



5 year plan for  
**Innisocrone Golf Course**  
 Owned by London Grove Township

Prepared by the London Grove Township Golf Advisory Committee at the request of the Board of Supervisors

January 3rd, 2012

Members: Doug Paine, Jim Cavanagh, Ed Wasno, Kay Wasno, Newt Brosius, David Connors

**POWER CART CONTROL**

1. Restricted to paths around all tees and greens.
2. Observe daily cart control sign (90° crossing or paths only).

**GOLF ETIQUETTE**

1. Maintain your playing position on course or allow faster players to pass.
2. Replace divots, repair ball marks, and rake footprints in sand bunkers.
3. To preserve the quality and condition of the bunkers, please enter and exit at the lowest points.

**USGA RULES GOVERN ALL PLAY**  
**Except When Modified By Posted Local Rules and Local Rules On This Card**

1. Out of Bounds identified by white stakes and/or defined by white paint lines, and all split rail fences.
2. Water Hazards identified by yellow stakes and/or defined by yellow paint lines.
3. Lateral Water Hazards identified by red stakes and/or defined by red paint lines.
4. Ground Under Repair (GUR) defined by white enclosed lines.
5. Embedded Ball Rule is in effect through the green.
6. Immovable Obstructions: Bridges, artificial surfaced paths, and irrigation control boxes.
7. Free drop from all staked trees.

Gil Hanse  
Golf Course Architect

Christopher Smith  
Course Superintendent

**INNISCRONE GOLF CLUB**

HOLE	Rating/Slope	1	2	3	4	5	6	7	8	9	OUT	10	11	12	13	14	15	16	17	18	IN	TOT	HCP	NET
BLACK	72.2/140	411	359	317	435	115	445	510	238	434	3264	400	155	470	398	198	538	385	472	350	3366	6630		
GOLD	70.7/137	404	353	302	378	106	408	508	192	429	3080	390	149	458	380	180	515	370	449	348	3239	6319		
GREEN	69.6/135	383	301	295	370	94	402	484	185	412	2926	363	139	454	377	172	510	362	414	299	3090	6016		
WHITE	69.2/119	323	256	253	308	72	325	400	161	332	2430	283	102	379	305	120	396	308	307	195	2395	4825		
PAR		4	4	4	4	3	4	5	3	4	35	4	3	4	4	3	5	4	4	4	35	70		
<b>HANDICAP</b>		<b>9</b>	<b>11</b>	<b>13</b>	<b>1</b>	<b>17</b>	<b>3</b>	<b>7</b>	<b>15</b>	<b>5</b>		<b>12</b>	<b>18</b>	<b>4</b>	<b>6</b>	<b>16</b>	<b>8</b>	<b>10</b>	<b>2</b>	<b>14</b>				
BLACK	1/1/2000	411	359	317	435	115	445	540	238	434	3294	415	155	470	398	198	538	385	472	380	3411	6705		

## Table of contents

Introduction

- I. Executive Summary
- II. Current Course Overview
- III. Market Analysis
- IV. Competitive Analysis
- V. Capital Needs
- VI. Operations
- VII. Possible Models
- VIII. Recommended Model
- IX. Marketing



## Introduction:

In April 2009 London Grove Township completed the purchase of Inniscrone Golf Club, an 18 hole golf course located entirely within the boundaries of the Township. In 2011, the Board of Supervisors authorized the establishment of the London Grove Township Golf Course Advisory Committee (GCAC). The primary purpose of the Committee is to provide consultation to the Township's Board of Supervisors to meet the objectives identified by the Township at the time the course was purchased. Specifically the objectives are;

- provide an additional source of and diversification of revenue for the Township,
- address the on-going need for land on which to spray treated sewage effluent, and
- serve as an asset to the Township.

This Five Year Plan is intended to provide a road map to achieve those objectives identified at the time of acquisition.

In addition to the Five Year Plan, the Committee is also submitting an Executive Summary of the plan and an independent course evaluation reports prepared by Mr. Tom Jackson, Gil Hanse, Atlantic Irrigation, and the USGA. These reports can be found as an attachment to the Five Year Plan on the townships web site under the Golf Course Advisory Board tab.

**Inniscrone Golf Course  
Five Year Plan  
Executive Summary**

**Background:**

Completed in 1999, the 18 hole golf course was intended to be the focal point of a large residential development called Inniscrone. The development plan also included the Township's first wastewater treatment facility. Upon its completion, ownership of the course was secured by an \$11 million mortgage. Since then, the course has witnessed a series of owners, with the Township becoming the sixth owner in its 10 years of existence in 2009. During this 10 year period the market value of the course has gone from in excess of \$11 million, value of mortgage at time of completion, to \$750 thousand paid by the Township for the 283 acre golf course.

Key points of this plan:

- The township should continue to own and operate this property as a golf course
- Inniscrone has not had a significant investment since it was opened in 1999
- The Township needs to invest additional monies to:
  - Rebuild the infrastructure of the property
  - Modify the course to increase revenue and reduce maintenance costs
  - Invest in newer, state of the art equipment and consider auctioning off most of the existing, nonfunctioning equipment listed as an addendum to this report that has no value to the operation.
- It is clear that without an infusion of capital in the near term the golf course cannot continue to operate without placing a financial burden to the taxpayers of LGT.
- We recommend a second BOS member join the GCAC and also be active in attending the monthly financial meetings with the operator.
- The GCAC is recommending that the current Management Company model remain in place for 2012 and that the model be reevaluated for its efficiency by September of 2012; if the Management Option is still underperforming then serious consideration should be given to the lease option model.
- The GCAC will review and process all the information that has been presented to the Committee from the "Jackson Report", input from the architect of the course, Gil Hanse and recommendations from the USGA. The goal will be to specify what priority improvements should be made to the course for as little cost as possible, both now and for future maintenance requirements. The best approach is to try and achieve "best bang for buck" regarding modifications to the course.

Township will have an opportunity to be revenue neutral, and perhaps even realize additional monies, by continuing this property as a golf course. Turning this golf course into a park will only guarantee a loss of over \$125,000 per year as the bond service will still require payment in the amount of approximately \$80,000 a year plus additional maintenance at a minimum of \$25,000 per year as well.

At the time of purchase in 2009 the golf course was and still is in "playable" condition due to on-going daily maintenance of the course. Since the initial construction of the course the major maintenance/capital improvements that are required of any golf course have not occurred. The primary reason for the lack of major maintenance/capital improvements can be attributed to the number of previous owners, five prior to the Townships acquisition, within a 10 year period. Needless to say the Township must be willing to make significant investments if they are to meet the objective of providing a revenue stream. These investments should address rebuilding course infrastructure along with modifications to the course to provide for increase revenue and profitability.

**Market Analysis**

Based on NGF (National Golf Foundation) Reports from the mid-1980s to the turn of the century, the number of golfers grew by about 50% – from 20 million to 30 million golfers. That is very substantial growth – a compound annual growth rate of around 3%. But since the year 2000, the number of golfers plateaued and has been slowly declining. The decline can in part be attributable to the prolonged economic down turn. As indicated in the following summaries, golf expenditure(s) for the average person/family is discretionary

## **Segments**

**Private:** The majority of operators say they are doing OK financially. But one in five is seriously challenged or approximately 750 clubs nationwide. On average, all clubs, have seen a drop in memberships and rounds.

**Municipal:** Municipal Golf tends to get lumped into Public golf. The major impacts you must consider with a municipally owned course versus a privately owned public course are the tax advantages.

**Public:** The number of golfers is up 16% since 1990 while the number of golf facilities is up 24%. The result is the dilution of demand across the supply of golf facilities. Only about half of course operators report that they are doing well.

**Target Market/Cientele:** Details for this are contained in the Five Year Plan.

## **Competitive Analysis**

Primary Competitors:

Loch Nairn, Moccasin Run, Wyncote, and Chisel Creek (all privately owned courses) Currently Inniscrone's greens fees are well positioned in comparison to the primary competitors as well as other nearby courses. Profitability is dependent on factors such as greens fees, accessibility, and playability for your target clientele and amenities. To be successful in managing these factors Inniscrone must address perceived shortcomings through its investment model.

## **Operating Models:**

The plan identifies three operating models: Lease Course Outright to Operator, Management Company, and Two Employees Run Course. Going forward the recommended model is the Management Company model. Details on each of the model structures, pros and cons for each of the structures are detailed in the Five Year Plan

## **Capital Requirements:**

The plan identifies an initial capital requirement for calendar 2012. For the Township to realize the revenue objectives when purchasing the course it is imperative that the projects identified in the capital section be undertaken. Delays in the identified projects can adversely impact the sustainability of the course which then reverts to a tax burden on township residents.

## **Communication/Marketing:**

It is recommended that a comprehensive communication plan should be developed that clearly informs Township residents of the decisions the Board is initiating.

For non-golfing residents: London Grove Township should consider opening up this asset in ways that non-golfing residents can realize a benefits such as opening the Golf Course to the public in off season months to walkers. Limited outdoor winter activities, and the availability to residents to reserve the upper restaurant area for private parties and meetings.

Additionally there is a need to communicate to course customers the investment and operating direction that the course is undertaking that clearly states that they are being done to improve their Inniscrone golfing experience

## Section 2

### **Current Course Overview**

#### History of Course, Location, and Physical Features:

In the early 1990's a plan was drawn up to build a golf course community in London Grove Township called Inniscrone. The plan included 500 homes including townhomes, large single family homes and the first 55 and older community in the Township. The plan also included the Township's first wastewater treatment facility with 1080 available EDU's which would provide sewer and water to an additional 580 dwellings beyond Inniscrone. The plan was approved by the Board of Supervisors in 1996.

The golf course was designed by Gil Hanse as a private, very challenging course. The expectation was to have approximately 400 members and the price of a full membership was \$50,000. Two clubhouses were in the original plan - a smaller one was built first between the front and back nine holes - it still exists today. Then a larger - much more elaborate - clubhouse was to be built near the entrance to the course on East Avondale road. When the course first opened some public play was permitted in order to build membership but it was very pricey - in the range of \$125 - \$150 per round. The long term plan was for the course to be fully private and not allow public play.

Construction began on the golf course in 1997. In 1998 the front nine was open for play. In 1999 all 18 holes were available for play and Inniscrone was listed by Golf Digest as one of the best new courses in America. The Exelon Golf Tournament was held at the course in the years 2001 and 2002 with notable players such as Jim Furyk, John Daly, Jasper Parnevik and Joe Durant playing golf in our Township.

This was an expensive project for the developers. When the course was finished and the initial preparations for housing were completed (and the water treatment facility was built) the entire property was appraised at \$26 million dollars in year 2000. The first community developed was the 55 and older community known as Traditions at Inniscrone. The first home was purchased in July of 2000.

In 1998 the course was owned and operated by a New York based company - National Fairways. Inniscrone was the 7th golf course in their portfolio. At that point in time they had an \$11 million dollar mortgage on the course with Alliance Bank.

In 2001 National Fairways fell into receivership and vacated 6 of their 7 golf courses - Inniscrone being one. Since Alliance Bank held the mortgage they became the new owner and operated the course.

Ultimately in 2002 Alliance Bank decided to eliminate the course from their books and the course was put up for a Sheriff's sale in Chester County. The course was then purchased by a local company named Tee to Green for \$5 million. At that time Tee to Green already owned Delaware National Golf Course which was previously the Hercules Country Club.

Tee to Green decided to leave Inniscrone very abruptly. In 2006 Tee to Green sold the course to Forewinds Hospitality, a subsidiary of Sawyer Real Estate Holdings. The price was \$3.5 million. Sawyer Inc. decided at that time to get involved with purchasing golf courses and also purchased Hartefeld Golf Course in Avondale, and Mountain Branch Golf Course in Maryland.

Ultimately in 2008 the Forewinds golf course experiment did not work out and they backed out of all 3 courses and turned them over to the parent company - Sawyer. All 3 courses have been sold but the State of Delaware has since contracted Forewinds to operate their Deerfield Golf Course in Newark.

For most of the year 2008 Sawyer owned the course and hired a former employee of National Fairways to be the on-site manager.

In April of 2009 London Grove Township became the 6th owner of Inniscrone Golf Club in its first ten years of operation. The purchase price was \$750,000 for 283 acres of beautiful open space.

On April 22, 2009 the Township signed a contract with KTEE & TTEE to operate the course on behalf of the Township. Today - Eleven years after the first home was sold the overall Inniscrone development (which includes Traditions at Inniscrone, Inniscrone View, The Preserves at Inniscrone and The Links at Inniscrone) is over 70% sold out and Ryan Homes is actively selling homes even in a very difficult housing market. The 1080 EDU's are fully committed and the new wastewater treatment plant is scheduled for completion by year end 2011.

The golf course remains the focal point of all of these 5 communities and over 120 of these homes have included a lot premium in the purchase price for a lot facing or backing up to the golf course. These lot premiums ranged for \$15,000 to as high as \$35,000 per lot. Using a conservative number of \$20,000 per lot means that the buyers of these homes have collectively paid approximately 2.5 million dollars to live on the Inniscrone Golf course.

### Vision Statement

To insure the long term success of the Inniscrone Golf Course by transforming it from a private, limited membership golf club designed for low handicap golfers, to the most competitive daily fee public course in southern Chester County, Pennsylvania and northern New Castle County, Delaware.

### OPERATING ASSUMPTIONS

- 1) That the Township will continue to own the golf course
- 2) That Township ownership provides the best opportunity for continuous and successful operation of the course for the following reasons :
  - a. The low purchase price provides the lowest debt load in course history.
  - b. The Township has significant tax advantages over a private owner
  - c. Unique synergies exist with the Municipal Authority, the Township employees and the residents surrounding the course.
  - d. The Golf Course Advisory Committee will continue to provide an ever increasing knowledge base and business expertise.

Strategic Objectives – to maximize the full potential of the course by - - - -

- Strategically managing a very targeted and effective long term investment process
- Improving the course in the most cost effective manner to make it more player friendly and thereby increasing revenue and reducing maintenance costs.
- Contracting and retaining a highly effective management team that is focused on the long term viability of the course while maintaining an excellent working relationship with the London Grove Township Board of Supervisors, the Municipal Authority and the residents surrounding the course.
- Insuring that any contractual agreements between any contractors and the Township are aligned with the Townships Strategic Objectives; that the conditions set forth are legally binding and that they are monitored on an ongoing basis.
- Insuring that the best possible business and accounting practices are established, maintained and sufficiently audited.
- Providing sufficient opportunities for continuous improvement of all operations though ongoing benchmarking of the best practices of other municipally owned golf courses
- Establishing and insuring the most cost effective course maintenance program possible.
- Updating the 5 year plan on an annual basis

So that the Inniscrone Golf Club becomes an ever increasing asset and a source of pride for the residents of London Grove Township providing recreation, open space and affluent spray opportunities.

### Current Organizational Structure:

OWNER (S) – London Grove Township – under the direction of the Board of Supervisors

OPERATOR – KTEE & TTEE Inc.

AGREEMENT TERM – Between the above parties with an initial term of four (4) years and eight (8) months commencing April 23,2009 and ending December 31, 2013. The Township has sole and absolute discretion to terminate this agreement upon 60 days written notice or at any time after December 31, 2011. The contract with the previous management was terminated by the BOS in December 2011 and a contract is being negotiated with Heathland Hospitality Group.

## Section 3

### Market Analysis

#### Current State of Golf Industry: research based on NGF(National Golf Foundation) Reports

From the mid-1980s to the turn of the century, the number of golfers grew by about 50% – from 20 million to 30 million golfers. That is very substantial growth – a compound annual growth rate of around 3%. But since the year 2000, the number of golfers plateaued and has been slowly declining, raising concerns about the future. The golf course boom of the 1990s actually pales in comparison to the boom of the 1960s. And, there was a big difference between the 60s and 90s booms with regard to the kinds of courses that were built. The courses built in the 60s were mainly affordable public courses. Conversely, the courses of the 90s were either built in private gated communities, or they were high-end daily fee courses. The effect of this difference on the growth rate of golfers was dramatic – it was about five to six times higher in the 60s. According to the National Golf Foundation, the number of golfers is expected to grow by about three million between now and 2020. This is a growth rate of about 1%, similar to the forecasted growth rate of the general U.S. population. Most of the forecasted growth comes from expected increases in the size of high income/high participation rate clusters, yet the growth of low participation clusters (minorities and women) is also expected to be high. The effect on overall golf participation is subdued because of the low participation rates. The increase in the number of golfers and rounds played over the next 10 years will come, but it will be gradual, and hardly noticeable. At the end of the decade the average number of golfers per golf course may rise by only 150 to 200 golfers. Rounds will increase somewhat more, due to the aging of the population, particularly the baby boomers. Local market conditions will have much more to do with individual course performance than the macroeconomics of the golf business. One or two conversions from private club to public course can make a big difference on a local trade area, as can the closing of one or two courses or clubs. Increases in golfers and rounds will not necessarily lead to proportionate increases in revenues, as aggressive pricing will continue to attract bargain-hunting golfers.

#### Market Segments:

**Private:** The majority of operators say they are doing OK financially. But one in five is seriously challenged – that projects to 750 clubs nationwide. On average, all clubs, regardless of financial health, have seen a drop in memberships and rounds since their peak – memberships are down 13% and rounds are down 17%. “At-risk” clubs (those with a poor financial self-assessment) are down 29% in memberships and 22% in rounds. Furthermore, 57% of at-risk clubs are operating at a loss.

**Municipal:** Municipal Golf tends to get lumped into Public golf. The major impacts you must consider with a municipally owned course versus a privately owned public course are the tax advantages.

**Public:** The number of golfers is up 16% since 1990 while the number of golf facilities is up 24%. The result is the dilution of demand across the supply of golf facilities. Rounds of golf per 18 holes are down about 20% over the same period – almost 8,000 rounds per 18-hole course. These 8,000 rounds make a big difference to golf course operators today. Only about half of course operators report that they are doing well. Nearly 90% of at-risk courses are experiencing operating losses. They have been particularly hard-hit by demand dilution (rounds are off 30%-35% from peak and revenue is off 10%-25%). Many of these courses may be trapped in a downward spiral – 60% report they have lowered their maintenance standards, and almost 90% are deferring capital expenditures

#### Target Market/Cientele:

**Demographics:** According to the NGF’s Spending Report (Sept 2002) the prime demographic for golfers is as follows: Golfers who golf more than 25 rounds per year, Have an average score from 80-99, 20+ years golf experience, Male, Household income of over \$75k, age 30-64.

**Geographic’s:** It is believed that most golfers have a 30 mile maximum range.

**Current Trends:** The minority/female segmentation is a small but showing the largest growth potential.



## Section 4

### Competitive Analysis

Primary Competitors:

Loch Nairn, Moccasin Run, Wyncote (all privately owned courses)

Data Gathering Results:

	<u>Inniscrone</u>	<u>Ingleside</u>	<u>Springfield</u>	<u>Paxon Hollow</u>		
<b>Basic Info</b>						
Year Built	1998	1958	1947	1926		
Purchase Price	\$ 780,000	\$ 2,200,000	\$ 1,000,000	\$ 1,000,000		
Last purchase date	2009	1992	1963	1968		
Current Owner	LGT	Caln Twp	Springfield Twp	Marple Twp		
Yardage(longest)	6657	5106	6018	5709		
Par	70	68	71	71		
Slope rating range	119-143	107-111	122-127	113-125		
<b>Financial</b>						
Avg Annual Revenues	\$ 1,000,000	\$ 680,000	\$ 1,600,000	\$ 1,700,000		
Avg Annual Expenditures	\$ 1,060,000	\$ 650,000	\$ 1,500,000	\$ 1,400,000		
2010 profit/loss	\$ 60,000	\$ (15,000)	\$ 100,000	\$ 300,000		
Avg Round per annum	20,000	25,000	32,000	35,000		
<b>Payroll</b>						
Total payroll	\$ 550,000	\$ 278,500	\$ 450,000	\$ 350,000		
<b>Membership</b>						
# of full access members	20	20	40			
Avg cost to member	\$2,300 * Cart	\$2,100 *cart	\$1,110 *no cart	\$1,300 no cart		
Rack weekday price w/cart	\$ 40	\$ 30	\$ 69	\$ 50		
Rack weekend price w/cart	\$ 49	\$ 40	\$ 79	\$ 60		
<b>Administration</b>						
Golf Committee?	7pp	5pp	no	5		
Who's responsible?	Twp Manager		Super/Twp Manager	Pro/Twp Manager		
<b>Misc</b>						
# of bunkers	52	73				
Min Competitor		Moccasin run	Paxon	Springfield		

## Competitive Strength's/Weaknesses:

**Product Services:** One of Inniscrone's best assets lies in the challenge of play and beauty of its layout. The challenges are amount of capital improvements, the lack of a true restaurant, and the fact that the course itself is too hard for the average golfer.

**Pricing:** Below is a "rack rate" comparison of area golf courses as of September of 2011.

### GREENS FEES COMPARISON – (in descending order by cost and in dollars)

Highest weekday rate	Highest weekend rate	Weekday senior rate
Deerfield 59	Broad Run 75	Deerfield 47
Rock Manor 59	Wyncote 70	Rock Manor 46
Broad Run 55	Deerfield 70	Wyncote 41
Wyncote 52	Rock Manor 69	Broad Run 39
Loch Nairn 45	Moc. Run 56	<b>Inniscrone 37</b>
DelCastle 44	Loch Nairn 55	DelCastle 36
Moccasin Rn 42	Pilgrims Oak 49	Loch Nairn 35
<b>Inniscrone 40</b>	<b>Inniscrone 49</b>	Moccasin Rn 34
Chisel Creek 39	Chisel Creek 49	Chisel Creek 33
Pilgrims Oak 39	DelCastle 49	Pilgrims Oak 29

**Growth Possibilities:** There are three ways for operators to grow rounds at the facility:

#### *(1) Growing Wallet Share*

Wallet share is different from market share. *Market share* is the percentage of all rounds played in your trade area that are played at your golf facility. *Wallet share* is the percentage of your customers' total rounds that you capture. Typically, the lower the price point, the higher the average wallet share and the lower the number of unique customers. ("Unique customers" means the number of individuals who come into the facility each year, regardless of how many rounds they play.)

Example: Municipal courses with a \$25 green fee frequently have a group of regular customers, retirees on a fixed income who play a lot of rounds. At this course, only 30% of customers might make up 80% of total rounds. At the other end of the spectrum is a course with a high green fee but a lower wallet share and consequently a higher number of unique customers.

Why is all this important? Because, to grow your rounds, you want to target golfers who (a) play a lot of rounds during the course of a year, but (b) only play a small percentage of their rounds at your course (*i.e.*, you are getting a low wallet share from them). How do you find out how many rounds your customers play, and what percentage of rounds they play at your facility? Ask them! Your current best customers are playing medium-to-high annual rounds with a high wallet share. All you have to do is keep them happy. But your best *targets* for increasing rounds are your high-frequency, low wallet-share customers.

#### *(2) Grow Your Customer Base - Here are three ways to grow your customer base.*

- Hire a salesperson. They are devoted to growing your customer base by selling outings and banquets, doing community outreach and bringing people to your course any way they can. One big advantage a salesperson has over advertising is that they have accountability and their efforts are trackable. This is probably not a feasible idea due to the lack of payroll available.
- Word-of-mouth. Get referrals from your best customers. Why will they do this? Because they want to share their experience with their friends.
- Advertising. Ads are most useful for capturing golfers who are new to your area; golfers on the fringe of your trade area; and golfers who have never tried your course. Advertising also works to remind occasional customers that you are there.
- Great Customer Service will keep them coming back.

#### (3) Player Development - Why is player development a good idea?

- Latent demand exists (former golfers who want to return, infrequent players who want to play more, never-evers who wants to start).
- You will get high wallet share and loyalty from golfers you develop.
- There is a proven return on investment to your facility from players you trained.

## Section 5

### Capital Needs

Current Capital List: Updated September, 2011

#### Maintenance Building

<u>Item</u>	<u>Time Frame</u>	<u>Estimated Cost</u>	<u>Notes</u>
Attic Trusses	Immediate	\$2,000	<i>Need to be strengthened, not built with enough trusses in the initial construction.</i>
Exposed Electrical Outlets	Immediate	\$500	<i>Still required since Twp acquired golf course.</i>
Exterior Lighting	Immediate	\$500 (twice on list) or \$1,200	<i>At least one down to dusk light over entrance door.</i>
HVAC			
Access	Short Term	\$1,000	Need a ladder to get into the space where the unit is located
Air Break	Immediate	\$500	
Chemical Building	Long Term	\$14,000	Separate building with leak retention to house chemicals.
Water Recycler	Long Term	\$20,000	To recycle the water used to wash equipment after use.

#### Pro Shop Building

<u>Item</u>	<u>Time Frame</u>	<u>Estimated Cost</u>	<u>Notes</u>
AC Condensation Drains	Immediate	\$500	
Attic Exposed Insulation	Immediate	\$8,000	
Dryer Venting	Immediate	\$500	
Insulation	Short Term	\$5,000	
Recessed Lighting	Immediate	\$1,000	
HVAC - 3 units	Short Term	\$10,000 per unit	(Inefficiency)
ADA Compliance	Building is not in compliance		

4 items on the previous list have been completed.

#### Entrance

<u>Item</u>	<u>Time Frame</u>	<u>Estimated Cost</u>
Parking Lot	High Priority	\$50,000
Cart Barn	High priority	\$47,000

#### Equipment ( in prioritized order)

<u>Item</u>	<u>Time Frame</u>	<u>Estimated Cost</u>	<u>Notes</u>
-------------	-------------------	-----------------------	--------------

New management group to evaluate equipment and report their findings. Initial evaluation from Heathland is that the current equipment is adequate for immediate operations. Plan should be amended to reflect long term equipment needs.

#### Golf Course Infrastructure

<u>Item</u>	<u>Time Frame</u>	<u>Estimated Cost</u>	<u>Notes</u>
Bridge Abutments		??	
Irrigation computer and satellites upgrade		\$ 67,820	
Irrigation pump station		\$120,000	

#### Straw Model of Course Improvements

A "Straw Model" of course improvements was developed from combining the common ideas from the reports provided from Hanse, Jackson, PGA, and Atlantic Irrigation. We have attached this Straw Model of course improvements as an attachment as well to be found on the LGT web site under the Golf Advisory Committee Page. The new management company will require additional time to review the recommended changes and report their findings. In addition to the straw model a "bucket list" was also formed to keep track of the wish list items needed on or around the course that may be in the immediate plan.

### Recommended Timeframes for Capital Improvements (Schedule):

The following assumptions are made with this capital expenditure schedule- A) The Township should allocate an additional \$200,000 to be used for immediate capital improvements. The rest is based on the 5 year financial forecast in Section 8. The “Rent Schedule” and debt service is calculated on this scenario of borrowing an additional \$200,000. The following timeline will have a direct impact on the way the course is marketed.

#### 2012

- |   |           |
|---|-----------|
| 1. Parking Lot & Cart Barn                | \$100,000 |
| 2. Golf Course Improvements (Straw Model) | \$100,000 |

#### 2013

1. Allocate \$20,000 ( or whatever profit is available) to future capital at end of year.
2. Revisit amount available in Capital and re-prioritize list.

#### 2014

1. Allocate \$30,000 ( or whatever profit is available) to future capital at end of year.
2. Revisit amount available in Capital and re-prioritize list.

#### 2015

1. Allocate \$40,000 ( or whatever profit is available) to future capital at end of year.
2. Revisit amount available in Capital and re-prioritize list. By 2015 the capital fund should have at least \$110,000.
3. Allocate \$30,000 to Pump Station. This is a bookkeeping exercise but we should start planning on this expense now.
4. Allocate \$20,000 to Irrigation Computer and Satellites upgrade. This is a bookkeeping exercise but we should start planning on this expense now.

#### 2016

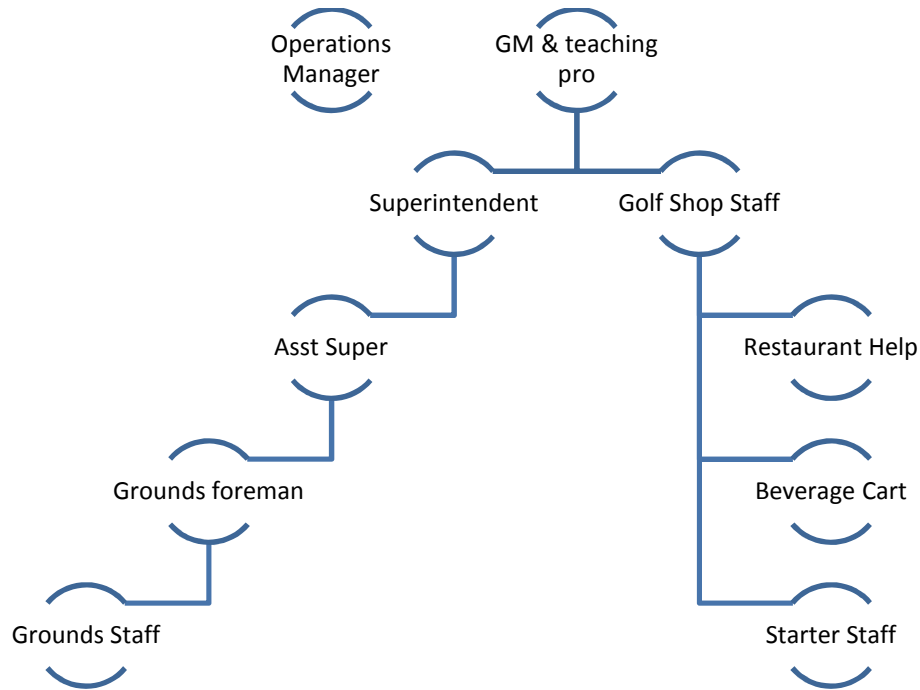
1. Allocate \$55,000 ( or whatever profit is available) to future capital at end of year.
2. Revisit amount available in Capital and re-prioritize list. By 2015 the capital fund should have at least \$115,000.
3. Allocate \$30,000 to Pump Station. This is a bookkeeping exercise but we should start planning on this expense now. This exercise should put us in a position to have the funds necessary to replace the Pump Station by end of 2018.
4. Allocate \$20,000 to Irrigation Computer and Satellites upgrade. This is a bookkeeping exercise but we should start planning on this expense now. This exercise should put us in a position to have the funds necessary to replace the Irrigation Computer by end of 2017.
5. Initiate \$65,000 in additional course renovations from Jackson Report

If the Township cannot immediately allocate the \$200,000 in Capital Monies they should seriously consider at a minimum handling the parking lot and cart barn, then reorganize and allocate an annual allowance towards the capital plan as recommended by this committee.

## Section 6

### Operations

Current Model:



Current Model is committed to \$345,000 in guaranteed salaries for 2011. That guaranteed number does not include the hourly wages incurred in season. It is widely agreed that for a seasonal business such as golf course operations this number is too high. Total budgeted Salaries for 2011 are \$479,558. 2010 actual payroll was \$521,860 total. Payroll numbers do not reflect taxes paid by employer.

Financial History Chart:

	'09 Income	'10 Income	'11 Income		'09 Expenses	'10 Expenses	'11 Expenses	
January		\$ 107,292.61	\$ 43,674.23			\$ 142,737.52	\$ 41,402.82	
February		\$ 10,300.10	\$ 10,577.33			\$ 50,475.33	\$ 42,107.26	
March		\$ 24,593.91	\$ 30,891.36			\$ 58,267.61	\$ 47,895.90	
April		\$ 93,110.35	\$ 75,321.36			\$ 82,505.03	\$ 78,127.38	
May		\$ 111,731.25	\$ 127,933.78			\$ 111,039.87	\$ 118,355.49	
June	\$ 171,008.99	\$ 136,682.40	\$ 141,865.64		\$ 84,932.97	\$ 123,068.45	\$ 130,993.78	
July	\$ 194,842.48	\$ 130,249.46	\$ 161,836.01		\$ 95,305.22	\$ 119,324.47	\$ 139,141.80	
August	\$ 191,286.84	\$ 132,845.32	\$ 117,506.05		\$ 93,255.98	\$ 126,880.17	\$ 103,052.74	
September	\$ 132,284.52	\$ 108,885.25	\$ 86,203.03		\$ 72,288.01	\$ 119,014.15	\$ 78,234.98	
October	\$ 88,524.72	\$ 71,524.16	\$ 64,513.41		\$ 59,999.39	\$ 78,956.52	\$ 82,818.82	
November	\$ (142,201.66)	\$ 55,710.98	\$ 39,326.31		\$ 70,961.37	\$ 74,056.10	\$ 46,666.12	
December	\$ (252.63)	\$ 82,198.80			\$ 225,891.24	\$ 39,246.43		
<b>Totals</b>	\$ 635,493.26	\$ 1,065,124.59	\$ 899,648.51		\$ 702,634.18	\$ 1,125,571.65	\$ 908,797.09	
2009 total Rounds		13,465						
2010 Total Rounds		21,907						
2011 Rounds (end of Aug		15,650						

## Section 7

### **Possible Models**

#### Lease Course Outright to Operator:

*Annual Rent Structure:* We would need to structure the lease payments to balance out the debt service plus capital expenses. This might make this option unrealistic to potential operators as our capital wish list is significant, and our debt service averages \$80,000 a year for the next five years. See our Capital list to see the significance of the financial implications.

*Capital Improvements Responsibility:* This would be negotiated alongside of the monthly lease payment. Longer term leases are structured so that the lessee is responsible for a high amount of capital infrastructure, while short term leases are set up to feel the course out and tend to include known capital into the lease payments.

*Financial Reporting:* Financial reporting would be recommended only so that the Township can ensure that the lessee is in sound financial shape and also current with accounts payable. Annual Audits would be required.

*Pros/Cons:* Leasing the course to an operator for a straight monthly fee is an option, although not recommended by the golf committee at this time. One of the major advantages of a lease is that you would have minimal involvement and also reduce financial risk. One of the major downsides to a lease is the fear of running the shape of the course down to unacceptable levels. We could structure the contract in such a way to define standards to avoid that; but then we are talking about some sort of oversight, something that works against an advantage of this option.

#### Management Company (similar to current model):

*Annual Rent Structure:* Rent should be \$70,000 for 2012, \$80,000 for 2013, \$85,000 for 2014, \$85,000 for 2015, and \$85,000 for 2016. This covers the debt service of the loan, and around \$10,000 in annual salaries for oversight from Manager and Controller. Once debt service (Loan) is paid off, rent should stay in force.

*Capital Improvements Structure:* London Grove Township would be fully responsible for all capital expenditures, whether it's from the operating account or the Twp General Fund.

*Total Employees and Salary:* Total Payroll should be no greater than 50% of sales. The "sweet spot" for optimal profit would be the 35%-45% range. Payroll should be incorporated into the monthly reporting procedures as it is one of the single greatest expenses regarding this operation.

*Financial Reporting:* Financial reporting would be recommended on a monthly basis and should include a P&L overview, budget comparison, review of labor cost, and corrective action plan if the financials are not in line the approved budget.. Annual Audits would be required.

*Pros/Cons:* This option allows you to defer the management responsibilities to an outside contractor while keeping the potential to financial benefits on the table. Several area golf courses run their clubs in an efficient manner and have proven to be able to give back to the Twp General Fund.

#### Twp Employees Run Course:

*Total Employees/Required Salaries/Cost of Benefits:* 13 to 20 employees would be required and most likely full benefits would be necessary.

*Pros/Cons:* This option would create total control for the Township but would also create a massive payroll because of the benefits. That being said, most of the local municipally owned courses we documented operate under that structure. Interestingly enough Springfield is actually unionized. Annual Medical Benefits Cost on average Single - \$9,432, Employee & Child - \$16,392, Employee & Spouse - \$21,720, Employee & Family - \$27,696.

## Section 8

### Recommended Model for Next Year

#### Management Company Model:

##### **Acceptable Labor percentage/ Identify Key salary positions:**

The *acceptable labor cost* as a percent to sales should be in the 35%-50% range. We have identified several area clubs who are able to micromanage the labor costs and maintain a low labor cost in the 35%-45% range. This would be the ideal range, and since this is a seasonal business affected by weather we also recognize that there may be time periods whereas a 50% labor cost is necessary. As with any business, this is one of the single largest expenses and should be closely monitored by the management company and reported back to the township on a monthly basis. Under the Management Company model we recognize 10 key areas of employment as follows

1. General Manager
2. House Manager
3. Superintendent
4. Assistant Superintendent
5. Head Golf Pro
6. Assistant Golf Pro
7. Golf Course Maintenance staff
8. Restaurant Staff
9. Beverage Cart Staff
10. Bag/Cart Staff

Recommended total labor expense of \$380,000, or 43% (based on 2012 projected net revenue of \$881,250)

##### **Township Capital Responsibilities (outside of operating account)**

The township should expect to spend some money from the general fund to help manage this asset. That being said, we would also recommend that all expenses related to the golf course be accounted for in the operating budget. This will increase the transparency for township residents and reduce confusion regarding who is responsible for what. This is only feasible if the operating budget can maintain a positive cash flow.

**New Recommended Contract:** The contract will need to be run through the Twp Solicitor and Bond Company. The committee recognizes that when the BOS moves to renegotiate a new contract with a management company they should keep in mind the following:

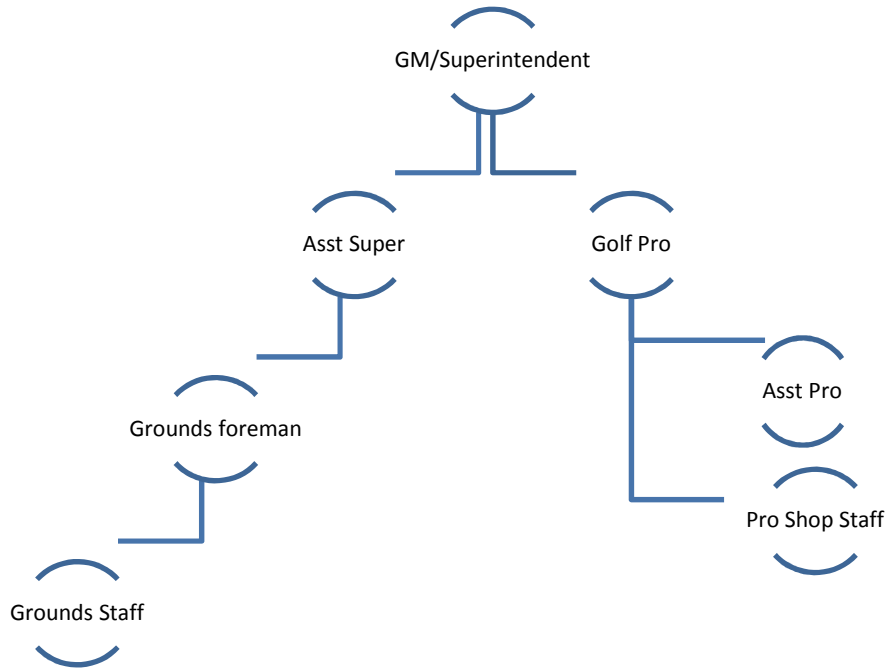
- There should be no “profit or loss” sharing in the agreement. DeVal’s Bonds could be deemed taxable if this is included.
- Revenues need to be better defined. Is lesson money part of the revenue? If so then it needs to become part of the gross revenues. If lesson monies are received by the operator as compensation than that money should go through payroll as well.
- Annual “profit or deficit:” is subject to adjustment based on external audit.
- Section 21.2 and 35.1 need to be clarified and combined.
- The township needs to understand that certain items defined in the contract need to be included in the Township's budget. They include and may not be limited to:
  - Insurance
  - Annual audit
  - Maintenance of the parking lot, bridges, and cart paths

**5 year projected financials under recommended model:**

	2012	2013	2014	2015	2016
<b>REVENUES</b>					
Memberships	\$120,000	\$126,000	\$132,300	\$138,915	\$145,861
Green fees	655,000	687,750	722,138	758,244	796,157
Driving range	18,000	18,900	19,845	20,837	21,879
Lessons	20,000	21,000	22,050	23,153	24,310
Food and beverages	95,000	99,750	104,738	109,974	115,473
Golf shop	100,000	105,000	110,250	115,763	121,551
Cost of sales	(126,750)	(133,088)	(139,742)	(146,729)	(154,065)
<b>Total Revenues</b>	<b>881,250</b>	<b>925,313</b>	<b>971,578</b>	<b>1,020,157</b>	<b>1,071,165</b>
<b>EXPENSES</b>					
Payroll	396,563	416,391	437,210	459,071	482,024
Payroll taxes	39,656	41,639	43,721	45,907	48,202
Lesson expense	18,000	18,540	19,096	19,669	20,259
Grounds maintenance	150,000	154,500	159,135	163,909	168,826
Maintenance equipmer	20,000	20,600	21,218	21,855	22,510
Golf cart equipment	40,000	41,200	42,436	43,709	45,020
Insurance	12,000	12,360	12,731	13,113	13,506
Rent	70,000	80,000	85,000	85,000	85,000
Utilities	33,300	34,299	35,328	36,388	37,479
Advertising	5,000	5,150	5,305	5,464	5,628
Administrative expens	33,400	34,402	35,434	36,497	37,592
Township expenses	25,000	25,750	26,523	27,318	28,138
Annual audit	16,000	16,480	16,974	17,484	18,008
Other	4,000	4,120	4,244	4,371	4,502
<b>Total Expenses</b>	<b>862,919</b>	<b>905,431</b>	<b>944,354</b>	<b>979,753</b>	<b>1,016,696</b>
<b>Net Revenues</b>	<b>\$ 18,331</b>	<b>\$19,882</b>	<b>\$ 27,224</b>	<b>\$ 40,404</b>	<b>\$ 54,469</b>
Assumptions:					
Food, beverage and golf shop sales have 35% gross profit.					
Payroll is 45% of Total Revenues.					
Payroll taxes are 10% of Payroll.					
Township expenses are for golf carts, cart paths, bridges and parking lot.					
For the years 2013-2016 revenues increase by 5% through fee and round increases.					
Expenses increase for inflation, 3%, except Payroll which is 48% of Total Revenues					
Projection excludes incentive payments.					



Suggested Model Diagram



Notes:

1. Recommended Model should have no more than \$260,000 in guaranteed salary
2. This model will reduce Bi-weekly payroll down to just under \$10,000. Your “other” payroll expenses are seasonal as business requires.

## Section 9

### **Marketing**

#### Rollout to Residents:

A detailed plan should be established based on what the BOS adopts from this 5 year plan. All social media should be used to communicate this plan to all LGT residents, and the plan should be posted on the Township web site for access by all. A planned list of capital improvements (golf course only) should be posted on a large sign near the club house so that all customers can see that LGT is investing money back into the course. The Golf Course Management should advertise the planned improvements to all existing customers in their database. By advertising this plan we can accomplish the following:

- Inform residents about Inniscrone and what the financial aspect of this asset truly is. The Township should find a way to include EDU credits in the literature so that part of the asset is not forgotten.
- Bring back customers who may have had a bad experience on the course previously. LGT should stress that the course changes we are making will improve the ease of play for the average golfer.

In addition to the London Grove Twp marketing plan, the Management should develop an actual marketing plan for 2012 to be approved by the BOS that will include the planned capital improvements and help boost revenues.

#### Added Value for non-golfing residents:

London Grove Township should consider opening up this asset in ways that non-golfing residents can realize a benefit. Here are some ideas the Golf Committee has discussed:

- Opening the Golf Course to the public in off season months to walkers. Residents who take advantage of this open space should stay on the cart paths.
- Allowing residents to reserve the upper restaurant area for private parties and meetings.
- Operator should be encouraged to hold events for residents such as “movie night”, ect.

Policies would need to be established if any of these ideas were adopted as acceptable.