

**What You Should Decide If Not Today, Very Shortly,
As Stewards of Public Resources**


1. What is the Strategic Vision and the Financial Goals for the Golf Courses?
2. Should Any or All Golf Courses Close in Addition to Meadowbrook from December 1 to February 15
3. It is appropriate the golfers are able to get "double discounts" on green fees?
4. Should there be a minimum fee charged for 9 or 18 holes green fees irrespective of the day of the week, time of the day, or rate category of the golfer?
5. What is the appropriate age to qualify for senior rates?
6. Should maintenance staff hours be increased by 20% to provide better course conditions?
7. Should the golf shop staff hours be reduced by 30% to be more consistent with national benchmarks and appropriate levels of service for a municipal golf course?
8. Is now the time to retain an independent management company to change the culture of management embedded in the City of Lexington Golf Operation?

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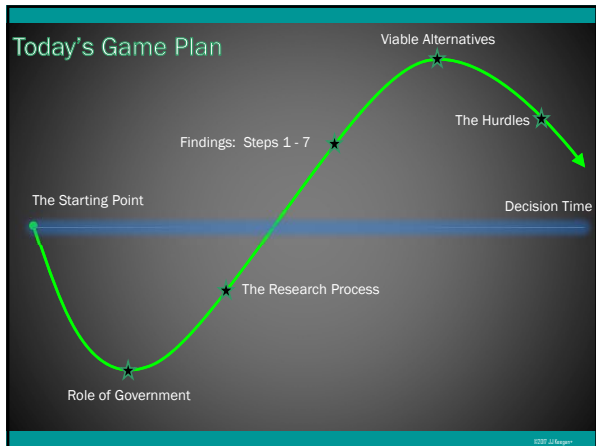
**Depending How You Decide
You Can Reduce Golf Operating Deficit by >\$600,000**



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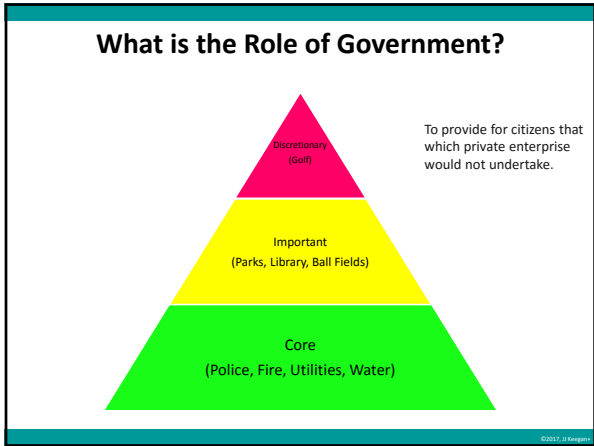
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Produces this Financial Result

Year	Net Income
2012	-\$969,719
2013	-\$904,725
2014	-\$882,578
2015	-\$890,554
2016	-\$853,527
5 Year Loss	\$4,501,103





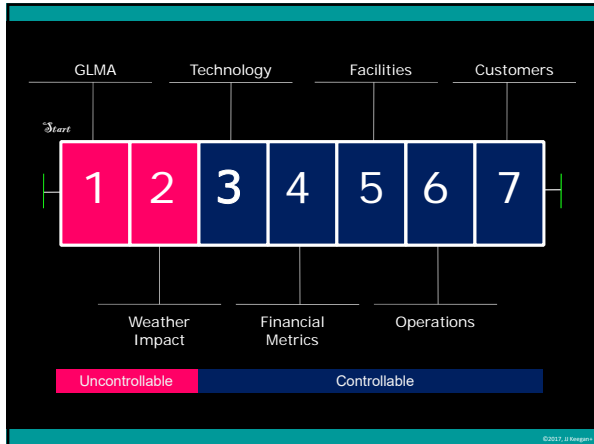


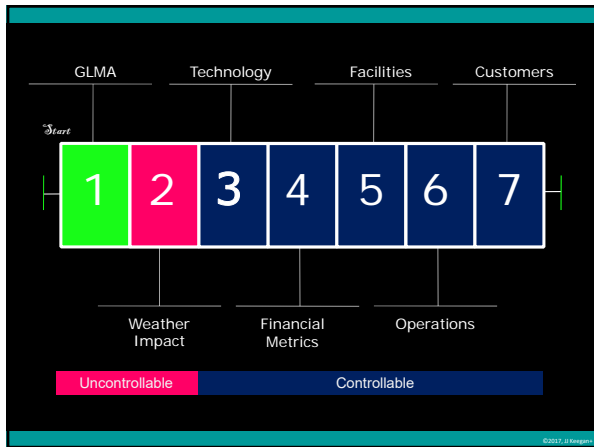


The Opportunity that Exists

	Category	Amount
Revenue	Green Fees (Rates, Seniors, Multi-Discounts, Veterans)	\$360,675
	Inventory	74,142
	Food and Beverage	10,809
Expenses	Golf Shop Staffing	473,506
	Maintenance Staffing	-312,399
Net Income	Opportunity Available	\$606,733







Category	Gay Brewer, Jr.	Kearney Hill	Lakeside	Meadowbrook	Tates Creek
Year Opened	1927	1989	1968	1968	1958
Predictive Index Ranking out of 15,204 golf courses)	8,404	9,771	5,061	6,488	6,792
Slope Rating	131	131	132	N/A	126
MOSAIC Attitudinal Behavior Index	10.17%	5.77%	9.37%	9.31%	9.42%
Golfers Per 18 (nationally average 2,200)	1,728	1,627	2,390	2,050	1,991
Green Fee Carts/18	1,360,344	1,225,873	1,886,921	1,611,133	1,568,996
Merchandise and Food and Beverage/18	317,973	292,346	438,093	374,696	364,315
Likely Course Revenue / 18 Holes - All Courses	1,006,990	910,931	1,395,008	1,191,497	1,159,988
Annual Spending	971	930	973	969	971

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Step 1 – Local Market Analysis

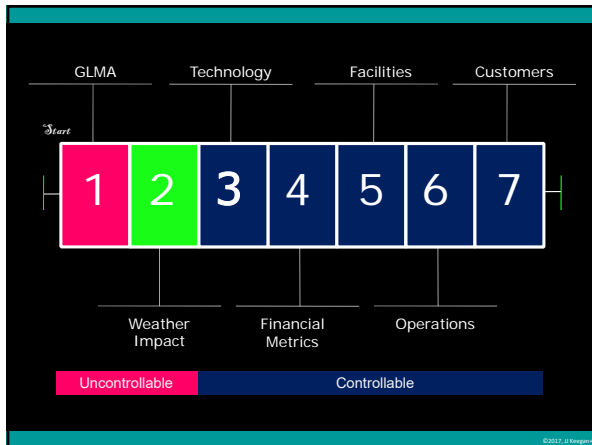
Facts:

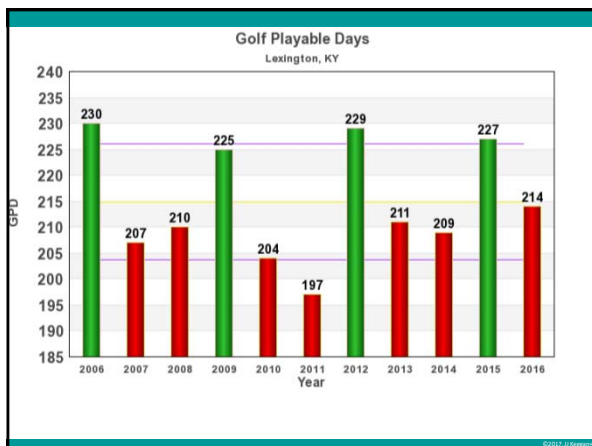
- ✓ Supply exceeds demand at all golf courses but Lakeside.

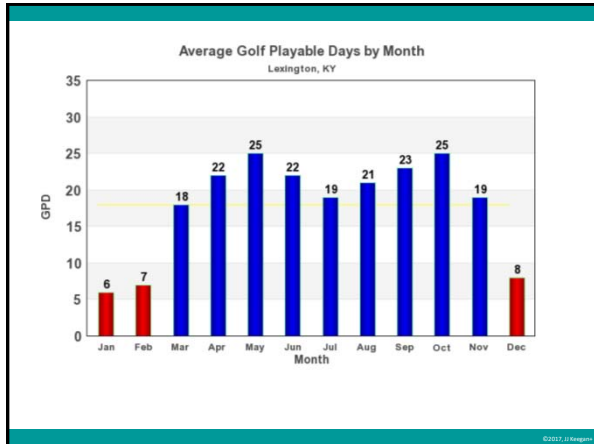
Recommendations:

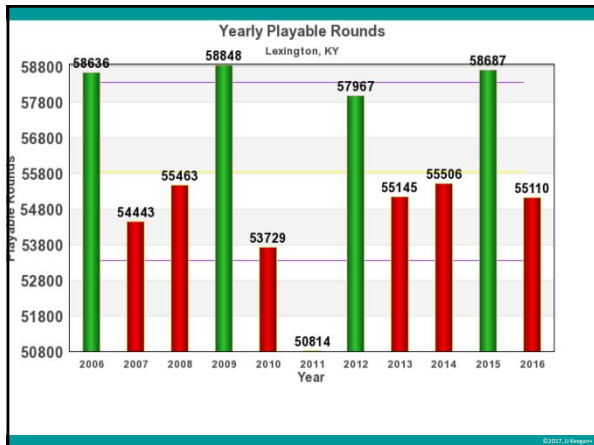
- ✓ Golf courses should be branded: Platinum, Gold, Silver, Bronze and Steel.
- ✓ Kearney, Lakeside and Picadome represent core and only courses that can achieve profitability.
- ✓ Meadowbrook serves as entry door to game and can be converted to 9 holes with range and miniature golf activities upon acquiring land from school accounted for in the General Fund.
- ✓ Closing Lakeside but has the highest upside financial potential if a proper irrigation system is installed for \$1.35 million.
- ✓ Closing Tates Creek makes financial sense repurposing facility to continue to accommodate pool and other community activities. It may be a politically unviable alternative.

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Step 2 – Impact of Weather

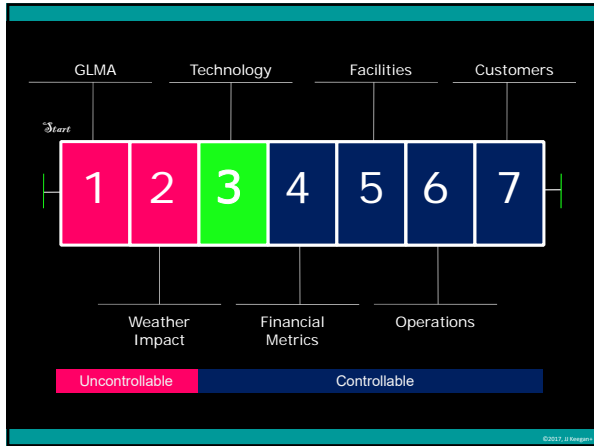
Facts:

- ✓ The City of Lexington has a surprisingly limited golf season dominated by extremely warm/humid summers and rain throughout the year.
- ✓ Golf Courses are operating at 36% of capacity.

Recommendations:

- ✓ Only 1 golf course should remain open during December 1 – February 14. Suggest Picadome as it is centrally located.

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Step 3 – Technology

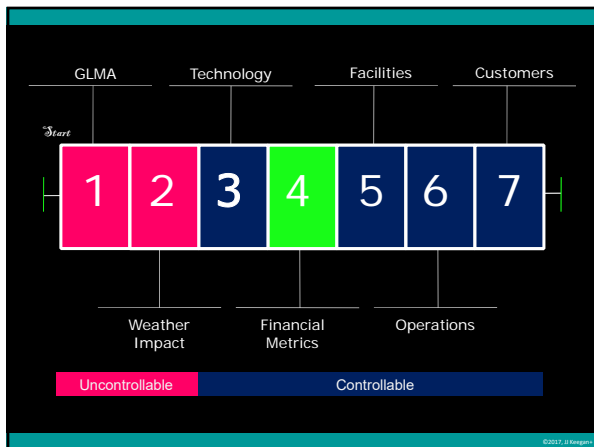
Facts:

- ✓ Massive Underutilization of Technology
 - Limited online reservations
 - Limited email database (780 names vs. 30,000 in market)
 - No customer spending history

Recommendations:

- ✓ Develop extensive customer database by implementing Club Prophet Systems or Teesnap
- ✓ Email marketing to core customers bi-monthly essential centrally executed

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REVENUE Research

The Deep Hole

	Administration	Kearney	Lakeside	Meadowbrook	Picadome	Tates Creek	Total
Revenue		882,698	667,092	129,517	563,760	544,543	2,787,610
Expenses	182,834	992,933	767,404	188,178	821,053	688,731	3,641,133
Net Loss	-182,834	-110,235	-100,312	-58,661	-257,293	-144,188	-853,523

Distribution of Play by Rate Category A \$1 Rack Rate Increase Nets only \$0.60

Type	Percentage of Play
Rack Rate (18 Holes and 9 Holes on Weekends and Weekdays)	27.69%
Senior	26.70%
Loyalty	24.23%
Veterans	3.61%
Other Discounts/Off Peak/Leagues/9 Holes	17.77%

EXPENSE ANALYSIS

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Golf Shop is Vastly Overstaffed Cross Training of Positions Essential for Effective Labor Utilization

Course	Golf Shop Weekly Hours	Industry Benchmark	% of Excess Labor	Annual Salary	Excess Labor Costs
Picadome	510	270.60	46.94%	379,787	178,276
Kearney	490	270.60	44.78%	262,178	117,392
Lakeside	370	270.60	26.86%	262,658	70,563
Meadowbrook	220	202.95	7.75%	72,696	5,634
Tates Creek	450	270.60	39.87%	254,952	101,641
				1,232,271	473,506

Note 1: Benchmark based on Alamo City Golf Trail eight facility's 10-Week Average for Golf Shop and Concessions during Peak Season (March – May 2017).

Note 2: Mecklenburg County, NC: four facilities weekly labor average during peak season: 275 hours. From November to February labor average for Golf Shop and Concessions average 115 hours.

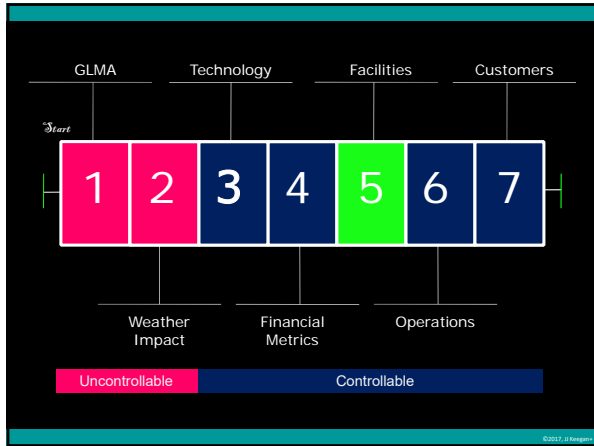
Note 3: City of Lexington's golf shop weekly hours are for the entire year suggesting massive overstaffing is occurring.

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Fringe Benefits Paid is Part of the Culprit

Course	Base Salary	Fringe Benefits	Total	Percentage	Benchmark	Excessive Fringe Benefits Paid
Administration	115,377	41,222	156,599	35.73%	22.00%	15,839
Kearney	441,732	140,476	582,208	31.80%	22.00%	43,295
Lakeside	334,612	103,854	438,466	31.04%	22.00%	30,239
Meadowbrook	80,737	21,417	102,154	26.53%	22.00%	3,655
Picadome	412,572	115,985	528,558	28.11%	22.00%	25,219
Tates Creek	316,386	98,068	414,453	31.00%	22.00%	28,463
	1,701,417	521,022	2,222,439			146,710

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That Requires Capital Reserves and Annual Investment

Course	Deferred Capital Expenditures	Annual Capital Reserve
Kearney	4,080,680	176,138
Lakeside	4,567,780	180,195
Meadowbrook	425,000	15,086
Picadome	2,451,180	97,013
Tates Creek	2,455,000	96,174
Total	\$13,979,640	\$564,606

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Step 5 – Architecture, Agronomy and Maintenance

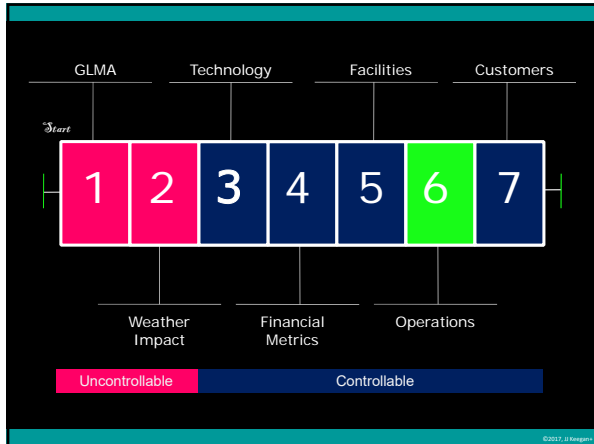
Facts:

- ✓ Deferred capital expenditures are mounting.
- ✓ Annual capital reserves are not established.
- ✓ Significant tree and bunker work should be undertaken at Picadome.

Recommendations:

- ✓ Closing courses would provide maintenance the opportunity to rebuild bunkers, trim trees to provide proper playing corridors and grind the reels on equipment.
- ✓ Weather Trends International 11 month forecasting can be licensed for \$500 per year. Accuracy is 83%. Will help determine proper scheduling of seasonal staff.

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**Green Fee Rates Are Below National Averages
Sticker Shock Will Occur but Impacts Only 1 in 4 golfers**

Course	Actual Total: Green Fee Cart	Fair Market Value Experience	Fair Market Value MOSAIC + Demand/Supply Adjusted	Suggest Change Top Rate
Kearney	\$45: 31/14	\$56.10	47.08	\$50: 36/14
Lakeside	35: 21/14	\$55.20	60.38	\$46: 30/14
Meadowbrook	12: 12/00	N/M	N/M	\$18: 18/00
Picadome	37: 23/14	\$56.10	52.07	\$46: 32/14
Tates Creek	35: 21/15	\$46.10	46.10	\$42: 28/14

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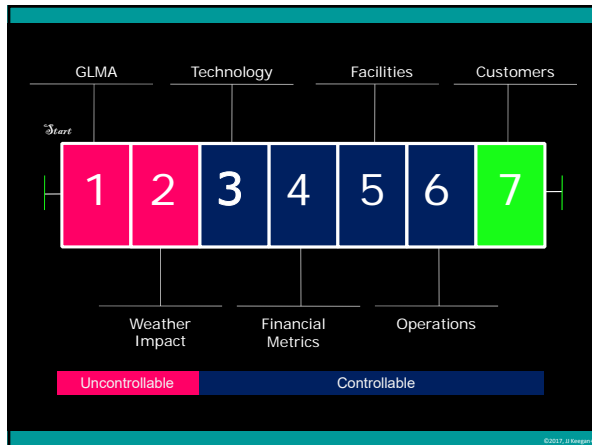
- Step 6 – Operations**
- Facts:**
- ✓ Golf Courses are operating at 36% of capacity.
 - ✓ Customer service at Lakeside suspect. Service levels at other golf courses appropriate for fees charged.
 - ✓ Pace of play policy implementation inconsistent at golf courses.
 - ✓ Clubhouses at Picadome and Lakeside are not conducive to tournament play and outings.
 - ✓ Practice facilities inadequate at Picadome
 - ✓ Golf Professionals are "Brand Ambassadors" with little daily responsibility.
 - ✓ The culture that exists is not conducive to a profitable golf course operation.
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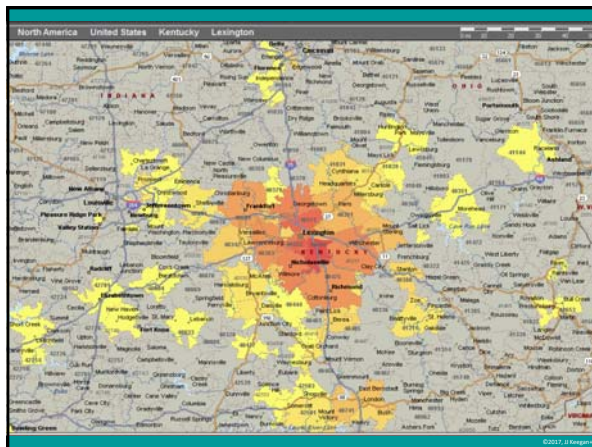
Step 6 – Operations

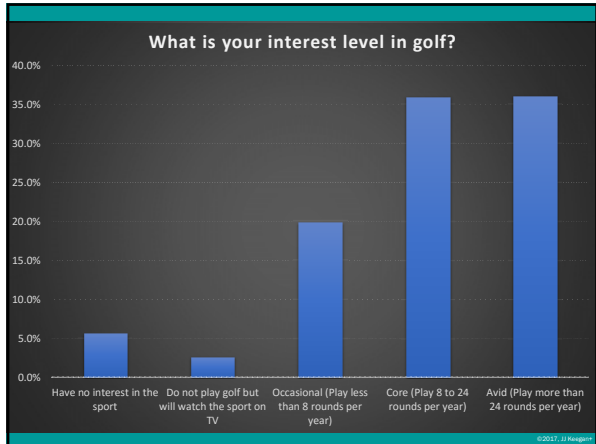
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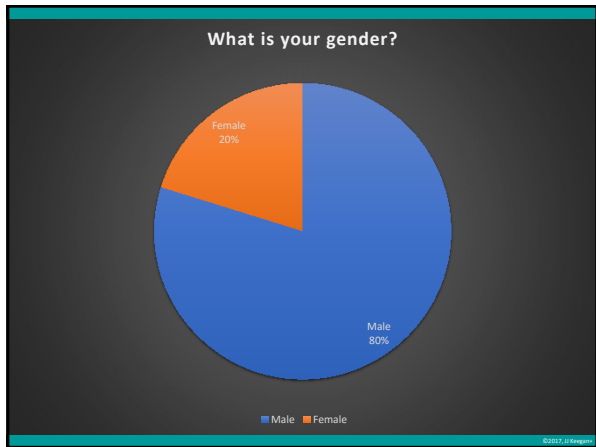
- ✓ The retention of a management company may be required to change the current culture at the golf courses. The vast majority of the staff we believe is “trainable” and will be retained by management company.
- ✓ Likely management company fee of \$150,000 plus incentives would result in massive reduction in golf shop labor costs, enhancement of technology utilization, economics of scale in purchasing and professional execution of improved golf experience.

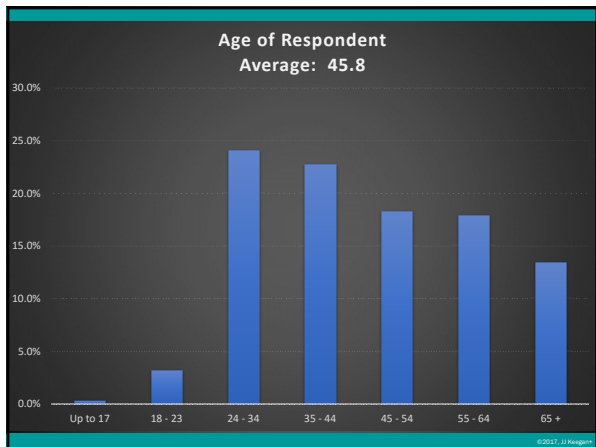
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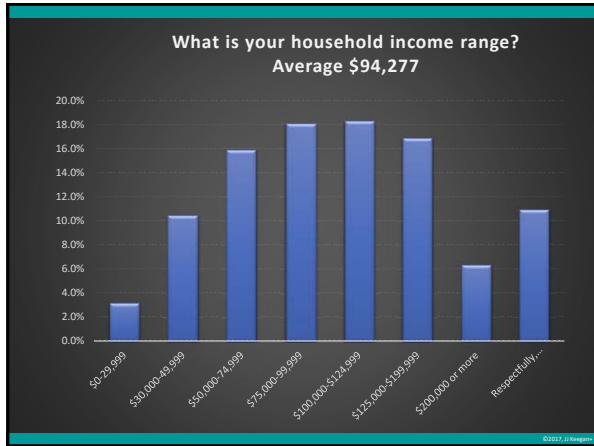


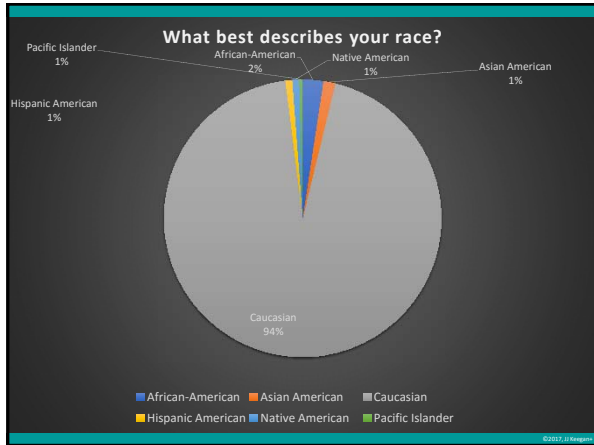


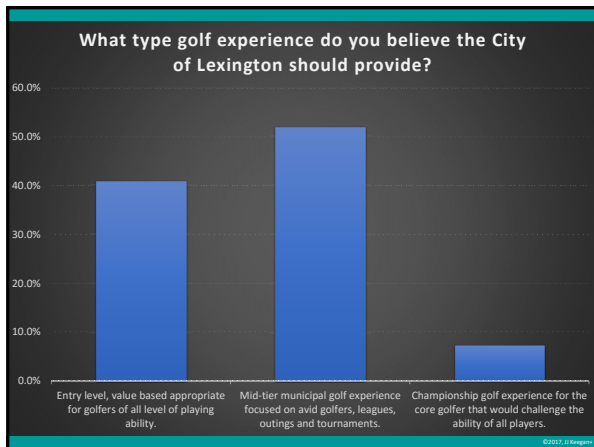


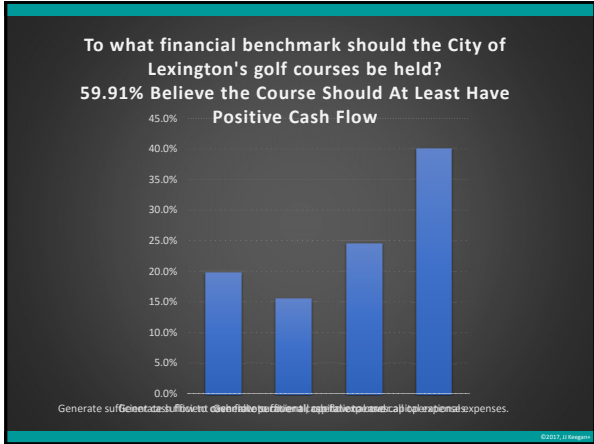


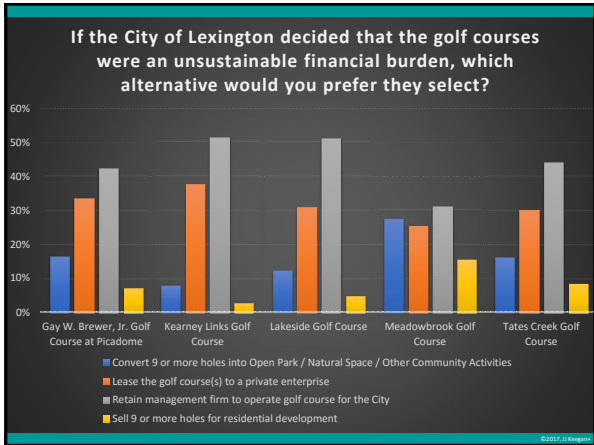


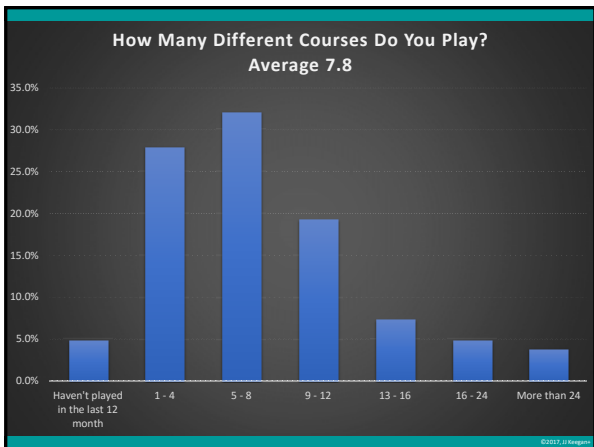


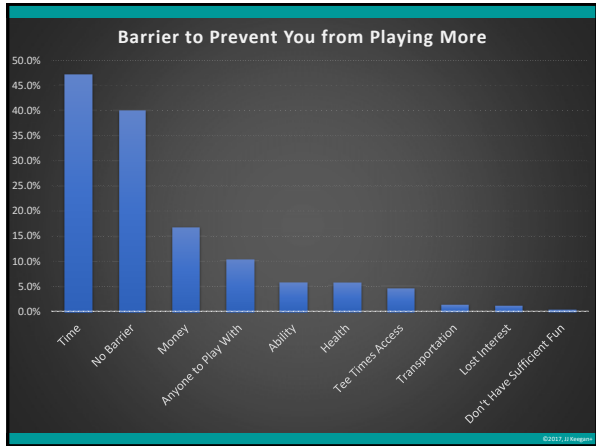


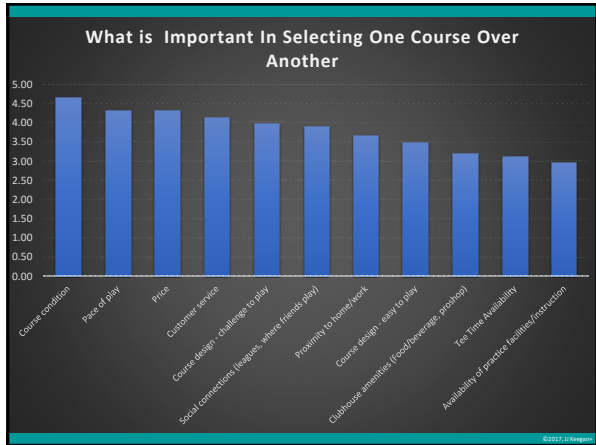


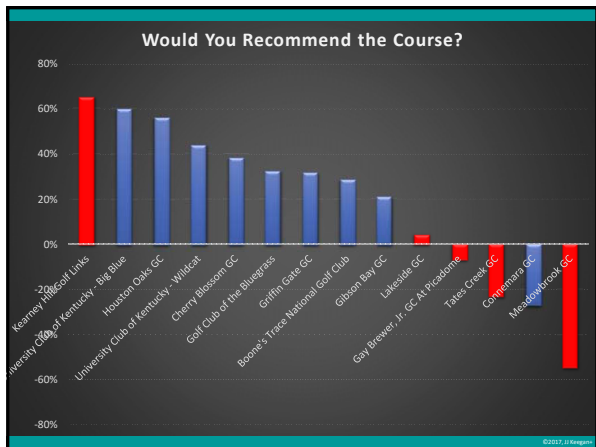




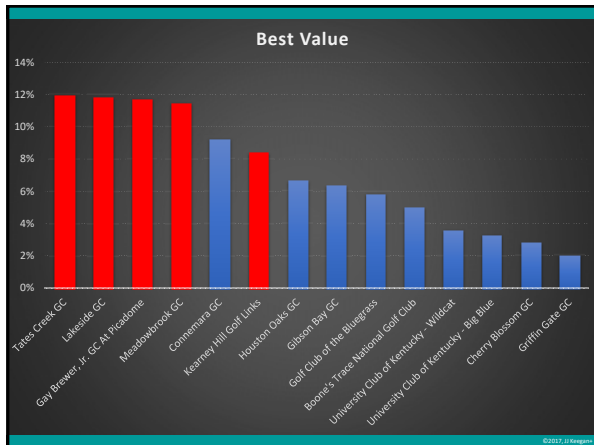












Step 7 – The Customer Believes

Facts:

- ✓ Golfers believe that the City should subsidize their recreational leisure.
- ✓ To achieve fiscal solvency, they advise that a management company should be hired. Non golfers believe that 9 or more holes should be converted to open park space or used for other community activities.
- ✓ Lexington's golf play 7.8 different golf course per year. Time, not money, is the barrier to increased play.
- ✓ Course condition and pace of play are the criteria by which they select where to play
- ✓ The "Reichheld" Loyalty Rating is very positive for Kearney Hills and very negative for all other City golf courses.
- ✓ Lexington's golf course rate very high, in comparison to the competitors on price and value.

Step 7 – The Customer Believes

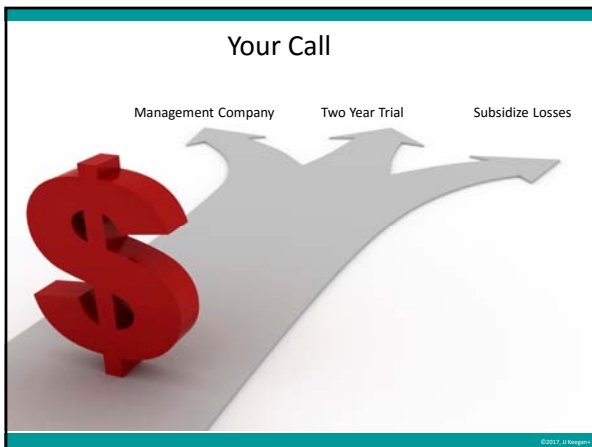
Recommendations:

- ✓ Subsidizing golf by providing low fees and inferior playing conditions should come to an end.
- ✓ Do what is right with respect to fees: Public outcry will result in increased short-term losses that are necessary to ensure for long-term financial solvency.

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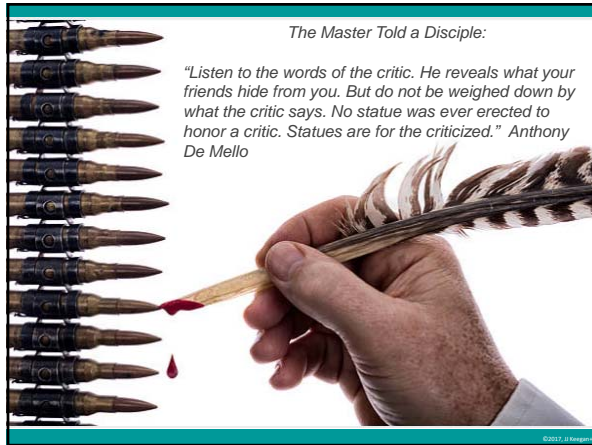


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The Opportunity that Exists

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Revenue		
	Green Fees (Rates, Seniors, Multi-Discounts, Veterans)	\$360,675
	Inventory	74,142
	Food and Beverage	10,809
Expenses	Golf Shop Staffing (more savings are easily achievable)	473,506
	Maintenance Staffing (a good start but more labor is desirable)	-312,399
Net Income	Opportunity Available	\$606,733

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**What You Should Decide If Not Today, Very Shortly,
As Stewards of Public Resources**

1. Determine Strategic Vision and Financial Goal for Golf Courses
2. Authorize Golf Courses closing from December 1 to February 15 keeping only Picadome open
3. Eliminate the ability to use a \$5 loyalty card discount on Senior or Veterans Rates
4. Set the Senior Age at 60 to be effective 1/1/18
5. Implement New Green Fee Rates 1/1/18 setting minimum rate at \$15 for 9 and \$20 for 18 holes on the 18 hole golf courses
6. Approve increase of maintenance staff by 20% representing 1 full-time worker at each course.
7. Mandate decrease golf shop staff by 30%. Allocate reductions between full time and seasonal workers.
8. Give Current Staff two years to reverse financial losses. If improvement not seen, issue RFP for management company.

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Got Any



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Thank you
A Winning Playbook for Golf




 J. J. Keegan, Managing Principal
 4215 Morningstar Drive
 Castle Rock, CO 80108
 t 303-283-8880
 c 303-596-4015
 jjkeegan@jjkeegan.golf

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