51,077	41,884	45,301	Calculated
Ethnicity (% Cau.)	31.60%	78.60%	74.60%	69.40%	73.90%	Demographic Trend Report
Ethnicity (Cauc.)	31.6	78.6	74.6	69.4	73.9	Calculated

<b>Demand</b>						
Avid Golfers	503	2,533	6,450	345,816	5,830,900	Calculated by 1.5% of Value
Total Golfers	1,878	9,451	24,066	1,290,357	26,322,000	Calculated by 1.5% of Value (Estimated)
Rounds Played	63,636	301,019	749,264	40,653,980	498,326,240	NGF Demand Report
Rounds Played Per Golfer	33.88	31.85	31.13	31.51	18.93	Calculated
Total Population >18	34,039	155,797	362,379	3,814,482	232,116,402	Population > 18
Population	46,537	212,647	499,536	25,046,555	307,156,296	Demographic Trend Report
Golfing Households	1,527	7,684	19,566	1,049,071	21,219,240	NGF Demand Report
Households	15,195	72,852	173,899	8,661,531	113,900,256	Demographic Trend Report
Population/Household	3.06	2.92	2.87	2.89	2.70	Calculated
Golf Participation	4.04%	4.44%	4.82%	5.15%	8.57%	Calculated
Golfers per 18 Holes	1,878	1,718	2,292	1,678	1,737	Calculated
Avid per 18 holes	503	461	614	450	392	Calculated
Avid Household Index	128	118	157	115	100	Calculated

<b>Supply</b>						
Public Facilities	1	5	9	565	11,603	NGF Golf Supply Report
# Market in Balance	1	5	9	565	11,603	Calculated
Courses Per Facility	1.878	1.800	2.678	2.746	3.307	Calculated
Private Facilities	0	1	2	247	4,266	NGF Golf Supply Report
# Market in Balance	0	1	2	247	4,266	Calculated
Golfers Per Facility	640	9,451	12,022	1,732	2,772	Calculated
Total Facilities	1	6	11	812	15,869	NGF Golf Supply Report
# Market in Balance	1	6	11	812	15,869	Calculated
Golfers per Facility	1,878	1,530	2,199	1,849	1,875	Calculated
Number of Holes - Public Facilities	18.0	81.0	135.0	9,081.0	190,683	NGF Golf Supply Report
Number of Holes - Private Facilities	0.0	18.0	54.0	4,761.0	77,193	NGF Golf Supply Report
Number of Holes - Total Facilities	18.0	99.0	189.0	13,842.0	267,876	NGF Golf Supply Report

Public 18-Hole Equiv.	1.0	4.5	7.5	504.5	10,593.5	Calculated
Private 18-Hole Equiv.	0.0	1.0	3.0	264.5	4,288.5	Calculated
18-Hole Equivalents	1.0	5.5	10.5	769.0	14,882.0	Calculated
Private/Public Mix	0%	18%	29%	30%	27%	Calculated
Premium/Value Mix %	0%	0%	0%	21%	25%	Calculated
Premium >\$71 %	0%	0%	0%	21%	11%	Calculated
Value \$40-\$70 %	100%	50%	45%	82%	33%	Calculated
Price <\$40 %	0%	33%	18%	29%	56%	Calculated
Premium >\$71	0	0	0	40	1,293	NGF Golf Supply Report
Value \$40-\$70	1	3	5	153	3,846	NGF Golf Supply Report
Price <\$40	0	2	2	55	6,464	NGF Golf Supply Report

<b>Intensity Index - National</b>						
Golf Intensity Index	128	118	157	115	100	Calculated
Avid per 18 Holes	503	461	614	450	392	Calculated
Private Golf Intensity Index	N/A	185	158	96	100	Calculated
Avid per Private 18: Calculated	N/A	2,533	2,150	1,307	1,360	Calculated
Public Golf Intensity Index	91	102	156	125	100	Calculated
Avid per Private 18: Calculated	503	563	860	685	550	Calculated

<u>Dist</u>	<u>Company Type</u>	<u>Company ID</u>	<u>Company Name</u>	<u>Total Holes</u>	<u>Year Open</u>	<u>Type</u>	<u>Number of Tee Stations</u>	<u>Peak Green Fee</u>	<u>Sales Sq. Ft.</u>
0	F	1037167	Northcliffe Country Club	18	1978	DF	30	\$40	2,000
3.9	P	1590127	Garden Ridge Golf Center	N/A	1998		35	N/A	0
6.2	F	1504643	Olympia Hills Golf & Conference Center	18	2000	MU	4	\$49	1,000
6.3	F	1037097	Birdee's Golf Center & Driving Range	9	1987	DF	20	\$10	1,200
7.8	F	1037239	Randolph Oaks Golf Course	18	1948	PN	40	\$32	2,000
8.3	F	1037091	Landa Park Golf Course	18	1938	MU	0	\$35	600
9	P	1585129	Rolling Oaks Golf Center	N/A	1994		80	N/A	1,100
9.8	F	1050938	The Bandit Golf Club	18	1997	DF	25	\$61	1,000
10.8	F	1583702	TPC of San Antonio	36	2010	PN	40	\$175	0
11.9	F	1037397	Windcrest Golf Club	9	1962	DF	0	\$19	900
11.9	F	1037168	Northern Hills Golf Club	18	1969	DF	15	\$43	1,500
12.1	F	1037403	Woodlake Golf Club	18	1972	DF	20	\$41	800
13.7	S	1628223	The Sports Authority	N/A			N/A	N/A	N/A
14.2	F	1045421	Blossom Golf Center	9	1992	DF	40	\$10	1,800
14.3	P	1621388	Northeast Golf Center	N/A	1993		50	N/A	3,000
14.7	R	1491518	Jon's Golf Shop dba Club Scouter	N/A	1983		N/A	N/A	1,000

## Appendix

### Step 2: Weather Trends International

#### Playable Days Analysis

GLMA

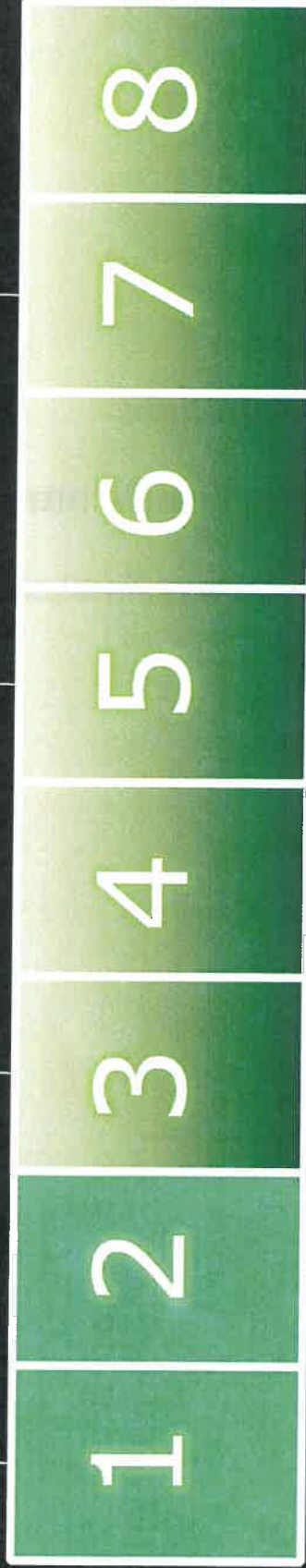
Technology

Facilities

Surveys

*Start*

*Finish*



Weather  
Impact

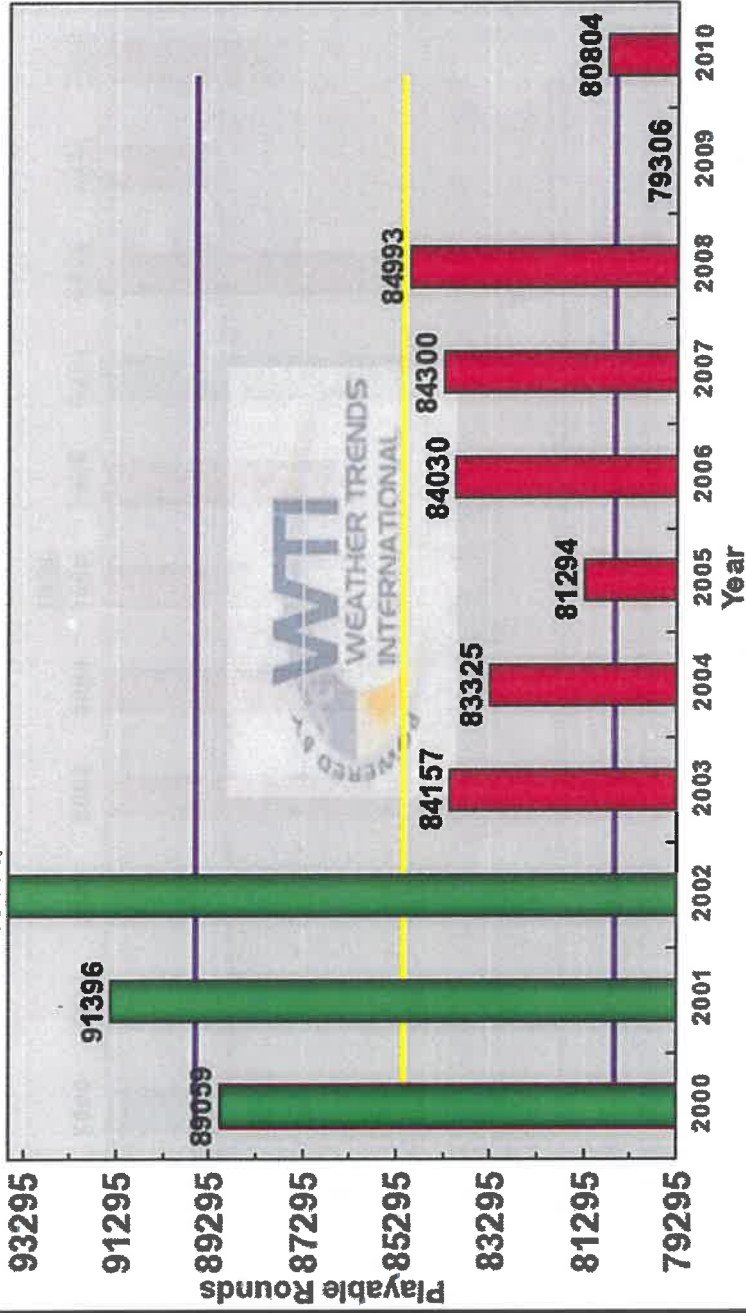
Financial  
Metrics

Operations

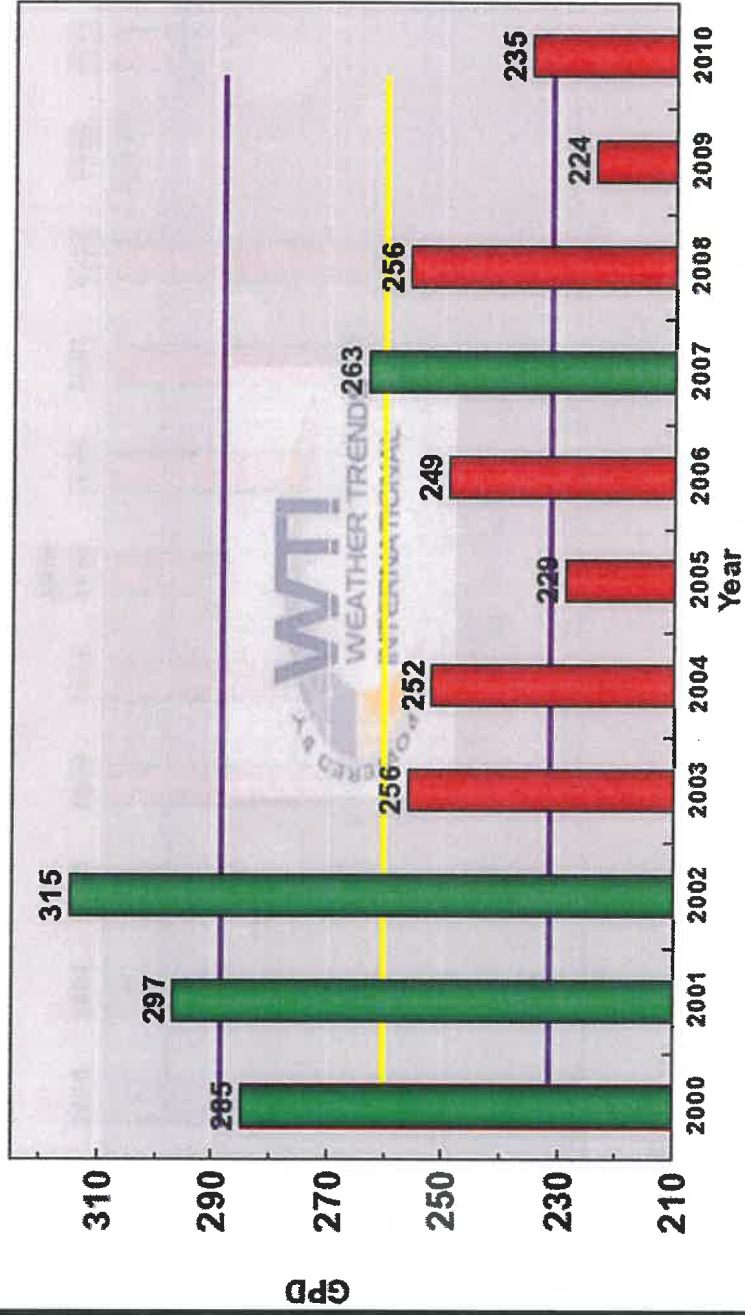
Loyalty

# Yearly Playable Rounds

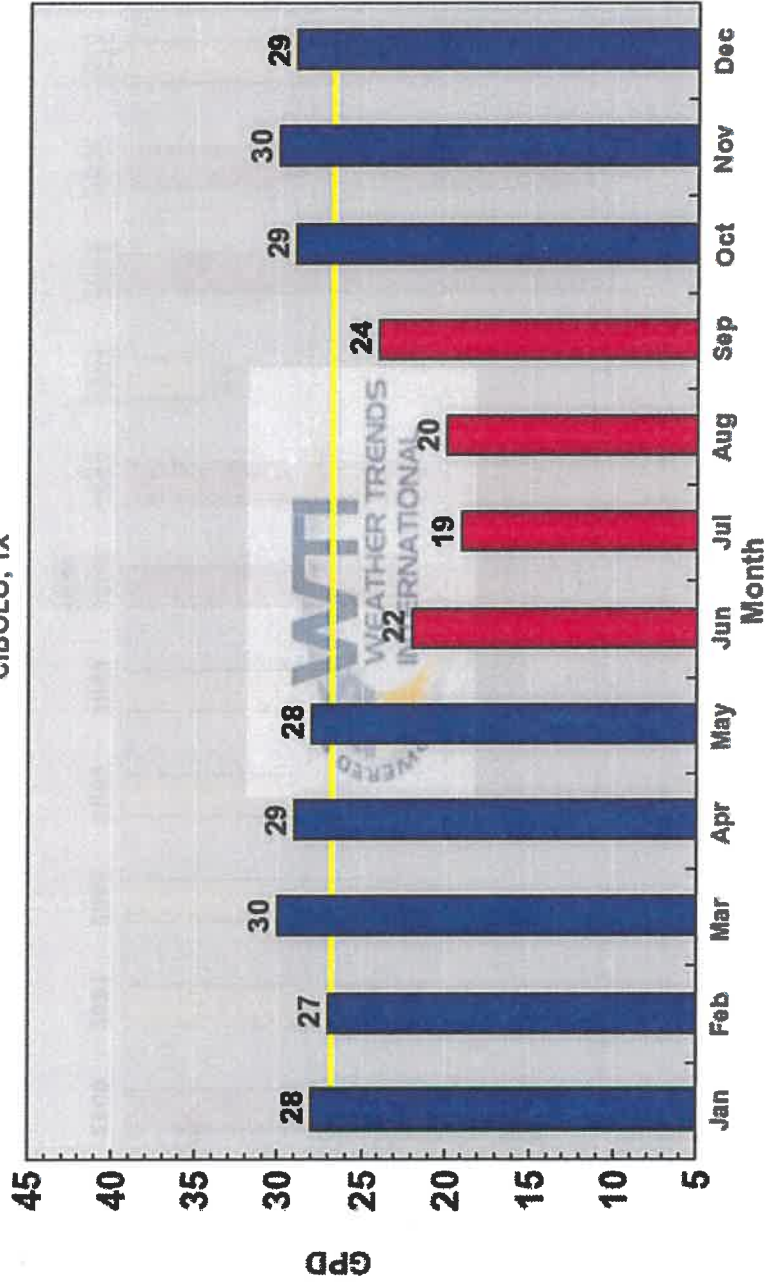
CIBOLO, TX



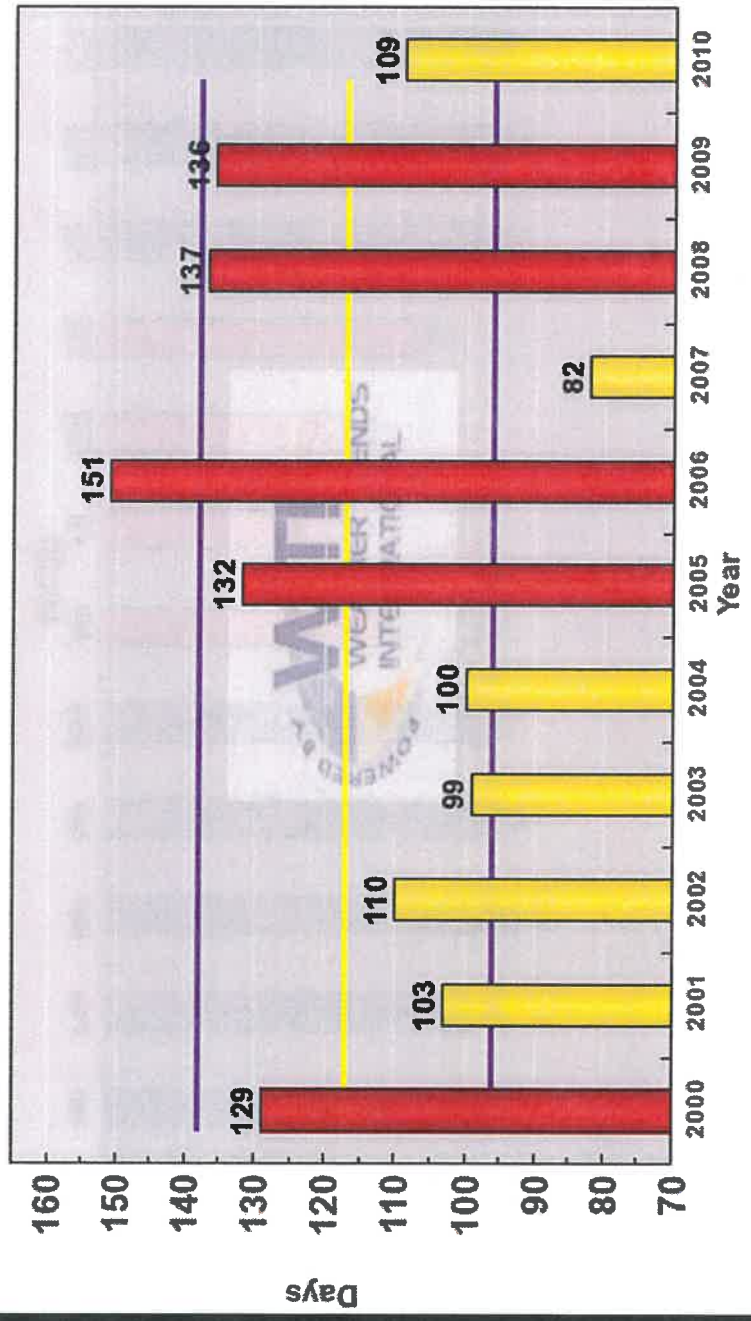
# Golf Playable Days CIBOLO, TX



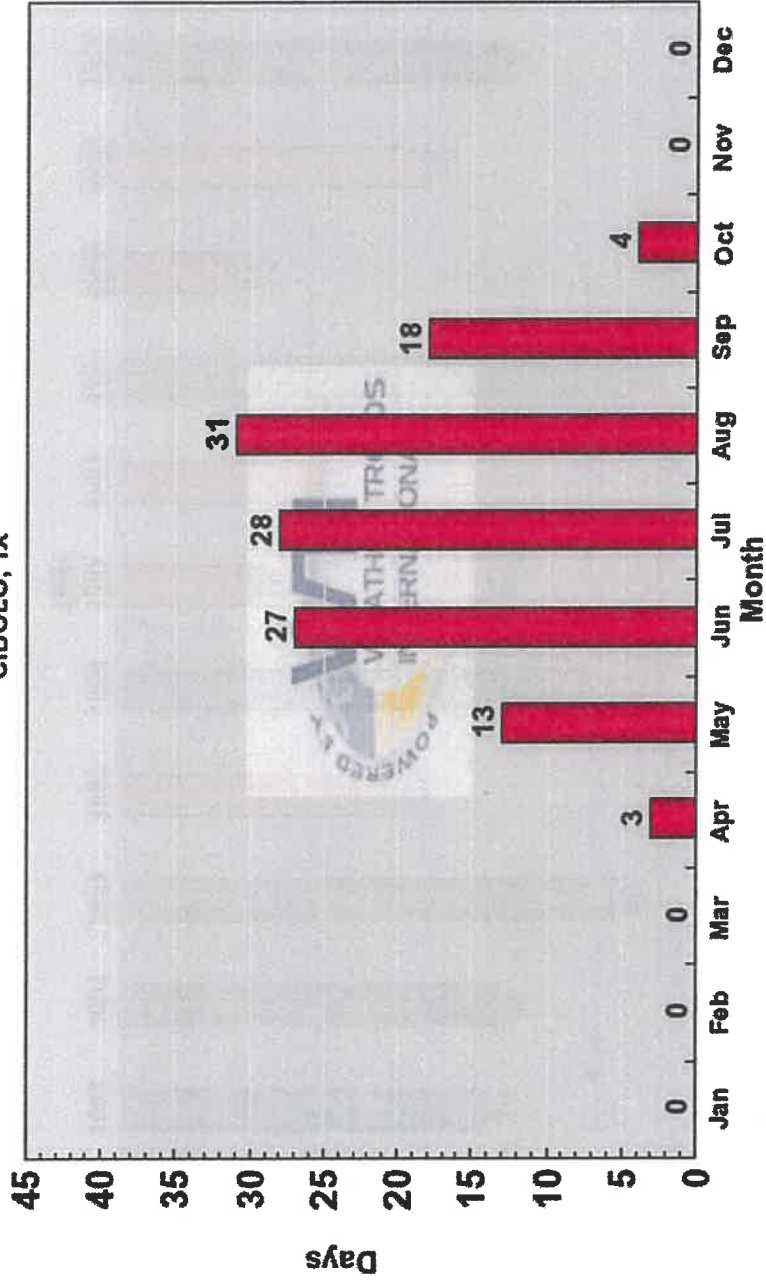
### Average Golf Playable Days by Month CIBOLO, TX



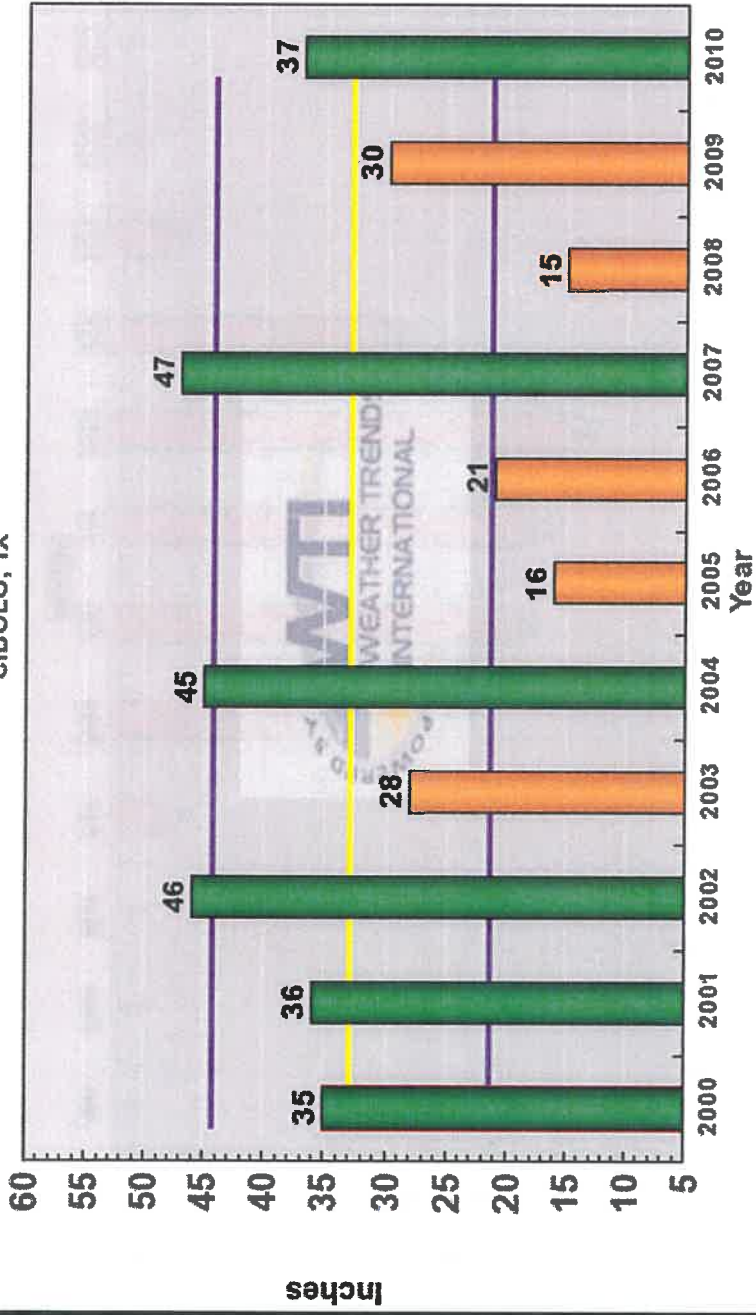
### Days greater than 90 Degrees CIBOLO, TX



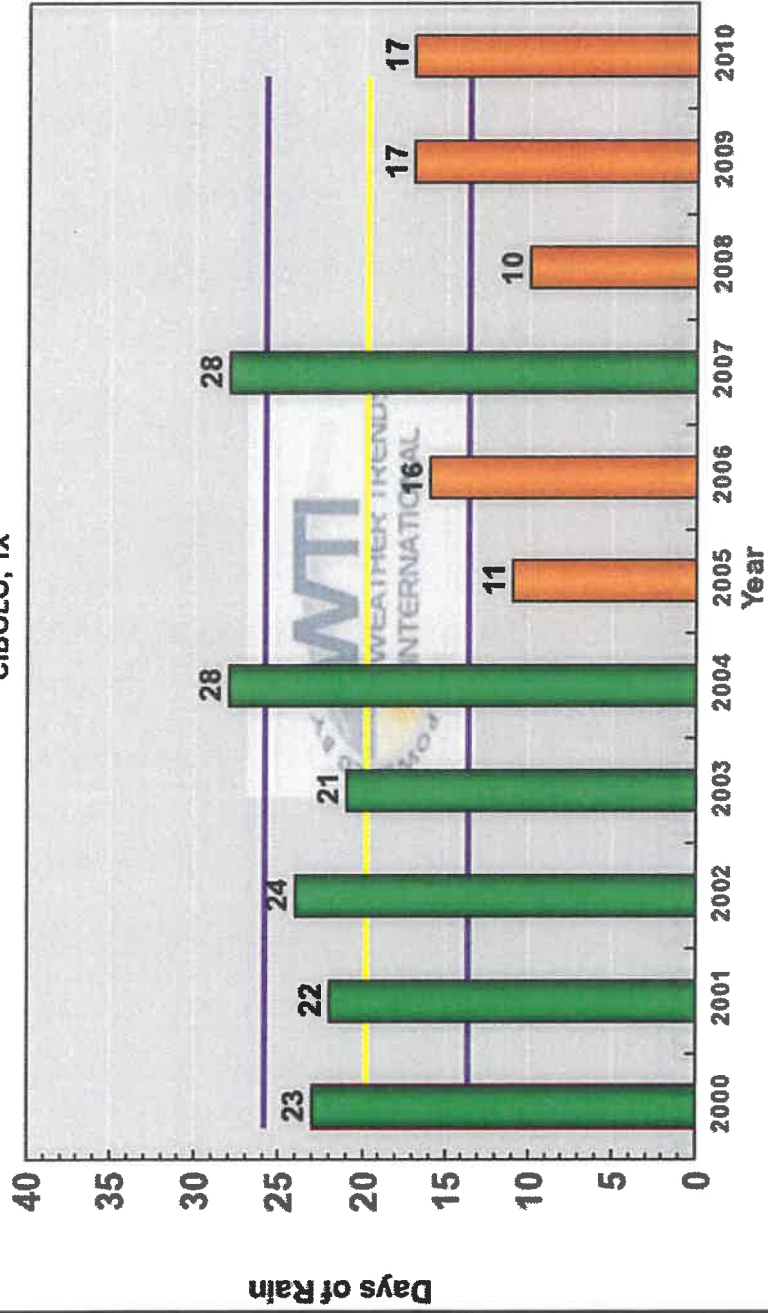
### Average Hot (>90F) Days by Month CIBOLO, TX



### Yearly Total Rainfall CIBOLO, TX



# Heavy Rain Days CIBOLO, TX



# Conclusions

1. Weather has been very adverse six of the last seven years
2. Any reversal to 10 year historical trends should boost gross revenue by > 10%

## Appendix

### Step 6: Secret Shopper

#### A Photo Essay of Northcliffe























**EXIT**

FAMILY - \$125 MONTHLY - ANYONE LIVING UNDER THIS HOME  
 \$75 MONTHLY - TOTAL USE - MONTHLY CASH ON HAND

SINGLE - \$75 MONTHLY  
 \$75 MONTHLY - TRAIL USE - PRIVATE CASH ON HAND

ASSOCIATE - \$75 MONTHLY - TOTAL USE - PRIVATE CASH ON HAND

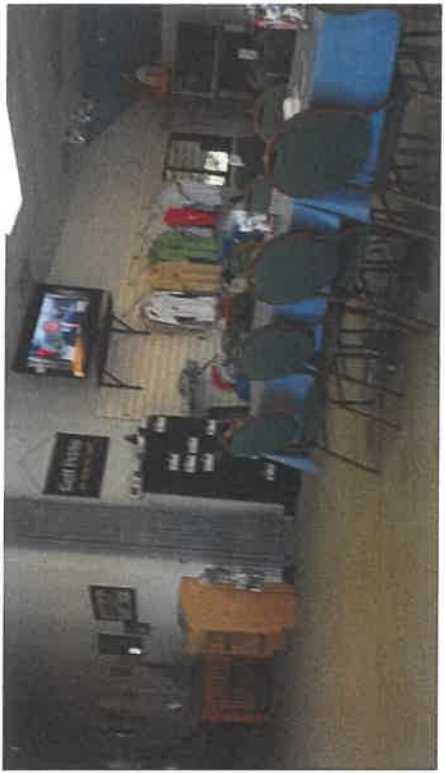
ASSOCIATE - \$125 MONTHLY - ACCESS TO ALL RESIDENTS ONLY  
 \$125 MONTHLY - PRIVATE CASH ON HAND

ASSOCIATE - WALKING TRAIL AS TRAIL; SINGLE  
 \$125 MONTHLY - PRIVATE CASH ON HAND

ALL USE - \$75

*Bank of South  
 Carolina  
 Sunday July 20*





























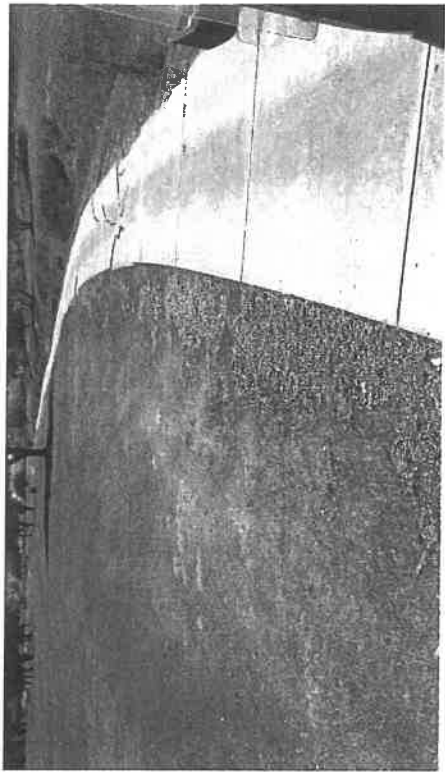














































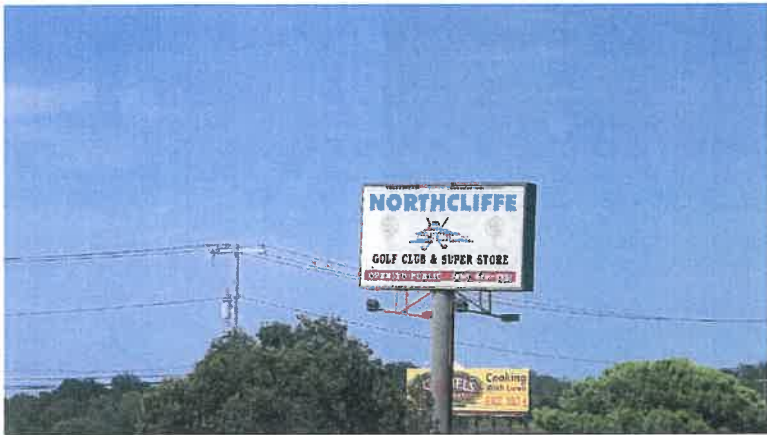
































**PLAY PACKAGES**

Monthly Practice Package - \$12.00 - Month includes Range 100 - Twilight Tee Ball - 40  
 Monthly Practice Package - \$12.00 - Month includes Range 100 - Twilight Tee Ball - 40

**Monthly Practice Package**

10 Balls - Twilight Only - \$12.00 - 1000 Balls - \$12.00  
 10 Balls - Twilight Only - \$12.00 - 1000 Balls - \$12.00  
 10 Balls - Twilight Only - \$12.00 - 1000 Balls - \$12.00

**Specials**

Junior Play - 22.00 - 1000 Balls - Monday - Friday  
 10.00 - 1000 Balls - Twilight Only

Parent / Junior Play - Twilight Only - Parent Fee / Junior Aides Free

Twilight - 1.00 P.M. - October - February  
 3.00 P.M. - March - September

Junior - 10 and Under School ID Required

All Fees + Tax

**EXIT**











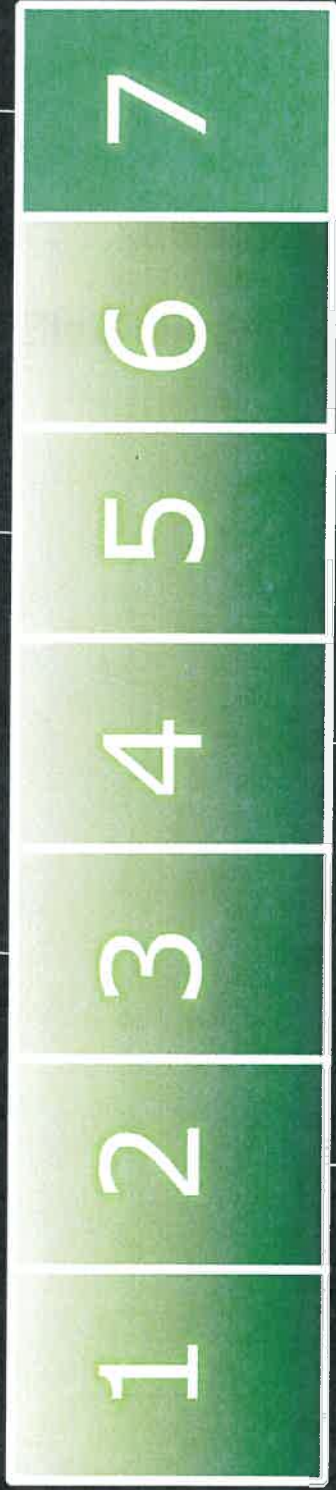


## Appendix

### Step 7: San Antonio Golf Survey

GLMA    Technology    Facilities    Surveys

*Start*



*Finish*

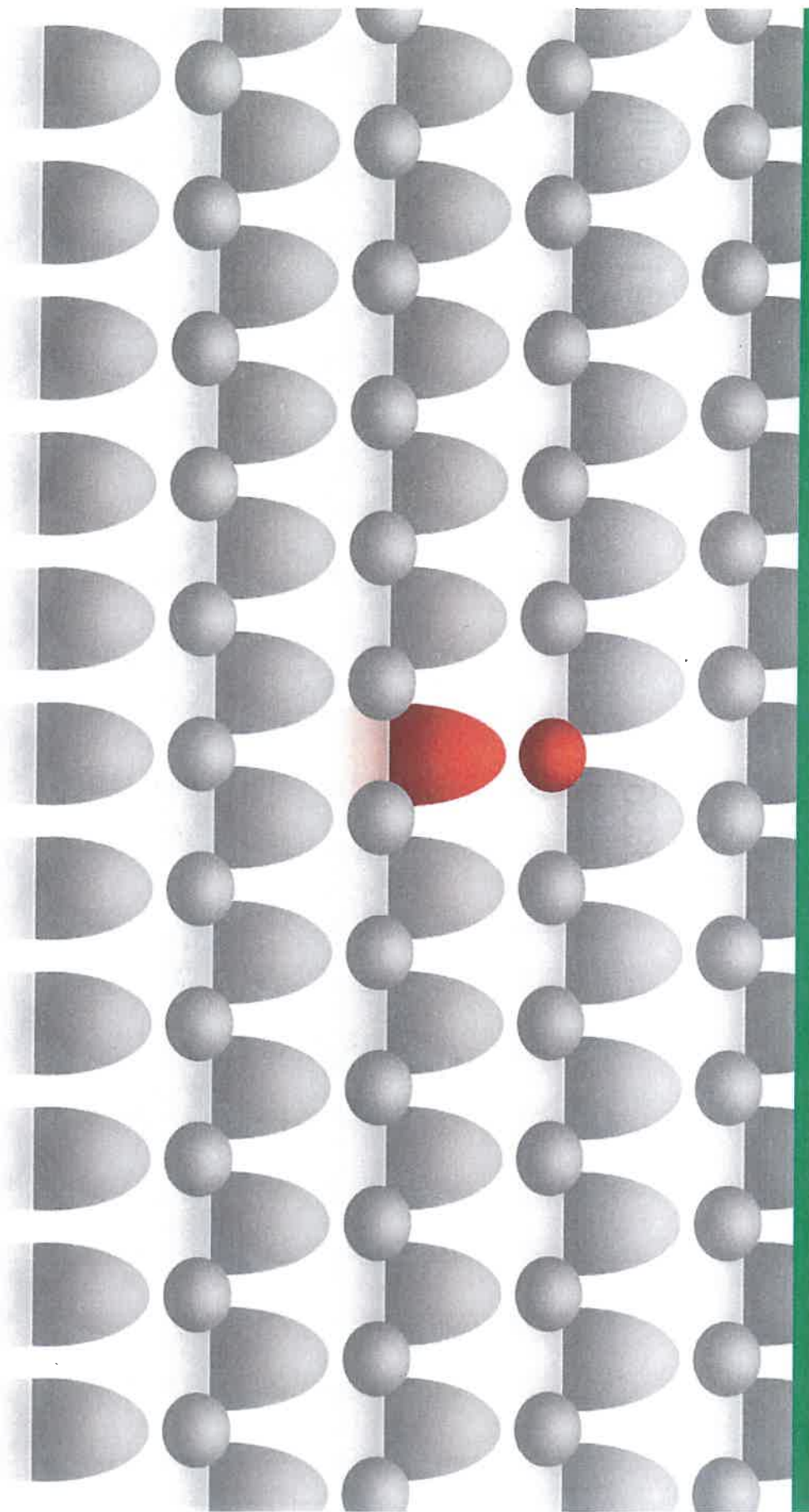
Weather Impact    Financial Metrics    Operations

# Statistics

- ◆ There are 26.2 million golfers in the United States.
- ◆ 36.7 million Americans are golf participants, defined as anyone ages 5 and above who either played a round of golf or visited a golf practice facility.
- ◆ More than 45 percent of golfers (11.9 million) are between the ages of 18 and 39. Seniors (ages 50 and over) comprise another 33 percent or 8.6 million.
- ◆ There are 5.76 million female golfers, which is 22 percent of all golfers. There are 6.1 million juniors.

# Statistics

- ◆ There are 16,057 facilities, 11,690 of which were open to the public.
- ◆ Only 22 percent of all golfers regularly score better than 90 for 18 holes on a regulation length course. For females, the percentage is just 7 percent...and for males it is 25 percent.
- ◆ The average 18-hole score 97 for men and 114 for women. It's an even 100 for all golfers.
- ◆ Only 6 percent of the men and 1 percent of the women say they break 80 regularly.
- ◆ The average scores have changed very little over the years.

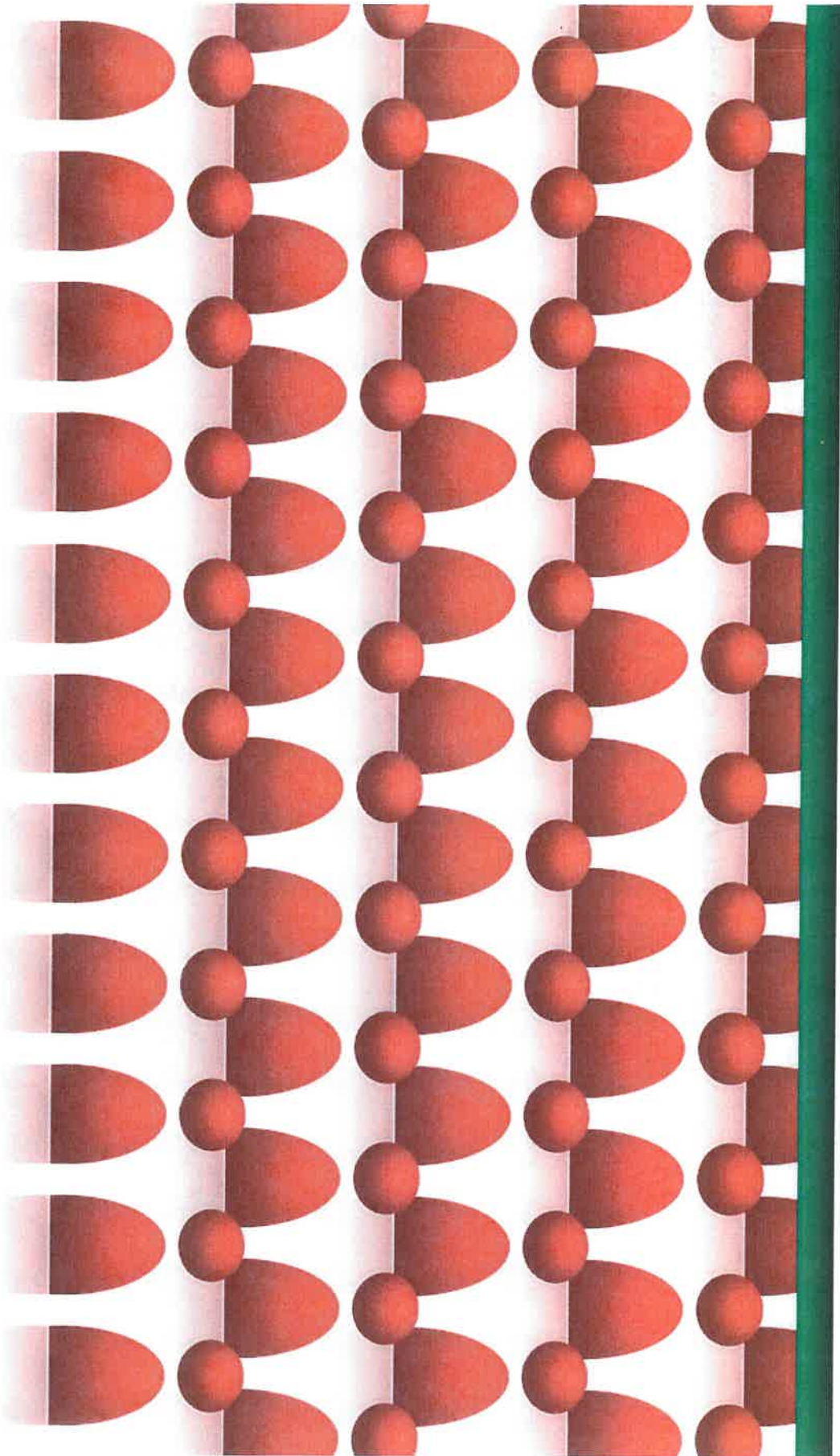


**Survey Sample:** 4,000

**Source of Names:** Dave Roberts, PGA Pro

**Survey Response:** 135 responses

**Survey Completion:** 93.9%



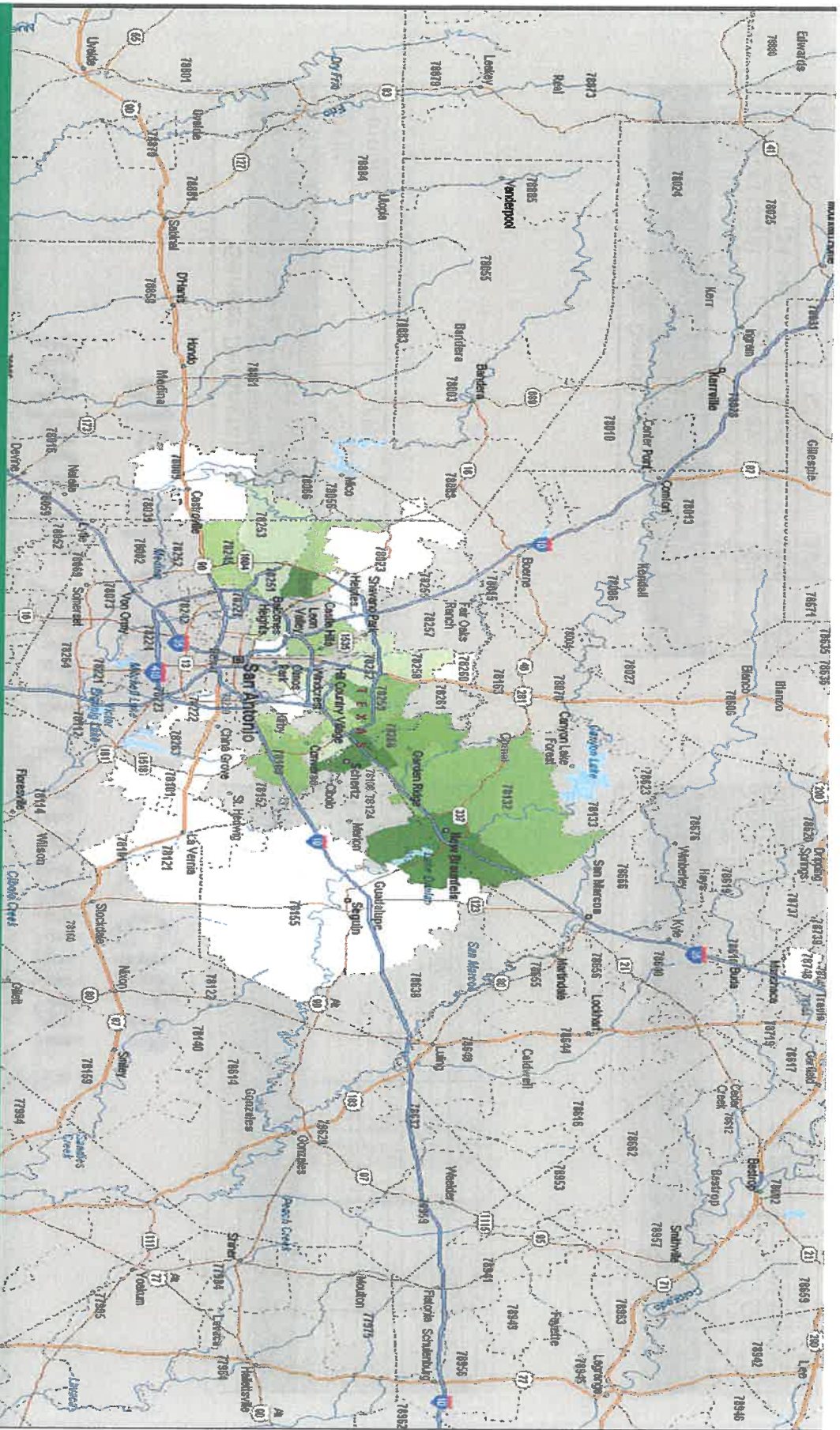
Confidence Level:

90%

Margin of Error:

+/- 7%

# Respondents Zip Code – New Braunfels Major Draw



# Who Is Your Customer? Northcliffe Golf Club

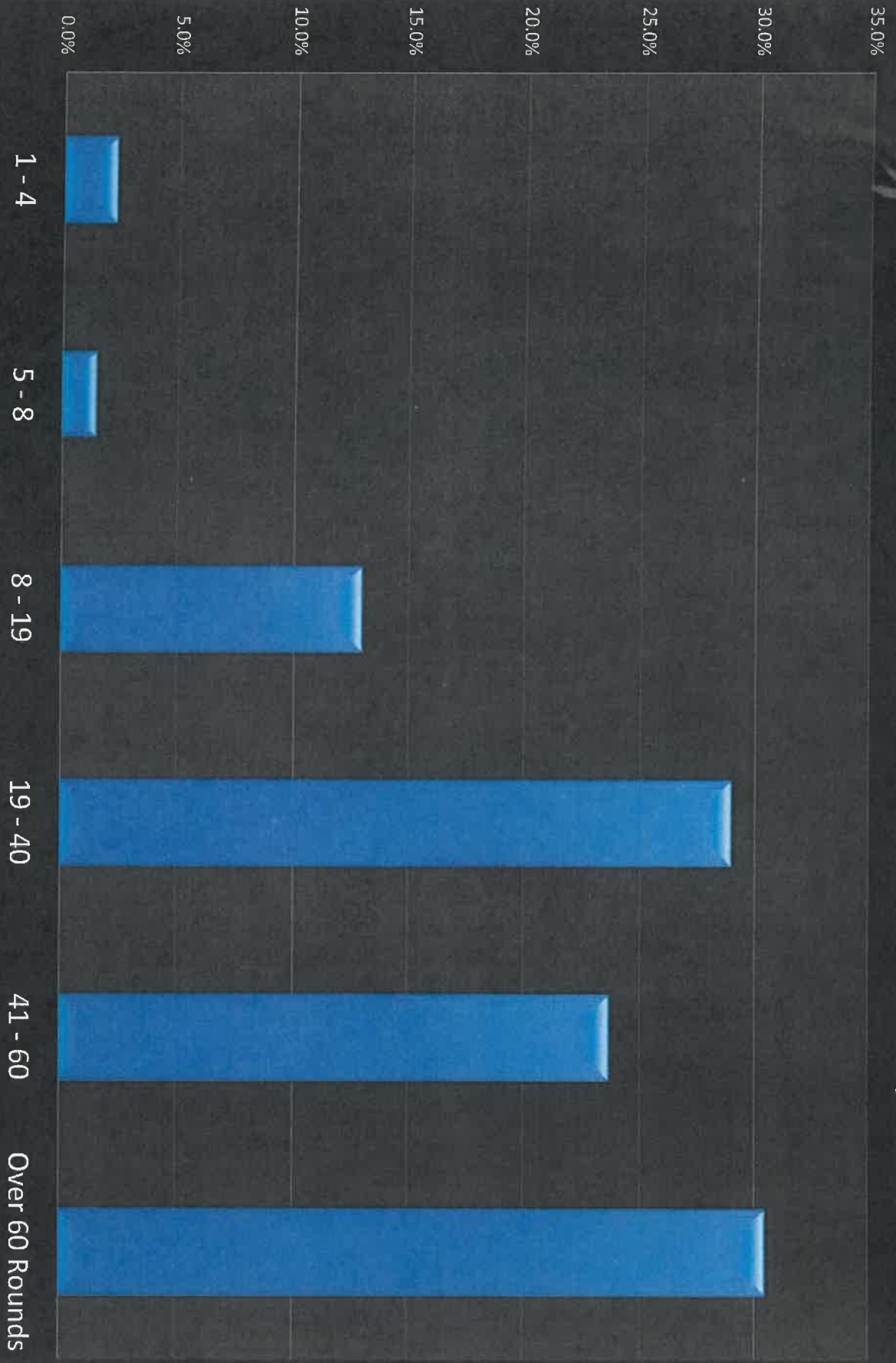
Gender Demographics			
	Survey Response	National Average	Index
Gender			
Male	92%	55%	167%
Female	8%	45%	22%

Age Demographics			
	Survey Response	National Average	Index
Age group			
Junior (up to age 17)	0.0%	24%	0%
Student (18-23)	0.8%	8%	1%
Young Adult (24-34)	3.1%	15%	22%
Adult (35-59)	52.7%	35%	151%
Senior (60 and older)	43.5%	18%	241%

Income Demographics			
	Survey Response	National Average	Index
Household income (\$s)			
0 - 34,999	3.9%	5%	78%
35,000 - 49,999	12.5%	10%	113%
50,000 - 74,999	18.8%	25%	75%
75,000 - 99,999	20.3%	35%	58%
100,000 - \$249,999	25.0%	23%	109%
\$250,000 or more	0.0%	2%	0%

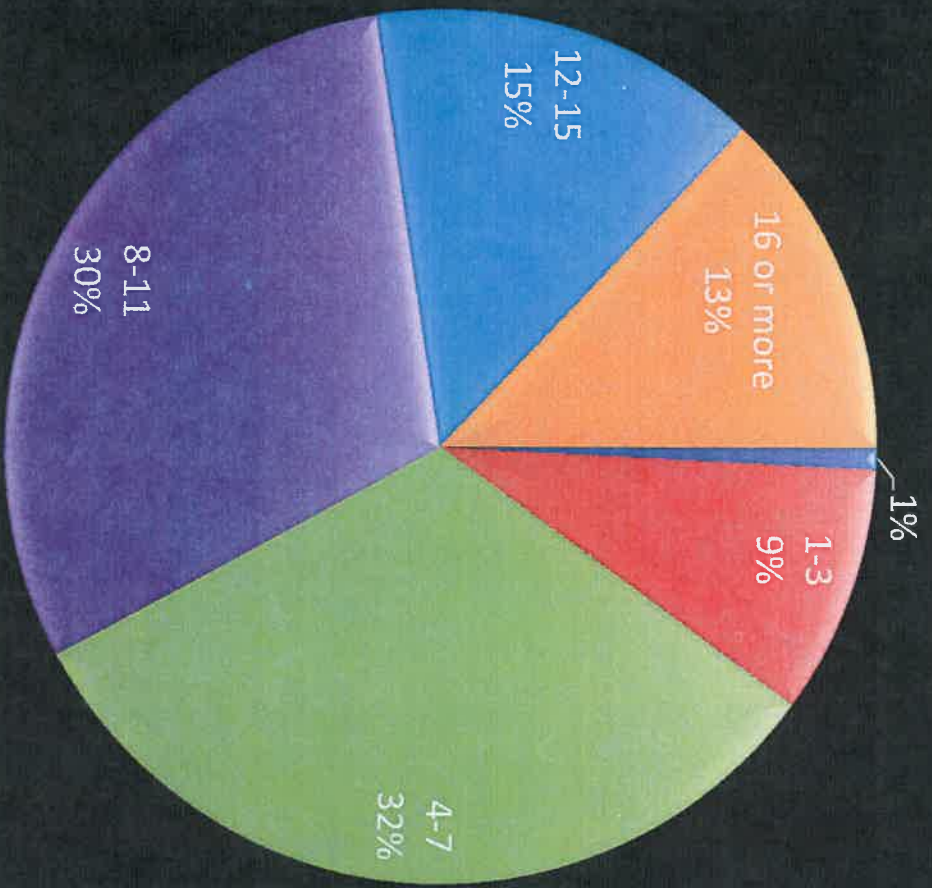
Race/Ethnicity			
	Survey Response	National Average	Index
Race/Ethnicity			
White, non-Hispanic	73.8%	69%	107%
African-American	1.5%	12%	13%
Hispanic	19.8%	13%	153%
Asian or Pacific Islander	2.3%	4%	58%
Other	3.1%	3%	103%

# How many times do you usually play golf each year?

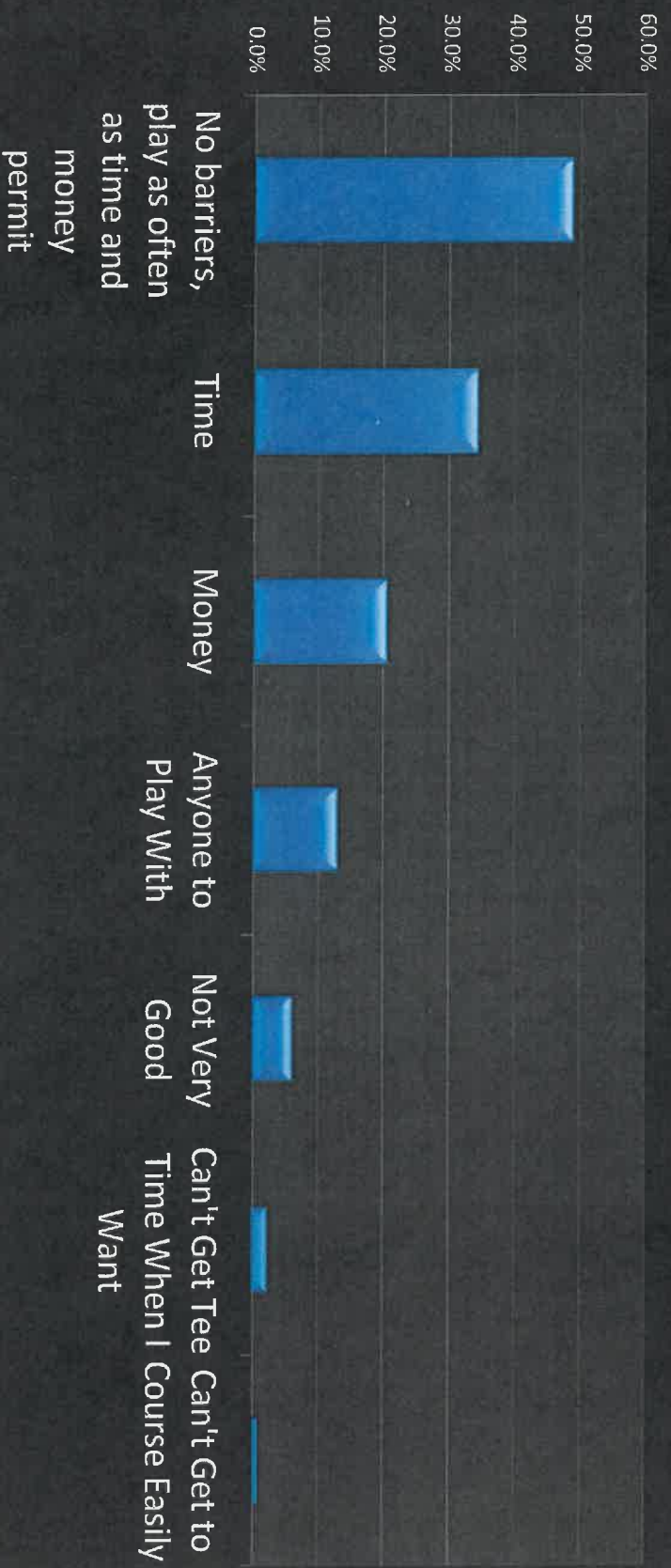


# How many different golf courses have you played in the last 12 months?

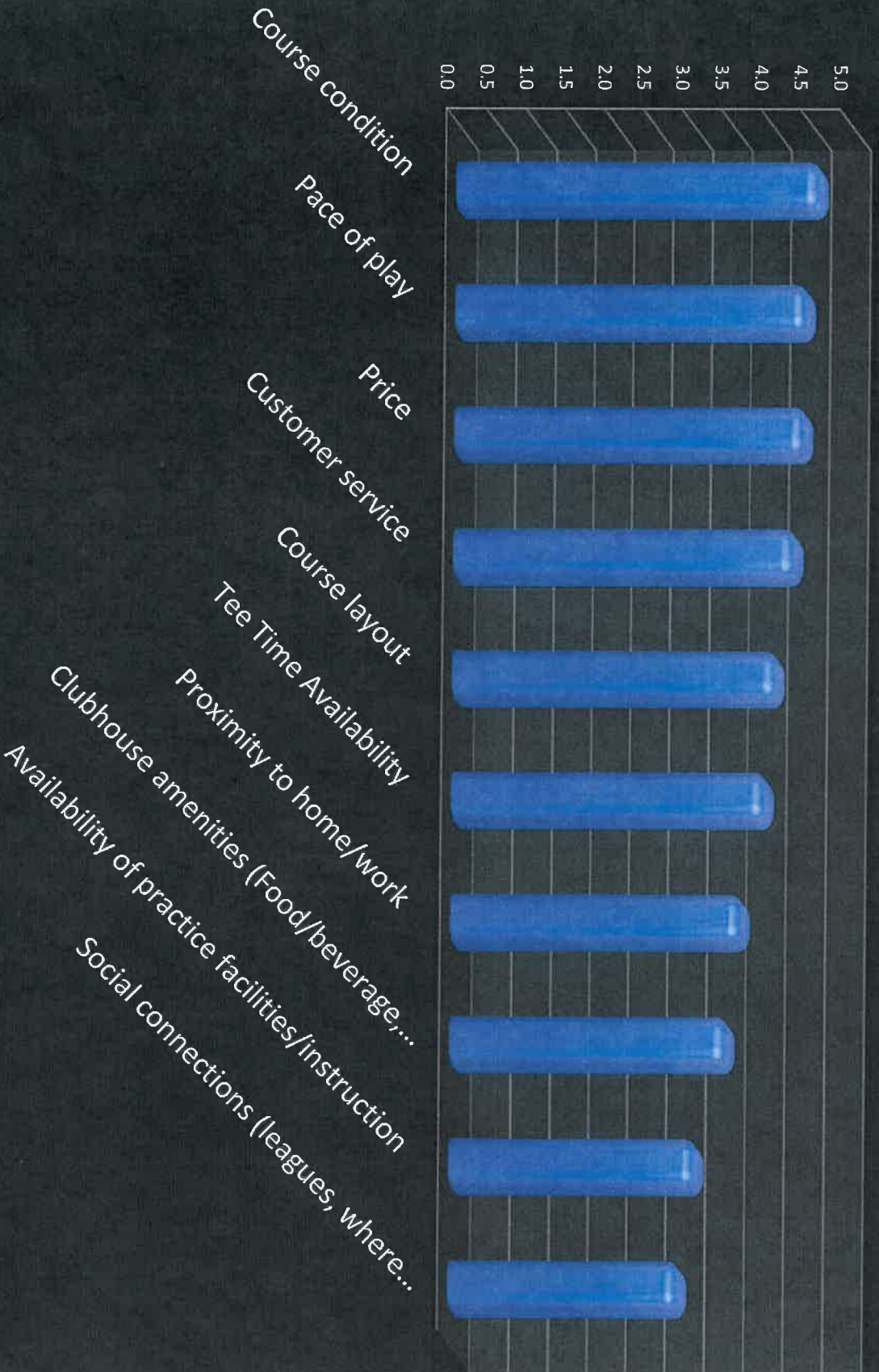
Did Not Play in 2010



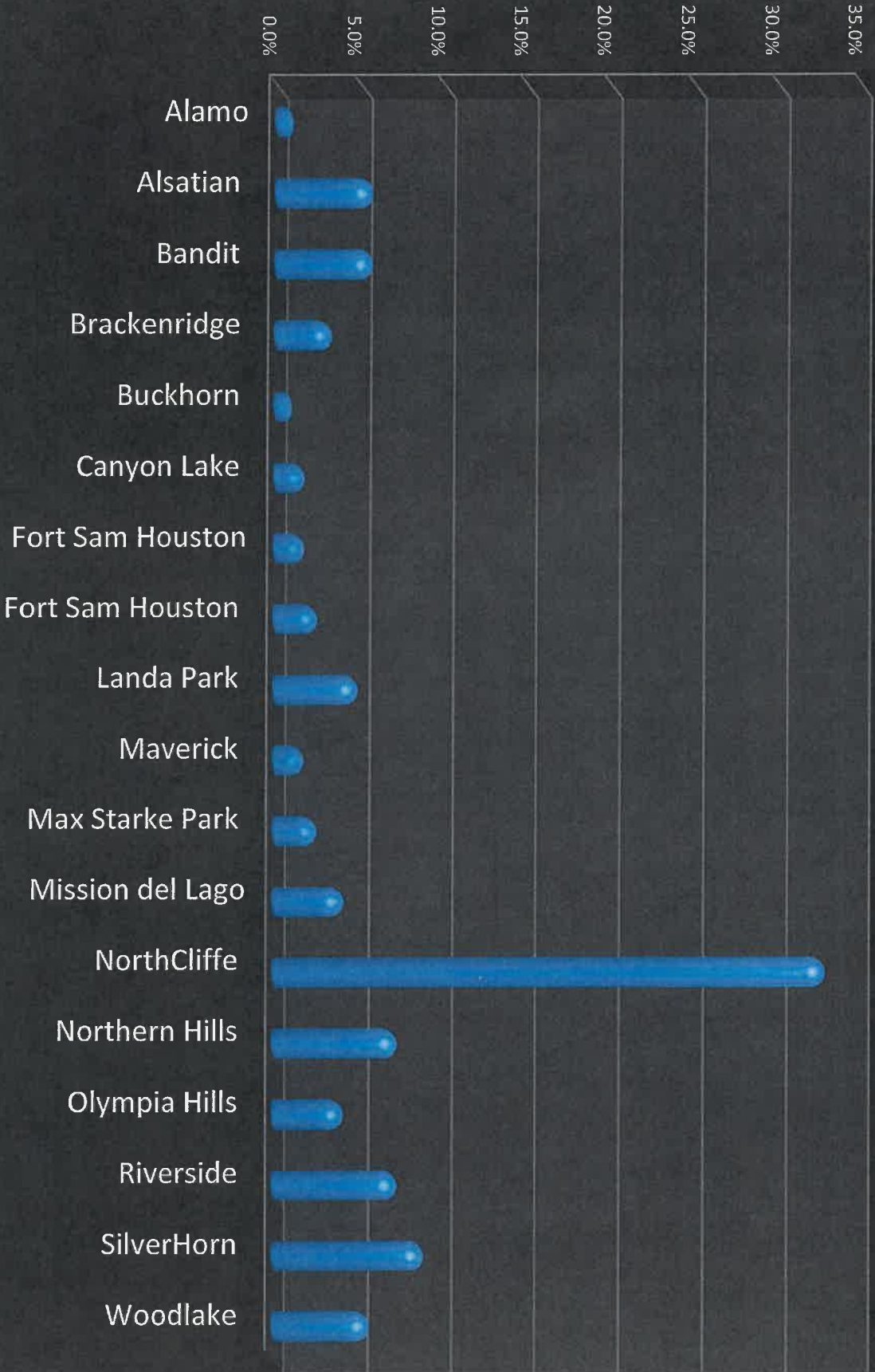
# What are the primary barriers that prevent you from playing golf more often?



# What Factors Are Important in Selection of Golf Course?



# Which Course Do You Play Most Often



# What is Your Favorite Course to Play



## Appendix

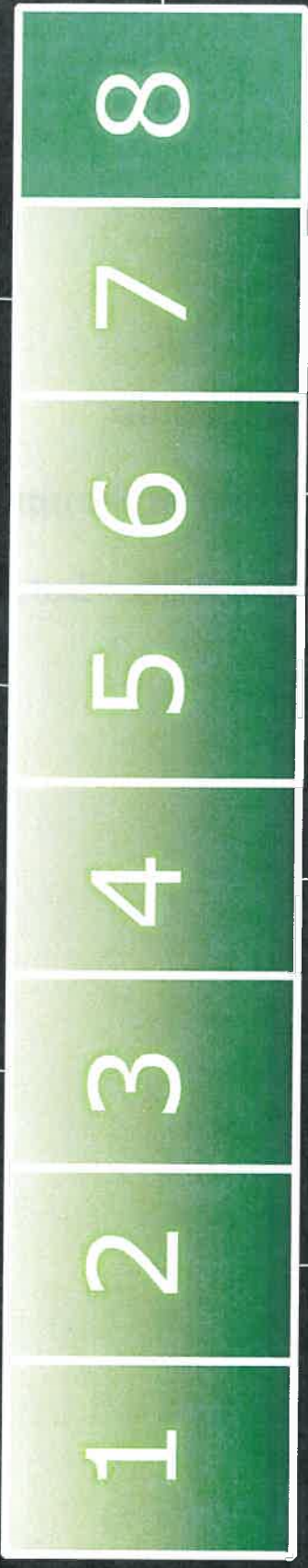
Step 8: Secret Shopper

Northcliffe Golfer Survey

GLMA    Technology    Facilities    Surveys

*Start*

*Finish*



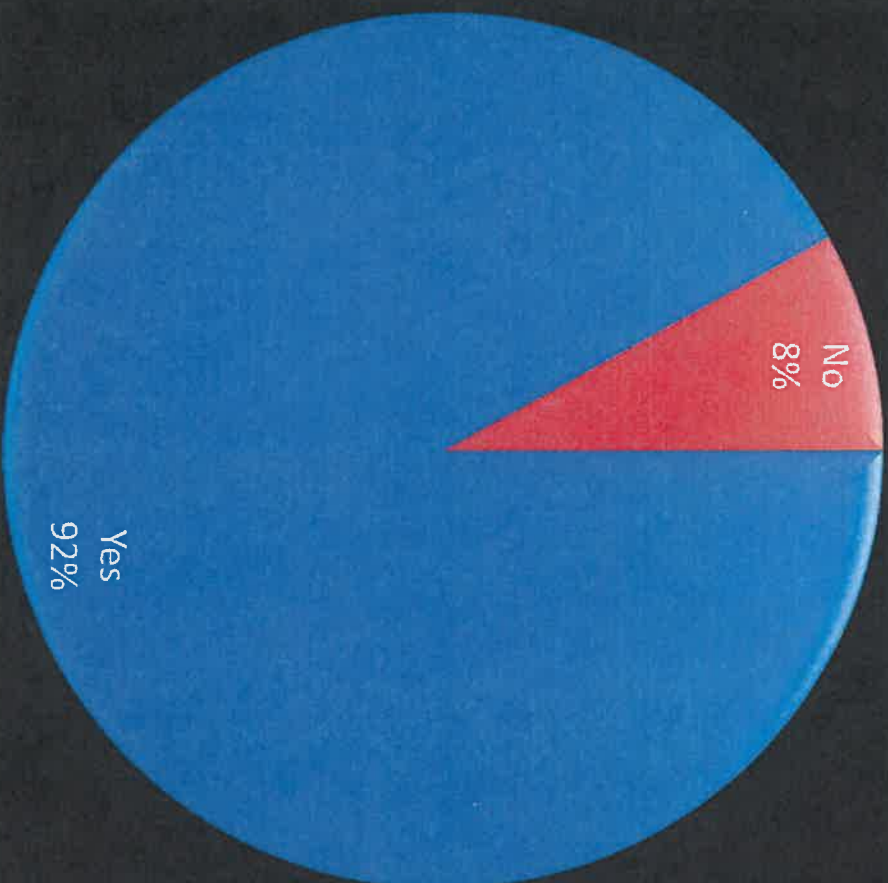
Weather  
Impact

Financial  
Metrics

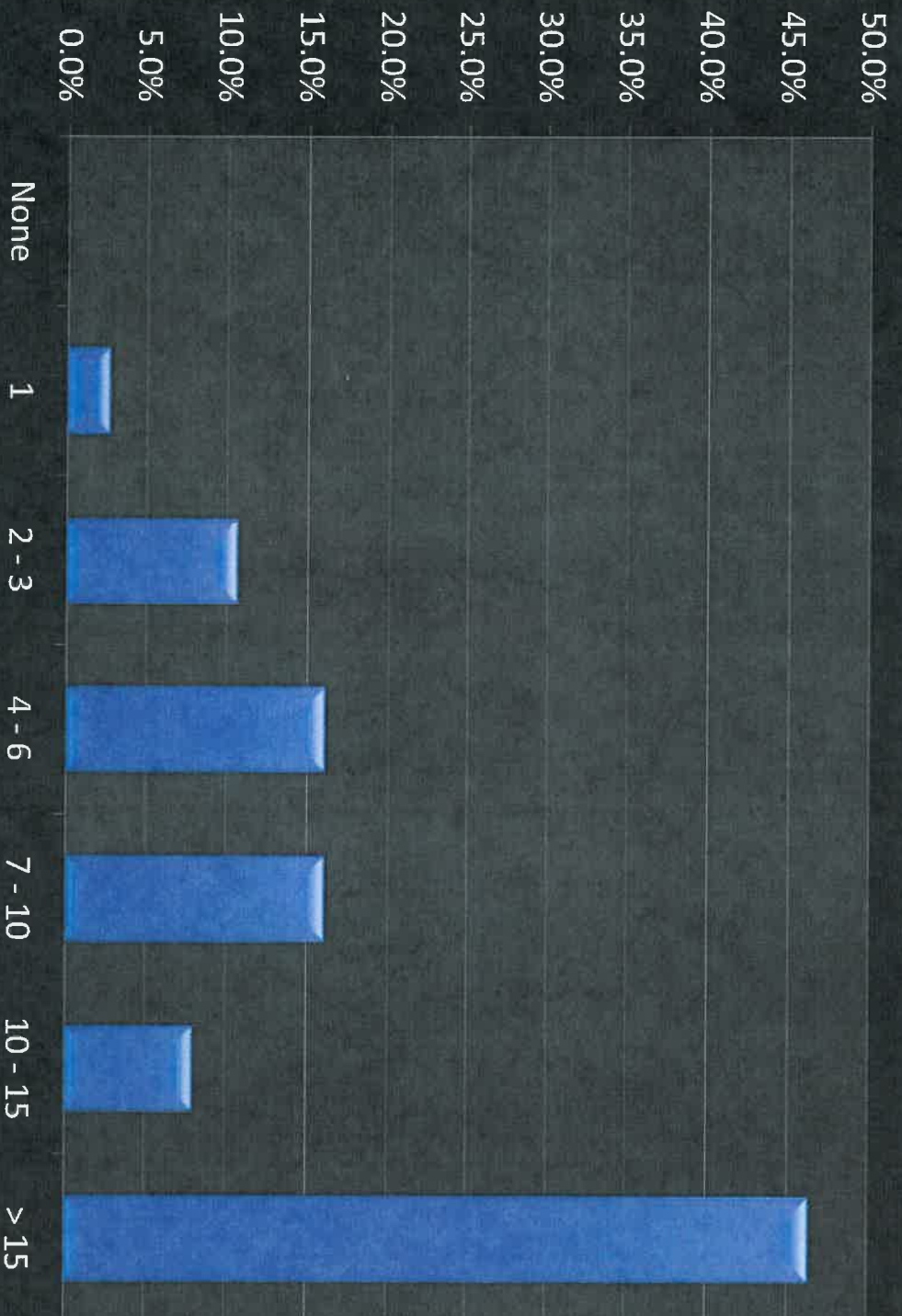
Operations

Loyalty

# Have you played at the NorthCliffe Golf Club in Schertz, TX?



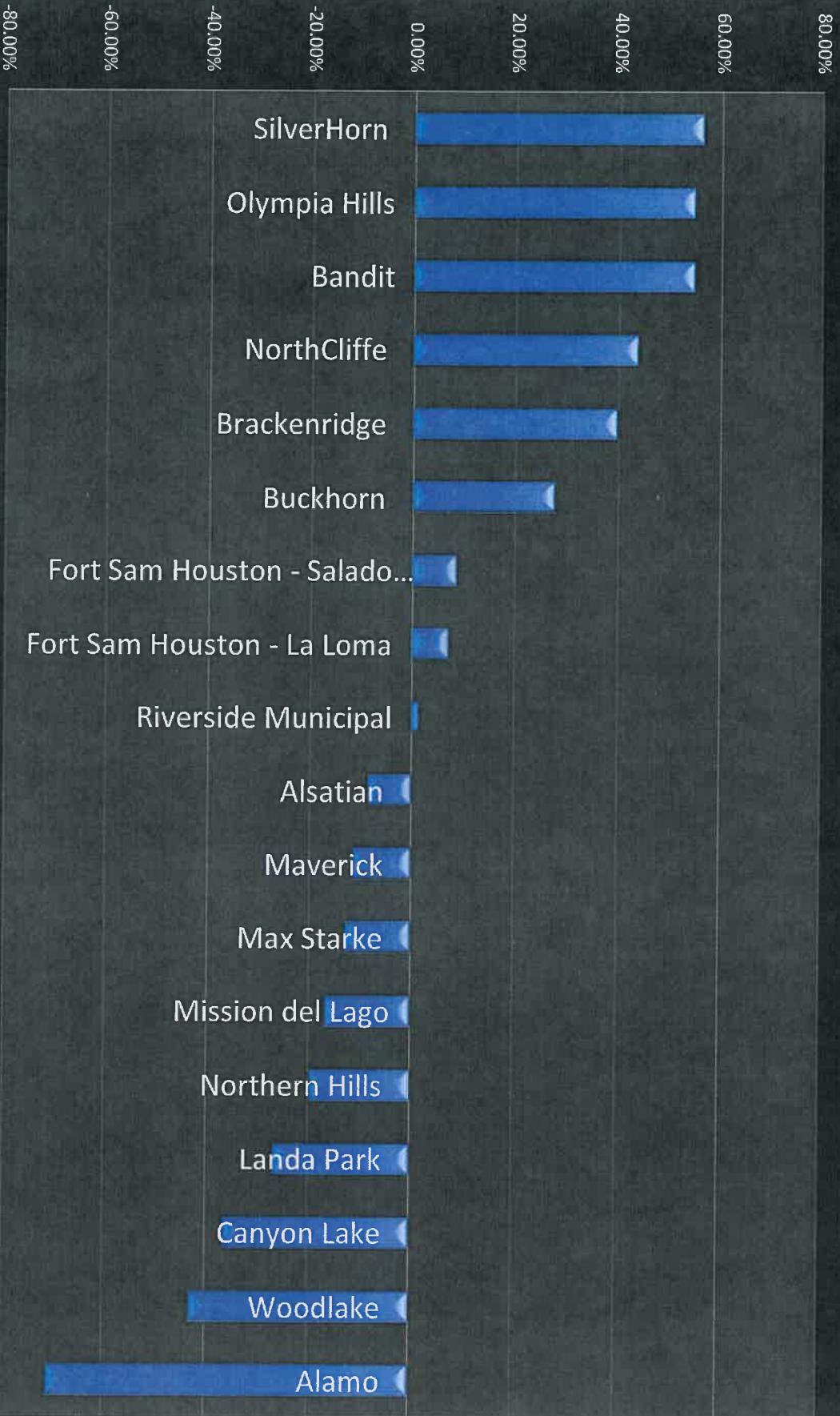
# How many rounds have you played at Northcliffe Golf Club?



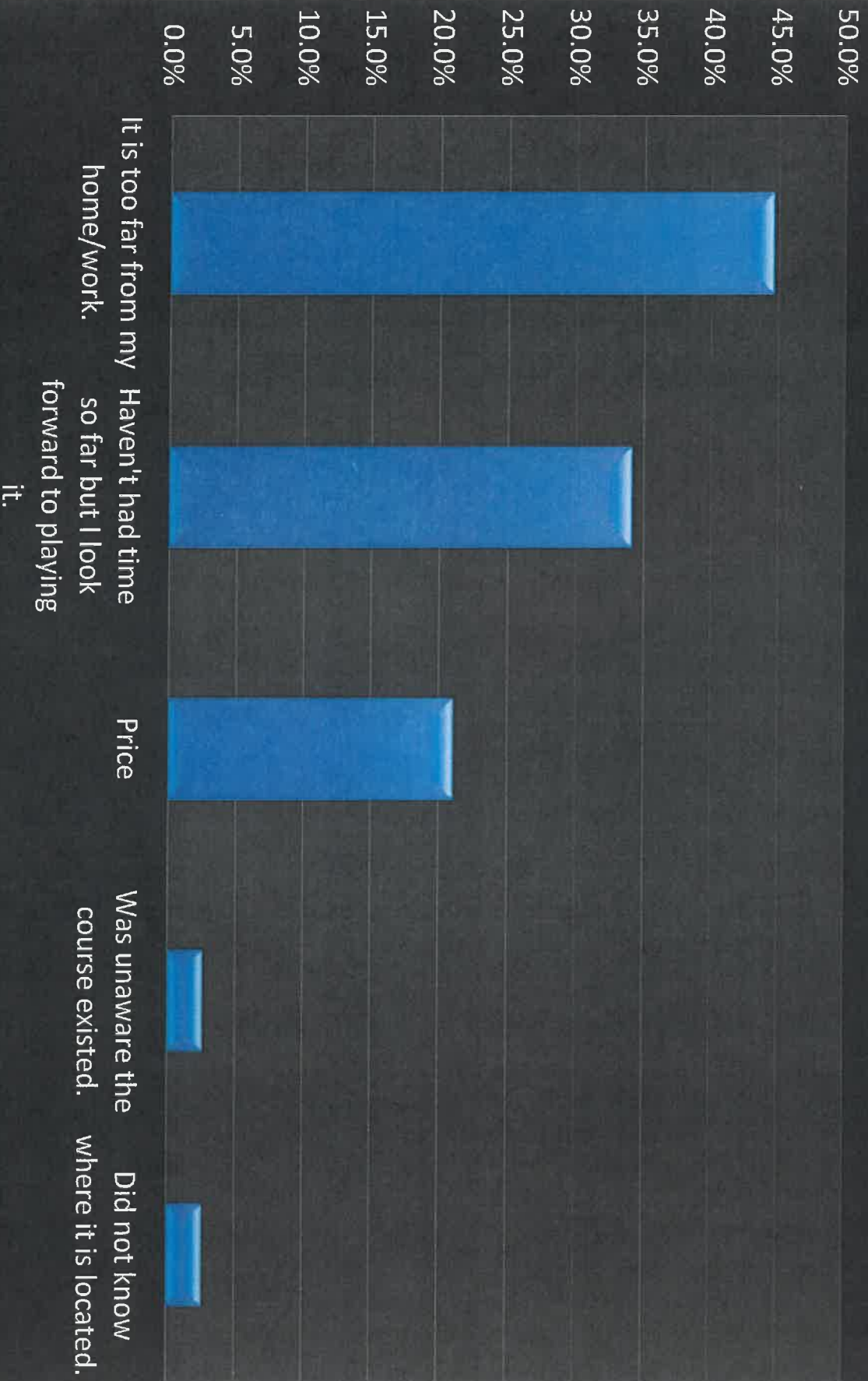
# Rate the Following Aspects of Northcliffe Golf Club



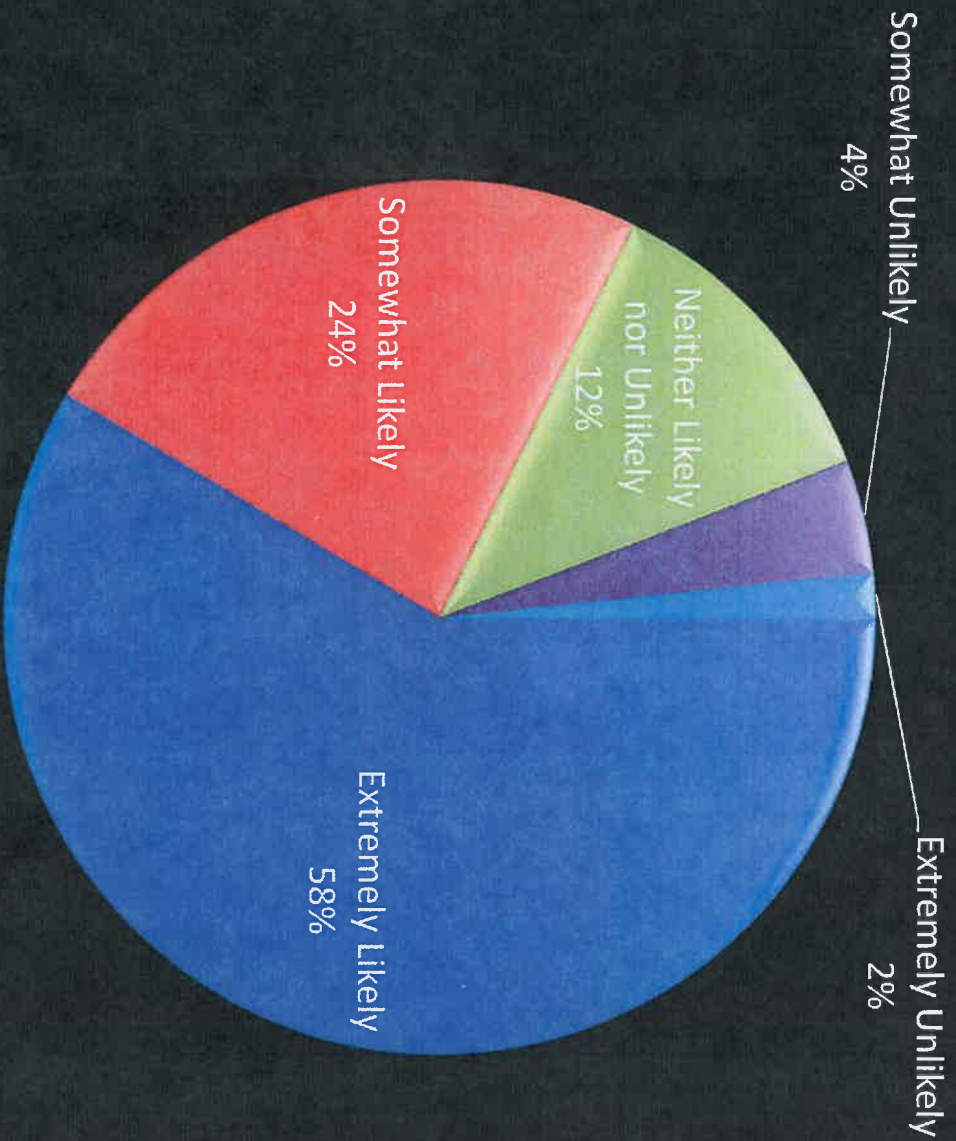
# Customer Loyalty Ranking



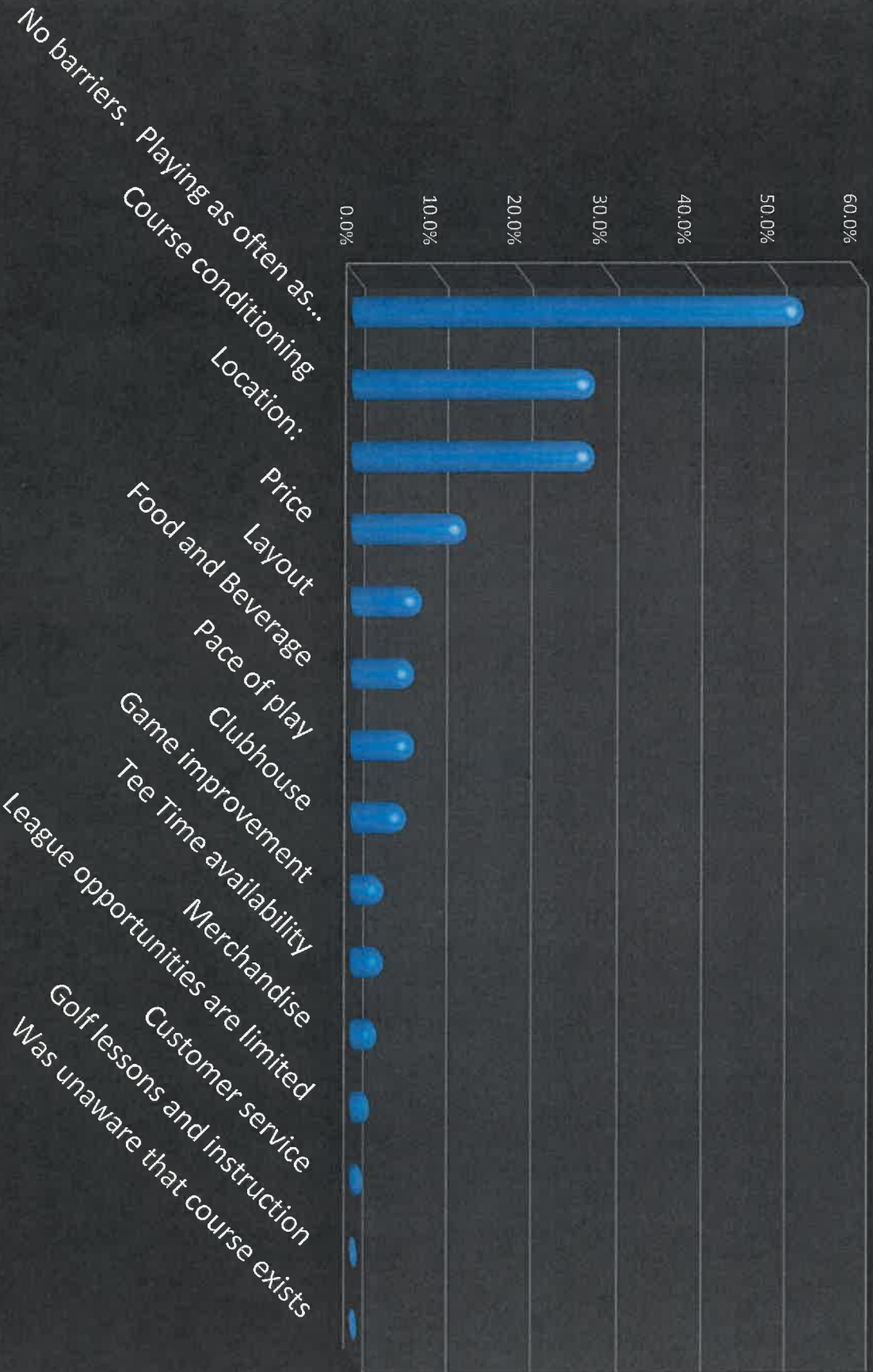
# Why Haven't Your Played NorthCliffe?



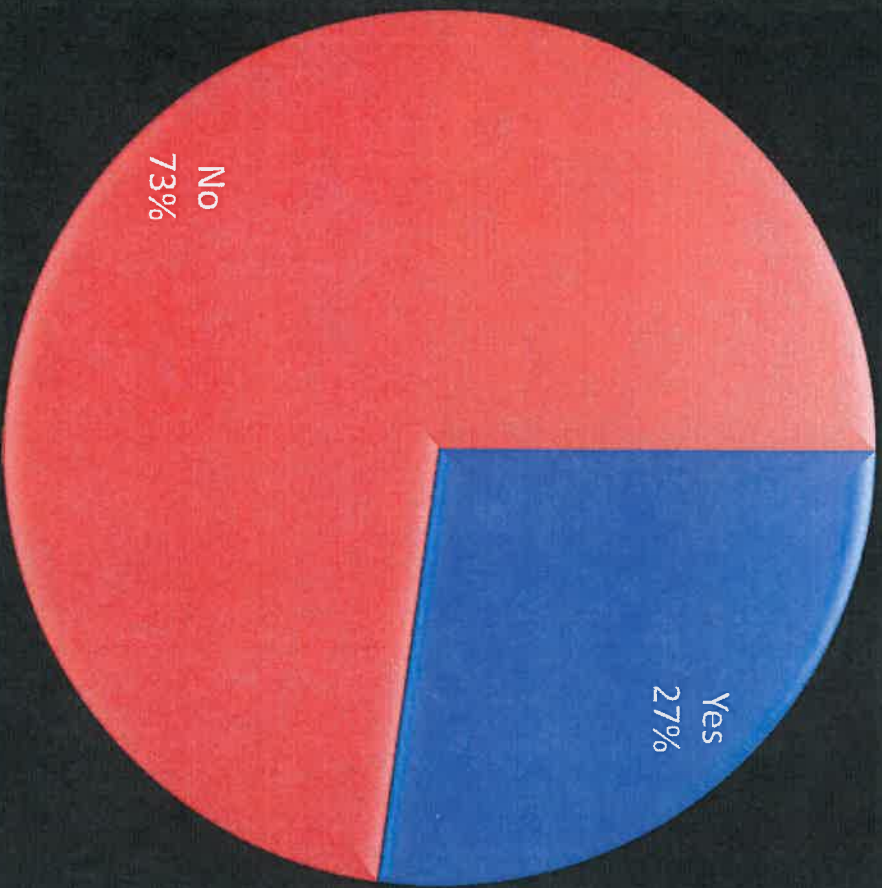
# How likely are you to play golf at NorthCliffe Golf Club in the next 12 months?



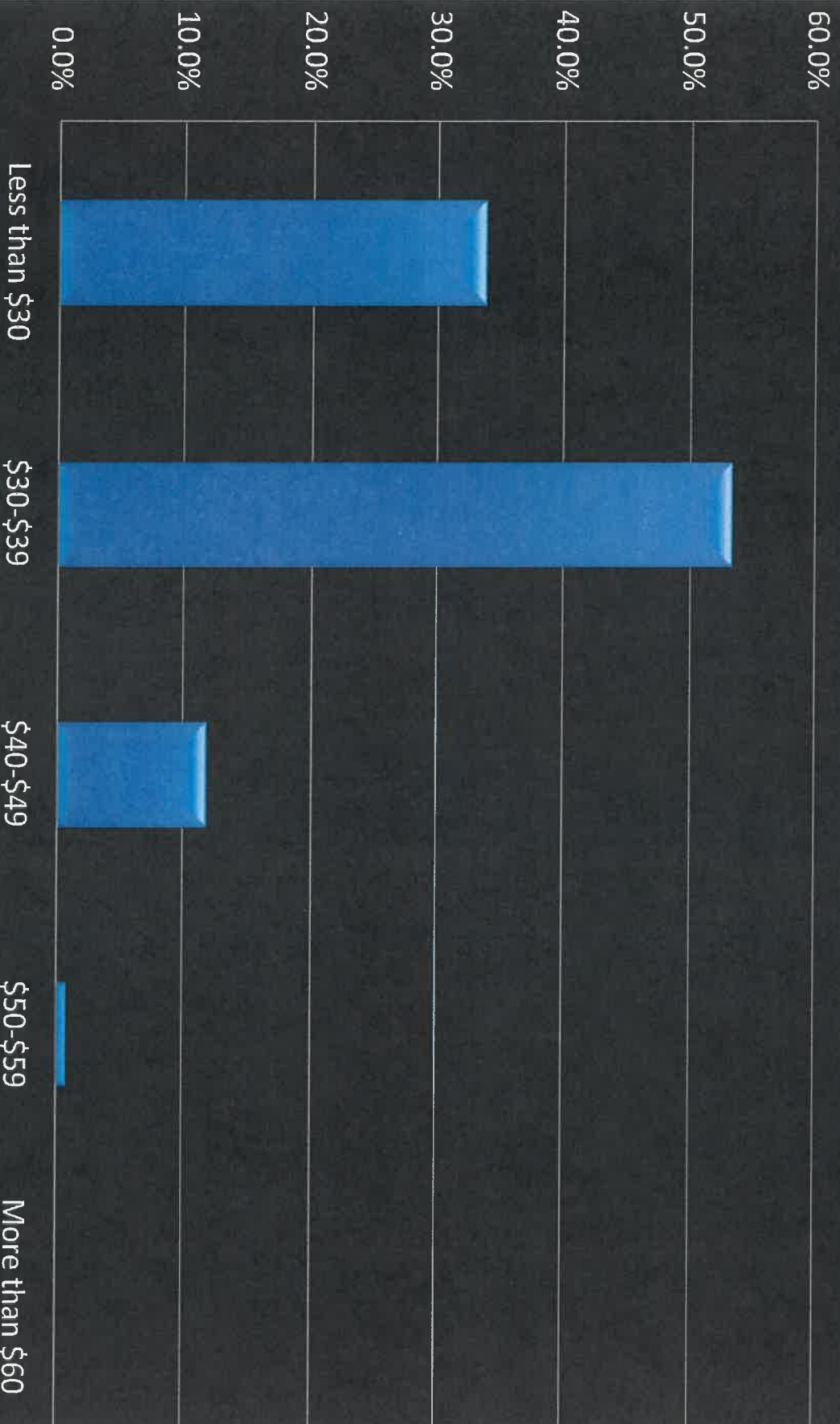
# Primary Barriers to Playing Northcliffe More Often



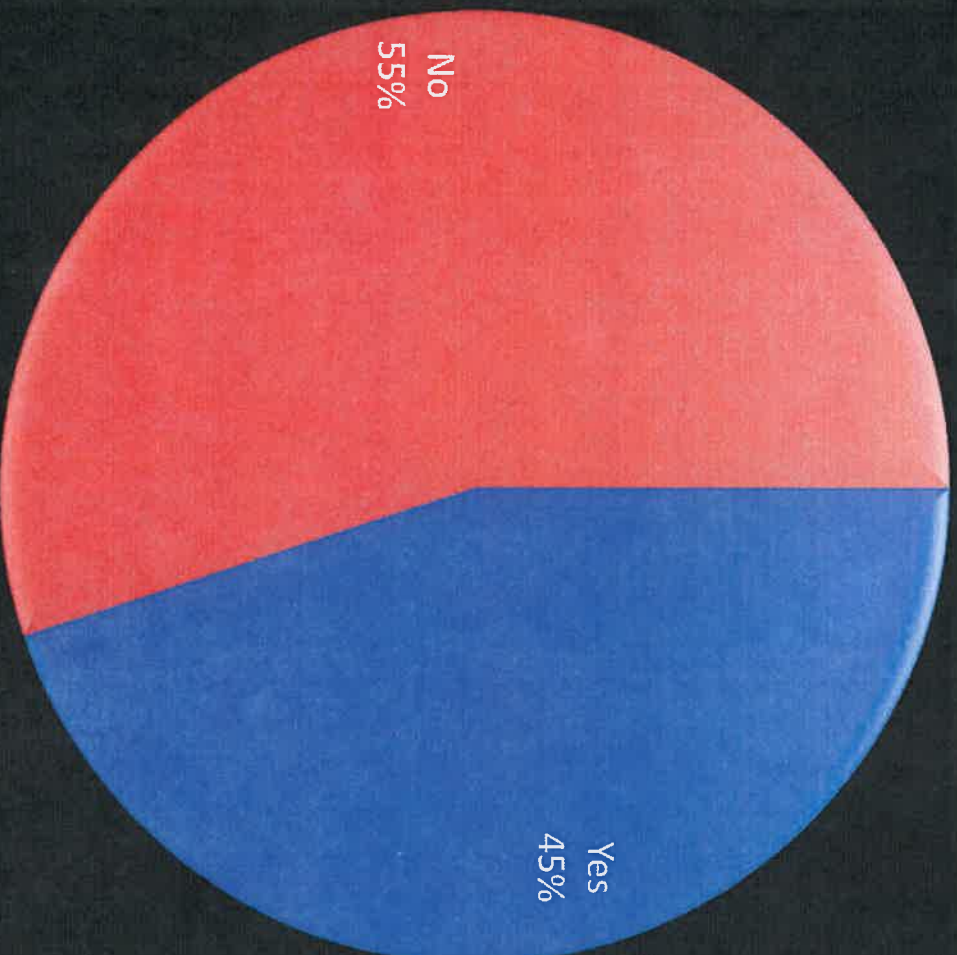
# Do you have any interest in purchasing a monthly membership at NorthCliffe Golf Club?



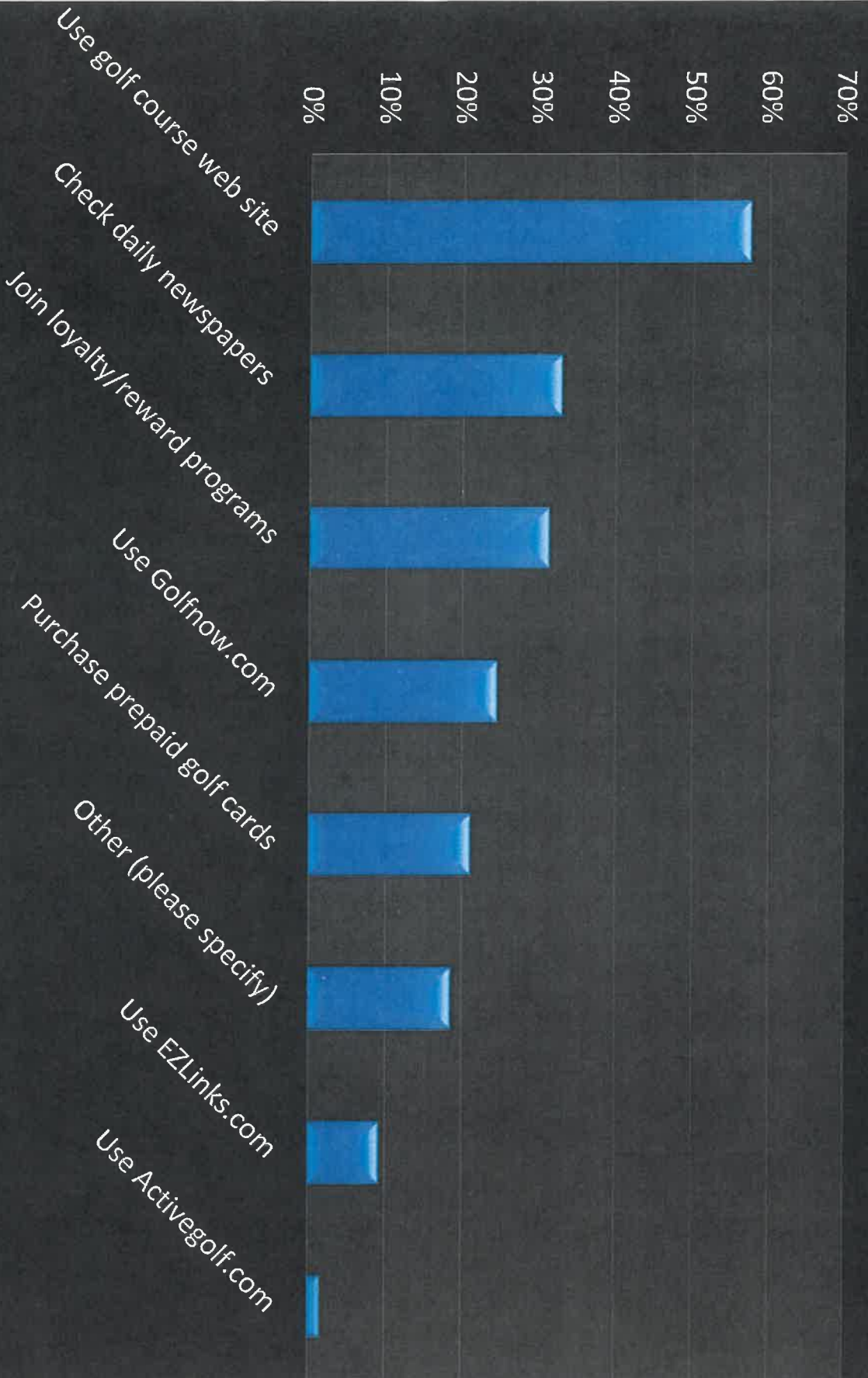
## What is a good value for a weekend golf experience? (18 holes of golf, including cart)



## Do you make tee time reservations on the Internet?



# To Get Special Prices, Where Do You Search



# What Do You Like Most About Northcliffe

1. Close to Home: Location
2. Friendliness
3. Layout
4. Price

## If You Were King, What Would You Change?

1. Conditioning
2. Clubhouse
3. Undertake Renovation



**RESTRICTED APPRAISAL REPORT  
OF  
NORTHCLIFFE GOLF CLUB  
LOCATED  
ALONG THE EAST SIDE OF I-35N  
NORTH OF FM 1103  
WITHIN THE CITY LIMITS OF  
SCHERTZ, TEXAS**

**MAILING ADDRESS  
5301 COUNTRY CLUB DRIVE  
CIBOLO, TEXAS 78108**

**BY**

**FANNING & ASSOCIATES**

---

226 Sanders Road  
Denton, Texas 76210  
(940) 387-7493

# FANNING & ASSOCIATES

---

226 Sanders  
Denton, Texas 76210  
(940) 387-7493

August 22, 2011

Mr. John Colligan, Principal  
Colligan Golf Design  
103 South Mesquite Street  
Arlington, Texas 76010

Re: Valuation Appraisal of Northcliffe Golf Club, Schertz, Texas – within the boundaries of Guadalupe County, and Comal County Texas

Dear Mr. Colligan:

In compliance with your request, we have physically inspected the subject property, researched market data and completed a Valuation Analysis of the above described property. The conclusion of this study is presented in the attached restricted appraisal report. The conclusions herein represent findings and analysis to date.

It should be noted the appraisal is considered a full appraisal but this report is a restricted report that limits use and reliance on this document to the client. Further, it should be noted the report is an abbreviated executive review format and cannot be understood completely without additional information contained in the work files of Fanning and Associates.

The purpose of this study is to estimate the fee simple market value as a going concern of the subject property as of July 27, 2011. Market value is our estimate of what the property would have sold for on this date assuming it had been on the market and actively marketed for the last year and the buyer was fully informed.

The following pages present the conclusions of the study. We will be completing our analysis and a final narrative report will be forthcoming.

Sincerely,



Stephen F. Fanning, MAI, CRE, SGA  
State Certified TX-1320793-G

**RESTRICTED APPRAISAL REPORT**

**OF**

**NORTHCLIFFE GOLF CLUB  
LOCATED  
ALONG THE EAST SIDE OF I-35N  
NORTH OF FM 1103  
WITHIN THE CITY LIMITS OF  
SCHERTZ, TEXAS**

**PREPARED FOR**

**MR. JOHN COLLIGAN  
AS AGENT FOR  
THE CITY OF SCHERTZ, TEXAS**

**DATE OF REPORT  
AUGUST 22, 2011**

**BY**

**STEPHEN F. FANNING, MAI, CRE, SGA  
226 Sanders Road  
Denton, Texas 76210**

**OF**

**FANNING & ASSOCIATES  
Project No. 3-11**

## APPRAISAL PARAMETERS AND CONCLUSIONS

---

<b>PROPERTY TYPE:</b>	Daily Fee Golf Club
<b>PROPERTY NAME:</b>	Northcliffe Golf Club
<b>LOCATION:</b>	The Northcliffe Golf Club is located at 3501 Country Club Drive, Schertz, Texas. The location is along the east side of I-35N, north of FM 1103, about eight miles north of San Antonio.
<b>EFFECTIVE DATE OF APPRAISAL:</b>	July 27, 2011
<b>CURRENT USE:</b>	Golf course
<b>HIGHEST AND BEST USE:</b>	Not applicable since appraised as is as a going concern thus alternatives not considered.
<b>SUBJECT DESCRIPTION:</b>	
<b><i>Golf Course and Improvements:</i></b>	<p>Northcliffe Golf Club is an 18-hole golf course designed to attract mid-range public play. The course was built in 1979 with renovations done in 1992 after ownership changed. The building improvements consist of a clubhouse with cart storage below the main area. The clubhouse consists of a large room that serves as the grill area, dining and pro shop. The building has offices and restrooms. The maintenance barn is a separate building in separate location.</p> <p>The golf cart storage is located on the lower floor of the clubhouse.</p> <p>The total subject site is estimated by the course superintendent Tomas Gonzales to be 147 acres. No survey was available to outline the course boundaries nor the acreage.</p> <p>Northcliffe Golf Club operates as a mid-range daily fee, public access course.</p>

**MARKET VALUE CONCLUSIONS:**

**Interest and Value Appraised:** Fee Simple Market Value of the Club as a going concern, including all FF&E

**Market Value Defined:** "The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress."<sup>1</sup>

**Market Value Conclusion:** \$500,000 to \$1,000,000

**Date of Value:** July 27, 2011<sup>2</sup>

**CLIENT/  
INTENDED USER:** John Colligan as representative for the City of Schertz

**INTENDED USE:** Report is intended only for use by John Colligan (as representative for the City of Schertz) as part of the city's decision-making process regarding the Northcliffe Golf Club. This report is not intended or authorized for any other use.

---

<sup>1</sup> The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, page 122

<sup>2</sup> All values shown in the appraisal report are based on our analysis of the market as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. Since some of the appraisal analysis methods are based on estimates and assumptions, which are inherently subject to uncertainty and variation, depending upon evolving events, we do not present them as results that will actually be achieved in the future

**HYPOTHETICAL  
CONDITIONS:**

None

**EXTRAORDINARY  
ASSUMPTIONS:**

- The total land area of the subject and boundary is based on size reported and boundary lines as drawn by the Superintendent of Northcliffe, Tomas Gonzales on July 27, 2011 during the inspection of the subject.
- Assume cart path between housing to holes is a legal easement that goes with the golf course.
- Assume access drive to maintenance facility is a legal easement that goes with the golf course real estate.

**SCOPE OF WORK:**

- **Property:**  
The property was inspected on the ground. No survey or title policy with a schedule B was available; therefore, all property size and location was based on information from the Golf Course Superintendent, Tomas Gonzales and by observation.

- **Type and Extent of Data Researched:**  
All golf courses in 15 miles were surveyed and most inspected. Demographic data was secured from Alamo Area Council of Governments and commercial data source; sales data was from tax offices, and people knowledgeable about golf course sales in Texas.

Expense data came from SGA Survey and data from specific courses in appraiser's file.

- **Type and Extent of Analysis Applied:**  
A Level "C"<sup>3</sup> market /marketability study was completed and the sales and income approach were completed. Sales included a detail comparative rating and the income approach was based on a detailed 10-year discounted cash flow. Revenue inputs came from the market/ marketability study and expenses were based on comparable golf course expenses. The subject historical actual data was not available and/or in a form that was impractical to reconstruct.

---

<sup>3</sup> Stephen F. Fanning, *Market Analysis For Real Estate: Concepts and Applications in Valuation and Highest and Best Use*, Appraisal Institute, 2005, Chapter 2

## EXECUTIVE SUMMARY OF APPRAISAL ANALYSIS

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The following presents an executive summary of the appraisal analysis.

### MARKET/MARKETABILITY ANALYSIS

#### *Northcliffe Golf Club Property Analysis*

The following table shows a summary of the property analysis. The biggest issue is condition of the course and age of major components. The irrigation system was reported by the owner to have been replaced seven years ago; however, the greens, cart path and fairways are in need of upgrade.

The property rating summary shows the subject as 24% inferior to the typical competition in this market. This is a relative number which just means the subject is slightly inferior.

Northcliffe G.C.- RATING COMPARED TO TYPICAL COMPETITION IN MARKET AREA								
Item #	Sub-rate-> (rate factors by inserting "x")	Inferior			Typical	Superior		
		High	Mod.	Slight	(Avg.)	Slight	Mod.	High
<b>SITE</b>								
1	Size				X			
2	Drainage(Overall Property)			X				
3	Access To Course			X				
4	Visibility (Drive By Appeal)						X	
5	Complementary Adjacent Land Uses				X			
<b>COURSE CONDITION</b>								
6	Fairways ( Turf and surface)	X						
7	Greens ( Turf and Surface)		X					
8	Tees ( Turf and Surface)	X						
9	Bunker Condition (Sand depth,compaction,drainage etc.)		X					
10	Course Improvements Amount/ Condition (cart paths, restrooms, etc.)		X					
11	Interior Areas (stream banks, rough, areas between holes, etc.)	X						
12	Condition of Landscaping Areas	X						
13	Water Quality & Quantity	X						
<b>COURSE DESIGN &amp; LAYOUT</b>								
14	Varied Hole Design					X		
15	Memorability					X		
16	Fairways and greens defined					X		
17	Aesthetics/natural Features				X			
18	Varied Topography				X			
19	Water Features (number, integrated with course design, etc.)				X			
20	Green Design (size, contours, etc.)					X		
21	Number, Depth and Type of Bunkers				X			
22	Walkability					X		
23	Overall Playability				X			
24	Buffer from Adjacent Land Use (secluded golf experience)			X				
25	Quality/Adequacy of On Course Facilities (restrooms, halfway house etc.)		X					
26	Quality/Adequacy of Practice Facilities/Driving Range				X			
<b>BUILDING &amp; OTHER FEATURES</b>								
27	Condition of Clubhouse Facilities				X			
28	Quality/ Appearance of Club House Facilities		X					
29	Quality/ Adequacy of Meeting Facilities		X					
30	Quality/ Adequacy of Pro Shop			X				
31	Quality/ Adequacy of Restaurant		X					
32	Quality/ Adequacy of Amenity Facilities (tennis, swimming etc.)				X			
33	Multi-functional Capabilities of facilities		X					
<b>MARKETING FEATURES</b>								
34	Image of Course	X						
35	Major Tournaments Played		X					
36	Services Provided			X				
37	Highly Rated Course by Recognized Source	X						
<b>LEGAL &amp; OTHER</b>								
38	Zoning/Deed Restrictions				X			
39	Easements Across Property				X			
<b>RATING CONCLUSIONS</b>								
	Total Per Category	7	9	5	12	5	1	0
	Times Category Score	1	2	3	4	5	6	7
	Total Category Score	7	18	15	48	25	6	0
	Total Subject Score	119						
	Percentage Above or (below) Average Course in Market	-24%						

## LOCATION ANALYSIS

### *Location Characteristics That Are Positive for Golf Course Use*

- Comparatively few Competitive golf courses in five miles. The subject is a moderate-income type course and the other two courses in close proximity cater to a little higher income category.
- Moderate population growth forecast for next 20+ years in the area.

### *Location Characteristics That Are Negative to Golf Course use*

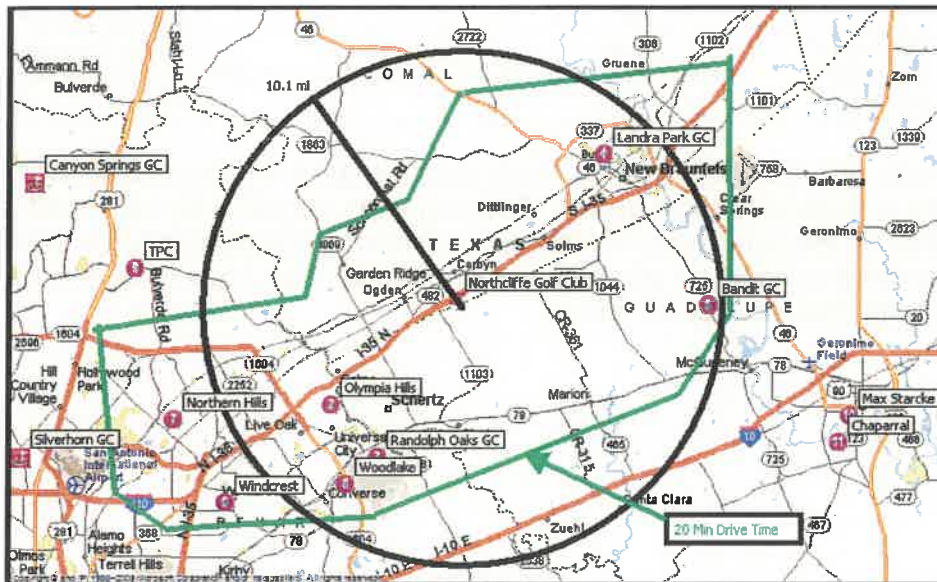
- Most new higher income growth is to the west and northwest of San Antonio.
- Current image of northeast and particularly east San Antonio is blue collar area.
- Income of nearby households are below desired levels for higher end daily fee golf.

## MARKET ANALYSIS

### *Northcliffe Golf Club Primary Market Area*

The membership roster for Northcliffe was analyzed, and it was found that about 78% of the current members live within about a 5-mile radius to the south and southeast from the club.

The primary market area for the subject was determined to be about a 20-minute drive time. That area is shown in green on the map below, along with the golf courses in the area.



**Current Market Conditions**

All golf courses within 15 miles of the subject were surveyed. The following shows rounds trends of courses in the market area where the last two years of rounds data were available.

Golf Rounds Trends of Competitive Courses in Market Area								
Map ID #	Dist	Name of Course	Date Built	Type of Course	2010 Rounds	2009 Rounds	Golf Rounds Trend	Comment
1	Subj	Northcliffe Golf Club	1978	Mid Range DF	30,000	UK		Poor condition fairways, greens fair; good green complex design.
2	6.2	Olympia Hills Golf & Conference Center	2000	High End DF	40,907	45,783	<b>-4,876</b>	Dining room. Course in very good condition, hilly and treed for first 13 holes. Large patio for tournaments. Eff. green fee \$23.88 (green fee+ cart/ rounds)
3	7.8	Randolph Oaks Golf Course	1948	Mid Range Prvt.	30,000	35,000	<b>-5,000</b>	Private for military personnel only.
4	8.3	Landa Park Golf Course	1938	Mid Range DF	38,000	48,000	<b>-10,000</b>	Current yr. est. 43,000 rounds. Tourist play from adj. park, condition avg. Grill and dining room area with large patio for tournaments.
5	9.8	The Bandit Golf Club	1997	High End DF	30,000	32,000	<b>-2,000</b>	2011 rounds trend 33,000. Good condition, good design, grill and tournament patio.
10	16.1	Max Starke Park Golf Course	1936	Low End DF	25,236	28,326	<b>-3,090</b>	19,670 rounds in 2011 with 3 months remaining in the fiscal year.

Overall, golf rounds played are down over the last two years but show some signs of leveling to slight growth. The long term outlook is for continued growth in rounds as the population increases, but given the competition, area household incomes and moderate growth rate the green fees will have to be competitively priced in order to capture rounds.

**Future Demand For Golf Rounds In Primary Market Area**

Future golf demand was analyzed by three methods - affordability, rounds per capita and core market area (zip code 78108). The following shows the conclusions by one method. The rounds per capita method forecast the market area would increase demand by about 3,700 rounds per year on average at the mid range population forecast. The next part is how much of this market can the subject capture.

<b>Market Area Rounds Demand by Per Capita Method Mid Range Forecast</b>		
<b>Year</b>	<b>2010</b>	<b>2020</b>
Population- Mid Range Forecast 20-Min Drive Time - Based on Average Increase Per Year	269,704	324,704
Rounds Per Capita	0.90	0.90
Total Golf Rounds Demand	242,734	292,234
% Mid Priced Market Segment	75%	75%
Rounds Demand for Mid Priced Segment	182,050	219,175
Average New Demand Per Year For Mid Priced Segment		3,713

**Subject Market Penetration Estimate**

The subject was rated on a factor by factor basis with the competitive courses, and according to the rating should be capturing 16% of the market, but in fact it was capturing 17.5% of the market. Thus the subject actual is used as the basis of the rounds forecast as will be applied in the valuation discounted cash flow analysis.

<b>Rounds Estimate - Mid Level Forecast</b>			
	<b>2010</b>	<b>2020</b>	<b>Comment</b>
Primary Market Rounds Demand for Low Mid Priced Golf	182,000	219,000	Average of two demand models conclusions (rounded)
Capture Rate	17.5%	17%	Based on rating 16% rounded down
Northcliffe Rounds Forecast	31,850	37,230	
Average Increase Per year		538	

This capture amount assumes population growth as projected, no new golf course built in the primary market area during the forecast period, and Northcliffe maintenance/course upgrade equal to competition, competitive green fees and competitive marketing program.

### Competitive Green Fee to Realize Rounds Capture

The subject green fees will have to be competitive to realize the previous capture. The following shows the low/mid level courses in this market competing for the subject rounds. The weighted average quoted rate (wt. between weekday and weekend rate) is \$35; however, the market is discounting significantly. For example Landa Park is discounting 43% from asking price, so the actual effective average green fee (including cart) is about \$20 to \$23 in this market for low/moderate courses. The subject was rated against competition and its competitive rating score ranked third out of five courses competing for the low/moderate round. The following table shows the subject green fee estimate based on competitive green fees in the area.

Competitive Quoted Green Fee Rating Analysis					
ID #	Course	Wt. Quoted Green Fee	Competitive Ranking Score (See M/M Section)	% Difference in Score (comp to subject)	Indicated Subject Green Fee As Adjusted
Subject	Subject (Northcliffe)		238		
3	Randolph	\$35.68	285	16%	\$29.80
4	Landa Park	\$36.38	234	-2%	\$37.00
7	Northern Hills	\$38.68	278	14%	\$33.11
8	Woodlake	\$29.60	284	16%	\$24.81
	<b>Averages</b>	\$35.09			\$31.18
<b>Market Discount %</b>					<b>30%</b>
<b>Estimated Northcliffe Effective Rate</b>					<b>\$21.83</b>

### Ceiling Green Fee

In addition to the low/mid level courses that are directly competitive, this market has two upscale courses - The Bandit and close by Olympia Hills. Currently these courses market segment are slightly above the subject. However, this can change if they reduce green fees which may be happening. Thus they can tend to set the ceiling for green fees since their discounting makes them dip into the moderate priced course range like the subject. The following shows Olympia Hills actual for 2010. Of particular note is the current steep discounting (41%).

Olympia Hills - 2010			
	Quoted Green Fee	% Play	Weight
Weekday	\$ 35.00	54%	\$18.90
Weekend	\$54.00	46%	\$ 24.84
Weighted Avg. Green Fee			\$ 43.74
Actual Effective Rate is			\$26.00
<b>Discount</b>			<b>41%</b>

***Northcliffe 2011 Market Competitive Effective Green Fee Conclusions  
Utilized in the Pro Forma Cash Flow***

The conclusion is Northcliffe has a \$22.00 to \$25.00 market effective green fee for 2011 (net of F&B and Pro Shop but including cart). The lower end of the range is anticipated for next couple of years until the course deferred maintenance is improved up to more competitive position in the market.

### **Measuring the Value of the Property**

The property valuation models of most significance are the sales comparison approach and the income approach.

### **Measuring Value by Sales Comparison Approach**

The sales comparison analyzed 10 sales from all over the state of poorly performing golf courses. Most had negative cash flow at time of purchase. Of particular interest was the one sale and two pending contracts in the San Antonio market for lower end courses like the subject shown in the following table.

The subject is like these courses. All of these properties are underperforming properties. Plum Creek and Hawk had negative cash flow. None of the courses have any great upside; however this shows there is a market for these types of courses.

<b>San Antonio Area – Golf Course Sale Data</b>								
<b>ID #</b>	<b>Course\Location</b>	<b>Type</b>	<b>Year Built</b>	<b>Sale Date</b>	<b>Sale Price</b>	<b>No. of Holes</b>	<b>Sale Price Per Hole</b>	<b>Gross Revenue Multiplier</b>
1	Plum Creek Golf Club, Kyle Texas	Mid Range Daily Fee	1999	Mar 2, 2011	\$800,000 (net- actual was \$1.1M but included excess land)	18	\$44,444	0.88
2	Woodlake Golf Club San Antonio, Texas	Mid Range Semi-Private	1972	Pending Contract	\$1,100,000	18	\$61,111	1.45
3	The Hawk at Rebecca Creek Spring, Texas	Mid Range Daily Fee	1975	Pending Contract	\$1,000,000	18	\$55,556	0.90
	Averages						53,704	1.08

### ***Income Approach To Value***

The income approach analyzed by discounted cash flow analysis (DCF). This involved a 10-year forecasted pro forma based on market expenses required to keep the course at least in the moderate daily fee type market segment.

The major variable was how much additional after purchase the typical buyer would put into a course that has not been maintained at a normal level and the basic course infrastructure is in poor condition. The DCF is based on estimate that the typical buyer would phase in improvements or secure a loan for a more comprehensive approach.

The DCF included the high end, mid range and low end of the rounds increase forecast. The cash flow was negative for at least five years on the mid range DCF analysis.

The value indicated by the DCF was much lower than indicated value by the sales comparison approach. The DCF results for the low end forecast were negative value and the mid range and high range were positive value but below \$500,000.

### ***Market Value Opinion of Northcliffe Golf Course***

Market value is hypothetical estimate of the most probable price a knowledgeable buyer would pay for the property as of the effective date after the property had been actively marketed for the preceding year.

Based on the data analyzed to date the market value of the Northcliffe Golf Course as a Going Concern as of July 27, 2011 is estimated to be \$500,000 to \$1,000,000.

### ***Factors Most Critical To Value***

1. Green fees will have to be very competitive because of the number of current courses in this market and the moderate demand fundamentals of the subject primary market area. The DCF pro forma analysis forecast showed this trend with very competitive green fees in early years with slow increase as the course condition catches up to the competition and the population growth continues to increase as forecast.
  
2. The course has had minimal maintenance and has deferred regular capital replacement and correction items such as greens, cart paths and rub board fairway issues. Even to maintain the course in the lower tier market segment will require a higher regular maintenance program, and some level of a phased plan to upgrade the basic backbone of the course. The forecast pro forma rounds and green fees are based on this happening in the future.
  
3. The forecast subject capture of market demand is based on the assessment that no new construction would enter the market. This is a reasonable expectation since the market area green fees are too low for new stand alone golf and the other forces that create demand to build new golf course, like amenity for subdivision, are weak. The housing market in general and the demographics of this area are not conducive to new construction of golf courses for some time.
  
4. The subject is expected to have a negative cash flow for a number of years in the future. Thus, the current market value is dependent on the buy/sell market which has shown a propensity to buy golf courses even if a negative cash flow is expected for some time in the future.

**A.**

**CERTIFICATION**

We certify that, to the best of our knowledge and belief,...

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, professional analyses, opinions, and conclusions.
- In compliance with the ethics rules of USPAP, we certify that this appraiser has no present or prospective interest in the property that is the subject of this report or parties involved, and has not performed any services regarding the subject property within the 3-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results; and was not based on requested minimum valuation, a specific valuation, or the approval of a loan.
- our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Stephen F. Fanning is currently certified under the voluntary continuing education program of the Appraisal Institute.
- Stephen F. Fanning has made personal inspection of the property that is the subject of this report.
- no one other than the signatories provided significant professional assistance on this report.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.



Stephen F. Fanning, MAI, CRE, AICP  
State Certified TX-1320793-G

## **B. BASIC ASSUMPTIONS AND LIMITING CONDITIONS**

This report, letter of transmittal and certification are made expressly subject to the following assumptions and limiting conditions. If client accepts or uses this appraisal study, he/she is accepting all assumptions and limiting conditions:

### **1. Limitations of Appraisal**

#### **Appraisal is Not a Survey**

We do not certify to easements, minerals, encroachments, deed restrictions, etc., and for this appraisal they are assumed to have no significant effect on value unless specifically stated otherwise in this report.

The legal description furnished is assumed to be correct. We have made no survey of the property and assume no responsibility in connection with boundaries, encroachments, and other such matters.

The sketches in this report are approximations unless specified otherwise and are included only to assist the reader in visualizing the property. Dimensions and descriptions are based on public records or information furnished by others and are not meant to be used as references in matters of survey.

#### **Appraisal is Not a Legal Opinion**

The purpose of an appraisal is to study and estimate a probable value for the subject and not to make legal determination. Therefore, no responsibility is assumed for matters of legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimate is given without regard to any questions of title, boundaries, encumbrances, or encroachments.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

It is assumed that all required zoning, licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. The appraisal is not to be construed as a certification of zoning or other similar license for legal rights as to the property use.

As appraiser/analysts and not tax attorneys, we do not certify as to the tax impact as the data presented herein was utilized for analysis purposes only. The investor is advised to consult a tax attorney and his personal CPA, for final tax considerations.

#### **Appraisal is not an Engineering Report**

In estimating market value, the appraiser is essentially acting as a well-informed buyer or seller, NOT as an expert trained to determine specialized property conditions such as problems with foundation, subsoil, equipment or the existence of environmental hazards or implications of such value-influencing factors on market value.

Therefore, because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, an appraiser does not guarantee the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, hazardous material or any other similar specialized property conditions. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

Thus in summary, the appraisal inspection is limited to read like apparent visible conditions. Therefore, unless specifically stated otherwise in this report, the appraisal process assumes that there are no hidden or unapparent conditions of the property, sub-soil, equipment, structures, hazardous material, rare, endangered plants, or hidden unmarked cemeteries which would render it more or less valuable. The appraiser does not represent and is not qualified to detect such conditions or substances. Therefore, no responsibility is assumed for such conditions or the engineering which may be required to discover such factors. Also, subsurface rights (mineral and oil) were not considered in making this appraisal unless specifically stated in this report.

#### **Appraisal is Made Under Conditions of Uncertainty**

A real estate appraisal is a supportable, documented and justified opinion by a person trained and experienced in real estate analysis. A professional opinion is not to be considered the same as a finding of fact. Such opinion is based on analysis of real estate data by established appraisal methods.

Real estate data is not routinely recorded such as in the stock market; therefore, the appraiser must rely on information obtained from others. This information is verified and checked, where possible, and is used in this appraisal only if it is believed to be accurate and correct. However, such information is not guaranteed. Dimensions and areas of the subject property and of the comparables were obtained by various means and are not guaranteed to be exact. All comparable data was examined but it was not possible to inspect them all in detail. Real estate values are influenced by a large number of external factors. The data contained herein is all of the data we consider necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. If new information of significance comes to light the value given in this report is subject to change without notice.

All values shown in the appraisal report are based on our analysis of the market as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. Since some of the appraisal analysis methods are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved in the future.

## **Appraisal Use is Limited**

The value of the land and improvements constitute parts of the total value reported, under specified utilization, and neither is to be used in making a summation appraisal by combination of separate values in conjunction with any other appraisal and are invalidated if so used.

The appraiser will not be required to give testimony or attendance in court or before other legal authority by reason of this appraisal without prior agreement and arrangement between employer and the appraiser.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

The signatories of this appraisal report are members (or candidates) of these appraisal organizations. The By-Laws and Regulations of the organizations require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may not distribute copies of this appraisal report, except for internal use only and the only in its entirety, without the prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report or the identity of the appraiser of the firm or any reference to the appraisal organization designations shall be disseminated by the use of advertising media, public relations media, news media, sales media, or other media for public communication or prospectus for securities without the prior written consent of the signatories of this appraisal report. Note: In any event, it must be used in its entirety unless specifically authorized otherwise in writing.

## **2. Assumptions Most Critical to Conclusions**

The property appraised will receive competent professional management and marketing. The importance of competent and experienced management for this type property is of the greatest significance.

The economy of the nation and the community in which the property is located will remain at approximate current levels and trends.

Any presently proposed or future improvements to the property will be erected from well designed plans and built of quality materials using good workmanship and standards of construction.

No changes in public or private streets, roads or freeways will be made in the reasonable future in or around the community in which the property is located, which would substantially change the accessibility of the property or its visibility.

The above assumptions are general. Specific assumptions are included in the appraisal report.

## MEMORANDUM

**From:** Staff  
**To:** EDC Board  
**RE:** Update on outstanding projects  
**Date:** August 19, 2011

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**Project Sysco:** Per Cathy Newton (H.R.) the move in date is January 2012, no new updates.

**Project Caterpillar:** DBA Texas Machining Enterprises (TME) received their Certificate of Occupancy on August 19, 2011 and is working with a skeleton crew.

**Project Schertz Parkway (SPV):** No new leases at this time.

### **I/10-I/35 Alliance**

Monthly meeting held in New Braunfels on August 19, 2011 at the Buttermilk Café in New Braunfels. Next meeting will be held in Seguin.

September 2011 – Mission to Canada (Michael Meek/New Braunfels)

Upcoming duties include renewal of the joint marketing agreement between the cities. Expiration date is September 30, 2011 for the I/10 –I/35 Alliance, Seguin is working on the renewal.

CCIM Symposium held on November 2, 2011. The Alliance will have a booth for the show.

### **Project Buxton:**

The EDC staff is working with Chas Stoker with the Buxton Group to visit with the board on the Scout II program that we will be divided between the City of Converse, Live Oak and New Braunfels.

This item was pulled from this month's agenda.

**Project Gateway S. Schertz Update:** The Charrette is a process to create the vision that the City Council, Planning & Zoning Commission and Economic Development Corporation have for our city's future.

“The Charrette is an economic development initiative to create predictability for future growth in Schertz and to attract investment for that growth from inside and outside the community,” said Scott Polikov of Gateway Planning Group.

### **Dates for the South Schertz:**

August 29, 2011 – August 31, 2011

You should have received your email invite.

**Project Main Street:** The Bond of 2010 was passed to make improvements to FM 78 and Main Street for one million dollars for improvements to jumpstart downtown revitalization on or near Fm 78 and Main Street. TBG was working on this project with the Economic Development Department. TBG is no longer in service; however Will Reed still keeps in touch with City Staff.

No new updates at this time.

**Business Retention and Expansion Report (BRE):** Listed below is the calendar for the month of August.

<b>Name</b>	<b>Date</b>
AER	8/2/2011
Talon LPE	8/2/2011
GVEC Moved to the 29th	8/10/2011
VRTX	8/12/2011
Swift Train	8/17/2011
Arion Perfume	8/18/2011
Winfield Solutions	8/18/2011
Pratt	8/23/2011
RDO Equipment	8/24/2011
ITM	8/23/2011