

Operational Review and Recommendations

For Municipal Golf Operations

In

City of Houston

Parks and Recreation Department

Houston, Texas

Prepared For:

City of Houston, Texas

Prepared By:

**NGF[®]
CONSULTING**

1150 South U.S. Highway One, Suite 401
Jupiter, Florida 33477
(561) 744-6006

July 2005

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For the City of Houston Municipal Golf Operation**

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Introduction

NGF Consulting, a subsidiary of the National Golf Foundation, was retained by the City of Houston Parks and Recreation Department to assist in evaluating the operations, management, and physical condition of the City's eight golf courses. The goal of the study is to provide the City with recommendations that will, if implemented, help maximize the economic potential of these facilities, while also retaining the goal of providing affordable golf for the citizens of Houston and preserving the golf course assets.

The Houston municipal golf system comprises seven revenue-producing facilities, in addition to FM Law Park, which is a First Tee Facility. These facilities have come into the City's system in different ways, and have been managed under various scenarios. Currently, five of the golf courses are self-operated by the City, while three are operated under private lease agreements. The City is beginning to plan for the longer-term future of these golf facilities in light of present contract terms and a decline in golf activity at these golf courses. The results of this review will be used to assist City officials in determining the appropriate courses of action for the future of these facilities with regard to management, operations and capital improvements.

Under consideration for this report are the present operating structure of the City of Houston golf system, the lease agreements in place, the physical condition of each facility, the market for each facility, and the potential to reduce expenses and/or to increase activity and revenues at each golf course. The golf courses reviewed by NGF Consulting include:

- Brock Park Golf Course
- First Tee Facility at F.M. Law Park
- Gus Wortham Park Golf Course
- Memorial Park Golf Course
- Sharpstown Park Golf Course
- Glenbrook Park Golf Course
- Hermann Park Golf Course
- Melrose Park Golf Course

Activities conducted in completion of this report included: field research; statistical analysis; a series of meetings with key City of Houston and Parks Department officials; several meetings with golf operations personnel; a series of tours and agronomic inspections of the City golf courses; implementation of on-line and paper survey / research instruments; and interviews with City of Houston golfers. Further, NGF staff consultants visited several of the area's competing public golf facility operations to gain an understanding of the market dynamics that have contributed to declining activity levels at City courses. The key consultants contributing to this study effort include Richard B. Singer, Director of Consulting Services at National Golf Foundation (NGF) and Ed Getherall, Senior Project Director at NGF.

NGF Consulting would like to thank the staffs of the City of Houston Park and Recreation Department, the individual golf courses, and the private management companies for their cooperation in providing timely and comprehensive data and other information. Following is the consultants' report on the operation of the City of Houston municipal golf operation and our recommendations for its future.

Executive Summary

The following is a summary of the significant findings and recommendations made by National Golf Foundation Consulting, Inc. (NGF Consulting). The supporting text and tables are found in the body of the attached report and appendices.

NGF Consulting has conducted a detailed review of the management and operations of the City of Houston's municipal golf operation. This evaluation was conducted over several months and included: consultants' inspections of each facility; interviews with officials and staff of the City's Parks and Recreation Department; discussions with individual golf course staff; interviews with the private operators; analysis of historical financial and activity data; review of operational documents and contracts; collection of competitive market information; and, implementation of a golfer survey to collect opinions and suggestions from Houston citizens who golf at the City's facilities. The following NGF Consulting report includes details of specific recommendations for improving the City of Houston's municipal golf operation.

NGF Consulting's analysis has revealed a high-quality municipal golf operation that the residents of the City of Houston can be proud of. Though our review revealed operational, administrative, and physical issues, at both the individual facility and overall administration levels, that need to be addressed to make the system even better, the eight-facility Houston system is one of the better municipal golf operations we've observed, especially given its size.

Houston's eight facilities comprise a strong and valuable portfolio of golf course assets, several of which are unique in that they enjoy such proximity to a large, thriving urban center, yet still feature rich parkland settings that allow golfers to "get away from it all." Several of the City courses, including Memorial Park, Gus Wortham Park, and Sharpstown Park, also have rich histories tied to them, making them even more valuable to the city and its residents.

The City of Houston municipal golf operation comprises a mix of self-operated and privately managed facilities. The private facilities – Glenbrook Park, Hermann Park, and Melrose Park – are run under concession agreements by three different operators. This mix of public and private operations is uncommon but not unusual, and appears to work well overall for the City. NGF Consulting sees no reason why the City should run all facilities under the same scenario, unless at some point in the future an analysis of each individual facility reveals that the same operating scenario, be it public or private, works best for all the courses. We do not feel that is the case at this time.

Many factors must be considered when comparing operating performance between City-run and private operations, foremost of which is the condition and value of the golf course assets themselves, and the manner in which the operational structure is affecting this condition. In other words, though some City-operated courses are losing money and the privatized operations do not run this risk, there are other potential downfalls that are inherent in these relationships, especially when golf market competitive environments become more difficult, as has occurred in Houston.

Still, NGF Consulting does *not* believe that operating the system through a combination of public and private operations is inherently flawed. Rather, each situation should be evaluated on its own merits at the individual facility level when appropriate (i.e., when contracts are coming up for renewal or an operator is in breach). Having said that, NGF certainly does not foresee a circumstance under which turning this valuable portfolio of assets (some of which have great historical significance) entirely over to private enterprise would be prudent.

There is a correct balance that must be struck between profit generation, asset preservation, and service to the citizens of Houston that we feel would not be optimized under full privatization. Rather, as we concluded, the situations should be evaluated on a case-by-case basis (though we certainly would not expect Memorial Park or a completely renovated Gus Wortham to be turned over to private enterprise). The only caveat we offer is that, if the City is to continue with private management at some facilities, there must be a strict and enforceable oversight and compliance system to ensure that the citizens of Houston are being served properly and the City's interest in its assets is being preserved.

Due to a variety of factors (both internal and external), rounds, revenues, and net profits have been declining system-wide over the last five years. Internal factors, such as deteriorating conditions at some facilities, mismanagement by former private operators, and lack of marketing support by the City, are discussed in this report. The primary external factors, over which the City had no control, were: the downturn in the economy that resulted in job losses and a drop in discretionary income; the September 11 tragedy, which resulted in reduced business and leisure travel; the oversupply situation in the public golf market brought on by the opening of 55 new public facilities over the last decade; the changing demographics of the Houston area; and the extremely rainy weather in 2003 and 2004.

As a result, the City faces some difficult financial decisions, as delineated in the body of this report. The overall golf operation began to run at a deficit in fiscal year 2001, and these losses have continued, though accumulated surpluses still remain for the segregated private and Memorial Park accounts within Fund 206. Of the City-run courses, only Memorial currently carries itself operationally, though even its profits are down considerably from the late 1990s. Brock Park continues to be, by far and away, the largest contributor to the yearly deficits. Gus Wortham is badly in need of a physical overhaul. The privatized golf courses return a net profit to the City, but these profits are also in decline, partially due to the difficult environment of the Houston golf market, and partially due to reduced annual minimum amounts that were re-negotiated by the operators.

NGF Consulting has analyzed the City of Houston municipal golf operation, identified strengths and weaknesses, and made a series of findings and recommendations, at both the system-wide and facility levels, that are summarized below and detailed in the body of this report. We fully expect that the system will continue to be among the strongest in the country, and will likely begin recovering activity levels and profits due to the expected improvements in the system resulting from implementation of some of the recommendations detailed in this study. Continued vigorous population growth, combined with the abatement in new golf course construction that we are finally witnessing, will also help in the recovery.

OVERALL OPERATIONS SUMMARY FINDINGS AND RECOMMENDATIONS

Based on our interviews with Parks Department officials and staff, discussions with individual golf facility staff, and review of operational data and contracts supplied by the City of Houston and the individual private operators, NGF Consulting makes the following series of findings and recommendations regarding the overall City of Houston municipal golf operation. Further discussion of these points is contained in the body of the report.

- First and foremost, the City of Houston should create a mission statement regarding its objectives for the municipal golf operation. This mission statement would guide future decisions and help to answer questions such as: Does each course have to carry itself financially, or is the overall system being profitable enough to keep every course open?; How important is profit in relation to condition of the asset?; Will we spend the necessary dollars to improve facilities that may reflect poorly on the image of the City?; Is there a level of loss that is acceptable and a level that is not (at both the system-wide and individual facility level)?
- As delineated in the opening executive summary statement, we see no inherent reason, based on our analysis, to run all City facilities by the same operating structure, unless a course-by-course analysis in the future indicates that, in every case, a certain alternative is preferable.
- Also as outlined above, the City should carefully weigh all the potential implications when considering a private lease for a facility, not just financial ones. The potential effects on the condition of the assets and the golfing public of Houston are among the factors to be evaluated in the decision making process.
- *NGF Consulting believes that the Houston municipal golf operation should be operated as a true enterprise fund.* Currently, net funds from the entire operation accumulate in Fund 206, grouped together with some other City Parks services such as tennis and ball field permits. However, though the net funds accumulate in Fund 206, they are segregated by facility, and the overall surplus is not made available to spend as needed; rather, each course must stand on its own (though privatized operator surplus is used to fund other City courses). At the beginning of FY 2004, the Privatized Fund and Memorial Golf Fund had reported beginning balances of nearly \$2 million each, though we suspect the private fund balance is an accounting anomaly, as this money must be funding operations at Sharpstown and Brock.
- According to City ordinance, no part of Memorial's surplus can be spent on any facility but Memorial (this is also true of Brock and Sharpstown, but both have negative fund balances). NGF was told that the reason for this was tied to the private sector contributions (actually, stone hole marker sponsorships) in the amount of \$1.2 million toward Memorial's renovation in the mid 1990s. These private entities were worried that Memorial would be allowed to deteriorate if its profits were diverted.
- NGF thinks it is very admirable that private sector contributors generously stepped up to help restore Memorial to a great facility. However, such contributions (for which they did receive the sponsorship benefits) should not give private factions a say in how the golf course is operated for perpetuity (or at

all). Private enterprise should not dictate ongoing operational policies of public institutions. Secondly, the possibility that the City would shortchange Memorial in terms of maintenance or capital improvements, under any scenario, seems extremely unlikely to NGF Consulting.

- Under an enterprise fund scenario, the current total surplus of the Houston system (approximately \$1.46 million at beginning of FY 2004) would be available to fund operations and/or capital improvements at City facilities, regardless of the source of that surplus. If, for example, it was determined that, for the benefit of its citizens, the City was going to keep certain golf courses open despite the probability of continued losses (see Brock Park), then the losses would be absorbed by the overall system. The City would still be able to prioritize and allocate based on system-wide goals, while offering the best possible product and maximizing return.
- This system would also allow a much more cohesive master plan approach to capital improvements system-wide. Theoretically, under the current system improvements at money losing courses would be non-existent if the privatized fund surplus disappeared, now that Fund 465 (the original cap improvement set-aside fund) has been exhausted. With an enterprise fund set-up, a certain percentage of yearly *total golf system* profits (if any) would be diverted each year into a special capital improvement fund such as 465, which would have to be funded initially from the current surplus of Fund 206. Again, this does not preclude the City from allocating this money as it sees fit, but it does give the City the flexibility to improve courses so that they compete with private sector daily fee golf courses on a more even playing field – flexibility that the current system doesn't have because of the restriction we spoke of earlier.
- The enterprise system should allow the City to bring the system as a whole to a higher level and create operational and marketing synergies that will ultimately lead to increased overall profits. It also does not prevent the City, at any time, from deciding that it wants to cut its losses by closing any facility that seems incapable of making a profit.
- The accounting of the golf operation is very difficult to dissect. This must be addressed, so that a true picture of profit and loss can be gained for each facility. Examples of confusing policies include:
 - o First of all, equipment purchases and capital improvements are included in the operating budgets of some courses, but apparently not in others (we recommend they be segregated from true operating expenses).
 - o Also, in some cases, expenses that are actually tied to certain facilities are accruing to the budget of another facility.
 - o The accounting of Fund 206 is difficult to understand; NGF is still not sure how deficits at Sharpstown and especially Brock are being funded, as Fund 206 data supplied to us indicates that the Privatized Golf Fund has not been dipped into since an adjustment in FY 1998, and these two facilities have negative fund balances.

- It is understood that the City, as part of the concession agreements, has the right to inspect the golf courses at any time to see if the maintenance and agronomic minimum standards set out in the contract are being met. We believe that frequent inspections of the privatized golf courses are integral to them meeting the quality standards of the City-run operations. An enforceable compliance system would also enable the City to retain strict control over the quality of improvements made by private operators and protect its stake in the golf course assets.
- NGF recommends that the City add the title of Maintenance Supervisor to the organization chart, to create and oversee the inspection system and to ensure that consistent quality standards are being met at each course, including the privatized ones.
- There must also be a cohesive plan for determining annual labor and total expense budgets for each course, with input from the Director of Golf Operations, facility managers and superintendents, and the overall Maintenance Supervisor (if applicable), so that each facility's needs could be objectively evaluated and the most efficient possible operations are run at each course.
- The Head Golf Professionals at the City-operated courses are currently on straight salary. Back in the 1980s, the head pros retained lucrative pieces of the golf operation, to the point where they were clearly taking too much money out of the operations. NGF recommends that the City explore the potential pros and cons of enacting a hybrid of these two scenarios – one where the head pro/facility manager would have a base salary, but would also have some financial incentive to increase rounds and other revenues.
- The Houston public golf market has undergone a transformation with the huge influx of new facilities over the last 10 to 15 years. The resulting ultra-competitive market has resulted in a very fluid pricing environment. NGF believes that the City courses should have some flexibility to respond to market conditions as daily fee clubs do. Under this scenario, the City Council would approve a range of pricing for each facility (with a maximum). The Director of Golf Operations could then seek permission from the Director of Parks & Recreation to approve temporary specials/discounts during the year as needed. This would also give each facility manager flexibility in practicing yield management.
- Player development programs are integral to the future of the City of Houston municipal golf operation, especially in light of the city's changing demographic profile. New players must be cultivated for the City's seven revenue-producing courses in order to ensure sufficient play levels in the future. Reaching out to African-American and Hispanic youths should be an integral component of any junior golf programs so that latent demand can be tapped among groups that have not previously exhibited high golf participation rates due to a lack of opportunity.
- The exemplary First Tee Program at F.M. Law Park is a great head start for these efforts. Aside from programs at each individual golf course, another component of player development in the City system is the potential conversion of Melrose Park to a First Tee facility, a possibility that would give ample opportunity to both north- and south-siders.

- The marketing budget for the golf operation is minimal and should be increased substantially. As we recommended regarding annual operational budgets, we believe the City should have the input of the Director of Golf Operations and the facility managers to put together an overall marketing plan for each facility.
- There is considerable differentiation between the City golf facilities in terms of offering, but there has been no attempt to coordinate the products or to establish an “identity” for the overall City system. We feel this is a mistake, as each of the five City of Houston Municipal Golf Operation courses is part of one overall system even though each facility may serve a different segment. The result of this is that the City could be enhancing the efforts of its individual operators on a macro-level, while each facility works to enhance its own market share within its own customer segments.
- Along these lines, a “Houston Golf Trail” concept should be explored, especially if the recommended improvements to Gus Wortham Park Golf Course come to fruition. As mentioned in our introduction, the value of high quality parkland-style golf course assets so close to a thriving urban center (which is currently enjoying a rebirth) should not be understated. The loop courses especially should enjoy operating and marketing synergies, in terms of spillover during busy times from one course to another, and the ability to build tournament play.
- The City should hire a professional consultant to address the safety/liability issues at each course, as detailed in this report.
- The City should begin an initiative to automate all the golf courses, so that they can better compete with market daily fee clubs. Each course should have an on-line reservation system, automated tee-sheets, devoted websites, and point-of-sale systems. Efforts should also be made to capture e-mail addresses (“join our e-mail club and get a discounted round of golf”) and build customer databases at each course. E-mail databases can be used to broadcast last minute specials for unused tee times (yield management), to promote tournaments, etc.
- In order to keep a pulse on customer perceptions and satisfaction, implementation of an ongoing/periodic customer survey is recommended.
- NGF Consulting was asked to analyze the viability of the City implementing a non-resident green fee class. In Houston’s highly competitive golf market, price increases are not likely to be received well, as golfers have many choices and it simply does not make sense to alienate an entire market segment, such as non-residents, especially considering that rounds and revenues have been declining. The potential detrimental effect on rounds is even greater if non-residents make up a significant core of a golf course’s frequent customers. Additionally, most municipal golf courses with non-resident rate structures have had them from inception. It is much more difficult to institute a change like this midstream, and only then when operating from a position of strength (i.e., in an undersupplied “seller’s market”).
- NGF Consulting does not recommend that the City of Houston implement a seasonal / annual pass program. We believe that doing this would equate to giving a significant price break to its best customers that are currently playing the most frequently and paying on a daily fee basis.

INDIVIDUAL FACILITY RECOMMENDATIONS

Following is a matrix that summarizes NGF's recommendations regarding the City of Houston's individual golf facilities. Details are contained in the body of this report.

NGF Consulting Executive Summary Matrix City of Houston Municipal Golf Courses			
Facility	Key Findings	Recommended Improvements	FY 06 Budget Implications
<p>Brock Park GC Structure: Self-Operate FY 2004 Results: Rev = \$484,655 Exp = \$985,389 Net = (\$500,734)</p>	<ul style="list-style-type: none"> ▪ Difficult to find location; need better directional signage ▪ Rounds have fallen by about 15,000 since late 1990s, partially due to bridge problems that have since been addressed ▪ Course has improved greatly, but market perception probably remains poor among those who have not played recently ▪ Need to stimulate trial and awareness through marketing \$\$ ▪ In current market environment, it is doubtful Brock can attain 40,000 round level of late 1990s; break-even activity level for Brock is estimated at about 50,000 rounds, or roughly twice current activity ▪ An experienced private operator could possibly break-even with rounds closer to 40,000, but only on a very lean budget that would likely result in deterioration of the golf course 	<ul style="list-style-type: none"> ▪ Concrete cart paths only immediate need ▪ Master plan for future needs, including clubhouse, which is dated and will ultimately need refurbishing or replacing 	<p>Capital: \$150,000 (concrete cart paths)</p> <p>Operating: Rounds: 30,000 Rev: \$ 590,000 Exp: \$1,040,000 Net: (\$450,000)</p>

**NGF Consulting Executive Summary Matrix
City of Houston Municipal Golf Courses**

Facility	Key Findings	Recommended Improvements	FY 06 Budget Implications
<p>Gus Wortham GC Structure: Self-Operate FY 2005 Projected Results: Rev = \$614,000 Exp = \$715,000 Net = (\$101,000)</p>	<ul style="list-style-type: none"> ▪ Classic layout of strong character and historical significance to City and residents ▪ Excellent location inside loop, though immediate neighborhood not conducive to high golf demand ▪ Very poor physical condition - one of the reason rounds have fallen considerably during the 2000s ▪ Some safety concerns (detailed in report) ▪ Entranceway is very easy to miss ▪ With facility overhaul, City can likely restore course to break-even or small profit, but will not be able to meet significant debt service if funded with public money ▪ Renovated facility would likely have strong overflow potential from Memorial ▪ NGF recommends that Wortham be kept under City control 	<ul style="list-style-type: none"> ▪ Master plan for complete renovation/restoration, including clubhouse and practice facility; stopgap measures will not suffice ▪ Will necessitate closing for ±12 months ▪ This would require large private funding component; corporate donations, sale of stone markers (see Memorial), sponsorships, fundraising tournaments are examples of avenues to explore ▪ After renovation, leverage history, layout, location, to bring people back to club and entice new generation of golfers ▪ Address safety, transient issues 	<p>Capital: \$4.6 to \$5.6 million (details in report)</p> <p>Operating: Rounds: 34,000 Rev: \$748,000 Exp: \$800,000 Net: (\$52,000)</p>
<p>Memorial Park GC Structure: Self-Operate FY 2004 Results: Rev = \$2,309,637 Exp = \$2,263,831 Net = \$45,906</p>	<ul style="list-style-type: none"> ▪ One of the top municipal golf courses in the nation, Memorial is the "jewel" of the Houston municipal golf system; it is a well-maintained, classic layout that is perfectly located in a parkland setting within the inner loop ▪ Though rounds are down from late 1990s, course is probably close to maximum activity given quality control goals ▪ Top line revenues are in the top 5% nationally for muni courses; still, there is strong potential for increasing revenues through expanded range, increased fees in certain categories ▪ Expense structure is a concern – current budget of \$2.2 to \$2.3 million is too close to break-even for a facility that should be a cash cow; this level of expense puts Memorial at the very top percentile of municipal courses nationally ▪ As a comparison, in FY 99, expenses were \$1.8 million on \$2.55M in revenue 	<ul style="list-style-type: none"> ▪ Proceed w/ range expansion and upgrades ▪ Explore expanding the parking lot ▪ Continue master plan approach for future capital needs ▪ Modify fee structure (detailed in report) ▪ City must carefully analyze if and where expenses can be trimmed, and also gain an accurate accounting of what actual dedicated operating expenses for Memorial are 	<p>Capital: \$400,000 for range expansion</p> <p>Operating: Rounds: 63,500 Rev: \$2,512,000 Exp: \$2,100,000 Net: \$412,000</p> <p>Assumes no expenses from other facilities accounted for at Memorial</p>

**NGF Consulting Executive Summary Matrix
City of Houston Municipal Golf Courses**

Facility	Key Findings	Recommended Improvements	FY 06 Budget Implications
<p>Sharpstown GC Structure: Self-Operate FY 2004 Results: Rev = \$961,372 Exp = \$1,169,570 Net = \$(208,198)</p>	<ul style="list-style-type: none"> ▪ Since the improvements made in 2002, Sharpstown offers good to excellent value, based on its generally good and improving condition, location, playability, and affordability ▪ The City should spend more marketing dollars to communicate this to the general Houston golfing public ▪ Good location in southwest growth corridor ▪ Rounds have dropped by 20,000 since FY 00, but still second most active in system behind Memorial ▪ NGF projects activity to ultimately improve to 60,000+ rounds and for course to carry itself operationally at that activity 	<ul style="list-style-type: none"> ▪ New cart barn ▪ Clubhouse dated and will ultimately need refurbishing or replacing; rest rooms need immediate attention ▪ New irrigation system also a longer term need ▪ Recommend master plan for future green and bunker improvements ▪ Hold the line on expenses 	<p>Capital: \$125,000 (Cart Barn)</p> <p>Operating: Rounds: 56,000 Rev: \$1,078,000 Exp: \$1,200,000 Net: \$(122,000)</p>
<p>Glenbrook GC Structure: Lease to Lopez Management Group FY 2004 Results: City Rev = \$85,597</p> <p>Operator Results: Rev = \$1,055,000 Exp = unknown Net = unknown</p>	<ul style="list-style-type: none"> ▪ Course is in poor condition ▪ Rounds have fallen by more than 23,000 over last five years ▪ Primary target market is low-income, price-sensitive ▪ Concession payment produces net revenue to City, but is coming at the cost of a degrading asset ▪ Strong food & beverage sales, weak pro shop sales 	<ul style="list-style-type: none"> ▪ City needs a stricter, enforceable compliance system for both ongoing maintenance and capital improvements ▪ Driving range plan must be re-thought due to safety issues and likely affects on holes #17 and #18 	<p>Capital: Operator Responsibility</p> <p>Revenue to City: \$90,000</p>

**NGF Consulting Executive Summary Matrix
City of Houston Municipal Golf Courses**

Facility	Key Findings	Recommended Improvements	FY 06 Budget Implications
<p>Hermann Park GC Structure: Lease to BSL Golf Corp. FY 2004 Results: City Rev = \$100,000 (Min.)</p> <p>Operator Results: Rev = \$1,730,000 Exp = \$1,143,000 Net* = \$587,000 *EBITDA</p>	<ul style="list-style-type: none"> ▪ Premier location near medical centers and new attached residential developments; likely to benefit from reverse migration of white collar professionals back to inner city ▪ Very strong top line revenue – second only to Memorial – with further potential to grow; upside revenue potential seen in F&B, pro shop and range, as well as from increased rounds played ▪ Peak pricing is somewhat high, especially in relation to Memorial, but location lessens price sensitivity ▪ Maintenance good, but 1998 renovation was to the detriment of design/playability ▪ Would likely generate strong net profits for the City if self-operated, and would enjoy marketing synergy with Memorial and renovated Wortham 	<ul style="list-style-type: none"> ▪ Employ a golf course architect to address safety concerns as noted in report ▪ Were funding not an issue, a full master plan approach would be recommended to evaluate the costs/benefits of improving the course with respect to playability, interest, strategy and practice area configurations ▪ However, this level of investment by the City would likely not pay for itself in the short run, requiring some subsidy from other sources 	<p>Capital: Operator Responsibility</p> <p>Revenue to City: \$100,000</p>
<p>Melrose Park GC Structure: Lease to McClellan Enterprises FY 2004 Results: City Rev = \$15,000 (Min.)</p> <p>Operator Results: Rev = \$100,000 (est.) Exp = \$82,000 Net* = \$18,000 *EBITDA</p>	<ul style="list-style-type: none"> ▪ Though operator is working to improve Melrose, facility is in rough condition with poor drainage a primary concern ▪ Rounds and revenues have fallen drastically, coinciding with changing demographics of surrounding neighborhood ▪ The operator feels that, due to the market he is serving and the product Melrose offers, he must have leeway to reduce prices to stimulate demand, an assertion it is difficult to argue with, given the results of the last several years ▪ Rounds may recover somewhat, but upside revenue potential is limited, especially with current clubhouse ▪ Rounds may recover somewhat, but upside revenue potential is limited, especially with current clubhouse. Non-golf F&B might have strong potential with the proper facilities, given the number of business in the area ▪ Driving range potential has not been exploited ▪ Melrose does not earn enough to be profitable for anything other than a family-run operation that can respond to market conditions ▪ City could not self-operate this facility at a profit ▪ Operator reports vandalism has been a problem 	<ul style="list-style-type: none"> ▪ If the City wants Melrose to remain a golf course under the current configuration, it should consider a straight ground lease for a flat annual payment of \$5K to \$10K (current contract expires after FY 06 ▪ NGF sees only other potentially viable alternative as re-configuring facility as a 9-hole, par-3 course w/ expanded practice facilities to help to cultivate new players for other City courses - especially among minority population and at-risk youth; player development is integral to the future health of the system in light of Houston's changing demographics ▪ Seeking private funding, USGA grants, etc. for conversion to a First Tee Facility that will complement the existing program on the South Side should also be considered 	<p>Capital: Operator Responsibility</p> <p>Revenue to City: \$15,000</p>

**NGF Consulting Executive Summary Matrix
City of Houston Municipal Golf Courses**

Facility	Key Findings	Recommended Improvements	FY 06 Budget Implications
<p>First Tee Facility at F.M. Law Park Structure: Self-Operate FY 2004 Results: Non-revenue producing</p>	<p>Key Findings</p> <ul style="list-style-type: none"> ▪ F.M. Law Park is a good facility that provides a quality teaching environment for the junior golfers of Houston. Player development programs are critical to the future of Houston's municipal golf operation, especially considering the rapidly changing demographics of the City. New players must be cultivated for the City's revenue producing courses in order to ensure sufficient play levels in the future. ▪ Reaching out to African-American and Hispanic youths should be an integral component of any junior golf programs so that latent demand can be tapped among groups that have not previously exhibited high golf participation rates due to a lack of opportunity. ▪ Most First Tee Programs charge nominal fees for adults who play with their children, or have other ancillary revenue sources such as food & beverage and merchandise. We understand that the City of Houston would like for F.M. Law to remain a free program. As long as private dollars are sufficient to fund improvements and/or operations, and the City is willing to make up the difference, NGF Consulting concurs that it is preferable that the program remain free of charge. This is an exemplary example of civic good will exhibited by the City - something that the National Golf Foundation advocates for the future of the nation's youth and the game of golf. 	<p>Recommended Improvements</p> <ul style="list-style-type: none"> ▪ Should the City decide to explore avenues of generating revenue at F.M. Law, one possibility is to selling tee times during those times when the course typically goes unutilized. So long as this does not conflict with the program, or put unnecessary strain on the condition of the course, it should contribute towards the operations. Likewise, there likely are times when public play at the very large driving range would not conflict with children. Finally, a nominal charge for adults playing golf with their children could be considered. ▪ A potential way to raise private dollars would be to solicit voluntary contributions from golfers at the other City courses (perhaps through a passive collection box). The City could also offer an incentive to contribute a nominal amount through inclusion in a drawing for a prize such as a free round of golf, or a donated item such as a new driver, etc. ▪ NGF is told that transportation is a problem for many participants, and is likely preventing some parents from even considering the program for their children. The City should explore building a volunteer network of highly screened individuals that are willing to drive groups of children to and from F.M. Law. Commercials featuring some high-profile city residents doing just that would be a way to kick-start such and effort. 	<p align="center">N/A</p>

Market Area Overview

This section provides an overview of important factors that characterize the trade area in which the City of Houston municipal golf courses operate, including basic demographic and economic business drivers, and conclusions as to their potential affect on the City's golf operation.

DEMOGRAPHIC OVERVIEW

Utilizing research materials provided by Applied Geographic Solutions, Inc. (a supplier of demographic research based on U.S. Census results), NGF Consulting has examined relevant characteristics of the local population, including population, median age, and median household income trends for the 10-mile and 25-mile market areas surrounding downtown Houston (approximate intersection of Interstate 45 and U.S. 59), the City of Houston, the Houston Designated Market Area (DMA), the State of Texas, and the United States. More detailed demographics are provided in the tables of **Appendix A**.

Snapshot

	10 Miles: I45/US59	25 Miles: I45/US59	DMA: Houston TX	CBSA: Houston- Baytown- Sugar Land, TX Metro	Texas	Entire US
Population						
1990	1,120,635	3,036,068	4,021,172	3,767,336	16,986,524	248,710,012
2000	1,239,650	3,746,305	5,006,685	4,715,403	20,851,820	281,421,906
CAGR 1990-2000	1.0%	2.1%	2.2%	2.3%	2.1%	1.2%
2004	1,319,475	4,082,866	5,487,133	5,187,159	22,508,240	293,686,994
2009	1,413,148	4,479,447	6,054,020	5,743,885	24,456,895	308,074,238
CAGR 2004-2009	1.4%	1.9%	2.0%	2.1%	1.7%	1.0%
Households						
1990	414,848	1,096,552	1,440,890	1,352,496	6,070,907	91,947,641
2000	449,840	1,317,915	1,758,364	1,656,797	7,393,354	105,480,101
CAGR 1990-2000	0.8%	1.9%	2.0%	2.1%	2.0%	1.4%
2004	505,967	1,504,246	2,003,497	1,897,350	8,216,915	112,708,665
2009	571,518	1,723,085	2,291,887	2,180,356	9,186,398	121,218,050
CAGR 2004-2009	2.5%	2.8%	2.7%	2.8%	2.3%	1.5%
Median Age						
1990	31	30	31	31	31	33
2000	31	32	32	32	32	35
CAGR 1990-2000	0.1%	0.4%	0.5%	0.4%	0.5%	0.7%
2004	33	33	33	33	33	36
2009	34	34	34	34	34	37
CAGR 2004-2009	0.8%	0.7%	0.7%	0.7%	0.5%	0.6%
Median Household Income						
1990	\$24,122	\$31,796	\$30,921	\$31,413	\$27,038	\$30,102
2004	\$36,956	\$48,517	\$47,642	\$48,451	\$43,487	\$45,660
CAGR 1990-2004	3.6%	3.6%	3.7%	3.7%	4.0%	3.5%
2009	\$39,781	\$54,382	\$53,497	\$54,331	\$49,227	\$51,215
CAGR 2004-2009	1.5%	2.3%	2.3%	2.3%	2.5%	2.3%
Median Disposable Income						
2004	\$32,529	\$41,419	\$40,779	\$41,366	\$37,676	\$39,321
2009	\$34,797	\$45,619	\$45,015	\$45,580	\$42,108	\$43,503
CAGR 2004-2009	1.4%	2.0%	2.0%	2.0%	2.2%	2.0%

Demographics Summary

From the data presented above, NGF Consulting has made the following observations regarding local demographics:

- The City of Houston had nearly 2.1 million residents in 2004, about 1.32 million of which reside within 10 miles of the I-45-US 59 intersection. More than 4 million people reside in the 25-mile market area, and about 5.5 million in the Houston DMA. Houston's growth rate has moderately outpaced that of the U.S. over the last 15 years, while the larger DMA and CBSA have experienced growth rates nearly twice that of the nation over that time period. This trend is projected to continue over the next five years. The implication for public golf operations in the area is that steady growth means a larger supply of potential golf customers will be residing proximate to the City golf courses.
- The median ages in City of Houston and outlying areas are significantly lower than that of the nation as a whole. In general, the propensity to play golf with greater frequency increases with age, making relatively older markets more attractive to golf facility operators, all other factors being equal.
- Median household incomes in the City of Houston and in the 10-mile market ring were about 13% lower than the national median of \$45,660 in 2004. However, median incomes in the 25-mile market area and Houston DMA were moderately higher than the U.S. figure. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income golfers.
- Houston has a significant Hispanic population, representing an estimated 42% of total residents in 2004, compared to the national figure of 14.3%. The African American population, at 25.5%, is more than twice the corresponding national number. In 2003, the National Golf Foundation conducted a research study as part of *Golf 20/20's* Diversity Task Force, which is developing strategies for player development programs and other initiatives focused on women and minorities. The study found that the golf participation rate is 4.3% for Hispanic Americans aged 18 and older, and 5.1% among African Americans aged 18 and older and, compared to the overall U.S. golf participation rate of 12.6%. The implication for the City's golf operations is that it is imperative that the municipal golf courses emphasize player development programs aimed at stimulating latent golf demand among minorities in order to create opportunity for all potential golfers and to maximize play at the City's golf courses.

ECONOMIC OVERVIEW

Houston, the fourth largest city in the nation, is a port of entry; an industrial, commercial, and financial hub; one of the world's major oil centers, and the second busiest tonnage-handling port in the United States. Houston's economy is driven by a broad mix of industries: space and science research firms; electronics plants; giant oil refineries; high-tech and computer-technology industries; petrochemical works; steel and paper mills; shipyards; breweries; meatpacking houses; and, factories manufacturing oil-drilling equipment, clothing, glass, and seismic instruments. Houston is also home to many major medical centers and has recently become a major financial center.

The Houston economy was humming through the late 1990s and 2000, driven largely by the explosive population growth in the region. Jobs - many high paying - were being created at a rapid clip, residential and commercial construction was vigorous, homeownership and incomes were up, the inner city was being revitalized, and the overall economy was becoming more diverse and less dependent on the energy sector. However, the national recession and the tragic events of September 11, 2001 stalled the economy and led to corporate downsizing and job losses.

Economists note that Houston's economy has diversified over the past two decades, and is now more closely to the national economy than it was just two decades ago. They also note that the Houston economy has typically rebounded faster than that of the nation coming out of a recession. The current high energy prices should help bolster the recovery in the Houston region. As a result, the Houston economy is expected to grow slightly faster than the U.S. as a whole, and the projected addition of 39,000 net new jobs in 2005 – in generally well-paid sectors and occupations – will spur on this recovery. Signs are already positive - Houston's economy grew in November, 2004 for the 23rd consecutive month, according to a business report produced by the National Association of Purchasing Management-Houston Inc.

Facts & Figures

- Houston is the 4th most populous U.S. city with 2.1 million people, while Harris County has roughly 3.8 million residents and the Houston CMSA 4.9 million; the CMSA comprises eight counties: Harris, Galveston, Brazoria, Fort Bend, Waller, Montgomery, Chambers and Liberty.
- Houston is the largest city in nation based on geography at 618 square miles.
- Professional sports teams include the Houston Texans, Houston Astros, Houston Rockets, and Houston Aeros. The city played host to the 2004 Super Bowl and 2004 Baseball All Star Game.
- With nearly 13,000 seats, Houston's 17-block Theater District contains the 2nd highest number of theater seats in nation--only New York has more.
- The city has a very diverse population: approximately 40% Hispanic, 29% Caucasian, 24% African American, and 6% Asian.
- Houston is the 3rd most affordable housing marketing among major U.S. cities, and is 7th nationally in median household income and 5th nationally in per capita income.

- Nineteen Fortune 500 companies are headquartered in Houston; dozens of publicly traded companies maintain key operations in Houston.
- Houston was ranked first in the nation in new business growth in 2001, 2002, and 2003.
- The Houston Airport System is the 4th largest multi-airport system in the U.S. and the 6th largest in the world with more than 38 million travelers annually.
- NASA is headquartered in the Houston suburb of Clear Lake.
- The Port of Houston is the largest port in U.S. based on international tonnage, and 2nd largest port based on total tonnage.
- There are more than 50,000 hotel rooms in Houston.
- The Texas Medical Center is the world's largest hospital complex and a leading medical research facility.

Demographic Trends

The following observations regarding Houston demographic trends were compiled from the Planning and Development Department's "*Houston Land Use and Demographic Profile 2000.*"

Overview

- In the decade between 1990 and 2000, the City of Houston enjoyed a healthy population growth accompanied by changes in the demographic make up of the City (race/ethnicity, household size, education, etc.), as well as development and redevelopment in several areas.
- Development activity remains strong on the City's western edges, though undeveloped land is still abundant close to the central business district and on the southern and eastern sides. Between 1990 and 2000, Houston had the third largest population growth nationally behind Phoenix and San Antonio.
- Over the next 20 years regional population is expected to increase by 50% to 75%.
- When income is considered together with the decline in educational attainment, large parts of the City are economically stagnant and their economic stability may be at risk for the future.
- Where economic changes have not been overwhelmingly positive, efforts to stimulate growth were initiated by the public sector to varying degrees of success. The most notable example is revitalization occurring in and around Downtown Houston.
- Higher income households are located west of Downtown (with the exception of Kingwood and Clear Lake) and lower income households are concentrated in a "C"-shaped area covering the north, east and south sides of the City.

- *When adjusted for inflation*, median household incomes in the City grew little between 1990 and 2000 – a 7% increase from \$26,261 to \$28,096 (figure was \$36,616 unadjusted in 2000).

Trends

- Between 1990 and 2000, the bulk of Houston’s growth (population and development activity) occurred west of US 59 North and SH 288. Development activity occurred primarily in a wedge-shaped area extending westward from Downtown, a continuation of a trend evident in the 1980s. As construction activity concentrates to the west, stagnant incomes and low educational attainment that characterized the City’s east side during the 1980s are now extending in a “C”-shape north, east and south of Downtown
- Population growth has not occurred inside the Loop where development is being encouraged. Instead, the character of the population is changing as can be seen by increasing numbers of whites, growing educational attainment, shrinking household sizes, and increasing household income. Proximity to Downtown, the substantial stock of quality, historic housing and initiatives such as Tax Increment Reinvestment Zones, most likely have attracted developers and homebuyers over the past decade and this trend is likely to continue into the distant future. Since 2000, construction of light rail and several sports and entertainment venues, and the work of the Main Street Corridor Revitalization Project are fueling this momentum.
- On the other hand, development farther west and in Kingwood and Clear Lake is accompanied by strong population growth and growing household sizes indicating more families are moving to the edges of the City while smaller households are locating in redeveloped areas close to Downtown. Educational attainment and incomes are also high in these areas though this is a continuation of a trend rather than a shift in populations.

Areas Characterized by Low Growth

- A “C”-shaped area extending north, east and south of Downtown is characterized by little or no development activity. With some exceptions, in these areas, population growth is stagnant or declining, the housing stock is primarily old single-family, educational attainment and incomes are low, and the population is growing older.
- Southwest (Alief, Sharpstown, Gulfton) areas captured the bulk of the City’s population growth between 1990 and 2000 even though little new development took place and vacancy rates were very low due to the increasing population absorbing existing housing units. The decreasing educational attainment, slow income growth, high proportion of occupied units, increasing household sizes, and increasing racial and ethnic diversity suggest an influx of immigrant populations.

Population Shifts

- In 2000, the City’s population was an even mix between Whites, Blacks and Hispanics, with a growing Asian population. As a result, Houston is often referred to as one of the most ethnically diverse cities in the country. Except for whites, which experienced a significant drop in numbers, all other ethnic groups have experienced growth over the last decade.

- The most substantial increase has occurred in the Hispanic population, which has grown at a rate of 60% each decade, at least 4 times greater than overall population growth in the City. If this growth continues, Hispanics will be a clear majority in the near future. Hispanics, now the largest ethnic group in Houston, will likely constitute the population majority in 10 years.
- White population has been decreasing since the 1980s. The remaining population is concentrating in four general areas: 1) Kingwood, 2) Clear Lake; 3) Inner Loop- west of US-59, and 3) far west side. These areas are characterized by medium to high income, high educational attainment, and high renter population.

Urban Residential Revitalization

A trend that began in the mid 1990s, involving mixed-use retail and living spaces in the Houston's central district, has become more vigorous in recent years and should ultimately help activity levels at the City's three golf courses located within the 610 loop. By 2004, 20 historic downtown buildings had been converted into residences and retail space.

The scenario is occurring in many cities across the country, according to a survey published in 1998 by the Brookings Institution and the Fannie Mae Foundation. The survey examined demographics in 24 cities and found that all expected the number of residents in their downtown areas to grow by 2010; Houston's number is expected to quadruple. The urban exodus began 50 years ago with the era of the automobile and the rise of suburbia. Today, a revolution fueled in part by the need to bolster municipal tax bases and to conserve resources is reversing the migration as residents in search of a sense of place pursue their downtown dreams.

Downtowns are being transformed into fresh, hip places that are attracting residents. These generally well-educated, affluent people seek cultural venues and a vibrant nightlife, enjoy the authenticity of established neighborhoods, and want to be able to walk to work and to the shops. The Urban Land Institute concludes that downtown living appeals to three groups seeking the convenience and excitement of an urban lifestyle: recent graduates who move first and then look for a job, married professionals with no children, and empty-nesters. From the standpoint of the City's golf operation, these last two demographic segments are very favorable for golf participation, so having more of them living in close proximity to the three inner-loop golf facilities is a positive trend.

The goal for developers in Houston has been to focus on communities that are connected to the central business district by mass transit, which is now viable due to the new Main Street light rail system. Townhouses and condos located in first-ring neighborhoods are being snapped up at an unprecedented pace, as suburbs have lost their desirability for some because of traffic problems. Such developments include Orion, new twin towers just inside Houston's west loop

Group LSR, operating in Houston as InnerLoopCondos.com, has been at the forefront of Houston's urban residential revitalization. The Canada-based development firm plans several more mid-rise to high-rise condominium projects, some with affordable price tags. These include:

- The Vistas at Midtown will feature 72 European style units priced from the \$140s to the high \$200s. The Vistas is only a few blocks away from urban entertainment and work centers, restaurants, shops and galleries.

- The Piedmont at River Oaks will have 72 condos priced from the \$170s to the high \$200s and will be located near Houston’s most prestigious neighborhood.
- The Monaco, a high-rise priced from the \$330s to over \$4 million, overlooks Memorial Park and is also close to River Oaks.
- Viewpoint at the Heights – 70 units priced from the \$140s to the \$400s - is proposed for the Heights, a neighborhood filled with historic homes; the development proposes a view of trees, the bayou and downtown.
- Another potential new community is proposed for the Medical Center district, and would be priced from the \$150s to the \$400s.
- The table below illustrates the relatively expensive housing inside the Loop; high incomes and housing costs are normally indicative of high golf participation rates.

Snapshots of Home Sales by Region in 2003 Transactions Handled Through Houston Area Realtors	
INSIDE THE LOOP	
Average sales price	\$348,036
Median sales price	\$254,000
90 percent of homes sold for less than ...	\$680,000
BETWEEN THE BELTWAY AND THE LOOP	
Average sales price	\$173,506
Median sales price	\$105,000
90 percent of homes sold for less than ...	\$340,000
OUTSIDE THE BELTWAY	
Average sales price	\$162,776
Median sales price	\$137,900
90 percent of homes sold for less than ...	\$208,000
Most expensive sale	\$2.1 million
Source: Crawford Realty Advisors.	

Main Street Revitalization Project

Houston’s Main Street Revitalization Project is a collaborative 20-year effort to strategically integrate land use and transportation and revitalize the Main Street Corridor, creating a transit-oriented signature corridor for the City of Houston. This plan was conceived by former Mayor Lee P. Brown and Harris County Judge Robert Eckels, and its goal is to transform the Main Street Corridor into a world-class destination, and Houston’s foremost gathering place both for residents and visitors to live, work, and recreate.

The Corridor, anchored on the north by a Hispanic neighborhood, on the east by the historically African American Third Ward, and on the southern end by the Astrodome complex, has seven unique districts:

- Downtown
- Hermann Park
- Midtown
- Museum
- Near North
- Reliant Energy Park
- Texas Medical Center

The Corridor has nearly 50,000 residents and a quarter of a million workers; additionally, more than five million people visit the Corridor annually. A key feature of the revitalization project is the new METRORail light rail transit (LRT) system, which will increase access and mobility throughout the corridor.

Employment

Job Growth

After losing 13,300 jobs in 2002 and 16,200 jobs in 2003, Houston entered an expansion in early 2004 and should grow at a slightly faster pace in 2005, according to the annual employment forecast by the Greater Houston Partnership. During the first 11 months of 2004, the six-county area created 14,300 jobs, a 0.7 percent increase. The Partnership expects Houston to generate 39,000 net additional jobs in 2005.

While the employment picture is looking up, the local economy is nowhere close to the robust years of the late 1990s. In 1998, the area added 98,100 jobs and, as recently as 2000, Houston gained 63,000 jobs, representing the 2nd fastest rate of growth among the ten largest cities. Up until 2001, Houston was adding many high paying jobs, a good percentage of which were in non-energy sectors, thus contributing to the economy's diversification. Service-providing industries, which account for 81 percent of Houston PMSA jobs, have garnered 86 percent of Houston's net job growth over the past 10 years.

Houston entered an expansion in early 2004 and should grow at a slightly faster pace in 2005, according to the annual employment forecast by the Greater Houston Partnership. "Our forecast for 2004 called for 1.5 percent job growth, and the estimates from the Texas Workforce Commission through October suggest that we're on track to meet that figure," the Partnership noted, adding that they expect Houston to generate 39,000 net new jobs over the coming year.

One of the strongest performing sectors has been health care, a positive trend for the inner loop golf courses, especially Hermann Park, due to their proximity to large medical centers. Virtually every major hospital system continued to experience a building boom. Memorial Hermann Healthcare System, Tenet Healthcare, HCA, Texas Children's Hospital and The Methodist Hospital poured hundreds of millions of dollars into renovations or new construction.

Unemployment Rate

Houston's unemployment rate dropped below the national average in late 1989 and generally remained marginally below it well into 1992. Over the past 10 years, the two rates have crisscrossed and rarely differ significantly from each other. In December 2000, Houston's unemployment rate plunged to 3.1 percent – the lowest unemployment rate ever recorded in Houston. From that point, both the Houston and the national rates moved upward through mid-2003, and have trended downward since. In December 2004, Houston's 5.5 percent rate did not

differ at a statistically significant level from either the state's 5.4 percent or the nation's 5.1 percent (rates not seasonally adjusted). Because Houston's labor force is large, its December unemployment rate translates into 131,400 unemployed workers seeking jobs.

Wages

Houston has not experienced much wage growth, as the area has lost thousands of good-paying jobs. The industry mix has changed since 2001; since then, Houston has lost 20,900 manufacturing jobs and 11,700 transportation and utility jobs. But it has created 23,500 jobs in private education and health services, and 27,700 government jobs, sectors that typically don't pay as well as manufacturing.

Top Employers

Below are the top employers in the Houston area, include both full- and part-time employees in Harris and contiguous counties.

Greater Houston's Top 100 Employers			
Rank	Company	Headquarters	2004 Employees
1	Wal-Mart Stores	Bentonville, Ark.	24,000
2	Continental Airlines	Houston	17,200
3	Exxon Mobil Corp.	Irving	16,761
4	Administaff (1)	Houston	16,615
5	Memorial Hermann Healthcare System	Houston	16,291
6	Kroger Co.	Cincinnati	13,662
7	The University of Texas M.D. Anderson Cancer Center	Houston	13,384
8	Halliburton	Houston	13,377
9	Shell Oil Co.	Houston	13,018
10	The Methodist Hospital	Houston	10,593

NASA

Johnson Space Center and NASA contractors have tremendous positive impact on the greater Houston region and the state of Texas. According to Bay Area Houston Economic Partnership, Johnson Space Center's combined workforce in Bay Area Houston (NASA/Clear Lake and Gulf Freeway-Pasadena LaPorte) accounts for 16,251 jobs, and comprises 2,894 civil employees and 13,357 NASA contractors. When the economic multiplier effect of these jobs is considered, the total impact from JSC on Houston and its Bay Area exceeds 24,000 jobs, producing more than \$885 million in business volume and personal incomes of over \$2 billion. The total economic impact from Johnson Space Center on all of Southeast Texas is 27,789 jobs - producing an economic impact of more than \$1.1 billion in business volume and personal incomes of almost \$2.3 billion.

Housing/Real Estate

Houston experienced a housing boom in 2003 and 2004, largely fueled by record-low mortgage rates, and the number of new and used homes sold will broke records. An estimated 59,081 single-family used homes were sold in 2004, according to the Houston Association of Realtors' Multiple Listing Service, a 10 percent gain over 2003. "While 2005 may not top this all-time record, Houston is in for an extended duration of significant housing demand," said association chairman and Stewart Title chief economist Ted C. Jones. Also, 42,000 new homes are estimated to have been sold over the past 12 months, according to Metrostudy, a local consulting firm. Corporate relocations from areas with much higher housing prices are helping to sustain the upper end of Houston's new home market.

Meanwhile, realty experts said the office market has hit rock bottom and is gaining strength. The vacancy rate for the city's nicest buildings was slightly more than 16 percent, including sublease space, at the end of the third quarter of this year, according to Transwestern Commercial Services. But markets with the highest vacancy rates, such as downtown and the Galleria area, are starting to see improvements.

Tourism

Tourism has a major and growing impact on the Houston economy. According to the Texas Department of Economic Development and Tourism, 23.1 million people visited Houston in 2002 and spent approximately \$9.6 billion on accommodations, restaurants, recreation and retail, as well as variety of other services. About 86,000 Houstonians are employed in jobs generated by travel. And, according to statistics from the Houston Airport System, 8.6 percent more people (2.6 million in February 2004) are deplaning in Houston now than they were a year ago. In a survey conducted during the Super Bowl, the majority of respondents said they would return to Houston for a pleasure trip, further indication that Houston is beginning to be viewed as a leisure travel destination. Increased leisure and business travel should help bolster activity levels at Houston area golf courses; of the City courses, Memorial (and Wortham, if refurbished) is most likely to benefit from increased visitation to the area.

Attractions

- Houston hosted three major sporting events in 2004: Super Bowl XXXVIII, the Major League Baseball All-Star Game and the Tennis Masters Cup 2004. The Super Bowl XXXVIII Host Committee estimated its economic impact at \$300 million, and All Star Game was expected to generate \$50-60 million.
- Houston is the only city with two retractable stadiums, Reliant Stadium and Minute Maid Park.
- Houston is one of five cities in the United States with permanent professional resident companies in ballet, symphony, theater and opera.
- Houston has the fourth largest museum district in the nation, featuring 15 world-class institutions.
- Houston is home to the largest medical center in the world, the Texas Medical Center, with 42 non-profit institutions including M.D. Anderson Cancer Center, Texas Children's Hospital and St. Luke's Episcopal Hospital.
- The Galleria, the fifth largest shopping center in the country, boasts 20 million shoppers per year, 30 percent of which are visitors to Houston, according to a Galleria spokesperson.
- Houston's Visitors Center is the largest in the United States at 7,700 sq. feet.

Hotel Occupancy and Room Rates

Occupancy rates and revenues at Houston hotels were on the rebound in 2004, after several years of decline after September 11, 2001. As the business and vacation travel markets improve, the Houston municipal golf operation should begin to benefit with higher activity levels, especially if more of an effort is made to solicit this market segment.

- In the first nine months of 2004, all three measures of hotel performance – occupancy, room rates, and revenue per available room - were up sharply, thanks in part to the impact of Super Bowl XXXVIII. Occupancy averaged 62.1 percent, up a full point; average room rent ran \$92.92, up 6.6 percent; and revenue per available room averaged \$57.72, up 8.3 percent.
- The \$250-million, 1,200-room Hilton Americas-Houston opened downtown in late 2003. Other recent downtown construction includes the 191-room Courtyard by Marriott, a 171-room Residence Inn, the 314-room Magnolia, the 135-room Hotel Icon, the 201-room Inn at the Ballpark and the 106-room Sam Houston Hotel. In all, some 1,394 new rooms were added to Houston's 52,646 competitive hotel rooms in 2003. PKF Consulting estimates that another 2,491 will be completed in 2004, including two with a total of 667 rooms in historic buildings downtown.
- Houston fared better than any other major Texas hotel market in the wake of 9/11, partly because business travel is a larger share of hotel traffic here than in many other major metro areas. PKF Consulting forecasts that occupancy bottomed in 2003 and will average 61.2 percent in 2004, with revenue per available room rising to \$53.45 this year.

Transportation

Bush Intercontinental Airport (IAH)

Highlights for IAH:

- Houston's largest airport, Bush Intercontinental Airport opened in June 1969
- Located approximately 23 miles north of downtown Houston, near Beltway 8 North
- Nonstop service to 119 domestic destinations and non-stop or direct service to 65 international destinations
- More than 33 million passengers served in 2004
- 8th busiest airport in the U.S. for total passengers
- 7th largest international passenger gateway in the nation
- Five passenger terminals
- 22 scheduled passenger airlines
- 12 scheduled all-cargo airlines
- Houston headquartered Continental Airlines hub with 500 flights per day
- New \$440 million, 880,000 sq. foot International Arrivals Building
- The airport was renamed George Bush Intercontinental Airport/Houston in 1997, in honor of Former President George Bush, a long time Houston resident

Hobby Airport (HOU)

Highlights for HOU:

- Hobby Airport is the 48th busiest airport in the nation for total passengers
- Hobby Airport has been serving the Houston community for more than 60 years; originally named "Houston Municipal Airport," the site of William P. Hobby Airport was acquired by the City of Houston in 1937 as its first public airport
- Hobby Airport is located approximately seven miles south of downtown Houston
- Nonstop or direct service to more than 55 cities throughout the U.S.
- Nearly 8 million passengers served in 2004
- 48th busiest airport in the U.S. for total passengers
- 5 scheduled passenger airlines

- 17 major airport tenants
- 4,000 employees
- 40 hangars

Continental Airlines

Continental, which has one of its three domestic hubs at IAH, is the nation's fifth and the world's sixth largest carrier, with 3,000+ daily departures, 270+ destinations, and 41,000 employees. Like most of the airline industry, Continental has been suffering losses, reporting a \$206 million loss in the fourth quarter of 2004, and \$184 million in the first quarter of 2005. Although Continental is not nearly as unhealthy as some other major airlines, new CEO Larry Kellner faces many challenges, and has projected big losses to continue in 2005. The carrier recently cut pay and benefits for its U.S.-based management and followed suit two days later with similar cuts for its reservations and food service personnel. Ultimately, the airline is expected to cut \$500 million in wages and benefits for its employees. As Houston's second largest employer, with nearly 20,000 workers, the health of Continental is integral to the overall health of the Houston economy.

Houston's Light Rail System

Houston's MetroRail Main St. LRT line started construction in April 2001, and started boarding its first passengers in early 2004. Running 7.5 miles from Houston's Downtown to south of Reliant Park, the line follows the Main and Fannin Streets corridor, linking Downtown, Midtown, the Museum District, Hermann Park, the Texas Medical Center, and Reliant Park. The system has a capacity of 400 passengers per trip. The City of Houston Planning and Development Department estimates that the cumulative revenue expected from new development spurred by the LRT will be more than \$1.5 billion over the next 20 years.

The Main St. LRT line is intended as the central distributor/circulator spine of what is ultimately intended to be a regional network if voters approve light rail or corridor extensions. There system will serve about 250,000 employees in the Main-Fannin corridor, and a total residential population of more than 30,000. With 16 stations, including the high-traffic Downtown and Texas Medical Center Transit Centers, the Main St. starter line will serve a number of important activity centers along the corridor. Passengers will be able to transfer to and from Metro buses and make connections to the University of Houston's Downtown campus, two Houston Community College campuses (Central and Southeast Galen), Rice University, the Houston Zoo, Market Square, Minute Maid Park, the new NFL stadium and the Harris County Exposition Center, and many other popular destinations. The Texas Medical Center alone represents an extremely busy travel hub, with 50,000 employees, 20,000 students, and 75,000 visitors converging on an average weekday. One of the stops is at Hermann Park, which may lure the inner city golfer who does not want to drive to the site.

Cost of Living

Houston's relatively low cost of living continues to draw new residents to the city.

- The *ACCRA Cost of Living Index* shows that Houston's overall after-taxes living costs are 9 percent below the nationwide average, largely due to housing costs that are 19 percent below the average.
- In the context of the 23 metropolitan areas with more than 2 million residents that participated in the second quarter 2004 ACCRA survey, Houston's cost-of-living advantage is even more pronounced. Houston's housing costs are 40 percent below the average for the large metro areas, and its overall costs are 22 percent below the average for this group.

Climate

Although Houston area golf courses have suffered in 2003 and 2004 from abnormally wet weather, Houston's temperate climate allows for year-round play.

Houston Weather				
Month	Normal Temperatures (°F)			Normal Precipitation Water Equivalent (In.)
	Maximum	Minimum	Average	
January	62.3	41.2	51.8	3.68
February	66.5	44.3	55.4	2.98
March	73.3	51.3	62.3	3.36
April	79.1	57.9	68.5	3.60
May	85.5	66.1	75.8	5.15
June	90.7	71.8	81.3	5.35
July	93.6	73.5	83.6	3.18
August	93.5	73.0	83.3	3.83
September	89.3	68.4	78.9	4.33
October	82.0	58.8	70.4	4.50
November	72.0	49.8	60.9	4.19
December	64.6	42.8	53.7	3.69
Year	79.4	58.2	68.8	47.84

Source: 2003 Local Climatological Data: Annual Summary with Comparative Data, N.O.A.A.

Houston averages only 18.0 days per year with temperatures of 32°F or less and 99.6 days with high temperatures of 90°F or more. A statistically average year contains 90.3 “clear” days, concentrated in October and November; 114.5 “partly cloudy” days, typical of June through September; and 160.3 “cloudy” days, common in December through May.

ECONOMIC OVERVIEW SUMMARY

From our analysis of the market area demographic and economic profile, the following key points are evident:

- The City of Houston and outlying suburbs comprise one of the most populous metropolitan areas in the country, with about 5.5 million people residing in the Houston DMA. The region's growth rate is projected to continue at a brisk pace over the next five years. The implication for public golf operations in the area is that steady growth means a larger supply of potential golf customers will be residing proximate to the City golf courses. However, because much of the population growth is driven by groups that have not traditionally exhibited high golf participation, the City's courses must cultivate new players among these groups in order to create new golfers and capture latent demand.
- The median ages in City of Houston and outlying areas are significantly lower than that of the nation as a whole, and median household incomes in the City of Houston and in the 10-mile market ring were about 13% lower than the national median of \$45,660 in 2004. These demographic characteristics are not predictive of high levels of golf participation and demand.

- Houston's economy is driven by a broad mix of industries, including space and science research firms, electronics plants, giant oil refineries, high-tech and computer-technology industries, petrochemical works, steel and paper mills, and other large scale manufacturers. Houston is also home to many major medical centers and has recently become a major financial center. Also, Houston is growing as a leisure travel destination.
- The Houston economy was growing vigorously in the 1990s due largely to the explosive population growth in the region and new job creation. Residential and commercial construction was vigorous, homeownership and incomes were up, the inner city was being revitalized, and the overall economy was becoming more diverse and less dependent on the energy sector. The national recession and the tragic events of September 11, 2001 stalled the economy and led to corporate downsizing and job losses, but the City is currently creating new jobs again and, with the notable exception of Continental Airlines, is benefiting from high energy prices. Houston's economy grew in November, 2004 for the 23rd consecutive month. If the economic recovery continues, it will likely manifest itself in higher activity levels at the City's golf courses.

Golf Market Overview

Having identified key demographic and economic factors that may affect the performance of the subject Houston golf courses, we now turn our attention to the status of the broader Houston golf market in terms of supply and demand. NGF Consulting uses actual data from competing golf facilities to provide “on-the-ground” documentation of what is happening in the local golf business (please see ‘Competitive Review’ section). NGF Consulting also utilizes predictive models as benchmarks for estimating potential market strength. The methodology for determining the relative strength of the subject market is described in the following section.

NATIONAL TRENDS

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 12.9% of the population today, with an NGF estimated 36 million golfers residing in the U.S., with growth slowed to about 1.0% per year. Other surveys completed outside the golf industry show the number of people who “identify themselves as golfers” is as high as 45 million, indicating a large potential “latent” demand from very inactive golfers.

As rapidly as the demand for golf has grown, the supply has grown even faster, with an average increase of about 2.1% per year. With the increase in supply, we are seeing a marked increase in competition. In some markets, the supply appears to be greater than the demand.

In addition to increased competition, four other factors have contributed to a decline in the number of rounds per course during the 2002 and 2004. These include: 1) a worsening economy; 2) the aftereffects of 9-11, which greatly reduced the traveling golfer market; 3) the increasing time pressure on individuals and families; and 4) abnormally poor weather conditions over the past few years in much of the U.S. The combination of these factors has caused many golf facilities to become distressed, particularly those that have a high capital cost reduction or lease schedule in place. A very large share of these distressed golf courses include golf facilities built as part of new master-planned residential communities at over-inflated prices during the 1993-2003 period. The level of golf course closings has doubled from an annual average of 24 courses per year in 1993 – 2001 to 48 courses in both 2002 and 2003 and over 60 courses in 2004.

In terms of the total number of rounds produced, NGF estimates that rounds fell about 1.5% in 2003, after a 3% drop in 2002. End-year NGF research indicates a rebound of only about 0.7 to 1.0 percent in 2004. **The South-Central U.S. Region, which includes Texas, saw rounds drop by about 2.6 percent in 2004, after a 3.6 percent decline from 2002-2003.** The region also had significantly fewer play days - an average of 10 fewer days open in the region.

On the positive side, the growth in golf course development has also slowed nationally, which, with a slight growth in rounds in 2004, should help ease some of the competitive pressure. Another positive trend is the aging of America. Baby boomers are rapidly approaching retirement age, which is the age that golf flourishes. Although participation rates typically decline with age, due primarily to physical limitations and economic limitations imposed by fixed incomes, the number of rounds produced per golfer increases dramatically. The baby boomers represent not only the largest single demographic in the US, but they also approach retirement age with more disposable income than any previous generation. Thus, a general increase in golf

rounds can be anticipated over the next ten years as a direct result of the retiring of baby boomers.

ESTIMATED HOUSTON AREA RESIDENT GOLF DEMAND 2004-2009

In this section, NGF Consulting will summarize the public golf demand potential in this market area and how this demand will impact City of Houston municipal golf operations. The table below illustrates how the Houston DMA ranks in relation to the other 209 DMAs nationwide on some key golf demand and supply measures.

Characteristic	Rank (of 210 DMAs)
Predicted Household Participation Rate	107
Predicted Golfing Households	15
Predicted Golf Rounds Demanded	22
Total Number of Facilities	21
<i>Public Facilities</i>	22
<i>Private Facilities</i>	14
<i>Resort Facilities</i>	60
<i>Premium Facilities</i>	20
<i>Standard Facilities</i>	19
<i>Value Facilities</i>	34

DMA Golf Demand Rankings	
Predicted Household Participation Rate	18%
<i>Rank (of 211 DMAs)</i>	107
Predicted Number of Golfing Households	319,059
<i>Rank (of 211 DMAs)</i>	15
Predicted Number of Rounds Demanded - 2004	5,661,609
<i>Rank (of 211 DMAs)</i>	22

- The national trend data accumulated by the National Golf Foundation and summarized in this report indicates that golf appears to be emerging from a considerable slow period during 2002 and 2003. However, the South-Central Region, including Houston, has not seen the rounds recovery during 2004. Further, lifestyle trends indicate that golfers tend to have much less time available for participation in the sport and this has added to decreased rounds activity.
- Though the Houston DMA ranks near the top 10% nationally in terms of predicted golf rounds demanded, this is largely a reflection of the large population base. NGF Consulting statistical data analysis indicates that residents of the Houston area are less likely to be golfers than the U.S. population as a whole, and the golfers in this market tend to play fewer rounds of golf each year. The lower rounds activity is likely a reflection of the demographic profile of the City.

Predicted Golf Demand

The **Golfing Household Index** is based on Predicted Number of Golfing Households, and compares golfing household participation in a particular geography to the national base index of 100. The **Rounds Index** is based on Predicted Number of Rounds, and compares the propensity of rounds played per household in a particular geography to the national average rounds index of 100.

The predictive indices for golfing households and rounds demanded were developed in order to determine the relative strength of a particular golf market area in comparison to other golf markets and the nation as a whole. These predictive demand indices help identify where golfing households and rounds activity are concentrated by comparing various geographies with one another and the national average, which is 100. For example, if a DMA has a Golfing Household Index of 120, that area is estimated to have 20 percent higher golf participation rate as compared to the U.S. average. And, if a DMA has a Rounds Index of 120, that area is estimated to have 20 percent higher average rounds per household as compared to the U.S. average.

Although both the golfing household index and the rounds index help to predict golf demand in a particular market, each index is derived independently and does not necessarily relate to the other. It is possible for an area with a low golfing household demand index to have a high rounds demand index and vice versa. In other words, some markets may have fewer golfing households, but those households play more rounds of golf; other markets may contain a large number of golfing households but the households play less frequently. A market area with a higher than average golfing household index in conjunction with a higher than average rounds index would be considered a prime area in terms of overall predicted golf demand.

	10 Miles: I45/US59	25 Miles: I45/US59	DMA: Houston TX	CBSA: Houston- Baytown- Sugar Land, TX Metro	Texas	Entire US
Golfing Participation Index	62	88	90	91	88	100
Rounds Played Index	56	85	94	92	92	100
Best Customer Golfing Household Index	72	107	105	108	95	100

The NGF Consulting golf demand indices prepared for this study indicates that the overall Houston DMA ranks relatively low in terms of household golf participation. As expected, participation is lowest among residents of the urban center of the City of Houston itself, but grows as one reaches the suburbs.

HOUSTON AREA BASIC SUPPLY INDICATORS

Appendix B details basic data on golf facility supply including number of facilities and total number of holes, divided by facility type and price points. Utilizing this data in conjunction with the demographics presented earlier, we note the following results:

Household/Supply Ratios

The Household/Supply Ratio is derived by dividing the total number of households by the number of 18-hole equivalent golf courses. Household/Supply indices are derived from these ratios, and then compared with the base national figure of 100. As the tables below indicate, the Houston area has an abundant supply of households available to support each golf course, relative to the U.S. benchmark of 7,477 homes per 18 holes of golf. For instance, in the Houston DMA, there are 50 percent more households to support each 18 holes of golf than we observe nationally. In the local 10-mile ring around central Houston the ratios are very favorable due to the dense population and low number of golf courses. However, as we noted earlier, these households generally exhibit low golf participation rates

	10 Miles: I45/US59	25 Miles: I45/US59	DMA: Houston TX	CBSA: Houston- Baytown- Sugar Land, TX Metro	Texas	Entire US
Households Per 18 Holes						
Total	48,187	15,349	11,384	11,785	10,290	7,588
Public	59,526	28,652	18,990	19,868	15,387	10,671
Private	252,983	33,060	28,418	28,967	31,066	26,260
Resort	0	601,698	166,958	158,112	118,229	85,353
By Price Point:						
Premium	0	0	267,133	252,980	234,769	88,817
Standard	112,437	42,373	37,802	36,487	53,357	32,056
Value	126,492	88,485	44,522	52,704	23,817	19,510
By Public Facility Type:						
Daily Fee	252,984	37,606	23,994	25,130	22,238	13,506
Municipal	77,841	120,340	91,068	94,868	49,951	50,838
*Resort facilities can be public OR private and are therefore already included in the total						

	10 Miles: I45/US59	25 Miles: I45/US59	DMA: Houston TX	CBSA: Houston- Baytown- Sugar Land, TX Metro	Texas	Entire US
Households Per 18 Holes						
Total	635	202	150	155	136	100
Public	558	269	178	186	144	100
Private	965	126	108	110	118	100
Resort*	0	704	195	185	138	100
By Price Point:						
Premium	0	0	300	284	264	100
Standard	349	132	117	113	166	100
Value	651	455	229	271	123	100
Additional Indices:						
Golfing Households per 18-Hole Facility	395	179	135	141	119	100
Rounds per 18-Hole Facility	355	172	140	144	125	100
*Resort facilities can be public OR private and are therefore already included in the total						

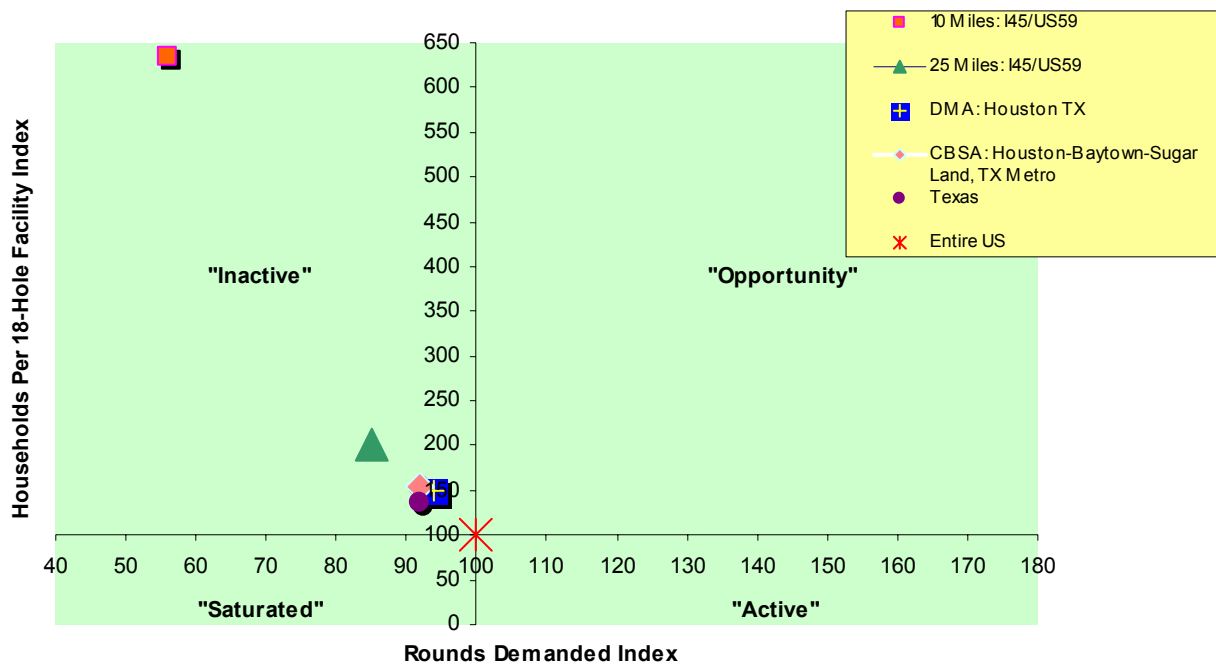
Recent Construction Activity

As is the case with much of the United States, the local Houston area has been marked by the aggressive growth in the number of new golf courses over the last decade. The Houston DMA added 62 new golf facilities, 55 of them public, to the market in the ten-year period between 1995 and 2004. This represents 27 percent of the total golf facility inventory added in the last ten years and more than 40% of the public inventory, compared to the corresponding national figures of 20% and 23%, respectively.

GOLF MARKET SUMMARY

Using the most basic measures of golf demand and supply, the overall Houston market area (both local and broad) is considered by NGF Consulting to be an “inactive” golf market. This means that in the local market area supporting the City of Houston municipal golf courses there is a considerable population of households available to support each 18-hole golf course in the community, but these households do not demand a lot of golf. The implication for the City of Houston golf facility operators is that growth in golf demand must come from increased participation among existing golfers, the natural growth in activity that comes from population increases, and greater penetration into the market of potential new beginning golfers, particularly in minority communities close to some of the City’s courses.

Opportunity Chart



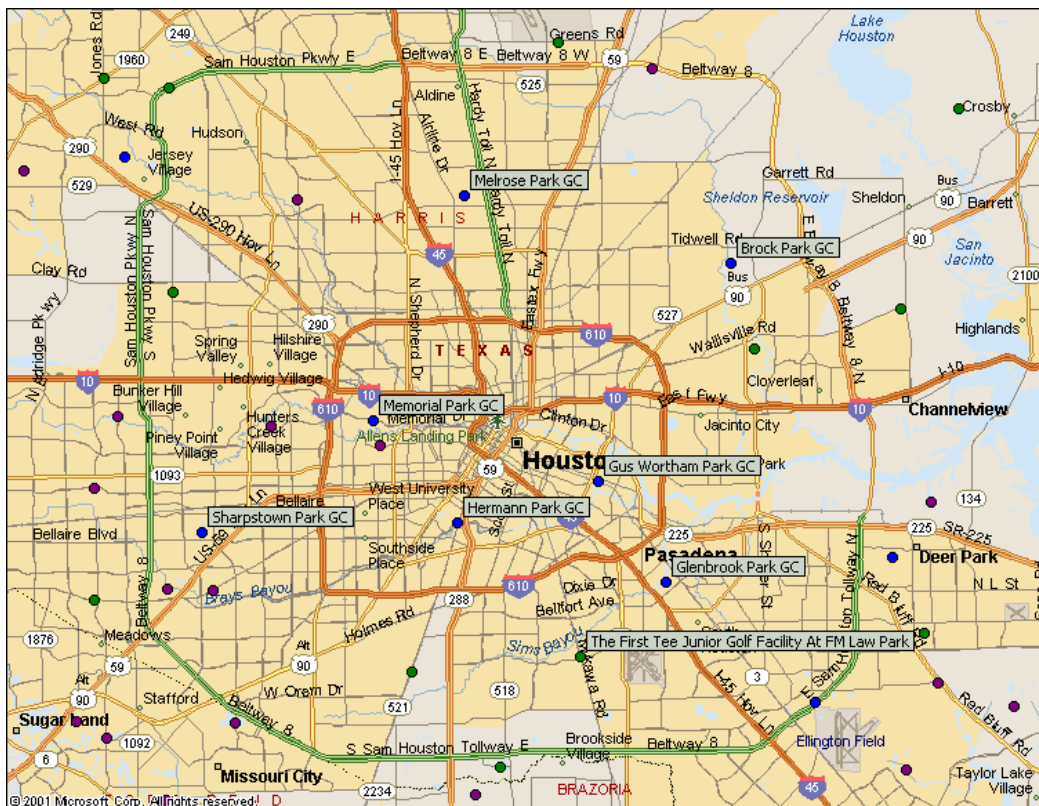
Competitive Golf Market

One of the objectives of this study is to identify what, if any, opportunities exist for the City of Houston to increase market share and revenues at its municipal facilities. To accomplish this objective, we will analyze how other comparable public-access golf facilities are performing in this market. NGF Consulting has visited and collected rounds activity and fee information from a subset of the City courses' most important municipal and daily fee competitors. For comparison purposes, we have also collected data from some other regional municipal facilities that may not directly compete with the City golf courses.

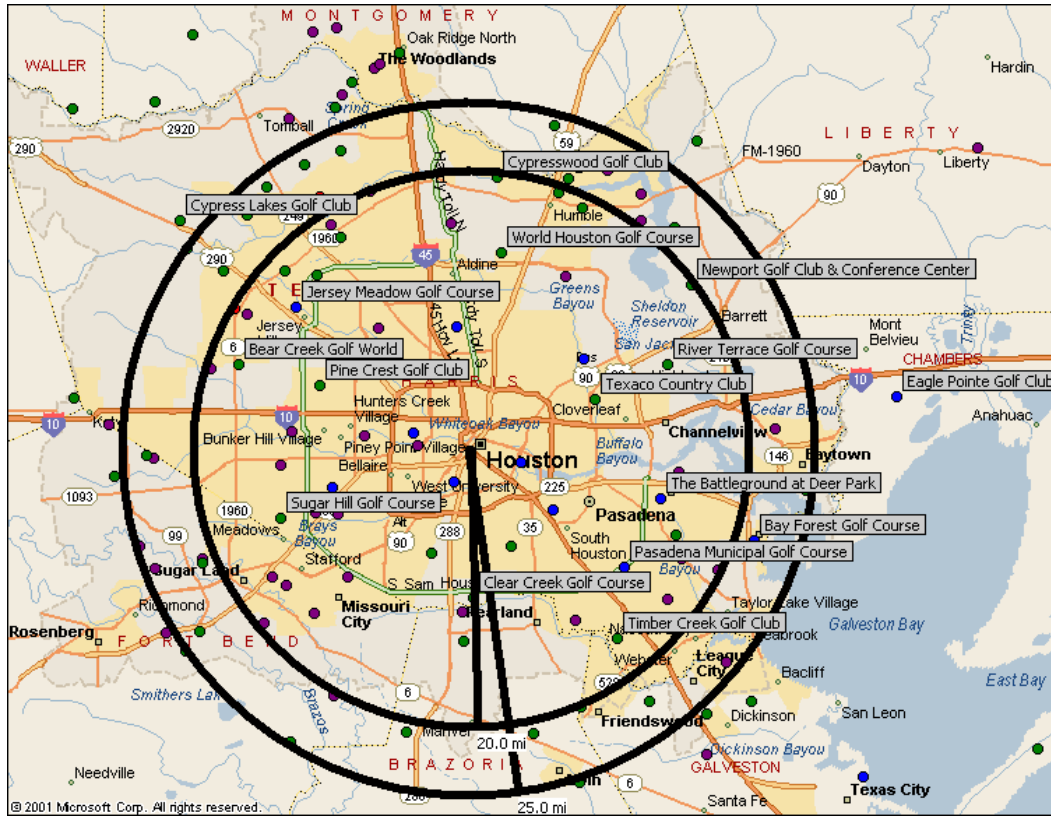
NGF Consulting has focused on the aforementioned facilities as the primary competitive set after numerous discussions with area golf operators. Private golf facilities restricted to club members have basic operational, customer and amenity packages that are not comparable to municipal golf courses and are therefore not profiled in detail in this study. Finally, NGF Consulting has profiled proposed new public courses that may be added to the area over the next few years.

PUBLIC ACCESS GOLF MARKET

City of Houston Municipal Golf Course Map



Key Competitor Map



Map Key:

- Daily Fee
- Municipal
- Private

The table below shows summary information regarding some of the City courses' most important municipal and daily fee competitors, including identification of which City course is most impacted by each facility.

Key Competitive Public Golf Facilities (18-Hole or Greater Regulation Length)				
Golf Facility	Type	Location	Distance From US 59 – I-45 Intersection*	Competitive With (See Chart Key)
Battleground at Deer Park	MU-18H	Deer Park	14 miles E/SE	2, 3, 4
Bay Forest Golf Course	MU-18H	La Porte	20 miles E/SE	2, 3, 4
Bear Creek Golf World	MU-54H	Houston	18 miles NW	4, 5, 6
Clear Creek Golf Course	DF-18H	Houston	11 miles South	2, 3, 6
Cypress Lakes Golf Club	DF-18H	Cypress	26 miles NW	4, 5
Cypresswood Golf Club	DF-54H	Spring	19 miles N/NW	4, 5
Eagle Pointe Golf Club	MU-18H	Mont Belvieu	31 miles E/NE	1, 2, 3
Jersey Meadow Golf Course	MU-18H	Jersey Meadow	16 miles NW	4, 5, 6
Newport Golf Club	DF-18H	Crosby	20 miles NE	1
Pasadena Municipal GC	MU-18H	Pasadena	14 miles SE	2, 3
Pine Crest Golf Club	DF-18H	Houston	12 miles NW	4, 5, 6
River Terrace Golf Course	DF-18H	Houston	15 miles NE	1, 3
Sugar Hill Golf Course	DF-18H	Houston	14 miles SW	4, 5, 6
Texaco Country Club	SP-18H	Houston	10 miles E/NE	1, 2, 3
Timber Creek Golf Club	DF-27H	Friendswood	17 miles SE	3, 4, 5
World Houston Golf Course	DF-18H	Houston	15 miles North	1
*Air Miles KEY: MU – Municipal DF- Daily Fee SP – Semi-private 1 Brock Park 4 Hermann Park 2 Glenbrook 5 Memorial Park 3 Gus Wortham 6 Sharpstown				

The data tables on the following pages display key information such as annual rounds played, daily green fees and annual pass/membership fees for the key competitors listed above. There are two tables – one each for the municipal and daily fee categories.

Municipal Golf Facilities

Golf Course	Year Open	Total 2004 Rounds Played	Rounds Played Trend	WD/WE 18-Hole Prime Green Fee	WD/WE 18-Hole Prime Resident Green Fee	WD/WE 18-Hole Twilight Green Fee	WD/WE 18-Hole Senior Green Fee	Annual Pass Fee	Number of Pass Holders
City of Houston Municipal Golf Courses									
Brock Park GC	1952	24,840	Down	\$21/\$24.50	DNA	\$17.50/\$20	\$15.50/DNA	DNA	DNA
Gus Wortham Park GC	1914	24,896	Down	\$23/\$26.50	DNA	\$19.50/\$21	\$16/DNA	DNA	DNA
Memorial Park GC	1936	61,635	Level	\$32.50/\$42	DNA	\$25/\$30	\$15.50/DNA	DNA	DNA
Sharpstown Park GC	1955	51,240	Up	\$23.50/\$27	DNA	\$20/\$21.50	\$15.50/DNA	DNA	DNA
Glenbrook Park GC	1960	39,122	Down	\$23/\$26.50	DNA	\$19.50/\$21	\$16/DNA	DNA	DNA
Hermann Park GC	1922	46,862	Down	\$36.50/\$46	DNA	\$26/\$31	\$19/DNA	DNA	DNA
Melrose Park GC	1969	8,898	Down	\$10/\$12	DNA	DNA	\$6/DNA	DNA	DNA
Average⁶ Rounds/ Fees		41,433		\$27/\$32		\$21/\$24	\$16		
Other Houston Area Municipal Golf Courses									
Battleground at Deer Park	1996	36,000	Down	\$33/\$42	\$28/\$36	\$28/\$28	\$29/DNA	\$1,400	8
Bay Forest Golf Course	1988	38,000	Down	\$28/\$38	\$25/\$33	\$22.50/\$25	\$22.50/DNA	\$1,250	65
Bear Creek Golf World	1975	100,000*	Down	\$45/\$59 ¹	DNA	\$33/\$39 ²	\$25/DNA ³	DNA	DNA
Eagle Pointe Golf Club	1999	29,000	Down	\$35/\$50	\$20/\$27	\$20/\$25	\$29/DNA	DNA ⁴	DNA
Jersey Meadow GC	1953/88	43,000 ⁵	Level	\$35/\$45	DNA	\$27/\$35	\$26/DNA	DNA	DNA
Pasadena Municipal GC	1978	30,000	Level	\$18.50/\$22.50	DNA	\$13/\$15	\$13/DNA	DNA	DNA
Average⁶ Rounds/ Fees		34,500	--	\$32/\$43	\$24/\$32	\$24/\$28	\$24	--	--
CHART KEY									
<p>1 Masters course; fees are \$31/\$40 for Presidents, \$24/\$36 for Challenger; special Fri. rates also</p> <p>2 Twilight rates are \$24/\$29 and \$20/\$23 for Presidents and Challenger, respectively</p> <p>3 Senior rates are \$20 at both Presidents and Challenger courses</p> <p>4 Eagle Pointe offers membership (\$600 non-resident, \$350 resident) for \$12 per round fee</p> <p>5 Represents 2003, as course was closed 2.5 months in 2004 for greens replacement</p> <p>6 Averages are per 18 holes; for City courses, Melrose excluded from averages</p>									
<p>*NGF Consulting Estimate DNA – Does not apply Note: Green fees reflect peak season rack rates, including half of shared cart (except for Melrose)</p>									

Significant Findings – Municipal Golf Facilities

NGF Consulting research indicates the following significant findings regarding other municipal golf facilities in the greater Houston market:

- Even after the downturn in rounds played of recent years, activity levels at the City of Houston municipal golf courses are considerably higher than those at other municipal facilities in the area. Excluding Melrose Park, City facilities averaged 41,433 rounds in FY 2004, about 20% higher than at the other munis. Bear Creek, which is a municipal facility only due to a ground lease from Harris County, is the most active course in the market at an NGF Consulting estimated 100,000 rounds, but this activity is spread over three 18-hole courses. As is the case with the Houston golf courses, rounds played are either down or level at the other municipal golf courses over the last few years.
- Most of the public golf facilities in this market, including all of the City courses except Memorial, are operating well below their desired and actual capacities (see capacity utilization discussion in 'Overall Operations' section). Most golf courses have little trouble filling tee times during peak season weekend mornings, but the off peak periods, such as summer weekday afternoons, are more difficult to fill. For a year-round golf market, theoretical capacity for an 18-hole golf course is upwards of 70,000 rounds; desired capacity is not as clear cut, as it depends on more factors, such as quality control of the asset. However, most lower-fee 18-hole public access courses in this market should strive for 50,000+ rounds.
- Though much of the decrease in activity can be attributed to market factors such as the increase in golf course supply and the subsequent proliferation of discounting by daily fee courses, the extraordinarily rainy weather in 2003 and 2004 has also been a primary contributing factor.
- Compared to the other market municipal golf courses, average green fees (including half of a shared cart) are lower across all categories at the City of Houston courses, though the averages for the others are somewhat inflated by the inclusion of the Bear Creek 'Masters' course. Average prime time rates at Memorial are right at the average of the other municipal courses, while Hermann Park is somewhat higher, thanks in part to its high per person cart fee of \$12.50 (other cart fees range from \$9.50 at Pasadena to \$11 at Battleground and Bay Forest). Only Bear Creek 'Masters' and Hermann Park require a cart on weekend mornings.
- Of the six municipal facilities surveyed, only Battleground, Bay Forest, and Eagle Pointe offer discounts for residents (Jersey Meadow discontinued resident rates). Only Battleground and Bay Forest offer unlimited play annual passes, for \$1,400 and \$1,250, respectively.
- With the exception of Pasadena Municipal Golf Course, which is a lower-end, basic, flat links-style course, the quality levels of the other municipal tracks are good. Battleground and Eagle Pointe, in particular, are modern, highly amenitized facilities featuring quality golf courses. However, due to their respective locations, only Bear Creek (which is essentially a daily fee) should be considered a key competitor to the City courses.

Daily Fee Golf Facilities

Golf Course	Year Open	Total 2004 Rounds Played	Rounds Played Trend	WD/WE 18-Hole Prime Green Fee	WD/WE 18-Hole Twilight Green Fee	WD/WE 18-Hole Senior Green Fee	Single Annual Member Fee	Number of Members
Clear Creek GC	1988	56,500	Down	\$32/\$42	\$22/\$22	\$20/DNA	\$1,800	12
Cypress Lakes GC	1999	33,000	Up	\$49/\$59	\$39/\$49	\$39/DNA	\$3,000	40
Cypresswood GC	1988	76,000	Down	\$50/\$55 ¹	\$45/\$45 ²	\$42 ³ /DNA	\$3,500	8
Newport Golf Club	1970/99	33,000	Down	\$25/\$30/\$40	\$18/\$30	DNA	\$2,750	70
Pine Crest GC	1992	30,000	Down	\$32/\$43	DNA	DNA	\$2,028	60
River Terrace GC	1998	28,000	Down	\$26/\$29	\$13/\$14.5	\$17/DNA	\$1,080 ⁴	150
Sugar Hill GC	2001	N/A	N/A	\$30/\$40 ⁵	N/A	N/A	N/A	N/A
Texaco CC	1926	25,000	Down	\$27/\$33	\$20/\$20	DNA	\$1,140 ⁶	289
Timber Creek GC	2001/02	35,000	Down	\$48/\$54/\$58	\$37/\$45	\$36/DNA	DNA	DNA
World Houston GC	1932	24,000	Down	\$30/\$40	\$16/\$23	\$20/\$24	DNA	DNA
CHART KEY					*NGF Consulting Estimate			
1 Tradition course; fees are \$41/\$45 for Cypress and Creek courses					N/A – Not Available			
2 Twilight rate is \$35 for Cypress, Creek					DNA – Does not apply			
3 Senior rate is \$30 for Cypress, Creek								
4 Initiation fee is \$158								
5 Course is currently closed; these are January 2005 rates								
6 Fee shown is for non-Texaco employee/retiree; initiation fee is \$216.50					Note: Green fees reflect peak season rack rates, including half of shared cart; where three fees listed, middle fee reflects Friday; Clear Creek rates do not include \$5 surcharge for GPS			

Significant Findings – Daily Fee Market

NGF Consulting research indicates the following findings for the Houston daily fee golf market:

- Growth in the number of public access golf courses in the greater Houston area over the last decade has been very brisk, especially when considered in the context of the area's demographic profile. More than 40% of all public golf courses located within 25 miles of the I-45 – US59 intersection opened in the last decade. This adds up to 31 new public facilities, comprising 396 golf holes. Many of the new clubs are middle to high quality facilities with modern design features and amenities, and they've put significant competitive pressure on existing courses in the market.
- The proposed closing this fall of Old Orchard on the south side of Houston should free up some rounds for other quality clubs; also, Sugar Hill Golf Course, which competes to some degree with some of the City courses, has been closed for several months. If this is permanent, competitive pressures will further ease slightly.
- Due to the fluid nature of fees in this market caused by frequent discounting, couponing, and use of internet-based discounters such as 'GolfQ.com', identifying the top competitors for any given course is not an exact science. However, based on factors such as price/value proposition and relative proximity, we have identified the daily fee facilities listed in the table above, in addition to previously identified municipal tracks, as the chief competitors to the City

courses. Of course, to a great extent, the City facilities are each other's strongest competition.

- Discounting blurs the pricing structure of golf markets, as some middle and upper-tier facilities become affordable to golfers that typically would play at lower priced courses. These golfers may also travel further than they typically would to play these top courses. As a result, the "home" course of these players may receive a smaller share of their frequent customer's wallets, especially during off peak periods. This phenomenon is obviously good for golfers, but not so good for operators who must be much more creative in holding and building market share, and must constantly monitor the pricing at other clubs.
- Activity levels in this market reflect a seasonality factor. Heaviest play is generally experienced in the spring and autumn, with a slowdown for the hottest summer months and the cooler, and generally rainier, winter months. Green fees are reflective of this seasonality, as some market clubs publish two or more rate structures during the year.

Market Area Fee Observations

- Though fee categories in this market differ by facility, they generally are broken down by time of day (typically prime morning until noon, early afternoon twilight, and later afternoon super twilight) and day of week (weekday vs. weekend). Most facilities include Friday in with weekend rates. Nearly all facilities offer special senior rates, but these are available during weekdays only.
- Discounting is prevalent, and manifests itself most commonly in the form of: promotional rates; package deals (Palmer Golf Management is currently offering free lunch and breakfast with some rounds at its Houston courses); couponing on the Internet, in newspapers, and in local trade magazines ('Houston Chronicle', 'Texas Golfer', 'Golf Houston'); use of internet companies such as 'GolfQ.com'; and, website-based yield management of unsold tee time inventory. As a result of this discounting, published rack rates are not necessarily reflective of actual fees that golfers are paying.
- The use of internet-based companies such as 'GolfQ.com' is now ubiquitous in the Houston golf market. The use of such services, which typically offer last minute deals for sometimes significant discounts, can represent a valuable tool in practicing yield management (selling un-booked tee-times during traditionally slow periods, at discounts off of the posted rates), as long as the fees charged cover the variable cost of producing the round. However, once prevalent in a golf market, these programs also predispose golfers to expect discounted rates, thus compromising rate integrity.
- A better alternative is for clubs to undertake their own yield management, actively managing the tee sheets and releasing discounted rates only via their own websites and e-mail clubs. *GolfQ's* "Impact Card" acts as a loyalty/frequent player program for the courses that participate – something that can, and should, be initiated at the facility level.
- NGF research and interviews with area golf operators indicate that average daily green fees (actual fees collected divided by all rounds), if not published rates, have stagnated or even declined in this local and regional market in the last

several years, due to the factors just discussed. Due to this market dynamic, those clubs that will not compromise rate integrity run the risk of losing rounds to competitors.

Rounds Activity

- Most market operators that we spoke to report a decline in rounds played of anywhere between 10% and 40% since the late 1990s. While overall rounds played in the market have likely increased due to the growth in golf courses and population, these rounds are divided among an ever-growing number of facilities, leading to declining average rounds per facility. This is consistent with a nationwide trend caused primarily by 9/11, a poor economy and an increasing number of daily fee golf courses fighting for shares of stagnant markets. In Houston, this trend was especially acute due to extremely poor weather years in 2003 and 2004. New course construction seems to have abated in the Houston market, so a more normal weather year in 2005 will allow operators to see if activity has bottomed out and begun to rebound.
- As is the case with the municipal operations we examined earlier, the vast majority of daily fee golf facilities in this market are operating well below their desired and actual capacities. The subset of clubs we visited and/or interviewed for this study averaged just under 31,000 rounds per 18 holes in 2004.
- In a golf market with excess capacity, the price/quality spectrum tends to collapse as higher quality facilities drop prices to increase rounds of play at their venues. The facilities that get caught in the middle of these situations tend to be facilities with non-distinguishing characteristics, those remotely located within the market, and/or facilities without well-established loyal player bases. In the case of the City courses, it appears that Brock Park, Glenbrook, and Melrose have been most affected by this dynamic.
- Tournament/outing play is a strong supplement to daily fee and member play at some courses in this golf market. Some of the public access clubs that are successful in drawing tournaments are Cypress Lakes, Cypresswood, Timber Creek, and the Battleground at Deer Park. These courses have clubhouse facilities and food services that are conducive to large outings. Tournaments are especially helpful in filling the tee sheets during ultra-competitive weekdays.

Other Houston Area Public Access Golf Facilities

Other Houston Area Public Access Golf Facilities (18-Hole or Greater Regulation Length Located Within 25 miles of US 59 – I-45)				
Golf Facility	Type	Metro Area Quadrant	Year Open	WD/WE 18-Hole Prime Green Fee
Blackhorse Golf Club	DF-36H	Northwest	2000	\$69/\$89
Clear Lake Golf Club	DF-18H	Southeast	1963	\$35/\$39
Evergreen Point Golf Course	DF-18H	East	1996	\$34/\$44
Friendswood Golf Course	DF-18H	South	1962	\$20/\$25
Gleannloch Farms Golf Club	DF-27H	West	1999/2000	\$55/\$70
Golf Club at Cinco Ranch	DF-18H	West	1994	\$34/\$49/\$59
Greatwood Golf Club	DF-18H	Southwest	1990	\$40/\$60
Green Meadows Golf Club	DF-36H	West	1965	\$27/\$33
Heron Lakes Golf Course	DF-18H	Northwest	1996	\$30/\$40
Houston National Golf Club	DF-27H	Northwest	2000/04	\$55/\$65
Kingwood Cove Golf Club	DF-18H	Northeast	1964	\$25/\$35
Longwood Golf Course	DF-27H	Northwest	1995	\$39/\$49/\$59
Magnolia Creek Golf Links	DF-27H	Southeast	2000/2001	\$48/\$54/\$59
Meadowbrook Farms Golf Club	DF-18H	West	1999	\$62/\$72/\$85
Oakhurst Golf Club	DF-18H	North	1994	\$45/\$52
Old Orchard Golf Club	DF-27H	Southwest	1990	\$50/\$65
River Pointe Golf Club	DF-18H	Southwest	2000	\$27/\$35
Sienna Plantation Golf Club	SP-18H	Southwest	2000	\$55/\$65
Southwyck Golf Club	DF-18H	South	1988	N/A*
Tour 18 Golf Course	DF-18H	Northeast	1992	\$40/\$70
Treeline Golf Club	DF-18H	Northwest	1953	\$31/\$35/\$43
Wildcat Golf Club	DF-36H	South	2001/2002	\$57/\$69
Windrose Golf Club	DF-18H	North	1998	\$49/\$59

*Just purchased by Palmer Golf Management; currently formulating a fee structure
 KEY: DF- Daily Fee SP – Semi-private
 Note: Green fees listed are peak season prime time (morning); where three fees listed, middle fee is for Friday

In addition to the golf facilities listed in the previous tables, NGF's database lists ten public courses that are either regulation or alternative length 9-hole layouts, including the City's First Tee Facility at FM Law Park. Melrose Park is the only 18-hole alternative length course in the metro area.

There are also several clubs that are located just outside the defined 25-mile market area, including the semi-private Augusta Pines to the north, Red Wolf Run to the northeast, and Beacon Lakes on the southeast side of the metro area; Beacon Lakes will compete somewhat with the City courses (especially Glenbrook) due to its low fees. Public access golf courses (quite a few of which are associated with real estate developments) also abound in Houston's outer suburbs, with many courses located between 30 and 50 miles from downtown Houston. A strong concentration of these facilities is in the northern and northwestern suburbs, including the now public 36-hole Woodlands Resort, Woodforest, Links at West Fork, Blaketree, High Meadow Ranch, Houston Oaks, Lake Windcrest, Texas National.

Many of these courses in the outlying areas are at higher price points than the City of Houston facilities, but there are also a good number of affordable tracks available for price conscious golfers who live in or near Houston but are willing to travel to play. These include Del Lago Resort, Fox Creek, Legendary Oaks, and Wedgewood. These facilities are affordable to the majority of golfers, meaning they probably draw the occasional round away from the City courses. Other outer suburb public golf courses that have the potential to steal market share from City courses include River Ridge and Stephen F. Austin to the west of the City, Columbia Lakes Resort and Wilderness Golf Club to the southwest, and three municipal facilities to the east and southeast – Chambers County Golf Course in Anahuac, Bayou Golf Club in Texas City, and Galveston Island Municipal Golf Course in Galveston.

Finally, though NGF Consulting does not consider private golf facilities to be primary competitors to the municipal golf courses, they do fit into the overall demand/supply dynamic of the Houston golf market. NGF Consulting counts two private clubs within 10 miles of the U.S. 59 - Interstate 45 intersection – the prestigious and exclusive River Oaks Country Club and Houston Country Club. Additionally, there are 33 private clubs located between ten and twenty-five miles of downtown.

Driving Range Basket Prices

In order to evaluate the appropriateness of the driving range pricing at the City courses, we have researched the pricing at other area municipal golf courses, as well as at a subset of important daily fee competitors. Interestingly, Memorial Park, despite its popularity, great location, and high demand, offers the lowest basket prices among the courses we surveyed, other than River Terrace. Conversely, Hermann Park was among the group with the highest range prices.

Driving Range Basket Prices						
	Small	Per Ball	Medium	Per Ball	Large	Per Ball
City of Houston						
Brock Park	\$3.25	\$0.09	\$5.50	\$0.07	N/A	N/A
Gus Wortham	\$3.00	\$0.07	\$5.00	\$0.07	\$6.50	\$0.07
Memorial Park	\$2.00	\$0.07	\$4.00	\$0.07	\$6.00	\$0.07
Sharpstown	\$2.50	\$0.08	\$3.75	\$0.07	N/A	N/A
Hermann Park	\$5.00	\$0.11	\$7.00	\$0.10	\$9.00	\$0.08
Melrose Park	\$4.50	\$0.10	\$6.50	\$0.09	N/A	N/A
Other Area Municipal Facilities						
Bay Forest	\$2.50	\$0.08	\$5.00	\$0.08	\$6.50	\$0.07
Battleground	\$3.00	\$0.08	\$5.00	\$0.07	\$6.00	\$0.06
Bear Creek	\$3.00	\$0.10	\$5.00	\$0.08	\$7.00	\$0.08
Eagle Pointe	\$3.25	\$0.09	N/A	N/A	\$5.75	\$0.08
Jersey Meadow	\$5.00	\$0.10	N/A	N/A	\$10.00	\$0.10
Pasadena	\$3.25	\$0.08	\$4.25	\$0.08	\$6.50	\$0.08
Averages	\$3.33	\$0.09	\$4.81	\$0.08	\$6.96	\$0.08
Area Daily Fee Facilities						
Clear Creek	\$3.00	\$0.07	\$6.00	\$0.08	\$8.00	\$0.06
Cypress Lakes	\$5.00	\$0.11	N/A	N/A	\$8.00	\$0.09
Newport	\$4.00	\$0.11	\$7.00	\$0.09	N/A	N/A
Pine Crest	\$6.00	\$0.09	\$7.00	\$0.07	\$10.00	\$0.07
River Terrace	\$2.50	\$0.05	N/A	N/A	\$6.00	\$0.05
Timber Creek	\$4.00	\$0.10	\$7.00	\$0.09	\$10.00	\$0.08
Averages	\$4.08	\$0.09	\$6.75	\$0.08	\$8.40	\$0.07

Proposed New Golf Courses

The new golf course construction pipeline has abated, at least temporarily, in the Houston area. NGF Consulting's database indicates three additions to existing facilities as the only new activity in the market. Redstone Golf Club is constructing a new daily fee course, designed by Rees Jones, that will open later this year and will be home to the Shell Houston Open beginning in 2006. Fee levels are likely to be such that this new addition to the public market will not affect play levels at the City courses.

Additionally, Houston National, which is not a strong competitor to the City courses, is planning to begin construction of the back nine of its second eighteen-hole course some time in 2006. Finally, Newport Golf Club is planning a nine-hole addition to its existing eighteen; this may make Newport a more formidable competitor to Brock Park for tournament play.

Competitive Facilities Summary

During the last decade, the public access golf course supply in the Houston area has exploded. The abundance of quality golf courses, combined with a slowdown in travel due to 9/11, an uneven economy that resulted in job losses in Houston, and some very poor weather years, has resulted in a very competitive golf market. This heightened competition has manifested itself in a decline in average *per facility* rounds played of about 20% to 30% since the late 1990s, despite that fact that overall rounds played in the market have likely increased.

This drop in average annual rounds played is especially troublesome to operators given that there are indications that average daily (blended) rates have stagnated or even declined in this local and regional market in the last several years, due to prevalent discounting, reliance on companies such as 'GolfQ' to help fill tee sheets during off peak periods, and more aggressive yield management on the part of operators. These strategies have had the effect of predisposing golfers to expect discounted rates, thus compromising rate integrity. This dynamic has not affected the lower fee City of Houston golf courses as much as it has daily fee operators, but it does have some effect, as golfers can now afford the occasional 'luxury' round at higher quality daily fee clubs.

City of Houston Municipal Golf Operations Overview

In this section we will discuss those factors that influence operations at the subject City of Houston golf facilities, including the overall management structure and oversight of the citywide golf operation. Emphasis is placed on those issues that NGF feels are adversely affecting profitability, with recommendations on how to improve performance – as opposed to commenting on the many things that are being done right.

CITY OF HOUSTON MUNICIPAL GOLF COURSES

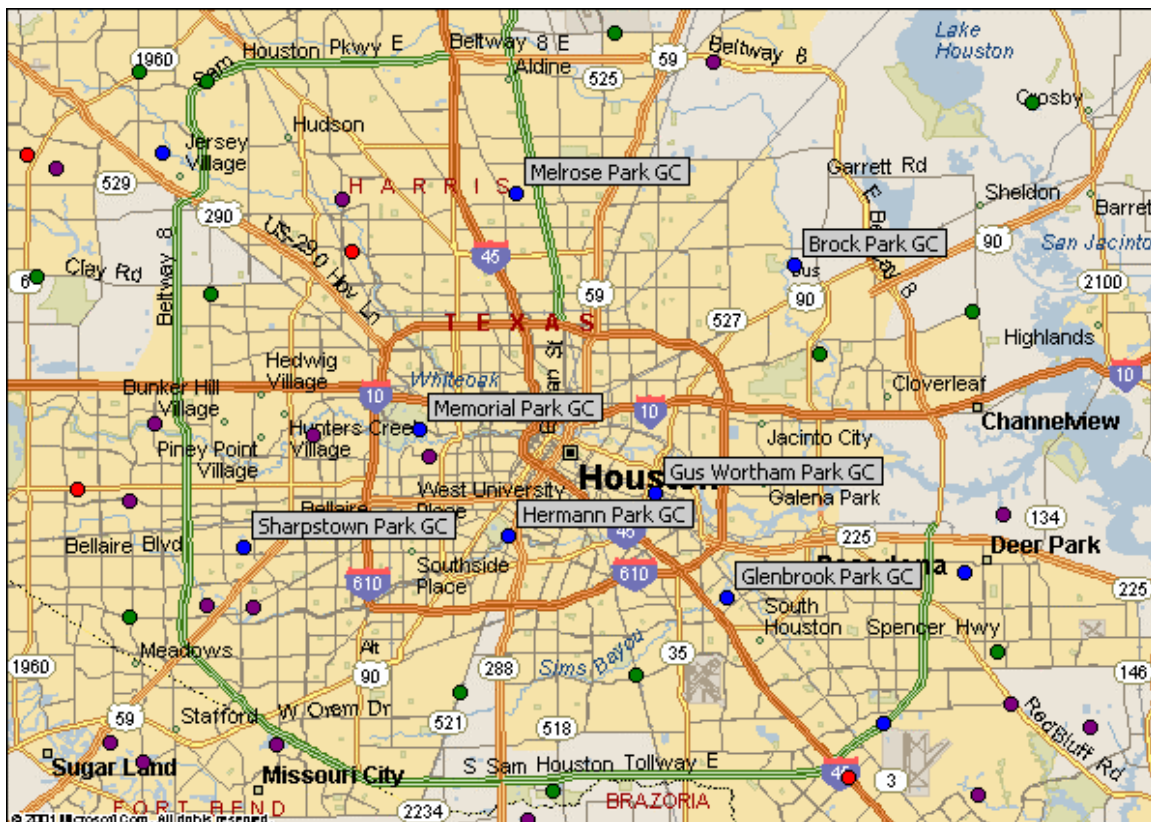
Seven revenue-producing golf courses and one First Tee facility comprise the City of Houston Park & Recreation Department golf operation. Four of the revenue producing facilities - Brock Park, Gus Wortham, Memorial Park, and Sharpstown Park – are City-operated, (with food and beverage operations handled by concessionaires), as is the First Tee facility at F.M. Law Park. The remaining three City courses – Glenbrook Park, Hermann Park, and Melrose Park - are managed by private operators under lease agreements. The basic inventory of facilities in the City of Houston golf system is as shown in the following table. As can be seen, each of these facilities comes to the system from different origins and at different times.

City of Houston Golf Courses				
Facility	# Holes	Year Open	Origin	Operator
Brock Park Golf Course	18	1952	City acquired in 1976. Became first City-run course in 1992.	City of Houston
FM Law Park	9e	2000	Funded from City Fund 100	City of Houston
Gus Wortham Park Golf Course	18	1914	City purchase in 1972. Operated by Paul Reed Golf 1991-2003	City of Houston
Memorial Park Golf Course	18	1936	City-run since renovation in 1995. Leaning center added 1997.	City of Houston
Sharpstown Park Golf Course	18	1955	City acquired in 1978. Full renovation in 1980.	City of Houston
Glenbrook Park Golf Course	18	1960	Complete renovation in 1991. Then leased to Lopez Mgt.	Lopez Management Group, Inc.
Hermann Park Golf Course	18	1922	BSL won bid for operation with renovation plan in 1997-98	BSL Golf Corporation
Melrose Park Golf Course	18e	1969	Was private until City annex in 1986. Has had several operators in 19 years.	McClellan Enterprises
9e/18e – 9- or 18-Hole Executive				

Over the past five years, City of Houston golf courses, with the exception of Memorial, have generally experienced a year-to-year pattern of declining rounds played and revenues. Between 2000 and 2004, the only annual increase in rounds played has been at Hermann Park, which had an increase of roughly 5,000 rounds during that period, although it was just after a major renovation. Based on the information NGF Consulting has received regarding rounds played history at the subject courses, it is estimated that system-wide rounds played have fallen by 51,000 rounds, or 17%, between FY 2001 AND FY 2004.

In addition to any operational and/or management issues that may have contributed to these declines, other factors can be cited for the downturn in performance. Specifically, unusually poor weather in 2003 and 2004, when Houston set records with 70+ inches of rainfall, coupled with a weakening economy, and a significant increase in the number of competitive public access golf courses in the market, have conspired to hurt the bottom lines of the vast majority of market golf operators since the late 1990s.

City of Houston Municipal Golf Course Locations



ADMINISTRATIVE OVERVIEW

Oversight of the municipal golf courses comes under the purview of the Parks & Recreation Department and Director Joe Turner. Mr. Turner oversees the golf operations through Fred Buehler, Director of Golf Operations, who in turn oversees the individual facility managers and lessees, as well as all other staff within the Golf Operations Division. The City is generally responsible for oversight and management of the contracts in place for the golf facility operations, and City Council must approve all fees on an annual basis.

The private operators essentially run the golf courses as if they were the owners, but they must comply with all terms delineated in their contracts with the City. One of the terms is that the City has the right to inspect the property at any time to ensure that the minimum maintenance standards, which are set out in a comprehensive schedule in each contract, are being complied with. Also, the lessees are required to submit proposals for the green/cart fee pricing schedule once each year. Hermann Park alone is guaranteed and increase in fees each year if they desire to raise them; they can be increased by the Cost of Living Index increase for the year, or 2%, whichever is greater.

Fund 206/Fund 465

Fund 206, the Special Revenue Fund, was established by the City of Houston as a repository for revenue and expenditure accounting for all Parks and Recreation revenue producing facilities. This currently includes golf operations and tennis operations, with the recent addition of ball field permits for revenue only. Within Fund 206, each golf course is accounted for separately by establishing organization numbers for each facility.

City Council has introduced language in the funding ordinance stipulating that revenue generated at a particular golf course may only be spent at that course. This originally appeared in 1995 when Memorial reopened after renovation. Private sector contributions to the effort totaled about \$1.2 million, and many donors feared the Parks Department would siphon funds away from the course while allowing it to deteriorate. Later, council members from the districts that contain Brock and Sharpstown decided they wanted the same language for their courses, and around the year 2000, that language was inserted.

Unlike Fund 100 (the General Fund), at the end of each fiscal year, unspent funds in Fund 206 accrue to the Prior Year Balance Fund. Positive balances are used to offset future operating losses, or to perform needed capital improvements. Fund 465 formerly functioned as the Parks Capital Projects (or 'Set Aside') Fund. From approximately 1985 to 1995, 10% of all revenue generated from the golf courses, tennis centers, zoo, and fitness center were deposited into this fund. This fund served as a capital improvement set-aside fund for the express purpose of improving "revenue producing facilities." Since 1995, expenditures have still been made from the fund (primarily on Memorial's improvements in the 1990s), but no dedicated revenue has accrued to it.

Golf Operations Contracts

The City has entered into seven contracts for the subject facilities: management and operation concessions for Glenbrook Park, Hermann Park, and Melrose Park; and food and beverage concessions for Brock Park, Gus Wortham Park, Memorial Park, and Sharpstown Park. The names of the lessees, time periods of the contracts, and rent payment terms for each facility are summarized in the tables below.

Glenbrook Park Golf Course

This concession contract between the City and Lopez Management Group, Inc. was amended and restated December 1, 2003. The term is for six years with automatic extension for two consecutive three-year terms. (Provisions for termination are included.)

Glenbrook Park Payment Schedule				
Minimum Revenues Over	Maximum Revenues But Not Over	Pay	+% on Excess	Of the amount over---
\$-0-	\$1,000,000	\$75,000	--	--
\$1,000,001	\$1,100,000	\$75,000	8.0%	\$1,000,000
\$1,100,001	\$1,200,000	\$75,000	9.0%	\$1,100,000
\$1,200,001	Unlimited	\$75,000	9.5%	\$1,200,000

Note: the above payments are cumulative
Note: Should the option to extend the contract term be exercised, the above percentages shall be for the duration of the extended contract term.
Compensation due to the City on the 15th of each month.

Hermann Park Golf Course

This concession agreement, dated March 8, 1989, is between the City and BSL Golf Corporation. The term is for eight years, with option to extend for two consecutive two-year terms.

Percentage of Gross Receipts To Be Paid Year 1 – Year 8*		Guaranteed Annual Minimum Payments	
Pro Shop Operations		Year 1	\$225,000
Green Fees	18.50%	Year 2	\$225,000
Lesson Fees	0.00%	Year 3	\$225,000
Tournament Fees	5.00%	Year 4	\$225,000
Golf Cart Rental	18.50%	Year 5	\$250,000
Miscellaneous Pro Shop Sales	5.00%	Year 6	\$250,000
Driving Range	18.50%	Year 7	\$250,000
Food/Beverage Operation		Year 8	\$250,000
Food	5.00%	Year 9*	\$250,000
Beer & Wine	5.00%	Year 10*	\$250,000
Vending	0.00%	Year 11*	\$250,000
Liquor by the Drink	5.00%	Year 12*	\$250,000

*Should the option to extend the contract term be exercised, the percentages and annual minimum payments set forth in Year 8 shall be in force for the duration of the extended contract term

The agreement was amended September 12, 1990, providing for construction of a miniature golf course; changing green fees and rates, and establishing concession payments to the City from gross fees received by the miniature golf course:

Guaranteed Minimum Payment	Gross Revenue Per Year	Percentage to City
Year 1	\$0	
Year 2 – Year 7	\$15,000	10%
Year 8 – Year 11	\$20,000	15%
	\$1 to \$150,000	20%
	\$150,001 to \$200,000	25%
	\$200,001 to \$300,000	
	\$300,001 and above	

The agreement was again amended January 24, 1994, changing green fees and rates. The third amendment, dated October 15, 1997, authorized \$3.65 million in capital improvements, extended the concession term through March 8, 2014, increased green fees and allowed for annual increases based in CPI. The schedule of payments was also amended:

Amendment 3 – Schedule of Payments to City				
	2003	2004 - 2008	2009 - 2014	2015 - 2019
Pro Shop Operations				
Green Fees	5.50%	6.25%	7.00%	7.75%
Lesson Fees	2.00%	2.75%	3.50%	4.25%
Tournament Fees	2.00%	2.75%	3.50%	4.25%
Golf Cart Rental	5.50%	6.25%	7.00%	7.75%
Miscellaneous Pro Shop Sales	2.00%	2.75%	3.50%	4.25%
Driving Range	5.50%	6.25%	7.00%	7.75%
Food/Beverage Operation				
Food	2.00%	2.75%	3.50%	4.25%
Beer & Wine	2.00%	2.75%	3.50%	4.25%
Vending	2.00%	2.75%	3.50%	4.25%
Liquor by the Drink	2.00%	2.75%	3.50%	4.25%
Guaranteed Annual Minimum	\$100,000	\$100,000	\$100,000	\$100,000

Melrose Park Golf Course

The original agreement was with Recreational Services, Ltd. (RSL), dated June 24, 1986. The agreement, which was for 10 years with automatic extension for 2 consecutive 5-year renewals, established a schedule of payments to the City. The agreement was amended August 23, 1988, establishing green fees and rates.

On December 28, 1992, the agreement was assigned from RSL to Memorial Golf, Inc. (Memorial), and Memorial assumed all future obligations of RSL. This agreement was amended January 24, 1994 and again November 21, 2000, changing green fees and rates. The 2000 amendment initiated capital improvements of \$35,000 within one year.

The agreement was assigned from Memorial to RB Golf Management (RB) September 5, 2001, in which RB assumed all future obligations of Memorial.

On February 21, 2003, the agreement was assigned from RB to McClellan Enterprises, Inc., and McClellan assumed all future obligations of RB as well as agreed to initiate and complete improvements not completed by RB.

The schedule of payments is shown on the following page.

Melrose Park Original Agreement with Recreation Development and Management, Inc.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Green Fees				5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Driving Range				5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Golf Accessories					5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Food					5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Beer & Wine					5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Misc.					5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Yearly % Budgeted	\$0	\$0	\$0	\$10,615	\$16,055	\$18,457	\$19,378	\$20,438	\$21,372	\$22,435
Guaranteed Annual Minimum	\$0	\$0	\$0	\$8,000	\$8,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Receipts %	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Guaranteed Annual Minimum	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
+ Gross in excess of \$400,000	12.0%	12.0%	12.0%	12.0%	12.0%					
+ Gross in excess of \$425,000						12.0%	12.0%	12.0%	12.0%	12.0%

Food & Beverage Concessions at City Courses

(Please see **Appendix C** for terms of the City's food & beverage contract terms)

Summary of Rents Collected (2001 – 2004)

As the table below indicates, the seven lease contracts at City golf courses contribute a significant net cash flow to the City. In FY 2001 total rents collected (including food and beverage) were over \$420,000. This has declined to just under \$300,000 in FY 2004. Although there have been some changes to the system in that period (i.e. City now has Gus Wortham), this still represents a decline of 25 percent, reflecting the tougher market environment for public golf in Houston and the reduced annual minimum payments for Glenbrook and Hermann.

**Summary of Rents Collected
City of Houston Golf Operation
2001-2004**

	FY 2004	FY 2003	FY 2002	FY 2001	Total
Golf Operations					
Glenbrook GC	\$85,597	\$103,884	\$120,294	\$135,900	\$445,675
Hermann Park	\$86,956	\$98,479	\$103,317	\$102,942	\$391,694
Melrose GC	\$9,941	\$11,153	\$17,002	\$18,264	\$56,360
<i>Gus Wortham*</i>	<i>City-Run</i>	<i>\$48,124</i>	<i>\$51,957</i>	<i>\$60,762</i>	<i>\$160,843</i>
Subtotal Golf	\$182,492	\$261,640	\$292,570	\$317,378	\$1,054,572
Food / Beverage Operations					
Brock Park	\$11,609	\$5,977	\$7,668	\$14,983	\$40,237
<i>Gus Wortham*</i>	<i>\$7,162</i>	<i>Private Operator</i>			<i>\$7,162</i>
Memorial Park	\$80,427	\$88,305	\$74,965	\$76,548	\$320,245
Sharpstown Park	\$16,719	\$13,364	\$5,513	\$11,696	\$47,292
Subtotal F&B	\$115,917	\$107,646	\$88,166	\$103,227	\$414,936
Total Rents Collected	\$298,409	\$369,106	\$380,736	\$420,605	\$1,469,508

* City took over in late 2003.

Capital Investment Requirements

Glenbrook Golf Course

Capital improvements required: \$240,000 of improvements within first 4 years (paid by concessionaire).

- Driving range construction or \$60,000 additional capital improvements.
- Cart fleet minimum 70 electric golf cars, and 15 pull carts.

As of this report, the driving range is still in planning, as is work to improve the cart paths. The City told NGF Consulting that the operator has built a small pavilion and improved the pro shop and maintenance areas to meet minimum capital improvement requirements.

Hermann Park Golf Course

The present operator, BSL Golf Corp., originally won the contract award for the operation of the Hermann Park Golf Course based on its proposal to invest its own money in improvements to the facility (completed in 1999). While it is clear that BSL has considerable debt service from these improvements, the actual annual amount is not known.

The 1997 Third Amendment to the agreement authorized \$3.65 million in capital improvements, summarized below:

New Clubhouse and Cart Storage Facility	\$750,000
Golf Course Entrance and Parking Lot	\$171,000
Golf Course Renovation	611,115
Lighted Driving Range	\$85,190
Double Row Irrigation System and Pump House	\$400,000
Concrete Cart Paths	\$265,000
Comfort Stations and Halfway House	\$50,000
Friends of Hermann Park Discretionary Improvement Allowance	\$250,000
Braes Bayou Water Reclamation	\$150,000
Construction Management Fee	\$173,810
Total Capital Improvements:	\$3,650,000

Melrose Park

The original contract contained the following capital improvements to be installed by the management firm:

Description	Schedule	Estimated Costs
Install automatic irrigation system	1 to 3 years	\$30,000
New driving range tee area	30 to 60 days after award of contract	\$6,000
New driving range lights	30 to 60 days after award of contract	\$4,000
Renovate pro shop building	30 to 90 days after award of contract	\$15,000
New entrance sign	First year	\$3,000
Parking lot improvement/expansion	30 to 60 days after award of contract	\$3,000
Maintenance building improvements	30 to 60 days after award of contract	\$3,000
Expand and renovate practice green	30 to 60 days after award of contract	\$2,000
	Total Estimated Costs:	\$66,000

When the agreement was assigned to Memorial Golf, Inc., the contract included initiating and completing the parking lot re-pavement project.

The third amendment assigned to Memorial Golf, Inc. the following additional improvements:

Renovate and expand the pro shop	\$10,000
Upgrade course irrigation system	\$10,000
Renovate maintenance area	\$15,000

Total Cost: \$35,000

RB Golf Management's agreement included completing these improvements. In 2003, McClellan Enterprises assumed all future obligations of RB as well as agreed to initiate and complete improvements not completed by RB.

Systemwide Support by City of Houston

As part of its responsibility to the citywide golf facility operation, City of Houston is contributing to the overall success of these golf facilities primarily through the overall administration and oversight of the system, including contract compliance and periodic inspections. There is little marketing support from City of Houston for the City-run golf courses, as NGF Consulting is told that the total annual budget for marketing is \$9,000, which would be a bare-bones minimum for even one golf course run by a private operator. Managers of the individual courses must request marketing dollars from the Director of Golf Operations if they have a specific need. In addition to the small budget, the City provides two websites – Houstonmunicipalgolf.org and Memorialparkgolf.com. The extent of the marketing support for the private operators is inclusion of basic information on the City's website, including fees and directions for each course.

There is considerable differentiation between the eight facilities in terms of marketing, but there has been no attempt to coordinate the products or to establish an "identity" for the overall City system. We feel this is a mistake as each of the five City of Houston Municipal Golf Operation courses are part of one overall system even though each facility may serve a different segment. The result of this is that the City could be enhancing the efforts of its individual operators on a macro-level, while each facility works to enhance its own market share within its own customer segments. This will be especially effective if the recommended improvements to Gus Wortham Park Golf Course are ultimately completed.

HISTORICAL PERFORMANCE

NGF Consulting has analyzed the historical level of rounds activity at each of the facilities in the Houston municipal golf system. A summary of these rounds is discussed in this section, but specific facility details appear in the individual golf course sections later in this report. The system wide rounds played issues are as follows:

Capacity Utilization

A course's *theoretical capacity* is determined by multiplying the number of available tee times (utilizing only the first tee as the starting hole) in an hour by the number of hours of daylight, minus two hours, multiplied by the maximum number of players in a group, usually a foursome. The *actual capacity* of a course takes into account the loss of tee times for weather, unplayable conditions, cancellations, no-shows, groups of less than four players, and other reasons a golf course would never actually play the *theoretical capacity*. Determining the *actual capacity* for a given course is difficult if not impossible to calculate because most courses differ in physical characteristics and management procedures. For example, a course that has paved cart paths and good drainage can quickly resume play after a heavy rain; whereas a course that does not

have paved cart paths and/or has poor drainage may have to suspend play for several hours or the entire day.

Assuming the definition of a “round” as the golf industry accepted “one person teeing off in an authorized start,” an 18-hole municipal golf course in the Houston market area should allow for a *theoretical* maximum of about 65,000 to 70,000 rounds annually or about 8,000 rounds per month in the peak spring, summer, and early autumn months. These theoretical capacities do not take market dynamics into account, and are not meant to indicate what is realistically achievable in a given market.

Rounds History – Houston Golf Courses

As noted, all City of Houston golf courses, except Memorial, have generally experienced a year-to-year pattern of declining rounds and revenues. NGF Consulting has estimated that system-wide rounds played have fallen by 51,000 rounds, or 17%, between FY 2001 AND FY 2004. The distribution of play by facility breaks down as follows:

City Of Houston Municipal Golf System Actual System Performance FY 2001 – FY 2004					
	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual/Proj. 2004-05
TOTAL ROUNDS:					
Brock Park	30,530	28,320	24,547	24,840	27,500
Gus Wortham	41,097	28,421	26,686	24,896	32,500
Memorial Park	60,651	64,108	61,430	61,635	62,500
Sharpstown	54,725	37,948	48,126	51,240	54,000
Subtotal	187,003	158,797	160,789	162,611	176,500
Private Operator Facilities					
Glenbrook	54,164	46,297	40,499	39,122	40,000
Hermann Park	48,855	53,709	48,966	46,862	48,000
Melrose	18,520	14,463	8,298	8,898	15,000
Subtotal	121,539	114,469	97,763	94,882	103,000
TOTAL ROUNDS	308,542	273,266	258,552	257,493	279,500

Recent System Economic Performance

In the individual facility sections of this report, NGF Consulting has detailed the revenue performance of the City of Houston golf facilities and made projections for future revenue under the assumption of continued self-operation of Brock Park, Gus Wortham, Memorial, and Sharpstown, and under the assumption of self-operation of the currently private facilities (for planning purposes). The tables below summarize the recent overall historical performance of the system with regard to revenues, expenses, and net profit or loss.

Actual Revenue – Seven City Golf Courses (2001-2004)

NGF Consulting has summarized the revenue information provided by City of Houston and the individual operators where it was available.

City Of Houston Municipal Golf System Actual System Performance FY 2001 – FY 2005					
	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual/Proj. 2004-05
TOTAL REVENUE					
Brock Park	494,538	551,523	491,979	484,655	536,554
Gus Wortham	60,762 ¹	51,957 ¹	48,124 ¹	487,148	635,938
Memorial Park	\$2,282,250	\$2,461,831	\$2,327,108	\$2,309,637	\$2,406,457
Sharpstown	951,945	631,531	926,299	961,372	1,013,156
Subtotal	\$3,789,495	\$3,696,842	\$3,793,510	\$4,242,812	\$4,592,105
Private Operator Facilities					
Glenbrook	135,900	120,294	103,884	85,597	85,000
Hermann Park	102,942	103,317	100,000 ²	100,000 ²	100,000 ²
Melrose	18,264	17,002	15,000 ²	15,000 ²	15,000 ²
Subtotal	\$257,106	\$240,613	\$218,884	\$200,597	\$200,000
TOTAL SYSTEM REVENUE	\$4,046,601	\$3,937,455	\$4,012,394	\$4,443,409	\$4,792,105
TOTAL ROUNDS	308,542	273,266	258,552	257,493	279,500
TOTAL REVENUE/ROUND	\$13.12	\$14.41	\$15.52	\$17.26	\$17.15
EXPENSES:					
Brock Park	887,932	882,204	879,878	985,389	1,030,000
Gus Wortham	0	0	0	431,100	715,000
Memorial Park	2,148,288	3,518,052 ³	2,135,022	2,263,831	\$2,259,000
Sharpstown	1,072,116	1,254,507	1,063,998	1,169,570	1,188,100
Private Operator Facilities	0	0	0	0	0
Subtotal	\$4,108,336	\$5,654,763	\$4,078,898	\$4,849,891	\$5,192,100
CITY ADMIN EXPENSE	188,525	136,363	149,535	162,078	224,964
TOTAL EXPENSES	\$4,296,862	\$5,791,127	\$4,228,433	\$5,011,968	\$5,417,064
ANNUAL PROFIT	(\$250,261)	(\$1,853,672)	(\$216,039)	(\$568,559)	(\$624,959)
¹ Represents net concession payment ² Represents minimum required annual payment ³ Includes \$1.3 million capital improvement charge for new maintenance building					

The overall Houston municipal golf operation made a net profit as recently as Fiscal Year 2000, when the system generated a positive net of \$330,972. What makes that figure remarkable is that it includes a \$388,000 loss by Brock Park and a \$480,000 capital expenditure for Memorial

Park that was included in with operating expenses. This was largely due to the private rent payments and the large profit at Memorial that was driven by an astounding \$2.74 million in gross revenue. The system began to lose money in FY 2001, as Memorial revenues dropped drastically and produced a net of only \$45,000. This outcome, combined with a \$438,000 loss at Brock and a \$165,000 loss at Sharpstown. The net result was a systemwide loss of about a quarter of a million dollars in FY 2001. Since then, losses have averaged about \$446,000, even when excluding Memorial's \$1.3 million dollar capital item in 2002 that was accounted for as an operating expense. Though these losses might be overstated slightly due to the inclusion of capital items in operating expenses in some cases, it is clear that the overall system has taken a turn for the worse financially over the last several years. The bulk of the losses can be attributed to continuing large-scale deficits at Brock Park.

Revenue by Source:

City Of Houston Municipal Golf System Actual System Performance by Source FY 2001 – FY 2005*				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$4,300,167	\$4,144,708	\$4,063,679	\$3,870,685
Cart Rental	\$1,826,960	\$1,635,301	\$1,551,108	\$1,529,933
Range Sales	\$700,210	\$775,847	\$685,350	\$752,079
Net F & B Sales	\$752,681	\$767,936	\$652,133	\$586,550
Pro Shop	\$497,822	\$474,889	\$426,010	\$366,411
Other	\$67,320	\$48,095	\$20,304	\$23,038
TOTAL REVENUE	\$8,145,161	\$7,846,776	\$7,398,584	\$7,128,696

*Revenues include gross revenues from private operators.

City Of Houston Municipal Golf System Actual System Revenue Per Round By Source FY 2001 – FY 2005*				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$13.94	\$15.17	\$15.72	\$15.03
Cart Rental	\$5.92	\$5.98	\$6.00	\$5.94
Range Sales	\$2.27	\$2.84	\$2.65	\$2.92
Net F & B Sales	\$2.44	\$2.81	\$2.52	\$2.28
Pro Shop	\$1.61	\$1.74	\$1.65	\$1.42
Other	\$0.22	\$0.18	\$0.08	\$0.09
TOTAL REVENUE	\$26.40	\$28.71	\$28.62	\$27.69

*Revenues include gross revenues from private operators.

OPERATIONAL NORMS

Below is a basic comparison of City courses with municipal golf courses nationally, as derived from 2003 actual results contained in the National Golf Foundation's publication, *Operating & Financial Performance Profiles of 18-hole Golf Facilities in the U.S.* (Discussions of how each facility compares to national standards on revenues and expenses will follow in the individual facility section of this report).

Rounds Played 2003					
	U.S.	Season		Total Revenue	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	27,500	26,860	27,500	24,020	34,510
Median	35,390	39,830	33,720	29,220	40,930
Top 25 Percent	44,730	58,170	40,680	36,400	53,240
City of Houston Courses					
2003 Rounds			2004 Rounds		
Brock Park GC		24,547		24,840	
Gus Wortham Park GC		26,686		24,896	
Memorial Park GC		61,430		61,635	
Sharpstown Park GC		48,126		51,240	
Glenbrook Park GC		40,499		39,122	
Hermann Park GC		48,966		46,862	
Melrose Park GC		8,298		8,898	
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2003 Edition, National Golf Foundation; subject facility rounds played supplied by City of Houston					

Total Revenue FY 2004					
	U.S.	Season		Total Revenue	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	625,690	671,360	616,870	500,000	1,170,000
Median	983,580	1,030,470	980,000	643,030	1,457,820
Top 25 Percent	1,433,280	1,683,530	1,349,520	857,510	1,889,750
Brock Park GC		484,655			
Gus Wortham Park GC		487,148			
Memorial Park GC		2,309,637			
Sharpstown Park GC		961,372			
Glenbrook Park GC		1,055,913			
Hermann Park GC		1,730,171			
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2003 Edition, National Golf Foundation; revenues from American Golf Corporation and City of Houston					

Total Expenses FY 2004					
	U.S.	Season		Total Revenue	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	578,780	657,540	577,530	461,250	960,520
Median	851,350	1,051,620	778,090	586,950	1,224,090
Top 25 Percent	1,233,930	1,385,310	1,113,400	718,370	1,670,060
Brock Park GC		985,389			
Gus Wortham Park GC		431,100			
Memorial Park GC		2,263,831			
Sharpstown Park GC		1,169,570			
Glenbrook Park GC		n/a			
Hermann Park GC		1,143,000			
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2003 Edition, National Golf Foundation					

Number and Distribution of Staffing – Full-Time (Year-Round)					
	U.S.	Season		Total Revenue	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Course Maintenance	6.0	8.0	4.7	7.1	5.9
Golf Operations	2.5	4.5	1.2	2.9	2.4
General & Administrative	1.0	1.2	0.9	1.1	0.9
Food & Beverage	1.0	1.6	0.6	1.7	1.0
Other	0.0	0.0	0.0	0.0	0.0
Total	10.4	15.3	7.4	12.8	10.2
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2004 Edition, National Golf Foundation					

Total Capital Expenditures Past Three Years (2001-2003)					
	U.S.	Season		Total Revenue	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	90,000	89,500	120,000	49,830	185,740
Median	350,000	257,500	356,000	175,000	420,000
Top 25 Percent	756,740	846,500	717,500	785,000	750,000
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2003 Edition, National Golf Foundation					

ISSUE OF IMPLEMENTING NON-RESIDENT RATE CLASS AT CITY COURSES

As part of the review of the overall City of Houston municipal golf operation, NGF Consulting was asked to analyze the viability of the City implementing a non-resident green fee class for those people that are not residents of Houston. Having separate fee schedules for residents and non-residents is not unusual for municipal golf courses, on the theory that non-residents should essentially “subsidize” rounds of golf played by citizens of the host community. However, these separate fee structures are more commonly seen when the golf operation obtains some level of support from the municipality’s General Fund, and thus from the taxpayers. When this is the case, it is quite reasonable for citizens to expect to be subsidized by non-residents (that is not to say that it would necessarily make good business sense).

Separate fee structures for residents and non-residents are less common when the golf operation is set up as a self-sustaining enterprise fund, as these municipal operations function more like private enterprise. (One would not expect a car dealership to charge differential rates among residents and non-residents; if it did, it would not last very long). In today’s highly competitive golf markets, price increases are generally not received well, as golfers have many choices and it simply does not make sense to alienate an entire class of golfers, such as non-residents, especially in cases where rounds and/or revenues have been declining. The potential detrimental effect on rounds is even greater if non-residents make up a significant core of a golf course’s frequent customers.

In any event, the implementation of any fee structure for a municipal golf course should be based on maximizing revenues while still maintaining affordable golf for residents. For instance, it would be unusual for a municipal golf course in south Florida, Hawaii, Las Vegas, etc. to *not* have non-resident rates for *out-of-state* golfers, regardless of whether it was an enterprise fund or funded through taxpayer dollars. This is because destination markets experience less price elasticity of demand from these visitors, and the operation would be leaving money on the table if no premium were charged to them.

With this background in mind, as well as NGF Consulting’s analysis of the City of Houston golf facilities and the overall competitive golf market in the Houston area, we do not recommend implementing a non-resident fee structure for the City of Houston golf operation, with the possible exception of Memorial Park Golf Course (see discussion below).

Our reasons for this conclusion are outlined below:

- The City has experienced, to varying degrees, significant declines in rounds and revenues over the last five years at its golf courses. The drop-offs have been due to several reasons, not the least of which has been the large increase in public golf course supply in the area in the last five to ten years. Houston has become a “buyer’s market” for golf, which has been manifested in declining average rounds played and average fees (due to the prevalence of discounting), and a decreasing price spread between municipal and daily fee courses, especially during off-peak periods. This type of environment is not the most conducive for initiating a new rate structure that would result in higher fees for an entire class of customers. (This is especially true given that much of the population growth in the area is likely to occur in the often golfer-rich suburbs).

- It stands to reason that if price increases for non-residents are not sustainable at this time, initiating non-resident rates would amount to *decreasing* resident rates.
- There are also reasons at the individual facility level for not increasing fees for certain golfers. In the case of Gus Wortham, the course deteriorated under the previous private operator, and the aging facility is badly in need of a renovation (as detailed in this report). At Brock, conditions have been improving but the emphasis should be on stimulating awareness and trial, so that the Houston golfing population will give the facility a second look. At Sharpstown, the operation is just now beginning to creep back into the black; an increase in fees might put a halt to the rebound. Melrose has had trouble drawing play even at the current low fees, while Hermann Park's fees are already higher in some cases than Memorial.
- The uneven national and regional economy of the last five years or so, exacerbated by the 9/11 tragedies, has resulted in a more price sensitive golf consumer, and has also engendered less loyalty among these golfers, who have become accustomed to searching for (and finding) "deals."
- Most municipal golf courses with non-resident rate structures have had them from inception. It is much more difficult to institute a change like this midstream, and only then when operating from a position of strength (i.e., in an undersupplied "seller's market").
- Increasing fees can appear to be the most obvious way to increase revenues, but in a tight golf market, higher fees may actually result in lower revenues. NGF Consulting has found that the best way to increase rounds and revenues is to improve the price value proposition offered to the golfer by improving the product and communicating its value to the market. Only then will price increases be sustainable.
- Though not a reason for our conclusions, it has been indicated to NGF Consulting that there may be serious logistical concerns regarding the implementation and enforcement of non-resident rates.

As we have discussed in the body of this report, Memorial Park is the jewel of the City of Houston municipal golf operation, and one of the finest municipal facilities in the country. Memorial is in a position where the rest of the public golf market must keep Memorial in mind when setting fees, etc. NGF Consulting believes that Memorial Park operates from a position of strength and the demand for golf there is much less elastic than at the other Houston courses. Therefore, instituting non-resident rates at Memorial alone is likely viable. It is our feeling that introducing a non-resident rate structure at Memorial Park would lead to increased revenues, even if it resulted in a slight decrease in non-resident rounds played (which we do not foresee based on our discussions with Parks Department and golf course personnel). Of course, the potential logistical issues involved in the set-up and enforcement of the rates still remain and must be addressed by the City.

ISSUE OF INTRODUCING SEASONAL/ANNUAL PASSES

Unlimited play memberships and annual passes are essentially pre-paid green fee arrangements that nearly always act to drive down the average daily rate (golf revenue per round) realized by golf operators. They are simply another form of discounting, as golfers that purchase these passes are typically those that see the most value in them – in other words, those golfers that play the most frequently. To introduce them is to run the risk of increased activity, with little or no increased revenue. (Additionally, pass holders will invariably compete with full-price daily fee players for prime tee times, such as weekend mornings).

A numerical example can help explain the dynamic that often takes place with the introduction of annual passes. For instance, a twice-per-week golfer at Memorial who split his rounds evenly between weekdays and weekends would currently account for about \$2,700 in annual green fee revenue (excluding cart): 100 rounds x average walking rate of \$27. A typical municipal annual pass for courses at this green fee level would cost about \$1,200. If that same twice-weekly golfer purchased the pass at this price, he would have to generate \$1,500 in cart and/or other revenues to produce the \$2,700 he was generating on a daily fee basis.

In highly competitive markets, these memberships are often necessary to stimulate play during off-peak periods (at least cart revenue is generated). They are typically more appropriate for a new course looking to build activity quickly and stimulate trial. However, all factors being equal, it is generally less desirable for a club to maximize play by giving bulk discounts to its core group of repeat golfers. If sufficient play can be drawn on a daily fee basis, it is preferable from the operator standpoint to have no pre-paid, heavily discounted green fee arrangements.

A very common problem among municipal golf operations nation wide is the situation where a course has a pass holder/member base that accounts for a disproportionate amount of play relative to the share of total revenues it provides. It is not uncommon for pass holders to account for as much as 60% to 75% of total rounds, but only one-third (or even less) of total revenues. This is especially true at municipal facilities in year-round golf markets such as Houston, where golfers can play with very high frequency. It has become increasingly common recently for municipal operators to seek ways to phase out their pass programs without upsetting their most loyal customers (current pass holders are often 'grandfathered' in).

Based on this analysis, NGF Consulting does not recommend that the City of Houston implement an annual pass program. We believe that doing this would equate to giving a significant price break to its best customers that are currently playing the most frequently and paying on a daily fee basis. The presence of passes would quite possibly result in more play with little or no boost in revenue, and also place more stress on the golf courses. Additionally, other complicating factors would have to be addressed; for instance, any annual pass program would almost certainly have to exclude Memorial, as rounds played would increase to levels that are undesirable on the City's premier facility.

MANAGEMENT ALTERNATIVES

As is the case with any municipality, City of Houston has several management options it can consider for the operation of its golf courses. In this section, we provide descriptions of the various options, as well as advantages and disadvantages of each. Analyzing the management options for the City of Houston Municipal Golf Courses gives the City the opportunity to carefully consider which method of management is in its best interest. Arriving at the right method of management can be a complicated procedure because no two facilities have the same needs.

Management contracts, operating leases, and concession agreements are the three most commonly used terms to describe a contract between a municipality and a private golf course operator. Each has significant differences, but also several common characteristics.

Management Contract

The primary goal of a management contract or management agreement is to provide the golf facility with experienced, professional managers who are responsible for the daily operations, thus relieving the municipality of this task regardless of the method used to finance the development of the golf course.

In a typical management contract, the municipality hires a firm that is charged with all management responsibility. The municipality funds all capital improvements, and the management firm hires all employees. Because employees work for the management firm and not the municipality payroll cost may be less, thus, the operating expenses may be reduced.

The management firm collects all revenue and provides accounting reports to the municipality. All revenues belong to the municipality, as well as the responsibility for all expenses. The municipality reimburses the management firm for all payroll expenses and pays the firm a management fee. The management fee is often a fixed dollar amount, a predetermined percentage of operating revenues, or some combination of both. Sometimes, the management firm is paid an incentive that is predicated on percentages of gross receipts or net income, over and above the established minimum revenues. The operating expense budget must be maintained at the original projection for incentives to be earned. Management fees vary depending on the size of the facility and the level of responsibility of the management firm. Incentives built into the agreement would allow the firm to earn additional fees.

The management firm submits detailed budgets to the municipality prior to the operating year. The municipality monitors the firm's utilization of budgeted funds and is responsible for any unforeseen expenses beyond the control of the management firm.

Because of the close working relationship between the municipality and the management firm, the changing golf economy, and capital requirements of golf courses, the typical management contract requires frequent revision. The length of the typical agreement is relatively short, two to five years, and may include option periods.

A management contract is appropriate when substantial capital is not needed for the physical facility, and the municipality could oversee the management firm's operation of the facility. That is, the municipality should have an individual whose responsibility is to monitor the work of the management firm to insure contract compliance.

In conjunction with a well-constructed contract, the management contract form of operation provides the controls necessary to protect a substantial asset, provides the greatest amount of up-side revenue potential to the municipality, allows the municipality the most input into operating and capital programs, and provides the most flexibility of any management style, short of self-operation. In situations such as Houston golf courses, often the management firm can affect changes that otherwise would be more difficult to change by the City because of political pressure in the community. In other words, the management firm is better prepared to take the heat that will result from changes in operation than the City of Houston's elected and appointed officials.

There are potential downsides to the management contract option. The municipality would need a person with golf course expertise who could spend a significant amount of time overseeing the

golf operation. The major concern with a management contract is the risk the municipality would be taking relative to shortfalls. The management firm's fee is guaranteed, as long as the contract provisions have been met. If new facilities open in the area and negatively impact revenue or a natural disaster occurs, the municipality could be left with a shortfall.

Advantages and Disadvantages of a Management Contract

The advantages of a management contract are:

- The municipality is removed from day-to-day operation in exchange for a payment of a pre-determined fee plus a percentage of gross revenues or some other formula, which is equitable to both parties. In addition all net revenues are retained by the municipality.
- Operating costs may be reduced because the management firm hires all employees at costs that can be less than what the municipality would have to pay.
- The disadvantages of a management contract are:
- This option offers the municipality less control than self-operation, but probably more control than with the operating lease.
- Although it can be considered a disadvantage, the municipality may receive lower net revenues than through self-operation, due to the fees and incentives paid to the management firm. However, the savings from lower payroll costs may offset the lower revenues.

Operating Lease

The primary goals of an operating lease are to relieve the municipality of all operating concerns, to ensure a minimum rent payment to the municipality, and to improve and/or protect the asset. An operating lease is similar to a management contract in that the lessee, like the management firm, hires and fires all employees and is responsible for the day-to-day operation of the facility. The difference between the two is that the lessee would be committed to pay the municipality a fixed rent, pay all operating expenses and, typically, provide some capital for investment in the golf facility. The amount of capital investment differs depending on the subject facility.

A lease agreement for Houston golf courses would also require a lessee to supply the personal property necessary for the operations. This would include golf course maintenance equipment, golf carts, clubhouse furnishings, and all operating licenses. Often, a lessee may be required to make course and building improvements (clubhouse, maintenance barn, cart storage, etc.).

Some disadvantages of the operating lease are that the municipality would likely receive less of the upside revenue potential than with a management contract. Under the terms of an operating lease the management firm keeps all net revenues.

In an operating lease, the municipality would be less involved in operating and personnel decisions and would have little or no involvement in determining operating expense budgets. However, if lease agreement is properly constructed, with an emphasis on lessee controls, reports, maintenance specifications, and capital improvement provisions, the operating lease can provide the necessary protection for the municipality and the golf facility asset.

As with all management options the municipality should have a person who has golf course expertise monitoring the operation and enforcing contract compliance.

Advantages and Disadvantages of an Operating Lease

The advantages of the operating lease are:

- The municipality is removed from day-to-day operation in exchange for a pre-determined rent.
- The lessee may be required to make capital improvement that the municipality would not otherwise be able to fund under self-operation or a management contract.

The disadvantages of the operating lease are:

- This option offers the municipality the least amount of control over the golf course operation.
- The term of the lease is frequently longer particularly if the lessee is required to make capital improvements.
- The lessee may be forced to cut maintenance expenses and raise fees to financially justify the operation.
- The municipality would receive significantly less revenue than it would through self-operation or a management contract.

Concession Agreement

This form of agreement is similar to a lease agreement. However, a concession agreement usually involves granting a license to operate a facility rather than the right to occupy the premises. Concession agreements are thought to be easier to cancel than a lease agreement. They are frequently for a shorter term compared to a lease and contain more controls. Concessions agreements are usually granted for properties in "as is" condition and seldom require the concessionaire to make major physical improvements to the facility.

Concessionaires are frequently permitted to use course-owned equipment with only the obligation to maintain the equipment. Because of the short term of most concession agreements, there is little incentive to make major investments on the part of the concessionaire. Payment to the municipality for a concession license is usually a flat fee plus a percentage of gross receipts.

Advantages and Disadvantages of a Concession Agreement

The advantages of a concession agreement are:

- The municipality would be removed from the day-to-day operation in exchange for a pre-determined fee plus a percentage of gross receipts.
- Concession agreements provide more control than an operating lease, but less than a management contract.
- The term of a concession agreement is typically shorter than an operating lease.

The disadvantages of a concession agreement are:

- The municipality would be responsible for all major capital improvements.
- There are likely to be fewer highly qualified management firms interested in a short-term concession agreement. Management firms frequently prefer to put their resources into projects that have longer terms and have the potential to be more financially rewarding.

Self-Operation

There are more than 2,400 municipal golf facilities in the United States. The majority of these facilities are self-operated by governmental jurisdictions, be it a city, City, county, state, or park district. Since the first municipal course in the United States (Van Cortlandt Park) opened in New York City in 1895, municipal governments have developed and operated public access golf courses. Not only are there long traditions of self-operated municipal golf facilities, the majority of these facilities are successfully providing their communities with affordable golf opportunities. Many facilities that have retired capital debt payments are able to operate on a self-sustaining basis and several generate excess revenues for other recreational activities or community services.

Self-operation gives the municipality the greatest control over the golf operation. In the case of Houston golf courses the City retains control over all employees, establishing policies and procedures, hours of operation, fee schedules, and operating and capital budgets. All revenues would be available to pay for operating and maintaining the facility and upgrading areas that need improvements. None of the revenue would be taken as profit as would be the case with a privately leased facility or used to pay management fees.

Self-operation could assure that improvements would be funded and made in a timely manner. If the City elects to lease the facility to a private operator or grant a concession contract to an operator, it is not likely capital improvements would be completed as quickly or extensively as they would by the City.

Self-operation also has its downside as some municipalities have painfully learned. In an attempt to capture the favor of their residents, some municipal golf operations have been managed by political decisions rather than business decisions. Invariably, these operations begin to suffer from a lack of resources due to low revenues and high expenses. When revenues are inadequate to meet operating expenses, budgets are cut and the quality of the facility begins to deteriorate. This often results in a loss of customers and a further loss of revenues. The golf operation usually goes into a downward spiral, until it hits bottom. At that point, the municipality either tries to lease the facility to a private operator or faces a costly restoration to bring the facility back to a condition that is competitive with other area courses.

Advantages and Disadvantages of Self-Operation

The advantages of self-operation are:

- The municipality has complete control over the operation and maintenance of the golf facility.
- All revenues would flow to the municipality.
- Management fees would not be included in the operating expenses paid by the municipality.
- Capital improvements can be accomplished more quickly provided that funds are available.
- Municipalities have various options to acquire capital funding that are not available to the private sector and their cost of borrowing money is frequently far less.

The disadvantages of self-operation are:

- The policies and procedures that govern the golf operation may be influenced more by political decisions than business decisions.
- The facility can be encumbered by bureaucratic procedures that prevent the golf operation from being reactive to market conditions or unique circumstances.
- Personnel costs, which account for the majority of a golf facility's budget, can be higher than the private sector's due to mandated wages and fringe benefits.
- Hiring and firing personnel can take weeks and months whereas the private sector can do it in a few days.
- Capital improvements can be delayed or postponed indefinitely when funds are not available.

The chart on the following page identifies the major differences of the five golf course management options that may be available to the City of Houston. These options assume that the entire golf operation, including the maintenance of the courses, will be the responsibility of the management firm, lessee, concessionaire or the City depending on which management option is selected.

Contractual Obligations	Management Contract	Operating Lease	Concession Agreement	Self Operation
Term of Contract	Initial contract may be for two to five years with two-year options.	Initial contract may be ten or more years with options depending on amount of capital improvements.	Initial contract may be for three years with two, one-year options.	Not Applicable.
Payment	MUNICIPALITY pays management firm a fixed fee, a percentage of revenues or a combination of both for its services, plus incentives.	Lessee pays MUNICIPALITY a fixed fee or a percentage of gross receipts whichever is higher.	Concessionaire pays MUNICIPALITY a flat fee, plus a percentage of gross receipts.	Not Applicable.
Capital Improvements	MUNICIPALITY pays for all improvements.	Lessee is required to pay for all improvements. MUNICIPALITY may give lessee relief from rent schedule in consideration for cost of improvements.	Concessionaire may pay for minor items; MUNICIPALITY pays for all major projects.	MUNICIPALITY is responsible for all capital improvements.
Operation and Maintenance Budgets	MUNICIPALITY has total responsibility for the budget managed by the firm.	Lessee has budget responsibility. MUNICIPALITY should have authorization to review expenditures for maintenance and capital improvements.	Concessionaire has budget responsibility. MUNICIPALITY should require authorization to review expenditures to verify contract compliance.	MUNICIPALITY has complete control over golf budget.
Revenues	All revenues belong to MUNICIPALITY.	All revenues belong to the lessee.	All revenues belong to the concessionaire.	All revenues belong to MUNICIPALITY.
Fees and Charges	Recommended by the management firm and approved by MUNICIPALITY.	Set by the lessee, approved by MUNICIPALITY. Approval should not be denied if fees are competitive with market.	Recommended by the concessionaire, approved by MUNICIPALITY.	Established by MUNICIPALITY.
Hours of Operation	Recommended by the management firm and approved by MUNICIPALITY.	Recommended by the lessee, approved by MUNICIPALITY.	Recommended by the concessionaire, approved by MUNICIPALITY.	Established by MUNICIPALITY.
Staffing	MUNICIPALITY must have approval over management firm's staff. All employees belong to the firm. MUNICIPALITY reimburses firm for payroll expenses.	MUNICIPALITY can demand that key staff be replaced if lessee fails to comply with contract requirements.	MUNICIPALITY has approval over key staff.	MUNICIPALITY is responsible for all employees.
Equipment	MUNICIPALITY retains ownership of equipment and pays for the cost of repairs.	Lessee is required to provide all equipment. MUNICIPALITY may elect to sell lessee its equipment or use it elsewhere.	MUNICIPALITY may include the use of its equipment in the agreement; concessionaire is obligated to maintain and replace equipment as needed.	MUNICIPALITY purchases, maintains, and replaces all equipment.

OVERALL OPERATIONS SUMMARY FINDINGS AND RECOMMENDATIONS

Based on our interviews with Parks Department officials and staff, discussions with individual golf facility staff, and review of operational data and contracts supplied by the City of Houston and the individual private operators, NGF Consulting makes the following series of findings and recommendations regarding the overall City of Houston municipal golf operation (individual facility recommendations are in a separate section of this report):

- First and foremost, the City of Houston should create a mission statement regarding its objectives for the municipal golf operation. This mission statement would guide future decisions and help to answer questions such as: Does each course have to carry itself financially, or is overall system being profitable enough to keep every course open?; How important is profit in relation to condition of the asset?; Will we spend the necessary dollars to improve facilities that may reflect poorly on the image of the City? Is there a level of loss that is acceptable and a level that is not (at both the system-wide and individual facility level)?
- As delineated in the opening executive summary statement, we see no inherent reason, based on our analysis, to run all City facilities by the same operating structure, unless a course-by-course analysis in the future indicates that, in every case, a certain alternative is preferable.
- Also as outlined above, the City should carefully weigh all the potential implications when considering a private lease for a facility, not just financial ones. The potential effects on the condition of the assets and the golfing public of Houston are among the factors to be evaluated in the decision making process.
- *NGF Consulting believes that the Houston municipal golf operation should be operated as a true enterprise fund.* Currently, net funds from the entire operation accumulate in Fund 206, grouped together with some other City Parks services such as tennis and ball field permits. However, though the net funds accumulate in Fund 206, they are segregated by facility, and the overall surplus is not made available to spend as needed; rather, each course must stand on its own (though privatized operator surplus is used to fund other City courses). At the beginning of FY 2004, the Privatized Fund and Memorial Golf Fund had reported beginning balances of nearly \$2 million each, though we suspect the private fund balance is an accounting anomaly, as this money must be funding operations at Sharpstown and Brock.
- According to City ordinance, no part of Memorial's surplus can be spent on any facility but Memorial (this is also true of Brock and Sharpstown, but both have negative fund balances). NGF was told that the reason for this was tied to the private sector contributions (actually, stone hole marker sponsorships) in the amount of \$1.2 million toward Memorial's renovation in the mid 1990s. These private entities were worried that Memorial would be allowed to deteriorate if its profits were diverted.
- NGF thinks it is very admirable that private sector contributors generously stepped up to help restore Memorial to a great facility. However, such contributions (for which they did receive the sponsorship benefits) should not give private factions a say in how the golf course is operated for perpetuity (or at

all). Private enterprise should not dictate ongoing operational policies of public institutions. Secondly, the possibility that the City would shortchange Memorial in terms of maintenance or capital improvements, under any scenario, seems extremely unlikely to NGF Consulting.

- Under an enterprise fund scenario, the current total surplus of the Houston system (approximately \$1.46 million at beginning of FY 2004) would be available to fund operations and/or capital improvements at City facilities, regardless of the source of that surplus. If, for example, it was determined that, for the benefit of its citizens, the City was going to keep certain golf courses open despite the probability of continued losses (see Brock Park), then the losses would be absorbed by the overall system. The City would still be able to prioritize and allocate based on system-wide goals, while offering the best possible product and maximizing return.
- This system would also allow a much more cohesive master plan approach to capital improvements system-wide. Theoretically, under the current system improvements at money losing courses would be non-existent if the privatized fund surplus disappeared, now that Fund 465 (the original cap improvement set-aside fund) has been exhausted. With an enterprise fund set-up, a certain percentage of yearly *total golf system* profits (if any) would be diverted each year into a special capital improvement fund such as 465, which would have to be funded initially from the current surplus of Fund 206. Again, this does not preclude the City from allocating this money as it sees fit, but it does give the City the flexibility to improve courses so that they compete with private sector daily fee golf courses on a more even playing field – flexibility that the current system doesn't have because of the restriction we spoke of earlier.
- The enterprise system should allow the City to bring the system as a whole to a higher level and create operational and marketing synergies that will ultimately lead to increased overall profits. It also does not prevent the City, at any time, from deciding that it wants to cut its losses by closing any facility that seems incapable of making a profit.
- The accounting of the golf operation is very difficult to dissect. This must be addressed, so that a true picture of profit and loss can be gained for each facility. Examples of confusing policies include:
 - o First of all, equipment purchases and capital improvements are included in the operating budgets of some courses, but apparently not in others (we recommend they be segregated from true operating expenses)
 - o Also, in some cases, expenses that are actually tied to certain facilities are accruing to the budget of another facility
 - o The accounting of Fund 206 is difficult to understand; NGF is still not sure how deficits at Sharpstown and especially Brock are being funded, as Fund 206 data supplied to us indicates that the Privatized Golf Fund has not been dipped into since an adjustment in FY 1998, and these two facilities have negative fund balances

- It is understood that the City, as part of the concession agreements, the City has the right to inspect the golf courses at any time to see if the maintenance and agronomic minimum standards set out in the contract are being met. We believe that frequent inspections of the privatized golf courses are integral to them meeting the quality standards of the City-run operations. An enforceable compliance system would also enable the City to retain strict control over the quality of improvements made by private operators and protect its stake in the golf course assets.
- NGF recommends that the City add the title of Maintenance Supervisor to the organization chart, to create and oversee the inspection system and to ensure that consistent quality standards are being met at each course, including the privatized ones.
- There must also be a cohesive plan for determining annual labor and total expense budgets for each course, with input from the Director of Golf Operations, facility managers and superintendents, and the overall Maintenance Supervisor (if applicable), so that each facility's needs could be objectively evaluated and the most efficient possible operations are run at each course.
- The Head Golf Professionals at the City-operated courses are currently on straight salary. Back in the 1980s, the head pros retained lucrative pieces of the golf operation, to the point where they were clearly taking too much money out of the operations. NGF recommends that the City explore the potential pros and cons of enacting a hybrid of these two scenarios – one where the head pro/facility manager would have a base salary, but would also have some financial incentive to increase rounds and other revenues.
- The Houston public golf market has undergone a transformation with the huge influx of new facilities over the last ten to fifteen years. The resulting ultra-competitive market has resulted in a very fluid pricing environment. NGF believes that the City courses should have some flexibility to respond to market conditions as daily fee clubs do. Under this scenario, the City Council would approve a range of pricing for each facility (with a maximum). The Director of Golf Operations could then seek permission from the Director of Parks & Recreation to approve temporary specials/discounts during the year as needed. This would also give each facility manager flexibility in practicing yield management.
- Player development programs are integral to the future of the City of Houston municipal golf operation, especially in light of the city's changing demographic profile. New players must be cultivated for the City's seven revenue-producing courses in order to ensure sufficient play levels in the future. Reaching out to African-American and Hispanic youths should be an integral component of any junior golf programs so that latent demand can be tapped among groups that have not previously exhibited high golf participation rates due to a lack of opportunity.
- The exemplary First Tee Program at F.M. Law Park is a great head start for these efforts. Aside from programs at each individual golf course, another component of player development in the City system is the potential conversion of Melrose Park to a First Tee facility, a possibility that would give ample opportunity to both north and south-siders.

- The marketing budget for the golf operation is minimal and should be increased substantially. As we recommended regarding annual operational budgets, we believe the City should have the input of the Director of Golf Operations and the facility managers to put together an overall marketing plan for each facility.
- There is considerable differentiation between the City golf facilities in terms of offering, but there has been no attempt to coordinate the products or to establish an “identity” for the overall City system. We feel this is a mistake as each of the five City of Houston Municipal Golf Operation courses are part of one overall system even though each facility may serve a different segment. The result of this is that the City could be enhancing the efforts of its individual operators on a macro-level, while each facility works to enhance its own market share within its own customer segments.
- Along these lines, a “Houston Golf Trail” concept should be explored, especially if the recommended improvements to Gus Wortham Park Golf Course come to fruition. As mentioned in our introduction, the value of high quality parkland-style golf course assets so close to a thriving urban center (which is currently enjoying a rebirth) should not be understated. The loop courses especially should enjoy operating and marketing synergies, in terms of spillover during busy times from one course to another, and the ability to build tournament play.
- The City should hire a professional consultant to address the safety/liability issues at each course, as detailed in this report.
- The City should begin an initiative to automate all the golf courses, so that they can better compete with market daily fee clubs. Each course should have an on-line reservation system, automated tee-sheets, devoted websites, and point-of-sale systems. Efforts should also be made to capture e-mail addresses (“join our e-mail club and get a discounted round of golf”) and build customer databases at each course. E-mail databases can be used to broadcast last minute specials for unused tee times (yield management), to promote tournaments, etc.
- In order to keep a pulse on customer perceptions and satisfaction, implementation of an ongoing or periodic customer survey at each course is recommended.
- NGF Consulting was asked to analyze the viability of the City implementing a non-resident green fee class. In Houston’s highly competitive golf market, price increases are not likely to be received well, as golfers have many choices and it simply does not make sense to alienate an entire market segment, such as non-residents, especially considering that rounds and revenues have been declining. The potential detrimental effect on rounds is even greater if non-residents make up a significant core of a golf course’s frequent customers. Additionally, most municipal golf courses with non-resident rate structures have had them from inception. It is much more difficult to institute a change like this midstream, and only then when operating from a position of strength (i.e., in an undersupplied “seller’s market”).
- NGF Consulting does not recommend that the City of Houston implement a seasonal / annual pass program. We believe that doing this would equate to giving a significant price break to its best customers that are currently playing the most frequently and paying on a daily fee basis.

City of Houston Municipal Golf – Individual Facility Operations and Recommendations

BROCK PARK GOLF COURSE

Brock Park Golf Course is located on John Ralston Road, between the inner loop (610) and the Beltway 8E. The facility sits at the very corner of the Beltway system where Beltway 8E becomes Beltway 8S, and in among several off-angled roadways that lead into the Beltway and the Beaumont Highway (US 90). Brock Park consists of an 18-hole championship golf course and practice facility, along with clubhouse and maintenance building. Brock is the “Best Kept Secret” of the Houston municipal golf courses as it is in above average shape in 2005 after needed renovations in 2004, but not many Houston golfers seem to know about it.

Built in 1952 and acquired by the city in 1972, Brock Park is the first golf course to be managed by the City of Houston. It is a core golf course, meaning one that is contained within a single area and not comprised of several small parcels interrupted by housing. The golf course is surrounded by woodlands and neighborhoods and gives one the feel of being separated from busy city surroundings. While this location adds to the appeal of the golf course, it also limits the facility’s marketability and upside potential.

Golf Course

The Brock Park golf course was designed by little-known golf designer A.C. Ray, with and much of the original design still in place today. The golf course routing fits the lay of the land very well. Rolling terrain and the Bayou River are also key features that interact with the routing. Unfortunately, the views of the trailer park and other areas can be distracting.

Brock Park is a demanding golf course despite its short length. Four golf holes cross the river and each of them crosses in a different location in relation to their design. The river must be cleared by the tee shot on #1, the second shot on #9, the tee shot on the par-3 #14 and the third shot on #18. The narrow fairways and small greens also add to the interest.

The scorecard for Brock Park is as follows:

Brock Park Golf Course				
Tee	Par	Yards	Slope	Rating
Championship	72	6,427	114	70.7
Middle	72	6,115	113	69.7
Forward	72	5,245	113	72.0

In general, Brock Park is appreciated by better golfers, while at the same being fair to less-skilled players. From the forward tees (Red/Ladies) the golf course can play very long and difficult, and the layout features several long forced carries. Over the years the tree cover has added some changes to the golf course, and this has created some additional challenge.

Clubhouse

The two-story clubhouse at Brock Park includes a separate pro shop and restaurant, and incorporates all of the requirements of a quality facility for a municipal golf course. There is ample room in the pro shop and snack bar, but much of this space is presently unused. The clubhouse seems to be adequate given the type of golf course and volume of play it receives. The snack bar has only limited space that is inadequate for larger gatherings or tournaments.

Concession Sales

Brock Park has been earning approximately \$18,000 per year on merchandise sales in the pro shop the last two years, down from the \$25,000 earned in 2001-02. This amount seems to be in line with the light inventory in the golf shop and the general lack of tournament-type business that enhances pro shop sales.

The food and beverage operation at Brock Park comprises a basic snack bar operation with table seating for up to 30 customers. The operation is leased to a concessionaire with net revenue to the City of roughly \$11,600 in FY 2004. This amount is up slightly from the \$7,500 and \$6,000 earned in 2002 and 2003, respectively.

Driving Range/Practice Amenities

Brock Park includes small putting and chipping greens that are located near the clubhouse; these are adequate given the current level of activity the course receives. The practice range lacks proper length and is therefore limited to iron play only. The range is bordered on the right by a mobile home park. A tall net has been placed along the entire length of the range to help prevent balls from slicing into the homes. The range has not earned more than \$10,500 in any year since 1998.

Brock Park Local Golf Market

Facility Specific Demographic Issues

Though NGF Consulting profiled the market-wide demographics in a previous section of this report, it is instructive to examine the demographics of the areas surrounding each individual golf course. NGF has made the following general observations regarding the demographic profiles of the immediate local market around Brock Park.

- There are more than 131,000 people and 44,000 households within 5 miles of Brock Park. The immediate neighborhood experienced slower growth during the 1990s than many other areas of the Houston metro region, though growth rates are projected to increase to 50% higher than the national rate between 2004 and 2009.
- Median Household Income in 2004 was under \$36,000, well below the income figure for the Houston DMA and the total U.S.
- Planned transportation improvements that may improve access to Brock include Highway 90 improvements and the completion of Beltway 8.

Predicted Golf Demand

A detailed analysis of the overall demand for golf in the greater Houston market was presented in previous sections of this report. NGF Consulting will now summarize the public golf demand potential in the immediate local Brock Park market area and how this demand will impact the golf operation at this facility.

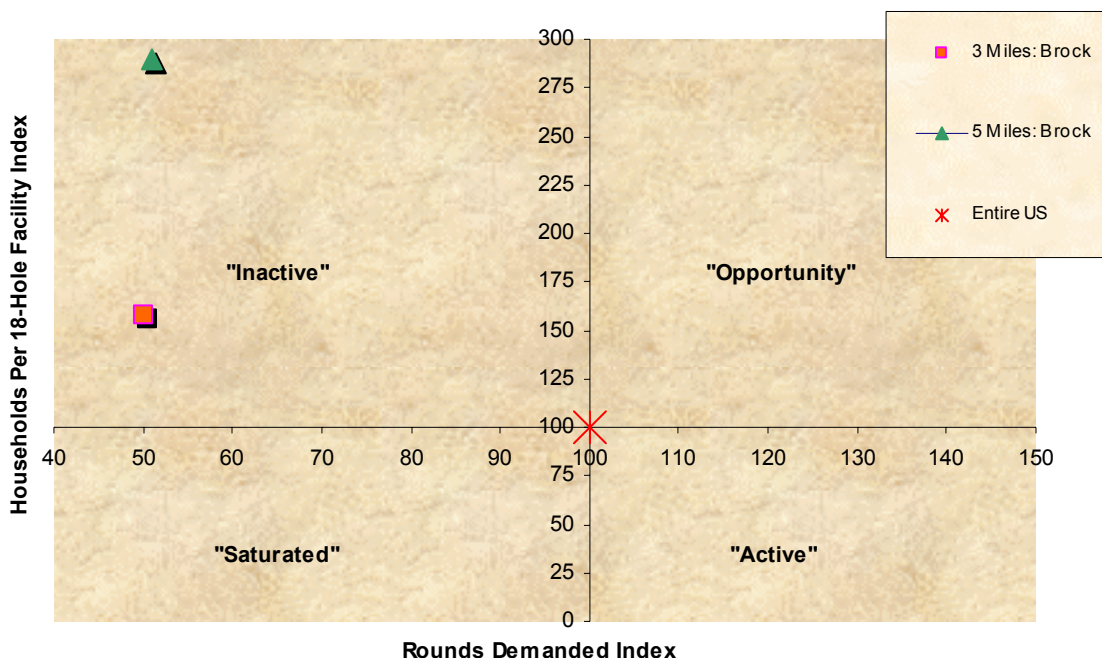
	3 Miles: Brock	5 Miles: Brock	Entire US
Golfing Household Index	57	54	100
Rounds Played Index	50	51	100
Best Customer Golfing Household Index	67	68	100

Household/Supply Ratios

	3 Miles: Brock	5 Miles: Brock	Entire US
Households Per 18 Holes			
Total	12,009	21,996	7,589
Public	12,009	21,996	10,670
Private	0	0	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	0	0	32,304
Value	12,009	21,996	19,422
By Public Facility Type:			
Daily Fee	0	0	13,505
Municipal	12,009	21,996	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Brock	5 Miles: Brock	Entire US
Households Per 18 Holes			
Total	158	290	100
Public	113	206	100
Private	0	0	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	99
Standard	0	0	100
Value	62	113	100
Additional Indices:			
Golfing Households per 18-Hole Facility	90	158	100
Rounds per 18-Hole Facility	79	147	100
*Resort facilities can be public OR private and are therefore already included in the total			

Opportunity Chart



Local Brock Park Golf Market Summary

Using the most basic measures of golf demand and supply, the immediate market area surrounding the Brock Park Golf Course is considered by NGF Consulting to be an 'inactive' golf market. This means that, relative to the national average, the local market area surrounding the facility has more households available to support each existing 18-hole golf course, but these households tend to demand about half the golf of the overall U.S. This finding suggests a very weak local market for Brock Park, but this market gets stronger as the ring widens around the facility. This would suggest that the ability to draw customers from a wider market area would be critical for the future success of Brock Park. The implication for the City of Houston is that it needs to stimulate growth in golf activity in lower-income communities around Brock Park, and the City needs enhancement in its marketing and promotion, particularly in helping golfers easily find the golf course (i.e., flyers with directions and better signage near the course).

Brock Park Operational Issues and Data

The following is a discussion of operational issues and data evaluation for the Brock Park Golf Course, based on the NGF Consulting visits in May 2004, and January and February 2005. We also include a review of the results of the NGF CLASP survey implemented at Brock Park.

Customer Service

The Brock Park staff appeared to the consultants to be generally attentive to the needs and interests of the customers. They were friendly, helpful and displayed pride in the tasks they were performing. Overall, customer service appears to be strong at Brock Park, and responses to the NGF CLASP survey (more detail later in this section) showed that customers rate the "staff friendliness" very high compared to other golf courses in this market area.

Brock Park Golf Course Data Analysis

The City of Houston has supplied the consultants with a variety of documents and summations detailing rounds, revenue, and expense history for the subject facility for past five fiscal years. This data has been analyzed and NGFC's findings are summarized below.

Green Fees

Brock Park is the most affordable of the City's regulation length golf courses, and NGF Consulting believes that the fee structure is appropriate given the facility's price/value proposition relative to its competitive set. As the condition of the golf course continues to improve and the awareness level increases, marginal price increases can be considered in the future.

Fee Schedule for Brock Park Golf Course January 2005	
Junior	\$4.50
Senior/Disabled	\$5.50
Weekday	\$11.00
Weekday Twilight	\$7.50
Weekend/Holiday	\$14.50
Weekend/Holiday Twilight	\$10.00
Tournament	\$18.50
½ Shared Cart	\$10.00
Weekday: Mon – Thurs; Weekend: Fri – Sun and all City holidays; Twilight start times vary by season. Includes sales tax.	

Activity Levels

As can be seen in the table below, Brock Park Golf Course has been losing play rather steadily since a peak in 1998. Activity declined by nearly 17,000 rounds, from 41,042 to less than 24,600, between 1998 and 2003 – a decline of almost 40%. Also, this facility has a large share of afternoon play and other discounted play, further reflecting the local market environment. The lack of a cart path system has limited the total volume of rounds Brock can achieve, due to the inability to let carts out after heavy rains. Tournament play has never been strong at Brock Park with less than 5 percent of play credited to tournaments.

Brock Park Golf Course – Rounds History 1998-2004						
FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
41,042	39,576	37,796	30,530	28,320	24,547	24,840

Revenue Performance and Ratio Analysis

NGF Consulting has reviewed the activity and revenue statements provided by the City of Houston in detail. Analysis of this data shows that the activity levels achieved by this facility generate a total revenue base that is not sufficient to cover basic operational expenses, even on a relatively lean budget. However, as shown in the tables, the problem has clearly been declining activity, as the average revenues per round seem to be holding steady. The following tables summarize the Brock Park Golf Course performance of revenues and average revenue per round of golf.

**Brock Park Golf Course
Revenues FY 2001-FY 2004**

	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$254,276	\$324,447	\$290,821	\$278,363
Cart Rental	\$188,201	\$182,014	\$167,916	\$166,482
Range Sales	\$9,916	\$10,398	\$9,498	\$8,334
Net F & B Sales	\$14,983	\$7,668	\$5,977	\$11,609
Pro Shop	\$25,024	\$24,926	\$17,754	\$19,609
Other	\$2,139	\$2,070	\$13	\$258
TOTAL REVENUE	\$494,538	\$551,523	\$491,979	\$484,655

Source: City of Houston

**Brock Park Golf Course
Revenue Ratios FY 2001-FY 2004**

	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$8.33	\$11.46	\$11.85	\$11.21
Cart Rental	\$6.16	\$6.43	\$6.84	\$6.70
Range Sales	\$0.32	\$0.37	\$0.39	\$0.34
Net F & B Sales	\$0.49	\$0.27	\$0.24	\$0.47
Pro Shop	\$0.82	\$0.88	\$0.72	\$0.79
Other	\$0.07	\$0.07	\$0.00	\$0.01
TOTAL REVENUE	\$16.20	\$19.47	\$20.04	\$19.51

Source: City of Houston

Expense Budget

Though expenses for Brock have been grouped into different categories over the last five years, they remained at a relatively low \$880,000± from 2001 to 2003, before taking a big jump to \$985,000 in 2004. Though even this figure falls below the U.S. median expense level of \$1.05 million, it would be advisable for the City to run as efficient an operation as possible given the low top line revenue potential of this facility.

Brock Park Golf Course Expense Budget						
		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
	Personnel			59,973	534,391	641,983
	Supplies			(20,932)	22,372	86,147
	Services			52,893	76,034	141,064
Brock GC Total				91,935	632,797	869,194
Admn & Pro Shop	Personnel	175,044	97,187	68,172	14,600	24,332
	Supplies	32,125	26,093	14,424	15,882	9,278
	Services	84,708	77,999	83,844	52,767	3,510
	Non Capital	4,600				
Admn & Pro Shop Total		296,477	201,279	166,440	83,248	37,119
Grounds Maint.	Personnel	457,748	486,858	480,190	24,208	23,770
	Supplies	153,515	137,120	124,902	96,457	41,199
	Services	49,306	62,675	18,737	43,169	14,107
Grounds Maint. Total		660,569	686,653	623,829	163,833	79,076
Total Expense		957,046	887,932	882,204	879,878	985,389

Future Projections

NGF Consulting has prepared an operating projection to show how Brock Park Golf Course would perform economically if the facility were to implement the recommendations made by NGF Consulting. Maintenance expenses applied to Brock Park were estimated based on input from other facilities in the City of Houston system and from NGF survey research. Other issues considered for these projections include NGF's general outlook on the overall Houston golf market, based on the factors discussed in this report.

**Projected Revenue Analysis
Brock Park Golf Course
18-Hole Layout**

	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$278,363	\$308,172	\$336,187	\$371,487	\$400,063	\$413,894	\$428,117
Cart Rental	166,482	184,310	205,087	226,621	248,934	257,540	266,391
Range Sales	8,334	9,226	10,267	11,345	12,462	12,892	13,335
Net F & B Sales	11,609	12,852	14,301	15,803	17,358	17,959	18,576
Pro Shop	19,609	21,709	24,156	26,692	29,321	30,334	31,377
Other	258	286	318	351	386	399	413
TOTAL GOLF REVENUES	<u>\$484,655</u>	<u>\$536,554</u>	<u>\$590,315</u>	<u>\$652,298</u>	<u>\$708,523</u>	<u>\$733,018</u>	<u>\$758,209</u>
TOTAL ROUNDS	24,840	27,500	30,000	32,500	35,000	35,500	36,000
GOLF REVENUE/ROUND	\$19.51	\$19.51	\$19.68	\$20.07	\$20.24	\$20.65	\$21.06
EXPENSES:							
Admin & Pro Shop	\$295,617	\$309,000	\$312,090	\$315,211	\$318,363	\$321,547	\$324,762
Grounds Maint.	689,772	721,000	728,210	735,492	742,847	750,275	757,778
TOTAL EXPENSES	985,389	\$1,030,000	\$1,040,300	\$1,050,703	\$1,061,210	\$1,071,822	\$1,082,540
ANNUAL PROFIT	(\$500,734)	(\$493,446)	(\$449,985)	(\$398,405)	(\$352,687)	(\$338,804)	(\$324,332)
GROSS MARGIN	-103.3%	-92.0%	-76.2%	-61.1%	-49.8%	-46.2%	-42.8%

As shown in the above table, Brock Park Golf Course is expected to operate at a net loss even if the rounds played recovered to 36,000, an increase of more than 11,000 over FY 2004 activity. This assumes a maintenance and operations budget roughly equal to Sharpstown's current budget. Under the pricing and expense assumptions we have made for Brock Park, break even for this facility would only be possible with activity levels of ± 50,000 rounds.

Brock Park Consumer Feedback

In an effort to communicate with the local community about issues related to the City of Houston municipal golf courses, NGF Consulting has implemented our Customer Loyalty and Satisfaction Program (CLASP) at the subject facilities for the period of February through March 2005. Detailed results of the NGF survey appear in **Appendix D** to this report, along with a copy of the survey instrument. The general findings for Brock Park are summarized below.

Brock Park Customer Satisfaction Survey

During the survey period, a total of **47** surveys were recorded by NGF Consulting from Brock Park Golf Course. A summary of their opinions is as follows:

5 Factors Most Important to Your Golfers:

- Overall Value of Course
- Overall Course Conditions (tees, fairways)
- Condition of Greens
- Convenience of Course Location
- Pace of Play

NGF Loyalty Index: 57% (Benchmark = 24%)

The Competition: Listed below are those facilities that your golfers indicated they play most often in the area.

- River Terrace Golf Course
- Gus Wortham Park Golf Course
- Glenbrook Park Golf Course
- Heron Lakes Golf Course
- Memorial Park Golf Course

Satisfaction Ratings vs. the Competition: When compared to the local competition, your facility has a **higher satisfaction rating** for the following factors:

- Overall Course Conditions (tees, fairways)
- On-course Services (restrooms, drinking water)

When compared to the local competition, Brock Park did not have a **lower satisfaction rating** for any of the measured factors.

Share of Wallet: You have an average of 50% of your customers' overall business.

Frequent Customers: Characteristics of frequent customers at Brock Park Golf Course:

- Age 50+
- Male
- Income from \$50,000 - 99,999
- Average Number of Rounds Played Annually - 25+
- Average Score: 80 to 99

Satisfaction at your Facility: Brock Park Golf Course was **well above** the benchmark for the following factors (index of 110 or more):

- Tee-time Availability
- Overall experience
- Condition of Golf Cars
- Food and Beverage Service
- Pace of Play
- Amenities (clubhouse, pro shop, locker room)

Summary

NGF Consulting recognizes that these surveys represent a small sample of customers at the Brock Park facility, but still the communications do offer some insight into customer perceptions about this facility. NGF Consulting notes that the golfers who participated in the survey are an extremely loyal group who are generally very pleased with the value and overall product that Brock Park offers. Open-ended customer comments (see **Appendix D**) also were largely positive, with several customers making note of improving conditions at the course.

Brock Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to the Brock Park Golf Course:

- Rounds have fallen by about 15,000 since late 1990s, partially due to bridge problems that have since been addressed.
- The golf course has improved greatly, largely due to the replacement of two bridges and the irrigation system over the last several years, but market perception of Brock probably remains poor (i.e., are new bridges common knowledge?) among those golfers that have not played it in some time.
- To address low activity and perception problems, the City needs to stimulate trial and awareness through an increased marketing budget. Informational flyers and hotel rack cards should be created, highlighting the improvements at the course (perhaps with a few short testimonials by current patrons) and easy-to-understand directions. The theme in the short-term marketing efforts should be along the lines of “Try us again for the first time”, or “Have you played Houston’s best kept secret?”
- Brock is also in a difficult to find location, and better directional signage to the course is needed.
- In the current golf market climate in Houston, NGF Consulting believes it is doubtful that Brock Park can attain the 40,000 round level of the late 1990s; even at 35,000 rounds – an increase of 10,000+ over current levels – Brock would operate at considerable loss, and it is estimated that break-even activity levels for the club are in the neighborhood of 50,000 rounds.
- An experienced private operator could possibly break-even with rounds near 40,000, but only on a lean budget that runs the risk of deterioration of the golf course
- Concrete cart paths are the only immediate capital improvement need, but they are critical in rainy Houston as the current cart paths are a contributing factor to depressed play levels.

- The City should master plan for future needs, including the clubhouse, which is dated and will ultimately need refurbishing or replacing.

GUS WORTHAM PARK GOLF COURSE

The Gus Wortham Park Golf Course consists of an 18-hole championship golf course, lighted practice facility, clubhouse and maintenance building, located inside the 610 loop just northeast of I-45. The A.W. Pollard designed course was built in 1908 and has undergone numerous renovations throughout the years by the likes of Willie MacGuire, John Bredemus and Ralph Plummer.

Gus Wortham was the original Houston Country Club and has a tremendous history. The facility was purchased by the City in 1972 and was operated as a concession until the City of Houston took control in 2003, due to seriously deteriorating conditions and the failure to complete some needed improvements / renovations by the concessionaire (the Paul Reed Golf Corporation had the concession at Wortham from 1991 until 2003).

Golf Course

The rolling terrain at Wortham Park lends itself to a fun routing. Most of the golf course fits very well with the land. Even with its many elevation changes, the golf course is very playable. It is of relatively short length, but provides challenge. In addition to the championship golf course, Gus Wortham includes a driving range, 6,000 square foot clubhouse, full practice amenities, dining facilities, a fully stocked pro shop and maintenance building.

The scorecard for Gus Wortham is as follows:

Gus Wortham Park Golf Course				
Tee	Par	Yards	Slope	Rating
Blue	72	6,270	N/A	N/A
White	72	5,634	N/A	N/A
Red	74	5,322	N/A	N/A

Clubhouse

The Gus Wortham clubhouse is an older structure that clearly has not been maintained to the highest standards. Further, the facility is probably not being used to its fullest advantage in terms of maximizing space for merchandising and food and beverage sales. Replacement of the clubhouse is seen as an integral component of the overall recommendations for the Gus Wortham facility (further discussion to follow). At the very least, and regardless of whether the clubhouse is replaced, the rest rooms must be upgraded to portray a better image for the City and provide a clean environment for golfers, especially ladies.

Food and Beverage / Merchandise Sales

With the change in management the City has also changed the food and beverage concession at Wortham. Reed Golf was able to generate roughly \$75,000 to \$100,000 per year on food and beverage sales at Gus Wortham. Under the concession arrangement, the City can expect to generate roughly \$0.30 per round in net revenue, based on FY 2004 results. This would likely improve significantly with a full facility renovation. The limited inventory of merchandise

apparently has caught up with the facility as the City is reporting only \$10,000 in pro shop revenue for FY 2004, down from \$70,000 in FY 2001 when Reed Golf owned the shop.

The food and beverage operation at Gus Wortham comprises a very small seating area for only a handful of patrons inside, and about 30 people outside. This arrangement is barely sufficient for the course given its current condition, and will need to be improved to match the quality of the golf course should a renovation be undertaken.

Driving Range/Practice Amenities

The driving range is rather small and a new walking path cuts through the rear left corner of the range and may be a safety concern. The City received grant monies for this trail, but neglected to review its compatibility with the golf course. The putting green is also rather small and the chipping green is located on the right side of the #18 green - another safety concern. The City reported only \$21,500 worth of range sales in FY 2004.

Gus Wortham Park Local Golf Market

Facility Specific Demographic Issues

NGF has made the following general observations regarding the demographic profiles of the immediate local market around Gus Wortham (see **Appendix A** to this report).

- Population density is high within five miles of Wortham, but growth was relatively slow during the 1990s, but this is expected to change with more rapid growth expected in the 2004-2009 period.
- Median Household Income in home Wortham's immediate trade area is very low, at just over \$27,000 - the lowest income figure for any sub-market around Houston golf courses.
- The Hispanic population within three miles of Wortham is estimated at more than 82%.
- Planned transportation improvements that should eventually benefit Gus Wortham are the I-45 construction and the never-ending improvements to local US-90 (Wayside Drive).

Predicted Golf Demand

Below, NGF Consulting summarizes the public golf demand potential in the local Gus Wortham market area.

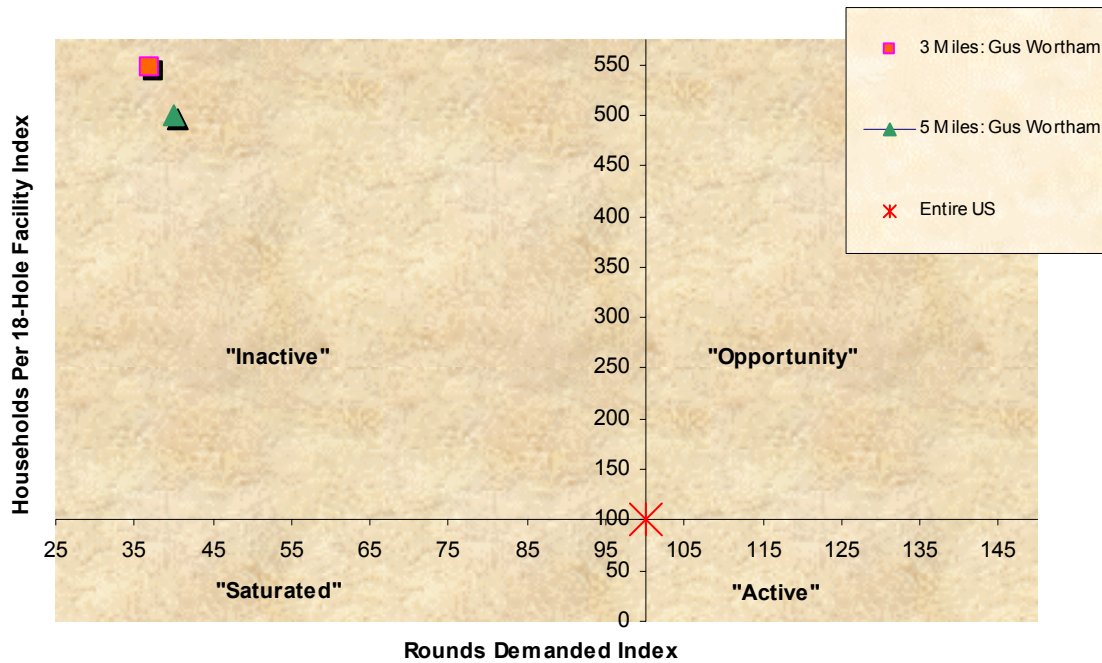
	3 Miles: Gus Wortham	5 Miles: Gus Wortham	Entire US
Golfing Household Index	40	41	100
Rounds Played Index	37	40	100
Best Customer Golfing Household Index	42	48	100

Household/Supply Ratios

	3 Miles: Gus Wortham	5 Miles: Gus Wortham	Entire US
Households Per 18 Holes			
Total	41,460	37,821	7,589
Public	41,460	37,821	10,670
Private	0	0	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	0	113,464	32,304
Value	41,460	56,732	19,422
By Public Facility Type:			
Daily Fee	0	0	13,505
Municipal	41,460	37,821	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Gus Wortham	5 Miles: Gus Wortham	Entire US
Households Per 18 Holes			
Total	547	499	100
Public	389	355	100
Private	0	0	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	99
Standard	0	352	100
Value	213	292	100
Additional Indices:			
Golfing Households per 18-Hole Facility	221	203	100
Rounds per 18-Hole Facility	203	199	100
*Resort facilities can be public OR private and are therefore already included in the total			

Opportunity Chart



Local Gus Wortham Golf Market Summary

Like the other Houston facilities evaluated to this point, the Gus Wortham market exhibits a high number of households available to support golf, but with still lower indexes of golf demand. The sub-market is also classified as “inactive,” as the ratio of households to golf courses is generally favorable, but the demand from these households is the lowest of the Houston sub-markets evaluated. The implication for the operator is that drawing golfers from a wider geography will likely be necessary to increase rounds activity and revenue generation at this location (something that is much more likely should the recommended renovation take place). Gus Wortham’s location in proximity to downtown and both Memorial and Hermann Park could enhance the facility’s potential to serve as an overflow support for excess activity at Memorial and Hermann, if the quality was appropriate.

Gus Wortham Park Operational Issues and Data

The following is a discussion of operational issues and data evaluation for Wortham Park Golf Course, based on the NGF Consulting visits in May 2004, and January and February 2005. We also include a review of the results of the NGF CLASP survey.

Customer Service

Though feelings regarding the golf course itself are likely not at a high level, customer service does not appear to be an issue at Gus Wortham, and the respondents to the customer satisfaction survey rated “friendliness/service of staff” very high compared to other golf courses; Wortham’s rating on this measure was also extremely high relative to national benchmarks.

Gus Wortham Park Golf Course Data Analysis

The City of Houston has supplied the consultants with a variety of documents and summations detailing rounds, revenue, and rent payment activity for the subject facility for past five fiscal years. This data has been analyzed and NGFC’s findings are summarized below.

Green Fees

Fees at Gus Wortham are in line with its competitive set, though some leeway should be given to the head golf professional to lower green fees (with prior approval of Director of Golf Operations) temporarily in response to market conditions. This is especially true while the condition of the course is being improved. The City should have leeway and justification to increase prices if a facility renovation is undertaken.

Fee Schedule for Gus Wortham Park Golf Course January 2005	
Junior	\$5.00
Senior/Disabled	\$6.00
Weekday	\$13.00
Weekday Twilight	\$9.50
Weekend/Holiday	\$16.50
Weekend/Holiday Twilight	\$11.00
Tournament	\$20.50
½ Shared Cart	\$10.00

Activity Levels

Gus Wortham Park Golf Course has experienced serious declines in revenue and rounds from the peaks in both measures in observed in the late 1990s, with rounds falling by more than 50% since that time. Declining conditions due to severe maintenance cutbacks in the period just before the City took over (2001-2003) clearly had a lot to do with the declines. Gus Wortham performance over the years is shown in the tables below:

Gus Wortham Park Golf Course – Rounds History 1998-2004						
FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
54,916	49,017	48,708	41,097	28,421	26,686	24,896

Revenue Performance and Ratio Analysis

NGF Consulting has reviewed the activity and revenue statements provided by the City of Houston. In addition to declines in activity, Gus Wortham has seen a dramatic drop in average revenue per round recently. Although some of this has to do with net food & beverage being reported instead of gross, the average green fee revenue per round has plummeted after inexplicably spiking in FY 2002 and 2003.

Gus Wortham Park Golf Course Revenues FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$477,810	\$475,424	\$401,775	\$299,905
Cart Rental	309,861	220,735	206,642	147,791
Range Sales	0	0	0	21,474
Gross F&B Sales*	98,185	81,854	73,767	7,162
Pro Shop	70,678	67,481	46,058	10,801
Other	0	0	0	15
TOTAL REVENUE	\$956,534	\$845,494	\$728,242	\$487,148

Source: City of Houston *Indicates change to net F&B in FY 2004.

Gus Wortham Park Golf Course Revenue Ratios FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$11.63	\$16.73	\$15.06	\$12.05
Cart Rental	\$7.54	\$7.77	\$7.74	\$5.94
Range Sales	\$0.00	\$0.00	\$0.00	\$0.86
<i>Gross F&B Sales*</i>	\$2.39	\$2.88	\$2.76	\$0.29
Pro Shop	\$1.72	\$2.37	\$1.73	\$0.43
Other	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL REVENUE	\$23.28	\$29.75	\$27.29	\$19.57

Source: City of Houston *Indicates change to net F&B in FY 2004.

Expense Budget

NGF Consulting was not provided any expense data to evaluate Gus Wortham prior to the City taking control in September 2003. We were supplied with a figure of \$431,100 for the total operating budget in FY 2004; however, it is understood that this represents only a partial year. The City's budget for FY 2005 is \$715,000. Given the condition of the course when the City regained management of the facility, it is likely that the previous operator had run a bare-bones maintenance budget.

The current budget of \$715,000 is very low for an 18-hole municipal golf operation in a year-round climate, though part of Wortham's expenses are being borne by Memorial Park due to sharing of personnel, including the Superintendent. Still, this is a very lean operation (we are told that Head Golf Professional Willie Shankle is the only full-time employee), and this will obviously not suffice, whether or not a substantial investment is made in Wortham. NGF research indicates that an 18-hole municipal facility at this revenue level in a year-round market should have roughly the equivalent of 10 to 13 full-time staff (this excludes food and beverage since there is a concession at Wortham).

Future Projections

NGF Consulting has prepared an operating projection for Gus Wortham under the continued operation by the City of Houston. We have used the FY 2005 expense budget and adjusted it

upward slightly for FY 2006. The pro forma reflects the recommended major renovation occurring in FY 2007, and assumes that the golf course would be closed for the entire year, with a grand re-opening in the 2007-08 Fiscal Year. The tables below illustrate how revenues and expenses would fall in the 2005 through 2010 period, assuming the necessary added operating budget that will be required post-renovation, as well as the expected increase in total and per-round revenues for the improved facility.

Projected Revenue Analysis Gus Wortham Park Golf Course Assumes Full Renovation In 2006-07							
	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$299,905	\$391,505	\$466,915	\$0	\$497,000	\$651,780	\$812,552
Cart Rental	147,791	192,931	222,019	0	217,000	284,580	354,776
Range Sales	21,474	28,033	32,259	0	42,000	55,080	68,666
Net F & B Sales	7,162	9,349	10,759	0	14,000	18,360	22,889
Pro Shop	10,801	14,100	16,226	0	21,000	27,540	34,333
Other	15	20	23	0	19	25	32
TOTAL GOLF REVENUES	\$487,148	\$635,938	\$748,201	\$0	\$791,019	\$1,037,365	\$1,293,249
TOTAL ROUNDS	24,896	32,500	34,000	0	28,000	36,000	44,000
GOLF REVENUE/ROUND	\$19.57	\$19.57	\$22.01	0	\$28.25	\$28.82	\$29.39
EXPENSES:							
Admin & Pro Shop	\$129,330	\$214,500	\$240,000	\$75,000	\$360,000	\$363,600	\$367,236
Grounds Maint.	301,770	500,500	560,000	175,000	840,000	848,400	856,884
TOTAL EXPENSES	431,100	\$715,000	\$800,000	\$250,000	\$1,200,000	\$1,212,000	\$1,224,120
ANNUAL PROFIT	\$56,048	(\$79,062)	(\$51,799)	(\$250,000)	(\$408,981)	(\$174,635)	\$69,129
GROSS MARGIN	11.5%	-12.4%	-6.9%	N/A	-51.7%	-16.8%	5.3%

As shown in the above table, NGF anticipates that Gus Wortham will continue to operate at a deficit in the first two years after the renovation, but will begin to carry itself as rounds recover to the mid 40,000s by FY 2010. Of course, rounds and revenues could ratchet up at a faster pace, depending on how the golf market receives the newly renovated club.

Gus Wortham Park Consumer Feedback

Gus Wortham Customer Satisfaction Survey

During the survey period, a total of **48** surveys were recorded by NGF Consulting from Gus Wortham Park Golf Course. The findings from the CLASP survey are summarized below.

5 Factors Most Important to Your Golfers:

- Overall Value of Course
- Overall Course Conditions (tees, fairways)
- Condition of Greens
- Tee-time Availability

- Convenience of Course Location

NGF Loyalty Index: 24% (Benchmark = 24%)

The Competition: Listed below are those facilities that your golfers indicated they play most often in the area.

- Memorial Park Golf Course
- Brock Park Golf Course
- Glenbrook Park Golf Course
- Sharpstown Park Golf Course
- Hermann Park Golf Course

Satisfaction Ratings vs. the Competition: When compared to the local competition, your facility has a **higher satisfaction rating** for the following factors:

- Tee-time Availability
- Convenience of Course Location

When compared to the local competition, your facility has a **lower satisfaction rating** for the following factors:

- Condition of Greens

Share of Wallet: You have an average of 42% of your customers' overall business.

Frequent Customers: Characteristics of frequent customers at Gus Wortham Park Golf Course:

- Age 30 - 49
- Male
- Income from \$50,000 - 99,999
- Average Number of Rounds Played Annually - 25+
- Average Score: 80 to 99

Satisfaction at your Facility: Gus Wortham Park Golf Course was **well above** the benchmark for the following factors (index of 110 or more):

- Tee-time Availability
- Condition of Golf Cars
- Pace of Play

Gus Wortham Park Golf Course was **well below** the benchmark for the following factors (index of 90 or less):

- Overall Course Conditions (tees, fairways)
- Condition of Greens

Summary

Though the number of responses to our customer satisfaction survey cannot be considered a statistically significant sample, Gus Wortham rated favorably on customer service and tee time availability, but poorly on course conditioning and amenities.

Gus Wortham Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to Gus Wortham Park Golf Course.

- Gus Wortham Park Golf Course features a classic layout and is of historical significance to City and residents.
- The facility enjoys an excellent location inside loop, though the immediate neighborhoods are not conducive to high golf demand.
- Wortham fell into disrepair under the last concessionaire and is in very poor physical condition - one of the reason rounds have fallen considerably during the 2000s.
- NGF Consulting does not believe that patchwork improvements are appropriate for Gus Wortham. The City has an opportunity to re-establish a true classic golf course of remarkable character and historical significance, right in the heart of Houston. We recommend a master plan for complete renovation/ restoration, including clubhouse and practice facility; this will necessitate closing Wortham for ±12 months, and will require funding in the neighborhood of \$5.6 million, including clubhouse. (Please refer to **Appendix E** for detailed cost estimates).
- ***This course of action would require a large private funding component***, as incremental revenues will not cover the debt service on a public investment of this scale. Large-scale corporate donations, sale of stone markers (see Memorial), sponsorship and/or signage rights, and fundraising tournaments (Tuesdays at Memorial?) are avenues to explore.
- After renovation, the City should initiate a marketing campaign that will leverage the history, layout, and location of Wortham to bring people back to the club and entice new generation of golfers. It is also likely that valuable free publicity would not be hard to generate given Wortham's history.
- With the recommended improvements, the City can likely restore the facility to break-even or a small profit. One factor that might drive rounds at an improved Wortham would be strong overflow potential from Memorial, where obtaining prime tee times is a big issue for many golfers.
- Due to its historical significance, the expected investment in project, and upside revenue potential, NGF recommends that Wortham be kept under City control.
- Some issues need to be addressed regardless of whether the full renovation is undertaken:
 - Specifically, the architect noted some safety concerns on the golf course (detailed in later section)
 - Also, it has been indicated to NGF that there is a transient problem at Wortham, which probably keeps some golfers (see women) away
 - The addition of a pavilion should help the course rebuild its tournament base, if coupled with improving course conditions

- Ways to improve the entranceway to the course must be explored, as it is on a blind corner and is very easy to miss or pass by, necessitating a u-turn further down the road
- The restrooms should be upgraded and kept more orderly and clean

MEMORIAL PARK GOLF COURSE

Memorial Park is an 18-hole championship golf course, with practice facility, full service clubhouse, and a maintenance building. The course was originally built in 1923 as a 9-hole golf course for the soldiers of Camp Logan. In 1936, the City of Houston Parks and Recreation Department hired John Bredemus to convert Memorial Park to an 18-hole configuration to be utilized by the general public. Although the course had hosted many tournaments (including Shell Open until the 1960s) and golfing legends throughout its history, changes and adjustments had been made to it and many components were simply tired and worn out. In 1994 the City decided to bring the golf course back to a state of better conditioning and a design more reminiscent of its 1923 “classic” heritage. The City engaged Baxter Spann Golf Designers to renovate/remodel the entire course and add a lighted practice range and putting and chipping greens.

Golf Course

The course routing is strong; there is a good mixture of par 3’s, par 4’s, and par 5’s, which vary in length and take advantage of the natural terrain. The course is surrounded by trees and is free of views of houses or streets. In general, the strategy and playability of the golf holes are good. Memorial is the longest of the City golf courses and is a fine test of golf from any tee.

The scorecard for Memorial Park is as follows:

Memorial Park Golf Course				
Tee	Par	Yards	Slope	Rating
Blue	72	7,164	122	73.0
White	72	6,523	116	70.3
Gold	72	5,980	113	69.5
Red	72	5,459	114	70.7

Memorial Park is thought of as a user-friendly golf course that appeals to beginners, seniors and other less-skilled golfers, even though it is long. The course offers four sets of tees with an extra set (Gold) in between the White and Red tee markers. This 5,980-yard length has appeal for less serious golfers too proud to play the ‘Red’ tees (traditional ‘ladies’ identification).

Clubhouse

The sense of arrival to the clubhouse is quite positive. The main building was rebuilt/renovated in the mid 1990s and is quite functional and well stocked. The City has leased the grill portion to Beck’s Prime chain restaurant (through a subcontract with the Houston Parks Board), which features many choices for food and beverage, and provides both indoor and outdoor seating. The parking lot has adequate spaces for golfers, though it was noted that many of the joggers

who use the running trails in the Park often use the golf parking lot on the weekends, which sometimes results in a lack of parking spaces.

The maintenance facility is in very good condition as it was recently re-built. The building provides sufficient office space for management and presents a professional appearance for guests. Storage space for equipment and turf products is adequate.

Merchandise / Food & Beverage Sales

The food and beverage operation at Memorial Park consists of an extensive restaurant and snack bar operation that generates in excess of \$1 million in gross revenue and does a lot of non-golf business. The facilities are also sufficient for large gatherings, outings and tournaments with little trouble (other than parking). The net to City from the food and beverage concession (about \$75,000 to \$80,000) is higher than several of the other facilities gross food / beverage revenue.

Memorial Park has been earning considerable revenues for the city with its pro shop operation. Figures provided to NGF show a decline in pro shop revenue from about \$200,000 gross in FY 2001 down to about \$162,000 in FY 2004. Still, the figure is the highest in the City of Houston system.

Practice Amenities

The practice area is the best in the City of Houston system in terms of conditioning and facilities, and is a strong revenue center for the golf operation. Figures provided by the City indicate upwards of \$450,000 to \$500,000 in gross range sales for Memorial Park, a figure which places Memorial in the highest five percent (5%) of all attached driving ranges in the U.S. Plans are currently underway to expand the range by six stations, cover some stalls with shade structures, improve the lighting, and extend the deck for teachers.

Memorial Park Local Golf Market

Facility Specific Demographic Issues

NGF has made the following general observations regarding the demographic profiles of the local market around Memorial Park (see **Appendix A**)

- The population within five miles of Memorial Park was about 410,000 in 2004, and growth was moderately lower than the national rate during the 1990s. The growth rate in the immediate neighborhoods within three miles of the club is expected to be twice the U.S. rate between 2004 and 2009.
- Median Household incomes in this local sub-market are in the \$50,000+ range, making this the strongest municipal course sub-market we've observed in terms of predictive golf demand.
- Other indicators such as home ownership, professional employment, and college degrees are also the most positive for this sub-market. Indicators such as these tend to coincide with stronger-than-average demand for golf.
- The percentage of the local population identified as African American is less five percent in surrounding neighborhoods, with Hispanics making up about 35 percent.

Predicted Golf Demand

NGF Consulting will summarize the public golf demand potential in the immediate Memorial Park market area and how this demand will impact the Houston municipal golf operations.

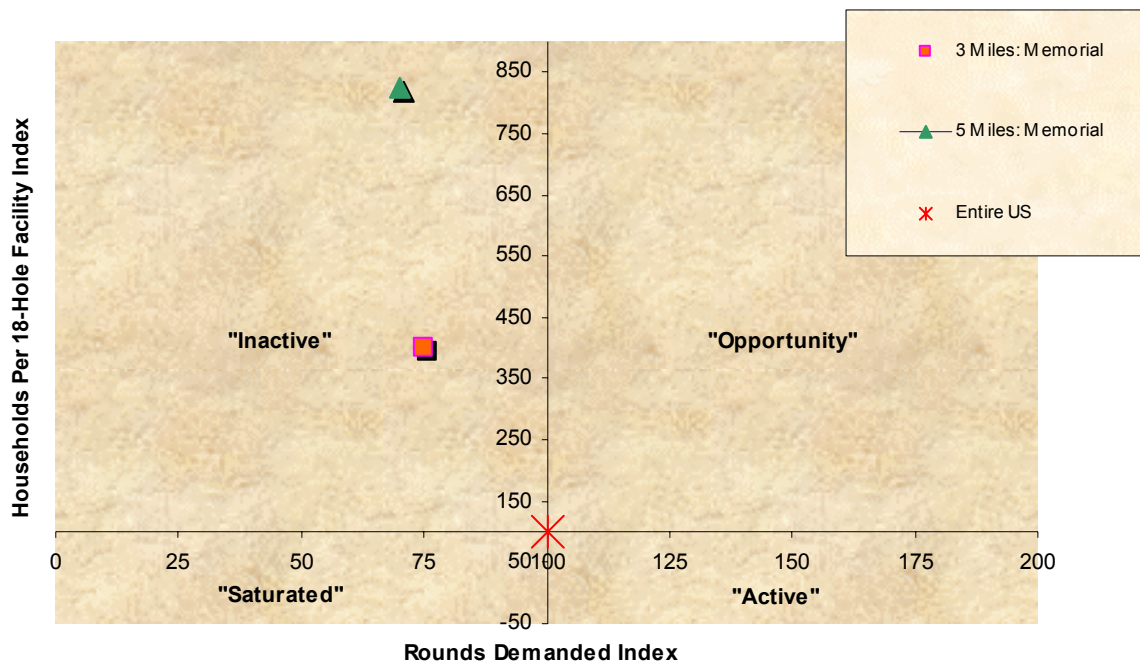
	3 Miles: Memorial	5 Miles: Memorial	Entire US
Golfing Household Index	90	84	100
Rounds Played Index	75	70	100
Best Customer Golfing Household Index	106	94	100

Household/Supply Ratios

	3 Miles: Memorial	5 Miles: Memorial	Entire US
Households Per 18 Holes			
Total	30,360	62,537	7,589
Public	60,719	187,612	10,670
Private	60,719	93,806	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	60,719	187,612	32,304
Value	0	0	19,422
By Public Facility Type:			
Daily Fee	0	0	13,505
Municipal	60,719	187,612	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Memorial	5 Miles: Memorial	Entire US
Households Per 18 Holes			
Total	400	825	100
Public	569	1,759	100
Private	232	358	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	100
Standard	189	582	100
Value	0	0	100
Additional Indices:			
Golfing Households per 18-Hole Facility	361	691	100
Rounds per 18-Hole Facility	301	577	100
*Resort facilities can be public OR private and are therefore already included in the total			

Opportunity Chart



Local Memorial Park Golf Market Summary

The supply / demand opportunity around Memorial Park is similar to Hermann Park in that the supply ratio is generally favorable for golf operators and the demand indices, while below U.S. totals, are higher than in other sub-markets evaluated for this study. The implication for the golf facility operators in this area is that the local demand per household, though still lower than national benchmarks, is relatively strong compared to most City of Houston neighborhoods.

Memorial Park Operational Issues and Data

The following is a discussion of operational issues and data evaluation for the Memorial Park Golf Course based on the NGF Consulting visits and our review of data supplied by the City of Houston.

Customer Service

The Memorial Park staff appeared to the consultants to be generally attentive to the needs and interests of the customers. Customer service appears to be strong, with the chief recurring complaints noted from the open-ended responses in the NGF CLASP survey (more detail later in this section) relating to the procedure for securing tee times (some implied favoritism played a role) and some issues with surly on-course marshals.

Memorial Park Golf Course Data Analysis

Activity Levels

Memorial Park Golf Course has been a consistent producer of rounds over the period shown though, like the rest of the Houston golf market, the club has also dropped in activity since the year 2000. It is clear that given the location and the demand observed, Memorial could be doing more rounds of golf than it is at present. The City, wisely, has decided to protect the asset from over use rather than have the additional revenue that may be had from allowing more rounds. An example of this is the policy of not allowing play on Tuesdays.

Still, NGF Consulting has been told that there is an artificial self-imposed cap of about 66,000 annual rounds. We feel that there is no reason that the facility cannot quickly climb back to this number in normal weather years. Tournament play has always been strong at Memorial with at least 5 percent of play credited to tournaments.

Memorial Park Golf Course – Rounds History 1999-2004					
FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
65,391	69,435	60,651	64,108	61,430	61,635

Green Fees

Memorial Park offers the strongest price/value proposition in the Houston municipal golf system. Green fees are less than those charged at the vast majority, if not all, daily fee clubs of similar quality, and lower than those charged at many clubs of inferior quality. As noted earlier, peak green w/ half-cart is also lower at Memorial than it is at Hermann Park. Of the other regional municipal courses we profiled, only Bay Forest (marginally lower) and Pasadena Municipal, two facilities that would never be mistaken for Memorial Park, featured lower green fees than the City of Houston’s premier golf facility.

Fee Schedule for Memorial Park Golf Course January 2005	
Junior	\$6.00
Senior/Disabled	\$8.00
Weekday	\$22.50
Weekday Twilight	\$15.00
Weekend/Holiday	\$32.00
Weekend/Holiday Twilight	\$20.00
Tournament	\$56.00
½ Shared Cart	\$10.00

Revenue Performance and Ratio Analysis

NGF Consulting has reviewed the activity and revenue statements provided by the City of Houston in detail. Analysis of this data shows that the activity levels achieved by this facility are considerable, and represent the largest single source of revenues in the Houston municipal golf system. Further, the average revenues per round of golf have also held firm in the last few years, allowing Memorial to continue to generate strong revenues as shown below:

Memorial Park Golf Course Revenues FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$1,210,645	\$1,348,934	\$1,313,370	\$1,305,154
Cart Rental	312,587	326,585	298,110	294,575
Range Sales	471,568	509,757	440,096	451,674
Net F & B Sales	76,548	74,965	88,305	80,427
Pro Shop	199,067	188,209	174,191	162,792
Other	11,835	13,381	13,038	15,015
TOTAL REVENUE	\$2,282,250	\$2,461,831	\$2,327,108	\$2,309,637
Source: City of Houston				

Memorial Park Golf Course Revenue Ratios FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$19.96	\$21.04	\$21.38	\$21.18
Cart Rental	\$5.15	\$5.09	\$4.85	\$4.78
Range Sales	\$7.78	\$7.95	\$7.16	\$7.33
Net F & B Sales	\$1.26	\$1.17	\$1.44	\$1.30
Pro Shop	\$3.28	\$2.94	\$2.84	\$2.64
Other	\$0.20	\$0.21	\$0.21	\$0.24
TOTAL REVENUE	\$37.63	\$38.40	\$37.88	\$37.47
Source: City of Houston				

NGF Consulting believes that there is significant upside potential to increase total revenues at Memorial Park. Not only can rounds easily recover to the mid 60,000s, but also per-round revenues in several categories have potential to grow. As discussed previously, green/cart fees are low considering the quality of the product. Also, the results of the customer survey implemented by NGF indicated that Memorial customers would not be turned away by moderate green fee increases. Of 734 respondents, 454 (62%) said they would continue to play Memorial if there was a 10% green fee increase. An even higher 83% said they would continue to play if a \$2 across-the-board increase were enacted.

NGF Consulting understands that the City may be reluctant to charge non-resident rates for non-Houston or non-Harris County residents due to potential enforcement problems. A compromise solution that would still increase revenues at Memorial would be to charge *non-Texas* residents a premium for playing at the club. Though it is not known how many out-of-state rounds the facility hosts each year, even if it is only a couple of thousand, revenue would be increased by charging out-of-staters as much as \$15 to \$20 more than Texas residents.

Other areas where Memorial may be “leaving money on the table” are in the cart and range revenue centers. The per person cart fee of \$10 should be raised to \$11 for a couple of years, and then to \$12, based on our competitive analysis of this golf market. Ridership is very low at Memorial, as evidenced by very low per round cart revenue figures. A modest increase in price

should boost these numbers. Also, range prices at Memorial, as discussed previously in this report, are among the lowest in all of Houston. At the least, the City should raise the per-ball price to the market averages. This action, combined with the improved and expanded range, should significantly bolster an already very strong revenue center.

Expense Budget

It is difficult to segregate from the historical expense schedule shown below exactly what is being spent at Memorial on what are traditionally classified as general & administrative and maintenance expenses. The reason for this is that equipment purchases and, at least in some years, capital improvement items, have been included in operating expenses. Also, we are told that some maintenance expenses that actually should be accrued to Gus Wortham and F.M. Law Park have been put on the Memorial budget since Law opened and Wortham came back under control of the City in 2003.

Still, even taking these issues into account, the expense structure at Memorial is very high by standards NGF has measured in its survey research. For total expenses, the seventy-fifth percentile (meaning 25% of municipal clubs are higher on this measure) nationally falls at \$1.385 million, compared to Memorial's \$2.263 million in FY 2004. It is understandable that Memorial would be at the very top of municipal facilities nationwide based on its quality and top line revenues, but it is likely that the course could be run more efficiently.

Memorial Park Golf Course						
		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Admn & Pro Shop	Personnel	504,268	497,075	551,240	603,485	637,620
	Supplies	225,515	239,911	167,192	169,928	158,504
	Services	183,078	229,790	247,657	268,518	240,130
	Capital	80,768	-	108,900	10,947	
	Debt Services			1,300,000		
Admn & Pro Shop Total		993,629	966,777	2,374,990	1,052,878	1,036,255
Grounds Maint.	Personnel	605,067	583,595	687,918	707,184	795,766
	Supplies	288,883	296,851	261,797	219,893	255,636
	Services	9,529	138,393	69,106	38,268	36,190
	Capital	398,784	162,672	124,241	95,500	139,984
	Debt Services				21,300	
Grounds Maint. Total		1,302,263	1,181,511	1,143,062	1,082,144	1,227,576
Total			2,148,288	3,518,052	2,135,022	2,263,831

Future Projections

NGF Consulting has prepared an operating projection to show how Memorial Park Golf Course would perform economically if the facility were to implement revenue enhancement recommendations discussed previously, while operating at a slightly leaner expense structure.

Projected Revenue Analysis Memorial Park Golf Course 18-Hole Layout							
	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$1,305,154	\$1,359,866	\$1,419,619	\$1,470,144	\$1,522,374	\$1,576,365	\$1,615,774
Cart Rental	294,575	306,924	319,630	331,006	342,766	354,922	363,795
Range Sales	451,674	470,608	492,482	513,733	530,690	548,174	561,878
Net F & B Sales	80,427	83,799	87,268	90,374	93,584	96,903	99,326
Pro Shop	162,792	169,616	176,638	182,925	189,424	196,142	201,045
Other	15,015	15,644	16,292	16,872	17,471	18,091	18,543
TOTAL GOLF REVENUES	\$2,309,637	\$2,406,457	\$2,511,929	\$2,605,053	\$2,696,309	\$2,790,597	\$2,860,362
TOTAL ROUNDS	61,635	62,500	63,500	64,000	64,500	65,000	65,000
GOLF REVENUE/ROUND	\$37.47	\$38.50	\$39.56	\$40.70	\$41.80	\$42.93	\$44.01
EXPENSES:							
Admin & Pro Shop	\$679,149	\$677,700	\$630,000	\$642,600	\$655,452	\$668,561	\$681,932
Grounds Maint.	1,584,682	1,581,300	1,470,000	1,499,400	1,529,388	1,559,976	1,591,175
TOTAL EXPENSES	2,263,831	\$2,259,000	\$2,100,000	\$2,142,000	\$2,184,840	\$2,228,537	\$2,273,108
ANNUAL PROFIT	\$45,806	\$147,457	\$411,929	\$463,053	\$511,469	\$562,060	\$587,255
GROSS MARGIN	2.0%	6.1%	16.4%	17.8%	19.0%	20.1%	20.5%

NGF Consulting is confident that Memorial Park Golf Course can significantly boost revenues through rounds recovery and increased per round revenue resulting from enacting recommendation made in this report. Combined with a moderate reduction in expenses, the net revenue of this “cash cow” should quickly begin to recover from its low of \$45,000 in FY 2004, and stabilize at between \$500,000 and \$600,000 annually.

Memorial Park Consumer Feedback

Memorial Park Customer Satisfaction Survey

During the survey period, a total of **755** surveys were recorded by NGF Consulting from Memorial Park Golf Course. Memorial had a very strong response to this survey and the results give the consulting team very high confidence level for interpretation. The general findings are summarized below.

5 Factors Most Important to Your Golfers:

- Overall Value of Course
- Overall Course Conditions (tees, fairways)

- Convenience of Course Location
- Tee-time Availability
- Pace of Play

NGF Loyalty Index: 33% (Benchmark = 26%)

The Competition: Listed below are those facilities that your golfers indicated they play most often in the area.

- Cypresswood Golf Club
- Bear Creek Golf World
- Sharpstown Park Golf Course
- Hermann Park Golf Course
- Wildcat Golf Club

Satisfaction Ratings vs. the Competition: When compared to the local competition, your facility has a **higher satisfaction rating** for the following factors:

- Convenience of Course Location

When compared to the local competition, your facility has a **lower satisfaction rating** for the following factors:

- Tee-time Availability

Share of Wallet: You have an average of 35% of your customers' overall business.

Frequent Customers: Characteristics of frequent customers at Memorial Park Golf Course:

- Age 30 - 49
- Male
- Income greater than \$100,000
- Average Number of Rounds Played Annually - 25+
- Average Score: 80 to 99

Satisfaction at your Facility: Memorial Park Golf Course did not rate **well above** the benchmark for any of the measured factors (index of 110 or more). The facility was **well below** the benchmark for the following factors (index of 90 or less):

- Tee-time Availability

Summary

While there were some areas of concern, our survey indicates that this group of survey respondents is pleased with the overall value and golf experience at Memorial Park. The golf course is held in high regard in several measures in our survey, with convenience of location standing out as the highest rated factor.

One area of concern indicated by the survey is understandable and expected – customers' dissatisfaction with tee-time availability. NGF Consulting recommends that Parks officials read through the many pages of open-ended comments that were offered by Memorial Park customers; some may contain valid complaints or suggestions for improvement in the system.

Pace of play and questionable quality of marshaling were two other recurring themes from the open-ended comments we recorded via the survey.

Among other key findings from our survey was that Memorial Park customers, for the most part, are willing to absorb moderate price increases. This is perhaps a reflection of the relatively higher incomes of Memorial golfers. Finally, unlike most of the other City courses, Memorial lists several daily fee clubs among its chief competitors, including Cypresswood, Bear Creek, and Wildcat – another indication of the higher income levels of Memorial frequent customers.

Memorial Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to the Memorial Park Golf Course.

- One of the top municipal golf courses in the nation, Memorial is the “jewel” of the Houston municipal golf system; it is a well-maintained, classic layout that is perfectly located in a parkland setting within the inner loop.
- Though rounds are down from late 1990s, Memorial is probably close to maximum activity (~65,000) given quality control goals.
- Top line revenues are in the top 5% nationally for municipal golf courses; still, there is strong potential for increasing revenues through increased rounds expanded range, and increased fees in certain categories.
- As detailed in this report, the expense structure is a concern – the current budget of \$2.2 to \$2.3 million brings Memorial too close to break-even for a facility that should be a cash cow; as a comparison, in FY 99, expenses were \$1.8 million on \$2.55M in revenue.
- Memorial should make a concerted effort to build tourney business, especially for slower weekdays. These tournaments command the top prices in the system, and can bolster non-peak tee sheets.
- Proceed with range expansion and upgrades
- Explore expanding the parking lot, or strictly enforce use by golfers only.
- Continue master plan approach for future capital needs
- Increase certain fees as detailed in report
- Make operation more efficient, and re-allocate those expenses (if any) that should be accruing to F.M. Law and Wortham.
- Improve the course’s website; Google search with key words “Memorial Park Golf Course” does not return the home site as an option (same is true of Hermann Park). This could be a problem with HTML tags.

SHARPSTOWN PARK GOLF COURSE

Sharpstown features an 18-hole regulation-length golf course, with clubhouse and maintenance facilities. The course was acquired by the City in 1978 and re-opened it in 1980 after it had been closed for three years. The facility is located in the southwest quadrant of Houston, just off the Southwest Freeway (59) between the inner loop (I-610) and the outer Beltway loop. The facility was formerly known as the Sharpstown Country Club and was at one time a longer, private country club that had hosted the Houston Open.

Golf Course

Although it winds its way through a residential community, the golf course does not feel too narrow. The golf course has been under constant renovation to improve drainage, greens and cart paths. The relatively flat course, located on a 146-acre former rice field, seems to offer a great golfing value to the residents of Houston.

The course is currently in its best condition in years, after the 10-month renovation that took place in 2002. The work included new concrete cart paths that were lowered to grade, an expanded irrigation system, redefinition of three lakes, improving the drainage and creating aesthetically pleasing drainage swales, construction of three new tee boxes, and bunker reconstruction.

The golf course makes the best of its tight constraints. It moves well through the surrounding community and puts to good use the lakes and other natural features. The course is lacking in strategy. Nearly every green is round in shape with a bunker in either the front-right or front-left. Nine holes have a bunker on the right front of the green and five holes feature a bunker short left. These characteristics contribute to a less than exciting round of golf. The course opens rather tough with golf holes of 573, 175, and 430 yards.

The scorecard for Sharpstown is as follows:

Sharpstown Park Golf Course				
Tee	Par	Yards	Slope	Rating
Championship	70	6,600	114	70.0
Men's	70	6,292	110	68.7
Senior's	72	5,925	107	67.0
Women's	72	5,553	113	72.0

Sharpstown offers a simple, no-frills golf experience with generally easy holes and few serious hazards. The playability factor is very high at Sharpstown and the customers seem to think highly of the facility. As a former private country club Sharpstown does have some 'leftovers' that contribute to a loyal group of regular customers, many of whom tend to be vocal about the operation and condition of the club.

Clubhouse

The clubhouse is the original 1950s Sharpstown Country Club clubhouse and appears to be serviceable for an affordable municipal facility such as this. However, it is certainly dated and will ultimately be in need of refurbishing. Updating the rest rooms should be one of the top

priorities. The clubhouse is located adjacent to a City-operated swimming pool and community center. Signage directs the golf customers to the clubhouse. According to staff, the large parking lot is full to capacity in summer months.

The cart storage building, located behind the #18 green, lacks the proper size or condition to protect the investment in new golf carts. The maintenance facility appears in good condition and provides sufficient storage space for equipment and turf products.

Merchandise Sales

Sharpstown has been earning approximately \$42,000 to \$45,000 per year on merchandise sales in the pro shop. While not the lowest in the system, this amount is well below Hermann Park and Memorial and is a reflection of the limited inventory of goods for sale.

Food and Beverage Services

The food and beverage operation at Sharpstown Park consists of a large and open snack bar area with various snack items and beverages. Seating inside can accommodate about 40 to 50 people, and there is a big screen television for their viewing. This operation is bare minimum, and it is reflected in the revenue production. The lease payments to the city from the concessionaire total approximately \$10,000 to \$15,000 annually.

Practice Amenities

Due to land constraints, the golf course does not have a practice range. A netted enclosure adjacent to the #9 hole serves as a warm up area for golfers. The course does, however, have putting and chipping greens that are simple in nature. Annual range sales are minimal.

Sharpstown Park Local Golf Market

Facility Specific Demographic Issues

NGF has made the following general observations regarding the demographic profiles of the Sharpstown Park Golf Course local trade area (see **Appendix A**).

- Sharpstown is located in one of the densest and fastest growing areas of Houston. Population within five miles is strong at more than 560,000. Growth was rapid in the 1990 to 2004 period, with a moderation in growth expected for the next five years (2004-2009).
- Median Household Income in the neighborhoods surrounding the course are well below the U.S. median, but improve in the areas between three and five miles from the club.

Predicted Golf Demand

Below, NGF Consulting summarizes the public golf demand potential in the local Sharpstown Park Golf Course trade area.

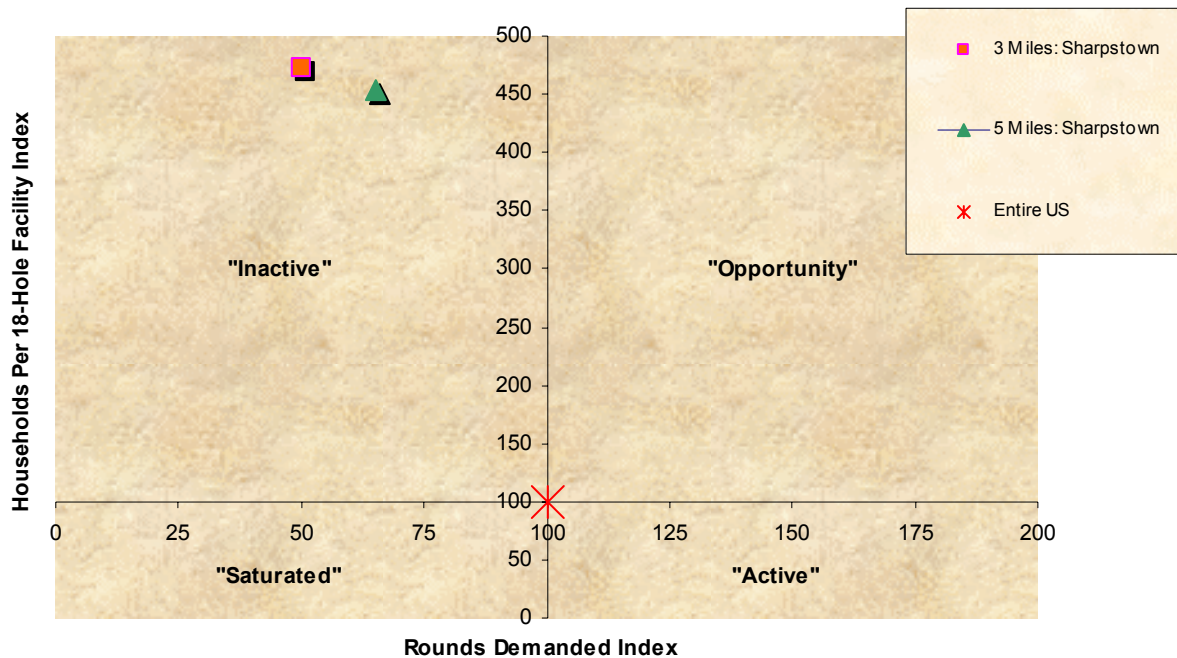
	3 Miles: Sharpstown	5 Miles: Sharpstown	Entire US
Golfing Household Index	61	75	100
Rounds Played Index	50	65	100
Best Customer Golfing Household Index	49	75	100

Household/Supply Ratios

	3 Miles: Sharpstown	5 Miles: Sharpstown	Entire US
Households Per 18 Holes			
Total	35,800	34,344	7,589
Public	107,401	120,205	10,670
Private	53,700	48,082	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	0	240,409	32,304
Value	107,401	240,409	19,422
By Public Facility Type:			
Daily Fee	0	0	13,505
Municipal	107,401	240,409	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Sharpstown	5 Miles: Sharpstown	Entire US
Households Per 18 Holes			
Total	472	453	100
Public	1,007	1,127	100
Private	205	183	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	100
Standard	0	746	100
Value	553	1,237	100
Additional Indices:			
Golfing Households per 18-Hole Facility	288	340	100
Rounds per 18-Hole Facility	238	294	100
*Resort facilities can be public OR private and are therefore already included in the total			

Opportunity Chart



Local Sharpstown Park Golf Market Summary

As is the case with all of the other Houston sub-markets we've examined, Sharpstown is in an "inactive" market area. However, in Sharpstown's case, there is an even denser population base available to support the course, largely making up for the fact that golf participation rates in these neighborhoods. As with the other City courses, stimulating latent demand through player development programs will be key to maximizing play at Sharpstown. This should be achievable at Sharpstown, as it is a very beginner-friendly golf course. Also, rounds played should grow naturally due to the club's location in a high growth area of Houston, assuming no new golf courses are introduced in the area.

Sharpstown Park Operational Issues and Data

The following is a discussion of operational issues and data evaluation for Sharpstown based on the consultants' visits and the data provided by the City of Houston, as well as results of the customer survey.

Sharpstown Park Golf Course Data Analysis

Activity Levels

As can be seen in the table below, Sharpstown was the most active facility in the Houston municipal golf system in the late 1990s, but fell dramatically beginning in FY 2001. Still, Sharpstown is easily the second busiest of the City-run facilities, and rounds have begun to rebound after the 2002 renovation and the extremely poor weather years in 2003 and 2004.

Sharpstown Park Golf Course – Rounds History 1998-2004						
FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
70,888	70,627	71,724	54,725	37,948	48,126	51,240

Green Fees

Along with Memorial and Brock Park, Sharpstown Park offers one of the strongest price/value propositions in the Houston system. Pricing is modestly higher than at Brock, and equal to that at Wortham and Glenbrook. In an oversupplied market, it is not generally advisable to raise prices just as a course is beginning to recover rounds. However, NGF believes that a modest \$1 to \$2 increase for peak green fees, and increase in cart fee to \$11, for the FY 2006 or 2007 budget is justifiable and would not come at the expense of decreased rounds.

Fee Schedule for Sharpstown Park Golf Course January 2005	
Junior	\$4.00
Senior/Disabled	\$7.00
Weekday	\$13.50
Weekday Twilight	\$10.00
Weekend/Holiday	\$17.00
Weekend/Holiday Twilight	\$11.50
Tournament	\$21.00
½ Shared Cart	\$10.00
Weekday: Mon – Thurs; Weekend: Fri – Sun and all City holidays; Twilight start times vary by season. Includes sales tax.	

Revenue Performance and Ratio Analysis

NGF Consulting has reviewed the activity and revenue statements provided by the City of Houston in detail. Analysis of this data shows that the activity levels, though high, are producing a very low level of total revenue per round. Average golf fee revenue is particularly low, as is cart revenue due to a high walking rate. Sharpstown has been operating at a deficit since FY 2001, but made a small profit in 2000 and produced a \$200,000 net profit as recently as 1999.

Sharpstown Park Golf Course Revenues FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$614,531	\$410,082	\$622,690	\$629,717
Cart Rental	273,933	174,707	238,860	261,022
Range Sales	6,101	3,583	2,495	4,046
Net F & B Sales	11,696	5,513	13,364	16,719
Pro Shop	45,674	32,946	41,636	42,118
Other	10	4,700	7,253	7,750
TOTAL REVENUE	\$951,945	\$631,531	\$926,299	\$961,372

Source: City of Houston

Sharpstown Park Golf Course Revenue Ratios FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$11.23	\$10.81	\$12.94	\$12.29
Cart Rental	\$5.01	\$4.60	\$4.96	\$5.09
Range Sales	\$0.11	\$0.09	\$0.05	\$0.08
Net F & B Sales	\$0.21	\$0.15	\$0.28	\$0.33
Pro Shop	\$0.83	\$0.87	\$0.87	\$0.82
Other	\$0.00	\$0.12	\$0.15	\$0.15
TOTAL REVENUE	\$17.40	\$16.64	\$19.25	\$18.76

Source: City of Houston

Expense Budget

The recent expense history for Sharpstown is noted below. The FY 2004 actual total expense of \$1.17 million, which reflected an increase of \$100,000+ over FY 2003, falls above the U.S. median expense level of \$1.05 million for a facility of this type. .

Sharpstown Park Golf Course Expense Budget						
		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
	Personnel			97,378	723,751	844,057
	Supplies		(1,327)	12,126	51,622	103,393
	Services	1,736	20,449	46,915	102,473	151,199
	Capital		12,687	9,667		
	Debt			200,000		
	Services					
Sharpstown GC Total		1,736	31,809	366,086	877,846	1,098,649
Admn & Pro Shop	Personnel	248,158	275,099	231,065		1,028
	Supplies	64,349	58,542	32,911	29,968	16,493
	Services	89,023	79,504	80,515	50,073	(7)
	Capital	51,923				
Admn & Pro Shop Total		453,454	413,145	344,491	80,040	17,514
Grounds Maint.	Personnel	460,120	473,034	422,744	40,422	27,781
	Supplies	113,626	108,136	103,641	57,050	25,249
	Services	36,250	45,993	17,545	8,639	378
	Capital	1,305				
Grounds Maint. Total		611,301	627,163	543,930	106,111	53,407
TOTAL		1,066,490	1,072,116	1,254,507	1,063,998	1,169,570

Future Projections

NGF Consulting has prepared an operating pro forma to illustrate our projections for the performance of Sharpstown Park Golf Course over the next five years, assuming the same general operating budget, with expenses and fees adjusted for inflation. Activity levels are projected based on the NGF analysis contained in this report.

**Projected Revenue Analysis
Sharpstown Park Golf Course
18-Hole Layout**

	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$629,717	\$663,636	\$724,569	\$765,456	\$807,688	\$851,303	\$868,329
Cart Rental	261,022	275,082	277,941	293,625	309,825	326,555	333,086
Range Sales	4,046	4,264	2,903	3,067	3,236	3,411	3,479
Net F & B Sales	16,719	17,620	15,551	16,428	17,335	18,271	18,636
Pro Shop	42,118	44,387	48,449	51,182	54,006	56,923	58,061
Other	7,750	8,167	8,440	8,916	9,408	9,916	10,114
TOTAL GOLF REVENUES	\$961,372	\$1,013,156	\$1,077,853	\$1,138,674	\$1,201,498	\$1,266,379	\$1,291,706
TOTAL ROUNDS	51,240	54,000	56,000	58,000	60,000	62,000	62,000
GOLF REVENUE/ROUND	\$18.76	\$18.76	\$19.25	\$19.63	\$20.02	\$20.43	\$20.83
EXPENSES:							
Admin & Pro Shop	\$350,871	\$356,430	\$360,000	\$363,600	\$367,236	\$370,908	\$374,617
Grounds Maint.	818,699	831,670	840,000	848,400	856,884	865,453	874,107
TOTAL EXPENSES	1,169,570	\$1,188,100	\$1,200,000	\$1,212,000	\$1,224,120	\$1,236,361	\$1,248,725
ANNUAL PROFIT	(\$208,198)	(\$174,944)	(\$122,147)	(\$73,326)	(\$22,622)	\$30,018	\$42,981
GROSS MARGIN	-21.7%	-17.3%	-11.3%	-6.4%	-1.9%	2.4%	3.3%

As shown in the above table, Sharpstown Park Golf Course is expected to continue to progress toward operating in the black, as rounds played recover and total revenue per round increases modestly. Under the above scenario, Sharpstown will be operating at just above break even by FY 2009. This assumes that the City essentially holds the line on the current maintenance and operations budget, and that moderate price increases occur periodically over this time. If the course continues to improve, the southwest part of Houston continues to grow vigorously, and the current slowdown in new course construction continues, rounds increases could occur much more rapidly than projected above.

Sharpstown Park Consumer Feedback

The findings from the CLASP survey are summarized below.

Sharpstown Park Customer Satisfaction Survey

During the survey period, a total of **97** surveys were recorded by NGF Consulting from Sharpstown Park Golf Course.

5 Factors Most Important to Your Golfers:

- Overall Value of Course
- Overall Course Conditions (tees, fairways)
- Condition of Greens
- Convenience of Course Location
- Pace of Play

NGF Loyalty Index: 21% (Benchmark = 24%)

The Competition: Listed below are those facilities that your golfers indicated they play most often in the area.

- Bear Creek Golf World
- Clear Creek Golf Course
- Greatwood Golf Club
- Memorial Park Golf Course
- Gus Wortham Park Golf Course

Satisfaction Ratings vs. the Competition: When compared to the local competition, your facility has a **higher satisfaction rating** for the following factors:

- Friendliness/Service of Staff

When compared to the local competition, your facility has a **lower satisfaction rating** for the following factors:

- Overall Course Conditions (tees, fairways)
- Amenities (clubhouse, pro shop, locker room)

Share of Wallet: You have an average of 55% of your customers' overall business.

Frequent Customers: Characteristics of frequent customers at Sharpstown Park Golf Course:

- Age 30 - 49
- Male
- Income from \$50,000 - 99,999
- Average Number of Rounds Played Annually - 25+
- Average Score: 80 to 99

Satisfaction at your Facility: Sharpstown Park Golf Course did not rate **well above** the benchmark for any of the measured factors (index of 110 or more). Sharpstown Park Golf Course was **well below** the benchmark for the following factors (index of 90 or less):

- Scenery and Aesthetics of Course

Summary

Sharpstown had the second highest response to the customer survey, another indication that it has a very vocal and involved frequent customer base. Our survey indicates that this group of survey respondents is pleased with the overall value and golf experience at Sharpstown, with the facility rating highest on the customer service measure, and lowest on pace of play.

Responses to the questions regarding course conditioning were mixed, indicating there is still much room for improvement, especially given the increased expense budget of the last fiscal year. Survey results also indicate that Sharpstown, like Memorial, lists several daily fee clubs among its chief competitors, including Bear Creek, Clear Creek, and Greatwood, although Sharpstown captures an impressive 55% of the respondents' golfing dollars.

The responses to the custom questions included with this survey indicate a willingness among a strong majority of respondents to absorb moderate price increases. Open-ended customer

comments seem to have a few recurring themes, with the two most common being complaints about pace of play, and the desire for a loyalty/frequent customer card.

Sharpstown Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to the Sharpstown Park Golf Course.

- Sharpstown benefits from a good location in southwest growth corridor.
- Rounds have dropped by 20,000 since FY 00, but still second most active in system behind Memorial
- Since the improvements made in 2002, Sharpstown offers good to excellent value, based on its generally good and improving condition, location, playability, and affordability. The City should spend more marketing dollars to communicate this to the general Houston golfing public.
- The expense structure has grown over the last couple of years, but seems reasonable according to NGF research. However, the City must hold the line on further increases and try to gain more efficiency out of the current staff in order to get the club back into the black.
- NGF CLASP results indicate that small price increases could be absorbed at Sharpstown without little or no decrease in activity. However, the survey also noted very mixed results regarding the course conditioning, so it is advisable to continue to improve the product as well.
- NGF projects activity to ultimately improve to 60,000+ rounds and for course to carry itself operationally at that activity level.
- The most immediate capital improvement need is a new cart barn, as the existing facility, which holds only 60 carts, is below grade and holds water; the facility is part wood and has deteriorating steel beams.
- The clubhouse is dated and will ultimately need refurbishing or replacing; rest rooms need immediate attention.
- A new irrigation system is also a longer-term need; the existing system, though since expanded, dates to 1980.
- City should master plan for future green and bunker improvements

GLENBROOK PARK GOLF COURSE

Glenbrook Park, located amid a residential community in southeast Houston outside the 610 loop, consists of an 18-hole regulation-length golf course, clubhouse and maintenance facilities. The course was originally built in 1940 and was designed by John Bredemus. In 1991, when the Bayou River channel was redirected, Robert McKinney was hired to redesign the entire golf course. After the 1991 renovation, the City hired Lopez Management Group to oversee the operations at Glenbrook, and this arrangement exists through the present day. The current contract was renegotiated in 2003.

Golf Course

The course routing plays well with the Bayou River, woodlands and adjacent housing. The course has a good mix of demanding, yet simple golf holes. Very few fairway bunkers have been used, but with the tight routing they are not really missed. In addition to the 18-hole, par-70 golf course, Glenbrook includes a clubhouse, putting green, and maintenance facility.

The golf course has three sets of tees, including the forward box that plays to 5,258 yards. The scorecard for Glenbrook Park is as follows:

Glenbrook Park Golf Course				
Tee	Par	Yards	Slope	Rating
Blue	70	6,427	120	70.7
White	70	5,852	117	67.5
Red	70	5,258	N/R	N/R

Clubhouse

The rather large clubhouse at Glenbrook Park Golf Course, built in the late 1960s, has an old and dated feeling, but is sufficient for a low-end municipal operation. The utilization of space is not strong, as there is very little merchandise and the very successful food and beverage operation seems shortchanged on space. The large circular main desk takes up a lot of space and gives the impression of a full room. The entire pro shop is under video and sound surveillance at all times as a security measure for the operator. Glenbrook is the only Houston facility to employ this security method.

Food and Beverage Services

The food and beverage operation at Glenbrook Park appears to do very well despite limited space. Data provided by Lopez Management report that Glenbrook Golf Course is earning roughly \$190,000 the last two years on food and beverage revenue, or roughly \$4.75 per round of golf. This amount is substantially less than the \$311,000 in food and beverage revenue earned in 2001 (\$5.75 per round), but still much more than the \$32,000 to \$34,000 grossed in the larger space allotted to the pro shop. Glenbrook also has a small outdoor pavilion and reports doing 30 to 35 tournaments annually, but it is unclear how many of these involve use of the pavilion.

Practice Amenities

Glenbrook Park has a small putting green located near the clubhouse as the extent of its practice facility offering. Lopez Management has been approved to add a driving range in the

area adjacent to the houses along the eastern edge of the golf course. This would force the realignment of the #17 and #18 holes, arguably the two best holes on the golf course, and would still result in a limited size range (further discussion in architects section).

Glenbrook Park Local Golf Market

Facility Specific Demographic Issues

NGF has made the following general observations regarding the demographic profiles of the immediate local market around Glenbrook Park (see **Appendix A** to this report):

- There are more than 337,000 people and 109,000 households within five miles of Glenbrook Park. This area has experienced relatively slow growth rates compared to the Houston area as a whole.
- Median Household Incomes in Glenbrook’s immediate trade area were about 30% less than the U.S. median in 2004.
- The percentage of the population in the local market identified as ‘Hispanic’ was roughly 70% in 2004.

Predicted Golf Demand

NGF Consulting will now summarize the public golf demand potential in the immediate local Glenbrook market area.

	3 Miles: Glenbrook	5 Miles: Glenbrook	Entire US
Golfing Household Index	51	51	100
Rounds Played Index	46	46	100
Best Customer Golfing Household Index	56	54	100

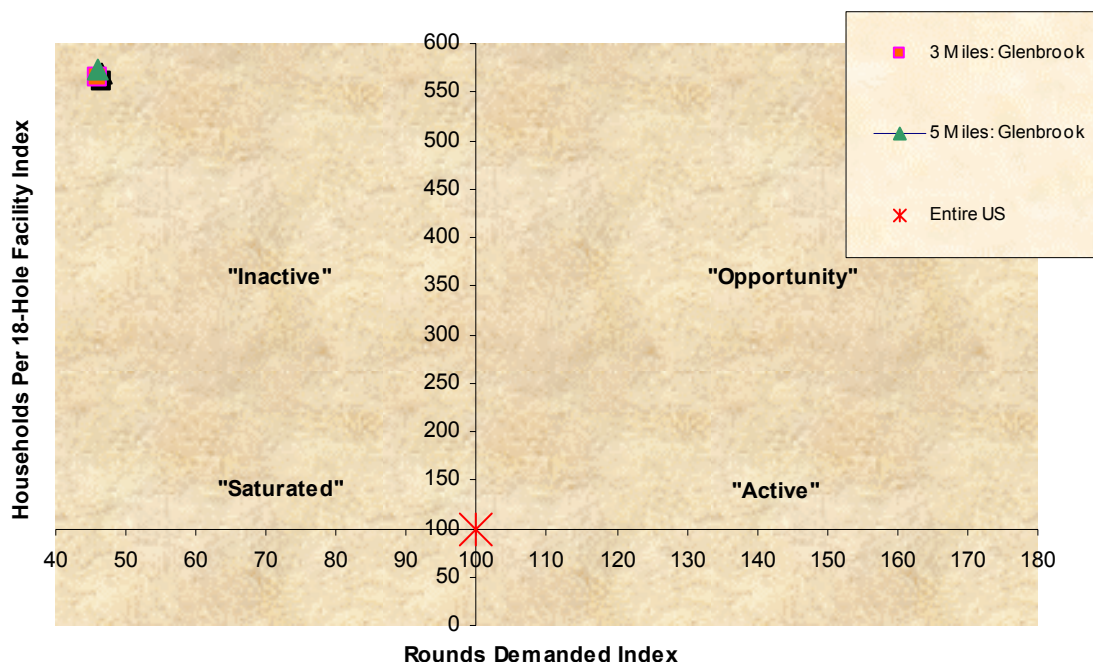
Household/Supply Ratios

	3 Miles: Glenbrook	5 Miles: Glenbrook	Entire US
Households Per 18 Holes			
Total	42,750	43,481	7,589
Public	42,750	43,481	10,670
Private	0	0	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	0	0	32,304
Value	42,750	43,481	19,422
By Public Facility Type:			
Daily Fee			13,505
Municipal	42,750	43,482	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Glenbrook	5 Miles: Glenbrook	Entire US
Households Per 18 Holes			
Total	564	573	100
Public	401	408	100
Private	0	0	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	99
Standard	0	0	100
Value	220	224	100

*Resort facilities can be public OR private and are therefore already included in the total

Opportunity Chart



Local Glenbrook Golf Market Summary

Using the most basic measures of golf demand and supply, the immediate market area surrounding the Glenbrook Golf Course is also in the 'inactive' quadrant. This finding is even more evident for Glenbrook than Brock Park, as the local area has an even higher proportion of households to for each golf course, but these households exhibiting very low demand for golf. This finding suggests a weak local market for Glenbrook, particularly in terms of price sensitivity and potential for growth in rounds and merchandise sales. The implication for the City of Houston is that it needs to stimulate growth in golf activity among lower-income communities to enhance the number of active golfers in the market.

Glenbrook Park Operational Issues and Data

The following is a discussion of operational issues and data evaluation for the Glenbrook Park Golf Course, based on the NGF Consulting visits in January and February, 2005, as well as data provided by the City of Houston and Lopez Management Group. We also include a review of the results of the NGF CLASP survey.

Customer Service

The customer service atmosphere at Glenbrook seems more reserved than was observed at other facilities in the Houston system, an indication of the casual atmosphere that exists due to the high number of regular customers. The clubhouse atmosphere is intimidating with the surveillance system watching and listening to a patron's every move. The course scorecard is a simple copied paper, and does not serve golfers well or reflect well on the course or the City. Respondents to the NGF CLASP survey (more detail in later section) rated the "staff friendliness/service of staff" relatively low at Glenbrook, though the small sample size prevents us from drawing any concrete conclusions.

Glenbrook Park Golf Course Data Analysis

The City of Houston and Lopez Management Group have supplied the consultants with a variety of documents and summations detailing rounds, revenue, and rent payment activity for the subject facility for past five fiscal years. NGF Consulting's analysis is summarized below.

Green Fees

Peak green fees at Glenbrook are the same as those at Gus Wortham and Sharpstown, and about \$2 higher than those at Brock Park. Interviews with the operator, as well as the response to the customer survey, indicate that the patrons at Glenbrook Park are the most price-sensitive in the Houston system. NGF Consulting believes that price increases are not market justified at Glenbrook at this time, and that play might be stimulated enough to increase the bottom line if fees were brought more in line with Brock Park. Price increases should not even be considered until the condition of the golf course improves.

Fee Schedule for Glenbrook Park Golf Course January 2005	
Junior	\$5.00
Senior/Disabled	\$6.00
Weekday	\$13.00
Weekday Twilight	\$9.50
Weekend/Holiday	\$16.50
Weekend/Holiday Twilight	\$11.00
Tournament	\$20.50
½ Shared Cart	\$10.00

Activity Levels

As can be seen in the table below, Glenbrook Park Golf Course has experience a precipitous decline in play from 1999-00, when play was at about 62,600 rounds. Though average rounds per facility are down throughout the Houston area due to the market factors discussed in this report, the decline of more than 37% at Glenbrook since 2000 is notable even in this market climate, and is likely an indication of changing neighborhood demographics, as well as a perception by some customers that there is not a strong price/value proposition at the facility.

Glenbrook Park Golf Course – Rounds History 1998-2004				
FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
62,596	54,164	46,297	40,499	39,122

Revenue Performance and Ratio Analysis

NGF Consulting has reviewed the activity and revenue statements provided by City of Houston and Lopez Management Group. As shown in the tables the problem has clearly been declining activity, as the average revenues per round are actually increasing. Notably, an increase in average green fee per round has coincided with the drop-off in rounds, another indication that Glenbrook golfers are particularly price sensitive.

Glenbrook Park Golf Course Revenues FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$646,516	565,126	\$577,027	\$562,127
Cart Rental	318,251	284,916	255,672	270,318
Range Sales	0	0	0	0
Gross F & B Sales	311,597	286,278	190,355	189,052
Pro Shop	63,130	47,897	32,478	34,416
Other	0	0	0	0
TOTAL REVENUE	\$1,339,494	1,184,217	1,055,532	\$1,055,913

Source: City of Houston / Lopez Management Group

Glenbrook Park Golf Course Revenue Ratios FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$11.94	\$12.21	\$14.25	\$14.37
Cart Rental	\$5.88	\$6.15	\$6.31	\$6.91
Range Sales	\$0.00	\$0.00	\$0.00	\$0.00
Gross F & B Sales	\$5.75	\$6.18	\$4.70	\$4.83
Pro Shop	\$1.17	\$1.03	\$0.80	\$0.88
Other	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL REVENUE	\$24.73	\$25.58	\$26.06	\$26.99

Source: City of Houston / Lopez Management Group

Expense Budget

NGF Consulting was not provided any expense data to evaluate for Glenbrook Park Golf Course. Maintenance expenses applied to Glenbrook for our self-operation scenario were estimated based on input from other facilities in the City of Houston system and do not reflect what Lopez Management may actually be spending for the maintenance and operation of the facility. Current course conditions are reflective of a lean maintenance budget.

Comparative Analysis – Self Operation

NGF Consulting has prepared an operating projection to show how Glenbrook Park Golf Course would perform economically if the facility were to be self-operated by City of Houston. This is not to suggest that the City take the facility over, but rather to illustrate how revenues and expenses would fall in the FY 2006 through FY 2010 period, assuming present fees (with growth averaged in at approximately cost-of-living increases) and activity, and an expense structure comparable to Sharpstown.

Projected Revenue Analysis Glenbrook Park Golf Course 18-Hole Layout							
	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$562,127	\$586,237	\$597,962	\$609,921	\$622,120	\$634,562	\$647,254
Cart Rental	270,318	281,912	287,551	293,302	299,168	305,151	311,254
Range Sales	0	0	0	0	0	0	0
Net F & B Sales (15%)	28,358	29,574	30,166	30,769	31,384	32,012	32,652
Pro Shop	34,416	35,892	36,610	37,342	38,089	38,851	39,628
TOTAL GOLF REVENUES	\$895,219	\$933,616	\$952,288	\$971,334	\$990,761	\$1,010,576	\$1,030,788
TOTAL ROUNDS	39,122	40,000	40,000	40,000	40,000	40,000	40,000
GOLF REVENUE/ROUND	\$22.88	\$23.34	\$23.81	\$24.28	\$24.77	\$25.26	\$25.77
EXPENSES:							
Admin & Pro Shop	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849
Grounds Maint.	700,000	714,000	728,280	742,846	757,703	772,857	788,314
TOTAL EXPENSES	1,000,000	\$1,020,000	\$1,040,400	\$1,061,208	\$1,082,432	\$1,104,081	\$1,126,162
ANNUAL PROFIT	(\$104,781)	(\$86,384)	(\$88,112)	(\$89,874)	(\$91,671)	(\$93,505)	(\$95,375)
GROSS MARGIN	-11.7%	-9.3%	-9.3%	-9.3%	-9.3%	-9.3%	-9.3%

As shown in the above table, the Glenbrook Park Golf Course would be close to break-even if it were being self operated by City of Houston and was achieving the 39,000 to 40,000 rounds of golf projected for the facility. Glenbrook Park would likely earn a profit under the City operation scenario if the facility could increase activity anywhere close to levels achieved in the late 1990s and early 2000s.

It is clear that as the revenues at this facility have fallen, the private operator has made cuts in expenses. In order for Glenbrook Park Golf Course to meet its basic operational obligations under a self-operate scenario that included an adequate maintenance regime, the facility would have to be playing roughly 41,500 rounds of golf per year.

Glenbrook Park Consumer Feedback

The findings from the CLASP survey are summarized below. As noted, NGF Consulting recognizes that while these surveys represent a small sample of customers at Glenbrook Park, the communications do offer some insight into customer perceptions about this facility. The general findings are summarized below.

Glenbrook Customer Satisfaction Survey

During the survey period, a total of **31** surveys were recorded by NGF Consulting from Glenbrook Park Golf Course. A summary of their opinions is as follows:

5 Factors Most Important to Your Golfers:

- Overall Value of Course
- Condition of Greens
- Pace of Play
- Overall Course Conditions (tees, fairways)
- Friendliness/Service of Staff

NGF Loyalty Index: 15% (Benchmark = 24%)

The Competition: Listed below are those facilities that your golfers indicated they play most often in the area.

- Memorial Park Golf Course
- Gus Wortham Park Golf Course
- Sharpstown Park Golf Course
- Brock Park Golf Course
- Alvin Golf & Country Club

Satisfaction Ratings vs. the Competition: When compared to the local competition, your facility did not have a **higher satisfaction rating** for any of the measured factors. When compared to the local competition, your facility has a **lower satisfaction rating** for the following factors:

- Condition of Greens
- Overall Course Conditions (tees, fairways)
- Convenience of Course Location
- Condition of Golf Cars

Share of Wallet: You have an average of 44% of your customers' overall business.

Frequent Customers: Characteristics of frequent customers at Glenbrook Park Golf Course:

- Age 30 - 49
- Male
- Income from \$50,000 - 99,999
- Average Number of Rounds Played Annually - 25+
- Average Score: 80 to 99

Satisfaction at your Facility: Glenbrook Park Golf Course did not rate **well above** the benchmark for any of the measured factors (index of 110 or more). The facility was **well below** the benchmark for the following factors (index of 90 or less):

- Friendliness/Service of Staff
- Overall experience
- Convenience of Course Location
- Overall Course Conditions (tees, fairways)
- Scenery and Aesthetics of Course

- Condition of Greens
- On-course Services (restrooms, drinking water)

Summary

Though the sample size was small, those golfers that did respond rated Glenbrook Park poorly compared to the local competition (primarily other City courses) and national benchmarks. Course conditioning was the biggest issue these golfers had with Glenbrook; responses to one the custom questions also reinforced that Glenbrook's typical customer is much more price sensitive than those at other City courses.

Glenbrook Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to the Glenbrook Park Golf Course.

- The golf course asset at Glenbrook Park is in poor condition. The City needs a stricter, more enforceable compliance system for both ongoing maintenance and capital improvements
- Rounds have fallen precipitously over the last five years; in percentage terms, the decline is notable even in the context of the market-wide problems experienced by golf operators during that time.
- Glenbrook's primary target market exhibits strong price sensitivity, and even marginal price increases would likely result in a further drop in activity levels.
- The concession payment produces net revenue to City, but is coming at the cost of a degrading asset.
- Glenbrook exhibits strong food & beverage sales, though revenue per round has declined since 2000-2001; pro shop sales are weak.
- The driving range plan must be re-thought due to safety issues and the likely affects on holes #17 and #18 (see 'Physical Assessment' section of this report for details).
- The cart paths need improving, as they do not fit well with the golf holes. Instead of flowing in and out of the mounding, they are merely placed on top of the mounds in roller coaster fashion. This does not lend itself to a pleasant ride or a good aesthetic. Also, many of the paths are placed in swales and used as drainage conveyance.
- CLASP survey results indicate that customer service and friendliness of staff could be improved. Also, the atmosphere of the clubhouse should be brightened, the scorecard made to look more professional, and signage to the course along major arterials improved.

HERMANN PARK GOLF COURSE

Located just south of downtown Houston, Hermann Park Golf Course is a well-located public golf facility that is the second most active and second highest grossing course in the City of Houston system. The 18-hole track was originally built in 1922 and underwent a complete remodeling in 1998 by the operator, BSL Golf Corporation. Its convenient location next to the

Texas Medical Center makes this one of the more popular golf courses in the city. Hermann Park is located on 122 acres within a 407-acre park complex of gardens and open spaces, and includes practice facility, clubhouse and maintenance facilities.

Golf Course

As will be detailed in the architect’s report, strategy and playability are not strong suits of Hermann Park since the 1998 renovation, largely due to the location of the lakes in the middle of the fairways. Consequently, the golf course is not very playable for the junior, senior or novice golfer. The condition of the fairways and uninteresting greens also contribute to an awkward golf experience.

The scorecard for Hermann Park is as follows:

Hermann Park Golf Course				
Tee	Par	Yards	Slope	Rating
Gold	70	6,014	117	67.9
Blue	70	5,394	109	65.8
White	70	4,724	99	63.7

Clubhouse

The new clubhouse, built in 1998, is functional, with a pro shop, restaurant and patio area. The architecture, however, is rather uninteresting when compared to the impressive Spanish-mission style building that was the original clubhouse. That historic building is now an office complex near the #2 tee. Located near the new clubhouse is a cart storage building. (This facility might serve as a good model for the City when it comes to developing new cart buildings.) The maintenance facility is ample in size and easily handles the equipment and material storage.

Food and Beverage / Merchandise Sales

The food and beverage operation at Hermann Park consists of a small grill and snack bar area that offers a good selection of hot and cold items. The seating area could accommodate about 50 people, and is not adequate to host large golf tournaments and other events (though operator still reports about 8% of total rounds as tournament rounds). The food & beverage operation has been producing top-line revenue of between \$275,000 and \$310,000 from 2002 and 2004, or a vigorous \$5.80 per round of golf. This indicates a strong non-golf food & beverage component. The small pro shop has a light selection of soft goods and apparel and has produced about \$90,000 to \$115,000 in the last four years. NGF Consulting believes that Hermann Park has even further upside revenue potential in the F&B and, especially, merchandise revenue centers.

Driving Range/Practice Amenities

The mats-only practice range is located in an area of the golf course containing large oak trees and feels constricted. There may be some need to modify this amenity, and address the practice green drainage issue (discussed in later section). Despite its limitations, revenue is very strong, as many downtown workers patronize the driving range.

Hermann Park Local Golf Market

Facility Specific Demographic Issues

NGF has made the following general observations regarding the demographic profiles of the Hermann Park's immediate trade area (see **Appendix A**):

- The population within five miles of Hermann Park is similar to the other sub-markets we've examined in terms of size (380,000± population), and grew at a moderate pace during the 1990s; however, the growth rate is expected to be twice the national rate over the 2004-2009 time period.
- Median household income in this sub market is about \$40,000 - placing it second highest to Memorial among the sub-markets examined, but still moderately below the overall Houston market and the total U.S.
- The addition of the light rail system, and the reverse urban flight dynamic that was detailed earlier in the report are only adding to the favorability of this location.

Predicted Golf Demand

Below, NGF Consulting summarizes the public golf demand potential in the local Hermann Park market area.

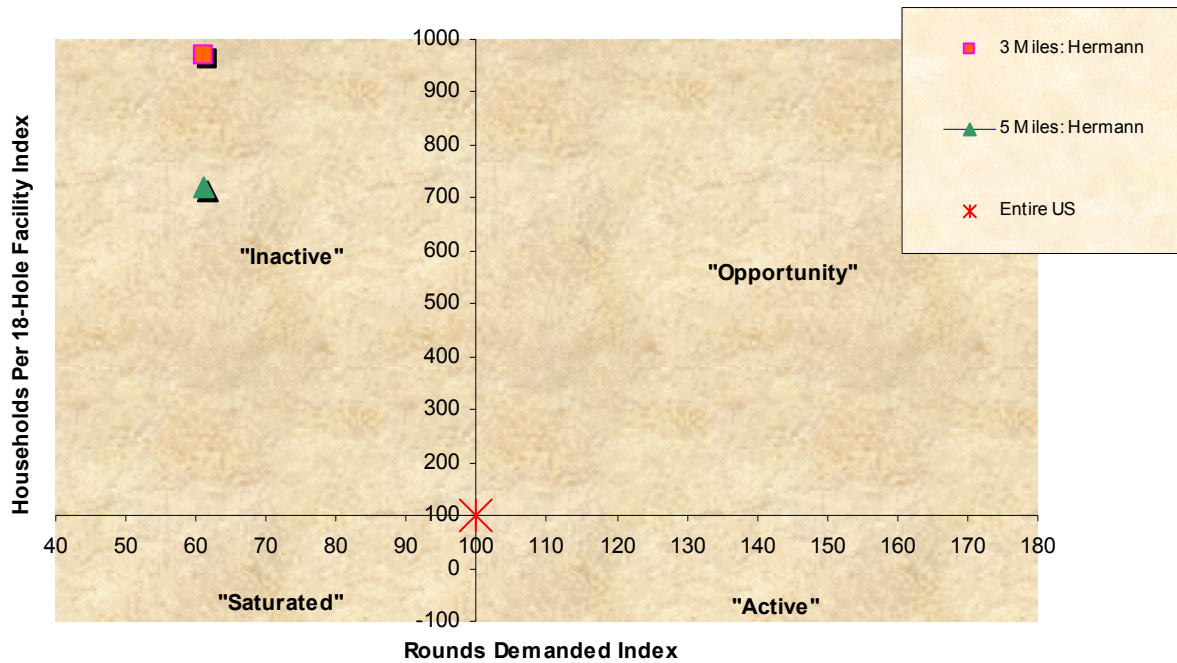
	3 Miles: Hermann	5 Miles: Hermann	Entire US
Golfing Household Index	70	70	100
Rounds Played Index	61	61	100
Best Customer Golfing Household Index	81	82	100

Household/Supply Ratios

	3 Miles: Hermann	5 Miles: Hermann	Entire US
Households Per 18 Holes			
Total	73,469	54,768	7,589
Public	73,469	82,152	10,670
Private	0	164,305	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	73,469	164,305	32,304
Value	0	164,305	19,422
By Public Facility Type:			
Daily Fee	0	0	13,505
Municipal	73,469	82,153	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Hermann	5 Miles: Hermann	Entire US
Households Per 18 Holes			
Total	969	722	100
Public	689	770	100
Private	0	626	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	100
Standard	228	510	100
Value	0	846	100
Additional Indices:			
Golfing Households per 18-Hole Facility	701	506	100
Rounds per 18-Hole Facility	592	438	100
*Resort facilities can be public OR private and are therefore already included in the total			

Opportunity Chart



Local Hermann Golf Market Summary

The supply / demand opportunity around Hermann Park is again similar to the other sub-markets we observed in that it is an “inactive” market. The household / supply ratio is extremely high, while the predicted demand for golf, while still significantly lower than the U.S. index, is stronger than in the Brock, Wortham and Glenbrook sub-markets. The implication for the golf facility operators in this area is that the local demand is stronger and with new upscale residences being added in immediate proximity to Hermann Park, the opportunity is improving.

Hermann Park Operational Issues and Data

The following is a discussion of operational issues and data evaluation for the Hermann Park Golf Course, based on the NGF Consulting visits, data supplied by the City and the operator, and an analysis of NGF CLASP survey results.

Hermann Park Golf Course Data Analysis

NGF Consulting was able to gain full revenue information for Hermann Park from the BSL Golf operator, as well as an estimate of the total annual expense budget (we are not privy to the annual debt service estimate tied to the 1998 renovation). It is clear that the lessee, BSL Golf, has put a lot of its own investment into Hermann Park in an effort to improve the facility and continue to turn a profit and make rent payments to the City. The improvements appear to have provided at least some boost to activity levels at Hermann Park at a time when other facilities were declining.

Green Fees

Peak green fees (including half of shared cart) at Hermann Park are the highest in the Houston municipal golf system – marginally above Memorial due to the \$12.50 cart fee. Unlike the City-run courses and the other private operators, BSL has the contractual right to increase green fees each year by a cost-of-living adjustment, or by 2%, whichever is greater. While it is likely

true that Hermann's core customers are less price-sensitive because the facility's location is so convenient, it may also be true that the increase in rounds played that would be driven by moderate price decreases would result in a boost in net revenue.

Fee Schedule for Hermann Park Golf Course January 2005	
Junior	\$5.03
Senior/Disabled	\$6.19
Weekday	\$21.50
Weekday Twilight	\$14.34
Weekend/Holiday	\$30.64
Weekend/Holiday Twilight	\$18.78
Tournament	(call course)
½ Shared Cart	\$12.50
Weekday: Mon – Thurs; Weekend: Fri – Sun and all City holidays; Twilight start times vary by season. Includes sales tax.	

Activity Levels

Hermann Park Golf Course had achieved a peak of 53,709 rounds of golf in FY 2002, up from 41,700 achieved in the first full year after the renovation. Along with Memorial Park, Hermann's activity levels have held up the best over the last five years in the face of increased competition and unfavorable economic conditions. It is highly likely that the decline in play over the last two years is largely tied to adverse weather.

Hermann Park Golf Course – Total Rounds Played (1999-2004)					
	2004	2003	2002	2001	2000
Total Rounds	46,862	48,966	53,709	48,855	41,721
Source: City of Houston					

Revenue Performance and Ratio Analysis

NGF Consulting has reviewed the activity and revenue statements provided by the City of Houston and BSL Golf Corp. Analysis of this data shows that the activity levels achieved by this facility generate the second highest gross revenue in the system. It appears that this increase in rounds activity has come at the expense of rate integrity as the data shows a decline in total revenue per round and green fee revenue of \$2.20 and \$2.68, respectively, from FY 2001 to FY 2002, perhaps in response to the September 11 tragedy. An oddity is that green fee revenue per round has fallen by nearly \$4.00 since FY 2001, despite the leeway the operator has to increase prices. This may be a reflection of a response by the public to move away from peak-fee tee times toward periods of discounted play. Also of note in the tables below are the strong increases in per-round range sales and cart rentals in FY 2004.

Hermann Park Golf Course Revenues FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$938,593	\$888,007	\$773,867	\$715,619
Cart Rental	424,127	446,343	383,908	389,745
Range Sales	212,626	252,109	233,261	256,551
Gross F & B Sales	239,672	311,658	280,366	276,581
Pro Shop	94,250	113,431	113,893	91,675
Other	53,336	27,944	0	0
TOTAL REVENUE	\$1,962,604	\$2,039,492	\$1,785,295	\$1,730,171

Source: City of Houston / BSL Golf Corp.

Hermann Park Golf Course Revenue Ratios FY 2001-FY 2004				
	FY 2001	FY 2002	FY 2003	FY 2004
Golf Fees	\$19.21	\$16.53	\$15.80	\$15.27
Cart Rental	\$8.68	\$8.31	\$7.84	\$8.32
Range Sales	\$4.35	\$4.69	\$4.76	\$5.47
Gross F & B Sales	\$4.91	\$5.80	\$5.73	\$5.90
Pro Shop	\$1.93	\$2.11	\$2.33	\$1.96
Other	\$1.09	\$0.52	\$0.00	\$0.00
TOTAL REVENUE	\$40.17	\$37.97	\$36.46	\$36.92

Source: City of Houston / BSL Golf Corp.

Expense Budget

NGF Consulting was provided an annual maintenance expense budget of roughly \$400,000 for Hermann Park, and were told by the operator that the total operating budget is about \$1.143 million, including the concession payment to the City. Based on our review of the condition of the course, this level of expenses seems sufficient to maintain Hermann Park at a high level. However, as play increases, the expense budget will need to grow to reflect the added strain on the course and staff.

Comparative Analysis – Self Operation

NGF Consulting has prepared an operating projection to show how Hermann Park Golf Course would perform economically if the facility were to be self-operated by City of Houston. This is not to suggest that the City take the facility over (nor could it until the private contract terminates), but rather to illustrate how revenues and expenses would fall in the FY 2006 through FY 2010 period, assuming an operating budget that takes into account the added cost of labor for municipalities; expenses and fees are also adjusted for inflation. Activity levels are projected based on the NGF analysis contained in this report.

**Projected Revenue Analysis
Hermann Park Golf Course
Assumes City Of Houston Self Operation**

	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$715,619	\$747,657	\$750,000	\$795,600	\$842,724	\$859,578	\$876,770
Cart Rental	389,745	407,194	432,643	458,948	486,132	495,855	505,772
Range Sales	256,551	268,037	284,789	302,104	319,998	326,398	332,926
<i>Net F & B Sales (15%*)</i>	276,581	43,345	46,054	48,854	51,747	52,782	53,838
Pro Shop	91,675	95,779	101,765	107,953	114,347	116,634	118,967
Other	0	0	0	0	0	0	0
TOTAL GOLF REVENUES	\$1,730,171	\$1,562,011	\$1,615,251	\$1,713,459	\$1,814,948	\$1,851,247	\$1,888,272
TOTAL ROUNDS	46,862	48,000	50,000	52,000	54,000	54,000	54,000
GOLF REVENUE/ROUND	\$36.92	\$32.54	\$32.31	\$32.95	\$33.61	\$34.28	\$34.97
EXPENSES:							
Admin & Pro Shop	\$342,900	\$420,000	\$428,400	\$436,968	\$445,707	\$454,622	\$463,714
Grounds Maint.	800,100	980,000	999,600	1,019,592	1,039,984	1,060,784	1,081,999
TOTAL EXPENSES	1,143,000	\$1,400,000	\$1,428,000	\$1,456,560	\$1,485,691	\$1,515,405	\$1,545,713
ANNUAL PROFIT	\$587,171	\$162,011	\$187,251	\$256,899	\$329,257	\$335,842	\$342,559

*F & B is gross for 03-04 and shifts to net in 04-05.

NGF Consulting's projections under the self-operation scenario indicate that the strong top-line revenues at Hermann Park Golf Course would easily make it the second most profitable facility in the Houston system, even with a significantly higher expense structure than the current private operator experiences. The asset the City has in Hermann Park's location should not be underestimated; NGF Consulting believes it is being conservative in projecting stabilized activity of 54,000 annual rounds played.

Hermann Park Consumer Feedback

The findings from the CLASP survey program are summarized below.

Hermann Park Customer Satisfaction Survey

During the survey period, a total of only **21** surveys were recorded by NGF Consulting from Hermann Park Golf Course, despite the presence of the club's website and e-mail database. Due to the low response rate, it would be inaccurate to draw meaningful inferences from the results at Hermann Park.

5 Factors Most Important to Your Golfers:

- Overall Value of Course
- Overall Course Conditions (tees, fairways)
- Convenience of Course Location
- Pace of Play
- Condition of Greens

NGF Loyalty Index: 19% (Benchmark = 24%)

The Competition: Listed below are those facilities that your golfers indicated they play most often in the area.

- Bear Creek Golf World
- Memorial Park Golf Course
- San Jacinto College Golf Course
- Sugar Hill Golf Course
- Gus Wortham Park Golf Course

Satisfaction Ratings vs. the Competition: When compared to the local competition, your facility has a **higher satisfaction rating** for the following factors:

- Overall Value of Course

When compared to the local competition, your facility has a **lower satisfaction rating** for the following factors:

- On-course Services (restrooms, drinking water)
- Amenities (clubhouse, pro shop, locker room)

Share of Wallet: You have an average of 29% of your customers' overall business.

Frequent Customers: Characteristics of frequent customers at Hermann Park Golf Course:

- Age 30 - 49
- Male
- Income greater than \$100,000
- Average Number of Rounds Played Annually - 25+
- Average Score: 80 to 99

Satisfaction at your Facility: Hermann Park Golf Course was **well above** the benchmark for the following factors (index of 110 or more):

- Tee-time Availability

Hermann Park Golf Course was **well below** the benchmark for the following factors (index of 90 or less):

- Overall Value of Course

Hermann Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to the Hermann Park Golf Course.

- Hermann Park benefits from a premier location near medical centers and new attached residential developments; the location is likely to become even more favorable over time with the continued reverse migration of white collar professionals back to inner city
- Hermann enjoys very strong top line revenue – second only to Memorial – and has further potential to grow. We foresee upside *per-round* revenue potential in the F&B, merchandise, and range revenue centers, in addition to the natural increases that result from increased rounds played.
- Hermann would likely be a money maker for City if self-operated, and would enjoy marketing synergy with Memorial and renovated Wortham.
- Hermann Park appears to NGF Consulting to be generally well run and maintained. However, the 1998 renovation was to the detriment of design and, strategy, and playability. The layout is very tough for novice, senior, and women golfers, thus lessening the facility's ability to maximize play from these market segments.
- The facility is underperforming on merchandise sales, given its activity levels and premier location in downtown. Though F&B and range revenues are strong, these too could do better based on location (see Glenbrook F&B for comparison).
- Hermann Park's peak pricing is somewhat high, especially in relation to Memorial.
- A frequent player/loyalty program would be an ideal fit for this course, even if tailored only to certain target markets such as medical center employees.
- Hermann Park has no immediate capital improvement needs. However, were funding not an issue, a full master plan approach would be recommended to evaluate the costs/benefits of improving the course with respect to playability, interest, strategy, and practice area configurations. This level of investment by the City would likely not pay for itself in the short run, requiring some subsidy from other sources.
- A golf course architect should be consulted to fully address safety concerns as noted in report.

MELROSE PARK GOLF COURSE

Melrose Park is an 18-hole par-3 golf course with lighted driving range, small pro shop and maintenance facility, situated on 55 acres. Melrose is located in north Houston outside the inner loop (I-610) between I-45 and the Hardy Toll Road. The golf course, the only 18-hole par 3 in the Houston area, is managed by a local family via concession agreement with the City. The golf course provides an alternative to the regulation length golf courses for the young, old or novice golfer.

The golf course is routed well through the property, but is generally simple and unexciting. Though the course is lighted throughout, the lights have not been functional for years. As expected, the golf course is quite playable. Most of the holes range in length from 75 to 125 yards and can be played with only a handful of golf clubs by most golfers. No cart paths are located on the course and signage is rather limited.

The small building that serves as a clubhouse can easily accommodate the current level of customers, but the facility severely limits any upside potential the course might have in the food & beverage and merchandise revenue centers. The parking lot is more than sufficient. The driving range has a relatively large lighted teeing area that is in fair condition. Melrose also has a small practice chipping green. The manager reported that the lights to the range, unlike those on the rest of the course, are functional; however, they are not currently utilized.

Melrose Park Local Golf Market

Facility Specific Demographic Issues

NGF has made the following general observations regarding the demographic profiles of the local market around Melrose Park (see **Appendix A**)

- Population in the five-mile market area around Melrose is more than 300,000 and exhibited moderate growth in the 1990s; the immediate neighborhoods have become predominately Hispanic.
- Median Household Incomes in the neighborhoods surrounding the course are about one-third lower than in the overall Houston market and the U.S.
- Home ownership is high in this sub-market at 60%, but other indicators such as education (only 6.6% college) and age (median ~ 29 years) tend to coincide with lower golf participation.

Predicted Golf Demand

NGF Consulting's findings regarding the public golf demand potential in the local Melrose Park trade area are summarized below.

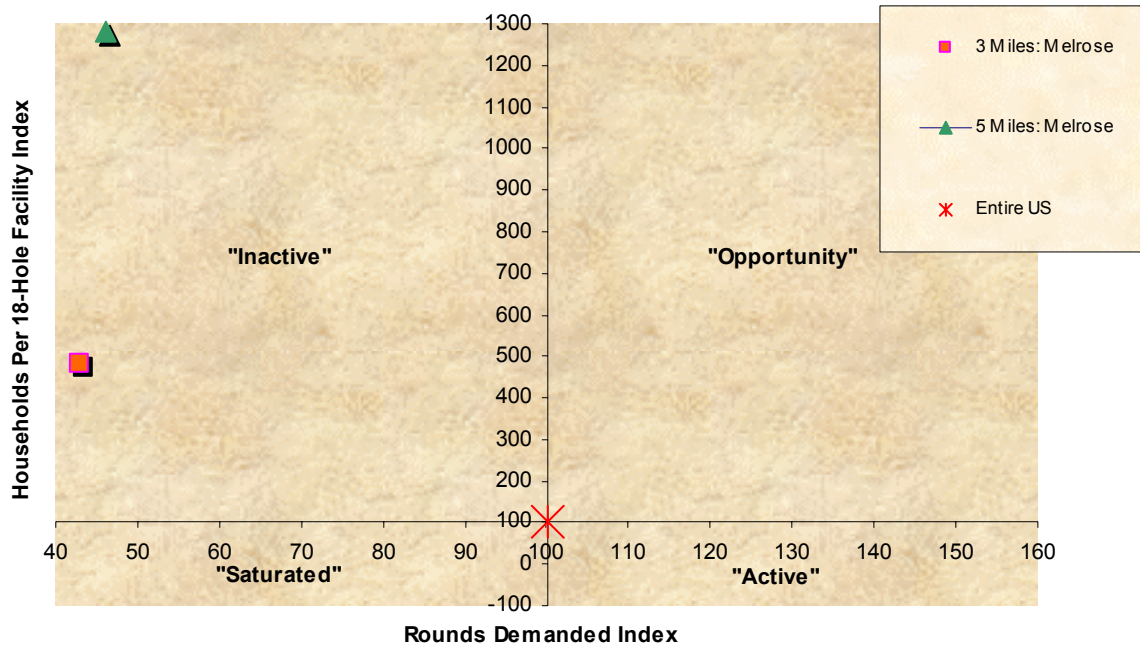
	3 Miles: Melrose	5 Miles: Melrose	Entire US
Golfing Household Index	47	48	100
Rounds Played Index	43	46	100
Best Customer Golfing Household Index	49	54	100

Household/Supply Ratios

	3 Miles: Melrose	5 Miles: Melrose	Entire US
Households Per 18 Holes			
Total	36,729	97,110	7,589
Public	36,729	97,110	10,670
Private	0	0	26,279
Resort	0	0	85,353
By Price Point:			
Premium	0	0	88,468
Standard	0	0	32,304
Value	36,729	97,110	19,422
By Public Facility Type:			
Daily Fee	0	0	13,505
Municipal	36,729	97,110	50,838
*Resort facilities can be public OR private and are therefore already included in the total			

	3 Miles: Melrose	5 Miles: Melrose	Entire US
Households Per 18 Holes			
Total	484	1,281	100
Public	344	910	100
Private	0	0	100
Resort*	0	0	100
By Price Point:			
Premium	0	0	100
Standard	0	0	100
Value	189	500	100
Additional Indices:			
Golfing Households per 18-Hole Facility	227	610	100
Rounds per 18-Hole Facility	208	584	100
*Resort facilities can be public OR private and are therefore already included in the total			

Opportunity Chart



Local Melrose Park Golf Market Summary

The market area surrounding Melrose Park is extremely inactive. There appears to be a favorable ratio of homes to golf courses but, again, these homes are far less likely to contain golfers than we would normally observe. The implication for the City of Houston and the Melrose Park Golf Course operation is that the facility needs to be part of an overall City plan to stimulate more activity from the population in the City, particularly in this area where a beginner-friendly facility like Melrose Park can have impact in cultivating new golfers.

Melrose Park Operational Issues and Data

The following is a discussion of operational issues and data from the consultant's visits, and information collected from the City and McClellan Enterprises.

Rounds and Revenue Performance

The table below shows the rounds and green fee revenue (other revenue data unavailable, but thought to be minimal) performance of Melrose Park Golf Course. As can be seen from these results, the overall potential of this facility is very limited.

Melrose Park Golf Course – Rounds & Green Fee Revenue History 1999-2004						
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Rounds	23,861	23,447	18,520	14,463	8,298	8,898
Golf Fee Revenue	N/A	N/A	\$157,796	\$132,688	\$84,129	\$79,800
Revenue Per Round	N/A	N/A	\$8.52	\$9.17	\$10.14	\$8.97

Green Fees

The City approved fee schedule for Melrose Park is listed below. The operator indicates that he is currently charging less than this for certain times, such as the \$9 he charges on weekend mornings (City rate is \$12, and the concessionaire must pay on the higher figure). The operator feels that, due to the market he is serving and the product Melrose offers, he must have leeway to reduce prices to stimulate demand. It is difficult to argue with this assertion, given the results of the last several years.

Fee Schedule for Melrose Park Golf Course January 2005	
Junior	\$6.00
Senior/Disabled	\$6.00
Weekday	\$10.00
Weekday Twilight	\$11.00
Weekend/Holiday	\$12.00
Weekend/Holiday Twilight	\$14.00
Tournament	(call course)

Comparative Analysis – Self Operation

NGF Consulting has prepared an operating projection to show how Melrose Park Golf Course would perform economically if the facility were to be self-operated by City of Houston.

Projected Revenue Analysis Melrose Park Golf Course 18-Hole Layout							
	Actual 2003-04	Act./Proj. 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
GOLF REVENUES:							
Golf Fees	\$79,800	\$137,215	\$139,959	\$142,759	\$145,614	\$148,526	\$151,497
Range Sales	10,000	17,195	30,000	30,600	31,212	31,836	32,473
Net F & B Sales	5,000	8,597	8,769	8,945	9,124	9,306	9,492
Pro Shop	5,000	8,597	8,769	8,945	9,124	9,306	9,492
TOTAL GOLF REVENUES	\$99,800	\$171,605	\$187,498	\$191,248	\$195,073	\$198,975	\$202,954
TOTAL ROUNDS	8,898	15,000	15,000	15,000	15,000	15,000	15,000
GOLF REVENUE/ROUND	\$11.22	\$11.44	\$12.50	\$12.75	\$13.00	\$13.26	\$13.53
EXPENSES:							
Admin & Pro Shop	\$105,000	\$107,100	\$109,242	\$111,427	\$113,655	\$115,928	\$118,247
Grounds Maint.	245,000	249,900	254,898	259,996	265,196	270,500	275,910
TOTAL EXPENSES	\$350,000	\$357,000	\$364,140	\$371,423	\$378,851	\$386,428	\$394,157
ANNUAL PROFIT	(\$250,200)	(\$185,395)	(\$176,642)	(\$180,175)	(\$183,778)	(\$187,454)	(\$191,203)

As shown in the above table, Brock Park Golf Course is expected to operate at a net loss even if the rounds played recovered to 36,000, an increase of more than 11,000 over FY 2004 activity. This assumes a maintenance and operations budget roughly equal to Sharpstown's current budget. Under the pricing and expense assumptions we have made for Brock Park, break even for this facility would only be possible with activity levels of \pm 50,000 rounds.

The operator reported to NGF that total top-line revenue was between \$200,000 and \$250,000 back in the 1990s when he ran the facility for RSL and the facility had a core group of regular customers from the local neighborhoods. Based on those numbers and the current situation at Melrose, it is evident that the facility is not going to earn more than \$10 per round total revenue in its current configuration.

Melrose Park Summary Findings and Recommendations

The following bullet points summarize the most salient findings made by NGF Consulting with regard to the Melrose Park Golf Course.

- Melrose is the only 18-hole par 3 in the Houston area.
- Though operator is working to improve Melrose, the facility is in rough condition with poor drainage a primary concern.
- Operator reports that vandalism has been a problem, with many break-ins; one incident involved the theft of a brand new “Gator” utility vehicle.
- Rounds and revenues have fallen drastically, coinciding with changing demographics of surrounding neighborhood. Course used to have a strong contingent of local regular players, most of whom have either moved away or passed on.
- The operator feels that, due to the market he is serving and the product Melrose offers, he must have leeway to reduce prices to stimulate demand. It is difficult to argue with this assertion, given the results of the last several years.
- Rounds may recover somewhat, but upside revenue potential is limited, especially with current clubhouse. Non-golf F&B might have strong potential with the proper facilities, given the number of business in the area.
- Driving range potential has not been exploited.
- Melrose does not earn enough to be profitable for anything other than a family-run operation that can respond to market conditions.
- The City could not self-operate this facility at a profit.
- If the City wants Melrose to remain a golf course under the current configuration, it should consider a straight ground lease for this property for a flat annual payment of \$5K to \$10K (current contract expires after FY 06).
- NGF sees only other potentially viable alternative as re-configuring facility as a 9-hole, par-3 course w/ expanded practice facilities to help to cultivate new players for other City courses - especially among minority population and at-risk youth; player development is integral to the future health of the system in light of Houston’s changing demographics.
- Seeking private funding, USGA grants, etc. for conversion to a First Tee Facility that will complement the existing program on the South Side should also be considered.

FIRST TEE FACILITY AT F.M. LAW PARK

The First Tee Facility at F.M. Law Park is located in the southern section of Houston, south of the 610 loop and north of Beltway 8. It is situated on 60 acres and consists of a 9-hole golf course, a large driving range and practice facility, clubhouse, and maintenance facilities. The course was built in 2000 in conjunction with the First Tee Program of Houston, and was funded privately through a combination of grants from the U.S.G.A., the PGA. of America, the First Tee Program, and corporate sponsors such as Shell Oil. A fundraising tournament is also held each year at Wildcat Golf Club.

F.M. Law serves as a learning center for junior golfers and helps them develop into better golfers and citizens. The formal program, free to children, is four weeks long, with two weeks between programs. Classes are limited to 40 kids, and last two hours. Children twelve years of age and under require a guardian. In addition to classroom and range instruction, the facility hosts tournaments based on skill levels.

After graduation, kids can play for free and adults can now play with them (previously had to have graduated from skills program). Additionally, graduates of the program receive a free pass to play all other City of Houston golf courses on weekdays, and they retain free access up until their 19th birthday. Participation in the F.M. Law First Tee program is reportedly increasing.

F.M. Law is a non-revenue producing facility; ongoing operations are funded by the City's General Fund, and NGF Consulting is told that some maintenance expense for the facility accrues to Memorial Park's budget, though we were told the facility operates under an annual budget of \$122,000. The Parks Department's Youth Sports Division staffs F.M. Law, and overall staffing, which includes two maintenance workers, is reported to be limited. A U.S.G.A. grant for part-time contract instructors has recently expired.

Conclusions

- F.M. Law Park is a good facility for providing a quality teaching environment for the junior golfers of Houston. As mentioned previously in this report, player development programs are especially critical to the future of Houston's municipal golf operation, especially considering the rapidly changing demographics of the City. New players must be cultivated for the City's seven other courses in order to ensure sufficient play levels in the future; reaching out to African-American and Hispanic youths should be an integral component of any junior golf programs so that latent demand can be tapped among groups that have not previously exhibited high golf participation rates due to a lack of opportunity.
- Most First Tee Programs charge nominal fees for adults who play with their children, or have other ancillary revenue sources such as food & beverage and merchandise. We understand that the City of Houston would like for F.M. Law to remain a free program. As long as private dollars are sufficient to fund improvements and/or operations, or the City is willing to make up the difference, NGF Consulting concurs that it is preferable that the program remain free of charge. This is an exemplary example of civic good will exhibited by the City - something that the National Golf Foundation advocates for the future of the nation's youth and for the game of golf.
- Should the City decide to explore avenues of generating revenue at F.M. Law, one possibility is to selling tee times during those times when the course typically goes unutilized. So long as this does not conflict with the program, or put

unnecessary strain on the condition of the course, it should contribute toward the operations. Likewise, there likely are times when public play at the very large driving range would not conflict with children. Finally, a nominal charge for adults playing golf with their children could be considered.

- A potential way to raise private dollars would be to solicit voluntary contributions from golfers at the other City courses (perhaps through a passive collection box). The City could also offer an incentive to contribute a nominal amount through inclusion in a drawing for a prize such as a free round of golf, or a donated item such as a new driver, etc.
- NGF Consulting understands that transportation to and from the facility is a problem for many participants, and is likely preventing some parents from even considering the program for their children. The City should explore building a volunteer network of highly screened individuals that are willing to drive groups of children to and from F.M. Law. Commercials featuring some high-profile city residents doing just that would be a way to kick-start such an effort.

Physical Assessment of City of Houston Golf Courses

In an effort to better understand and document the overall condition of each of the eight City of Houston golf courses, NGF Consulting utilized services of the golf course architectural firm Forrest Richardson & Associates (FRA) to review the physical condition and maintenance and agronomic standards of each facility. This review involved an extensive physical inspection of each course by FRA, and preparation of a report to document the findings and recommendations. These findings are summarized in the following section.

Following are findings and recommendations concerning Memorial Park, Wortham Park, Brock Park, Glenbrook Park, Sharpstown Park, Hermann Park, Melrose Park and F.M. Law Park. These eight municipal properties were evaluated on site by FRA, and evaluations were supported by documents and background information supplied by the City of Houston and the National Golf Foundation Consulting, Inc. The physical site analyses were conducted by Forrest Richardson, ASGCA and Shane Witcombe, ASGCA. This phase of the study also involved interviews with City staff and consultants, and a review of available course histories.

The purpose of the work of FRA was to establish feasibility for any recommended improvements, alterations and/or additions to these City recreation assets that may be necessary, warranted, or to be taken under consideration. The focus of this component of the study was on the physical sites, with an emphasis on evaluation of the golf experience. The City will be able to use the priorities presented in determining immediate and long-range courses of action. Further, in-depth study is recommended before implementing physical changes.

The goals of the study included the following primary areas:

Course Conditions: Evaluate existing conditions to determine what improvements might be made to the physical aspects of the courses, including drainage and irrigation.

Programming Opportunities: Evaluate the courses to determine if changes to the courses or uses might be appropriate to establish a stronger golf operation.

Course Routing: Evaluate the courses to determine what improvements might be made to improve programming, safety and establish better pace of play.

Strategy and Playability: Evaluate the courses to determine what potential changes may increase the opportunity for the facilities to offer better, more positive and more memorable golf experiences for customers.

Facility Conditions: Evaluate the existing facilities to determine what improvements might be made in order to improve efficiency on an overall basis.

BROCK PARK

Brock Park, a core golf course surrounded by woodlands and neighborhoods, is in above average shape in 2005 after some renovations in 2004. The addition of two badly needed bridges over the last several years has enhanced playability immeasurably.

Existing Course Conditions

Irrigation System: The original irrigation system built from oil field pipe and quick couplers was replaced in 2001. The new Rain Bird system now allows the maintenance staff to control the amount of water used on the golf course. The greens feature part circle irrigation heads that irrigate just the green surface providing even more control. An adequate size lake and pump station are located on hole #6.

Drainage: No subsurface drainage exists. All drainage relies on surface run off.

Hazards: Only 15 sand bunkers are scattered throughout the golf course. They are used sparingly as the fairways are mostly lined with trees.

Tees: The tees are not very level and suffer from too much shade.

Fairways and Roughs: The fairways and rough areas are very flat and uninteresting. There are many locations where the drainage is lacking. The fairway turf suffers as a result.

Putting Surfaces: The rather small greens are original push-up type greens that were not built to USGA specifications and reportedly have no formal greensmix. The greens are round in shape and lack character. The 328 Hybrid Bermudagrass turf appears in fairly good condition.

Practice Areas: Small putting and chipping greens are located near the clubhouse; these are adequate given the current level of activity the course receives. The practice range lacks proper length and is therefore limited to iron play only. The range is bordered on the right by a mobile home park. A tall net has been placed along the entire length of the range to help prevent balls from slicing into the homes.

Vegetation: The character of Brock Park lies in its vegetation. The fairways are lined with tall pine trees that form a pleasing parkland experience. Some ornamental landscaping has been done around the tee boxes. Interesting sculptures can be found in the out of play areas.

Existing Design & Routing

Routing: The golf course routing fits the lay of the land very well. Rolling terrain and the Bayou River are also key features that interact with the routing. Unfortunately, the views of the trailer park and other areas can be distracting.

Strategy and Playability: Brock Park is a demanding golf course despite its short length. Four golf holes cross the river and each of them crosses in a different location in relation to their design. The river must be cleared by the tee shot on #1, the second shot on #9, the tee shot on the par-3 #14 and the third shot on #18. The narrow fairways and small greens also add to the interest.

Paths & Circulation: One of the areas that Brock Park is lacking is adequate cart paths. Currently they are asphalt or dirt and are highly affected by rains. Directional signage, hole signage, and distance markers are adequately provided around the golf course. A new bridge has been installed across the river for use on holes #1 and #9.

Existing Facilities: The golf course is rather hidden in the woods of north Houston. It is, however, well signed along the street. The design of the clubhouse is the same as Wortham Park, with a separate pro shop and restaurant. Like Sharpstown, the building here is sufficient for an affordable municipal golf course with moderate activity levels. The maintenance building is divided into separate buildings and seems to accommodate necessary equipment. A large

area behind the building is large enough to store sand and other materials. The cart shed, however, has no walls and the golf carts are exposed to the elements.

Existing Maintenance Operations: Despite the heavy shading by trees on the golf course, the current mowing practices appear to be adequate for producing good conditions. The Bayou River floods the course and entire area on occasion and can cause problems for the maintenance staff. This is the drawback of situating a golf course within a flood plain.

Recommendations

Because of its location in the outer reaches of town, Brock Park hosts fewer rounds of golf than the other regulation length City golf courses. Nonetheless, it is one of the better routings in the system due to the presence of rolling hills and stately pine trees.

- The only capital improvement recommendation of an immediate nature is to install concrete cart paths throughout the golf course.
- Longer term needs include enclosing the cart storage area and adding new maintenance sheds.

The City should undertake a master plan project to address future issues and to ensure that the asset is preserved whenever it comes time to remodel or improve the facilities.

GUS WORTHAM PARK

The condition of this historic course deteriorated under the former lessee, and much of the character and charm had been lost under thickets of weeds, vandalism and graffiti in recent years. City golf staff has reclaimed much of the course, returning conditions to a playable and acceptable level.

Numerous renovations over the years seem to have been misguided. The result is a course that has tremendous potential, but is now a very average to below average experience. The combination of its age, past changes and past poor maintenance are all contributing factors to problems at this facility. The golf course does not have a lake for irrigation and presently draws water from a well on property.

Existing Course Conditions

Irrigation System: The irrigation system is inadequate for a golf course of its size. The mainline is at least ten years old and does not appear to be sized correctly to carry the capacity of water necessary to grow proper turf grass. In addition, the golf course has no pumping lake for irrigation. A well that connects to an above ground holding tank is antiquated and inadequate. The valve-in-head system currently installed lacks proper control to regulate the amount of water distributed on the golf course.

Drainage: Drainage is a great concern at Wortham Park. No drain lines or catch basins have ever been installed. The golf course must rely on surface drainage and as a result, most of the golf course is constantly inundated with pockets of water after rains. For example, hole #2 is unplayable after even a small rain because areas are too flat.

Hazards: The City replaced the bunker sand in 2003 after they took control of the golf course. Unfortunately, only a few bunkers were rebuilt. The result is poor bunkers with new sand — a slightly better situation.

Tees: Many of the tees are too small, not level and are located in shaded areas. As a result, it is difficult to maintain a proper teeing ground for customers.

Fairways and Roughs: The maintenance staff has focused on re-establishing maintained fairways and rough areas since the City took over management of the golf course. Once the weeds were eliminated, the Bermudagrass filled in nicely. However, the lack of proper drainage makes it difficult to establish good turf conditions throughout. Standing water and wet areas are continual problems that obstruct good turf growth.

Putting Surfaces: Most greens are of the original push-up variety that were built in the early twentieth century. The characteristic of a push-up green is that it is built with native soils and no formal mix of sand below the surface. While such greens can produce good quality turf, they are rife with problems, especially after many years of use. These push-up greens were built without subsurface drainage common to most greens constructed to today's standards. Also, existing greens lack adequate surface area. A municipal golf course — even one with moderate play — is unable to withstand wear and tear under such conditions. Three new greens have been rebuilt out of pure sand mix and have subsurface drainage. Although agronomically effective, these greens are out of character with the rest of the golf course.

Practice Areas: The driving range is rather small. A walking path cuts through the rear left corner of the range and is a significant safety concern. The City apparently received grant monies for this trail, but it somehow did not get reviewed by golf staff. This is a shame, as the practice area has been compromised and will effectively be less useful should the trail become popular. Nets and screens may have to be installed, which would be detrimental to the aesthetics. The putting green is also rather small and the chipping green is located on the right side of the #18 green - another safety concern.

Vegetation: The existing vegetation on the golf course fits well with its parkland feel. The maintenance staff is continually trimming many of the trees around the tees and greens to allow more sun and wind. The “wilderness” areas of the site are especially conducive to good views and a sense of seclusion — both very positive in terms of the setting of the course.

Existing Design & Routing

Routing: The rolling terrain at Wortham Park lends itself to a fun routing. Most of the golf course fits very well with the land. One problem area is the second hole paralleling Wayside Avenue, as many golfers slice, thus putting the street into play. Also, the area behind #2 green is very congested with #3 and #12 tees, and #11 green. Hole #6 has conflicts with a public walking path and a planned widening/re-edging of the drainageway.

Strategy and Playability: Even with its many elevation changes, the golf course is very playable. It is of relatively short length, but provides challenge. A walking path along the right side of the sixth fairway is a safety hazard and affects the playability of the hole negatively. Golfers slicing off the tee are in danger of hitting a person walking or jogging on the path. A renovation of the Bayou River is planned and that will force the golf hole to move farther left. This is regrettable, as the bayou is an interesting hazard that will now effectively be taken out of play. The eleventh green is doglegged rather awkwardly and may pose a safety concern.

Paths & Circulation: Directional signage, hole signage, and distance markers are adequately provided around the golf course. Cart paths are sporadic and in great need of repair wherever they do occur.

Existing Facilities: It is difficult to find Wortham Park as the entrance to the golf course is located on a curve on Wayside Avenue. A very small, dilapidated sign is the only marking for the entrance. The parking lot seems ample. The clubhouse is set among stately oak trees and is sufficient in the short term for a municipal facility at this fee structure, although it does appear to be in need of many repairs. The pro shop and food & beverage operation is adequate. Restrooms are substandard and were uncleanly upon our visit.

The maintenance facility is in very bad condition. It appears to be the original shed built from wood and tin. Most of the equipment must be parked outside in the elements. These buildings are in horrible condition and may have conditions that are detrimental to safety and health.

Existing Maintenance Operations: The golf course is currently maintained by a staff of four workers, which is highly inadequate for a golf course this size. However, the maintenance staff apparently has a handle on the situation and is working diligently to return the golf course back to acceptable conditions. As one example, even after years of inattention, the greens have recently been aerified and topdressed and are now under an annual program for such maintenance routine.

Recommendations

Wortham Park is in need of a complete renovation to restore its once tremendous name in the City of Houston. The site has tremendous potential, namely due to the “wilderness” areas which are created by the drainage bayous. The forested look within the site is a tremendous golf asset that is under-appreciated. New drainage, irrigation, greens, bunkers and turf grass, practice area, and clubhouse should be planned as part of a complete facility transformation. Some holes should be adjusted to accommodate safety concerns.

FRA estimates that the total cost for the renovation would be about \$4.6 million (please see **Appendix E** for detailed conceptual plan cost estimates). This does not include construction of a new clubhouse. We estimate this cost at approximately \$180 per square foot, or roughly \$900,000 for a 5,000 square foot clubhouse, which should be sufficient for this type of municipal golf operation. This figure does not include contingency or architect’s fees, which could add about \$150,000 to the project. The projected course closure time for this project is one year.

- The City should undertake a master plan approach to Wortham Park, creating a roadmap for the future, which will outline and make possible the development of a proposed budget for transformation.
- The City should address potential safety concerns relative to the trail at the end of the range, which was placed without regard for previous golf uses.
- The City should address potential safety concerns relative to the trail along hole #6, and should engage a qualified golf course architect to work out specifics of the planned edge reconfiguration of the bayou.
- The City should embrace the history and grandeur that was one such an integral part of this facility, effectively returning those qualities as it transforms the property and readies it for a new generation of golfers.

MEMORIAL PARK

Without a doubt, Memorial Park is the jewel of Houston municipal golf courses. Care is taken to limit the number of rounds on the course to prevent wear and tear of overplay. In fact, great care is given to the entire site, which lies within the confines of Memorial Park, a treasured parkland “district” of Houston.

Existing Course Conditions

Irrigation System: The irrigation system was replaced in 1994 during the overall renovation and is adequate to current standards. Of the 260 acres of maintained area on the course, only the tees, fairways and greens are irrigated. This manageable acreage enables the staff to concentrate on watering essential areas. Greens are often hand watered during the hottest parts of the summer to ensure healthy turf.

Drainage: The drainage system on the golf course was installed in 1994 along with the significant renovation/remodel work. It proves to be very adequate, although there are some areas where the maintenance staff is continually adding drainage. Examples are in front of some greens and along cart paths. While drainage might always be better after any work, the required additions now being undertaken do not appear too unusual.

Hazards: Bunkers were totally rebuilt in 1994 to return the look that John Bredemus might have originally completed. The bunker faces were ringed with buffalo grass and the maintenance staff is renovating the bunkers with Bermuda grass to achieve a more maintained look.

Tees: The tees are generally in good condition and provide adequate teeing ground in relationship to the length of golf hole. Too much shade is one of the chronic problems facing the maintenance staff. Staff has supplemented the 419 Hybrid Bermudagrass with Zoysia grass in most of the shaded areas in order to provide better turf conditions.

Fairways and Roughs: Like the tees, the fairways are also 419 Hybrid Bermuda grass and are in good condition.

Putting Surfaces: The greens were also renovated in 1994 and were built to USGA specifications, according to staff. The green surfaces appear in very good condition. The design of the greens appears to adequately surface drain and there were no signs of disease during our visit. Staff notes that the greens are in good shape with few problems.

Practice Areas: The practice area is the best in the City of Houston system in terms of conditioning and facilities, and is a strong revenue center for the golf operation.

Vegetation: The vegetation on the course is very mature and appears to have been augmented throughout the years. This continual planting of new trees has created tight shaded areas on the golf course that are especially detrimental to some areas around tees and greens. Trimming trees requires approval from the Park and is a very laborious undertaking. It was noted that the maintenance staff also has a nursery of some 600 trees on the grounds to use when needed.

There are also many varieties of landscaping treatments on the entire course to provide visual interest for the golfers. Included are ornamental landscaping around the teeing areas, and native and wildflower areas in the outer roughs.

Existing Design & Routing

Routing: The course routing is strong; there is a good mixture of par 3's, par 4's, and par 5's, which vary in length and take advantage of the natural terrain. The course is surrounded by trees and is free of views of houses or streets.

Strategy and Playability: In general, the strategy and playability of the golf holes are good. Memorial is the longest of the City golf courses and is a fine test of golf from any set of tees. However, it should be noted that the heavy planting of trees over the past years has started to diminish the strategy of some golf holes. Planting trees can be positive, but the planting of trees close to the fairways and greens will eliminate much of the intended strategy and charm of golf holes. Instead of golfers having the thrill of playing a hole to their liking — perhaps along one side to gain a better line at the green — golfers are in many cases now “funneled” toward the target.

Paths & Circulation: Cart paths were rebuilt/renovated in 1994 and provide uninterrupted access through the entire course. The clay soils found on the site are a small problem for the maintenance staff as they are constantly repairing sections that have settled, cracked, etc. Directional signage, hole signage, and distance markers are adequately provided around the golf course.

Existing Facilities: The sense of arrival to the clubhouse is quite positive. The main building was rebuilt/renovated in the mid 1990s and seems quite functional and well stocked. The City has leased the grill portion to a Beck's Prime chain restaurant, which provides many choices for food and beverage, and features both indoor and outdoor seating. The parking lot has adequate spaces for golfers, though it was noted that many of the joggers who use the running trails in the Park often use the golf parking lot on the weekends, which sometimes results in a lack of parking spaces.

The maintenance facility is in very good condition as it was recently re-built. The building provides sufficient office space for management and presents a professional appearance for guests. Storage space for equipment and turf products is sufficient.

Existing Maintenance Operations: Maintenance operations and practices at Memorial Park are above average for an 18-hole municipal operation. The current mowing practices appear to be adequate for producing good conditions. Greens are aerified and topdressed four times per year with light topdressing regimented once per month. The fairways are aerified twice per year. In addition, verticutting is conducted throughout the summer months.

Recommendations

Memorial Park Golf Course was renovated in 1994 and is by far the best facility in the City of Houston's golf facility lineup. The physical quality of both the golf course and all facilities are of extremely high quality. The facility is very similar to Torrey Pines in San Diego, in that it represents a “jewel” among public access golf facilities. The level of quality extends beyond the course itself to the clubhouse, practice and maintenance facilities.

- The City should continue its relationship with Baxter Span Golf Design in order to preserve the significant asset that is the Memorial Park design; the effect of this relationship will be to continue to update the master plan and to make sure that all decisions relative to the golf course have a clear and concise benefit to both the design and future operational considerations.

- NGF Consulting and FRA concur that the approved expansion of the driving range is a viable idea to increase revenue.
- The City should strictly enforce the “parking for golfers only” policy or develop plans to expand the parking lot to address the problems associated with too few spaces on weekends.
- Though we understand it is not in the City’s short term plans, the architect noted a potential opportunity in the future for land adjacent to the golf course to be utilized to attract a resort/hotel property that would enjoy synergy with Memorial Park. The effect of such a plan will be to establish a small percentage of play (tourists and groups visiting Houston) at much higher rates than the resident or local players, thus effectively helping to keep rates down for resident golfers. One identified area in which such a resort might be located is the existing tennis facility.

SHARPSTOWN PARK

The golf course has been under constant renovation to improve drainage, greens and cart paths. The relatively flat course, located on a 146-acre former rice field, was in good condition during the consultants’ visit and seems to offer a strong golfing value to the residents of Houston.

Existing Course Conditions

Irrigation System: The irrigation system is adequate to current standards. The Rain Bird control system makes it easy for the maintenance staff to water the golf course properly according to staff comments.

Drainage: As stated, the golf course is mostly flat. The city has done a good job establishing ditches throughout the golf course to pick up surface drainage and convey it to the drainageway. They have also been adding drainage pipe and catch basins to pick up water in some of the worst drainage areas.

Hazards: Although the bunkers lack much character, they function and drain well. Their location in relation to the golf hole is rather repetitive and uninteresting.

Tees: The tees have been renovated recently and provide adequate teeing ground.

Fairways and Roughs: 328 Hybrid Bermudagrass is used throughout the entire golf course. Considering the lack of a complete drainage system, the fairways and rough areas are in tremendous shape.

Putting Surfaces: According to staff, the greens were not built to USGA specifications, but they function adequately. Like the bunkers, the greens lack character and are nearly all the same in terms of slope.

Practice Areas: Due to land constraints, the golf course does not have a practice range. A netted enclosure adjacent to the #9 hole serves as a warm up area for golfers. The course does, however, have putting and chipping greens that are average in nature.

Vegetation: Sharpstown Park does not have the same problems with shade as most of the other City of Houston municipal golf courses. Trees have been strategically laid out throughout

the golf course. In addition, a tree-planting program is in place for safety and replenishment. Ornamental landscaping around the teeing areas provides visual enhancement for the golfers.

Existing Design & Routing

Routing: The golf course makes the best of its tight constraints. It moves well through the surrounding community and puts to good use the lakes and other natural features. The connection from hole #2 to #3 is a bit awkward and potentially unsafe, as the golfer must go back toward the line of play. Also, the new houses built along hole #4 crowd the property line and raise a safety concern.

Strategy and Playability: The course is lacking in strategy. Nearly every green is round in shape with a bunker in either the front-right or front-left. Nine holes have a bunker on the right front of the green and five holes feature a bunker short left. These characteristics contribute to a less than exciting round of golf. The course opens rather tough with golf holes of 573, 175, and 430 yards.

Paths & Circulation: Cart paths were renovated in 2002 and are in decent condition. Like the rest of the City of Houston golf facilities, signage is well placed throughout the course.

Existing Facilities: The clubhouse was built in the 1950s as Sharpstown Country Club and is serviceable for an affordable municipal facility such as this. However, it is certainly dated and will ultimately be in need of refurbishing. Updating the rest rooms should be one of the top priorities. The clubhouse is located adjacent to a City-operated swimming pool and community center. Signage directs the golf customers to the clubhouse. According to staff, the large parking lot is full to capacity in summer months. The cart storage building, located behind the #18 green, lacks the proper size or condition to protect the investment in new golf carts. The maintenance facility appears in good condition and provides sufficient storage space for equipment and turf products.

Existing Maintenance Operations: The maintenance operations and practices at Sharpstown Park are above average for an 18-hole municipal operation. The current mowing practices appear to be adequate for producing good conditions. Greens are aerified and topdressed three times per year with light topdressing scheduled once per month.

Recommendations

The recent renovations (drainage, irrigation, cart paths) to the golf course have helped Sharpstown continue to be one of the best golf values in the City of Houston system. The goal of providing outstanding customer service by the golf and maintenance staff is quite apparent.

- A proper cart facility is needed in order to help protect the City's investment in golf carts.
- A master plan should be developed that will identify bunker and green improvements; specifically, bunkers should eventually be redesigned to provide more interest, and greens should eventually be enlarged and re-shaped to provide more interest and variety.
- The addition of fairways bunkers should be master planned to help create a more challenging and strategic golf course.

GLENBROOK PARK

Glenbrook was originally built in 1940 and was designed by John Bredemus. Robert McKinney was hired to redesign the entire golf course in 1991, when the Bayou River channel was redirected. This small, 100-acre golf course has housing on its perimeter.

Existing Course Conditions

Irrigation System: The irrigation system appears adequate to current standards. A large pumping lake is located on the hole #12.

Drainage: The rolling terrain lends itself to adequate surface drainage. Very few drain pipes and catch basins are evident.

Hazards: Careful thought was put into bunker placement. Most of the hazards are located near the greens to challenge approach shots. Bunkers appear in good condition.

Tees: The tees are too small and not very level. An effort has been made recently by the lessee to add some teeing area, but this was done with little regard for design. Even the new tees are too small, and are not level.

Fairways and Roughs: Because of land constraints (acreage), mounding has been used to separate the golf holes in a fairly interesting fashion. Many of these mounds continue into the fairway and add to the rolling effect. The turfgrass in the fairway and rough areas is in marginal condition. Six of the golf holes cross the Bayou River. Landing areas are limited in places.

Putting Surfaces: The greens were built using the “California Method” of construction, with a 12-inch layer of pure sand. The greens have the character of a golf course designed in the 1990s and seem to fit in with the overall design. It is hard to tell if aerification and topdressing practices are part of the regular maintenance program. A cursory examination of the green interior reveals a heavy thatch layer and very few aerification cores. It is difficult to cultivate adequate Bermudagrass for greens if the maintenance practice, as appears to be, does not include adequate aerification and verticutting. The second green is located in a corner of the site surrounded by trees and an effort is being made to move the green out of the shade according to staff.

Practice Areas: The golf course currently has no practice range. The lessee is planning to build a practice range adjacent to the houses along the eastern edge of the property. This would force the realignment of the #17 and #18 holes, arguably the two best holes on the golf course. A small putting green is located near the clubhouse.

Vegetation: Tree planting is adequate and not overdone. Trees do not constrict the golf holes despite the limited acreage. Very little attention has been given to landscaping the teeing areas.

Existing Design & Routing

Routing: The course routing plays well with the Bayou River, woodlands and adjacent housing. However, several safety concerns exist on the golf course due to its limited acreage, including the cart path near the #5 green, which swings into the #3 fairway, and the connection from hole #11 to #12, which is being shared with oncoming traffic of hole #10. In terms of playability, the design of the #12 hole demands a tee shot crossing the Bayou River that must avoid the is completely hidden pumping lake. The tee at #12 is directed toward the lake. Large willow thickets have been left to grow on the left side of the tee, further forcing golfers toward the hidden lake.

Strategy and Playability: The course has a good mix of demanding, yet simple golf holes. Very few fairway bunkers have been used, but with the tight routing they are not really missed. It is evident that much thought went into the design of the golf course despite its limited acreage.

Paths & Circulation: The cart paths do not fit well with the golf holes. Instead of flowing in and out of the mounding, they are merely placed on top of the mounds in roller coaster fashion. This does not lend itself to a pleasant ride or a good aesthetic. Also, many of the paths are placed in swales and used as drainage conveyance. The cul-de-sac on hole #6 is too narrow and wear is apparent on the outside edge. Hole signage is adequate. Distance markers are confusing and often represent incorrect yardage.

Existing Facilities: The golf course is rather difficult to find within the surrounding residential area. Better signage along the major arterials outside the neighborhood is needed. The clubhouse is very large and seems out of scale for the golf course. The pro shop is poorly stocked and has a very old, dated feeling. There seems to be a lot of wasted space – some of which could be used to expand the seating area of the very successful food & beverage operation, which is very small. The large parking lot is sufficient for the level of play. The maintenance facility is disjointed and features very little enclosed storage area for materials or golf carts.

Existing Maintenance Operations: Maintenance operations appear limited and constrained. It is apparent that turf conditions and the general orderliness of the course are not up to even average standards. A new superintendent was recently hired, according to on-site staff. It remains to be seen what this individual and his staff of only four can do to change the less than ideal maintenance practices that have apparently been in place.

Recommendations

A professional maintenance program is desperately needed in order for Glenbrook Park to continue to be a viable option for Houston golfers. The addition of a practice facility, while providing revenue for the lessee and the City, would come at the expense of the #17 and #18 holes. Both golf holes would be shortened and remodeled to accommodate the practice range. In addition, the new practice area would be configured next to an existing community of houses. This is likely to cause many problems. Errant golf balls, regardless of any netting that can be installed, are to be expected on the adjacent property owners land and in the city streets. Safety issues on the golf course need to be explored.

- A qualified golf course architect should be engaged to address programming additions such as the proposed driving range, as the City should not allow reconfiguration of the course (asset) without careful documentation and the expertise of a professional. The City may be held accountable for safety issues resulting from allowing an existing golf course to be changed – in this case, through the addition of a practice range.
- It is understood that the City, as part of the concession agreement, has the right to inspect the course at any time to see if the maintenance and agronomic minimum standards set out in the contract are being met. We feel that frequent inspections of this course are warranted in order that the City maintain its interest in the condition of this golf course asset.

HERMANN PARK

Hermann Park, centrally located on 122 acres within a 407-acre park complex of gardens and open spaces, underwent a complete \$3.6 million renovation in 1998, including a new, relocated clubhouse, and new cart barn and maintenance facilities.

Existing Course Conditions

Irrigation System: The irrigation system was replaced in 1998 during the overall renovation and is adequate to current standards. It is a Rain Bird system offering decent control for golf maintenance staff.

Drainage: The drainage system on the golf course was installed in 1998 in conjunction with the remodeling work noted above. The entire site is very flat, and as a result, there are some areas of the golf course that still do not drain very well. Much of the water on the golf course flows into one of the eight lakes on the course.

Hazards: The bunkers function well, although their style and location lack much interest.

Tees: The tees appear to be in good condition. A few of the tees direct the golfer away from the fairway and pose a safety concern.

Fairways and Roughs: Many of the fairways are in poor condition due to segmentation by the lakes. The placement of the lakes forces all golfers to land their ball in roughly the same spot. Consequently, the turfgrass takes quite a beating. In addition, the shade caused by the mature trees on the golf course render these areas less than ideal for growing turf grass.

Putting Surfaces: The greens were re-built in 1998 and are in relatively good condition, considering their small size. Many of the greens have the same design with a severe step separating the front and rear portions. Two of the greens are drained — surprisingly — with catch basins actually located within the green to supplement the traditional drainpipe in the core of the green. This is unusual and generally not recommended.

Practice Areas: The practice range is located in an area of the golf course containing large oak trees and feels constricted. The golfer is forced to work the ball around huge trees located within the range itself. According to staff, the putting green is a constant problem, as it does not drain properly.

Vegetation: The vegetation on the course is immaculate. Some of the largest oak trees in the city of Houston can be found on the golf course. Trimming these trees requires approval from the “Friends of Hermann Park” and is a very bureaucratic undertaking. As a result, constant shade is a problem for the maintenance staff, as pruning is not performed as frequently as needed.

Existing Design & Routing

Routing: The routing of the golf course is at times confusing. When the golf course was renovated in 1998, the clubhouse area was moved to the corner of Almeda Road and Hermann Drive for more exposure at the intersection, and to detach it from the zoo complex. As a result, a few of the holes were realigned and became detached. For example, the connection between the first and second holes is 900 feet. This distance is unacceptable, especially for a course where walking is a viable option due to its core design.

The placement of the lakes forces the golfer to lay up in the same general area on many of the golf holes. This was apparently done to protect par on the rather short golf course, but comes at

the expense of robbing the joy one might find in attempting to reach or nearly reach a green at the consequence of a risky shot. A public walking path that parallels the #16, #17 and #18 holes is a safety concern. Another safety concern exists along the #17 and #18 holes where streets and office buildings front the left property line. Errant balls are reported to be a continual problem in this area.

Strategy and Playability: Both are lacking at Hermann Park. The location of the lakes in the middle of the fairways takes much of the strategy away from playing the golf course. Consequently, the golf course is not very playable for the junior, senior or novice golfer. The condition of the fairways and uninteresting greens also contribute to an awkward golf experience.

Paths & Circulation: The cart paths were installed in 1998 and provide uninterrupted access through the entirety of the course. Directional signage, hole signage, and distance markers are adequately provided around the golf course.

Existing Facilities: The new clubhouse, built in 1998, is functional, with a pro shop, restaurant and patio area. The architecture, however, is rather uninteresting when compared to the impressive Spanish-mission style building that was the original clubhouse. That historic building is now an office complex near the #2 tee. Located near the new clubhouse is a cart storage building. (This facility might serve as a good model for the City when it comes to developing new cart buildings.) The maintenance facility is ample in size and easily handles the equipment and material storage.

Existing Maintenance Operations: Overall, the maintenance of the golf course average to good during our visit.

Recommendations

Location is the strongest asset of Hermann Park golf course. Despite relatively high activity levels, the golf course design itself is its greatest liability. It's difficult to believe that the old, original course was so bad that it had to be rerouted and significantly changed in 1998. Even though recent changes were implemented just six years ago, they are poorly configured and seem to have eroded the golf experience. Whether the 1998 changes improved the course or not, the current course is likely underachieving based on its current configuration, as it is now a very difficult course for several golfing segments – namely beginners, seniors, and women – that are integral to maximizing play at municipal golf courses.

The architect feels, based on his evaluation of the facility and its tremendous location, that a re-design of Hermann Park would have the potential to transform Hermann Park into another "jewel" among the City's golf assets. However, we recognize that this course of action is not a viable option so soon after the 1998 renovation.

- The City should address safety concerns as soon as possible, employing the services of a qualified golf course architect.
- A full master plan should be commissioned to evaluate and weigh the associated benefits of improving the course with respect to playability, interest, strategy and practice area configurations.

MELROSE PARK

Melrose Park is an 18-hole par-3 golf course that provides an alternative to the regulation length golf courses for the young, old or novice golfer.

Existing Course Conditions

Irrigation System: Irrigation is limited to the greens on the golf course. It appears adequate for an alternative (par-3) course of simple configuration.

Drainage: There is no sub surface drainage on the golf course. Rains continually shut down this flat golf course as a result of standing water.

Hazards: There are no bunkers on the golf course.

Fairways, Roughs and Tees: These are all in average condition for a simple course.

Putting Surfaces: The greens are of the push-up variety and withstand the very low annual play levels.

Practice Areas: The driving range has a relatively large lighted teeing area that is in fair condition. Melrose also has a small practice chipping green. The manager reported that the lights to the range, unlike the those on the rest of the course, are functional; however, they are not currently utilized.

Vegetation: Very little vegetation exists on the golf course. A few scattered trees add interest.

Existing Design & Routing

Routing: The golf course is routed well through the property, but is generally unexciting.

Strategy and Playability: As expected, the golf course is quite playable. Most of the holes range in length from 75 to 125 yards and can be played with only a handful of golf clubs by most golfers.

Paths & Circulation: No cart paths are located on the course and signage is rather limited. While cart paths are not necessary, signage would be a nice touch.

Existing Facilities: The golf course is easy to find. The small clubhouse and parking lot can easily accommodate the number of golfers that currently frequent the course

Recommendation

This facility may be better configured as a 9-hole, par-3 course. By eliminating nine holes the City would greatly reduce maintenance costs, free up land and allow practice facilities to be slightly expanded.

- The City should study the feasibility of reconfiguring the course to 9 holes and expanding the practice opportunities.
- Lighting should be evaluated, as this facility might be an excellent night venue for parents and youth.
- The City should explore funding from sources such as First Tee, USGA (“Good for the Game” Grant Program), PGA, etc., focusing on player development and youth activities associated with golf.

F.M. LAW PARK

This facility consists of a 9-hole golf course and practice facility, with clubhouse and maintenance facilities. The course was built in 2000 in conjunction with the First Tee Program of Houston. It serves as a learning center for the junior golfers and helps them develop into better golfers and citizens.

Existing Course Conditions

Irrigation System: The irrigation system is reported to be in excellent condition. The system can be accessed by satellite control from the maintenance facility at Memorial Park.

Drainage: The drainage of the golf course functions well despite its reliance on surface drainage.

Hazards: The bunkers are relatively new and appear free of major defects.

Tees: The tees are in generally good condition and provide adequate teeing ground.

Fairways and Roughs: The fairways are in good condition.

Putting Surfaces: The greens were reportedly built to USGA specifications and are in good condition.

Practice Areas: The practice facility boasts the widest teeing area of all the City of Houston golf courses, at 500 feet wide. This provides the teaching staff with plenty of room to accommodate the junior golfers during their many seminars and lessons. In addition, the range is lighted. The putting and chipping greens are located near the clubhouse.

Vegetation: The trees on the golf course are rather young and with time will provide an interesting parkland experience for the golfers.

Existing Design & Routing

Routing: The overall layout of the facility is simple and somewhat disjointed. The practice range is located several hundred yards from the clubhouse, which seems odd for a fully planned project. Better planning would have centralized the range and allowed for better access. The golf course routing is rather rudimentary, in an out and back fashion with holes mostly paralleling one another.

Strategy and Playability: The length, strategy and playability of the golf holes are good.

Existing Course Set-Up: There are no cart paths on the golf course, and they are not needed. Directional signage, hole signage, and distance markers are adequately provided.

Existing Facilities: The clubhouse is rather unique in that it serves as a teaching center with a classroom and indoor practice stations. The parking lot is very functional and easily handles the amount of parking required. No restaurant facility exists on the site and none is needed, according to staff. A new maintenance facility is planned for future construction.

Existing Maintenance Operations: The current mowing practices appear to be adequate for producing good conditions. Greens are aerified and topdressed four times per year with light topdressing performed once per month.

Recommendation

F.M. Law Park is a good facility for providing a quality teaching environment for the junior golfers of Houston. The course functions well, though the design is not optimal due to the locations of the driving range and the #9 green. Focus on future programs for junior golf is highly encouraged. No major renovations are recommended, but as with all facilities, the City should closely monitor changes and make sure that any improvements take into account the design of the course and its facilities.

CITY-WIDE RECOMMENDATIONS

The following observations and recommendations are based on the overall evaluation of the City's golf facilities:

- The City should discontinue the policy of allowing private enterprises to modify and change their golf courses without significant oversight and control. The City should establish direct control over design changes and specifications for all work undertaken at its golf properties by hiring professional consultants to guide the planning.
- The City should engage a qualified golf course architect(s) specifically for the purpose of developing prioritized master plans for the facilities identified in this report as being candidates for transformation and/or improvement. It may be advisable to consider issuing an RFQ for an "On Call Golf Course Architect" - in essence a professional consultant to work with the City over a one to two year period. Under such an arrangement, the professional golf course architect would be available for a variety of projects — large and small — and could be directed toward "hot" projects among the City's facilities.
- The City should have closer checks and balances of maintenance practices at privately run facilities. Private management companies should be required to provide more accounting of maintenance regimes, which would then be evaluated and approved or rejected by Parks Department officials.

OVERALL SUMMARY

The City of Houston has a considerable asset portfolio of municipal golf facilities, as entitled golf course properties are prime assets within an urban area. The City's golf properties cover a wide range of physical condition. Of the eight properties owned by the City, there are five properties managed by the Parks and Recreation Department's Golf Operation Division. Of these five properties, all but Gus Wortham were in generally good to excellent (Memorial) condition during the consultants' visits. Of the three leased properties, Hermann Park was in average to good condition, while Glenbrook was in below average to poor condition. Melrose is in average condition considering its fee structure, but suffers from a lack of irrigation on the fairways and poor drainage in many areas of the course. Significant improvements and changes would need to be implemented, especially at Glenbrook and Melrose, to bring the golf experience at these privately run facilities up to the standards of the City-run courses.

To their credit, the City has undertaken forward thinking renovation work on the facilities under their direct management. These improvements have contributed to offering viable golf amenities for the residents of Houston. It is noted, however, that although several improvements have been made over years, only at Memorial Park has a formal master plan been initiated to guide such improvements. The result of this approach has been a fragmented investment that

has produced a lesser impact at each course than would have been realized if comprehensive master planning had been undertaken.

Nearly all of the eight City of Houston golf facilities are in need of some degree of improvements and modification that will make them: (1) more competitive among other courses in the area; (2) more appealing to the golfing public; and (3) stronger assets for the City and the various user groups.

The key to long term and successful improvement will only be realized by adopting a clear and concise master plan for improvements on a citywide basis. Commensurate with adoption of master plan to cover all of its golf assets, the City must also adopt a financial and operational plan. These two efforts need to be undertaken in order to integrate the City's goals for each facility with reasonable expectations of return on investment, given the realities of the Houston golf market.

Summary Statement

NGF Consulting has conducted a detailed review of the management and operations of the City of Houston's municipal golf operation. NGF Consulting's analysis has revealed a high-quality operation that the residents of the City of Houston can be proud of. Though our review revealed operational, administrative, and physical issues, at both the individual facility and overall administration levels, that need to be addressed to make the system even better, the eight-facility Houston system is one of the better municipal golf operations we've observed, especially given its size.

Houston's eight facilities comprise a strong and valuable portfolio of golf course assets, several of which are unique in that they enjoy such proximity to a large, thriving urban center, yet still feature rich parkland settings. Several of the City courses, including Memorial Park, Gus Wortham Park, and Sharpstown Park, also have rich histories tied to them, making them even more valuable to the city and its residents.

Due to a variety of factors, both internal and external, rounds, revenues, and net profits have been declining system-wide over the last five years. As a result, the City faces some difficult financial decisions, as delineated in the body of this report. NGF Consulting fully expects that the system will continue to be among the strongest in the country, and will likely begin recovering activity levels and profits due to the expected improvements in the system resulting from implementation of some of the recommendations detailed in this study. Continued vigorous population growth, combined with the abatement in new golf course construction that we are finally witnessing, will also help in the recovery.