



COUNCIL LETTER

MEETING DATE: November 15, 2016
REQUESTED BY: Steve Grimes, Director
Parks & Recreation

<p>ITEM TITLE:</p> <p>National Golf Foundation Report Presentation.</p>
<p>Explanation (Background & How it Responds to Vision, Mission or Goals)</p> <p>The National Golf Foundation was recently contracted with to conduct a review of the Palmer Hills Golf Course, its current operations, and proposed enhancements. Richard Singer, from the NGF will be present to provide a summary of the report with a focus on the proposed addition of a Par Three Course and Large Putting Green. This report is informational only at this time and no action is required.</p>
<p>If the matter is not budgeted in the current year, explain why funding is requested and the anticipation:</p> <p>List Attachments:</p> <p>None</p>



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October 14, 2016

Steven M. Grimes,
Director Parks and Recreation
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RE: Market Analysis for Palmer Hills Golf Course Improvements

Dear Steve:

The following letter and report comprise a summary of the National Golf Foundation's ("NGF") review of the City of Bettendorf's ("City" or "Bettendorf") golf program, specifically related to the operation and proposed changes for Palmer Hills Golf Course ("Palmer Hills GC" or "PHGC"). The review is based on NGF market research, visits to the property, meetings with golf course and City administrative staff, and information gathered from ongoing and custom NGF research. The review included a strategic look at the City's overall golf offering, with specific evaluation of completing a program to enhance the City's municipal golf course with new golf amenities designed to improve the playability and marketability of the golf course by appealing to a wider segment of customers. NGF considered, among other factors, the present physical condition of Palmer Hills GC, the market environment in which it operates, and alternatives for improving the golf course and maximizing the economic potential of golf within the City of Bettendorf.

This NGF review was managed by Richard Singer, MBA, NGF's Senior Director of Consulting Services, and Ed Getherall, MBA, Director of Consulting Services. The NGF review was aided by support from the PGA of America and Rich Richeson, the Player Development National Manager. Our activities conducted in preparation of this report included a visit and inspection of the subject Palmer Hills GC, review of the area market, meetings with key golf course and Bettendorf administrative staff, and visits to several other area golf facilities that were deemed to be direct competitors with Palmer Hills GC.

This letter is presented to provide an "at-a-glance" executive summarization of the full NGF review, detailing the main findings and NGF recommendations for the City of Bettendorf in the continued operation of Palmer Hills. Additional details and support data can be found in the full body of our report and its appendix.

OVERALL SUMMARY

Palmer Hills Golf Course has the basic mix of amenities, design features and location to be a successful public golf facility. The NGF found that Palmer Hills GC:

- Is well-managed and well-maintained
- Is in a good location to provide activity support
- Can be more difficult to play and walk than many golfers would like
- Includes a very high quality clubhouse and concession operation
- Could be marketed and promoted a little better
- Would benefit from new investment in amenities that could attract new customers

Other Operational Observations

- The organizational structure in place to oversee, operate and maintain the City's golf course is sound, and should be sufficient to sustain operations even after a proposed enhancement of Palmer Hills GC is completed.
- Golf course staffing is currently adequate to sustain the City's golf operation and is fully consistent with national and regional benchmarks. However, the City will have to add additional staff for maintenance, operations and concessions if the proposed enhancement is completed.
- The Palmer Hills GC is essentially a fixed public golf operation with much of the activity being derived from a market of resident golfers who are active in one (or more) of the many leagues and clubs that frequent the facility. Having this core of committed, frequent players is a strength for Bettendorf golf, but also a potential future weakness as this core of frequent players is aging and is needed to be replenished with a new generation of younger golfers.
- The fee structure in place at Palmer Hills appears appropriate, with this golf course priced at or near the top of the local public golf market and directly comparable to the most immediate competitors.

Proposed Upgrades

The NGF team finds that Palmer Hills GC has capital needs that should be addressed to help improve the course's appeal, leading to improved rounds and revenue. This includes both changes to existing golf course and the addition of new amenities to broaden the appeal to a wider demographic. In addressing these issues, the City has three options, including:

1. **Maintain Status Quo** – The City could take no action with Palmer Hills GC and continue to run the facility on an “as-is” basis. This would keep PHGC as a golf course with a less-popular layout, likely leading to continual declines in activity.
2. **Repair In-Place** – The City could opt to complete a modest improvement program to address issues to improve the golf course and key infrastructure. This would create a more appealing golf course, but not address issues of increasing activity and adding new attractions to draw new customers to Palmer Hills GC.
3. **Full Property Enhancement** – The City could complete a more extensive enhancement program at Palmer Hills, addressing both existing golf course issues and adding new amenities. The features that could be added to the property to enhance the appeal include golf-related services that target new players from a younger generation, and should contain “beginner-friendly” elements and new programs that add life and energy to the Palmer Hills facility.

Overall, Palmer Hills GC is in excellent maintenance condition and it is clear that the course is being effectively managed. Staff is doing the best they can with what they have, but there are many factors contributing to constrain activity. Quad Cities is a particularly strong golf market with a large golfer population. However, there is also a lot of competition for the public golf consumer in the market, and an opportunity for an improved golf facility with new features to stand out from the crowd. As such, it is important for the City of Bettendorf to do all it can to stay ahead of competitors and preserve and grow the market share of Palmer Hills GC.

Market Analysis Findings

- The City should also understand that the external (uncontrollable) golf market will present challenges to continued strong economic performance of Palmer Hills GC. Interest in golf is not growing enough on its own to sustain public golf courses, and more is needed to develop and train new golfers. The NGF notes the ideal facilities to provide this new player development, especially among younger people, match the new features proposed to be added at Palmer Hills GC.
- The market factors reviewed by NGF show mixed findings. On the positive side, the demand for golf in this market is strong and NGF has documented that the State of Iowa has the highest golf participation of any state in the U.S. On the negative side, the total per-capita supply of golf courses is less favorable than the national benchmark. The supply-demand balance is generally unchanging and so the development of new players and the attraction of visiting golfers will become paramount for the Palmer Hills GC operation to remain viable.
- Contrary to popular belief, golf participation remains healthy, but not without challenges related to changing demographics. Multiple NGF studies show the gradual decline in golfers as an impact of lower job security and concern over personal finances, **not waning appeal for the game**. Over 2.5 million interested prospects tried golf for the first time in 2015, one of the highest totals ever recorded. Recent trends suggest that a wider variety of services are driving demand for public golf service, especially in younger age segments. As a result, the NGF expects that amenities other than a standard golf course (clubhouse, lively driving range, short courses, putt-putt, activities, etc.) will become more important in customer attraction and retention at public golf courses.
- In completing our review for Bettendorf, the NGF collected information and data on other area municipal golf systems. The NGF team found:
 - Palmer Hills GC earns the highest average revenue per round, reflective of its higher quality food and beverage operation.
 - Bettendorf has the highest overall operating expense per hole and the highest labor expense per hole.
 - Bettendorf has the largest golf staff per 18-holes, although this staff is still smaller than U.S. industry average.
 - All of the local municipal golf operations profiled show losses on golf operations. The City of Bettendorf's loss on Palmer Hills GC is not the largest loss at an 18-hole municipal course in this market.
 - Four of the Cities show rounds down from 2011 to 2015, with the largest decline at the City of Davenport golf courses.

Economic Performance

- Figures provided by the City show a general decline in rounds activity at Palmer Hills GC, but a recent increase in revenue and higher average revenue per round of golf. The expenses needed to operate the facility have been stable, but this is largely a result of recent staff reductions. In total, Palmer Hills GC is operating with a net **cash** loss of **(\$102,381)** in FY2016, an income reduction of 60% over the **(\$64,198)** loss recorded in FY2015.
- What does stand out to NGF in reviewing the Palmer Hills GC is that the facility is earning relatively high average revenue per round of golf, estimated at \$41.29 in FY2016, which is considerably higher than the industry standard of \$33.21. At this rate, Palmer Hills GC could produce total revenue as high as \$1.23 million annually, if rounds were increased to 30,000 (achieved as recently as FY2009).
- The NGF review of Palmer Hills' economic performance strongly suggests that the golf course is not capable of generating enough income to cover on-site expenses **and** internal overhead, depreciation and capital projects without continued General Fund (taxpayer) support. The NGF does not expect that Palmer Hills GC will be able to cover the direct cost of proposed improvements, meaning that the budget to complete proposed enhancements will have to be funded through some mechanism external to the golf fund, like City support, grants or more comprehensive general obligation bonding.

RECOMMENDED COURSE OF ACTION

NGF Consulting has prepared a schedule of specific recommendations to be considered by the City. These recommendations have been organized into: (1) basic oversight and structure; (2) physical enhancements; and (3) operations and pricing.

Basic Oversight and Structure

The NGF team recommends that Bettendorf continue to operate Palmer Hills GC directly under its present form of self-operation, but with some modifications. This structure will offer the City the greatest chance for success in the operation and provide a level of hands-on control of the re-branding of Palmer Hills GC that will be required for the City to maximize the benefit of the enhancement program. The key modifications to the City golf operation include:

- Improve marketing, focusing on both golf and non-golf services (food & beverage, putting course, pitch & putt, range, pavilion), and new player development.
- Add new employees to the golf course (or modify existing positions) to provide service for new amenities, and specialize in marketing, advertising and otherwise promoting Palmer Hills GC.
- Invest in facility improvements and begin planning for the funding of needed capital improvements. This plan should be funded outside of net golf income, as this revenue will likely never be sufficient to provide the updated facilities that are needed to compete effectively for expanded markets.

Physical Improvements

The NGF recommends that the City proceed with its Palmer Hills GC enhancement program, as outlined by Paul Miller as Option C. This would involve the addition of new attraction amenities to the facility, as well as some on-course playability improvements. The enhancement components the NGF recommends correlate with the Option C enhancement, and will cost an estimated \$1.59 million, and will include:

- A new 6-hole “pitch & putt” course
- A new 65,000sf all grass putting course
- A new range support building with additional concession space/service
- Changes to enhance the playability of Palmer Hills GC
- Additional facility improvements to entry, parking and site presentation

Enhancement Implementation Plan

NGF recommends the improvement program at Palmer Hills be completed in phases, with each building on the foundation established in earlier phases. This order is based on the NGF’s recommended sequencing, and can be summarized as follows (with NGF-estimated costs):

Palmer Hills Golf Course Enhancement Plan		
Project – Option C	Timing	Estimated Cost
Preliminary, preparation, mobilization	Complete in FY 2017	\$65,000
New Hole #13		230,000
Hole # 14 Changes		5,000
Design and contingency		240,000
New 6-hole Pitch & Putt course	Complete in FY 2018	500,000
65,000 sf grass putting course		205,000
Night lighting for putting course		65,000
New 1,500 sf range support bldg.		225,000
New range netting (925 ft x 50 ft)		170,000
New parking (10,000 sf)		50,000
New Maintenance Equipment		65,000
Total Project – Option C		\$1,820,000
Source: Paul Miller Designs and NGF Consulting, 2016.		

Potential Impact of Palmer Hills GC Enhancement

The upgrades proposed by the City of Bettendorf to add these amenities to the Palmer Hills facility are appropriate, consistent with observed facility deficiencies, in line with observed upgrade priorities and fully supportable in this area market. The proposed enhancement will:

- Modernize the Palmer Hills GC offering
- Add amenities to help broaden the appeal of the facility to new segments of customers, many of which are not avid golfers
- Improve the overall appearance and “family appeal” of the facility, especially to the younger demographic that is showing more interest in taking up golf
- Help Palmer Hills GC stay ahead of competition

Operational Recommendations

NGF has also prepared recommendations to address some changes that will be needed in the Palmer Hills GC operation to help grow activity and revenue at the facility. The NGF recognizes that many of these items are already being enacted, but simply need more focus, resources and attention. Our operational recommendations include:

- Improvements to marketing and branding
- Staff enhancements to support new services
- Enhancement of electronic capabilities (website, email, etc.),
- **Programming** - of particular focus of NGF is the clear need to provide appropriate programming to support new amenities and services. The City cannot just expect new customers to “show up” because new amenities are added. There must be programming such as:
 - Leagues
 - Tournaments
 - Contests
 - Social gatherings
 - Theme nights
 - Player development / lessons (include the PGA’s free service to help member facilities improve in this area)
 - Additional Quad Cities *First Tee* location

CASH FLOW RESULTS

NGF Consulting has created a cash flow model to show the expected performance of Palmer Hills GC in light of the enhancement program proposed by the City of Bettendorf for the next five years of operation. The projection was based on a set of assumptions related to golf course operations and external market factors that are subject to change. The estimates were created to help the City understand the expected performance of the golf course in the coming years, assuming the enhancements as proposed and a “standard” market environment.

The results of NGF Consulting’s preliminary cash flow projection show that if the Palmer Hills GC operation is continued along with the proposed enhancements, (new amenities + golf course improvements), the facility is expected to produce revenue totals in the \$1.4 million range by 2019, if the City maintains slight (1%) annual fee increases. Considering all preliminary expense estimates prepared by NGF Consulting for this study, the annual net income before depreciation and capital will improve, reaching as high as \$107,000 by 2021. A summary of the changes in activity and NGF-expected new revenue streams are shown in the table below:

Palmer Hills GC	FY2018	FY2019	FY2020	FY2021	FY2022
Total Golf Rounds	27,500	30,000	30,500	31,800	32,500
Pitch & Putt Rounds	1,500	3,000	3,500	3,750	4,000
Putting Course Rounds	1,500	3,000	3,500	3,750	4,000
Estimated New Direct Revenue Steams					
Putting Course	\$7,500	\$15,200	\$17,900	\$19,300	\$20,800
Pitch & Putt	\$9,000	\$18,200	\$21,400	\$23,200	\$25,000
New Range Concessions	\$13,500	\$27,300	\$32,100	\$34,800	\$37,500
Total New Rev	\$30,000	\$60,700	\$71,400	\$77,300	\$83,300

The improvements proposed for Palmer Hills GC are clearly needed to keep the facility relevant in the Quad-Cities golf market and get ahead of impending repairs that will be required in the coming years anyway (golf course repairs, hole #14 - hole #1 improvements, etc.). The enhancement addresses all of these items, plus additional playability items (forward tees, wider fairways, etc.), so as to have significant market impact. However, as noted above, the new direct revenue derived from new amenities will not be sufficient to **justify a \$1.8 million cost to develop the new amenities but NGF does expect the enhancement program to help increase regular golf rounds and other areas of revenue.**

SUMMARY

Bettendorf is operating a public golf course that is of good quality, although the Palmer Hills GC may be less popular due to the difficulty of playing and walking the golf course. In addition, we find that Palmer Hills GC does not “stand out” in this crowded public golf market with many competitors and choices for golfers. It is clear that by enacting the enhancement program that the City has proposed, adding new elements like a grass putting course, pitch & putt course and “livening up” the range, the City can create a much more enjoyable golf experience at Palmer Hills that would appeal to a much wider demographic of new customers than currently uses the facility.

The market for public golf in Quad Cities is very competitive, and the golf courses in this area will become more and more dependent on the development of new golf players to support operations. The NGF finds that public golf courses that offer the highest quality and broadest appeal are going to be the most successful. As such, the NGF team finds that improvements to Palmer Hills GC are crucial in maximizing the economic performance of the facility, and inaction on these improvements may lead to a period of continued declines in activity and revenue.

The enhancements proposed for Palmer Hills are fully consistent with NGF observations on successful public golf courses and if completed at Palmer Hills GC would create an outstanding golf facility that would become the market leader for the Quad Cities area. However, the City cannot just assume the new additions will be enough to reach the economic projections made in this NGF study, and the City must be prepared for extensive programming that will be required to make these new elements work for the City’s golf course.

Steve, we very much appreciate your confidence in the National Golf Foundation and its consulting services, and we have enjoyed the opportunity to be a part of your planning for Palmer Hills GC. We are hopeful that the information and recommendations NGF has provided will assist you and City officials in your upcoming decisions on Palmer Hills. I am happy to talk with you or any other City staff or elected official to discuss our report, or other matters related to golf facility operations or market/industry trends. We look forward to your questions and hope you enjoy reading our consulting report.

Sincerely,



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Market Analysis For Palmer Hills Golf Course Improvements in Bettendorf, IA

Prepared For:

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September 2016

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Introduction

PURPOSE

NGF Consulting was retained by the City of Bettendorf (“Bettendorf” or “City”) to assist in evaluating the current condition and future market potential of the City-owned Palmer Hills Golf Course (“Palmer Hills GC” or “PHGC”). The City is considering options for the future of this facility and seeking to better understand the realistic economic potential of the City golf system given market and site realities. The results of this market and facility analysis will be used to help determine the appropriate course of action.

BACKGROUND

The City of Bettendorf is operating the Palmer Hills Golf Course, a regulation-length, 18-hole golf course originally developed by the City in 1974, with a new clubhouse addition in 2006. The facility represents a true “neighborhood” golf course and is highly popular with Bettendorf residents. The golf course generated approximately \$1.13 million in total on-site revenue from golf operations in FY2016, along with about \$1.21 million in total operating expense (including cost of sales / excluding depreciation), of which about 59% is from personnel expenses. In 2015, the golf facility was operating with revenues that were not enough to cover all day-to-day on-site operating expenses, let alone any additional capital projects or depreciation. This basic financial condition is common in municipal golf across the U.S., as NGF surveys indicate that only about 33% of public agency golf courses are currently covering ***all*** expenses including depreciation and capital obligations.

The City’s golf course has seen steady decline in the number of rounds played, falling from over 34,000 rounds of golf in FY2006 to only 25,400 in FY2013 and slight recovery in the last two years to 26,800 in FY2016. This decline has occurred for a number of reasons, some of which are not controllable by the City. Factors such as weather, lingering effects from the most recent recession, the declining interest in golf, limited time availability and an aging golfer population have all contributed to the recent decline. It is clear to the NGF that the City will now have to become more active in addressing the issues related to golf operations and may even have to accept a “new reality” for the performance of this facility. The review and recommendations contained in this report from NGF are designed to help the City understand the actions it can take to help maximize the performance of the golf course, while also fully understanding the uncontrollable factors and how they affect the golf facility.

NGF REVIEW – 2016

In 2016, NGF Consulting was retained by Bettendorf to assist with evaluating the golf course and to make recommendations to help ensure the long-term viability of the facility. This includes a thorough review of Palmer Hills GC on an ‘as-is’ basis, as well as an examination of the capital needs and changes that could be made to enhance the future potential of the City golf course. Specifically, the City is considering changes at Palmer Hills GC to add new amenities such as a 6-hole “short” course, a new putting course and driving range changes, all designed to broaden the appeal of the facility and open the course up to attract a whole new demographic of customers that are currently not using the facility. It is expected that the results of this NGF study will be used by the City as a guide for the future of its golf facility. The review includes an evaluation of Palmer Hills GC as it is presently operated, and includes several ideas for physical changes that could be made to help improve the overall economics of the golf enterprise.

The findings and recommendations presented by NGF in this report are based on NGF Consulting experience, knowledge of golf industry best practices, and a review of Palmer Hills GC. NGF completed tours and meetings with key personnel (golf managers and City administration) in July and August of 2016.

Under consideration for this report is the present condition of Palmer Hills GC and the status of the greater Quad Cities area public golf market. The purpose of this market and facility analysis is to provide the City with an evaluation of the local golf market and an estimate of the overall economic potential of Palmer Hills GC as a City-owned golf course.

The key components and issues of this report include:

- Overall condition and operating efficiencies of Palmer Hills GC.
- A review of golf industry standards and norms of operation.
- Status of the broader Quad Cities market area, with focus on external issues that can affect public golf operations, including the balance between demand and supply.
- Benchmarking Bettendorf golf operations with industry standards and norms.
- A comprehensive review of the present physical condition and capital needs of Palmer Hills GC, and what changes could be made to enhance revenue or reduce expense.
- A review of proposed new additions at Palmer Hills GC, including a new 6-hole pitch & putt course, a new grass putting course and other driving range changes.
- Providing recommendations on the appropriate mix of facilities in relation to location, quality, challenge and pricing.
- Provide recommendations to help expand the customer base for Palmer Hills GC, and provide strategic guidance to ensure golf's continued viability in the City.

The NGF consulting engagement was managed by Richard B. Singer, Senior Director of Consulting Services, with assistance from other NGF staff including: Ed Getherall, Senior Director of Operations; and Jodi Reilly, Consulting Administrator. The NGF review was aided by support from the PGA of America and Rich Richeson, the Player Development National Manager. In addition to meetings with Bettendorf officials and golf course personnel, the NGF consultants collected materials to aid in understanding the local market area, including economic, demographic, & weather data, and operating data from other regional municipal golf operations. NGF also collects considerable information and data on the golf industry on an ongoing basis as a regular part of our organization's work, and relevant parts of this information and data are presented throughout this report.

External Factors Affecting the Operation of Public Golf Facilities

To assess the activity levels and potential market opportunities for the Palmer Hills Golf Course, the environment in which it operates must be understood. Therefore, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. This overview will include an analysis of demographics and a brief discussion of the local economy. In the second part of this section we provide an analysis of key golf market demand and supply indicators and a review of the competitive public golf market in the Bettendorf / Quad Cities area, including some local benchmarking.

BASIC DEMOGRAPHICS AND THE LOCAL ECONOMY

NGF summarizes the population, median age, and median household income for the local markets surrounding the subject Palmer Hills Golf Course.

Demographic Analysis

The table in **Appendix B** summarizes key demographic measures and trends that relate to golf participation. NGF key observations include:

Local / State / National Summary Demographics						
Summary Demographics	Radials			County	State	Total
	3 Miles	10 Miles	15 Miles	Scott	Iowa	U.S.
Population 2010 Census	47,388	284,827	315,264	165,224	3,046,355	308,745,538
Population 2015 Census	49,190	287,541	317,644	169,010	3,116,698	319,998,423
Population 2020 Census	50,037	291,474	321,561	173,521	3,203,436	332,811,226
CAGR 2015-2020	0.21%	0.17%	0.15%	0.33%	0.34%	0.49%
Median HH Income (2015 Estimate)	\$75,355	\$49,006	\$50,863	\$53,799	\$52,610	\$52,747
Median Age (2015 Estimate)	41.5	38.4	38.9	38.1	38.4	37.8

CAGR = Compound Annual Growth Rate

- With close to 288,000 people within 10 miles (2015 estimate) and 318,000 within 15 miles, the market area around Palmer Hills GC provides a strong base for support of the golf operation, although only modest growth is expected in the next few years. The large population base and higher incomes in the local PHGC area are viewed as positive indicators for the economic health of the Bettendorf/Quad Cities area.

Other Findings

- The greater Bettendorf County/Quad Cities permanent population has stabilized, with little increase observed between 2000 and 2015. This trend is expected to continue with only a 0.2% increase in permanent population expected through 2020.

- Median household income in the immediate PHGC market is considerably higher than Scott County, Iowa and the U.S. In general, higher income residents are more likely to participate in golf and play more frequently than lower income residents.
- Median age in the market area is close to 38 years of age, which is directly comparable to the State and National median. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facility operators, all factors being equal.

Key Economic Factors

The NGF has examined certain economic factors that have the potential to affect the demand for public golf in the Bettendorf market area. Following are some key observations highlighting the economy, transportation, and visitation characteristics of Bettendorf and the surrounding Quad Cities market. The findings are viewed as mixed for the region, with Bettendorf showing mostly positive characteristics related to continued operation of Palmer Hills GC.

Climate

As with any outdoor recreation, weather impacts golf participation. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees Fahrenheit, although evidence suggests greater tolerances at lower temperatures in this local market. Understanding local weather patterns helps determine the number of golf playable days. The data suggests that golf in Bettendorf can be realistically played in a 7-8 month golf season, although local weather can vary and winter golf can be common in some years. With an average of ±25 inches of precipitation and 50 rain days during the seven-month summer season, this golf market is prone to a modest reduction in playable hours/days. The following table presents a summary of monthly weather data for the Quad Cities area based on 50-year recorded trends:

Climatological Data Davenport Cities, Iowa						
Month	Temperatures			Precipitation Inches	No. of Rain Days	Average Length of Day (Hours)
	Average	High	Low			
Annual	50	59	41	33.1	92	12.7
January	23	32	15	1.5	9	10.1
February	26	33	19	1.3	7	11.1
March	35	46	30	2.4	9	12.5
April	50	59	39	3.4	9	13.9
May	60	71	51	3.8	8	15.1
June	69	80	60	4.3	7	15.7
July	75	86	66	3.7	6	15.4
August	73	82	62	3.5	7	14.3
September	64	75	55	3.5	6	12.9
October	53	62	44	2.4	7	11.5
November	39	48	32	2	8	10.3
December	28	33	21	1.6	9	9.7

Source: Weatherbase.com, Quad Cities, IA

Bettendorf / Quad Cities Market

The Quad Cities market is a region of four counties in northwest Illinois and Southeastern Iowa, including five principal cities: Davenport and Bettendorf in Iowa, and Rock Island, Moline, and East Moline in Illinois. These cities are the center of the Quad Cities Metropolitan Area, which includes a population of 383,781 (2013 estimate) and a CSA (Combined Statistical Area) population of 474,937, making it the 90th largest CSA in the nation. The key NGF findings on the Quad Cities area economy that relate directly to the operation of Palmer Hills GC include:

- Bettendorf, Iowa is one of the primary Quad Cities, with a 2015 population (estimate) of 35,505. The City is a growing bedroom community, with several major employers including Alcoa (1,900 employees in Bettendorf). The first modern-day riverboat casino in the U.S. was launched in Bettendorf in 1991, and later became Isle of Capri Casinos. The Quad Cities Waterfront Convention Center opened in 2009, and is owned by the city and operated by the Isle of Capri. Beginning in 2012, a good portion of downtown Bettendorf's buildings are being torn down to make way for the new I-74 Bridge project, expected to begin construction in 2018.
- Quad Cities is becoming a popular destination for new residents with recent accolades related to growth and desirability. The area is among the most livable cities in the U.S. (CNN), and the most affordable (Forbes) and the fastest growing area for high-tech jobs (Forbes). The metro area has six major employers with 3,000+ employees, including the John Deere Company with over 7,300 employees. Growth and new job development are viewed as positive indicators for continued operation of public golf courses.
- A key project for the area, and Bettendorf in particular, is the new I-74 bridge across the Mississippi River - "Iowa-Illinois Memorial Bridge". The Bridge connects Moline and Bettendorf and is a twin suspension span built in 1935 and 1959, and adapted to carry I-74 in the early 1970s. The twinned towers are a symbol of the two-state Quad-Cities community. Built for a daily crossing of 48,000 vehicles, the daily average is now closer to 80,000, making it by far the most traveled bridge in the Quad Cities. The bridge is set to be replaced with a new eight-lane crossing with construction to be underway in 2018. The new bridge is expected to provide more convenient access to Bettendorf in the years that follow.
- Four interstate highways serve the Quad Cities: Interstate 80, Interstate 280, Interstate 74 serve both states while Interstate 88 serves just Illinois. U.S. highways include U.S. Route 6, U.S. Route 67, U.S. Route 61 and U.S. Route 150. The subject Palmer Hills GC is located exactly 1.5 miles east of the Middle Rd interchange with I-74, at the second exit after coming north from the Memorial Bridge. The location makes the PHGC convenient for golfers coming from a wide geographic area.
- The Quad Cities are served by the Quad City International Airport, Illinois' third-busiest airport, located in Moline, approximately 7.5 miles from Palmer Hills GC. This regional airport serves all major airlines (United, Delta, American, Allegiant), and provides service to hub cities (Chicago, Atlanta, Dallas, Denver and Minneapolis) and direct routes to Las Vegas, Phoenix and Orlando (on Allegiant). In 2010 the airport had 49,170 aircraft operations, an average of 135 per day.
- The PGA Tour makes an annual stop in the Quad Cities for the John Deere Classic, played at the TPC Deere Run, in Silvis, IL, about 11 miles driving distance to Palmer Hills GC. This tournament is one of the more important PGA Tour events, drawing many of the top names on Tour each year.

GOLF MARKET SUPPLY AND DEMAND INDICATORS

Below are some observations regarding national and local trends in golf demand and supply.

National Trends in Golf

While socio-demographic, financial and cultural headwinds certainly persist, golf continues its macro trend toward stabilization in 2015-2016. Considering the severity of the recession and its lingering effects on discretionary income and time, golf has held up rather well. Multiple NGF studies of golfers since 2008 attribute the gradual decline in golfers and rounds since peak participation primarily to the impact of lower job security and concern over personal finances, **not waning appeal for the game**. Total spending on golf will always be vulnerable to outside forces such as the economy, but the game remains popular and is fortunate to have a deep well of interested prospects.

Positive economic indicators, stabilization in participation and rounds played, an increase in weather-adjusted utilization, and the return of private equity funding to the industry are just a few of the under-reported developments in golf that tell the current story of the industry. Also, participation has historically tracked closely with Real Adjusted Household Income, suggesting that if income increases, there's a likelihood that the golfer trajectory would increase with it.

Key Trends:

- **Participation** - The number of golfers appears to be stabilizing (with some net leakage among mainly occasional/less committed golfers), with 2016 projected to be the fifth consecutive year at approximately 24+ million golfers that played at least one round of golf in the past 12 months. Over 2.5 million people tried golf for the first time in 2015, one of the highest annual totals ever recorded by NGF.
- **Rounds Played** – Good weather has contributed to improved golf rounds activity in the first six months of 2016. Total rounds activity nationwide was up 5.3% through June 2016, and up 5.1% in the West North Central Region (includes Iowa). Iowa has been particularly strong, with an 8.4% increase in rounds activity recorded for the first six months of 2016 compared to the same period in 2015 (**Appendix C**).
- **Golf Course Supply** - The correction in golf course supply continued in 2015 at a level comparable with the previous three years. According to NGF data, there has been a cumulative net reduction of 679.5 golf courses (18HEQ), which represents a drop of about 5% off the peak supply year of 2005. For perspective, golf supply grew by 40% in the previous 20 years (1985-2005). We note that not all golf courses are closing due to competitive dynamics, as some golf courses – especially in geographies where developable land is at a premium – are closing and replaced by a “higher and better” use (residential or commercial). This much-needed move toward supply/demand equilibrium is expected to continue for the next several years.
- **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 51 to 69 years old. About 6 million of them are golfers; that's about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already about 1 million golfing Boomers have reached retirement age (though not all have retired). Both the Social Security Administration and Pew Research Center report that 10,000 or more Boomers retire every day. And 300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

Other Measures of Health

Other perhaps equally important metrics to consider when measuring the health of, and prospects for, golf include: Engagement, Beginners, and Latent Demand.

- **Engagement:** Several years ago NGF developed a scale to gauge participant engagement/ passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 83% over this period. These engaged golfers are responsible for over 94% of rounds played, and 97% of equipment spend. Those who are more engaged are significantly more likely to continue playing.
- **Beginners:** The number of beginners – about 2.5 million in 2015 - looks to be on the upswing again.
- **Latent Demand:** It is also encouraging to know that overall interest in playing golf remains very high. NGF survey research indicates there is more than one prospect golfer for every existing golfer, or about 25 million strong.

NGF Municipal Golf Survey Results

NGF periodically conducts national surveys of municipal golf operators (18 holes or greater facilities). Our last survey in late 2013 showed some key results that are indicative of the struggle that an increasing percentage of municipalities are having in terms of generating operating revenue sufficient to cover all expenses. Key findings included:

- 53% of responding municipalities accounted for their golf assets as an Enterprise Fund (30% General Fund, 17% Special Revenue Fund or 'Other')
- 60% self-operated their facilities (13% mgmt. contract; 8% lease)
- 1 out of 3 of Enterprise Funds had a negative cumulative fund balance
- 1 out of 3 facilities had debt (average = \$3.7 MM)
- Of those with debt, less than half were covering all costs
- Among those with no debt, about 1 in 3 was losing money (before depreciation)
- 70% reported having to defer capital improvements due to financial considerations
- 50% had reduced full-time staffing in the prior several years (half of these solely through attrition)
- The median annual transfer expense to be paid by the Golf Enterprise Fund to the municipality (includes items such as allocated overhead, indirect charges, other charges for services provided) was \$119,000.

Local Golf Demand

The following are some summary NGF observations regarding key golf demand measures for the local golf market. Please see the supporting tables in **Appendix B**.

Local / State / National Summary Demographics						
Summary Demographics	Radials			County	State	Total
	5 Miles	10 Miles	15 Miles	Scott	Iowa	U.S.
Golfer / Rounds Counts						
No. of Golf Households	11,580	21,775	24,531	14,899	252,334	17,094,503
No. of Golfers	16,580	30,528	34,622	21,954	372,177	24,130,710
Projected Total Rounds	298,843	569,495	651,806	393,022	6,925,650	465,791,320
Comparative Indices						
Golfer Index	137	130	133	153	142	100
Rounds Index	130	125	129	148	143	100

- There are an estimated 16,500 golfers living within five (5) miles of Palmer Hills GC, with the potential to demand as many as 298,800 rounds of golf each year.
- NGF estimates that about 651,000 rounds are played each year at the golf courses in this 15-mile market, showing a relatively strong golf market in comparison to the population, age and income estimates would suggest. The NGF has documented that Iowa has the second highest golf participation in the U.S. (Minnesota is highest), further supporting the strong demand estimates for this local market.
- NGF's Golf Demand model indicates that golf participation rates in the local market are about 30-35% higher than the national household participation rate of 13.9%. Rounds demand per household is also estimated to be significantly higher, another measure supporting the strong golf demand in Iowa.
- Population growth is not expected to increase the number of golfing households within 15-minutes of Palmer Hills GC. The limited growth expected in the market over the next five years shows the importance of increasing market share among existing resident and visiting golfers in this area.

Latent Demand

People who express an interest in playing golf but have not yet started include former golfers and those who have never tried. The demographic profile of latent demand tends to be more female and younger than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). The latent demand population is comparable to the golfer population, and NGF estimates as many as 19,000 interested non-golfers in the 10-mile market for Palmer Hills GC. Given golf's tenuous participation situation, all golf courses should have active programming aimed at inviting and "onboarding" prospective new golfers.

Local Golf Supply

The following are some summary NGF observations regarding key golf supply measures for the local golf market. Please see the supporting tables in **Appendix B**.

- There are 8 total golf facilities (5 public access), totaling 126 holes, within the 5-mile ring around Palmer Hills, and 19 total facilities (15 public) totaling 297 holes within 10

miles. Ratio analysis based on national benchmarks shows that this market has 15% to 20% **fewer** households available to support each 18 holes of golf than the nation overall, suggesting an over-supply of golf courses available to support the demand.

- The NGF estimates that a net of 18 holes were closed in the Bettendorf market since 2006, the most recent of which was the 9-hole Red Dog Run Golf Course that closed in 2010. The Credit Island Golf Course was a small 9-hole municipal golf course for Scott County that was also closed in 2009.
- The NGF database shows no new golf courses either in planning or under construction in the Bettendorf golf course market areas.

Golf Course Market Supply / Demand Summary

Using the most basic measures of golf demand and supply, we note four possible combinations for any given market area: (1) favorable demand and favorable supply (“potential growth market”); (2) favorable demand and unfavorable supply (“active”); (3) unfavorable demand and favorable supply (“inactive”); and (4) unfavorable demand and unfavorable supply (“saturated”). The review of data for the Bettendorf / Quad Cities area suggests an “active” golf market, with a high level of observed golf demand, and a corresponding high number (per capita) of golf courses. As such, the NGF projects that significant supplemental demand from beginners and visiting golfers is necessary to support public golf operations in Bettendorf County.

Golfers per 18 holes

NGF has also evaluated the relative strength of this market with a comparison to a national “threshold” of golfers per golf course within 10 miles (15 minutes) of a golf course. In its 2009 publication “*The Future of Public Golf in America*,” NGF hypothesized that the best predictor of a public golf course’s success was the number of golfers per 18 holes within a 10-mile radius, with 4,000 identified as the key number for projected financial stability. As shown in the table below, the Palmer Hills GC 10-mile market and the State of overall have far fewer golfers per golf course than the identified threshold. This is reflective of the high number of golf courses and smaller permanent population. Like other business enterprises in Quad Cities, the public golf courses are dependent on the high activity observed among Iowa golfers to sustain operations.

10-Mile Market	Est. No. of Golfers	Total 18-H Equivalent	Golfers per 18 holes
Palmer Hills GC	30,528	16.5	1,850
Total U.S. “Threshold” for Successful Public Golf			4,000
Aggregate State of Iowa	372,177	267.0	1,393

Source: National Golf Foundation

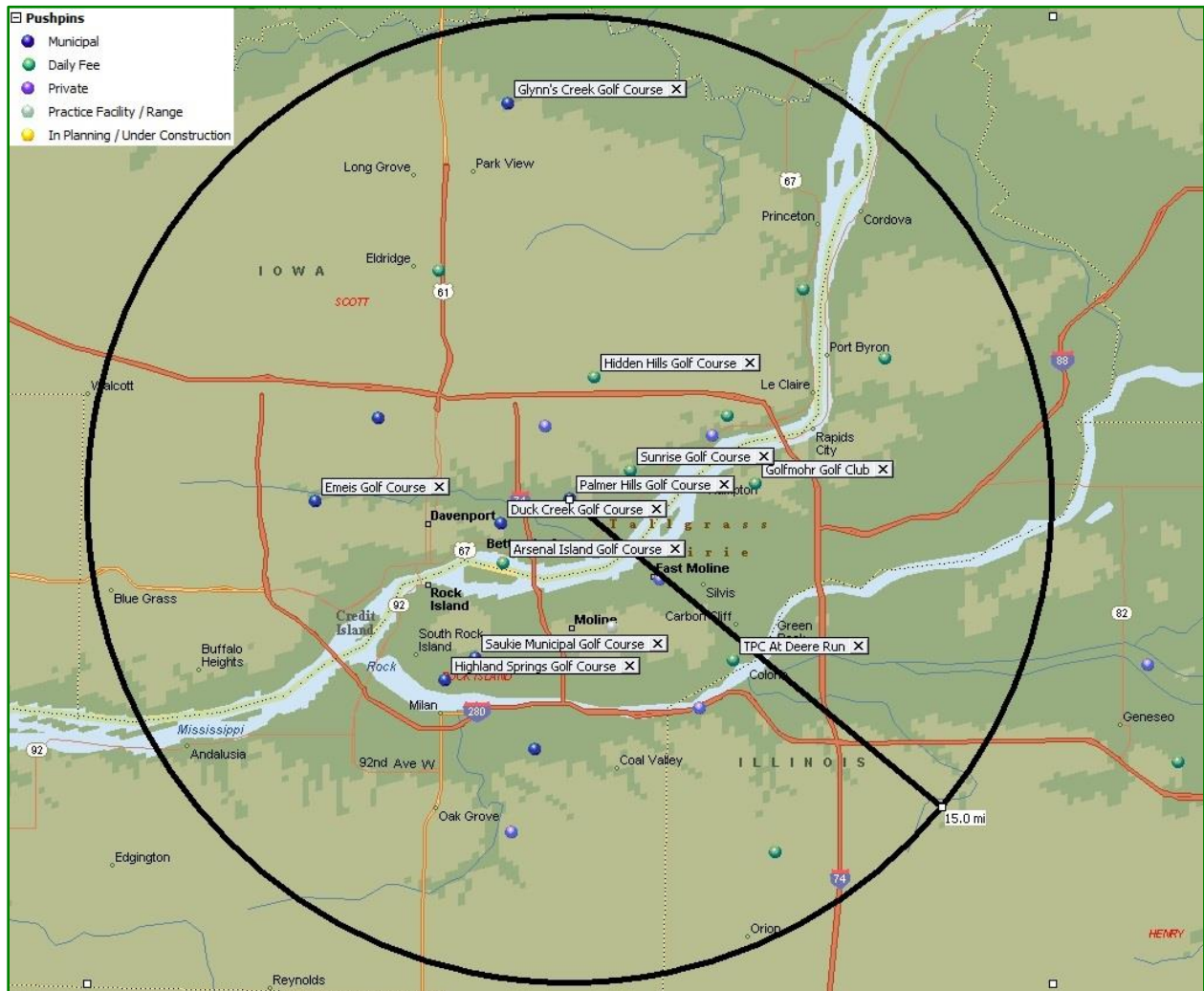
LOCAL COMPETITIVE GOLF MARKET

NGF Consulting has analyzed the public access golf market in the Palmer Hills GC’s primary trade area, with particular emphasis on determining the current market position and prospects for sustaining and/or building market share in the future. On the following pages, we list summary operating information for a group of selected competitive golf facilities. This list was not meant to be totally exhaustive or to account for all of the potential competition to Quad Cities and PH GC. Rather, NGF is presenting this information to offer a frame of reference in gaging actual performance of the subject facilities in recent years, including a review of other “short” courses that could become competitors if a new short course were to be added at PHGC. At the end of this section, we provide our significant findings regarding the competitive market.

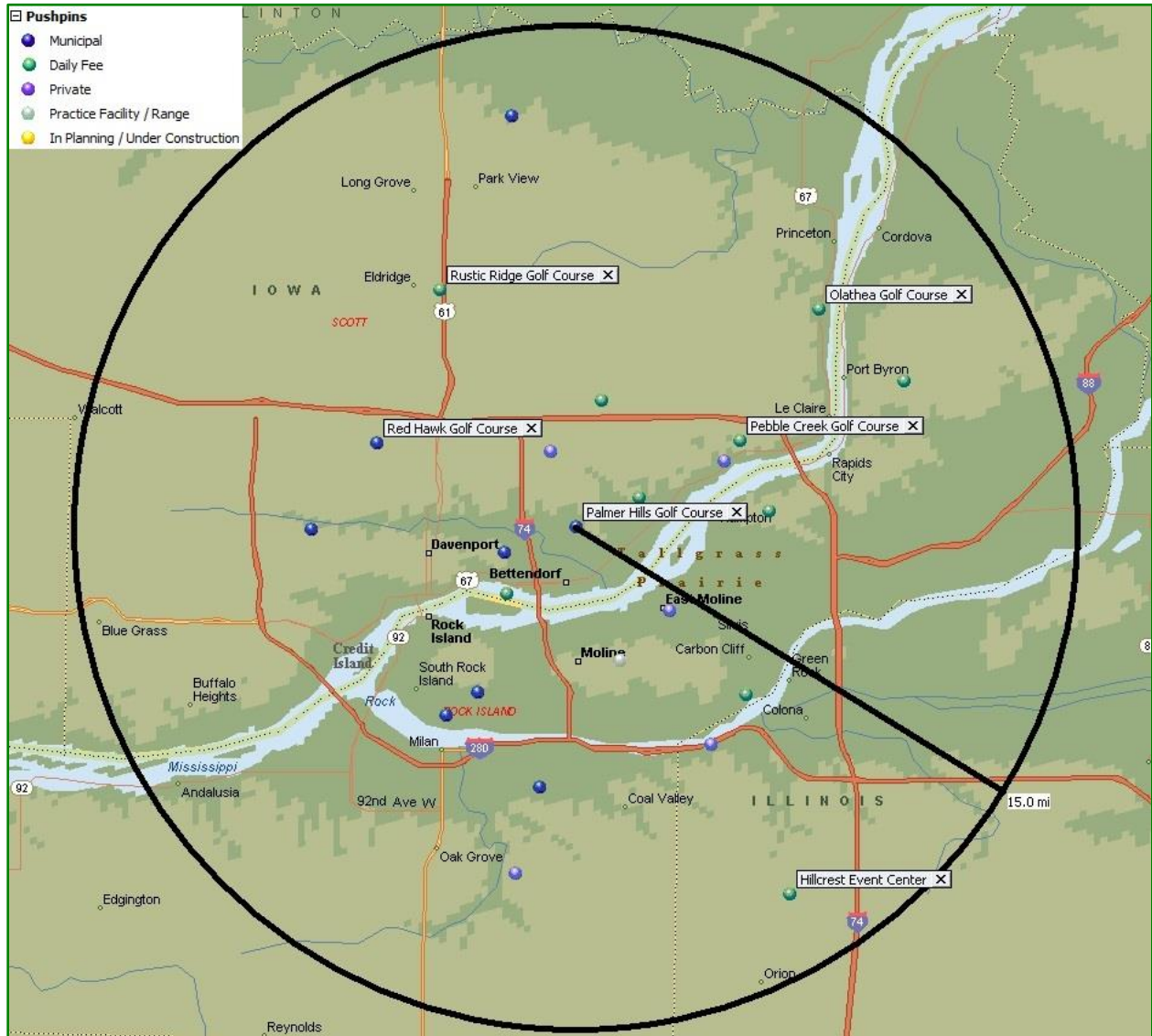
Competitive Public Access Golf Facilities Map

The map below shows the relative locations of the primary and secondary competitors to the Palmer Hills GC. The list of competitors is intended to be representative, but not exhaustive.

Primary Competitors



Secondary Competitors



Summary Information

The following tables provide summary information for Quad Cities, Palmer Hills and a selection of other primary and secondary competitive golf facilities.

Palmer Hills Golf Course and Primary Key Competitors – Summary Information						
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee/ Back Tee	Location Relative to PHGC*
Palmer Hills Golf Course	Bettendorf	MU-18H	1974	72 / 129	5,341 / 6,568	0.0
Sunrise Golf Course	Bettendorf	DF-9H	1983	35 / -	- / 2,998	2.1
Duck Creek Golf Course	Davenport	MU-18H	1927	70 / 113	5,462 / 5,782	2.3
Arsenal Island Golf Course	Rock Island	DF-18H	1897	71 / 124	5,527 / 6,585	2.9
Hidden Hills Golf Course	Bettendorf	DF-18H	1982	70 / 113	- / 6,105	3.9
Saukie Municipal Golf Course	Rock Island	MU-18H	1921	66 / 92	4,499 / 5,152	5.8
Golfmohr Golf Club	East Moline	DF-18H	1965	72 / 124	4,903 / 6,855	5.8
Highland Springs Golf Course	Rock Island	MU-18H	1967	72 / 129	5,979 / 6,777	6.8
TPC At Deere Run	Silvis	DF-18H	2000	71 / 136	5,179 / 7,066	7.9
Emeis Golf Course	Davenport	MU-18H	1961	72 / 120	5,551 / 6,565	7.9
Glynn's Creek Golf Course	Long Grove	MU-18H	1992	72 / 119	5,097 / 7,036	12.5
*Air miles from subject site, rounded to half-mile; actual driving distances will likely be greater. Type: DF – Daily Fee; MU – Municipal						

Secondary Key Competitors – Summary Information						
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee/ Back Tee	Location Relative to PHGC*
Pebble Creek Golf Course	Le Claire	DF -9H	2005	36 / -	3,419	5.6
Rustic Ridge Golf Course	Eldridge	DF-9H	1976	36 / 115	2,795 / 3,300	8.2
Olathea Golf Course	Le Claire	DF-9H	1984	36 / 110	2,457 / 3,053	9.8
Hillcrest Event Center	Orion	DF-9H	1993	30 / -	1,821 / 1,848	12.7
Red Hawk Golf Course	Davenport	MU-9H	1979	33 / -	2,260	6.5

Summary Operating Data – Palmer Hills Golf Course and Primary Competitors

Golf Facility	Rounds 2015	Peak Season 18 Prime Time Green Fees & Carts WD/WE	Peak Season 18H Midday Green Fee & Carts WD/WE	Peak Season 18H Twilight Green Fee & Carts WD/WE	Peak Season 18H Seniors Green Fee & Carts WD/WE	Peak Season 18H Juniors Green Fee WD/WE
Palmer Hills Golf Course	26,220	\$37 / \$40	\$28 / \$30	\$23 / \$25	\$27 / NA	\$14 / NA
Sunrise Golf Course		\$35/\$35	-	-	-	-
Duck Creek Golf Course ²	64,701 (City of Davenport)	\$34 / \$36	\$29 / \$29	NA	\$30 / \$30	\$11 / \$11
Arsenal Island Golf Course ¹		\$37 / \$41	-	-	-	\$14 / \$16
Hidden Hills Golf Course		\$34 / \$36	NA	\$25 / \$25	\$28 / NA	\$14 / NA
Saukie Municipal Golf Course ³	50,000 (City of Rock Island)	\$32 / \$42	\$27 / \$29	NA	\$26 / \$34	\$13 / \$21
Golfmohr Golf Club		\$32 / \$36	\$28 / \$28	NA	\$26.50 / NA	NA
Highland Springs Golf Course ³	50,000 (City of Rock Island)	\$35 / \$39	\$29 / \$31	NA	\$28 / \$35	\$14 / \$24
TPC At Deere Run		\$118				
Emeis Golf Course ²	64,701	\$36 / \$39	\$30 / \$30	NA	\$31 / \$31	\$11 / \$11
Glynn's Creek Golf Course	26,814	\$35 / \$40	NA	\$27 / \$27	\$30 / NA	\$15 / NA

1. Arsenal Island is run by US Army MWR. Course offers special pricing for Active and Retired Military. Prices listed here are Public peak prices.

Summary Operating Data – Palmer Hills Golf Course Secondary Competitors

Golf Facility	Rounds	Peak Season 18 Prime Time Green Fees & Carts WD/WE	Peak Season 18H Midday Green Fee & Carts WD/WE	Peak Season 18H Twilight Green Fee & Carts WD/WE	Peak Season 18H Seniors Green Fee & Carts WD/WE	Peak Season 18H Juniors Green Fee WD/WE
Pebble Creek Golf Course		\$35 / \$35	NA	No longer available	NA	NA
Rustic Ridge Golf Course		\$33 / \$33	NA	NA	\$20.50 / NA	\$18 / NA
Olathea Golf Course		\$34 / \$34	NA	NA	\$24 / NA	\$6 / NA
Hillcrest Event Center		\$36 / \$47	NA	\$30 / \$30	\$26 / \$26	\$12 / \$12
Red Hawk Golf Course ²	64,701 (City of Davenport)	\$30 / \$30	NA	NA	\$27 / \$27	\$13 / \$13

2. Duck Creek GC, Emeis GC & Red Hawk GC are all under the City of Davenport

3. Sukie MGC & Highland Springs GC are all under the City of Rock Island, IL

Season Passes & Membership Offerings – Palmer Hills Golf Course and Primary Competitors

Primary Golf Facility	Single	Couple	Family	Junior	Senior
Palmer Hills Golf Course	\$1,195	\$1,695		\$475 (Mon-Fri)	\$695 (Mon-Fri)
Sunrise Golf Course	NA	NA	NA	NA	NA
Duck Creek Golf Course ²	\$840 (Duck Creek only) \$1,200 (all courses)	\$1,400 (Duck Creek Only)	\$1,700 (all courses)	\$250 (all courses)	NA
Arsenal Island Golf Course ¹	\$850	\$1,500	NA	\$420	NA
Hidden Hills Golf Course	\$1,350 w/ cart	NA	\$2,100 w/ cart	NA	NA
Saukie Municipal Golf Course ³	\$ 800 (Both courses)	\$1,395 (Both courses)	+\$400 for each	+\$170 w adult mbrsp or \$200 Mon-Fri	NA
Golfmohr Golf Club	\$2,050 w/ cart	\$2,700 w/ cart	NA	\$280	NA
Highland Springs Golf Course ³	\$ 800 (Both courses)	\$1395 (Both courses)	+\$400 for each	+\$170 w adult mbrsp or \$200 Mon-Fri	NA
TPC At Deere Run					
Emeis Golf Course ²	\$890 (Emeis only) \$1,200 (all courses)	\$1,500 (Emeis only)	\$1,700 (all courses)	\$250 (all courses)	NA
Glynn's Creek Golf Course	\$900	\$1,300	+\$200 per person	Mon-Fri \$300	Mon-Fri \$600

1. Arsenal Island is run by US Army MWR. Course offers special pricing for Active and Retired Military. Prices listed here are Public peak prices.

Season Passes & Membership Offerings – Palmer Hills Golf Course Secondary Competitors

Secondary Golf Facility	Single	Couple	Family	Junior	Senior
Pebble Creek Golf Course	\$1,000	NA	\$1,500	\$500	NA
Rustic Ridge Golf Course	\$675	\$945	\$1,200	\$495	\$625
Olathea Golf Course	\$1,000 w/ cart	\$1,400 w/ cart	\$1,500 w/ cart	NA	\$900 w/ cart
Hillcrest Event Center	NA	NA	NA	NA	NA
Red Hawk Golf Course ²	\$1,200 (all courses)	NA	\$1,700 (all courses)	\$250 (all courses)	NA

2. Duck Creek GC, Emeis GC & Red Hawk GC are all under the City of Davenport
3. Sukie MGC & Highland Springs GC are all under the City of Rock Island, IL

Key Findings – Competitive Golf Market

NGF Consulting offers the following general findings on the local competitive golf market:

- NGF has identified the City of Davenport municipal golf courses as the most important competition to Palmer Hills GC. The City operates two regulation 18-hole courses at Duck Creek GC (less than 2 miles away) and Emeis , both offering comparable facilities at a comparable price. The City also operates the Red Hawk GC, which includes a driving range, 9-hole par-33 golf course and a short training course that would be directly comparable to the enhancements proposed for PHGC.
- The NGF believes that Palmer Hills GC is offering an appropriate value when compared to the market of competing public courses. Emeis and Duck Creek are only slightly less expensive, with only Sunrise GC and Hidden Hills GC showing fees more than \$2 lower than Palmer Hills. The TPC at Deere Run sets the top of the market with green fees peaking at \$118 per round (with cart), compared to \$40 at Palmer Hills GC.
- Total rounds activity among golf courses in this market appears to have declined since a recent peak around 2008, with steady year-by-year decline through 2014, and recovery in 2015 and 2016. The longer term trend is considerable decline from the long term peak around 1999-2000. While play has generally recovered at Palmer Hills GC since 2015, activity at other area municipal facilities like Emeis and Duck Creek has also increased in the last two years. Shorter, 9-hole courses like Red Hawk GC and Pebble Creek have seen more significant declines, and without the 2015-16 recovery.
- NGF research suggests that, both regionally and nationally, golfers are playing fewer rounds, as well as shifting their play to less expensive rounds, such as twilight. Additionally, larger outings and tournaments continue to be off at many golf facilities.
- The conditions present at competing golf courses appeared comparable to Palmer Hills GC during the NGF's 2016 review. All of the key competitors visited by NGF in 2016 have clubhouse facilities that are clearly inferior to the Palmer Hills GC, with considerable deficiencies noted at both Duck Creek and Emeis. The facilities at Red Hawk GC include considerable classroom space and other indoor teaching facilities that tend to work well in support of beginner-type golf facilities.
- Along with Bettendorf, several other public golf operations offer a variety of season pass and membership offerings, with most priced comparable to Palmer Hills GC. Davenport's season pass is \$1,200 for all courses, compared to \$1,195 for PHGC.
- The competitive nature of the regional golf market places constraints on the ability to raise green fees. This is evident in the fee structures of the primary competitors; despite some high quality and well maintained golf courses, the majority of courses keep their peak weekend riding rates at or below \$40, suggesting this level is a key ceiling for current green fees.
- All but the two lower-priced daily fee 18-hole golf courses (Sunrise and Hidden Hills) offer a driving range to support customers. The mix of amenities at Palmer Hills is common in the market, providing competitive advantage in this case. The addition of the practice course and putting course enhancements proposed by Bettendorf would provide Palmer Hills with a truly unique mix of golf amenities for this market area.

Regional Municipal Golf Operations

NGF collected basic operating and financial information from several area municipal agencies presently operating municipal golf courses. The data obtained included basic information on operations provided by NGF for comparison and benchmarking to City of Bettendorf golf courses. The data collected was derived primarily from publicly available information contained in the Cities' annual financial reports or City budget as posted via the internet. We note a word of caution in that the information provided may not represent a true even comparison, as each City has some uniqueness in how various data points are calculated and presented. A table summarizing the findings is presented below, followed by NGF commentary on the findings:

Summary Comparison – Comparable Regional Municipal Golf Operations

Bettendorf Area Municipal Golf Systems Summary of Comparative Data – 2015					
	City of Rock Island, IL*		City of Davenport, IA	City of Bettendorf, IA	Scott County Conservation Board (Glynn's Creek)
Number of Facilities	1 Highlands (18H)	1 Saukie (18H)	3 (2 18H, 9H Exec)	1 (18H)	1 (18H)
Year of data presented	2015	2015	2015	2015	2015
Rounds (starts) in 2011	31,318	20,878	71,243	28,490	28,533
Rounds (starts) in 2014-15	30,000	20,000	64,701	26,220	26,814
Revenue					
Pro Shop Concession	\$23,837	\$15,892			
Charges for Services	\$462,561	\$307,080	\$1,588,054	\$711,286	\$925,549
Commissions and Rentals	\$366,073	\$201,537		\$355,132	
Other	\$22,808	\$10,948	\$24,059		\$767
Total Revenues	\$875,279	\$535,457	\$1,612,113	\$1,066,418	\$926,316
Average total revenue per Round	\$29.18	\$26.77	\$24.92	\$40.67	\$34.55
Expense					
Labor Expense	\$498,652	\$325,279	\$754,467	\$654,955	\$602,304
Other Direct Operating Costs	\$402,171	\$287,459	\$853,154	\$464,910	\$290,481
Total Operating Expense	\$900,823	\$612,738	\$1,607,621	\$1,119,865	\$892,785
Total Operating Expense/Hole	\$50,046	\$34,041	\$29,771	\$62,214	\$49,599
Total Operating Expense/Round	\$30.03	\$30.64	\$24.85	\$42.71	\$33.30
Operating Income Before Debt	(\$25,544)	(\$77,281)	\$4,492	(\$53,447)	\$33,531
Additional Expense					
Depreciation			\$195,767	\$208,473	\$55,210
Net After Other Items	(\$25,544)	(\$77,281)	(\$191,275)	(\$261,920)	(\$21,679)
Employees					
Total FTE Golf Employees	13.53	8.91	N/A	17.5	N/A
FTE Employees per Hole	0.4	0.2	N/A	0.97	N/A
Average labor exp. per hole	\$27,703	\$18,071	\$16,766	\$36,386	\$33,461

Source: Various sources, primarily Certified Annual Financial Reports (CAFR).

*City of Rock Island numbers come from the City's 2016 Budget "Estimated FY 2015" columns. Rounds and Pro Shop Concession revenue is split 60% Highland GC and 40% Saukie GC. Additional Pro Shop expenses were added to both Rock Island courses using the same 60% and 40%.

Summary of Findings on Comparable Regional Municipal Golf Operations

- Palmer Hills GC shows the highest average revenue per round, which is typically associated with higher quality food and beverage operations with large outside F&B revenue sources.
- Bettendorf has the highest overall operating expense per hole and the highest labor expense per hole.
- Bettendorf has the largest golf staff per 18-holes, although this staff is still smaller than U.S. industry average for an 18-hole municipal golf course (more in next section).
- All of the local municipal golf operations profiled show losses on golf operations, with all but one (Scott County – Glynn’s Creek) showing a loss (or close to even) before other charges and debt. The City of Bettendorf’s loss on Palmer Hills GC is not the largest loss at an 18-hole municipal course in this market (City of Rock Island’s Saukie GC is the largest).
- Four of the Cities show rounds down from 2011 to 2015, with only Saukie GC showing a small increase. The largest decline has come at the City of Davenport golf courses, noted as key competition to Palmer Hills GC.

EXTERNAL FACTORS SUMMARY

The local demographic and economic factors affecting the demand for public-access golf in this market tend to be mixed. On the positive side, the local market has shown a strong propensity to participate in golf, despite basic demographic characteristics that correlate to relatively weak golf demand. On the negative side, the total per capita supply of golf courses is less favorable than the national benchmark, but has stabilized somewhat over the last decade. The supply-demand balance is generally unchanging and so the development of new players and the attraction of visiting golfers will become paramount for the Palmer Hills GC operation to remain viable. As such, the improvements proposed for Palmer Hills GC that include amenities to enhance the facility's appeal to beginners and other less-skilled golfers should be a significant benefit to the Palmer Hills' competitive position.

All area golf course reports declines in rounds activity and increasing pressure to reduce fees to attract market share. The presence of various season pass and membership arrangements tends to skew the realized revenue per round of golf downward, even if activity remains somewhat strong. Many of the area's golf courses are resorting to new ideas and activities to continue to attract customers to the facilities, including new ideas such as FootGolf, enhanced driving range activities, extensive league arrangements and golf events/tournaments.

From a macro level, while overall golf participation in the U.S. appears to be stabilizing, there is little doubt that socioeconomic and demographic trends are creating headwinds for golf operators. For instance, golf is having particular trouble engaging young adults. Also, the effects of the Great Recession appear to be lingering, and discretionary time and money continue to be suppressed. Moreover, despite the fact that spending is at or near its highest point in years, people are still saving more and spending less than they were prior to the recession. One positive aspect is that activity among new beginners in golf is at an all-time high, indicating there is interest to take up the sport. Often, NGF finds that barriers to increased participation from beginning golfers are the physical layout of the golf courses and availability of "beginner-friendly" golf course designs. Again, the NGF expects that the changes proposed for Palmer Hills GC should help the course become much better positioned for this segment, and the NGF expects that Palmer Hills will be able to better provide appeal for beginners and other less-skilled golfers.

Finally, all golf facilities face a couple of other factors beyond their control: First, a high fixed expense structure and operating expenses that tend to rise more rapidly than revenues (e.g., ability to raise fees is constrained); this dynamic appears to be particularly acute in the public sector. Second, golf will always be at the mercy of the weather. In a market such as Quad Cities, a shorter golf season and increased precipitation during the summer will work to constrain rounds and revenues at public golf courses that can make the difference between golf course profits and losses.

Overview of Palmer Hills Golf Course and Proposed Facility Enhancement

Palmer Hills Golf Course is a regulation-length, 18-hole golf course located in Bettendorf, Iowa that is owned by the City of Bettendorf and operated as a fully public, municipal golf course. The facility was originally developed by the City as a municipal golf course in 1974, and has been operated by the City for 42 years. At present, the Palmer Hills GC is one of many public golf courses in Quad Cities and has a reputation for good quality but a high level of difficulty for golfers to play and walk. As such, a restoration program that includes some softening of the golf course difficulty would likely be welcome from the Quad Cities golfing community.

Palmer Hills GC includes a mix of amenities that is common in public golf, and that correlate well with success in public golf. The facility includes an 18-hole, regulation-length golf course designed by William J. Spear, a driving range and newer clubhouse that opened in 2006 and contains a popular grill/restaurant operation along with the pro shop and restrooms. While the City is operating this golf course as an enterprise fund, the City conveyed to NGF that the City views the golf course as an amenity for the community and one that does not necessarily have to pay for itself entirely from user fees. The City reported that the golf course was economically self-supporting in the 1990s and 2000s, but has been supported by the City since 2008. The City has oversight at the golf course through the Parks and Recreation Department and an elected Park Board. The City Council and City Administrator have final authority on golf policy and key decisions regarding changes and new investment. There are direct costs charged to the golf enterprise for City support and other indirect charges and City services.

Palmer Hills GC was able to generate in excess of \$1.1 million in total on-site operating revenue in 2016, with over \$1.13 million budgeted for FY2017. With total operating expenses around \$1.2 million in 2016, the revenues generated by Palmer Hills GC is not sufficient to cover all on-site operating expenses, leaving the City to cover the shortfall, plus an additional expense for depreciation. The total cash subsidy for PHGC in the last four years has been between \$64,000 and \$102,000, with an average of \$85,000 (before depreciation). As such, it is clear that this municipal golf operation is operating very close to break-even, and that the revenues derived from golf activity are not likely to cover any new capital reduction expense, such as debt service for improvements.

In our review of the Bettendorf Golf system, the NGF Consulting team found unique quality public golf courses that appeared to be in good condition, appropriately managed and relatively active given average rounds played figures in this market. The NGF observed very dedicated staffs working hard to provide outstanding golf service at the City's golf facility. The Palmer Hills GC offers a high quality golf course layout, but is more difficult to play and has more hills that make walking the course difficult for many. As a result, the demand and thus activity tends to be reduced slightly, as beginners and less-skilled golfers tend to prefer other area golf courses that are easier to play and walk. The NGF has observed that Palmer Hills GC has capital needs that will require City investment and attention in order to maximize the potential of the facility. In addition, the City is proposing changes to the facility to take advantage of unused open space within the property, and to enhance the appeal of the facility to a broader segment of golfers. These capital needs and investment opportunities are documented by NGF later in this report.

PALMER HILLS GOLF COURSE FACILITY REVIEW

Palmer Hills GC is a City-owned golf course on 150-acres of property along Middle Rd in Bettendorf. The golf course property is located in the heart of Bettendorf and in one of the premier communities of Quad Cities. The golf course is park-like in setting and includes great natural appeal, with interesting topography, tree-lined holes and a modest amount of direct adjacent residential development. The surrounding features are fixed, and thus any changes to the golf course would have to remain within its defined boundaries.

Location, Access and Surrounding Elements

Palmer Hills GC is located in central Bettendorf, with direct access off of Middle Rd. This roadway is a major east-west thoroughfare through Bettendorf and connects to Interstate-74 approximately 1.5 miles west of the course and Interstate-80 approximately 4.0 miles east of the course. The facility is accessed via Middle Rd. with the entrance at the 29th Street intersection. This location makes the Palmer Hills GC extremely convenient and accessible to a wide geographic area. In addition, part of the golf course (holes #9-10) is visible from Middle Rd.

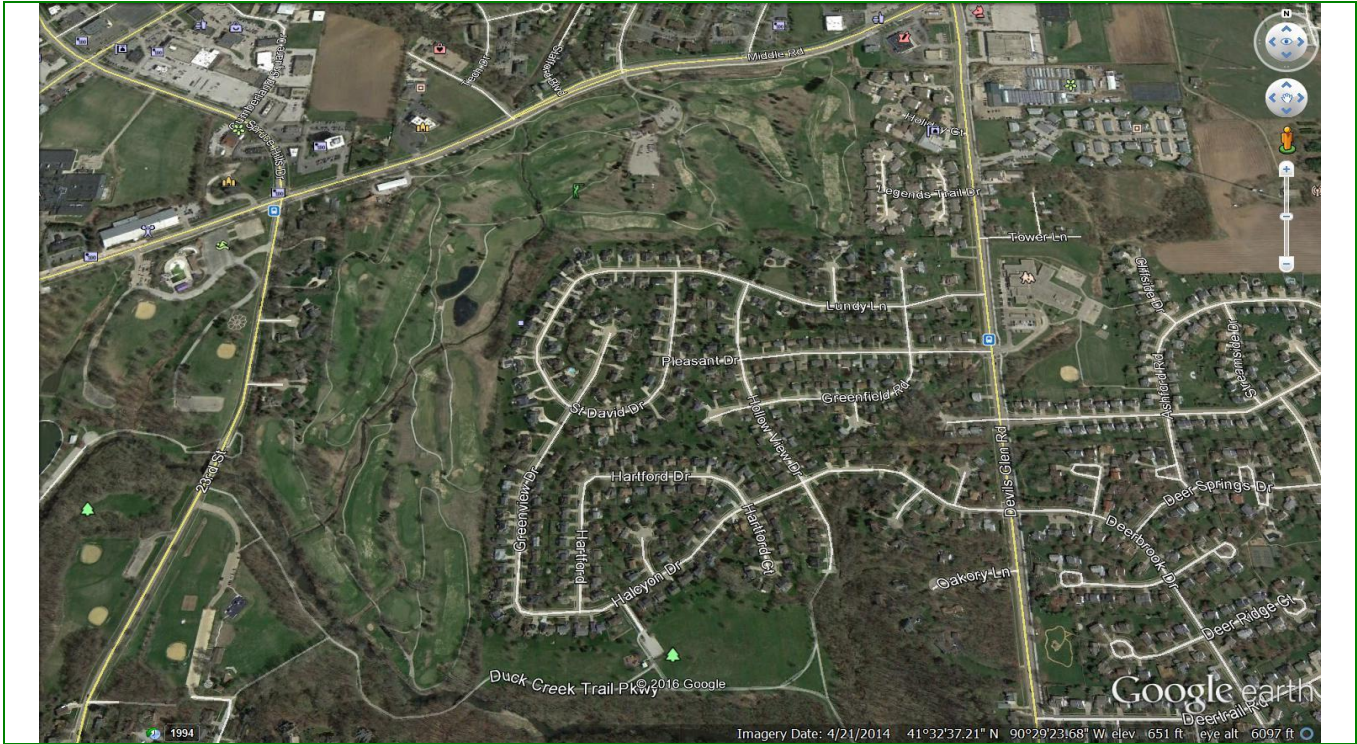
Site Positives

- **Site, Topography and Setting:** The positive aspect of the Palmer Hills GC location is the outstanding natural environment on the site, with good topography and high points within the City for positive aesthetics.
- **Access/Visibility:** Palmer Hills GC is immediately accessible and visible from a major area roadway. Nearby highway access and visibility tend to correlate strongly with public golf course success.
- **Aesthetics:** The open nature of Palmer Hills GC and limited adjacent development allows for high quality aesthetics on the golf course with abundant natural foliage and pleasant views. The course includes a wide variety of elevation changes, adding to both the aesthetics and the challenge of the golf course.
- **Large Ancillary Footprint:** Although the overall size of the property is adequate to support an 18-hole golf course, the space utilized for the clubhouse, parking and pavilion is large, but awkwardly configured. Coupled with the in-course open spaces around holes #11-14 and #18, the NGF estimates as much as 7-8 acres of property within this golf facility that could be available for new amenity use without any major disruption to the golf facility or its operation. A 43,000 square foot (sf) area between holes #6-7 is open and in use as a golf practice area.

Site Negatives

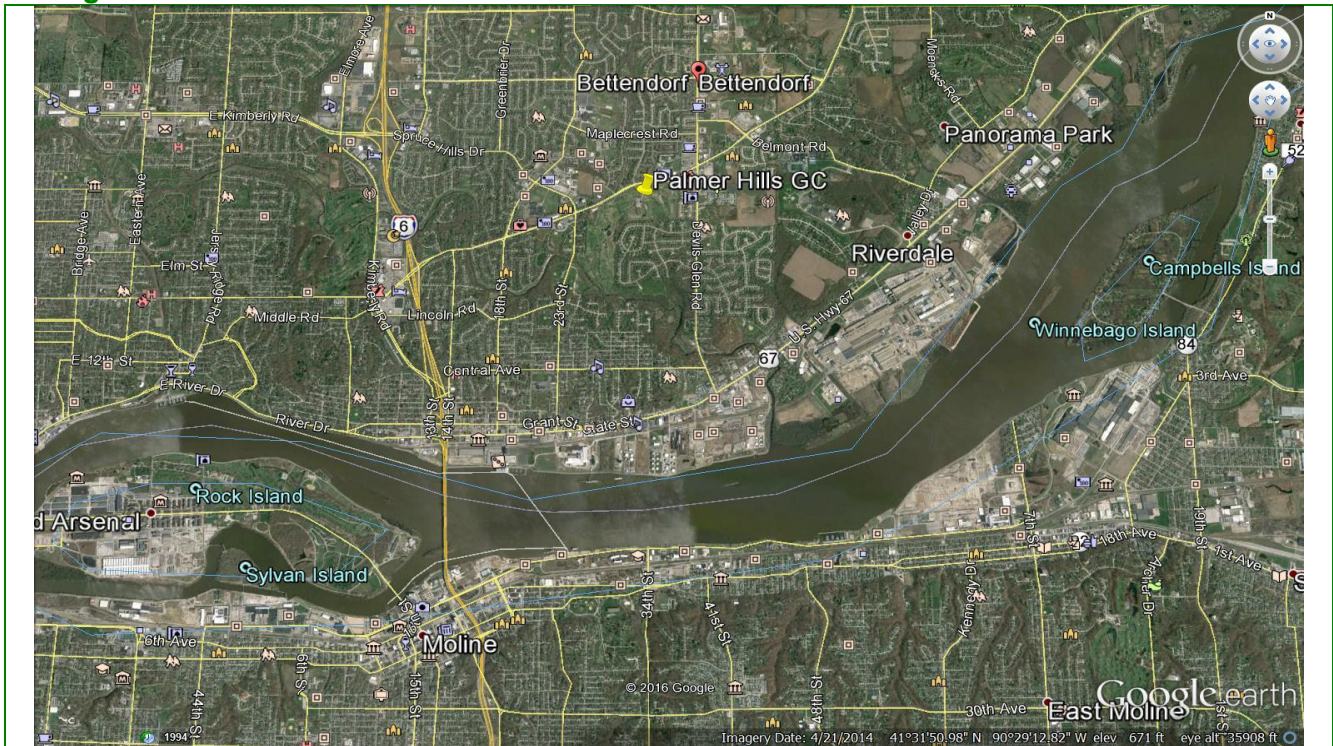
- **Site Topography:** While the site's topography is a strength in creating an appealing golf course design, it is also a weakness in that the golf course can be difficult to walk. Walking on a golf course is particularly popular in Iowa, and thus the steep hills make Palmer Hills GC less popular within this segment.
- **Watershed:** The site has an important creek running through the property that can overflow and flood the golf course, requiring maintenance attention. This feature also impacts the play of golf and can add to difficulty in some places.
- **Local Traffic:** The traffic on Highway Middle Rd can be heavy at times and without a traffic light at 29th Street, entrance and exit from Palmer Hills can be challenging.

Aerial View – Palmer Hills GC



Google Earth image showing Palmer Hills GC and surrounding elements, including the residential neighborhood in its core and the Middle Park elements to the west. The clubhouse, parking and pavilion are in the middle of the site, larger open tracts to the west. The NGF has assumed that this site footprint is fixed and any golf course enhancement restoration would remain within this boundary.

Regional View – Palmer Hills GC



Google Earth image showing a wider view of Palmer Hills GC and its proximity to major roadways, downtown Bettendorf, The I-74 Bridge and Moline, IL. This location is exceptionally convenient and should correlate with successful public golf.

Summary of NGF Findings on Palmer Hills Golf Course

Palmer Hills GC represents a standard public golf course experience with a facility that is both aesthetically appealing and potentially enjoyable for golfers. The golf course appears to be somewhat popular with golfers in this market due to its location and reasonable fees, but less popular than some public courses due to the difficulty of the golf course and tough walking conditions. In addition, Palmer Hills GC is home to a large group of regular play customers, many of which belong as members or season pass holders and play as part of a regular league or group. The recommendations we have set forth are in full consideration of the need to enhance the playability appeal of this facility, including amenities, pricing and marketing, and the reality of a less-popular golf course with difficult features that needs to enhance its overall appeal. A summary of key NGF findings on Palmer Hills GC includes:

Golf Course

Palmer Hills GC includes the original 18-hole, William Spear-designed par-72 golf course built in 1974. This is a parkland-style golf course with tree-lined hole-corridors and a mix of features that are appropriate for a high quality public golf course. NGF observations:

- The golf course plays 6,568 yards from its longest tee and to a par of 72. The course has a USGA slope rating of 131 from its Back tee, which represents that the golf course is much harder than the ‘standard’ slope of 120. More forward tees include a 6,318, 5,865 and 5,341-yard course with slopes at 129, 121 and 113 (for men), respectively. In all, this combination provides a significant challenge for golfers and all tee positions are harder than the “standard.”
- The most forward tee on the course (commonly associated with the “ladies” tee) is 5,341, which is still much longer than the NGF-recommended distance of under 4,700 total yards in length. This length of golf course is far less appealing to lower-skilled golfer segments and a new more forward tee placement would help move everyone up to a shorter distance and potentially ease the length and difficulty for all golfers, leading to improved activity (underway at PHGC - more later in this section).
- The course has many design features commonly associated with high quality golf, although many of these features are also adding to the difficulty of the golf course. Some of the golf holes are tree-lined and narrow, and there are a few locations with blind shots, or long forced-carries. Water is in play on seven of the holes and there are a total of 40 bunkers on the course, many of which are large and/or hidden or have steep inclines.
- The golf course has considerable separation of holes with trees and wooded areas providing buffer between parallel golf holes. The course generally sequences well, although NGF did find a few spots where the location of the next tee was not clear (after hole #2). The course has a full cart path system, which is more desirable in public golf.
- The golf course turf is a mix of Bluegrass, Rye and some Bentgrass, all common in this part of the country and popular with golfers. The overall turf condition observed by NGF was outstanding, and this added to the very pleasant overall appearance and visual enjoy ability of the golf course and golf experience at Palmer Hills GC. The most important feature on a golf course playing area, the greens, are well received and reported to be among the best conditioned greens in the Quad Cities golf market.

Palmer Hills GC Clubhouse

The Palmer Hills GC clubhouse is a new facility added in 2006, replacing an old farmhouse facility that had been in use previously. The building includes a total footprint of about 6,500 square feet (sf) on two levels. The upper level includes the grill, kitchen, restrooms and pro shop. The upper level also includes a covered deck overlooking the golf course. On the lower (basement) level is the storage for carts and additional storage. Some observations from NGF on the clubhouse facility at Palmer Hills GC:

- The golf clubhouse at PHGC is newer and in very good condition. The facility is well laid out with good logistics and is easily accessible for customers. The building shows well with a good appearance and compares favorably to the local competition.
- Some of the external clubhouse logistics are less than ideal. The cart staging area is small and the pathways up from the cart storage are too narrow and could be re-programmed as part of any PHGC facility improvement program.



Photos showing the Palmer Hills GC clubhouse exterior and the narrow pathway for carts. Staff must use this to bring carts up to golfers and the area can often be crowded with multiple carts that have to wait for the narrow path to clear. This design also does not bring golfers to the clubhouse between the 9th and 10th holes.

In summary, the Palmer Hills GC clubhouse is ideal to support the City's golf program and should be capable of supporting the golf operation even if the changes proposed by the City are completed. However, the new pitch & putt / putting course amenities proposed to be added at Palmer Hills GC will not be easily visible from the clubhouse, and thus some new external support structure will likely be required.

Practice Amenities

The practice amenities at Palmer Hills GC are consistent with high quality public golf and should support the operation of a higher quality golf course. Practice amenities at PHGC include:

- **Driving Range:** The driving range at Palmer Hills GC is of good quality and could handle a larger volume than at present. The range has over 300 yards in length, which is a key measure with today's advanced golf equipment. There are 16-stations with artificial turf mats in place. There is room to include a full grass driving range (preferred by golfers), but not enough space to support an every-day use pattern on grass. The range is set up with lights for night use, but staff indicates they have not used the lights for many years as evening business just was not there. Range balls are obtained from the automated range ball dispenser in the range kiosk (unmanned) using tokens obtained in the pro shop or a pre-paid range key.



The range at PHGC is small, but in a good location and facing south, which is ideal. While golfers tend to prefer grass, PHGC has kept the mat stations in nice condition, which is appealing to golfers.

- **Practice Green:** There is one practice green located on the northeast side of the clubhouse and proximate to the 9th and 10th holes.
- **Practice Chipping Area:** Palmer Hills' staff has recently created a new practice chipping area on approximately 43,000sf area (~1.0 acre) between the 7th green and the 8th tee. The site is not proximate to the clubhouse and may require a cart to use.



Photos showing the new practice chipping area at Palmer Hills GC, which is of very high quality and should be popular for use with beginners, lessons, camps and practice for seasoned players.

Other Structures and Observations

- **Tournament Pavilion:** The pavilion at PHGC is a 3,600sf covered, open-air pavilion that is used for post golf gatherings and other outdoor parties. The facility was donated to PHGC, and includes basic frame construction with ceiling fans and a built-in bar-b-que. A structure of this type is ideal for a public golf course and NGF frequently recommends it as an addition in other locations, often in lieu of clubhouse expansion. However, at PHGC, the location is not ideal and far from the clubhouse and golf course. Also, the pavilion has much unused surrounding land, and thus the proposed PHGC enhancement will likely end up using some of this property meaning the pavilion may be torn down and possibly replaced.



The interior of the pavilion at PHGC. The space is ideal for post tournament gatherings and includes a built-in bar-b-que grill.

- **Maintenance Facility:** The maintenance facility at PHGC is of good quality and includes all of the locational, space and logistical features commonly associated with successful public golf courses. The equipment used to maintain the golf courses is owned by the City and appeared to be newer and in good condition, with adequate storage. The City is considering some expansion of the maintenance facility to add additional space and a proper wash pad.
- **Entry and Signage:** The entrance to the facility off of Middle Rd is a little bit awkward, and may be difficult for golfers less familiar with the property to find the facility. The PHGC sign is small and hard to see until very close. The electronic marquee is outstanding and provides the City with an opportunity to promote various aspects of the course and specials. A larger sign or one that is clearer could help golfers less familiar with this entrance find it easier.



The entrance to PHGC and the small sign with electronic marquee. This could be more welcoming to golfers and more done to convey that all amenities on property are "open and available to the public."

- On-Course Services:** Palmer Hills is somewhat limited in on-course services, with two permanent restrooms and a port-a-potty on hole #8. Having higher quality services would be appreciated by golf customers and show up in NGF surveys as being an important customer service item at golf courses.



Selected views of various on-course services, including fixed restroom (l), rain shelter (c) and portable restroom (r). PHGC would benefit from improvement to these on-course services.

Palmer Hills GC - Facility Condition and Future Needs Assessment

In the section below, the NGF summarizes the PHGC property and key areas of facility condition that need to be addressed in order for Palmer Hills GC to achieve its maximum activity and revenue potential.

Previous City Investment in Palmer Hills GC

Palmer Hills' staff indicated to NGF that over \$1.8 million in capital projects have been completed at Palmer Hills GC in the last 5-6 years, with the majority of this expense going to address irrigation, drainage and erosion issues related to the main creek on property. A summary of recent capital investment at PHGC:

Palmer Hills GC Capital Project History (FY2011 – 2015)						
Project	FY2011	FY2012	FY2013	FY2014	FY2015	Total
Arborvitae Along Trail				\$5,050		\$5,050
Cart Path Improvements		\$2,200			\$6,357	\$8,557
Clubhouse Improvements		\$6,643				\$6,643
Erosion Control #15 & #17	\$26,701	\$495,056				\$521,757
Erosion Control #5	\$28,868					\$28,868
Erosion Control #9 & #10	\$292,782	\$900			\$5,340	\$299,022
Irrigation		\$915,003				\$915,003
Range Improvements			\$36,195			\$36,195
Tee box & Sandtraps	\$3,735	\$193	\$6,368	\$4,584	\$12,083	\$26,963
Total	\$352,086	\$1,419,995	\$42,563	\$9,634	\$23,780	\$1,848,058

Source: City of Bettendorf

Future Enhancement Priorities

The Key areas of the Palmer Hills GC infrastructure that were reviewed by NGF show very little needed to maximize the facility's operation. The key items of golf course infrastructure (irrigation, drainage and equipment) are either in good working order or have been recently addressed by the City. The areas where NGF finds that improvement is needed mostly center around projects to soften the difficulty of the golf course, much of which is underway in 2016:

- **Irrigation:** Palmer Hills GC is operating with a brand new irrigation system installed in 2011-12. The system includes all of the most modern features and is fully adequate to properly maintain Palmer Hills GC in the most competitive and efficient manner. The water source is wells on property that pump into ponds on the golf course, and then distributed through the system through the 600+/- irrigation heads on property. All controlled by a centralized computer system for maximum efficiency. The NGF expects that PHGC's irrigation system should be adequate for the next 25 to 30 years.
- **Drainage and Erosion:** As noted, the PHGC includes several creek areas on the property that require constant attention. The City has invested over \$800,000 in drainage and erosion improvements, or an average of about \$160,000 per year. It is expected that additional projects of this nature are likely in the coming years.
- **Course Difficulty:** Palmer Hills GC is a difficult golf course as noted. Much of the difficulty is imbedded into the design of the golf course and therefore fixed, and cannot be changed without major alteration of the golf course. Still, some of the issues can be addressed by:
 - Making the course shorter by adding new forward tees (underway in 2016)
 - Trimming back the tree canopy
 - Widening fairways and reducing rough
 - Reducing the number of trees (where allowable)
 - Reducing the number and/or size of bunkers (more below)
- **Tee Positions:** One way the City can help ease the difficulty of the golf course is to make it shorter for golfers. The ideal length for the most forward tee position on an 18-hole regulation golf course is around 4,700 yards, or about 640+/- yards shorter than the current length. To accomplish this, new tee positions should be built to appropriate standards and added to the scorecard. The new tees will help to shorten the golf course but can also eliminate some of the forced carries that exist on the layout. Adding a new forward tee position will help everyone move up to a shorter tee and is consistent with golf industry initiatives like "tee it forward," which is all about getting golfers to move up to a tee that is more appropriate for their skill level. This project is already underway at PHGC in 2016, with new yardages expected to be:

Course/Tee	Old Yardage	New Yardage (2017)
Gray	5,341	4,716
White	5,865	5,504
Yellow	6,318	6,106
Black	6,568	6,402

- **Bunkers:** Palmer Hills GC has a total of 40 bunkers, many of which are large and/or hidden or have steep inclines. Several of these bunkers are located in particularly difficult places, or are in locations that tend to attract golf shots. Palmer Hills GC would benefit greatly from a change in the bunkers to include a reduction in both the number and size of the bunkers, making them less penal but still an integral part of this golf course. Improved sand and drainage is also important in this improvement.



Photos showing bunkers on PHGC. While in very good maintenance condition, some of the bunkers are hidden and can add to the difficulty of the golf course.

- **Cart Paths and Bridges:** The cart path system at Palmer Hills GC is generally in good condition, as staff reports improvements are made frequently to repair problem areas. The course has two (2) bridges that cross the creek on property, both of which will need improvement in the coming years at an estimated \$75,000 per bridge.



One example of the condition of the bridges at Palmer Hills GC that will need to be repaired or replaced within the next five (5) years.

NGF Opinion Matrix – Comparative Club Amenity Review

One key aspect of the marketability of a public golf course is the “Consistency of Brand” across all amenities. The matrix below summarizes the NGF opinion of Palmer Hills GC amenities based solely on the NGF consultants’ inspection, collective consulting experience and knowledge of the amenities offered at competing facilities in Quad Cities. A summary of the NGF opinion of Palmer Hills GC amenities shows:

Palmer Hills Golf Course Brand Consistency Review of Amenities NGF Opinion Grading					
Amenity	Yr. Built	Last Renovation	NGF Opinion Grade		Comments
			Condition	Functionality	
Golf Amenities					
Golf Course	1974	None	B+	C	Good quality golf course in good condition. Function issues relate to difficulty and topography, the former of which is currently being addressed properly by staff. Function of practice amenities is reduced for mats on range and distance from clubhouse of chip area.
Driving Range	1974	None	B	B-	
Chipping Area	2015	2016	A	B	
Clubhouse					
Grill	2006	None	A	A	In good condition and adequate for PHGC program
Restrooms	2006	None	A	A	
Pro Shop	2006	None	A	A	
Overall Presentation/Course Appeal					
Entry Presentation/Parking			B	C	The entrance presentation and curb appeal are outstanding. Landscaping consistent throughout property. Parking and pavilion location less than ideal.
Source: NGF Opinion					

REVIEW OF GOLF OPERATIONS

As noted, the Bettendorf municipal golf system comprises the 18-hole Palmer Hills Golf Course, which was constructed by the City specifically to be a municipal golf course in 1974. The City has showed its commitment to golf with continued investment over the years, including the new clubhouse in 2006 and new irrigation (and other) projects in 2011-12. The result is a good quality golf course in good condition, with a strong operational structure and staff in place. The City may now find that additional investment can be made to the facility to help enhance the economic viability of the facility, rather than to repair infrastructure or other problems.

Organizational Structure / City Support

The City golf course is operated directly by Bettendorf under the direction of the Parks and Recreation Director and City Administrator. On-site, the City employs three managers – one each for operations, maintenance and food and beverage service. Each manager reports directly to the Director of Parks and Recreation. The City of Bettendorf approves policy changes and annual fee structures. Other City support provided:

- Little direct marketing support, other than providing a link to the golf course websites under “Recreation Links” on City website.

- City-wide technical support for items such as information services and systems. The City also provides accounting, mail, phone and insurance services for the golf system.
- Financial:
 - The City currently covers operating losses and capital at PHGC. Total losses at the facility have been as high as \$100,000 in recent years.
 - The City does charge the Golf Fund for direct and indirect overhead (referred to as Park Administration) for allocated portion of City services and other items; with amounts around \$55,000 to \$65,000 since 2014 (NGF observed “standard” is around \$112,000 per 18 holes in municipal golf).

Staffing

All staff at the facilities is employed directly by the City of Bettendorf, with key positions including:

- **Head Golf Professional:** The Golf Pro is responsible for the pro shop operation, driving range, outside services, programming, lessons, and marketing. This individual is a Bettendorf employee compensated by salary plus incentives with benefits and lesson revenues, and possesses the key industry designation of Class A-1 PGA certification. Pro reports incentives are rarely (if ever) reached.
- **Golf Maintenance Superintendent:** Maintenance for the golf course is overseen by the GCSAA Class-A Golf Superintendent, who has been with the City for many years. This position is also full-time with benefits.

The basic staffing for the Bettendorf golf system includes the positions shown in the table below. Full-time (FT) positions include salary and benefits. The City has a total of four (4) full-time employees with benefits and about 26+/- part-time employees totaling 40% full-time equivalent (FTE) positions. Many of the staff has over 10+ years’ experience at the golf courses, including both full and part-time employees. The NGF estimates a comparative total of 28 full-time equivalent (FTE) positions at Palmer Hills GC:

Golf Maintenance Positions	Pro Shop / Operations Positions
Grounds Superintendent (FT)	Head Golf Professional (FT)
Golf Course Technician (1 - FT)	Assistant Golf Professional (PT)
Maintenance Worker (2 – FT - hourly)	Staff – pro shop, outside serv., etc. (addl. PT)
Additional PT/Seas Laborers (30+/-)	
Food & Beverage / Concessions	
Food & Beverage Supervisor (FT); Addl. PT staff	

Staffing Summary

The staffing for the Bettendorf golf system appears to have comparable staffing to the “typical” standard for public golf courses in the U.S., with a slightly larger full-time maintenance staff. There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The number of staff needed for a particular golf operation depends on several factors, not the least of which is budget considerations. Personnel costs typically represent the largest single expense item in a golf course operation, as is the case for Bettendorf. The NGF data on public golf operations in 2014 show averages for full-time staffing at 18-hole public golf courses nationwide (table below). This level of staffing represents a reduction from 2009 figures as a result of declining income and the need to reduce expense.

Palmer Hills Golf Course Total Facility Staffing – 2016			
Facility	Operations Staff (FT / PT)*	Maintenance Staff (FT / PT)*	Total Staff (FT / PT)
Palmer Hills GC	2.0 / 13	2.0 / 13	4.0 / 26
Industry “Standards” (per 18 holes)			
Total U.S. Average	3.0 / 24.0	3.5 / 34.0	6.5 / 46.0
U.S. Municipal Golf Average	2.0 / 16.0	3.0 / 31.0	5.0 / 47.0
* Includes F&B. Senior Positions (DOG, Super, Maint. Tech.) shared between two locations.			

Technology and Systems

The golf course reported to NGF that they use ForeUp Point-of-Sale (POS) system for tracking sales and generating reports. This system is appropriate for the PHGC operation and is providing a lot of high level detail to the City and can be used to further enhance marketing and customer tracking. The system, linked to its website, is also capable of taking tee times online.

This review of the POS and other technology systems at Palmer Hills shows the City could expand its use of technology, and improvements would be beneficial. More comprehensive use of the efficient system will help the City understand its business better with improved reporting and sales data, while also providing assistance in marketing and customer tracking (more in recommendations section):

- Loyalty program modules
- Customer database segmentation through enhanced reporting
- Direct email-to-the-consumer marketing and integration with social media
- Web site remodeling to become the central focus of the golf marketing

Marketing

Review of the Palmer Hills budget history shows between \$22,000 and \$33,000 in the budget for marketing, with \$32,000 for golf and \$1,500 for the restaurant in 2015. Traditionally, NGF Consulting recommends marketing budgets for golf courses of at least 2% of total gross facility revenue, or roughly \$20,000 for Palmer Hills GC in 2015, showing appropriate marketing/advertising spending in Bettendorf. A review of the City’s marketing initiatives and materials show strong efforts to draw activity to Palmer Hills GC, through print, mail, web and other efforts. It is expected that the City will move to act on the plan in the coming years, and it is expected to produce improved rounds activity and revenue, especially if improvements are completed as proposed. Below is a summary review of recent and current golf marketing initiatives and materials.

Palmer Hills GC offers a unique golf facility with specific appeal to golf customers. In a competitive market like Bettendorf and the Quad Cities, extensive marketing of facilities is paramount in success, with marketing focus on awareness and trial. Palmer Hills can be a true destination golf property, especially if the improvements under consideration are completed, and thus can have a broader appeal for a wider audience of players, **if they are aware of the facility**. As such, marketing to grow new customers to PHGC should be focused on both local market golfers and visitors to the area. The key areas of focus for increasing activity and revenue at Palmer Hills GC at present include:

- **Internet** – The Internet is the most cost-effective form of advertising outside of word-of-mouth. The key elements typically associated with successful golf websites include an ability to book golf online, tournament/outing information, map/directions to the course, information on rates and availability, membership/loyalty program information, email capture, pictures, scorecard, and a calendar of events. The www.palmerhillsgolf.com website for Palmer Hills is very well done and includes all of the features typically associated with successful public golf courses. In addition, the NGF finds the site is easy to find using search engine for phrases such as “golf quad cities” or “golf Bettendorf.” In the recommendations section of this report, NGF provides a more detailed review of how Bettendorf can grow golf activity through its electronic platforms and take advantage of improvements to Palmer Hills GC.
- **Social Media** – Palmer Hills’ staff has been active in social media, including a course *Facebook* page. This and other social media platforms provide a way for golfers to follow activities at golf courses and activity in these platforms corresponds with success in public golf operations.
- **Promotional Materials** – There have been limited printed promotional materials over the years for Palmer Hills. In the golf industry, these are typically bi-fold or tri-fold pieces that can be distributed around the area and in hotel or visitor racks.
- **Email** – Management reported extensive email advertising. The current database contains about 4,500 names, including a mix of pass holders and daily fee players. There is extensive effort to try and capture emails of daily fee golfers, and messaging to the database is around twice per month in season for daily fee players and more frequently for annual pass members, mostly noting events.
- **Print** – The City advertises its golf courses in some local newspapers and area directories. These ads tend to be relatively simple informational ads and not specialized or coupon/discount oriented. Local/regional golf magazines have been deemed too expensive to advertise in.
- **Hotels / Downtown Casino**– There are several hotels in Bettendorf, particularly around the downtown area and Isle of Capri casino. Staff reports no formal relationships with hotels, such as room-golf package deals, but the Head Professional has distributed basic information about Palmer Hills GC to Bettendorf hotel operators in the past.

Golf Playing Fees

As the fee chart below illustrates, Bettendorf maintains a relatively simplified fee structure for Palmer Hills GC. The facility includes a weekday-weekend split, along with various time-of-day price breaks, both of which are common in public golf nationwide and in this market. These price breaks are appropriate to help maximize activity and allow the City to generate maximum revenue from peak demand times and stimulate more activity in lower demand periods. Both walking and riding rates are available for patron card and non-patron card golfers. There is also a \$14 junior rate on weekdays to help stimulate play from this segment. The fees are outlined in the tables below, followed by NGF commentary on golf playing fees.

The playing fees at Palmer Hills GC peak at \$40 for an 18-hole weekend riding round and \$37 weekdays. A summary of key rates at Palmer Hills GC are shown below:

Palmer Hills Golf Course 2016 Rates						
Green Fees Mon-Thurs, Fri till noon						
Green Fees	Before 3pm		Sundown After 3pm		Super Sundown	
	Walking	Riding	Walking	Riding	Walking	Riding
9 Holes	\$17	\$27				
18 Holes	\$22	\$37	\$17	\$28	\$13	\$23
Senior 18-hole cart (Mon-Thurs, Fri til' 12)	\$17	\$27				
Junior	\$14					

Green Fees Friday at 2pm - Sunday						
Green Fees	Before 3pm		Sundown After 3pm		Super Sundown	
	Walking	Riding	Walking	Riding	Walking	Riding
9 Holes	\$25	\$35				
18 Holes	\$25	\$40	\$19	\$30	\$15	\$25

Other Palmer Hills GC Fees

Additional fees at PHGC include the season passes and driving range fees. Passes range from \$796 for a single to \$1,195 for the annual 7-day pass. The City is also offering a Youth Pass for \$475, which is an outstanding deal and should help to grow activity over the years at PHGC. Driving range fees range from \$5 to \$8 with four sizes of buckets, which is ideal for encouraging frequent use. A summary of other golf rates at Palmer Hills GC are shown below:

2016 Season Pass	
Individual Pass (Weekdays Mon - Fri)	\$796
Individual Pass (7 days a week)	\$1,195
Senior Pass (60 & Older Weekdays) Mon-Fri)	\$695
2 Person Family Pass (Weekdays Mon-Fri)	\$1,295
2 Person Family Pass (7 days a week)	\$1,695
Youth Pass	\$475
2016 Driving Range Fees	
Large Bucket	\$8.00
Medium Bucket	\$7.00
Small Bucket	\$6.00
Jr./Sr. Bucket	\$5.00

NGF Commentary on Bettendorf Golf Fees

Golf playing fees at Palmer Hills GC generally appears to be in line with the local public golf market. Palmer Hills GC is near the upper-middle for “rack” green fees in its competitive set, with the Davenport golf courses \$1 to \$4 lower and the exact same fees at Scott County’s Glynn’s Creek. Other findings:

- Based on its quality, Palmer Hills should always be priced close to the top of the Quad Cities public golf market. It is currently priced a few dollars higher for peak green fees than the Davenport courses, and the local demographic profile is a match for higher fees.
- The pass pricing for Palmer Hills is directly comparable to Davenport and Scott County. NGF believes the current pricing is appropriate, and especially reflective of the quality of Palmer Hills.

Golf Maintenance Equipment and Carts

The equipment used to maintain the golf courses is owned by the City, and staff reports that the City has been keeping equipment up to date, outside of the golf course budget. Bettendorf is leasing a total of 80 carts at Palmer Hills. The carts are Club Car electric powered, and most are stored in the basement level of the clubhouse. The carts are on a single three-year lease that requires 24% of cart revenue as payment. This totals to approximately \$45,000 at Palmer Hills in 2015, or about \$560 per cart per year. This compares favorably to the industry “standard” of \$1,000 per cart per year, although power costs are not included in the Palmer Hills GC estimate.

Organized Golf Activities

One of the keys to successful public golf operations and generating green fee revenue is the continued promotion and hosting of group activities such as leagues, outings and tournaments. These activities are a key to maximizing rounds activity at public golf courses and NGF has observed that golf courses without an active calendar of events are at a severe disadvantage in achieving strong rounds activity. These events tend to stimulate repeat play, resulting in higher rounds per golfer than would be achieved with simply daily fee play.

Leagues/Outings/Tournaments

Palmer Hills GC is an active and highly programmed golf facility. Staff reports several leagues playing every day Monday – Thursday from 3:30 to 5:30. Some of the larger leagues have as many as 75 players for an individual event. Additional regular play groups include the Monday morning ladies group and the Thursday morning senior men’s group (80-100 players). The course hosts at least 8-10 regular large golf tournaments each year with 72+ players and five events with 144 players. PHGC hosts another 60 outings each year with 24-40 players. There are smaller 20-25 person outings hosted every week in the golf season. The facility is an ideal golf course to host large events with its newer clubhouse with large interior space (plus the deck), and the outdoor covered pavilion.

Player Development Programs

Cultivating new golfers is not only key to the future of golf, it has also proven to be an immediate generator of revenues for facilities and it is in the City’s interest to continue to be aggressive in its player development program so that it can be active in key “grow-the-game” initiatives. This will become even more important if changes proposed for Palmer Hills are implemented. The facility PGA professional and a part-time instructor are currently delivering a wide variety of programming to 100 junior golfers per season through summer camps, junior clinics and group junior lessons with approximately \$4,500 in gross revenue. They are also offering private lessons and group lesson programs for beginning and intermediate golfers with gross lesson revenue of approximately \$15,000.

Most of the player development activity at Palmer Hills is centered on the driving range and putting green, as is appropriate. Palmer Hills hosts numerous golf classes, lessons and clinics

as noted. The PGA of America has estimated that actively engaging in new player development programs can develop as many as 200 to 350 new golfers per year for a golf course. The PGA goes on to estimate that if each new golfer produced 10 rounds of golf per year, it could add upwards of 2,000 to 3,500 new rounds of golf per facility, or as much as \$50,000 to \$87,500 in new revenue per year at an average of \$25 per round of golfer spending. Palmer Hills Golf Course is currently playing approximately 26,000 rounds with potential to grow, and there is opportunity to improve through enhanced marketing and instructional programming. Addressing three core strategies should be the primary focus to do the following:

- Retain and strengthen the core golfer
- Engage lapsed golfers
- Drive new players

Other Operational Issues

Other key issues related to the Bettendorf golf operations observed by NGF Consulting:

- **Club Rentals** - One key to increasing the volume of daily fee golf rounds is to have a good quantity of high quality rental golf club sets available, and communicating this fact to potential customers. This has not been a big issue at Palmer Hills, but may become more important with enhancements being considered. As such, Palmer Hills may need a mix of better quality rental sets and lower quality “loaner” clubs for use on the range or pitch & putt for beginners. As noted several times in this report, the key revenue sources for Palmer Hills are green and cart fees, and rental sets help the facility to sell more rounds. Thus, the rental sets themselves are not viewed as a strong direct profit center.
- **Winter Operations** – Staff reports that Quad Cities remains open through the winter, hosting golf on a weather available basis with the grill open year round. Staff did report some winter activities such as skiing and sledding, and the F&B manager noted that the grill is only open for lunch in winter, with about \$7,000 to \$8,000 per month in revenue (compared to \$30,000+ per month in summer). As much of the direct expense to operate the facility in winter is personnel-related and fixed, it is not expected that the City would derive much benefit from closing the facility entirely for the winter and whatever revenue can be generated is a bonus. These senior staff positions are also busy with other winter activities such as business and maintenance planning, equipment repair and marketing during the winter when weather does not allow for golf to be played.
- **Signage** – The signage (directional and informational) to Palmer Hills could be improved to help increase activity, on-course signage (directional and hole-markers) could also be improved to help pace-of-play. Additional signage can help improve access for golfers from various points within the region and for golfers in carts once at the golf course.
- **Lighting for Night Use:** The range at PHGC has lights in place and the changes being considered for the property lend themselves well for use at night. Although past performance suggests otherwise, the NGF finds that driving ranges typically see a boost in revenue when open at night. Combined with other elements like a putting course, the City may want to add lights to some amenities and re-consider opening the range at night along with the new amenities (more later in this report).

SUMMARY OF OPERATIONAL PERFORMANCE

NGF has completed a review of the recent performance of Palmer Hills GC. This review is summarized in the paragraphs that follow with comparisons to national benchmarks. In summary, it appears that Palmer Hills GC is performing with activity, revenue, and maintenance expenses that are comparable to standards for public golf operations, with a strong food and beverage concession operation. This is significant given that Palmer Hills GC is not able to operate year-round due to the local climate. The review below covers rounds activity, revenues and maintenance expenses over the last few years.

Palmer Hills GC Rounds

The table below shows total rounds at Palmer Hills GC since FY2004. We note that over this timeframe, PHGC rounds have declined steadily, with significant drops in 2006-2008 and again in 2012-2013. Since 2013, PHGC has seen modest increases in rounds each year. In comparison, the total U.S. has experienced a 9.7% decline in public golf course rounds between 2005 and 2010, with a 3% decline from 2010 to 2015 and 5.3% recovery through June 2016. Total average rounds per 18 holes now stand at 31,500 for public golf courses nationwide.

Palmer Hills GC Total Rounds Played (FY2004 – 2016)		
Fiscal Year	Rounds	Percent Change
FY 2004	32,859	
FY 2005	33,735	2.7%
FY 2006	34,691	2.8%
FY 2007	32,766	-5.5%
FY 2008	30,030	-8.4%
FY 2009	30,854	2.7%
FY 2010	29,419	-4.7%
FY 2011	28,490	-3.2%
FY 2012	27,384	-3.9%
FY 2013	25,417	-7.2%
FY 2014	25,691	1.1%
FY 2015	26,220	2.1%
FY 2016	26,875	2.5%

Source: City of Bettendorf

Rounds by Month

The review of rounds by month shows the seasonality of PHGC. On average, 77% of all rounds are played in the five months between May and September each year. There is a small shoulder season in March-April and October, with very little golf played in November – February.

Palmer Hills GC Average Rounds Played by Month (FY2004 – FY2016)													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Avg. Rounds	134	26	1,011	2,822	4,308	4,695	5,204	4,676	3,612	1,892	836	354	29,572
% of Total	0.5%	0.1%	3.4%	9.5%	14.6%	15.9%	17.6%	15.8%	12.2%	6.4%	2.8%	1.2%	100.0%

Source: City of Bettendorf

Annual Passes

Of particular interest is the volume of annual pass rounds at Palmer Hills GC. The City has issued about 30 or so passes each year since 2014. This has produced about 1,100 to 1,400 rounds of golf, or an average of about 37 to 44 rounds per pass per year. The City also sells a 10-for-12 punch card since 2014, with revenue included as player passes.

Capacity Issues

A golf course's *theoretical capacity* can be determined mathematically by multiplying the number of available tee times (utilizing only the first tee as the starting hole) by the maximum number of players in a group, usually a foursome. This measure, while not realistic for any golf course, results in a total available inventory of golf rounds (starts) of 224 rounds per day and approximately 59,500 rounds (starts) per year in a 38-week golf season. A more realistic measure, a golf course's *actual capacity* 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* such as a desire to maintain course conditions and market realities. In estimating capacity, NGF Consulting has defined a "round" as one person teeing off in an authorized start, so 9-hole and 18-hole rounds are counted equally.

Based on Palmer Hills GC's course's type and size, fee structure, market size, weather conditions, and down time for maintenance, NGF Consulting has estimated an *actual capacity* for the 18-hole facility of about 45,000 (great weather year and strong demand) rounds per year.

Palmer Hills GC Revenue

The tables below show the total operating revenue from green fees, player passes, cart fees, driving range, concessions and some other on-site sources. We note the steady growth in revenue since 2014, peaking at \$1.128 million budgeted for FY2017. The average in the U.S. for 'standard' courses (under \$40 green fee) is around \$1.0 million for 18-holes in 2015. However, we note that the City only receives 3.0% of pro shop sales as per Golf Pro contract, so the facility's top-line gross revenue is actually about \$116,000 to \$134,000 higher, so for appropriate equalization to national benchmark the NGF estimates total gross revenue at Palmer Hills GC in FY2015 was about \$1,186,500 (including gross pro shop sales).

Palmer Hills Golf Course Total Revenue by Category (FY2014 – FY2017*)						
	FY2014	FY2015	FY2016*	FY2017*	2014-2017 Avg.	% of Total
Daily Greens Fees	\$427,234	\$437,328	\$464,000	\$462,700	\$447,816	41.8%
Player Passes	30,297	41,450	43,300	44,300	39,837	3.7%
Golf Cart Rental	177,110	179,676	187,000	199,000	185,697	17.3%
Driving Range	40,561	41,792	47,760	47,060	44,293	4.1%
Other Golf (rentals, Hcap, pavilion)	10,783	11,039	12,140	11,800	11,441	1.1%
GC Concessions	185,841	212,848	230,000	230,000	214,672	20.0%
Beer Sales	114,124	127,489	122,000	130,000	123,403	11.5%
Pro Shop	3,508	4,045	3,500	3,500	3,638	0.3%
Total Revenue	\$989,458	\$1,055,667	\$1,109,700	\$1,128,360	\$1,070,796	100.0%
Annual Change		6.7%	5.1%	1.7%		
Total Rev/Round	\$38.51	\$40.26	\$41.29			

Source: City of Bettendorf *Budget estimate in 2017

Palmer Hills GC Average Revenue Analysis

The total average revenue per round at Palmer Hills GC was \$45.50 in 2015, inclusive of total gross pro shop revenue (\$41.29 to City). Of the gross total, only \$25.11 is golf fees (green fee + passes + carts) and the remaining \$17.14 in ancillary revenue. The average for standard public golf courses in the U.S. was \$23.51 for total golf revenue per round (green, cart, membership), plus an additional \$9.70 in ancillary spending for a total of \$33.21 per round. In general, Palmer Hills GC is generating comparable total facility revenue, with much higher ancillary income, especially in concessions where PHGC exceeds national standards (more later in this chapter).

Palmer Hills Golf Course Total Average Revenue per Round (2014 – 2016)				
Year	FY2014	FY2015	FY2016	Average
Rounds	25,691	26,220	26,875	26,262
Golf Rev. (Green, Passes)	\$17.81	\$18.26	\$18.88	\$19.31
Carts	\$6.89	\$6.85	\$6.96	\$7.58
Concessions	\$11.68	\$12.98	\$13.10	\$13.71
Pro Shop*	\$4.55	\$5.14	\$4.34	\$4.44
Driving Range	\$1.58	\$1.59	\$1.78	\$1.79
Other	\$0.42	\$0.42	\$0.45	\$0.45
Total Facility Gross Revenue*	\$42.93	\$45.25	\$45.50	\$47.27
Total Avg. City Rev/Rnd	\$38.51	\$40.26	\$41.29	\$42.97

Source: City of Bettendorf *Includes gross pro shop

Annual Pass Analysis

The NGF review of annual passes at Palmer Hills shows a small group with relatively light activity, or about 4.0% to 5.0% of total rounds activity. The City earned \$19.51 per passholder round at PHGC in 2016, which is close to the observed average for total facility green and pass fees. Improvements to Palmer Hills GC would help to improve the overall value proposition for these passes and may help to increase both pass sales and passholder rounds activity. A summary of annual passes at PHGC is shown below:

Palmer Hills Golf Course Annual Pass Analysis (2014 – 2016)			
	FY2014	FY2015	FY2016
Total Passholder Revenue	\$21,015	\$27,528	\$21,655
Total Passholders	30	33	25
Passholder Rounds	1,127	1,422	1,110
Revenue Per Pass	\$700.50	\$834.18	\$866.20
Pass Rev Per Pass Round	\$18.65	\$19.36	\$19.51
Rounds Per Pass	37.6	43.1	44.4

Palmer Hills GC Expenses

The table below shows the total City on-site operating expenses at Palmer Hills by type of expense since 2014. The expenses shown in the table do not include direct cost of goods sold (not an operating expense) or depreciation (not a cash item). The NGF has made these adjustments for appropriate comparison to benchmarks. These on-site operating expenses have remained fairly steady, with a significant increase in FY2016. The one area that has shown the greatest increase has been personnel expenses, which have increased 15% since 2014. The overall expense to operate PHGC is generally comparable to the expense averages for standard public golf courses in the nation of approximately \$1.1 million per 18 holes per year.

Direct expenses for personnel are the largest for golf facility operations, as is the case with PHGC. The standard threshold for the ratio of personnel expenses to total expenses is between 50% and 60%, excluding cost of sales. For comparison, PHGC personnel expenses have averaged around 67% since 2014, just above the acceptable range for public golf operations.

Palmer Hills Golf Course Total Direct Operating Expense by Type (FY2014 – 2016)					
Operating Expenses	FY2014	FY2015	FY2016*	FY2017*	Average
Personnel					
Maintenance Wages + Benefits	\$280,383	\$281,439	\$306,878	\$331,020	\$299,930
Restaurant Wages + Benefits	148,475	164,591	182,839	173,194	167,275
Operations Wages + Benefits	170,324	174,710	182,573	186,304	178,478
Park Admin Wages + Benefits	32,361	34,215	35,950	35,749	34,569
Total Personnel Expenses	\$631,543	\$654,955	\$708,240	\$726,267	\$680,251
Operating Expenses					
Maint. Svcs. & Commodities	\$148,357	\$158,878	\$165,141	\$153,963	\$156,585
Restaurant Svcs. & Commodities	29,570	26,367	32,400	29,684	29,505
Clubhouse Svcs. & Commodities	63,384	70,040	71,071	74,188	69,671
Park Admin	23,083	20,722	27,829	28,859	25,123
Custodial	3,883	4,123	7,000	4,000	4,752
Bldg Maintenance	54,636	41,250	45,400	51,400	48,172
Total Operating Expense	\$322,913	\$321,380	\$348,841	\$342,094	\$333,807
Total Expenses	\$954,456	\$976,335	\$1,057,081	\$1,068,361	\$1,014,058
Annual Change		2.3%	8.3%	1.1%	

Review of Ancillary Operations (Concessions, Pro Shop and Practice Facilities)

Palmer Hills GC has ancillary revenue earned from the sale of food, beverages, merchandise and the driving range. This includes a full grill / bar snack bar operation, range revenue and a share of pro shop merchandise. Total ancillary revenue to the City from these sources totaled \$386,174 at PHGC in 2015, and when total pro shop sales are included the total is \$516,962. The NGF review of ancillary revenue at Bettendorf golf courses follows below:

Palmer Hills Food and Beverage Operation

The basic food and beverage operation at Palmer Hills consists of the grill area and bar, which includes seating for up to 75-80 indoors and an additional 6 tables outside on the deck. The grill is open daily at 8:00 AM (7:00 AM on weekends) and serves breakfast and lunch seven days a week; and will remain open into the early evening when golfers are out on the course. The table below provides a summary of food and beverage concessions at Palmer Hills GC:

**Palmer Hills Golf Course
Food and Beverage Concession**

Course	Basic Features	2015 Total Gross Revenue	2015 Revenue/ Round*	U.S. Std. Rev./ Round*	Direct Cost of Sales (COS)	COS % of Revenue	U.S. Std. COS*
PHGC	Palmer Grill	\$340,337	\$12.98	\$6.10*	\$143,530	42.2%	40%

*U.S. Standard for 18-hole courses. \$/round based on total starts.

A more detailed summary of Concessions at Palmer Hills from 2014-2017 is shown below:

Palmer Hills Golf Course Food and Beverage Concession (FY2014-2017*)					
	FY2014	FY2015	FY2016*	FY2017*	Average
Concessions	\$185,841	\$212,848	\$230,000	\$230,000	\$214,672
Beer Sales	\$114,124	\$127,489	\$122,000	\$130,000	\$123,403
Total Gross Sales	\$299,965	\$340,337	\$352,000	\$360,000	\$338,076
Rev. per Round	\$11.68	\$12.98	\$13.10	N/A	\$12.87
Cost of Sales (COS)					
Concessions	\$86,534	\$98,537	\$110,000	\$100,000	\$98,768
Beer Sales	39,316	44,993	45,000	45,000	\$43,577
Total (COS)	\$125,850	\$143,530	\$155,000	\$145,000	\$142,345
Expenses					
Payroll	\$148,475	\$164,591	\$182,839	\$173,194	\$167,275
Operating	29,570	26,367	32,400	29,684	\$29,505
F & B Net	(\$3,930)	\$5,849	(\$18,239)	\$12,122	(\$1,050)

Source: City of Bettendorf *Budget estimate in 2017

The “Palmer Grill” has an extensive, full-service menu and has become a popular lunch spot for golfers and non-golfers alike. The menu includes appetizers (\$3 to \$6), soups and salads (\$6 to \$8), sandwiches (\$8), wraps (\$7.50) and pizza (\$9 to \$12). Beverages include a full selection of both bottle and fountain soft drinks, a wide variety of beer on tap and a small selection of alcohol. The grill at Palmer Hills is producing much higher average revenue than typical for a public golf course. This is a reflection of the popularity of the site as a local restaurant, and is generating a substantial non-golf business, perhaps as high as 40% from non-golfers.

Food and beverage operations at golf facilities tend to achieve two goals: (1) provide direct revenue; and (2) help increase the overall volume of rounds and other revenues at the facility. The primary focus of public golf course F&B service is to serve the needs of the golfers, with occasional non-golf customers and luncheon/meeting business a plus. The typical 18-hole public golf course will earn about \$6.10 per round in food and beverage, less direct costs. The industry standard for direct cost of sales at golf course F & B operations is around 40%, so the Palmer Hills GC operation compares well to both benchmarks.

A review of the operation shows the full-time Food and Beverage Manager working a heavy load and finding qualified help is a struggle. The data shows the operation at very close to break-even, which is a match to industry benchmarks, but not so when the high non-golf volume of business is considered.

Palmer Hills Merchandise Operations

Palmer Hills GC has a high quality golf pro shop, with a good selection of appropriate merchandise for sale to customers. The City of Bettendorf has chosen to allow the shop to be run as a concession as part of the compensation for the golf professional. This is common in the golf industry and helps to relieve the City from adding selection, purchasing and management of inventory to the City's responsibilities. The agreement calls for the City to receive a total of 3.0% of total gross pro shop sales, which has resulted in between \$3,500 and \$4,000 each of the last few years. A review of pro shop performance at Palmer Hills:

Palmer Hills Golf Course Food and Beverage Concession (FY2014-2017*)					
	FY2014	FY2015	FY2016	FY2017*	Average
Total City PS Income	\$3,508	\$4,045	\$3,500	\$3,500	\$3,638
Estimated PS Total Gross	\$116,933	\$134,833	\$116,667	\$116,667	\$121,275
Estimated Cost of Sales @ Industry Std.	\$81,853	\$94,383	\$81,667	\$81,667	\$84,893
Net Pro Shop	\$31,572	\$36,405	\$31,500	\$31,500	\$32,744
Gross Pro Shop / Round	\$4.55	\$5.14	\$4.34		

The total gross revenue for merchandise at Palmer Hills was \$134,833 in 2015, which was the highest total in the years reviewed by NGF. This volume equates to \$5.14 per round of golf, an amount that is much higher than the national "standard" for pro shop revenue is \$2.32 per round of golf at "mid-fee" public golf courses.

Palmer Hills Driving Range Operations

Driving range operations represent a growing part of the Palmer Hills GC operation, accounting for \$47,760 in income in 2016 (17.7% increase over 2014). Palmer Hills has a 16-station range with artificial turf mats for hitting. The range is lighted for night use, but staff indicates they have not used the lights for many years as evening business just was not there. Range balls are obtained from the automated range ball dispenser in the range kiosk (unmanned) using tokens obtained in the pro shop or a pre-paid range key. This automated range set-up is ideal for a public golf course and the pre-paid range key system tends to produce the highest range income for golf courses. Close attention to the range and practice amenities at Palmer Hills are critical in this analysis, as the City is considering changes or upgrades to the services offered.

Practice amenities are important to golf courses for two reasons:

- **Direct Revenue** – Driving ranges and other practice amenities have a relatively low cost of production and thus a large portion of revenue goes directly to profit.
- **Indirect Revenue** – The presence of good quality practice amenities can also improve revenue by attracting more rounds and enhance F&B and merchandise sales. Public golf courses are generally in the business of selling green fees and cart fees, and good practice amenities can help sell more rounds and attract group events and tournaments.

Palmer Hills GC Financial Summary

A summary of performance of City golf courses is presented by facility and in aggregate.

Palmer Hills Golf Course Summary of Performance (FY2014 – FY2017*)					
	FY2014	FY2015	FY2016	FY2017*	Average
Total Revenue	\$989,458	\$1,055,667	\$1,109,700	\$1,128,360	\$1,070,796
Less Cost of Sales: (COS)					
Total COS	\$125,850	\$143,530	\$155,000	\$145,000	\$142,345
Gross Margin	\$863,608	\$912,137	\$954,700	\$983,360	\$928,451
Expenses					
Total Personnel Expense	\$631,543	\$654,955	\$708,240	\$726,267	\$680,251
Total Operating Expense	\$322,913	\$321,380	\$348,841	\$342,094	\$333,807
Total Expenses	\$954,456	\$976,335	\$1,057,081	\$1,068,361	\$1,014,058
Facility Net (before Depreciation)	(\$90,848)	(\$64,198)	(\$102,381)	(\$85,001)	(\$85,607)
Depreciation	\$204,767	\$208,473	\$217,103	\$212,000	\$210,586
Net Income after Other	(\$295,615)	(\$272,671)	(\$319,484)	(\$297,001)	(\$296,193)
Source: City of Bettendorf *Budget estimate in 2017					

City of Bettendorf Golf System Summary Performance

The NGF review of Palmer Hills GC shows the course earning about 63% of income from green fees and cart fees, and about 20% from food and beverage operations. This is a common mix, with concessions weighting a little more than usual for a municipal golf course. The driving range at Palmer Hills GC has been the one area of most significant sustained growth, but this is still just 4.1% of total facility revenue. Over time, total revenue at PHGC is up 14.0% since 2014, with a significant 6.7% increase in FY2015 over 2014 revenue. In all, 2015 was one of the better years for Palmer Hills, yet the overall net income was still negative.

Total expenses needed to operate the system have been increasing steadily over the last five years, with the largest increases coming in personnel expenses. Total personnel costs remain the highest expense within the system, and this is consistent with golf courses of all types, especially in the public sector. The total labor expense has been about 67% of total expenses (excluding COGS) for the five years shown, which is slightly elevated from the industry standard of around 55 - 60%. As NGF documented, the golf facilities are not over-staffed suggesting that the City's benefit of having long-tenured veteran employees is also affecting the labor expense proportion.

In total, Palmer Hills GC is operating with a net **cash** loss of **(\$102,381)** in FY2016, an income reduction of 60% over the **(\$64,198)** loss recorded in FY2015. Operating losses have become common in municipal golf nationwide, as NGF surveys indicate that only about one-third (33%) of all public agency golf operations are able to earn revenue sufficient to cover basic day-to-day on-site expenses **and** additional items such as internal charges and capital. About two-thirds (67%) are able to cover basic on-site day-to-day expenses excluding overhead, depreciation and capital. Thus our review shows Palmer Hills GC to be in the minority of municipal golf operations nationwide with revenues insufficient to cover day-to-day on-site expenses.

What does stand out to NGF in reviewing the Palmer Hills GC is that the facility is earning relatively high average revenue per round of golf, estimated at \$41.29 in FY2016, which is considerably higher than the industry standard of \$33.21. At this rate, Palmer Hills GC could produce total revenue as high as \$1.23 million annually, if rounds were increased to 30,000 (achieved as recently as FY2009). The large concession operation at Palmer Hills is another bright spot in the operation and a big part of why total average revenue per round of golf is so high. PHGC is earning over \$13.00 per round of golf in the grill, and much of this income is coming from non-golfers. The City may find that there is growth opportunity in the concession operation at Palmer Hills, especially if new amenities / attractions are added to the property.

The NGF review of Palmer Hills' economic performance strongly suggests that the golf course is not capable of generating enough income to cover on-site expenses **and** internal overhead, depreciation and capital projects without continued General Fund (taxpayer) support. The NGF does not expect that Palmer Hills GC will be able to cover the direct cost of proposed improvements, meaning that the costs to complete proposed enhancements will have to be funded through some mechanism external to the golf fund, like City support, grants or more comprehensive general obligation bonding.

PALMER HILLS GC GOLFER SURVEY

NGF's Golfer Survey Program was distributed in August-September 2016 seeking opinions on the Palmer Hills Golf Course. The survey was web-based and emailed out to golfers in the Palmer Hills GC golf email database. A total of **225 surveys** were collected by NGF, an amount that exceeded the 200+/- NGF usually requires for statistical accuracy. Of the total survey group, 92% of respondents described themselves as a local player/area resident, while only 2.2% indicated they were a season pass holder. As such, the survey provides a strong representation of the Palmer Hills GC local non-affiliated golfer and their opinions.

This survey is not intended to be a scientific study of Palmer Hills GC area golfers. Rather, the NGF is viewing a small sample of customers at Palmer Hills GC to get a general opinion on some of the factors in this golf operation. The NGF survey is used by hundreds of courses across the country, allowing us to compare results from the City's golf course with other similarly priced courses nationwide (except for custom questions).

It is also important to remember that the survey is from golfers *that currently play Palmer Hills Golf Course*. So these are the golfers who are *happiest* with the course and their ratings are generally going to be more favorable than golfers who may have played the course in the past but stopped playing. The respondents come from a wide geography, and NGF has included a map showing the zip code of origin in **Appendix D**.

Overview Summary

In summary, the survey shows a group of golfers that are not that satisfied with the Palmer Hills GC, and specifically note that the golf course design is not overly appealing. The highest scores went to the staff, the clubhouse amenities and the pro shop.

Palmer Hills Golf Course Satisfaction Scores

Palmer Hills Golf Course Satisfaction Measures	
	Palmer Hills GC
No. of Responses	225
Overall Customer Satisfaction	
Score (scale 1-10)	7.6
Price Percentile*	24
Satisfaction Compared to Expectations	
Score (scale 1-10)	7.1
Price Percentile*	17
Satisfaction Compared to Other Courses	
Score (scale 1-10)	7.5
Price Percentile*	42
Likelihood to Recommend	
Score (scale 1-10)	7.4
Price Percentile*	22
* Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than the subject facility compared to other similarly-priced golf courses in U.S.	

Palmer Hills Golf Course Satisfaction Factors		
	Score (scale 1-10)	Price Percentile*
Overall Value	7.4	25
Overall Course Conditions	7.7	41
Pace of Play	6.8	28
Friendliness/Helpfulness of Staff	8.7	79
Golf Course Design/Layout	7.8	5
Convenience of Course Location	9.1	95
Tee Time Availability	8.2	66
Condition of Greens	7.6	35
Scenery and Aesthetics of Course	8.2	48
Amenities (clubhouse, pro shop, lockers)	8.2	85
Food and Beverage Service	7.8	74
On-Course Svcs. (restrooms, drinking water)	7.7	80
Overall Experience	7.8	29
Condition of Tees	7.4	31
Condition of Bunkers	6.6	24
Condition of Fairways	7.4	25
Quality of Practice Facility	6.1	10
Quality of Golf Shop	8.2	87
* Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than the subject facility compared to other similarly-priced golf courses in U.S.		

Summary of Findings

1. Overall satisfaction with Palmer Hills GC is in the lower half of performance when compared to other similarly priced golf courses nationwide. Much of the lower scores clearly relate to the golf course design and condition of certain features. The survey group specifically references several factors that are included in the proposed enhancement, most notably practice facilities.
2. Palmer Hills GC tends to draw from a relatively tight area of local golfers, with about 72% of all survey respondents reporting residence in the top five zip codes (52722, 52806, 52807, 61265 and 61201). The typical public golf course will have closer to 50% of respondents in the top 4-5 zip codes (Map in **Appendix D**).
3. **Competition:** The survey indicated that the main competition for Palmer Hills GC is the Glynn's Creek GC – with 50% noting it as “another course they play”. Other primary competitors include Emeis GC (39%), Byron Hills GC (37%), Duck Creek GC (37%), Fyre Lake National GC (28%), Highland Springs GC (25%), Arsenal Island GC (22%) and the TPC at Deere Run (20%).
4. The profile of the Palmer Hills GC golfer is predominantly male (91%) and generally older (71% over age 50, 47% over 60 and 18% over 70), compared to a national benchmark of 80% male and only 60% over 50.

General Open-Ended Comments

5. In review of the general open-ended comments survey respondents made about **what they like about Palmer Hills Golf Course**, the NGF noted several key themes that were common, including:
 - Outstanding golf course conditions, especially greens
 - Attentive and friendly staff
 - Not crowded, easy to get a tee time
 - Challenging golf course
 - Great value for the price
6. In review of the general open-ended comments survey respondents made about **what needed improvement at Palmer Hills Golf Course**, the NGF noted many more comments with a variety of topics, the most common included:
 - Course too difficult - ease the difficulty of the course
 - Improve the driving range (add grass tees)
 - Some F & B items too expensive
 - On-course markings (direction signage + yardage markers)
 - More variety in pricing

Custom Questions – Palmer Hills GC

7. When asked to identify the **single most important facility improvement / enhancement**, NGF collected 116 responses, the most common included:
 - Driving range and practice facility (grass tees, chip area, better green)
 - Add new forward tees - ease the difficulty of the course
 - Improve bunkers
8. When asked if the practice facility were to be expanded or improved, would you use the facility more, 58% of respondents indicated they would play PHGC more often, with only 26% saying they would not and the remaining 16% offering no opinion.
9. When asked about adding an 18-hole natural grass putting course, the vast majority of respondents indicated they would either use it for pre-round warm up (35%) or for social activities (26%). Others liked new putting competitions (8%), and the remaining 31% indicated they would not use the putting course. A total of 38% of respondents indicated they were not willing to pay to use the putting course. Of the 69% who indicated they would pay, a fee between \$4 and \$6 was identified as the most appropriate.
10. When asked about adding a 6-hole pitch & putt (“short”) course, a smaller majority of respondents indicated they would either use it for pre-round warm up (20%) or for social activities (27%). Others liked new competitions (10%), and the remaining 43% indicated they would not use the new 6-hole course. A total of 40% of respondents indicated they were not willing to pay to use the 6-hole course. Of the 60% who indicated they would pay, a fee between \$7 and \$10 was identified as the most appropriate.
11. When asked if lighting the range would lead to more use, 55% indicated they would use it more and 45% indicated that they would not use it more.

REVIEW OF PALMER HILLS GC FACILITY ENHANCEMENT PROPOSAL

The City of Bettendorf is exploring options to enhance the Palmer Hills golf facility, add new and exciting amenities and broaden the appeal of the facility to a wider demographic. The City has engaged noted golf course architect Paul Miller to prepare an enhancement concept plan for Palmer Hills GC. While the plan includes several options, they all center around the addition of several new elements to Palmer Hills to be installed on portions of the golf course property that are currently not in use or under-utilized. The amenities proposed to be added to the Palmer Hills GC through this enhancement proposal include:

- **New “Pitch & Putt” Course** – A new 6-hole short course of approximately 550+/- total yards, with holes ranging from 65 to 120 yards. This course would be great for junior golf, other beginners or better player practice.
- **Grass Putting Course** – A new 65,000sf (+/-) putting green built to the highest standards. The green would include several hole-location opportunities, to be played as a putting course, and be lighted for night use (similar to mini golf with real grass).
- **New Support Structure** – A new structure to support the driving range, pitch & putt and putting course activities will be added. This structure would include indoor covered range stations, golf training room, restrooms and additional concession space, perhaps including a more modern concession environment with beverage service and music for the driving range.
- **Additional Support Features** – Additional features to support the services being added, and to improve the golf course operational efficiency will be added. These include a new pond, new tee boxes for the golf course, entrance improvements, new parking spaces and changes to the hole #1 and cart staging area.
- **New or Relocated Pavilion (Optional)** – The existing PHGC tournament pavilion could be retained, removed entirely, or replaced at a new location at a later date.

The report submitted by the Paul Miller architecture team outlined the various options available to the City to provide these new amenities. The plan includes four options each with the same basic features but with amenities in different sizes and locations. The plan also addresses some of the golf course difficulty issues noted by NGF, including new forward tees, bunker improvements, tree cover/canopy improvements and on-course services. The program development can allow the City to complete the enhancement in phases, allowing basic improvements to be made first, followed by additional upgrades to be completed at a later date.

The review that follows outlines: (1) the space requirements that will be necessary to complete the program, regardless of option; (2) the changes to the existing property that will be needed to accommodate the new amenities; (3) the estimated total cost to complete the improvements; (4) the potential impact of the changes on Palmer Hills GC; and (5) a summary review and identification of the City’s next steps in implementation.

Facility Enhancement – Space Allocation Analysis

The NGF has previously identified about 7-8 acres of property that could be available for new amenities that could be added to enhance the Palmer Hills GC. While the amenities proposed could fit in to this auxiliary space in a variety of ways, the basic footprint that is available will remain constant regardless of the option selected. The space will include the 2.25 (+/-) acres at the south end of the driving range, the 2.5 (+/-) acres currently occupied by hole #13 corridor, and the 2.75 (+/-) acres area immediately surrounding the existing pavilion.

Aerial View – Palmer Hills GC Development Area for Enhancements

The image below shows the area of Palmer Hills GC that would be impacted by the enhancement program proposed for the facility.



Aerial image showing the space available for enhancements proposed for Palmer Hills GC. The image shows the existing pavilion and range kiosk. NGF expects the pavilion to remain and the kiosk to be replaced by a new range support structure with classroom and additional concession space. The area available for improvements assumes some change to the existing golf course with a new hole #13 and shortened hole #14.

Ideas to Accommodate Palmer Hills GC Enhancements

In order to accommodate an amenity enhancement in this selected space, some changes to the existing Palmer Hills GC program will have to be made. These changes are addressed in the Paul Miller design recommendation, and include:

1. **New Hole #13** – The existing hole #13, a 160-195-yard par-3 just west of the driving range, will have to be closed and the space used in the new amenity design. This hole would then be replaced as a new 150-yard (+/-) par-3 on the location currently occupied by hole #14 tee boxes.
2. **Hole #14 Changes** – The changes to hole #14 that are needed to accommodate the program include new tee boxes and a shortening of the holes from a par-5 to a par-4. NGF had observed that the hole #14 was particularly difficult, with a hard dog-leg design and a double blind golf shot. This change will also help address some of the course difficulty issues noted earlier.
3. **New Range Service Building** – The existing range kiosk would be demolished and replaced with a new, 1,500sf building that would include indoor covered range stations, a golf training room, restrooms and additional concession space, possibly with additional outdoor deck space.
4. **Range Netting** – The changes being proposed will come in close proximity to the driving range, thus requiring two areas of 50-foot high nets to protect patrons from range balls. The new nets will have to be 625-feet in length down the side of the range and 300-feet at the back (south) end of the range.
5. **New Pond** – A new pond to provide drainage support for the new 6-hole pitch & putt course would be added.
6. **New Parking** – Additional space for parking would be freed up, perhaps enough to support 40-45 new spaces to be located in the area around the existing pavilion.
7. **Changes to Hole #1 Tee Area** – This program will allow for additional changes to be made to help solve some of the NGF-observed deficiencies in the area around hole #1 and cart staging area. This includes a new practice green, additional parking, bag-drop area, and new tees for hole #1.

The NGF notes that some of these projects are already underway, including projects related to items #2 and #7 above. Palmer Hills GC staff is engaged in considerable upgrade work during 2016 and while the NGF engagement was ongoing, to improve the facility and address some of the playability issues we have observed. While these initial improvements will be necessary to support the proposed enhancement program, they will also help the PHGC facility improve its playability and offering to the golfing public.

Estimated Cost of Proposed Enhancements

The estimated cost to complete the proposed facility enhancements are detailed in the table below. The figures do not include any lost revenue that may occur due to business disruption during the period these projects are ongoing, but do include the cost of new equipment needed to maintain the new greens. The NGF and PHGC staff expects that the sequencing of projects can be done in such a way that ensures the full 18-hole Palmer Hills GC, driving range and clubhouse will remain open during construction. The estimated cost as provided by the project architect is shown below:

Palmer Hills Golf Course Enhancement Plan – Option C		
Project – Option C	Key Input	Estimated Cost
Preliminary, preparation, mobilization	LS	\$65,000
New Hole #13	LS	230,000
Hole # 14 Changes	LS	5,000
New 6-hole Pitch & Putt course	\$83,333/hole	500,000
65,000sf grass putting course	\$3.15 / sf (USGA green)	205,000
Night lighting for putting course	LS	65,000
New 1,500sf range support bldg.	\$150 per sf	225,000
New range netting (1,000ft x 50ft)	\$170 per lf	170,000
New parking (10,000sf)	\$5 per sf	50,000
New Greens Maintenance Equip	2 Pieces	65,000
Design and contingency	LS	240,000
Total Project – Option C		\$1,820,000

Source: Paul Miller Designs and NGF Consulting, 2016. Code: LS = lump sum; lf = linear feet; sf = square feet

Potential Impact of Palmer Hills GC Enhancement

The upgrades proposed by the City of Bettendorf to add these amenities to the Palmer Hills facility are appropriate, consistent with observed facility deficiencies, in line with observed upgrade priorities and fully supportable in this area market. The proposed enhancement will:

- Modernize the Palmer Hills GC offering
- Add amenities to help broaden the appeal of the facility to new segments of customers, many of which are not avid golfers
- Improve the overall appearance and “family appeal” of the facility, especially to the younger demographic that is showing more interest in taking up golf

As we will see later in this report, the enhancements proposed will help keep Palmer Hills ahead of its competition with other area golf courses that do not have these types of amenities. The NGF will document that with the additions proposed, Palmer Hills GC should become one of the best public golf values in the market area, with a newer clubhouse, well-maintained golf course and extensive practice amenities (range, putting course, practice course and chipping area). Key benefits the NGF has identified for PHGC in enacting the enhancement program as proposed in 2016:

- **Stay Ahead of Competition** – Palmer Hills CC is operating in a very competitive local market, and none of the other competing courses will be able to match the Palmer Hills amenity package after upgrade. Enacting this program allows PHGC to be clearly ahead of its competition and justify initial trial and frequent use.
- **Broaden Appeal** – The changes being proposed are exactly the kind of changes that NGF is observing among successful public golf facilities. The reason the changes will lead to success is because the upgrades will broaden the audience of potential prospects, particularly in the younger demographic. The most successful golf courses are the ones that have the broadest appeal to the widest segments.
- **Increase Facility Revenue** – The NGF expects that the changes being proposed will enhance PHGC revenue. This will occur due to ***both*** increased activity ***and***

increased spending per patron. A casual driving range with music in particular is becoming more popular in golf, especially if open at night and in conjunction with a new concession service at the range. The putting course and pitch & putt course should have appeal to families with children. NGF expects increased revenue from:

- **Direct Revenue** – Revenue derived from new player fees for the pitch & putt course, the putting course and driving range is anticipated.
- **Indirect Revenue** – The new amenities will add appeal to the facility and help add patrons to the facility and allow regular customers stay longer and spend more. The increased activity expected at PHGC will help the course sell additional regular-play green fees and cart fees.
- **Concessions** – Additional customers will lead to additional spending on concessions in the existing Palmer Grill, and the new satellite operation in the new concession venue at the driving range.
- **Address Inevitable Improvements** – Palmer Hills GC is going to have to improve several aspects of its drainage, tee boxes, entry and cart paths in the coming years. The improvements proposed in this enhancement program will address some of these issues, allowing PHGC to stay ahead of needed upgrades.
- **Increase Customer Base** – Broadening the appeal of the facility offering will lead to increases in activity and increasing the base of customers ultimately should improve the overall economics of Palmer Hills GC.
- **Improve Community Offering** – The changes proposed will also add new venues for park and recreation activities within Bettendorf and make the overall community offering that much more appealing.

Next Steps and Project Sequencing

To complete the project the City should establish an appropriate sequence of steps to be taken, allowing for a thoughtful approach to changes and allow the course to remain open throughout construction. If Bettendorf chooses to complete the program this way, than the NGF-recommended sequence of improvements would be:

1. Hole #14 project (new tee already under construction)
2. Build a new hole #13 and re-route golf course to include new hole
3. Complete hole #1 and entry improvements (some already underway)
4. Tear down existing range kiosk
5. Begin construction on new range support structure
6. Make driving range changes and add netting
7. Add new putting course
8. Add new pitch & putt course (with pond)
9. Other site changes (parking, etc.)
10. Move pavilion (optional)

This sequence of improvements would allow key infrastructure to be in place before the next change is undertaken and ensure a smooth transition. As amenities are completed they can open and be available for use, rather than wait for the full facility to be completed to open. After all amenities are completed the City should do some form of “grand opening” to try and make news and garner attention for the new amenities.

SUMMARY – PALMER HILLS GC AND PROPOSED FACILITY ENHANCEMENT

The City of Bettendorf is operating the Palmer Hills GC with good quality amenities and a championship golf course with a golf course design that is not as easy to play as many golfers would prefer. Palmer Hills GC is also more difficult to walk, which further reduces its appeal. Still, despite its deficiencies, Palmer Hills GC was able to generate over \$1.1 million in revenue in FY2016. While Palmer Hills is an appealing golf facility at present, it does have limited appeal to better golfers and would clearly benefit from enhancements to the package of amenities offered. The mix amenities that would be included at Palmer Hills if the proposed enhancement is completed would be consistent with strong revenue performance, and it is likely that the City could produce even higher revenue at Palmer Hills than recent years.

The NGF finds that Palmer Hills GC has improvement needs that should be addressed to help expand the course’s appeal, leading to better rounds and revenue. The needs at Palmer Hills GC include playability enhancements and new features to improve the appeal of the facility to less-serious and less-skilled golfers. In addressing these issues, the City has several options, including:

- **Maintain Status Quo** – The City could opt to take no action with Palmer Hills GC and continue to run the facility on an “as-is” basis. This would keep Palmer Hills GC with its less popular layout, likely leading to continual declines in activity and revenue. The City will eventually have to address some of the drainage, tee box, entry and cart path issues in the coming years as separate projects.
- **Enhance Palmer Hills GC** – The City could complete a comprehensive program to improve PHGC by adding attractive new amenities that should lead to new revenue, and help address some of the other infrastructure needs at the same time. This would create a much more appealing golf layout and enhance the City’s opportunity to increase rounds and revenue at Palmer Hills GC, but probably not enough to cover the cost of the investment (more later in this report).

Overall, Palmer Hills presents a high quality golf course with outstanding clubhouse all in a good location. The NGF finds the golf facility to be in excellent maintenance condition and it is clear that the course is being managed effectively. Staff is doing the best they can with what they have, but some deficiencies are contributing to constrain activity. Quad Cities is a particularly strong golf market with a large and active golfer base. As such, adding new amenities that are not present at other competing golf facilities will allow Palmer Hills to stay ahead of its competition, and help the facility to become one of the best public golf values in the market area.

NGF Recommendations for City of Bettendorf

Based on our evaluation of the Palmer Hills GC and the local market environment, NGF has formulated recommendations to the City of Bettendorf that we believe will improve the overall economics of the City's public golf course. The goal of this phase of the study was to help the City identify the physical plant and business plan changes that could help to maximize rounds and revenues for the City, while maintaining or enhancing the customer experience at Palmer Hills GC. The objective of our recommendations is to provide the City with a strategic vision for the future operation of its golf course, inclusive of operating program and the defined mix and quality of amenities and facilities to be offered.

NGF Consulting has prepared a schedule of specific recommendations to be considered by the City. These recommendations have been organized into: (1) basic oversight and structure; (2) physical enhancements; and (3) operations and pricing.

NGF OBSERVATIONS ON PALMER HILLS GOLF COURSE

The NGF team offers a quick summary review of the most important findings and observations on the Palmer Hills Golf Course that form the basis for NGF recommendations. The NGF consultants' have reviewed the facility and find many positive aspects that are highly marketable in this very competitive market of public golf courses. However, what did stand out to NGF was the lack of broad appeal at Palmer Hills GC and the concern that the golf course was too difficult to play and walk, leading to reduced rounds and revenue. Other observations on Palmer Hills GC from NGF:

- The golf course is well-managed and well-maintained
- The facility has a very high quality clubhouse, and the concession operation attracts a lot of non-golfer use
- The golf course is not as popular as others, primarily due to:
 - Golf course is too long, especially from most forward tee
 - The topography can be steep, making the course harder to walk
 - Other features add to the difficulty (bunkers, trees, greens)
 - The layout can be confusing and signage is inadequate for appropriate sequencing
- The facility is not "beginner-friendly" and has a narrow appeal to better golf players
- The facility needs new amenities to expand its appeal, especially to less-skilled golfer segments and even non golfers

BASIC OVERSIGHT AND STRUCTURE

The City of Bettendorf has chosen to operate its golf course in-house, with all City employees and direct oversight by the City Administrator and Director of Parks and Recreation. This form of “self-operation” is still the most common structure in public sector (municipal) golf operations nationwide, although there is a growing trend towards privatization. As another form of operation could be considered by the City, NGF has prepared a review of options that are available to Bettendorf should it decide to alter the operation of its golf course.

The City must establish the primary purpose and most important goals of including golf as a City offering. If the primary function of the golf courses is to be an added amenity to the Bettendorf community, then direct City operation in the property appears most appropriate. However, if the fiscal situation is such that sustaining an economic gain (or at least break-even) on the facilities is the higher priority, then some form of private operation could be considered, especially if funding will be required for the needed improvements. Management contracts, operating leases, and concession agreements are the most commonly used terms to describe a contract between a golf course owner and a private operator. A general discussion of the common operating structures, along with key advantages and disadvantages of each, is presented below.

Structure Options

Below are descriptions of the most typical management/operational options for public agency golf courses. In our experience, there is no ideal operating scenario that fits all situations, and each public entity must arrive at its own unique approach to operation and maintenance. The most common management options are shown below (these are not intended to be exhaustive, as there are hybrids and variations thereof), presented in order from most direct City involvement to the least direct City involvement:

1. **Self-Operation.** This is the “status-quo” option. A key challenge in this option is finding and retaining qualified personnel, especially in key management positions such as Manager and Superintendent. The NGF review suggested the City is already strong in this area with long-tenured veterans in both positions. The key advantage to this structure is direct City control of the operation for maximum benefit to the Community, while the disadvantage is mostly economic, as the City must absorb the risks associated with low revenue and rising expenses.
2. **Concession Agreements:** These are similar to lease agreements and can come in several types or combinations. Concessions may allow the City to shift some risk and payroll to a private entity. The key areas of operation include Pro Shop, Food and Beverage, and/or Maintenance and involve the City contracting for one, some, or all of these services. One subset of this concept includes multiple concessions, a system in which the City creates separate contract agreements for each facet of the operation. The most common concession agreements for municipal golf include:
 - a) **Contract for Food / Beverage Services** involves direct City control of maintenance and pro shop management while contracting F & B operations.
 - b) **Contract for Maintenance and Food / Beverage Services** involves direct City control of the pro shop function, while contracting with a private entity to provide golf course maintenance and food / beverage services.
 - c) **Multiple Concessions** involves creating multiple agreements for separate entities for each facet of the golf operation (pro shop, F&B, and maintenance).

3. **Full-Service Management Contract.** Hire a management company to operate all aspects of Palmer Hills GC. The City would continue to earn all revenues, be responsible for all expenses (salaries, maintenance, liabilities, capital) and pay a management fee to an operator. Some advantages to this strategy are a shifting of labor expense from a public to a private structure, and the expected benefit of professional management, including access to national purchasing and marketing programs. The potential disadvantages are some loss of City control and the fixed fee for service, regardless of yearly variations in performance.
4. **Hybrid Contract.** A hybrid contract combines some of the advantages of a lease with those of a management contract. The most common difference from the management contract is that a variable management fee is included, allowing the operator and City to share in the risk of the operation. Advantages are similar to the management contract with a shifting of payroll, adding expertise, but reducing some City control of the operation.
5. **Operating Lease(s).** The City could lease Palmer Hills to a private operator in exchange for an annual (or monthly / quarterly) lease payment. The lease could be established to include certain requirements, including capital investment in facility improvements, maintenance standards and/or restrictions on green fees. The advantage of this option is a total privatization of the golf operation, assuming a lease partner can be found, and the theoretical shifting of economic risk away from the City and onto the private operator. The key disadvantage is the complete loss of City control on not just the operation, but likely policies, procedures and fees as well.

Structure Considerations

The NGF review of the various operational considerations for Palmer Hills shows that several of these options will not fit here, or will so drastically change the operation so as not to be workable for Bettendorf. In addition, the improvements proposed for the facility are highly specialized, and mostly prepared internally by existing staff. In consideration of the options presented, we note:

- **Full-Service Management Contract or Hybrid.** The NGF review of City golf courses shows this option to be a poor fit for the City because these structures primarily focus on reducing cost, which NGF has already established as being in line with standards. Thus, the only potential benefit to the City would be through paying a management fee to obtain golf management expertise, which NGF notes is already in place. Also, management contracts are not fully in line with the program of golf in Bettendorf as conveyed to NGF in this engagement.
- **Traditional Concession.** This option will likely produce too many “working parts” that require attention and shift the City from managing the golf course to managing multiple contracts. In addition, the nature of the Palmer Hills operation is also not a strong fit for a concession. The City will still be responsible for capital expenditures and thus the Self-Operation alternative would be more appropriate. Any form of concession is not likely to bring the City’s golf course into a more favorable economic position than it is at present.

In light of operational and physical recommendations that NGF believes will improve the economic performance of the golf course, as well as the City’s stated preference of preserving the course as a community benefit, we conclude that continued self-operation (as-is) is the most

viable operating structure, at least for the short term. Palmer Hills GC has a chance to generate additional revenue under its current structure - potentially enough to cover the basic day-to-day cost of operations, though likely not enough to cover large-scale capital upgrades.

An outright lease of Palmer Hills GC would be an attractive option if the City's objectives in municipal golf were purely financial, and *if* a suitable partner could be found that was willing to take the operational risk. However, NGF notes that if the City opts to pursue a lease agreement for the golf courses, it should be **pursued only if the new lease partner will bring capital to the agreement and complete some (or all) of the upgrades proposed by the City.**

NGF Recommendation

The NGF team recommends that Bettendorf continue to operate Palmer Hills GC directly under its present form of self-operation, but with some modifications. This structure will offer the City the greatest chance for success in the operation and provide a level of hands-on control of the re-branding of Palmer Hills GC that will be required for the City to maximize the benefit of the enhancement program. The key modifications to the City golf operation include:

- Improve marketing, focusing on both golf and non-golf services (food & beverage, putting course, pitch & putt, range, pavilion), and new player development (more detail on marketing in operational recommendations below).
- Add a new position to the golf course (or modify existing position) to specialize in marketing, advertising and otherwise promoting Palmer Hills GC.
- Invest in facility improvements and begin planning for the funding of needed capital improvements. This plan should be funded outside of net golf income, as this revenue will likely never be sufficient to provide the updated facilities that are needed to compete effectively for expanded markets (more below).

SPECIFIC PHYSICAL RECOMMENDATIONS

The NGF recommends that the City proceed with its Palmer Hills GC enhancement program, as outlined by Paul Miller as Option C. This would involve the addition of new attraction amenities to the facility, as well as some on-course playability improvements. The enhancement components the NGF recommends correlate with the Option C enhancement, and will cost an estimated \$1.59 million, and will include:

- A new 6-hole "pitch & putt" course
- A new 65,000sf all grass putting course
- A new range support building with additional concession space/service
- Changes to enhance the playability of Palmer Hills GC
- Additional facility improvements to entry, parking and site presentation

Enhancement Implementation Plan

NGF recommends the improvement program at Palmer Hills be completed in four phases, with each phase building on the foundation established in earlier phases. This sequence is based on the NGF's recommended sequencing as presented earlier, and allows the site to be prepared properly in phase one, the range to be improved in phase two, new attraction features added in phase three, and final finishings in phase four. A summary of the NGF phasing program:

1. **Phase One** – Items #1-3 in the NGF sequence completes the golf course changes and new hole development needed to accommodate the new amenities, plus design and planning for other improvements that come in later phases.
2. **Phase Two** – Items #4-6 in NGF sequence that improves the driving range, especially adding the netting that will be required to protect the new features.
3. **Phase Three** - Items #7-8 in NGF sequence that adds the pitch & putt and new grass putting course.
4. **Phase Four** - Items #9-10 in sequence that provides the last finishes to the project.

This program of phasing also allows for some of the basic design and preparation work to be completed in earlier phases as the golf course is modified to accommodate the new facilities. The overall timing of the project could be as short as one full year of development, or could be spread out over multiple years, depending on funding. In completion of this consulting engagement, the NGF has assumed one full year for implementation of all phases, or project commencement in late 2016 and completion in late 2017 with full opening in early spring 2018.

OPERATIONAL PROGRAM CHANGES

NGF Consulting offers the following list of recommendations to potentially help improve the Palmer Hills GC operation, especially if the recommended physical program is undertaken. The NGF expects that most of the operational program needed to support Palmer Hills and its new amenities is already in place at the facility, some changes in operation will be required. Below, the NGF reviews recommendations related to changes in staffing, marketing enhancements, pricing and programming that we believe will enhance the operation, economics and customer experience at the newly improved Palmer Hills GC.

New Staffing Recommendation

If the Palmer Hills GC is enhanced as proposed, additional staff will be required to implement the program and give the City the best chance for success at PHGC. The NGF expects the City will need additional support in three areas: (1) customer service support; (2) marketing support; and (3) additional maintenance support. Our expected staffing requirements in each area:

- **Customer Service Support** – Additional staff for the range building, providing both customer support and concession staff (NGF estimates 2.0 FTEs with mix of full and part time employees).
- **Marketing Support** - Add a new position (or modify existing position) to specialize in marketing, advertising and otherwise promoting Palmer Hills GC (0.75 FTE).
- **Maintenance Support** – Additional staff to maintain the pitch & putt course and the new large putting course. Staff needed will probably be at the level of Assistant Superintendent (single FT position = 1.0 FTE).

The NGF believes that these new 3.75 FTEs will be needed to provide the proper service and maintenance to support the new amenity additions. The ultimate mix of full and part time, and the hours that will be needed can be established as use patterns and programs are more firmly understood. For this engagement, the NGF has assumed only one (1) new full-time staff member in maintenance, and approximately 4,000 +/- part-time hours per year.

Marketing Enhancements / Plan

A renewed marketing emphasis will be critical to increasing awareness and growing the various forms of activity that will be serviced at Palmer Hills GC. Strategies may include advertising to create a new brand image for Palmer Hills, promoting both the high quality 18-hole golf course and new amenities. Key themes to promote include high quality golf, family-friendly amenities, beginner/lesson programs and social activities. An effective and comprehensive marketing plan must incorporate research, planning, strategy, market identification, budget, advertising, timetable, and follow-up. Advertising should be tracked adequately to gauge its effectiveness.

Efforts to enhance golf activity at Palmer Hills GC should include: (1) enhanced use of technology & electronic marketing; (2) direct selling (e.g., outings, leagues, hotels); and (3) advertising & branding. While some of these activities are ongoing at the time of the NGF review, it is clear that these efforts, particularly organized programs and outreach to visitors, could be enhanced in the coming years of operation. The City and golf staff should remain active in promoting and advertising all aspects of Palmer Hills GC— including both the golf course and Palmer Grill, and the beginner-friendly and kid-friendly new amenities.

Facility Messaging and Target Customers

The first step in creating an effective marketing plan is to identify the basic message and target audience for Palmer Hills GC and each amenity. A summary of the basic messaging for each facility is noted in the table below:

Palmer Hills Golf Course Facility Messaging and Target Customers	
Palmer Hills Golf Course	New Golf Center Amenities at Palmer Hills (after Enhancement)
<p>Basic Message:</p> <ul style="list-style-type: none"> *Well-located community golf course in the heart of residential Bettendorf *New and improved *Well maintained golf course *Unique and distinctive features offering challenge *Outstanding practice facilities *Great place for better-skilled golfers to practice and improve their game *High quality community restaurant open and available for lunch and dinner serving good quality in a relaxed environment 	<p>Basic Message:</p> <ul style="list-style-type: none"> *New and interesting golf amenities *Unique and distinctive for seasoned golfers or beginners *Outstanding programs for all ages and golf ability *New competitions and leagues for putting or pitch & putt *A new gathering place for active socialization and exercise *Great place for better-skilled golfers to practice and improve their game
<p>Target Customers:</p> <ul style="list-style-type: none"> *Bettendorf resident golfers *Regional golfers *Area visitors *Quad Cities hotel guests *Groups and organizations for tournaments and outings 	<p>Target Customers:</p> <ul style="list-style-type: none"> *Bettendorf and regional residents *Area visitors *Quad Cities hotel guests *Golf leagues *Summer camps and youth groups and organizations

Better Employment of Technology

Technology is one of the most important and tools available to a golf course management team to create incremental revenue, and proper deployment of technology is critical in golf operations in 2016 and beyond. Technology defines and guides the marketing strategy to build a larger customer database, create customer loyalty and boost revenue. A modern POS system will continue to provide access to tools that facilitate initiatives recommended by NGF. In general, the City should seek to maximize technology by:

- Using the POS system to identify specific customers and spending patterns to help maximize effective targeted email marketing campaign (i.e. data mining).
- Allowing for increased direct online purchases. Items such as annual passes and gift cards purchased directly from the City website would help expand revenue.
- Integrating social media tools into email marketing. This can be done automatically through delivery tools that automatically integrate to the leading social media forums, i.e. Facebook, Twitter, Instagram, etc.
- Considering having a smartphone application developed that includes yardage guides and allows golfers to receive text alerts broadcast from the email system. The average person checks their cell phone 150 times per day. Having a mobile application facilitates connecting with the customer.

E-mail – E-mail databases are essential in today’s golf market place, as a means of staying in touch with the golfer customer base. E-mail marketing, with the exception of word-of-mouth and free advertising, is the most cost-effective advertising possible. Management reports a current database containing about 4,500 names, including a mix of pass holders and daily fee players. Golf staff should work to capture emails during all “touch points” of the customer experience. Augmenting the database should be a top priority of management, so that dynamic pricing and other email marketing can be optimally implemented.

Website and Internet – We noted that the Internet is the most cost-effective form of advertising for golf facilities. The www.palmerhillsgolf.com website for the Bettendorf municipal golf course appeared to be very well done and included all of the features typically associated with successful public golf courses. After new enhancements are completed, information about the new amenities should be added, with pictures (especially of activities).

Social Networking - Social networking is the fastest growing marketing tool in golf. The City should become more active with Facebook and Twitter, which should be used to communicate “what’s going on” type of messages (who won a tournament, who had a hole-in-one, etc.). This tends to help build loyalty and repeat activity.

You Tube - You Tube is the second most utilized search engine on the internet. Palmer Hills could develop a presence, including videos of the golf course and its new amenities, as well as activities such as league play, tournaments (putting tournaments), & instruction.

Direct Selling

Tournaments and Outings – Golf staff and the proposed new marketing coordinator should expand direct marketing to tournament and outing prospects to bring in a larger share of that business to Palmer Hills. Prospects that should be proactively contacted include charities, churches, civic organizations, corporations and small companies, especially those that have hosted tournaments in the past and have not been contacted recently.

In-House Leagues – The golf staff has been very active and successful in cultivating, promoting and facilitating golf leagues, and encouraging participation and facilitating introductions for new players to join existing leagues and newer pitch & putt or putting course leagues (it can sometimes be difficult for new golfers to join existing clubs). Efforts can be made to invite and facilitate new players to join existing leagues, or help create new leagues.

Palmer Grill – Staff can work to promote the idea of hosting various non-golf activities, luncheons or meetings at Palmer Grill, especially in conjunction with new amenities (birthday parties, socials, etc.).

Area Lodging Properties - The golf staff should become active in creating new cross-promotions and package deals with area lodging and other attractions like the downtown Bettendorf convention center or casino properties. This may involve allowing for a special rate that can be exclusive to partners, and/or allowing for a longer advance booking of tee times.

Other Marketing, Advertising and Branding

Print / Brochure – Printed ads can still be effective in golf, and Bettendorf has worked to include advertisements in several area publications. The City should create new fold-out pieces, with specific focus on golf and beginner golf. The golf fold-out piece should be printed with the word “Golf” in the upper 1/3 of the front page – to stand out in racks. This piece should be distributed and placed in as many area visitor centers, hotels, and tourist attractions with information racks as is reasonable. NGF research reveals that 33% of all golfers play golf when they travel. Other key print marketing activities should include newspaper advertising (both locally and greater Quad Cities), golf directories, print programs and neighborhood mailers.

Promotions – Other promotions that could be undertaken by Palmer Hills’ staff:

- **Couponing** – Providing coupon promotions in various ways, including cross promotions between Palmer Hills and other Bettendorf activities, or within the various Palmer Hills activities (e.g. pitch & putt players get discount for 18-holes, vice-versa, etc.).
- **Discounts** – Finding the right times to put golf at Palmer Hills “on sale,” to be done in conjunction with updated pricing convention (more below).
- **Public Relations** - PR announcements are free and can be effective. Make sure to send out press releases and/or articles, particularly on details related to any completed enhancement. This is highly cost effective, as media may allow free publication of public notices, or send a reporter to profile the upgrades. As additional improvements are made, the reporter(s) should be invited back to see the changes.

Signage - The signage for Palmer Hills should be improved as is allowable by local guidelines. The City would help to improve PHGC performance with new directional signs at key intersections leading to the course and should be improved to the extent that is allowable by local guidelines. All signage for the golf courses should make it clear that the golf facility and all amenities are City owned and operated, and “open and available to the public.”

Golf Pricing Recommendations

Below are NGF's findings and recommendations regarding fee levels at Palmer Hills GC, considering new amenities.

Daily Golf Playing Fees

The NGF analysis suggested the current daily green fees (\$40 weekend peak at Palmer Hills GC and \$37 weekday at Palmer Hills GC) are generally appropriate and should be retained through 2017 golf season. NGF recommends the City consider the following for golf pricing:

Palmer Hills Golf Course 2017-18 Rates						
Mon-Thurs, Fri till noon						
Green Fees (18h Course)	Before 3pm		Sundown After 3pm		Super Sundown	
	Walking	Riding	Walking	Riding	Walking	Riding
9 Holes	\$17	\$27				
18 Holes	\$22	\$37	\$17	\$28	\$13	\$23
Senior 18-hole cart (Mon-Thurs, Fri til' 12)	\$17	\$27				
Junior	\$14					
Green Fees (Pitch & Putt)						
Adult		\$7		\$6		\$5
Junior		\$4		\$4		\$4
Friday at 2pm - Sunday						
Green Fees (18h Course)	Before 3pm		Sundown After 3pm		Super Sundown	
	Walking	Riding	Walking	Riding	Walking	Riding
9 Holes	\$25	\$35				
18 Holes	\$25	\$40	\$19	\$30	\$15	\$25
Green Fees (Pitch & Putt)						
Adult		\$9		\$7		\$5
Junior		\$5		\$5		\$5

Putting Course Fees

Fees for the proposed new grass putting course are shown below. NGF has found that fees for this type of amenity work best as a timed play program, as opposed to a per-round program. The NGF recommends an hourly rate during the day, changing to an unlimited all-evening rate after a defined time (after 6:00 PM or later). This assumes the putting course is lighted for night use and would be open until at least 9:00 PM weekdays and until 10:00 PM or 11:00 PM weekends:

2017-18 Putting Course	
Weekdays (per hour)	\$4.00
Weekday after 6:00 PM (all evening rate)	\$6.00
Weekends (per hour)	\$4.00
Weekday after 6:00 PM (all evening rate)	\$8.00
Youth Rate (unlimited use per visit)	\$4.00

Notes on New Golf Fees

The overriding goals of the new fees proposed by NGF were to provide appropriate, market-based discounts to help increase activity, especially on the new amenities, and to provide low-cost golf for juniors at Palmer Hills. Key observations on new fees:

- The peak green + cart fee at Palmer Hills remains at \$40 on weekends.
- Anyone can play golf on the new 6-hole pitch & putt course for as little as \$9 weekend and \$7 weekdays, in prime time. Pitch & putt discounts will bring golf fees as low as \$5 for adults during Super Sundown.
- Juniors can golf on the pitch & putt course at all times for \$4.00.
- Putting course rates will be between \$4.00 and \$8.00 for adults, and juniors can use the putting course anytime for \$4.00.

Annual Passes

The NGF does not recommend change to the annual pass or driving range fees at Palmer Hills in 2017. The fees are appropriate and competitively priced and the City should seek to implement a price increase program for every other year beginning in 2018. The season pass and driving range fees for 2017:

2017 Season Pass	
Individual Pass (Weekdays Mon - Fri)	\$796
Individual Pass (7 days a week)	\$1,195
Senior Pass (60 & Older Weekdays) Mon-Fri)	\$695
2 Person Family Pass (Weekdays Mon-Fri)	\$1,295
2 Person Family Pass (7 days a week)	\$1,695
Youth Pass	\$475
2017 Driving Range Fees	
Large Bucket	\$8.00
Medium Bucket	\$7.00
Small Bucket	\$6.00
Jr./Sr. Bucket	\$5.00

New Programming and Organized Golf Activities

As the City considers the new additions to Palmer Hills GC, it is important to note that the key to success with any new amenity addition at a golf facility is through activity programming. Palmer Hills' staff cannot just assume that new customers will just "show up" to use the new facilities and that specific activities and programs will drive activity. Considering the new services to be added at Palmer Hills (putting course, pitch & putt course, energetic driving range), programs that give customers a reason to want to be at Palmer Hills will ultimately be the most important factor of success or failure of the new features. Including a new *First Tee* chapter at Palmer Hills would encourage a new level of increased youth participation at the facility. Other programs that correlate with success at a golf facility like Palmer Hills after enhancement include creating new leagues, events, tournaments, outings, theme nights and an extensive player development program. Each is reviewed by NGF:

League Activity

League activity has been a key driver of rounds at the 18-hole course at Palmer Hills, and NGF experience and observations show that leagues can be equally popular to drive activity on features like a pitch & putt course and a putting course. The City recreation department and Palmer Hills' staff should be active in trying to create, organize and facilitate new leagues for the pitch & putt and putting courses. In particular, leagues associated with juniors are becoming especially popular. The PGA's Junior Golf League is one of the fastest growing youth activities in the Country in 2015 and 2016.

New Tournaments and Contests

Additional programming through new tournaments and contests is a great way to enhance facility appeal and bring customers to the facilities. NGF has seen success with:

- **Pitch & Putt Tournaments** – using the 6-hole course to host various “short-course” events and contests.
- **Weekly Putting Tournaments** – using the new putting course to host putting contests and events with prizes (pro shop) on a regular basis. These are most successful when done in conjunction with F&B programming.
- **Hole-in-one or Closest to the Pin Contests** - Additional ideas for increased activity and competition, also in conjunction with F & B programming.
- **Team Events and Contests** - All of the programming can be done in conjunction with either individual or team contests.
- **Theme Nights** - NGF has also seen success in public golf with clearly identified theme nights, such as golf & social, after work contests, weekly tournaments (with prizes), ladies nights and school themed events.

Player Development

We note that new player development will be one of the critical elements to the long-term viability of Palmer Hills GC, and while this should be a point of emphasis, especially with new amenities. Also, because of today's difficult climate for golf operations, tapping latent demand among groups that traditionally have shown relatively low golf participation – such as women and minorities – is more important than ever. PGA data shows every new golfer developed could be worth as much as \$250 per year (10 rounds at \$25), and the common successful player development program produces at least 200 new golfers per facility. Ideas for player development programming include:

- Work directly with the PGA and take advantage of the national PGA Player Development program that is available to PHGC at no expense due to golf professional membership in the PGA of America. Add focus on transitioning new players from learning to playing golf.
- Encourage and provide incentives for staff to provide golf lessons during off hours.
- Create programs to provide older, used golf equipment to always be available free of charge for beginners, and possibly for other needy prospects via donation or at a deep price discount.

Increased Women's Participation - This represents a major “industry best practice” and is recommended by NGF to every golf course we review. At present, women account for about 20% of golf participants, but 40% of beginners. There are many reasons why female golf participation is low, but increasing participation from women is one of the keys to maximizing revenue. The most common issues relate to golf course difficulty, retail selection, on-course services (restrooms, drinking fountains), food / beverage selection, and customer service.

Preliminary Financial Projections – Palmer Hills Golf Course

Given the location, quality of golf course and pricing structure, Palmer Hills GC has the potential to expand its market served, both among residents and visitors seeking a round of golf at an affordable price. Palmer Hills GC is capable of handling a much larger volume of golf rounds than is presently being served, with activity reduced due to a variety of reasons, the most important of which is a difficult and unpopular golf course. Other factors include an economic recession, a decline in golf participation and a perception problem in the market area.

The enhancement plan proposed by the City in 2016 should result in Palmer Hills GC becoming one of the best and most appealing full-service public golf courses in the Quad Cities market. The new amenity additions will broaden the appeal of the facility to a wider audience of golfers, and provide for some new direct revenue sources (putt course, pitch & putt and new concession outlet). Enhanced marketing should lead to increases in non-resident activity and other golf activity associated with non-resident participation. With many golf facilities competing at similar price points, revenue growth based on increasing average rates cannot be relied upon, so most growth must be derived from increases in rounds activity.

Key issues facing the City of Bettendorf in its golf facility operation include: (1) how to increase the number of participants (golfers) who use the Palmer Hills facility; and (2) how to motivate more non-resident users to come in to Bettendorf to play at Palmer Hills GC. Market conditions and other factors dictate that Palmer Hills will remain a modest volume producer for the foreseeable future, but rounds activity and other revenues can be enhanced with new amenity additions, strategic marketing, increased awareness of the excellent value offered, and improved facilities at Palmer Hills GC to ease the golf difficulty and make the facility more attractive to less-skilled golfers.

PALMER HILLS GOLF PROJECTIONS – WITH ENHANCEMENTS (FY2017-2021)

NGF Consulting has created a cash flow model to show the expected performance of Palmer Hills GC in light of the enhancement program proposed by the City of Bettendorf for the next five years of operation. The model is based on the assumption of continued operation of the facilities under the present structure, but with some modifications as recommended by NGF. We also assume that the overall economic condition remains stable, without any sizable increase or decrease in the Quad Cities' metro area economy, employment, or visitation. Additional assumptions are shown below.

Basic Assumptions

- Palmer Hills GC will continue to operate in similar fashion to today, with City self-operation and greater emphasis on attracting non-resident play.
- The maintenance standard of Palmer Hills is continued, with no reductions in maintenance staffing or materials over the next five years.
- The capital upgrade program as proposed by the City is completed according to the following schedule over the next three years:

Year	FY2017	FY2018	FY2019
Projects	Phase 1-3 – Course changes, hole #14, new hole #13 and design planning	Phase 4-8 – range improvements, new structure, pitch & putt course and putting course	Phase 9-10 – last finishes to parking and other changes.
Impact	Some play disruption with holes #13 and #14	Grand opening of amenities for beginning of 2018 golf season	Palmer Hills GC open with no restrictions all year

- The marketing of Bettendorf golf courses is enhanced beginning in FY2017, with emphasis on technology, website & email programs, and direct selling. The City will improve initiatives to enhance signage and print advertising to expand the reach of Palmer Hills GC. All marketing activities will target Bettendorf residents, Quad-Cities area and non-local golfers with focus on existing facilities, as well as new amenities.
- Rounds played are expected to grow, with increases in total starts resulting from impact of new amenities and enhanced marketing. NGF is projecting growth to over 31,500 rounds by FY2020. These represent realistic targets for Palmer Hills GC and would help to restore the facility to actual rounds levels achieved in FY2009. The NGF has also accounted for the 9-month period during which construction of new elements would be ongoing in FY2017-18.
- The average revenue per round for green, cart and pass fees are projected to modify slightly with changes to the fee structure as proposed by NGF, plus a 1.0% annual increase through FY2022. Each amenity will have its own unique structure (more below), but the average fees will be reflective of a program to provide new discounts to entice activity, while still adhering to a program of yearly increases.
- Average revenue for ancillary items such as merchandise, driving range and other items will be established based on historical patterns. Direct cost of sales for food and beverage is held at the 42% actual historic figure at PHGC.
- New direct revenue sources include the new pitch & putt course, the putting course and the new concession amenity attached to the new driving range building. NGF projects a total of 3,500 pitch & putt rounds and 3,500 putting course rounds by 2019, or the second year of operation of these amenities.
- Operating expenses for each facility are reflective of budgets for FY2017 with adjustments to account for new maintenance responsibilities (one additional maintenance FTE), additional F&B responsibility (1.0 new FTE) and operations activities (0.5 new FTE). Additional expenses in materials are also included, but expected to be relatively minor. All labor-related expenses are projected to grow annually at 3.0%, and all non-labor expenses at 2.0% based on historical records and recent trends.
- As the NGF Consulting projections are estimates of future results, all figures have been rounded to the nearest \$100 for simplicity.

Projected Financial Performance – Palmer Hills Golf Course (with Enhancements)

NGF Consulting has created a cash flow model for the continued operation of the Palmer Hills GC under the assumption of City self-operation and completion of the new amenity enhancement program as proposed. The primary assumption that drives the NGF Consulting financial projections is that Palmer Hills will be operated in similar fashion to the existing facility, with enhancements in property, marketing, programming and professionalism.

Key Input Assumptions

- The number of annual golf round starts is estimated by NGF as shown in the table below:

Palmer Hills GC	FY2018	FY2019	FY2020	FY2021	FY2022
Total DF Rounds	26,500	28,500	29,000	30,000	30,500
Total Pass Rounds	1,000	1,500	1,500	1,800	2,000
Total Golf Rounds	27,500	30,000	30,500	31,800	32,500
Pitch & Putt Rounds	1,500	3,000	3,500	3,750	4,000
Putting Course Rounds	1,500	3,000	3,500	3,750	4,000

- Revenues are projected based on the NGF-recommended fee structure, along with some historical and industry averages for per-round income. NGF also assumes a consistent inflation in revenue inputs of 1.0% increases every year for all revenue inputs:

Palmer Hills GC	FY2018	FY2019	FY2020	FY2021	FY2022
Blended Avg. Golf Income	\$19.00	\$19.25	\$19.50	\$19.70	\$19.89
Cart Rentals	\$7.00	\$7.07	\$7.14	\$7.21	\$7.28
Golf F & B (per golf round)	\$13.00	\$13.13	\$13.26	\$13.39	\$13.53
Range F & B (per P&P/Putt)	\$4.50	\$4.55	\$4.59	\$4.64	\$4.68
Pro Shop (City share)	\$0.13	\$0.13	\$0.13	\$0.13	\$0.14
Driving Range	\$1.75	\$2.50	\$3.00	\$3.25	\$3.28
Pitch & Putt Course	\$5.00	\$5.05	\$5.10	\$5.15	\$5.20
Putting Course	\$6.00	\$6.06	\$6.12	\$6.18	\$6.24
Other	\$0.45	\$0.47	\$0.49	\$0.49	\$0.50

Cash Flow Statement – Palmer Hills GC w/Enhancements (2017-2021)

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statement in the following exhibit. Each category of revenue has been listed separately, and an estimate of the total facility average revenue per round has been provided. All figures have been rounded to the nearest \$100 for simplicity.

**Projected Cash Flow Analysis
Palmer Hills Golf Course
with Proposed Enhancements**

REVENUES:	FY2017	FY2018	FY2019	FY2020	FY2021
Golf Revenue	\$522,500	\$577,500	\$594,800	\$626,300	\$646,500
Golf Cart Rental	192,500	212,100	217,800	229,300	236,700
Driving Range	48,100	75,000	91,500	103,400	106,700
Concessions	357,500	393,900	404,500	425,900	439,700
Range Concessions	13,500	27,300	32,100	34,800	37,500
Pro Shop	4,000	4,700	5,000	5,300	5,500
Other	13,700	16,900	18,400	19,400	20,200
Putting Course	7,500	15,200	17,900	19,300	20,800
Pitch & Putt Course	9,000	18,200	21,400	23,200	25,000
TOTAL REVENUE	1,168,300	1,340,800	1,403,400	1,486,900	1,538,600
Less: Direct Cost of Sales					
Food & Bev. (42%)	\$155,800	\$176,900	\$183,400	\$193,500	\$200,400
TOTAL NET REVENUES	\$1,012,500	\$1,163,900	\$1,220,000	\$1,293,400	\$1,338,200
EXPENSES:					
Payroll					
Maintenance Wages + Benefits	\$315,000	\$335,000	\$345,100	\$355,500	\$366,200
Restaurant Wages + Benefits	190,000	196,000	201,900	208,000	214,200
Operations Wages + Benefits	190,000	196,000	201,900	208,000	214,200
Park Admin Wages + Benefits	37,000	38,000	39,100	40,300	41,500
Total Payroll	\$732,000	\$765,000	\$788,000	\$811,800	\$836,100
Operating Expenses					
Maint. Svcs. & Commodities	\$160,000	\$170,000	\$173,400	\$176,900	\$180,400
Restaurant Svcs. & Commodities	\$35,000	40,000	40,800	41,600	42,400
Clubhouse Svcs. & Commodities	\$75,000	77,000	78,500	80,100	81,700
Park Admin	\$29,000	30,000	30,600	31,200	31,800
Custodial	\$4,000	4,000	4,100	4,200	4,300
Bldg. Maintenance	50,000	51,000	52,000	53,000	54,100
Total Operating	\$353,000	\$372,000	\$379,400	\$387,000	\$394,700
TOTAL EXPENSES	\$1,085,000	\$1,137,000	\$1,167,400	\$1,198,800	\$1,230,800
Net Operating Income (Loss)	(\$72,500)	\$26,900	\$52,600	\$94,600	\$107,400

Cash Flow Results (Palmer Hills GC As-Is)

The results of NGF Consulting's preliminary cash flow projection show that if the Palmer Hills GC operation is continued along with the proposed enhancements, (new amenities + golf course improvements), the facility is expected to produce revenue totals in the \$1.4 million range by 2019, if the City maintains slight (1%) annual fee increases. Considering all preliminary expense estimates prepared by NGF Consulting for this study, the annual net income before debt service, General Fund transfer and capital will improve, reaching as high as \$107,000 by 2021. Put another way, it is clear that the Palmer Hills GC operation, if enhanced as proposed, is capable of covering all expenses associated with the operation, including internal admin, but not capable of recovering any direct capital cost to complete the enhancements.

Limiting Conditions

The income estimates presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the subject facilities and the intended segment of the golf market toward which they are oriented. Particular focus was paid to the reality of golf supply in the immediate local market which is highly competitive. Proper uses of these estimates include:

- Establishing reasonable parameters for expected performance for the subject facilities after Palmer Hills GC improvements and upgrades
- Determining an appropriate level for new capital investments the facility can support
- Establishing the basis for financing determinations
- Providing guidelines for realistic expectations of income and expense

NGF Consulting is confident that some growth in activity and revenue can be achieved at Palmer Hills GC as a result of the proposed restoration. The NGF has projected both direct and indirect revenue enhancement. From a practical standpoint, those managing the facilities will need to respond to variable market conditions as well as unforeseen maintenance needs. NGF Consulting is confident that the facility will be able to continue to achieve results as presented in our market analysis beyond the next five years of operation.

When projecting a realistic market share for Bettendorf golf courses, it is important to realize that the total number of rounds to be played on a golf course in any given year may be lower than the market opportunity appears to suggest. It is typical for an existing public access golf facility to achieve only a portion of its total potential. Our estimates of performance for Palmer Hills GC could change should the following conditions occur:

Stronger Performance	Weaker Performance
Future course closings	New course openings
Faster population growth than projected	Incorrect price levels
Positive regional publicity	Poor customer service
Lack of loyalty to existing courses	Deteriorating facility quality
Unforeseen surge in golf interest	Regional economic recession
Excellent yearly weather conditions	Poor yearly weather conditions

It is important to measure the performance of the City's municipal golf assets in such a way as to help the City make financial decisions based on realistic expectations. It is obviously possible that either more or fewer rounds will be realized. As we have noted, we do anticipate that it is highly unrealistic that this golf course will generate enough new revenue to fully cover any new indebtedness that may arise from the proposed Palmer Hills GC enhancement program.

Non-Economic Value of Public Golf

In addition to the direct economic benefit derived from green, cart and other fees, a public-access golf business brings other value that cannot be measured directly in economics. Golf courses provide:

- Open spaces
- A healthy recreational outlet for residents
- A venue to attract visitors
- Enhancement to the overall quality of life
- Good reflection on the image/brand of a community
- Enhancement to local property values
- Golf-related jobs and income to the community through purchases, wages, and taxes

Additionally, a golf facility can elevate the quality of life, improve the health and well-being of citizens and provide an outlet for youth activities and programming.

INDIRECT BENEFITS TO BETTENDORF

The indirect, non-economic benefits of municipal golf in Bettendorf include many factors related to quality of life and the enhancement of community recreation programs. In this case, there are specific benefits to the City from preserving Palmer Hills GC, as well as other more general benefits from having a public (municipal) golf course. These intrinsic value propositions are detailed below:

Specific Benefits of Retaining City Golf Courses

From the City's perspective, continuing to offer municipal golf service would provide at least the following benefits:

- The generation of political goodwill in the community by taking an action consistent with expressed interests of the community in maintaining the golf courses and preserving open space, and in avoiding the potential impacts of redeveloping the golf course properties.
- Provision of high quality golf courses for the enjoyment of the citizens of Bettendorf, especially those not able or willing to belong to a private golf club.
- Marketing value (e.g., in drawing companies or professionals) for Bettendorf, related to being a wonderful community in which to live, with a diverse array of recreational and cultural opportunities.
- Providing an exceptional venue for the scholastic use in practice rounds, inter-squad competition and tournaments.
- Providing a venue for hosting charity tournaments, outings, golf events and other fundraising activities that presently have direct cost to host at other golf facilities.
- Providing enhancement to City resident "quality of life" in areas such as community-based sport programs, parks and recreation programming and improved socialization.

Other Benefits of Municipal Golf

Aside from the direct net cash flows that can result from a profitable daily operation and the specific issues related to the golf courses noted above, there are two main impacts from municipal golf within a City such as Bettendorf: (1) indirect economic impact; and (2) recreation/programming impact.

Indirect Economic Impact

Although a full economic impact study has not been completed for Bettendorf and Palmer Hills GC, the City can assume that the presence of this golf course will add to the economy of Bettendorf by:

1. Job creation
2. An in-migration of golfers
3. Direct spending by visitors at off-site establishments such as gas stations, grocery stores, restaurants, and hotels
4. Sales tax revenue generation
5. Enhanced property values
6. The multiplier effect of indirect and induced spending throughout the local economy

Recreation and Programming Benefits

Communities with municipal golf courses can offer:

1. Reasonable fee golf service to residents
2. High quality outdoor recreation
3. Junior programs and camps
4. Scholastic programs
5. Community outreach
6. New golfer development programs

Appendices

A: Golf Course Life Cycle

B: Local Demographic, Demand and Supply Data

C: National Rounds Played Report

D: Golfer Survey Customer Origin Maps

APPENDIX A – GOLF COURSE LIFE CYCLE

GOLF COURSE ITEMS EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

ITEM	YEARS	ITEM	YEARS
Greens (1)	15 – 30 years	Cart Paths – concrete	15 – 30 years
Bunker Sand	5 – 7 years	Practice Range Tees	5 – 10 years
Irrigation System	10 – 30 years	Tees	15 – 20 years
<i>Irrigation Control System</i>	<i>10 – 15 years</i>	Corrugated Metal Pipes	15 – 30 years
<i>PVC Pipe (under pressure)</i>	<i>10 – 30 years</i>	Bunker Drainage Pipes (3)	5 – 10 years
<i>Pump Station</i>	<i>15 – 20 years</i>	Mulch	1 – 3 years
Cart Paths – asphalt (2)	5 – 10 years (or longer)	Grass (4)	Varies

NOTES: (1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations). (2) Assumes on-going maintenance beginning 1 – 2 years after installation. (3) Typically replaced because the sand is being changed — while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well. (4) As new grasses enter the marketplace — for example, those that are more drought and disease tolerant — replanting may be appropriate, depending upon the site.

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. We encourage golf course leaders to work with their golf course architect, superintendents and others to assess the longevity of their particular course's components.

The American Society of Golf Course Architects (ASGCA) thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:

For more information,
contact ASGCA at
262-786-5960 or
www.asgca.org



DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 106, BROOKFIELD, WI 53005

APPENDIX B – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

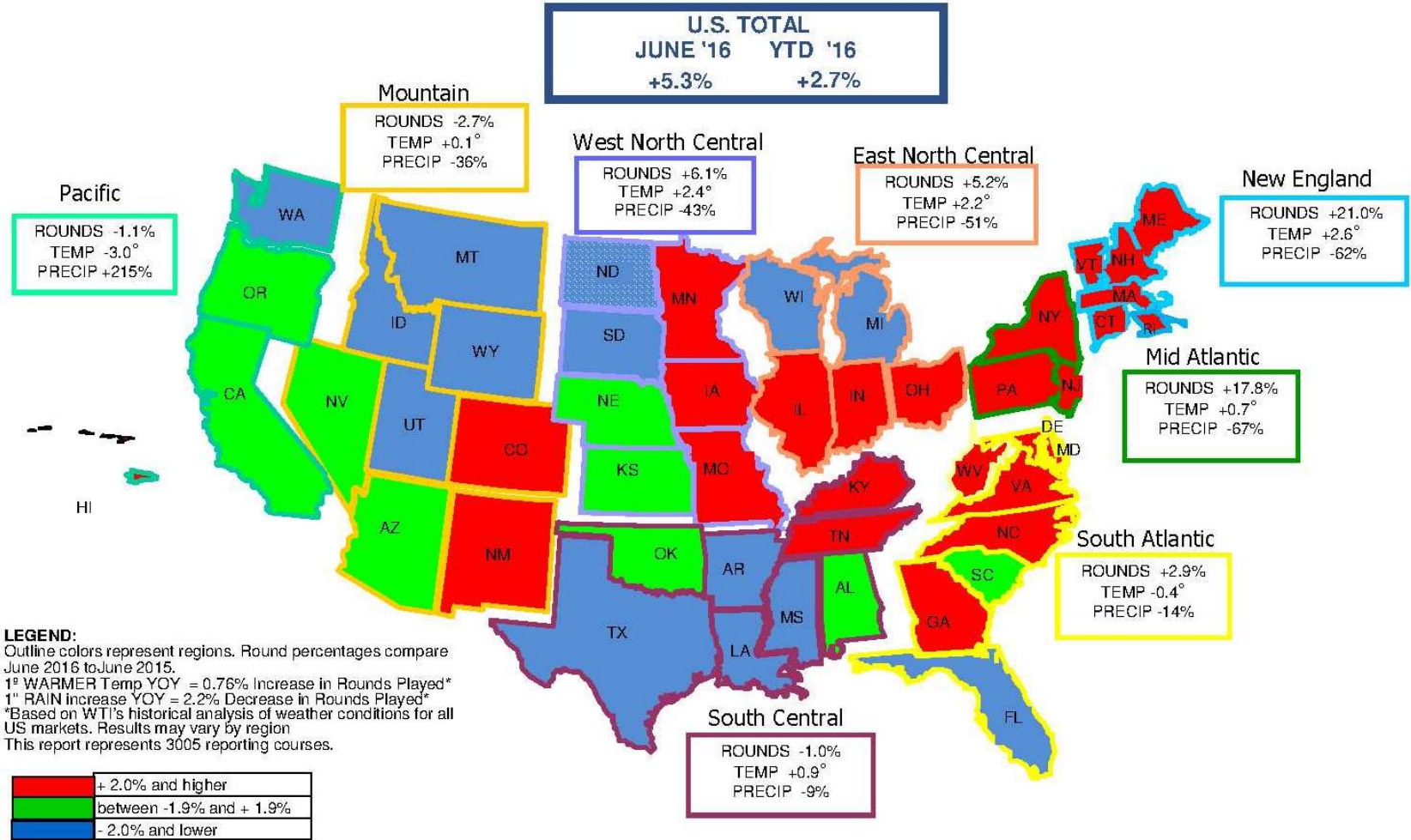
Palmer Hills GC Local Demographics + Golf Demand and Supply Data

Palmer Hills Golf Course	5 miles	10 miles	15 miles	Scott County	Iowa	U.S.
Summary Demographics						
Population 1990 Census	134,106	274,136	302,399	150,979	2,775,506	248,584,652
Population 2000 Census	138,970	279,762	310,305	158,672	2,926,335	281,399,034
CAGR 1990-2000	0.36%	0.20%	0.26%	0.50%	0.53%	1.25%
Population 2010 Census	142,042	284,827	315,264	165,224	3,046,355	308,745,538
CAGR 2000-2010	0.22%	0.18%	0.16%	0.41%	0.40%	0.93%
Population Estimate 2015	144,883	287,541	317,644	169,010	3,116,698	319,998,423
Population 2020 Projected	147,316	291,474	321,561	173,521	3,203,436	332,811,226
CAGR 2015-2020	0.21%	0.17%	0.15%	0.33%	0.34%	0.49%
CAGR 2010-2020	0.46%	0.29%	0.25%	0.61%	0.63%	0.94%
Median HH Income (2015 Estimate)	\$50,556	\$49,006	\$50,863	\$53,799	\$52,610	\$52,747
Median Age (2015 Estimate)	37.5	38.4	38.9	38.1	38.4	37.8
Ethnicity						
White	81.6%	81.1%	82.6%	85.1%	90.2%	71.10%
African American	7.9%	9.3%	8.5%	7.5%	3.3%	13.30%
Asian	2.4%	2.6%	2.4%	2.4%	2.1%	5.40%
All Other	8.1%	7.0%	6.5%	5.0%	4.4%	10.2%
Hispanic Population						
Hispanic	11.8%	9.8%	9.1%	6.1%	5.6%	17.00%
Not Hispanic	88.2%	90.2%	90.9%	93.9%	94.4%	83.00%
CAGR = Compound Annual Growth Rate						
Palmer Hills Golf Course	5 miles	10 miles	15 miles	Scott County	Iowa	U.S.
Golf Demand Indicators						
Total Households	60,945	120,635	133,493	70,228	1,283,895	123,276,069
Number of Golfing Households	11,580	21,775	24,531	14,899	252,334	17,094,503
Projected Golfing Households (2020)	12,190	22,703	25,581	15,781	266,260	17,802,020
Projected Annual Growth Rate	1.00%	0.80%	0.80%	1.20%	1.10%	0.8%
Seasonal Golfing Households	67	118	143	100	4,305	737,636
Latent Demand/Interested Non-Golfers	19,919	37,359	40,435	22,033	345,904	37,346,478
Household Participation Rate	19.00%	18.10%	18.40%	21.20%	19.70%	13.9%
Number of Golfers	16,580	30,528	34,622	21,954	372,177	24,130,710
Rounds Potential (resident golfers)	298,843	569,495	651,806	393,022	6,925,650	465,791,320
Estimated Course Rounds (in-market supply)	201,573	533,256	639,860	329,821	9,139,835	465,791,320
Demand Indices						
Golfing Household Participation Rate	137	130	133	153	142	100
Seasonal Golfing Households	18	16	18	24	56	100
Latent Demand/Interested Non-Golfers	118	112	109	112	95	100
Rounds Potential per Household (resident golfers)	130	125	129	148	143	100

Palmer Hills Golf Course	5 miles	10 miles	15 miles	Scott County	Iowa	U.S.
Golf Supply						
Golf Facilities						
Total	8	19	23	12	389	15,204
Public	5	15	18	10	338	11,388
Public: Daily Fee	3	8	10	5	278	8,906
Public: Municipal	2	7	8	5	60	2,482
Private	3	4	5	2	51	3,816
Public Golf Facilities by Price Point						
Premium (>\$70)	0	1	1	0	4	1,363
Standard (\$40-\$70)	1	1	2	1	68	4,013
Value (<\$40)	4	13	15	9	266	6,012
Golf Holes						
Total	126	297	360	171	4,806	257,193
Public	72	225	270	135	4,104	187,614
Public: Daily Fee	36	108	135	54	3,231	146,124
Public: Municipal	36	117	135	81	873	41,490
Private	54	72	90	36	702	69,579
Non-Regulation (Executive & Par-3)	0	27	36	9	261	21,348
Net Change						
Net Change in Holes past 5 years	0	0	0	0	-135	-9,045
Percentage Total Holes Past 5 Yrs	0.00%	0.00%	0.00%	0.00%	0	-3.4%
Net Change in Holes past 10 Years	0	-18	-18	-9	-234	-12,231
Percentage Total Holes Past 10 Yrs	0.00%	-5.70%	-4.80%	-5.00%	0	-4.5%

Palmer Hills Golf Course	5 miles	10 miles	15 miles	Scott County	Iowa	U.S.
Supply-Demand Ratios						
<i>Households per 18 Holes</i>						
Total	8,706	7,311	6,675	7,392	4,809	8,628
Public	15,236	9,651	8,900	9,364	5,631	11,827
Public: Daily Fee	30,473	20,106	17,799	23,409	7,153	15,186
Public: Municipal	30,473	18,559	17,799	15,606	26,472	53,482
Private	20,315	30,159	26,699	35,114	32,920	31,891
Premium (>\$70)	0	120,635	133,493	0	285,310	74,555
Standard (\$40-\$70)	60,945	120,635	66,747	70,228	19,905	28,837
Value (<\$40)	20,315	11,489	11,124	10,804	8,075	27,428
<i>Golfing Households per 18 Holes</i>						
Total	1,654	1,320	1,227	1,568	945	1,196
Public	2,895	1,742	1,635	1,987	1,107	1,640
Public: Daily Fee	5,790	3,629	3,271	4,966	1,406	2,106
Public: Municipal	5,790	3,350	3,271	3,311	5,203	7,416
Private	3,860	5,444	4,906	7,450	6,470	4,422
Premium (>\$70)	0	21,775	24,531	0	56,074	10,338
Standard (\$40-\$70)	11,580	21,775	12,266	14,899	3,912	3,999
Value (<\$40)	3,860	2,074	2,044	2,292	1,587	3,803
<i>Household Indices</i>						
Total	101	85	77	86	56	100
Public	129	82	75	79	48	100
Private	64	95	84	110	103	100
Premium (>\$70)	0	162	179	0	383	100
Standard (\$40-\$70)	211	418	231	244	69	100
Value (<\$40)	74	42	41	39	29	100
<i>Golfing Household Indices</i>						
Total	138	110	103	131	79	100
Public	177	106	100	121	67	100
Private	87	123	111	168	146	100
Premium (>\$70)	0	211	237	0	542	100
Standard (\$40-\$70)	290	545	307	373	98	100
Value (<\$40)	101	55	54	60	42	100
<i>Rounds per 18 Holes</i>						
Rounds Potential (resident golfers)	42,692	34,515	32,590	41,371	25,939	32,599
Estimated Course Rounds (in-market supply)	28,796	32,319	31,993	34,718	34,232	32,599

APPENDIX C – NATIONAL ROUNDS PLAYED REPORT



LEGEND:
 Outline colors represent regions. Round percentages compare June 2016 to June 2015.
 1st WARMER Temp YOY = 0.76% Increase in Rounds Played*
 1st RAIN increase YOY = 2.2% Decrease in Rounds Played*
 *Based on WT's historical analysis of weather conditions for all US markets. Results may vary by region
 This report represents 3005 reporting courses.





National Golf Rounds Played Report

June 2016

	JUNE	YTD
PACIFIC	-1.1%	-3.2%
CA	-0.6%	-3.1%
Los Angeles	-1.0%	-2.5%
Orange County	4.1%	0.5%
Palm Springs	-11.8%	-2.2%
Sacramento	1.6%	-7.6%
San Diego	5.4%	1.4%
San Francisco/Oakland	-0.1%	-6.7%
HI	6.4%	0.8%
OR	-1.9%	-4.5%
Portland	-1.4%	-6.7%
WA	-3.3%	-3.8%
Seattle	-3.3%	-5.4%
MOUNTAIN	-2.7%	1.0%
AZ	1.2%	3.4%
Phoenix	1.1%	2.3%
CO	7.6%	4.5%
Denver	4.6%	1.3%
ID, WY, MT	-16.0%	-10.2%
NM	4.6%	1.4%
NV	1.8%	2.9%
Las Vegas	1.0%	2.1%
UT	-9.8%	-1.0%
WEST NORTH CENTRAL	6.1%	1.7%
IA	8.4%	4.6%
KS	1.5%	4.8%
NE	0.9%	-4.2%
ND,SD	-10.6%	-15.9%
MN	13.4%	7.6%
Minneapolis/St. Paul	3.5%	2.2%
MO	7.0%	-0.4%
St Louis	13.9%	8.2%
Kansas City	11.8%	5.0%

	JUNE	YTD
UNITED STATES	5.3%	2.7%
PUBLIC ACCESS	5.9%	3.3%
PRIVATE	3.0%	0.4%

EAST NORTH CENTRAL	5.2%	3.1%
IL	6.9%	5.4%
Chicago	4.8%	4.4%
IN	18.7%	10.7%
MI	-6.9%	-3.4%
Detroit	-4.7%	3.2%
OH	22.0%	12.4%
Cincinnati	17.8%	3.7%
Cleveland	25.1%	17.9%
Columbus	16.9%	16.3%
WI	-8.5%	-10.8%
Milwaukee	1.8%	1.2%
SOUTH CENTRAL	-1.0%	9.5%
AL	-1.9%	0.6%
Birmingham	-2.9%	14.3%
AR	-5.7%	4.5%
KY	10.1%	10.3%
LA	-4.3%	8.3%
MS	-4.9%	2.6%
OK	1.0%	12.6%
Oklahoma City	-7.8%	1.7%
TN	1.8%	9.6%
Nashville	-1.0%	13.4%
TX	-4.0%	11.7%
Dallas/Ft. Worth	-6.3%	13.3%
Houston	-2.7%	12.3%
San Antonio	4.3%	17.1%

	JUNE	YTD
SOUTH ATLANTIC	2.9%	-1.5%
DE, DC, MD	9.3%	10.8%
Washington/Baltimore	8.9%	9.5%
FL	-2.9%	-7.7%
Jacksonville/Daytona	10.7%	-0.8%
Orlando	-8.4%	-5.9%
Tampa	-8.1%	-13.8%
Palm Beach	-7.7%	-9.5%
Sarasota	-5.5%	-18.2%
Naples/Ft Myers	-10.7%	-5.9%
Miami/Ft.Lauderdale	16.1%	-0.5%
GA	8.4%	11.3%
Atlanta	4.8%	10.7%
NC	2.8%	7.0%
Greensboro/Raleigh	2.4%	9.8%
SC	-0.8%	-3.9%
Charleston	-13.3%	-4.2%
Hilton Head	-4.8%	-1.4%
Myrtle Beach	6.5%	-1.2%
VA	7.1%	6.3%
WV	12.0%	7.0%
MID ATLANTIC	17.8%	12.0%
NJ	7.8%	11.8%
NY	28.2%	15.5%
New York City	15.7%	18.3%
PA	9.7%	8.1%
Philadelphia	-1.7%	2.5%
Pittsburgh	26.1%	21.5%
NEW ENGLAND	21.0%	17.3%
CT	8.9%	9.7%
Hartford	12.3%	12.0%
MA, RI	19.9%	20.4%
Boston	18.4%	23.0%
ME, NH, VT	32.6%	18.1%

The percentages represent the differences in number of rounds played comparing June 2016 to June 2015.
 For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116

