

**GULF BREEZE CITY COUNCIL
SPECIAL MEETING**

DECEMBER 11, 2013
WEDNESDAY, 5:30 P.M.
COUNCIL CHAMBERS

1. Roll Call

ACTION AGENDA ITEM:

- A. Discussion and Action Regarding Tiger Point Golf Club Business Plan

2. Open Forum
3. Adjournment

If any person decides to appeal any decisions made with respect to any matter considered at this meeting or public hearing, such person may need to insure that a verbatim record of the proceedings is made, which record includes the testimony and any evidence upon which the appeal is to be based.

The public is invited to comment on matters before the City Council upon seeking and receiving the recognition from the Chair.

City of Gulf Breeze

Memorandum

To: Mayor and City Council

From:  Edwin A. Eddy, City Manager

Date: 12/5/2013

Subject: **Tiger Point Golf Business Plan**

The City Council has scheduled a workshop for Wednesday, December 11th at 5:30 p.m. to review and discuss a business plan for Tiger Point Golf Club.

The City purchased Tiger Point in December, 2012 for \$2,800,000. Since then, considerable expenses have been realized in the process of bringing the golf course back to a premier condition. We paid less for the purchase than the course was worth because of the extensive repairs that were necessary. During the workshop, we will recap the money spent to date on capital improvements, equipment and operations and maintenance. We will show that revenues from memberships, daily fees, food/beverage and pro shop/driving range were less than we spent on the expenses listed above.

At the time we purchased the Golf Club, we noted that nine (9) holes on the west golf course have been allowed to remain inactive since Hurricane Ivan destroyed these nine holes in 2004. To make matters worse, the previous owners excavated certain areas within this dormant nine (9) holes that will make their reconstruction more challenging.

It is important to recall why the City purchased Tiger Point Golf Club. The list below recaps some of those reasons:

1. The sale price was a "rock bottom" price. As repairs are made and the physical conditions improve, the value of the course will increase.
2. There were no other apparent, viable alternative purchasers. Had the City not made the move to buy the Club when we did, the owners may have been forced to cease operations.
3. The economic situation of the area housing market was improving in 2012 and 2013. However, closure of the Golf Club and further deterioration of the physical conditions would have delayed the recovery. High vacancy and foreclosure rates are significant problems for a water and sewer utility.
4. During the twenty (20) plus years the Golf Club was owned by one entity and the utility was owned by another, the problems of coexistence were significant and costly. A great deal of time and money have been spent as both sides fought to protect their interests. From a utility standpoint, the golf course property is a spray field. From the golf course owner's view, there may be at times not enough or too much spray, both of which affect play. By unifying the ownership, cooperation, communication and mutually beneficial operation are much more likely.

During a 60 day drought in May/June of 2013, our utility staff exerted a great deal of effort to divert water to the areas in dire need of irrigation.

5. The City has a current Florida Department of Environmental Protection (FDEP) permit for operation of a wastewater treatment plant on the southwest corner of the course. Each time the operators of the golf course overused herbicides or fertilizers in the vicinity of a required monitoring well, it appeared to FDEP as if the operation of the treatment plant has resulted in an exceedance of permit rules.
6. Purchase of Tiger Point makes possible the expansion of our existing wastewater plant rather than constructing a new plant. Roughly, we will need the capacity to treat 5.5 million gallons of wastewater per day at build out. Adding 3.5 million gallons to our current capacity of 2.0 at the existing plant is possible for about \$10 million. Construction of a new plant on Bergren Road for the same 3.5 MGD would be about \$20 million. Annual operating costs for the Bergren Road option would be \$6 or 700,000 more than annual operating costs from expanding the Tiger Point Plant.

For these reasons, purchase of the Tiger Point Golf Club made sense. We have a plan which indicates that if we spend additional funds over time to restore the nine (9) holes on the West and renovate the club house and pro shop, we will actually make money.

Tiger Point Golf Club Revenue and Expenses YTD (January 1 - September 30) 2013

Revenue	January	February	March	April	May	June	July	August	September	Total
	Admin (member dues)	21,933	22,426	23,949	20,363	21,326	20,599	21,000	21,000	21,000
Proshop	51,852	61,221	98,785	98,146	90,908	105,795	127,031	77,886	87,727	799,351
F&B	20,091	20,003	40,717	43,552	40,142	33,456	27,917	18,620	24,904	269,402
Total 2012 Meadowbrook	93,876	103,651	163,451	162,060	152,377	159,849	175,948	117,506	133,631	1,262,348
Other	953	1,090	293	32		12				2,380
Proshop	49,349	86,766	134,822	152,261	130,239	135,253	132,902	125,419	110,299	1,057,309
F&B	10,890	14,870	25,739	23,884	35,958	29,299	22,429	35,075	36,503	234,648
Total TPGC 2013	61,192	102,726	160,853	176,177	166,197	164,564	155,331	160,494	146,802	1,294,336
Expenses										
Admin	44,898	45,697	47,639	48,026	51,665	21,737	55,681	54,794	45,638	415,775
Proshop	15,340	15,340	26,106	19,858	20,928	19,873	15,096	16,248	25,718	174,507
F&B	25,418	21,762	34,770	33,662	32,672	26,925	24,828	30,048	27,493	257,578
Maintenance	29,597	23,182	35,857	43,711	42,962	38,714	40,573	46,270	31,724	332,590
Total 2012 Meadowbrook	115,253	105,981	144,372	145,257	148,227	107,249	136,178	147,360	130,573	1,180,450
Admin	36,914	23,576	37,032	52,376	45,635	21,184	62,656	79,896	151,402	510,670
Maintenance	76,678	87,732	110,538	109,665	127,319	15,433	164,012	103,295	84,273	878,944
Proshop	27,746	40,593	40,859	27,495	28,507	11,865	37,684	29,902	1,726	246,377
F&B	27,942	36,665	42,474	47,076	62,838	57,331	63,890	70,248	42,914	451,378
Total Expenses	169,280	188,566	230,903	236,611	264,299	105,813	328,241	283,341	280,315	2,087,369
Large Equipment / One time Purchases:	-43,207	-76,224	-38,860	-59,242	-101,672	-90,166	-115,197	-120,467	-46,486	-691,521
Total 2013 Regular Operati	126,073	112,342	192,043	177,369	162,627	15,647	213,045	162,874	233,829	1,395,849

Tiger Point Golf Club Revenue and Expenses YTD (January 1 - September 30) 2013
Financial Summary

Regular Operating

Revenue & Assets

Revenue	\$1,294,336
Inventory On Hand	\$63,288
Total Revenue & Inventory	\$1,357,624

Expenses

Regular Operating

\$1,395,849

Net Operating Gain / Loss

-\$38,225

Capital Repairs / Renovation

January 1, 2013 - September 30, 2013	\$691,521
Approved but not inciated - On-Course Restrooms	\$128,000
Total	\$819,521

BORDERS GOLF GROUP

To: Buz Eddy and Ron Pulley
CC: Ken Morgan and Bill Timken
Date: December 5, 2013
RE: TIGER POINT GOLF COURSE CONSTRUCTION / RENOVATION & FOOD AND BEVERAGE RECOMMENDATIONS

THE WEST COURSE

As part of my site evaluation, I was asked to develop a recommendation regarding how we should proceed with the West Course at Tiger Point. Working in conjunction with Ken Morgan, Golf Course consultant for the city, in my professional opinion, there are 4 different options that you can elect to proceed with. Each has their own pros and cons.

One of the first tasks was to define what will make this a successful project. After our discussions, it is clear that there are 3 defining milestones which will achieve success. First and foremost is a break-even operation after approximately two years of operation, then being able to generate enough profit to pay back the capital over a 30 year period. Second is to provide the residents of Gulf Breeze with a great golf experience. Finally, to provide the water district with the most opportunity to build the planned wastewater treatment plant to allow for the ability to discharge as much effluent water as may be required onto the golf courses once this is completed.

There have been four general concepts for the golf course redevelopment. I will address each one with pros and cons in an unbiased, factual manner.

BUILD NEW 18 – CHAMPIONSHIP COURSE

Pros

- This is what was presented to the community and city and would keep within the covenants of the property.
- Should recover the property values of the homes that are adjacent to the closed 9 holes, as well as those homes along the existing 9 holes of the West Course.
- Provides additional effluent water disposal opportunities. Currently the back 9 holes of the golf course are limited in the amount of available irrigation, since piping destroyed during Ivan has still not been repaired. However, once the renovation is completed, there will be more spray heads to dispose of the effluent. In addition, the course will be overseeded during the winter season with rye grass. This will allow for effluent water disposal during the winter months, which is not available now.
- Consistency of product and experience – To be a revenue generator this is a must. Most golfers do not want two courses with different levels of playability.
- Same materials for construction utilized on all 18 holes – Grass, bunker sand, green structures, and details – Cohesive.
- A new source of revenue for the project – This has the potential to generate the most money, since you would be able to charge green fees close to those of the East Course.
- Allows for the use of the course when there is a tournament.
- Allows for large tournaments that no one else can host (only 36-hole facility in the area).

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- This would allow for a championship golf experience, although a shorter one, which has the potential to attract your non-core golfers. Seniors, ladies, beginning golfers, and juniors would utilize this.
- There would be multiple tee boxes that will allow for the above named groups to play from varying distances and will allow them to challenge themselves as their game improves. The East Course is more difficult and non-returning, which limits your ability to attract the non-core golfers.
- Having 36 holes of golf sets you apart from the competition. This is a fantastic marketing opportunity!
- This will give you the greatest economies of scale versus building the West Course 9's separately. You should have a cost savings of probably 20% or more by not doubling the time for construction. If you build the nines at different times, then your cost will be significantly higher since you will have two mobilizations, equipment rentals, and separate crews, which make it more difficult to sequence the work schedule. In addition, you must wait for one task to be fully completed before starting the other. Costs associated with the renovation for just 9 holes on the West Course are approximately \$1.7MM (plus grow-in). The total overall cost would only be reduced by approximately \$900,000 of the original \$2.6MM (plus grow-in) construction of 18 holes. Economies of scale for maintenance - By building the new 18 holes, you are only adding about 1/3rd more than a nine-hole course.
- Views from the clubhouse should drive dining, weddings, and other private event business.

Cons

- This is the most expensive option since it is all-in at one time.
- The uncertainty of the economy, but still an unlikelihood of an economic downturn and less disposable income to support the additional course.
- The fear of the shrinkage of demand for the game of golf. If we are not making money now, how are we going to make money with additional golf holes? See the synopsis section below on the golf industry as a whole
- Ongoing maintenance will be more than 9 holes, but will only be about 50% more than 9 holes.
- Will need additional maintenance equipment (although many pieces can be shared among both courses).

RENOVATE WEST COURSE INTO AN EXECUTIVE COURSE

Pros

- Would provide Tiger Point with 36 holes of golf, which was presented to the residents and community.
- This would comply with the covenants on the property.
- Should recover the property values of the homes that are adjacent to the closed 9 holes, and the existing 9 holes on the West Course.
- Provides additional effluent water disposal opportunities. There will be more spray heads to dispose of the effluent. In addition, the course will be overseeded with rye grass. This will allow for effluent water disposal during the winter months, which is not available now. However, this will be less than if you build the course to championship length, since there will not be as much overseeded area.
- Consistency of product and experience - To be a revenue generator this is a must. Most golfers do not want two courses with different levels of playability.
- Same materials on all 18 holes - Grass, bunker sand, green structures and details - Cohesive.
- Allows for the use of the course and when there is a tournament - Although less than if you build the championship course since it has less appeal to many core golfers.
- This would provide a good golf experience, although a shorter one, which has the potential to attract your non-core golfers. Senior, ladies, beginner golfers and junior would utilize this.

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- There would be multiple tee boxes that allow for the above named groups to play from wherever they want. The East Course is more difficult and non-returning, which limits your ability to attract the non-core golfers.
- Having 36 holes of golf sets you apart from the competition. New product is a great marketing opportunity.
- This will give you the same economies of scale that you would have in building the championship course versus renovating both West nine holes separately. You have likely have a cost savings of 20% or more by renovating both nines at the same time. If you build the nines at different times, then your cost will be significantly higher since you will have two mobilizations, equipment rentals, and separate crews, which makes it more difficult to sequence the work schedule. Costs associated with the renovation for just 9 holes on the West Course are approximately \$1.7MM (plus grow-in). The total overall cost would only be reduced by approximately \$900,000 of the original \$2.6MM (plus grow-in) construction of 18 holes. Economies of scale for maintenance - By building the new 18 holes, you are only adding about 1/3rd more than a nine-hole course. These costs are the same as those of the Championship course, as the same amount of land will be disturbed.
- Views from the clubhouse should drive dining, weddings, and other private event business.
- Maintenance costs would be slightly lower than a championship course depending on the perimeters of the course. Turf is less expensive to maintain than landscaped or native areas in most cases. Landscaped areas require a great deal of manual labor.

Cons

- This is more expensive than just renovating 9 holes, but affords you more of the benefits of an 18-hole championship course.
- The uncertainty of the economy, but still an unlikelihood of an economic downturn and less disposable income to support the additional course.
- The fear of the shrinkage of demand for the game of golf. If we are not making money now, how are we going to make money with additional golf holes? See the synopsis section below on the golf industry as a whole
- Ongoing maintenance will be more than 9 holes, but will only be about 50% more than 9 holes.
- Rate sensitivity in this market - Will not be able to charge same rates as a championship course.
- Difficult to demand rate in comparison to the championship course - Because of the demographic an executive course draws, they are very price sensitive and are going to demand great value to use it.
- If you build a championship course, we can always make it shorter by using tee boxes and forward tees in fairways so everyone can enjoy it. If an executive course is built it is very difficult and impractical to go to a championship course.
- There is no significant cost savings in building an executive course versus a championship course. You still have to build greens, tees, and features. You could possibly save a little money with fewer acres of fairways and roughs, but that is the least expensive portion of the golf course.
- Once you build this it is very difficult to expand if it does not work.

RENOVATE WEST COURSE INTO A PAR 3 OR SHORT COURSE

Pros

- Would provide Tiger Point with a perceived 36 holes of golf.
- This would probably comply with the covenants on the property.
- Should recover the property values of the homes that are adjacent to the closed 9 holes, but based on the routing, may or may not provide much of a change for the homes on the other 9 holes of the West Course.

- Provides additional effluent water disposal opportunities. There will be more spray heads to dispose of the effluent. In addition, the course will be overseeded with rye grass. This will allow for effluent water disposal during the winter months, which is not available now. However, this will be less than if you build the course to championship or executive length, since there will not be as much overseeded area.
- Fun concept and quick to play.
- Same materials on all 18 holes – Grass, bunker sand, green structures and details – Cohesive.
- This would allow for a good golf experience, although a shorter one, which has the potential to attract your non-core golfers. Seniors, ladies, beginning golfers, and juniors would utilize this.
- There would be multiple tee boxes that allow for the above named groups to play from wherever they want. The East Course becomes the only alternative to play on a regulation golf course.
- The cost of building a par 3 course would be about 12% less than the championship course. Again, you need greens, tees, and features, all of which will not reduce significantly under this scenario.
- Cost for building a par 3 would be approximately \$2.3MM, a savings of only \$300K, mostly because the entire 18 holes would have to be rerouted and reshaped into a par 3.
- Views from the clubhouse should drive dining, weddings, and other private event business.
- Maintenance costs would slightly lower than either a championship or executive course. Turf is less expensive than landscaped or native areas to maintain in many cases. Again, those require a great deal of manual labor.

Cons

- This is more expensive than just renovating 9 holes, but slightly less than a championship course.
- The uncertainty of the economy, but still an unlikelihood of an economic downturn and less disposable income to support the additional course.
- The fear of the shrinkage of demand for the game of golf. If we are not making money now, how are we going to make money with additional golf holes? See the synopsis section below on the golf industry as a whole
- Ongoing maintenance will be more than 9 holes, but will only be about 50% more than 9 holes.
- Rate sensitivity in this market – Will not be able to charge same rates as a championship course.
- Fees are always significantly less to attract that different demographic of golfer even if it is a great par 3 course.
- Difficult to demand rate in comparison to the championship course – Because of the demographic an executive course draws, they are very price sensitive and are going to demand great value to use it.
- The other short course in the region, which is on NAS Pensacola, receives limited play.
- If you build a championship course, we can always make it shorter by using tee boxes and forward tees in the fairways so everyone can enjoy it. If an executive course is built, it is very difficult and impractical to go to a championship course.
- There is no significant cost savings in building an executive course versus a championship course. You still have to build greens, tees, and features. You could possibly save a little money with fewer acres of fairways and roughs, but that is the least expensive portion of the golf course.
- There are many examples in which this sounds like a nice idea, but they struggle to break-even. We have operated two short courses and consulted for one, and it is always the same issue. What are we going to do to minimize the losses on the short course? I would strongly recommend against this type of course.

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RENOVATE WEST COURSE EXISTING 9 AND POSTPONE WEST COURSE NEW 9

Pros

- The costs associated with the renovation for 9 holes on the West Course would be approximately \$1.7MM since the total overall cost would be reduced by approximately \$900,000 of the original \$2.6MM on the construction.
- Grow-in would be reduced by approximately \$100,000. The time frame for grow-in would not change.
- Continued play while construction is taking place.
- Provides additional effluent water disposal opportunities. There will be more spray heads to dispose of the effluent. In addition, the course will be overseeded with rye grass. This will allow for effluent water disposal during the winter months, which is not available now. However, this will be less than if you build the course to championship length, since there will not be as much overseeded area.
- Generate some new buzz from something new happening at Tiger Point - The city kept their promise to do something with the West Course.
- Potential to create a new market (albeit smaller than if you were to renovate all 18 of the west course), and generate potential revenue for the renovation of the West new.
- Provide a significantly better playing experience for the existing West 9.
- This would keep the course in compliance with the covenants of the property, but would only increase the home values on the renovated 9 holes.

Cons

- Shaping is less but not half, since a majority of the shaping is on the West new. The majority of the shaping for the West old is on greens.
- Pump station would be the same cost since you are sizing for the future use on the other 9 holes.
- The design still needs to be completed as planned, since you must plan irrigation and pipe size in order to procure the proper pump station. In addition, you are looking for cohesiveness. Facilities that renovate in stages never feel like one golf course when finally completed.
- The bulkhead on the water hole will still need to be replaced, and that is approximately \$82,000 of the total cost.
- The majority of the work is on the West new.
- Grass types are not the same - The fairways on the West old are 419 while the greens are 328. While the architect may select 419 for the fairways, the greens would certainly not be 328 because it is no longer available and the horticultural practices are out of date.
- Maintenance budget for the West would be for 18 holes either way.
- Green fees would be substantially less. Even if they play twice, the fee would still be under what a championship 18-hole course would be able to command.
- Equipment procurement would not be reduced since you are now maintaining 18 holes on the West.
- It will be difficult to pay for this renovation from operations - The rates for a 9-hole course will not be substantial enough to justify a \$1.7MM capital expense. Costs associated with the renovation for the additional 9 holes on the West Course are approximately \$1.7MM (plus grow-in) or greater, based on the time between the renovations.

DON'T DO ANYTHING - STATUS QUO

Pros

- There would be no current capital outlay for this renovation outside of the actual needs of the water district.

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- Minimal risk of capital funds.
- Minimal additional cost to maintain, outside of more frequent mowing of tall grass on what are currently native areas.
- Use some of the capital funds to complete upgrades to the East Course irrigation system and bunker renovation. These are all items that could be done over time.

Cons

- This would not meet the covenants of the property
- This would leave the property in a state of disrepair. Residents are anxiously awaiting the improvement that was promised.
- You will still be purchasing an equipment package because the East Course equipment is only in fair shape. Ideally, you buy the equipment package proposed and it is shared between courses rather than buying 2 sets of equipment. This is not optimal, but it makes financial sense. You would maintain one course in the morning and one in the afternoon with the same equipment. You would have to supplement some pieces of equipment to make this work, but you are not doubling the equipment needs. This is the same scenario if you develop any of the concepts as described above.
- No additional means to spray effluent because the current courses cannot put out enough of the water. This is because of lack of a working irrigation system. There are only minimal amounts of heads that work on the closed 9 holes to spray effluent.

CONSTRUCTION COSTS

In evaluating the costs provided by Ken Morgan for each of the above scenarios, the construction costs vary slightly as you will see below. There are some aspects that do not change regardless of the type of course you decide to construct.

Championship Course	\$3,293,655	
Executive Course	\$3,004,770	approximately 6% less than a championship course
Par 3 Course	\$2,985,890	approximately 12% less than a championship course
Renovate 9 Holes	\$2,134,740	approximately 34% less than a championship course

OPERATING RESULTS 2015-2020

	2015	2016	2017	2018	2019	2020	6 Year Total
East Course and West as a Championship Course	\$97,058	\$146,703	\$199,256	\$254,855	\$297,118	\$341,484	\$1,336,473
East Course and West as an Executive Course	(\$80,908)	(\$40,550)	\$2,291	\$47,734	\$81,270	\$116,569	\$126,406
East Course and West as a Par 3 Course	(\$251,698)	(\$223,224)	(\$192,820)	(\$160,389)	(\$137,855)	(\$113,990)	(\$1,079,977)

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THE MARKET

In reviewing the market and the competition we feel there is enough demand to renovate / develop the second golf course at Tiger Point. While there are some competitors you have numerous advantages over them. Those advantages include but are not limited to great value, location; the product; service levels and 36-holes of varied and challenging golf. You have the distinct advantage of relationships between the team and the local market. This is something that was neglected for a long time and has come back around under the ownership of the City.

The market consists of 4 main segments - Local year round, local seasonal, tourist and the destination golfer. While they may not seem much different, each segment brings a different golfer with different needs. While there are currently Memberships at the club, they are really nothing more than annual pass holders and the terminology and classification should be changed. The word member by nature says they have rights generally reserved for private clubs. In this case they have playing privileges and thus it should reflect that. In regards to that we would also recommend that the pricing structure change (See next Section)

PRICING

We would recommend a much different pricing model than you currently use both in Membership / Annual Pass Holders and ala carte golf.

Currently the membership programs are much too generous and you are leaving a great deal of money on the table. For example when someone buys a membership it takes only 5 rounds for them to recoup their payment and thus receive a great deal that they would in most cases pay significantly more for. This does not include any of the extras they get when they purchase the membership - 1 free round of golf, free beer with each round of golf and discounted green fees. I believe you are leaving 20-30% of your potential revenue on the table.

We would recommend eliminating the trail pass as well. This is allowing the guest to buy the pass elsewhere and then use the benefit at Tiger Point. Since Tiger Point is the most desirable of all the courses in the trail program, they are going to use it most at this facility. If you were to keep it, you would need to find a way to only honor it if they pay the annual fee at Tiger Point, which the other courses would certainly object to.

In lieu of the trail pass and membership we would recommend offering 4 annual passes with different levels of access. Full Golf unrestricted, full golf restricted (no play during prime time but available any day of the week); Limited Golf Unrestricted (Monday through Thursday anytime) and Limited Golf Restricted (Monday through Thursday non prime time) Currently the pass holders and Members as they are called are utilizing many of your prime time and highest potential revenue tee times. By changing the structure of these programs you will be able to maximize your revenues while allowing more people to be able to pay the price they want to pay.

As for ala carte or daily fee golf we would recommend going to a yield management type program where every tee time has a true value based on demand. We implemented this in a course in Denver and it generates an additional \$150,000 in revenue for the year. This also eliminates the traditional large drop at twilight and super twilight rates. I have attached a metric for you to see this.

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In speaking with players around the facility they enjoy this course but as some of them age, it will be a necessity to find a way to make the courses less difficult. The best way to address this is by making the second course a championship course that is shorter and allows for many sets of tee boxes without forced carries and minimal water. The preliminary schematics that have been developed by Ken Morgan address these issues and will provide a fun and fair experience.

EQUIPMENT / GOLF CARS

As has been presented to the city in prior correspondence from both myself and ken Morgan, it will be imperative to procure additional equipment for the project. However I believe you can share a new fleet of equipment between courses. This is not the most ideal, but with proper maintenance planning you can maintain 1 course in the morning and the other course in the afternoon. While this is harder on the equipment and ground crew, it makes financial sense to do this rather than spending money on 2 complete fleets of equipment. You will need to replace numerous pieces of the current equipment fleet anyway as it is nearing the end of its useful life and is beginning to cost more than the payments on a new fleet would be. In addition there are some pieces of equipment that you could rent on a per use basis rather than buying these and have them sitting around. In addition Jacobsen / Textron has offered you zero percent financing (True zero percent, no hidden costs as it is the same pricing I receive at all my courses if we were to pay cash) on the equipment that they provide.

Once you move forward and the west course opens, you will need to procure additional golf cars, although you can probably get by with 50 additional rather than an additional 80. We would recommend leasing these under a capital lease with a \$1.00 buyout rather than an operational lease with a fair market value buyout. This way you have a trade in value or keep them longer if they remain in good condition. It also eliminates a large cash outlay.

WATER MANAGEMENT

In reviewing the current agronomic conditions of the golf course (s) we see a major challenge as we move forward under any of the scenarios above. Currently the amount of effluent water that needs to be sprayed on the golf course is being governed by the Santa Rosa utility and can be as much as 1.3mm gallons per day, however the supply and demand cycles between the utility and the golf course are not compatible with one another, which creates health issues with the turf and the playability of the golf course. The conditions to play the course change dramatically when we have to absorb the entire amount of water that is allocated for spray on a daily basis because of storm water, temperatures, high ET's among other factors.

It is important now that the city owns the golf course that there is mutual priority for disposal of the effluent that benefits everyone. Of course this will require a joint effort between the golf course management team and the utility team to ensure that the proper water is allocated when needed and sent elsewhere when it is not.

As we move forward with the golf course, we all must be cognizant of these water management issues. There are currently times where there is not enough effluent water and times when there is too much effluent water for the needs of the East Course. Currently the West Course is able to be used as a spray field, when necessary, with unlimited amounts of effluent. However, once the West Course is renovated that luxury may not exist.

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After lengthy discussions between Ken and me, we feel that an equitable solution for all parties would be for us to create a range with which we try to manage the effluent water levels at the utility. By creating a maximum elevation we can store additional effluent for use when needed and a minimum that we do not exceed when using during peak periods. Once the minimum is reached, the golf course will have to switch to fresh water to meet the needs of the demand.

This allows for more flexibility between both the utility and the golf course to manage the resource to the benefit of both parties. When the utility is above the maximum level, due to rainfall, if we utilize the spray fields, rather than the golf course to discharge this effluent, and stop the discharge at our maximum level we create a surplus that can be used on the golf course. After the rain event we would then have more flexibility in satisfying the irrigation needs of the golf course, and third party purchasers. Once we reach the minimum levels of the storage, the golf course would have to switch to fresh water to supply its needs, until such time as the storage can be brought up above the minimum levels.

If we can create a system that works on these principals, this will help the utility with its needs to adequately dispose of the effluent in an efficient manner, while still allowing the golf to fulfill the irrigation needs to create a healthy turf. Without a healthy turf the golf course will be faced with additional weed pressure that has not been estimated into the budgets that have been created. This additional weed pressure will require the golf course to complete multiple spraying applications to keep weed growth under control, therefore increasing the amount of cost to the City on the golf course maintenance.

GOLF CLOSING THOUGHTS

As with any business, there is always a capital push after a purchase to make the necessary improvements that will allow you to grow the business. This is especially true when the prior owners neglected the property and severely damaged the reputation of that business. This is certainly the case at Tiger Point. Everything was pushed into the future, and no spending will make the wound go away. This was a strategic error that will take time and money to fix.

You have already had success since rounds have increased by almost 2,600 since January. There is approximately a \$100,000 operational loss for the year through the first 6 months, but there was no marketing, concerted sales effort, minimal amount of tournaments, and although some capital expenditures have been made on the East Course, no major improvements to the West Course have been completed at this time. With the right sales team under Amy Luna, there is significant opportunity. This will take some time and patience. The consumer remembers the old Tiger Point which was not a good experience - they need to learn of the new Tiger Point which is becoming a better experience every day. As we advise many clients, it took less time to ruin it than it will to take get it back and better than ever. You are on your way to better results with the current leadership team, as patrons continue to see improvements. They will continue to tell others about these improvements.

We believe that with the right leadership team, proper design, and a really good product that offers something the competitors cannot offer, plus a significant change in pricing structure (yield management, and tiered price structures, not just raising fees), an active golf course with annual pass holders, locals, and tourists, you can have a very profitable 36-hole golf facility.

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FOOD AND BEVERAGE

There has been a lot of discussion regarding the loss in the food and beverage department. Currently you are losing money in this department. However, this also has a huge opportunity to grow into a profit center with the right team and with a good sales program. This is an area that took a fairly short time for the prior ownership group to destroy, and will take longer to rebuild as customer memories regarding a dining experience is very long, regardless of the circumstances. So patience is a virtue in this area, as long as you are making progress.

REALLY GOOD FOOD - AFFORDABLE

I have heard from numerous people that there is no good food in the area, so why not make this the best restaurant in the area? The patrons will come. The first thing you must do is define what good food is and what people are willing to pay for. Good food comes from quality recipes, quality preparation, quality ingredients, and clean plate presentations. Each of these has an effect on how a plate is perceived, as well as how well the dish tastes. It also has a material effect on what you can charge for the item.

In many cases, people want all of the above. However, sometimes they are not willing to pay what it takes to deliver that type of a product, while allowing the establishment to make money. That said, in many cases fresh ingredients are often less expensive or the same cost to produce. The challenge is the level of volume when you use fresh product. Because the product goes bad faster, it can create waste. However, if you figure that waste into the cost factor, then you are OK. There should be a goal to cross-utilize all fresh products such as hamburger meat, produce, and any other items you make from scratch such as sauces and dressings.

Here are a few things that we would suggest to create better food:

- While Jessie has talent and good culinary knowledge, you must increase the culinary talent in the kitchen when he is not on property. There is a marked difference in the food quality and timing when he is on property.
- Plan ahead and pre-prepare more of the items that take some time. On my last visit, I saw many ticket times for lunch that were 35-40 minutes. This is unacceptable.
- Adhere to standard recipes and make sure they are followed.
- Someone needs to be the last touch in the kitchen before the product gets to the table - there is no reason that the food should not be perfect when delivered.
- Procure some specialty items that can be cross-utilized on numerous plates
- Come up with that one specialty item that you can charge more for and people want.
- Reduce the number of fried food items.

COST / MENU PRICING / PORTION SIZES

As with any restaurant, you will always have the challenge of having significant variety on the menu, while offering them at a price point that people will purchase them. The cost of food has increased over the past year between 7%-9%, so there are three options to address this. First, change the menu and take any items with the higher priced product off the menu. Second, raise the prices to account for the increase in cost, or you can substitute higher cost items with some lower cost product. In many cases the consumer will not know, however we do not recommend doing this since it can turn away your best customers.

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In reviewing the current menus, the pricing is very appropriate for the venue and the overall quality is fairly good. The portions in some cases are perfect, while the salads and sides are over-portioned creating additional cost. The spread of the menu pricing is currently good, with some upward movement available to account for the increased product cost. We would recommend increasing the best selling items by \$.25 to \$.50 cents each.

FOOD SERVICE HOURS

The current hours of the food and beverage operation need to be evaluated. The current lunch hours are satisfactory for the current level of volume. However, the late afternoon hours of food service tend to be more problematic and challenging. Currently there is very little volume after 2pm and the facility must still be staffed with at least a cook and a bartender. There is often a desire from local residents and those who play golf to want dinner on a regular basis. However, as is the case in most clubs, the revenue will not support this. We would recommend that you eliminate food service after 3pm and just serve beverages. You could offer some grab and go items that could be served out of the bar, but the labor to provide this service is not warranted. We would also recommend that you serve a special theme dinner such as the prime rib night (which is successful), and has a controlled cost of sales and labor staff. As the business grows and the demand is there, you can always add additional nights. There are many courses and private clubs that do not serve dinner or only serve 1 or 2 nights per week. Many have realized that the viability of dinner every night is not very good.

We recommend that you focus on lunch only (along with private events). You can maximize your revenues during this time, as well as minimize the labor in order to produce this.

LEASING OUT

Since the City bought the golf course there has been discussion of leasing out the restaurant. Having facilities in which we have done this, there are pros and cons which we will share with you.

Pros

- The elimination of any financial risk.
- The elimination of facility management in the food and beverage areas.
- This would allow for an entrepreneur to be a full service restaurant and operate as a free standing operation. They are generally more motivated to make money.
- If it is a local operator, perhaps they already have an establishment that can drive business to Tiger Point.
- Possibly an operator who has significant event experience and could drive revenue.

Cons

- Loss of control of hours of operations.
- Loss of control of menu selection and items.
- Loss of control of food quality and service levels.
- If the operator is losing money, they are more likely to do whatever it takes to make money, which includes cutting corners, hours, etc.
- In all situations, there seems to be a conflict when it comes to golf tournaments and private events. The golf side will almost always be the second priority, since it is usually less money to the operator.

We do not generally recommend leasing out facilities unless they have a large banquet facility that can have many events concurrently. We look at this more in depth than a-la-carte dining options.

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ELIMINATE OR REDUCE THE FREEBIES

Currently under the membership (Annual Pass Programs) there is a free component of alcohol, free golf rounds, etc. I would suggest getting rid of the free alcohol (I think there is some liability there) and have them buy the product. Under today's program, many of these guests come off the golf course and get a free beer and perhaps may buy a second one. If you want to continue to offer free beer, make the second one after they have bought the first one.

We discussed up above in the golf section about annual passes and memberships. They need to change since they are too generous. You are giving up significant revenues. The food and beverage component should be part of that change.

MOVING GOLF SHOP (FOOD AND BEVERAGE / GOLF)

Much discussion has taken place regarding the pros and cons of moving the golf shop back to the free standing building where it was before the hurricane. This is something that we strongly believe in since it will accomplish several things.

- First, it will allow for a significantly better experience in parking lot and guest greetings. Currently, the arrival experience is poor since the guest has no idea where the golf shop is. They have to walk through the entryway, bar, dining room, and then finally to the golf shop. This would allow for immediate visual direction of where the golf shop is.
- The new golf shop would also allow for higher retail sales since the space will be better and allow for better flow and merchandising. The area will be a lot more appealing because it has excellent light and a standalone feeling. With good merchandising you will significantly increase your sales.
- You will be able to see the practice facility which today generates good money. Currently it is out of sight of the golf shop.
- When this room is not being used you can have it for a-la -arte dining, which will allow you to spread the bar area out and make it much more appealing for dining. Currently, it is very cramped and not very functional. It is hard to serve and is quite loud.
- You will be able to increase your banquet dining opportunities because you will be able to host larger events indoors. Currently anything over 120 persons must be held outdoors, or a combination of indoor and outdoor which people generally don't like. Because you will have larger space you can host larger golf tournaments (which you will have once the west course is reopened), larger weddings, corporate events with a break-out room, and simultaneous events. On a side note, for weddings you will be able to do dinner in one room while all the other events can take place in the alternate room. In my discussions with Amy, we have turned away numerous events because of the size of the facility.
- The cost of this conversion that was provided to us is \$340,000 for both buildings. While this seems like a lot of money, there is approximately a 5-year payback to this. The profit (not revenue) generated from food and beverage events should be more than ample to pay for this renovation. The retail profit will also increase by approximately \$1.00 per round as long as there is a concerted sales effort with staff greeting, suggestive selling, and staff coming out from behind the counter.
- The only negative that perhaps would exist is that they will not be able to see the turn or first tee of the West course. For a nominal amount of money (\$7,000), you could put a camera system in which will allow you full view of any areas that you need.

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LEADERSHIP AND SERVICE

Service continues to be a problem in the restaurant, especially when Jessie is not there. There is a complete lack of attention to the guest, no smile, as well as very slow service. Once the food is delivered, in general it is pretty good. It is frustrating to a guest to have to wait when there only a few people in the dining rooms. Another big issue is the lack of professionalism. This ranges to a quick order, no suggestive selling, and sloppiness all the way to the bartender sitting with her legs up on the stainless steel behind the bar as if it were her living room.

In order to build the business, there has to be a leader in charge for these issues to be resolved. There seems to be minimal training and management of the front of the house, while the back of the house is only slightly better. While Jessie is good and has excellent intentions, he has not been able to develop the team in a manner that is representative of city standards. Jessie is a good chef and puts out good food when he is cooking and in the kitchen. However, it is not the same when he is not there. His culinary team is weak at best and is more interested in listening to music, rather than doing what they are supposed to doing. I would ban all radios in the kitchen. You cannot focus on food preparation when the radio is loud and blaring. More important, why should your guests have to listen to that? He also has command of the dining room when he is there, but it is unrealistic to have him work 7 days a week.

During Jessie's days off, there needs to be someone else in charge that can lead the staff and make sure everything is always right! There should be a lead server and a lead cook, who are paid slightly more money and are trained to a higher level. They will be expected to manage the operation in his absence. These two people should also be able to see if the quality of the food is not up to the standards and if so, not allow it to be served. This is not complicated. It just takes some desire, knowledge, and a willingness to learn.

There also needs to be a person in charge of private events such as a banquet captain who has the same pride and standards as everyone else. It is not about slinging hash, but providing a service experience for the event participants. Breakfast in particular seems to be an issue from my discussions, however I did not witness that myself.

If the business was stronger, we would recommend hiring a pure front of the house manager and keep Jessie as the Executive Chef. However, this cannot be justified at this level of volume.

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RECOMMENDATIONS

There are four things that make for a successful operation:

1. Customer satisfaction.
2. Profitability – Is this a good return on your investment?
3. Proper facilities and service to match the needs of the consumer.
4. Employees' satisfaction and service.

In our opinion, you are headed down the right path on all four points. However, you are further behind on customer and employee satisfaction than you are on facilities and profitability. We believe that with the proper leadership team in place, all four of these can be met and have a significant impact on the revenue generated at Tiger Point.

After about a decade of decline in the participation in the game of golf, there is a lot of positive movement in the growth of the game from the younger generation, women and even the casual golfer.

Some of the positive movement is evidenced by:

- A significant increase in golf courses trading hands from individual owners to corporate ownership
- Bidding wars for courses with upside opportunity
- The re-entrance of private equity into the market – They see significant upside
- Owners are renovating to improve facilities to compete within the market
- A reduction in supply and the increase in demand
- Re-invigoration by juniors and women back into the game – Look at the younger players on tour are more into fashion and non tradition, thus attracting a new demographic of player
- The affordability and time factor has come back into reality, thus it is desirable to more of the population

It would be our recommendation to renovate the West course as a championship golf course, rather than any type of hybrid. The cost to design, construct, and operate the facility is only minimally more expensive than any of the hybrid scenarios. This will also produce the greatest revenue generating opportunities which are superior with a championship course than they are with the hybrid. This will also allow you to offer the most flexibility in course layout and design to appeal to the majority of your target market.

You will need to be very proactive in growing the revenue through a-la-carte pricing, tournaments, and outings, which will allow you to maximize revenue at the courses. You should be able to cover any long-term debt service that is incurred from the financing of the project. Over the 30-year term of financing, you will be able to generate enough revenue throughout the course operations to be not only breakeven, but make money.

Finally on golf, in order to complete grassing and grow-in within next year's growing window, we will need to make sure that construction begins quickly and ideally before December 15th of this year. Prior to the construction process, we will need to have plan documents completed by the Golf Course Designer.

It would also be our recommendation that you move forward with the move of the golf shop to the outbuilding and renovate the current golf shop into a dining room. This is strongly recommended, and almost required if you are to move

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forward with the West course because the current food and beverage facilities are inadequate for that level of business volume.

We have included budgets for these scenarios -

1. Operating budget for 2015 through 2020 under each scenario. This reflects costs after the renovation is completed.
2. Design and construction budget for the West course.

As always, we look forward to your feedback. Please feel free to contact me with questions, concerns, or comments.

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Tiger Point - Pro Shop and Clubhouse renovations

Steve Jernigan <Steve@baydesign.com> Thu, Aug 15, 2013 at 8:17 AM
To: Edwin Eddy <eaeddy@gulfbreezefl.gov>, Ron Pulley <rpulley@gulfbreezefl.gov>
Buz/Ron:

After meeting on site with you to discuss scope, and a follow up meeting with Ron, Jesse and Amy to further define project parameters, we have come up with the following budget breakdown.

Pro Shop (free-standing building) renovations:

Interior renovations/new finishes and exterior (column repair, gutter/fascia removal or replacement, starter area addition)

2,025 s.f. +/- @ \$50/s.f. = \$101,250

Clubhouse renovations:

Convert existing pro shop to dining, office to server station – includes new finishes

1,400 s.f. +/- @ \$20/s.f. = \$28,000

Relocate bar

Lump sum \$50,000

Enclose existing covered outdoor area to banquet facilities, add server/bar station, HVAC. Lighting, etc.

2,100 s.f. +/- @ \$60/s.f. = \$126,000

Outdoor patio area expansion/renovations

Lump Sum \$35,000

Optional:

Reconfigure/reduce size of men's locker room to expand dining/bar seating

480 s.f. +/- @ \$100/s.f. = \$48,000

Total ballpark estimate of construction costs (not including men's locker room work): \$340,250

Based on the Florida Department of Management Services fee calculator (attached), the work classified under Complexity Group "C" (Repairs and Renovations) indicated a fee of \$31,604 for basic services. Typically existing building drawings are classified as an additional service, but

\$371,854

we would do measured drawings at no additional cost.

If this scope of proposed construction work is in line with your expectations, I can formalize the proposal. Let me know if you have any questions.

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