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Chief Administrative Officer
ALLENA J. PORTIS
Treasurer
E. JOYCE IYAMU
Secretary

MISSOURI CITY RECREATION AND LEISURE LOCAL GOVERNMENT CORPORATION MEETING AGENDA

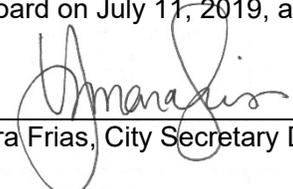
Notice is hereby given of a meeting of the Board of Directors of the Missouri City Recreation and Leisure Local Government Corporation to be held on **Monday, July 15, 2019 at 5:00 p.m.** at: **City Hall, Council Chamber, 2nd Floor**, 1522 Texas Parkway, Missouri City, Texas, for the purpose of considering the following agenda items. All agenda items are subject to action. The Board of Directors of the Missouri City Recreation and Leisure Local Government Corporation reserves the right to meet in a closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

- 1. ROLL CALL**
2. Consider approving the minutes of the meeting of February 4, 2019.
3. Presentation by the National Golf Foundation to report on golf course management and financial structure.
- 4. CLOSED EXECUTIVE SESSION**
The Board of Directors may go into Executive Session regarding any item posted on the Agenda as authorized by Chapter 551 of the Texas Government Code.
- 5. RECONVENE** into Regular Session and consider action, if any, on items discussed in Executive Session.
- 6. ADJOURN**

In compliance with the Americans with Disabilities Act, the City of Missouri City will provide for reasonable accommodations for persons attending Missouri City Recreation and Leisure Local Government Corporation meetings. To better serve you, requests should be received 24 hours prior to the meetings. Please contact Maria Jackson, City Secretary, at 281.403.8686.

CERTIFICATION

I certify that a copy of the July 15, 2019, agenda of items to be considered by the Missouri City Recreation and Leisure Local Government Corporation was posted on the City Hall bulletin board on July 11, 2019, at 4:00 p.m.



Yomara Frias, City Secretary Department

I certify that the attached notice and agenda of items for consideration by the Missouri City Recreation and Leisure Local Government Corporation was removed by me from the City Hall bulletin board on the ____ day of _____, 2019.

Title: _____

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MISSOURI CITY RECREATION AND LEISURE LOCAL GOVERNMENT CORPORATION FEBRUARY 4, 2019 MEETING MINUTES

The Board of Directors of the Missouri City Recreation and Leisure Local Government Corporation held a meeting on **Monday, February 4, 2019**, at **6:45 p.m.** at City Hall, Council Conference Room, 2nd Floor, behind Council Chambers, 1522 Texas Parkway, Missouri City, Texas, to consider the following:

1. ROLL CALL

Chair Ford called the meeting to order at 6:54 p.m.

Those also present: Vice-Chair Preston, Directors Edwards, Pearson, Boney, and Emery; Chief Administrative Officer Snipes, Secretary Iyamu, Treasurer Portis, City Secretary Jackson, Assistant City Manager Atkinson, Financial Reporting Manager Alexander, Budget and Financial Analyst II Thomas and Media Specialist III Kalimkoottil. Absent: Director Maroulis. Also present: Frank Hester.

2. Consider approving the minutes of the meeting of January 22, 2019.

Director Emery moved to approve the minutes of the January 22, 2019 meeting. Director Pearson seconded.
MOTION PASSED UNANIMOUSLY.

3. ADJOURN

Without objection, Chair Ford adjourned the meeting at 6:54 p.m.

BY: _____
Yolanda Ford, Chair

ATTEST: _____
E. Joyce Iyamu, Secretary



**MISSOURI CITY RECREATION & LEISURE
LOCAL GOVERNMENT CORPORATION
AGENDA ITEM COVER MEMO**

July 15, 2019

To: Board of Directors
Agenda Item: 3 – Presentation by the National Golf Foundation
Submitted by: Tyson Stittleburg, General Manager

SYNOPSIS

As requested by City Council, the National Golf Foundation performed an assessment of the LGC operations of the Quail Valley Golf Course. The results of the study are to be presented by Richard Singer of the NGF.

STRATEGIC PLAN 2019 GOALS ADDRESSED

- Create a great place to live
- Maintain a financially sound City
- Develop a high performing City team

BACKGROUND

In the early spring of 2018, City Council indicated an interest in a third party review of the LGC operation of the Quail Valley Golf Course. In December of 2018, the city administrators signed an agreement with the National Golf Foundation to perform the study. A review of the operations was conducted in the spring of 2019.

Note: Compliance with the conflict of interest questionnaire requirements, if applicable, and the interested party disclosure requirements (HB 1295) has been confirmed/is pending within 30-days of this Council action and prior to execution.

SUPPORTING MATERIALS

1. Business Analysis of the Quail Valley Golf Course as prepared by the National Golf Foundation
2. Power Point Presentation

STAFF'S RECOMMENDATION

There is no recommendation for this item. It is for review purposes only.

Director Approval: Tyson Stittleburg, PGA General Manager

**General Manager/
Assistant City Manager/
City Manager Approval:**

Anthony Snipes, Chief Administrative Officer, MCRLGC

Business Analysis of the Quail Valley Golf Course in Missouri City, TX

Prepared For:

City of Missouri City

Office of the City Manager
1522 Texas Parkway
Missouri City, TX 77489

Prepared By:

NGF CONSULTING
NATIONAL GOLF FOUNDATION

501 N. Highway A1a
Jupiter, FL 33477
(561) 744-6006

March 2019

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DRAFT

General Limiting Conditions

This report is based on information collected from direct NGF research completed for the City of Missouri City, Texas (“City”) in 2018, along with general information and data collected during our previous engagement with the City in 2007. The assessment is based on conditions at the time of the analysis (e.g., economic and market conditions) and significant changes in those conditions may affect the relevance of the assessment. National Golf Foundation Consulting, Inc. (“NGF” or “NGF Consulting”) has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which cannot be predicted as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by NGF Consulting that any of the projected values or results contained in this study will actually be achieved.

Although we believe that the expectations in this report are reasonable, any or all of the estimates contained herein could prove to be incorrect. To the extent possible, the NGF has attempted to verify and confirm all estimates and assumptions used in this analysis. However, some assumptions may not materialize as a result of known or unknown risks and/or unanticipated events. Consequently, actual results achieved by any new golf facility during the period covered by NGF projections may vary from our estimates, and these variations may be material. As such, the National Golf Foundation accepts no liability in relation to the estimates provided herein.

To protect you and other clients, and to assure that the research results of NGF Consulting's work will continue to be accepted as objective and impartial by the business community, it is understood that our fee for the undertaking of this project is in no way dependent upon the specific conclusions reached or the nature of the advice given by us in our report to the City of Missouri City, TX.

Every reasonable effort has been exerted in order that the data contained in the written report reflects the most accurate and timely information possible, and is believed to be reliable. However, no responsibility will be assumed for inaccuracies in reporting by the client, client's agents, or any other data source used in preparing the report.

The client agrees that the report is not to be used in conjunction with any public or private offering of debt or equity securities or to otherwise induce investment without the prior written consent of NGF Consulting, which may be conditioned upon client agreeing to pay an additional fee in an amount to be reasonably determined by NGF Consulting.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Executive Summary

The following is a summary of significant findings made by the National Golf Foundation in its study of the Quail Valley Golf Course in Missouri City, TX. The supporting text and tables are found in the body and appendices of the attached report.

INTRODUCTION

National Golf Foundation Consulting, Inc. (“NGF”) was retained by the City of Missouri City (“City”) in Missouri City, Texas to assist in evaluating the operational and economic performance of the City’s golf facility – the Quail Valley Golf Course (“Quail Valley GC” or “QVGC”). The City required a strategic review of the golf course, adjacent clubhouse and driving range operation, an evaluation of the long-term potential of this facility, and recommendations to enhance economic performance. The following report details findings on the Quail Valley GC, with analysis of the physical and economic condition of the facility and the market environment within which it operates. Based on these findings, NGF has provided a set of recommendations to the City that we believe will help the City better understand the long-term implications of sustaining this popular golf facility.

The Quail Valley GC is a 36-hole municipal golf facility that is owned by the City of Missouri City, and operated via agreement with a defined Local Government Corporation (LGC) that is responsible for the day-to-day operation, subject to approval from the City. The facility was originally developed as a private country club to service the adjacent large Quail Valley community, and was then acquired by the City via purchase in 2008. Since the acquisition in 2008, the City has made considerable investment in the facility with a renovation of the El Dorado course in 2009 and the new clubhouse/community center development in 2012. The facility is located in the heart of Missouri City and is now the centerpiece amenity for the Quail Valley community of some 3,000+/- residential units, including a total of 1,040 homes with direct golf frontage, totaling \$268.8 million in assessed value.

In reviewing the facility, the NGF Consulting team found a good quality public golf course operation that is providing affordable recreation to Missouri City golfers and visitors, with an exceptional banquet and gathering venue that has regional impact and market reach. In addition, the facility shows all the signs of being managed well, showing good foresight on the part of the City in creating the LGC to oversee the Quail Valley operation. This arrangement has provided the City with an appropriate balance between oversight and “arms-length” separation. As it exists today, the Quail Valley GC includes a mix of amenities that is common in public golf, and correlates well with economic success. The facility appears to be in good condition overall, although the La Quinta golf course is in decline and will need to be enhanced to match the quality of the El Dorado course (likely to cost about \$5.0 million).

Operationally, it appears to NGF that the City is getting good value from its LGC form of operation, as the facility is generating revenue close to \$4.0 million in the last 12-month year, an amount that is very high for a public golf course, even one with 36 holes. However, as revenues are high, the expense to operate and maintain the QVGC is also around \$4.0 million, due largely to the large clubhouse operation, and results in a near “break-even” operation at QVGC. This level of net income performance is common in municipal golf nationwide, as a large proportion of public agency golf operations are not able to earn revenue sufficient to cover all operating expenses, although this is not certain as there is no ‘standard’ for municipal golf accounting.

NGF REVIEW – 2019

In 2019, the NGF was retained by Missouri City to evaluate the golf facility, and to make recommendations to help establish the long-term viability of the facility. The project included a thorough review of QVGC on an ‘as-is’ basis, as well as an examination of the facility’s LGC/ management structure and capital needs. It is expected that the results of this NGF study will be used by the City as a guide for the future of the golf course, and to help identify whether the facility is sustainable for the long-term future and if so, what changes are needed in physical plant and operating structure to ensure this viability. The review includes an evaluation of the facility as it is presently operated, the long-term potential of this market to support a public golf course in Missouri City and what changes could be made to the QVGC facility and operation to help improve overall performance.

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 the Quail Valley GC facility. NGF activities completed to date include meetings with City staff, interviews with golf course management and staff, visits to and profiles of other area golf courses and a comprehensive review of operating data. The NGF team also completed a comprehensive tour of the facility and all its components. The key components and issues of this report include:

- A comprehensive review of the subject Quail Valley GC, its present physical condition, identified capital needs and operational deficiencies.
- Status of the broader Missouri City/southwest Houston market area, with focus on external issues that affect public golf operations, including the balance between demand and supply.
- A preliminary estimate of the cost of improvements that may be needed at QVGC.
- Benchmarking Quail Valley GC golf operations with industry standards and norms.
- Recommendations on the appropriate management structure for QVGC in light of recent economic challenges.
- Recommendations on the most appropriate management, marketing, amenity package, quality of services, pricing and other “industry best practices” that could be employed at the facility to help improve the operation.
- Helping the City to understand the impact of uncontrollable factors that affect the QVGC operation, including unpredictable weather, a competitive local golf market and an ever-changing economy.

The NGF consulting engagement was managed by Richard B. Singer, Senior Director of Consulting Services, and Edward Getherall, Director of Consulting Services, with assistance from Associate Consultant Barry S. Frank and NGF Consulting Administrator Jodi Reilly. In addition to meetings with City officials and golf course personnel, the NGF consultants collected materials to aid in understanding the local market area, weather data, other regional municipal golf operations, and golf operations in general. NGF also collects considerable information and data on the golf industry as a regular part of our organization’s work, and much of this information and data is presented throughout this report.

This executive summary provides an “at-a-glance” summarization of the NGF review, detailing the main findings and NGF recommendations for the Quail Valley Golf Course (some items repeated in full report). Additional details and support data can be found in the full body of our report and its appendix.

OVERALL SUMMARY OF FINDINGS

The following bullets represent a summary of NGF's key 'high level' findings from our review of Quail Valley GC. The recommendations NGF sets forth in this report are in consideration of what will be needed to improve the overall economic condition of the golf course and establish its continued viability as a City-owned public golf operation. This review and attendant findings and recommendations must also be considered within the context that the economics of all golf courses are subject to uncontrollable factors, such as yearly weather variations, competitive factors and unexpected expenses.

Key findings on Quail Valley Golf Course

Quail Valley Golf Course is a well-known 36-hole public golf facility located in the heart of Missouri City that has traditionally been supported by Missouri City resident golfers seeking an affordable round of good quality golf. The course has been open for nearly 50 years and is very well-located in Missouri City and is convenient for Missouri City residents and others in the southwest Houston market. Since its acquisition, the City has made considerable investment in the facility, upgrading one of the two 18-hole golf courses and adding a state-of-the-art clubhouse/community center that has dramatically transformed the Quail Valley operation. Other findings from NGF's review of QVGC:

- Quail Valley GC is located immediately proximate to, and convenient from, all areas of Missouri City and close enough to elements in the Houston metro area that should provide support to the golf course. However, the heavy automobile traffic these elements generate may also limit the market draw of the facility.
- Quail Valley GC offers a unique golf facility with a mix of components that correlate well with economic success given appropriate management and maintenance. QVGC offers two separate 18-hole golf courses an extensive clubhouse operation, both of which can handle customer volume at a higher level than at present. QVGC can be ideal for hosting an active program of golf events, leagues and large tournaments along with regular-play golfers, but good maintenance condition on both courses is required.
- The overall physical condition of the QVGC property appears to be in good condition, although the La Quinta golf course is in decline and will need to be enhanced so as to match the quality of the El Dorado course. In all, the NGF review shows some deficiencies in physical condition, mostly related to older infrastructure that needs to be brought up to date, including "mission critical" maintenance support buildings. Our team has identified some \$6.1 to \$7.4 million in QVGC upgrades and enhancements, mostly related to the La Quinta golf course, practice and maintenance facilities.
- QVGC is operated via management agreement retained through the LGC formed for the specific purpose of managing this facility. While the NGF did observe a very high operating expense in place at QVGC, our team did not identify any obvious overspending in expense line-items except for a few small overstaffing issues in certain areas of the operation (carts, range, clubhouse) that could be adjusted to provide some small savings to the facility. The City is providing golf course maintenance via contract with a private third-party, and this expense is the largest line-item in the golf facility budget. The NGF review suggests that while taking direct control of the maintenance function, the City is not likely to save a significant sum of money, this change could offer the City some flexibility in the operation and allow for some expense reductions during slower demand periods and during impactful weather.

- The new clubhouse/community center has expanded the market impact of the facility, now attracting a large volume of banquet and gathering (non-golf) activity. Review of data shows that upwards of 43% of total revenue in 2018 was derived from clubhouse activities (F&B service + banquets). It is in this area the facility's business that provides the most opportunity for growth in revenue, and the LGC staff appears to recognize this with new emphasis and resources toward this segment.
- The of LGC has given QVGC a strong boost in technology and marketing, and recent efforts to increase non-golf revenue from clubhouse activities (Grille, Banquets, Events) has also led to increased aggressiveness in marketing by the operator. Going forward, even greater adoption of a modern marketing program will be necessary to attract the new customers and sustain (or grow) rounds and revenue.
- Stated fees for playing golf and using concessions appear appropriate at QVGC, and clearly place the facility in the middle to upper middle range for public golf in this market. However, the data shows that the vast majority of golf at QVGC in recent years has been played at a discounted rate (either through annual passes or discounts), resulting in lower growth in average revenue earned per round. One key area of discounting results from the presence of a very active season pass membership. These passholders are playing golf at QVGC for an average of around \$19.50 per round, compared to an average of \$22.00 per green fee round. This 11.5% discount for passholders is well within the 25% target discount identified by NGF for pre-paid green fee arrangements.
- Total activity at QVGC had been increasing steadily the last few years, with just over 60,000 total rounds of golf hosted in 2016 and 2017, before falling back to 56,000 (6.7% decline) in 2018. By comparison, the total U.S. experienced an -11.4% decline in per-course golf rounds between 2008 and 2018, with a -4.8% decline recorded for calendar year 2018. In Texas, rounds were down 6.6% in 2018 after being flat in 2017, indicating the bad weather in 2018 was even more severe than 2017 (included Hurricane Harvey). For metro Houston (includes Missouri City), rounds were down 7.9% in 2018 after a 2.0% decline in 2017 ([see appendix C](#)). When considering non-golf visits to the facility for clubhouse activities, an estimated 125,000+/- total patrons visited the Quail Valley property in the last year.
- The NGF conducted a survey of golfers at the Quail Valley GC in January-March of 2019. A total of **389 surveys** were collected by NGF, spread out between El Dorado (226) and La Quinta (163), and included a mix of daily fee players (59%), annual passholders (36%) and tournament Participants (5%). The results of the survey show general satisfaction among golf customers, especially noting the level of service, quality of staff, mostly good conditions and the overall good value provided at QVGC.
- The NGF survey showed there is genuine concern about the condition of the La Quinta golf course and the need for upgrade, even if it means contributing a small amount on each round into some form of fund for future improvements (capital surcharge). The respondents also noted a very high regard for the clubhouse and banquet operation, although actual use of the banquet facilities for non-golf events was limited from these respondents. What use there was, was very highly regarded in food quality and service.

EXTERNAL ENVIRONMENT

The demographic and economic factors affecting the demand for public-access golf in the local market around Quail Valley GC is mixed. Houston is a populous market with a lot of golfers, and the ratio of golfers per 18-holes is higher in the market than the U.S. as a whole (favorable for golf courses). However, in the local Quail Valley market this supply ratio is less favorable and golfers in the area have many available choices for public golf, although many of these businesses are themselves experiencing declines in rounds and revenue. As such, the NGF has a reasonable expectation that while the market will provide support for continued operation of a public golf facility in Missouri City, substantial growth in rounds and income from current (2018) levels is unlikely. Other key findings from NGF's market analysis include:

- Trends in the golf industry will present challenges to QVGC in continuing golf course operations. The total number of golfers in Missouri City is declining and total spending on golf is declining along with them. Similarly, the cost to maintain and operate golf courses had increased in recent years (equipment, labor, resources, etc.), leading to a difficult economic environment for public golf courses.
- The Missouri City area economy is strong, with many key economic drivers that tend to correlate with strong participation in golf. The subject QVGC is proximate to a substantial part of the greater Houston area employment centers and large corporations, adding to the possibility of attracting patronage from this segment, **assuming facility quality is appropriate**. Generating golf from these corporate elements will be key to sustaining golf operations at QVGC, as local resident demand is likely not enough to support the operations of all golf facilities in the Missouri City area.
- The balance between supply and demand for public golf is generally favorable in the Missouri City area. There are enough households and golfers available to support each golf course in the market, and the courses in the area tend to host more rounds than average. NGF estimates that the number of golfers per 18 holes within 10 miles of QVGC is about 93% of the NGF-identified success threshold.
- The competition for providing public golf service in this market is dominated by privately-owned, daily fee golf courses, many of which are part of master-planned communities like QVGC. The pricing at QVGC places the subject course in the upper-middle range of public golf in the area, which is ideal for market placement. Most of the competitive facilities reviewed by NGF offer a season pass or annual membership that locks in players and improves customer loyalty, including the subject QVGC, and represents an industry 'best practice' for enhancing revenue. Like Quail Valley, total rounds activity among all public golf courses in this market have fallen in recent years, and now fall into the range of approximately 30,000 to 35,000 rounds per 18-hole course annually.
- The physical amenities at QVGC appear vastly superior to its immediate competitive set of golf courses, giving enormous advantage to the Missouri City facility. However, the deficiencies identified in the la Quinta course at QVGC will have to be addressed in order for the City's golf facility to reach its maximum potential in rounds activity and revenue performance.

NGF RECOMMENDATIONS

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

Basic Oversight and Golf Course Management

Missouri City has chosen to operate its golf facility through an LGC that is under direct control of City government, and via a management contract agreement. Further, the LGC has retained the services of a golf maintenance contract company to provide golf course maintenance services in exchange for a fixed fee of approximately \$100,000+/- per month. While this structure has allowed the City some level of flexibility in its golf facility operation, the risk of economic shortfalls remains with the City of Missouri City. This current structure is essentially a “hybrid” concept that has elements of self-operation, fee-for-service management agreement and a maintenance contract. In many ways, the City is taking advantage of the best each concept has to offer and merging them together for the QVGC operation. However, with weather and other golf demand challenges, the QVGC operation has fallen short of budget targets the last few years, requiring direct City contribution of funds to support facility economic losses (which is common in municipal golf).

The NGF reviewed several options for the continued on-site management and oversight of the Quail Valley GC, and these options are reviewed in detail in the body of this report. In summary, the NGF identified three possibilities for Missouri City to consider for QVGC going forward:

- **Continue “As-Is”** with the LGC management agreement and separate maintenance contract. This results in the least amount of disruption for the facility and the City, and the system has worked for the best interest of the City. There are underlying challenges in the economics of QVGC, but NGF sees no evidence to suggest that some other form of operation will clearly put the City in a better operating position than at present (i.e. “grass is not greener”), and economic challenges faced by QVGC are a result of factors that would still be present, regardless of how the facility is operated and managed (weather, of golf demand, expense inflation, etc.).
- **Full-Service Management Contract.** The City can terminate the LGC and replace its existing management agreement with a new full-service operating agreement with a nationally-recognized golf management entity. This would be a 5 to 10-year agreement and include a management fee to the operator of at least \$160,000 per year (4% of revenue). Depending on the agreement, there could be some inclusion of capital investment by the new operator.
- **Modified “As-Is.”** The City can continue with its LGC / management agreement with terms modified to allow for the LGC to directly control the golf course maintenance function. This would require the acquisition of maintenance equipment (lease or purchase), hiring a new Class A golf superintendent and new maintenance staff. The NGF review suggests this option will not save a significant amount of total expense for QVGC, but may enhance the flexibility and timing of payments, thus helping to smooth out cash flow and timing of receipts to match expenses.

NGF Recommendation

The NGF team recommends that Missouri City continue to operate Quail Valley GC directly under its present form of LGC / Management Contract operation, which provides the City the greatest chance for success in the operation. Other reasons behind the NGF recommendation related to the LGC form of operation and management contract include:

- All operations (operations, golf, F&B and maintenance) all remain under the management of a single entity with full control from the City
- All staff responsible for the operation and maintenance of QVGC are employed by an entity independent from the City of Missouri City
- This structure allows for improvement in marketing, focusing on the addition of new players to QVGC and the expansion of non-golf (banquet) activity at the facility (more detail on marketing in operational recommendations below).
- The structure will provide the City flexibility in obtaining new investment to complete the enhancements and upgrades that are needed at QVGC (more below).

Operational Recommendations

The NGF found QVGC to be a very well managed public golf facility with most of our usually-recommended best practices already in place in this operation. Still, in the body of this attached report, the NGF team did identify some key operational improvements that could help to improve economic performance. This includes the QVGC operation retaining a focus on new player development and marketing, especially related to the modern technology in public golf marketing in 2019 and beyond (website, email, green fee platforms, social media, etc.). The operational recommendations require limited investment and focus on “best practices” that NGF has observed in the golf industry to improve service, and increase rounds and revenue.

Physical Improvements / Capital Investment

The NGF recommendations for enhancement to the physical plant of Quail Valley GC are based on the physical condition review presented in detail in this attached report. We have documented the challenging physical condition of the La Quinta course, along with other practice and maintenance area enhancements that are needed at QVGC in order to have any chance at rounds and revenue enhancement. The NGF recommendations to enhance the QVGC physical plant considers both “mission critical” improvements that are required to keep operating, as well as other considerations for future enhancement. A summary of these improvements by functional area is summarized in the table below:

Quail Valley Golf Course Summary of Preliminary Golf Facility Enhancements by Functional Area			
Key Area of Improvement	Key Projects	Low Estimate	High Estimate
La Quinta Restoration	drainage + cart paths + trees + bunkers + tees + greens	\$4,092,000	\$4,926,000
Maintenance Facility	Metal-frame bldg. repairs / wood-frame replacement	\$268,000	\$339,000
Driving Range	New mats / range netting	\$50,000	\$60,000
1 st Tee Facility	New practice area, practice holes + school	\$1,650,000	\$2,000,000
On-Course Services	Restrooms / drinking stations	\$75,000	\$100,000
Total Estimated Facility-Wide Capital Investment		\$6,135,000	\$7,425,000
<small>All figures are NGF Consulting estimates based on NGF's input and other similar projects completed in the last 3 years that have been provided to allow for preliminary planning. These amounts may or may not reflect actual costs for the City, and the City of Missouri City should engage appropriate research to cost out specific projects.</small>			

FINANCIAL ANALYSIS

NGF has estimated the economic performance of Quail Valley under the assumption that the facility will retain the experienced professional management that is in place in FY2019, through at least 2023 (the five years of operation). NGF has assumed the inclusion of all existing primary revenue generators in the facility operation – green and cart fees, F&B sales, banquet sales, merchandise sales and the driving range. The expenses needed to operate the facility have been assumed to include all costs required to run the golf and clubhouse operation on site, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service).

NGF Projection Results

The results of NGF Consulting’s preliminary cash flow projection show the potential for improved results in QVGC economic performance upon completion of facility upgrades, but there will still be challenges. While a reduction in maintenance contract expense will provide ample relief (if it can be negotiated), the facility will still likely have to endure losses during the period when renovations are underway, as the bulk of all other expenses will remain even with only 18 holes operating. We note that this improved economic position assumes the payment of a new bond debt payment and ongoing capital enhancements, as well as the inclusion of a new capital surcharge program to help off-set these new expenses. The NGF has estimated that if the QVGC can increase total earned revenue to over \$4.5 million by FY2021 (12.5% increase over today), the new revenue would be sufficient to cover all “on-site” operating expenses that would be required to operate and maintain the facility to appropriate market standards.

The NGF projects that with these improvements, Quail Valley GC would generate around 58,000 to 59,000 total golf rounds within one year after upgrade, an amount comparable to the 60,000 rounds actually played at QVGC in 2016. As is common with newly renovated golf courses, the City should anticipate some immediate impact when La Quinta is re-introduced to the market, and NGF has projected about 98% of stabilized rounds in the first full year after post renovation re-opening. This level of activity is fully achievable at this location, but requires a level of facility condition that does not currently exist and would require considerable new investment on La Quinta to achieve.

Considering all direct on-site expenses estimated for the new facility, including cost of sales and ongoing capital, the net income available to the City for capital reserve and contingencies is projected to be negative until the facility reaches about 56,000 rounds of golf. As such, the NGF can label this level of activity as a realistic “break-even” for the Quail Valley GC, as in years when rounds fall below 56,000 it is likely that the facility will lose money on site. This would put the operation back into a status that is more in line with industry standards, and it includes some adjustment in expenses to ensure proper management and maintenance of the facility

SUMMARY STATEMENT

The City of Missouri City owns the 36-hole Quail Valley Golf Course and clubhouse, which continues to thrive as a well-run municipal golf facility with great potential to improve operations and financial performance. The facility is important to the City as both a key recreational amenity for residents and an important component of the City's residential tax base, with 1,040 homes with direct golf frontage - totaling \$268.8 million in assessed value. In reviewing the facility, the NGF team found a good quality public golf course operation with exceptional amenities and strong regional market impact. The facility is in generally good condition, although the older of the two golf courses – La Quinta – is deteriorating and in need of new investment in its basic infrastructure to create a better match between the two golf courses.

The review completed by NGF in early 2019 comes at a time when the recent economic performance of Quail Valley led some in the City to question whether this facility was being operated to its maximum potential, and/or if change was needed in the City's oversight of this facility. Operationally, the NGF is of the opinion that Missouri City is getting good value from its LGC form of operation. QVGC is a significant, \$4.0+ million operation with revenues well above the standards for a municipal golf facility, but with total operating expenses that are also well above standard. Considering the level of new capital investment that will be required at QVGC in the coming years (NGF has estimated \$6.1 to \$7.4 million in needed enhancements), some growth in revenue will be needed to fund these improvements that are necessary to maintain market advantage. This new revenue is expected to come from greater penetration of existing area golfers, the addition of new golf players, growth in non-golf events (events, banquets, etc.) and the NGF-recommended addition of a new capital surcharge on every round of golf.

The NGF has also documented the challenges in operating a public golf facility at a time when golf demand is less stable and competition for servicing golf demand is intense. In this and other markets, the NGF has documented the importance of keeping up with changing consumer tastes and making sure the product offering is the best it can be to sustain market advantage. The NGF has documented that the upgrades being proposed for QVGC would enhance the economic position of the City's golf facility, but the upgrades themselves may not generate enough additional revenue to fully support the cost to implement these improvements. In short, large-scale investment is needed at QVGC, just to sustain its current position, prevent further decline and provide opportunity for growth in golf revenue.

In summary, it is clear that the City's golf facility is a leader in this market, but significant improvement in the property is needed. While the NGF did observe a very high operating expense structure, our team did not identify any obvious overspending, nor did we identify any change in operating structure that would clearly place the QVGC in a better economic position than it is at present. In review of this municipal golf facility, the NGF's most significant recommendations to the City of Missouri City include:

1. Continue with LGC form of operation, perhaps with minor adjustments.
2. Commit to new investment in the property, particularly La Quinta upgrade, as soon as is reasonable to complete.
3. Implement a new small (no more than \$4 per round) capital surcharge on every round of golf, including passholder and other complementary rounds.
4. Enhance the existing program of marketing, with focus on new golf player development and attraction of other non-golf events and banquets.

Subject Facility – Quail Valley Golf Course

The subject property is the Quail Valley Golf Course (“Quail Valley GC” or “QVGC”), a 36-hole municipal golf facility that is owned by the City of Missouri City, TX. The facility was originally developed as a private country club to service the large Quail Valley community, which was developed concurrently with the golf facility in the late 1960s. This project was a relatively early example of a master-planned community featuring custom homes of different architectural styles. Development was complete by the end of the 1970s, with over 3,000 homes in the original development. Surrounding developments have increased the size of the neighborhood even further, and the area has been described as the “heart” of Missouri City.

In 2007, the City purchased what was then known as the Quail Valley Country Club, which included a total of 45 holes (had an additional 9-hole executive course), along with an aging clubhouse, swimming pool and driving range. The two regulation-length 18-hole golf courses (El Dorado and La Quinta) formed the centerpiece to the facility and the layouts have remained mostly intact to this day. Since the acquisition in 2007, the City has made considerable investment in the facility with a renovation of the El Dorado course in 2008 and the new clubhouse/community center development in 2012. The golf facility is now operated as a municipal (public) golf course with players attracted primarily from the Quail Valley neighborhoods and other areas of the southwest Houston metro area. The new clubhouse/community center development has expanded the market impact of the facility, now attracting a large volume of non-golf banquet and gathering activity, to the extent that upwards of 43% of total revenue in 2018 was derived from clubhouse activities (F&B service + banquets).

As it exists today, the Quail Valley GC includes a mix of amenities that is common in public golf, and correlates well with economic success. The facility appears to be in very condition overall, although the La Quinta golf course is in decline and will need to be enhanced so as to match the quality of El Dorado. The overall property condition was clearly better than was observed by the NGF consultant who inspected the property in 2007. It appears that this neighborhood golf facility is serving the basic needs of golf demand among local Missouri City residents and a few additional golfers visiting the Missouri City area during the year, with the peak of this visitor demand occurring in the spring and fall of each year (peak months are April & October).

In our review of the Quail Valley GC, the NGF Consulting team found a public golf facility that is providing good quality and affordable recreation to Missouri City golfers and visitors, with an exceptional banquet and gathering venue that could have regional impact and market reach. In addition, the facility shows all the signs of being managed well, showing good foresight on the part of the City in creating the Local Government Corporation (“LGC”) to oversee the Quail Valley operation. This arrangement has provided the City with an appropriate balance between separation from City “red tape” and overhead, while still providing that basic security from still being part of City government.

QUAIL VALLEY GOLF COURSE FACILITY OVERVIEW

Quail Valley GC is now operating as a high-quality municipal golf facility with an impressive mix of amenities that can serve both golfers and no-golfers alike. The facility is producing very strong revenue, exceeding \$4.0 million in the last full 12-month year, an amount that is twice the U.S. average of \$1.0 million per 18 holes in the U.S. Still, while the revenue is very strong, the expenses are equally high resulting in a golf facility operation that is very close to “break-even” in any given “average” one-year period. This golf facility has been popular among a select group of local Missouri City golfers, a large volume of whom live in the immediate Quail Valley neighborhood.

Location, Access and Surrounding Elements

QVGC is located along Cartwright Road, in the heart of Missouri City and convenient to several major freeway interchanges. The facility is 4.1 miles south of the Beltway 8 (Sam Houston Tollway) interchange with Ft Bend Parkway, and about 4.5 miles from the I-69 and Highway 6 interchange. Quail Valley is approximately 15 miles from downtown Houston, eight miles from the Loop Freeway (I-610), and only about five miles from the center of Sugar Land, TX. This places the QVGC facility in the heart of a densely populated residential area of the southwest Houston metro area, with adequate, but crowded, roadway access through both a freeway network and surface arterials.

Primary access to the facility is provided by via La Quinta Drive, which is about one mile south of the intersection with Cartwright Road. Although there is another entry to the facility via El Dorado Boulevard and Murphy Road (1092), the La Quinta Drive entrance remains the focal point of the golf facility and the very center of life in the Quail Valley Community. The implication for the facility is that QVGC is proximate to elements that should provide support to the golf course and banquet center, but the heavy traffic these elements generate also serves to limit the market draw of the facility. Quail Valley GC has about 320+/- total parking spaces spread out over three parking lots, exceeding the NGF-recommended 144 spaces per 18 holes.

Surrounding Property and Housing

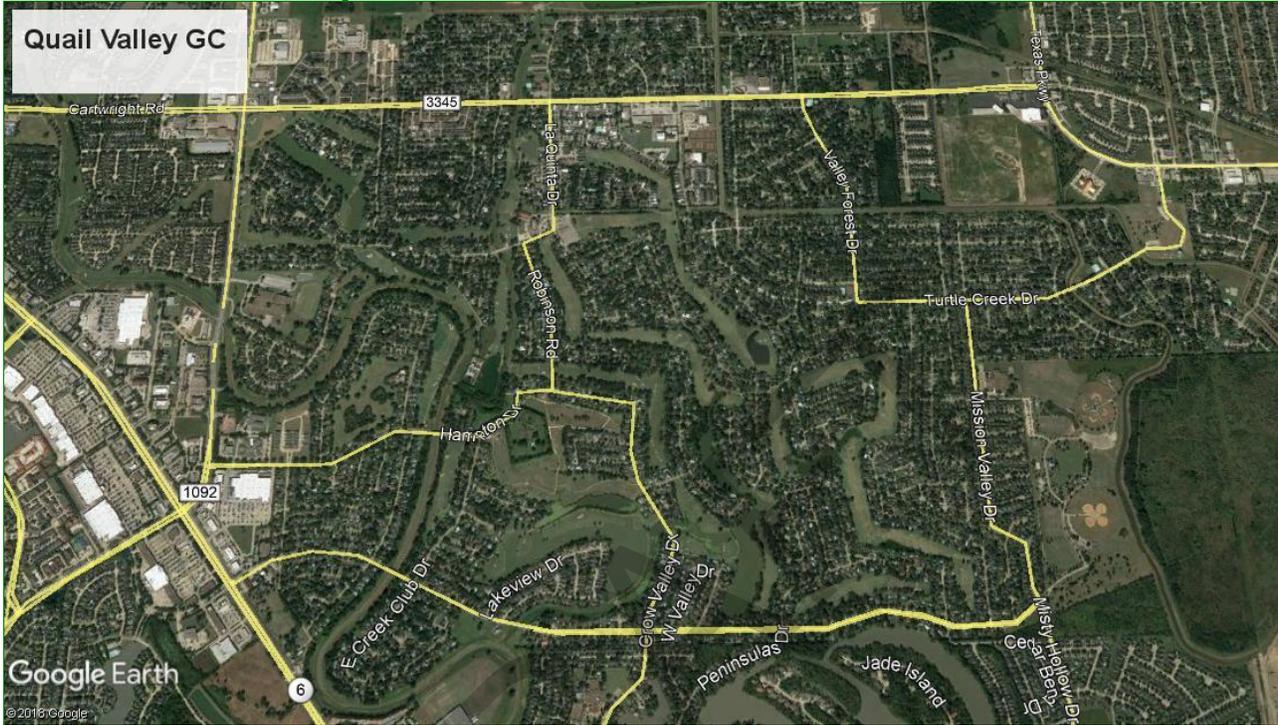
The Quail Valley GC is located fully within the defined Quail Valley residential community with both golf courses spread out among the homesites, radiating out in all directions from the central clubhouse location. Information and data collected from the City shows that there is a total of 1,040 homes with direct golf frontage, totaling \$268.8 million in assessed value (2018 FBCAD estimate). This residential tax base is critical to the City, and was a key factor in the City’s decision to acquire the QVGC from private hands and prevent its economic failure and/or conversion into some other use that could negatively affect the value of adjacent residential property.

Key Site Findings

- **Location:** The QVGC location is immediately proximate to large and dense residential population, and is convenient from, all areas of the southwest Houston metro area and other areas of the Houston metropolitan region. The negative aspect of the QVGC location is heavy traffic congestion on key area roadways local to the course, thus limiting its market appeal and potential draw.
- **Site:** The overall QVGC site is large enough to support the existing 36-hole golf course and allow for some modest modification or expansion possibilities, especially when considering the former executive course site.

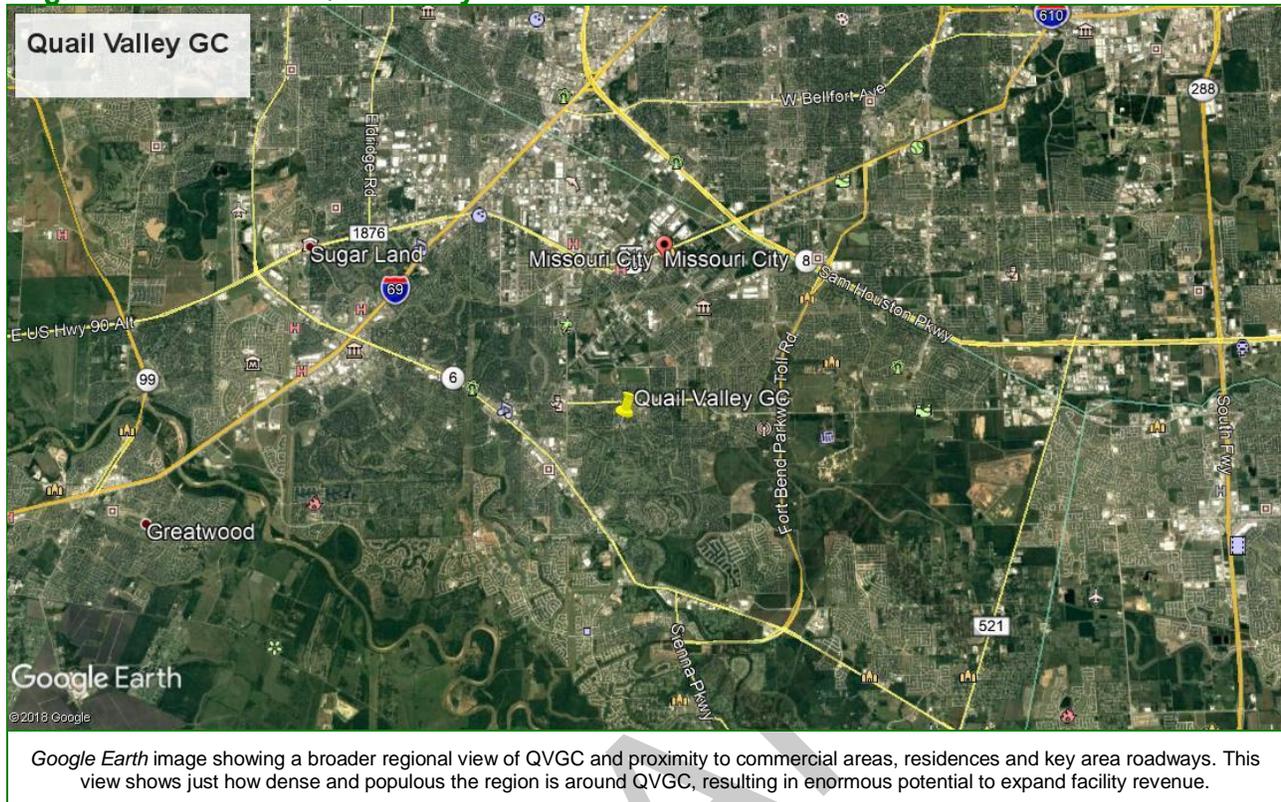
- **Topography/Drainage:** The topography of the QVGC site is generally flat, leading to drainage problems in several areas. This has mostly been corrected on the El Dorado course, but still very much an issue for the La Quinta course. The facility was built with lesser drainage requirements, although the many creek channels on the property could be better used to provide drainage outlets to help mitigate the problem somewhat.

Aerial View – Quail Valley GC



Google Earth image showing QVGC and direct surrounding elements, including important roadways. This view shows the land-locked nature of the golf layout and the immediate proximity to the Quail Valley community, with a large number of residential homes having direct frontage on one of the two golf courses leading to some narrow corridors of golf.

Regional Area View – Quail Valley GC



QUAIL VALLEY GOLF COURSE FACILITY REVIEW

The Quail Valley GC is a municipal golf facility located within a defined and adjacent residential community with a large clubhouse/community center to support operations and enhance revenue potential. The Quail Valley GC facility includes the following key components:

- Two 18-hole regulation-length golf courses, including:
 - El Dorado Course – 5,100-6,931 yard, par-71 golf course renovated in 2008
 - La Quinta Course – 5,486-6,920 yard, par-71 golf course with original components and infrastructure
- Large two-story, multi-function clubhouse/community center building with 17,600sf footprint and expanded outdoor spaces
- Separate 10,000 sf cart storage building on the northwest side of the clubhouse
- Practice facility with 4.5-acre driving range (24 stations), plus practice chipping area and practice green
- 18-acre area of a former 9-hole executive course (now closed)
- Maintenance compound (35,000sf) with based 7,800sf maintenance building and second older and deteriorating 2,400sf building that is mostly unused
- Additional acreage for parking lot and unused open space.

Golf Course Review

The Quail Valley GC includes two 18-hole golf courses that date back to 1971. As the facility has undergone changes in configuration with the expansion of holes, the first 18 holes consisted of what are today holes #1 and #11-18 of the El Dorado Course, and holes #1-3 and #13-18 of the La Quinta course. The course was expanded – first to 27 with a new front nine of El Dorado, and then to 36 holes, with holes #4-12 on La Quinta added to the end of the original loop. The first 18 holes of golf were designed by Jack Miller (no other credited designs), with the second 18 holes credited to Houston golf designer Jay Revere (also credited with the executive course design). The golf course is of such caliber that it has hosted important golf tournaments over the years, including the Houston Open that was played on the original 18-hole course in 1973 and 1974.

The golf courses have extensive residential frontage on throughout the property, and both courses have a configuration with the 1st and 18th holes in proximity to the clubhouse, but neither course has the 9th and 10th holes in proximity which limits the potential to sell 9-hole rounds of golf (not ideal for a public golf course). Both golf courses have a generally similar configuration and playing feel, although the El Dorado course appears more modern due to the 2008 renovation by architect Jeffery Blume. In all, the major differences between the El Dorado and La Quinta (other than current condition) is there are more bunkers on El Dorado (55 to 31) and El Dorado has much more water in play (13 holes to 11 holes). The basic scorecard information is noted below:

Quail Valley Golf Course								
El Dorado Course					La Quinta Course			
Tee	Yards	Par	Slope	Rating	Yards	Par	Slope	Rating
Back (Black)	6,931	71	138	74.6	6,920	71	140	73.8
Middle (Blue)	6,552	71	135	72.8	6,645	71	137	72.7
Middle (White)	6,146	71	128	71.0	6,239	71	133	70.5
Front (Gold)	5,685	71	122/136	68.7/73.8	5,682	71/72	121/135	68.5/73.9
Ladies (Red)	5,100	71	123	70.7	5,486	72	130	72.5

The playing area on both golf courses consists of 18 holes and a par of 71, although La Quinta shows a par of 72 for the Women's course. The five tees on two courses provides a wide array of choices for playing yardage available to golfers, ranging from the 5,100-yard Red tee and the 6,931-yard Black tee on El Dorado. The courses also include very modest middle tee yardages (where most golfers will play), allowing a choice from about 5,680 to 6,645 yards. This mix of tee box options is ideal for a public golf course and give golfers choice to fit their playing skill. The scorecard also shows the relative difficulty of the two Quail Valley golf courses, as all tee positions show slope ratings (a golf industry standard measure for golf course difficulty) over 128 for middle tees, moderately higher than the "standard" USGA Slope Rating of 117.

The most forward tee on the course (commonly associated as the "ladies" tee) is 5,100 yards on El Dorado and 5,486 yards on La Quinta. These are both longer than the NGF-recommended distance of under 4,800 total yards for the most forward tee course. In fact, the forward tee placement on La Quinta is more in line with an intermediate tee for senior men and/or other less-skilled players. The addition of a new forward tee of around 4,800 yards on one of the two courses could greatly enhance the appeal of the facility to less-skilled players and beginning golfers.

Overall, both courses at QVGC have the basic layout and amenities to offer a good-quality golf experience with appealing basic design, challenge to test better players, and enough variety in holes between the two courses. Assuming equal quality of conditions (La Quinta Upgrade/renovation), the overall QVGC facility possesses design characteristics and features that are comparable to other public golf courses in the market area and consistent with its target fee level.

Existing Golf Course Conditions Review

The NGF team conducted a cursory physical review of the QVGC to understand and evaluate the current condition of the golf course playing areas and support services. In addition, we have provided a preliminary estimate of the cost that will be required to improve or correct issues identified by NGF as needing repair and/or enhancement to maintain or grow economic performance. The NGF inspection was conducted in January 2019, during a particularly wet period characterized by recent moderate to heavy rainfall.

Care of a golf course is predicated by a good turf maintenance plan that is well implemented on a consistent basis. The soil, turfgrass, drainage and irrigation are all important components of a good golf course, and the maintenance condition can influence how golf shots are played by golfers. So, many components make up a “maintenance program”, but it is safe to say that the style of maintenance also needs to match the utilization or design of the course. As noted, QVGC golf course playing areas encompasses a relatively small profile, with considerable direct frontage to adjacent residential real estate. The costs associated with maintenance can vary greatly but they also need to be in concert with the overall financial goals of the facility. The golf course playing area is maintained by Brightview as per agreement that is in effect through the end of 2019 (current contract) at a rate of approximately \$1.2 million per year (\$100,000 per month). More detail on the maintenance agreement is provided in the next section of this report.

Review of Primary Golf Course Infrastructure

In addition to the golf course playing area, the NGF assessment of Quail Valley GC included a review of key golf course infrastructure that is present for both golf courses, with shared use and/or overlap. Below are NGF observations regarding these components:

- **Irrigation** – The golf course irrigation system was updated for all 36 holes during the El Dorado course renovation in 2008. Considering this relatively recent replacement, and the reports from staff, the NGF has assumed that the system is functioning properly with no issues or major repairs required on either golf course. The expected useful life of a golf course irrigation system is about 30-35 years, meaning that the City should be able to get at least 20 more years of service from this system before any major change would be required. One issue to consider is the proposed enhancement of the La Quinta course (more below) that would ideally be completed without disruption to the existing irrigation system that is only 10 years old.
- **Water Source** - The primary source of water for irrigating QVGC is from the City of Missouri City re-use, or effluent water. As such, the cost of water is generally low for QVGC and much of the direct expense for irrigation is the electricity cost to pump irrigation water into the system. One issue to consider in irrigation water relates to if the QVGC were to be reduced in some fashion, there may be some concern about what to do with excess re-use water that is presently absorbed by the QVGC.

- **On-Course Amenities** – There are two appropriately-located on-course restrooms for each golf course, plus additional remnants of former “halfway house” service areas. All of these facilities were in generally good condition with only minor repairs and enhancements required.
- **Adjoining Property** - Adjoining properties are mostly residential, with considerable direct frontage as noted. These residences directly on the golf course have fences and property boundary vegetation that is reported to be maintained by the golf course maintenance staff. The facility superintendent reports having to maintain upwards of 150 residential boundary areas that are technically private property and not part of the golf course. This can take needed staff resources away from golf course maintenance.
- **Streets and Roads Existing** - There are many residential street crossings in play on both golf courses, including a few simply to get to the range and/or first tee of the La Quinta course.
- **Maintenance Facility** - The maintenance facility is the operations center of the golf course and this building houses all facility maintenance equipment. The maintenance facility must be of adequate size and provide the appropriate shelter for personnel and equipment. The maintenance facility at Quail Valley GC includes two separate structures that are original to the golf course (1971), and there are serious concerns about the condition of these facilities and failure would pose “mission critical” deficiencies as there is no back-up. The larger metal-framed maintenance building is 7,800sf that primarily houses maintenance equipment and equipment repair services, and shows signs of decline, rust and deteriorating basic systems. However, the space appears adequate for basic functions and storing of most equipment, so a full repair (not replacement) can be considered.

The second building is a smaller, 2,400sf wood-framed structure that appears to NGF to be in total disrepair and very unlikely to support any repair, meaning total replacement is the only option. The inclusion of this building is likely important for the future as it should house the services for employees (break room, lockers, lunch room, etc.) that seems absent from this facility. The maintenance compound includes appropriate spaces for washing equipment, supplying fuel, storing chemicals, and stockpiling aggregates for the golf course. While the location is not ideal for the golf operation, it is manageable and no change in location is recommended by NGF.



Images of the larger, steel frame maintenance facility at QVGC, showing the ample space to store equipment and effect repairs.



Images of the limited on-course amenities at QVGC, which are clearly inadequate and not consistent with high quality golf.

- **Golf Maintenance Equipment** - The inventory of equipment used to maintain the QVGC golf course is wholly owned by the maintenance contractor (Brightview), and would bring a considerable expense to replace if the City were to consider an alternate maintenance plan for the facility. The functioning equipment for the course maintenance appears adequate and provide appropriate back-up to cover malfunctions. The staff mechanic is skilled at cannibalizing parts from older equipment to keep the key units functioning.

Review of Primary Components – El Dorado

A review of the basic conditions observed on the El Dorado course are noted below. This review is reflective of a 2008 renovation project that addressed all of these components, including irrigation as noted above. The key elements reviewed include:

- **Greens** – The El Dorado greens showed consistent condition and playability. It appears that the El Dorado greens are holding up well 10 years after renovation. The only area of concern was what appears to be a general shrinking of the putting surfaces, likely due to an extended period of mowing and maintenance over many years. Data provided by the City shows the average green size on El Dorado of 5,200sf, down about 10.5% from the 5,800sf measured in 2012. The maintenance contractor needs to make sure to respect putting surface edges and reduce encroachment of invasive (non-greens) turf.
- **Fairways/Roughs/Green & Tee Surrounds** – The basic turf condition on El Dorado was sound in spite of recent rains in advance of the NGF review. Of most importance to golf players is consistency of how the golf ball lies, and in this measure the overall turf conditions for El Dorado are appropriate for the price and competitive market position.
- **Tees** - The majority of tee boxes at Quail Valley are level and properly directed. While there were several holes noted with thinning turf on the tee boxes (mostly par-3 holes), this was not overly prevalent and not a concern for competitive advantage.
- **Bunkers** - The course includes a total of 55 sand bunkers with varying conditions mostly related to drainage. There are several small size bunkers that need to be maintained regularly that can require hand raking and take away valuable staff time. Sand bunkers are one aspect of a golf course design that are important for golfers, yet expensive improvements will usually not equate to enhanced revenue. Other bunker issues include debris (such as rocks), eroding edges and drainage problems. These issues are certainly correctable given appropriate maintenance and attention to detail.

- **Drainage** – Prior to the 2008 renovation, El Dorado had its share of drainage problems and these seem to have been corrected, as the NGF review was completed after a period of rain and standing water was all but gone within 24 hours. This is ideal for a public golf course and can help maximize playable days, and thus revenue.
- **Cart Paths / Bridges / Road Crossings** – The El Dorado course has complete “wall-to-wall” cart paths covering all 18 holes. These paths are concrete and have held up well for the last 10 years. There are several bridges and road crossings on El Dorado, and it appears the bridges are all structurally sound and road crossings appropriately marked. There is one water crossing on hole #17 that is at grade and could be problematic in periods of heavy rain and should be monitored for safety.

Review of Primary Components – La Quinta

A review of the basic conditions observed on the La Quinta course are noted below. Our review shows this course to be in need of repair and enhancement, with drainage and cart paths its primary deficiencies. During wet periods, this course is virtually unplayable, and will thus put added pressure on El Dorado to host all of the demand in these wet times. Key elements include:

- **Greens** – The La Quinta greens are mostly “push up” greens with topdressing added over the years. The overall conditions were less than ideal, as these greens suffered from bare spots, invasive encroachment and poor drainage. A high drainage, sand based green construction method (known in golf as a “USGA” green) would improve drainage and turf conditions. Like the El Dorado greens, the La Quinta greens are also shrinking. Data provided by the City shows the average green size on La Quinta of 3,200sf, down about 11% from the 3,600sf measured in 2012. La Quinta greens are too difficult to putt, and some appear to be contoured to support slower green speeds (less desirable for players). If rebuilt, they should be flattened slightly to provide for more modern golfer tastes and green speeds.



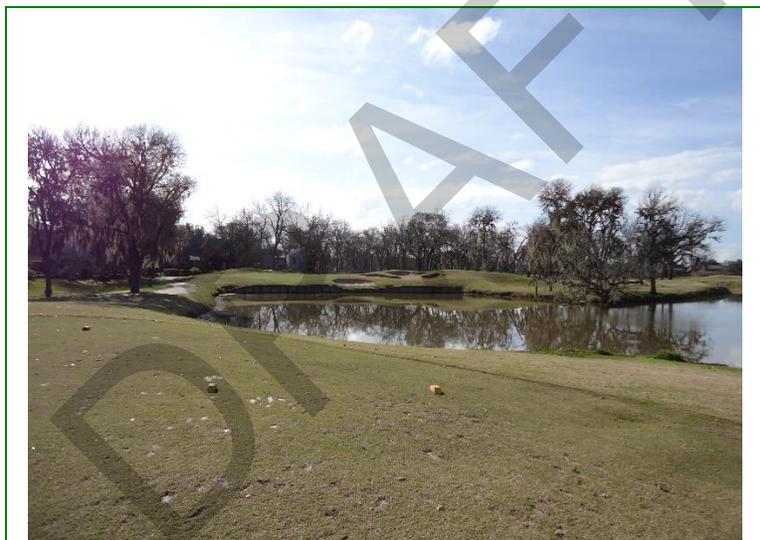
Photos of selected greens on La Quinta showing the issues noted above. The turf is not consistent and several areas are generally unplayable for golfers. Several of the greens shows the edges problem, which is related to green shrinkage.

- **Fairways/Roughs/Green & Tee Surrounds** – The turf on La Quinta is of older varieties, and modern varieties throughout would improve conditioning. Some rough areas are too shaded to grow properly and could stand a change of turf. Many fairways have poor definition or character, which is typical of flat courses and a general pitch or slope to help drainage would add appeal as well. Overall, the turf is clearly inferior to the El Dorado course and could lead to growing preferences that could impact rounds inventory and capacities (if golfers only want El Dorado).



Photos of selected fairways on La Quinta showing concerns noted by NGF, most notable issues related to drainage and standing water, related directly to flat topography and older turf varieties.

- **Tees** - The majority of tee boxes at Quail Valley are thinning and/or are poorly conditioned. These conditions are likely attributable to heavy use plus declining turf and soil conditions. Also, the drainage for the tees is another contributing factor.



The poor condition of the tee box detracts from an otherwise attractive golf hole. This tee does not provide a level hitting area and many divots that don't repair well despite maintenance efforts.

- **Bunkers** – La Quinta includes 31 sand bunkers with conditions ranging from playable to almost unusable. Like other problems on La Quinta, much of the concern is related to drainage, as the bunkers should have fabric liners to facilitate maintenance in the wet climate. Consideration should also be given to relocating bunkers since many are positioned in such a way that they impact less-skilled players more often. Other bunker issues include debris (such as rocks), eroding edges and drainage problems. These issues are certainly correctable given appropriate maintenance and attention to detail.



Images showing the various issues with La Quinta bunkers, including drainage, washouts, edging and thinning sand.

- Drainage** – As we previously mentioned, La Quinta has significant drainage issues that permeate the entire golf course. Much of this is related to the generally flat surface pitch from the original design and thus could be corrected with a restoration program that adds some gentle shaping and slopes to the design. The result of this poor drainage is that La Quinta can become almost unplayable during wet periods, and the water can stand and remain an issue for several days after rain events. Small drainage problems impact turf quality and cart use, and thus lower the revenue potential (when carts can't be used) and popularity of the course. Large areas that put one hole out of play make the course as useless as if all 18 holes aren't open.



Images showing the extent of drainage problems on La Quinta more than 24 hours after modest rain. The images show the different ways standing water affects the course, from limiting playable space to damage from carts to the small "pothole" type of pools that provide a major detraction from the play of golf. The conditions here are virtually unplayable and do not warrant a \$50+ green fee.

- **Cart Paths** – The condition of the cart paths on La Quinta was another piece of golf course infrastructure showing age and deteriorating condition. The paths are concrete and are cracking and buckling in many places, providing for a very uncomfortable ride in a golf cart. Combined with the drainage issues, if cart-path-only is required for wet days, the course is even that much more undesirable. A good quality and efficient cart path system can help enhance the appeal of a golf course facility by adding comfort to patrons, expanding the number of playable days (carts can go out when the course is wet), expanding the life of golf carts and improving the condition of the golf course playing area. The bridges and road crossings on La Quinta appear to be structurally sound and appropriately marked.



Images of the La Quinta course cart paths – this can be both uncomfortable and dangerous

Additional Amenities and Structures Review

Clubhouse

The Quail Valley clubhouse was added in 2012 by the City and replaced the older country club clubhouse that had more limited space and was in declining condition. The new facility is known as the “City Centre at Quail Valley,” and was designed to function as both a golf service support building and a community center with extensive banquet and party space. The building was designed with a very modern appearance and all of the most advanced interior touches that are common in this type of facility, including the most advanced audio/visual technology and other finishes and features.

The facility includes an approximately 17,600sf footprint, but with two levels offers well over 30,000 total square feet of useable space. The building is capable of hosting many different types of functions and has a wide variety of room choices with great flexibility for different size gatherings. The design is also functional and provides the City an opportunity to host multiple gatherings at the same time, without too much stress in the system. With its large size and multi-functionality, the City Centre is also expected to have a large expense profile, and services, powering, staffing and managing this facility will require a much larger expense that is usual or customary for a basic municipal facility. A summary of the key elements within this center is noted in the table below:

Quail Valley GC Clubhouse	
Component	Comments
First Floor	
Bluebonnet Grill	Snack bar space for about 50-60 patrons, can use Bluebonnet Room for overflow
Bluebonnet Room	Mid-size banquet room on ground floor with 150+/- capacity
Pro Shop	First floor retail and check-in space with approximately 2,600sf of floor space
Golf Professional Office	Office for the golf professional, adjacent to the pro shop
First Floor Kitchen	Full service kitchen
Restrooms	Restrooms with small locker space on first floor
Additional	Entry, foyer, flow and walk spaces
Second Floor	
Magnolia Ballroom	Largest banquet room on second floor with 350+/- capacity
Azalea Room	Large conference room or small banquet room on second floor with capacity of 60
Second Floor Kitchen	Primarily prep kitchen with limited equipment
Oak Conference Room	Small second floor conference room with 20-person capacity
LGC Office	Office space for General manager and small support staff
Bridal Suite	Changing area / extra storage
Restrooms	Second floor restrooms
Additional	Stairway, flow and walk spaces

The QVGC clubhouse includes features that are far superior to most public golf facilities in this market area, and provide space for the types of gatherings and events for which there are limited available venues in this area. As such, the QVGC has a strong advantage over its competitors in the capability of hosting larger golf and non-golf events. However, in consideration of the high quality of the City Centre facility, a few minor deficiencies were noted by NGF:

- There is limited space for a large group of golfers to gather indoors after a round of golf
- The Bluebonnet Grill and bar area is too small to accommodate golfers as more and more non-golfers are using the restaurant, but expansion may not be cost effective
- The covered outdoor spaces are limited, and this is an amenity that is growing in popularity at golf courses.
- The total restroom space is limited, which is especially evident during the largest Magnolia Room parties and events.

Practice Amenities

The practice facilities at Quail Valley include a driving range, two practice greens and small practice chipping area. The teeing area for the driving range is limited to about 24 patrons and is not deep enough to allow for hitting on natural turf every day – hence, there is some regular range use from the artificial mats. Also, the driving range is just under 65 yards in width, requiring large

netting to be present to protect adjacent spaces. The range length is just under 300 yards, making it too short to accommodate some of the better players using modern equipment. Another issue with the QVGC driving range is the location relative to the clubhouse (where range balls are purchased) and parking area. While the range is not convenient for walking golfers, the cart path system is adequate for golfers in carts.

The limited range size and the lack of lighting severely curtail the amount of range-only use the facility could attract, and also limits the amount of golf lesson programming that can be hosted. There may be opportunity to reconfigure this space to allow for increased capacities and better accommodate golf lesson programming, which is very important to the future of this facility and golf in Missouri City.



Images of the driving range at QVGC showing the narrow space and the need for protective netting, as well as artificial turf mats for hitting that will need frequent replacement.

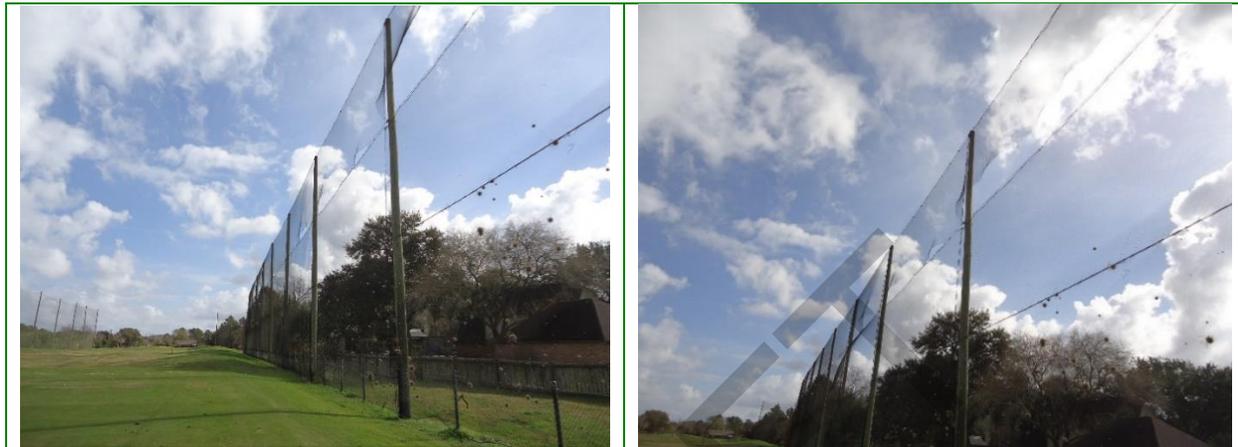
The other practice amenities include a small chipping area with a practice bunker, allowing golfers to practice short shots for up to 60 yards to a small target green. There are two practice greens, one in this primary practice area and a second green by the first tee for the La Quinta course. The facility is also active in hosting beginning junior golfers under a national program known as “First Tee.” This program requires specific facilities that are all present at QVGC, but not in one place which would be ideal. At present, the staff is making use of a small kiosk by the range, golf holes on the golf course (when available) and classroom instruction in the clubhouse.



Images of other practice amenities at QVGC, including the practice chipping area (left), a practice green (center) and the small first tee building that needs replacement and/or expansion.

These amenities were in acceptable condition for the facility, but NGF notes that future planning will have to include a regular schedule to replace driving range mats and range netting (more below).

Protective Netting – The driving range is immediately proximate to the golf course playing area, which requires netting to protect golfers from errant range balls. This netting did not appear to be in good condition during NGF’s inspection is will need replacement in the coming years.



Images of damaged netting in the barrier separating the driving range from the golf course playing area.

Cart Storage

The Quail Valley cart barn is a stand-alone 10,000 square-foot building located just northeast of the clubhouse with a capacity to house about 126 carts (matches the current fleet size at QVGC). However, the total of fleet of 126 electric-powered carts may be low for a 36-hole course (NGF standard is 72 carts per 18 holes). QVGC does have about 60 regular-play golfers residing in close proximity who own their own private cart for use at QVGC. In recent years, the number of private cart owners has declined adding pressure on the QVGC cart fleet and leading to shortages on some rare occasions.



Photos showing the cart storage facilities at QVGC. Despite the appearance of a large space, the total volume of carts that can be stored in this facility may be lower than the volume of carts needed for the operation of QVGC.

Quail Valley GC Capital Investment Considerations

QVGC would benefit from upgrades to the La Quinta golf course to match conditions on El Dorado. The basic La Quinta layout does not need to be modified, but obvious drainage deficiencies and standing water must be addressed if any real growth in golf activity and income is to occur at QVGC. The facility would also benefit greatly from enhancement to its maintenance facilities, along with other minor enhancements to the clubhouse. Although numerous items are referenced for repair / replacement in the long term, outlined below are the items that are recommended high priority capital expenditures that would improve the facility's competitiveness in the market place and / or have a positive impact on long term management practices and reduce operational costs:

1. **La Quinta Restoration Program:** An upgrade to the La Quinta golf course would primarily be a "restoration," as the layout would remain and a new irrigation system was added in 2009. The key components of this course enhancement would include:
 - **Drainage:** Drainage improvements include topsoil management, mass grading, feature shaping, drain pipes, and grassing to create minimum 3% drainage pitch to catch basins. Any new drainage will include a new siphon system and 4", 6", 8" and 12" piping. **NGF estimated cost = \$750,000 to \$900,000 (lump sum).**
 - **Fairway / Rough Re-surfacing:** A program to improve the fairway and rough turfgrass in conjunction with drainage improvements noted above. The unit price for this is about \$2.00 to \$2.50 per sf. **NGF estimated cost = \$1,600,000 to \$2,000,000 (800,000sf @ \$2-\$2.50/sf).**
 - **New Greens Re-construction:** A program to rebuild all 18 greens to USGA specifications. The standard unit price for USGA greens is \$5.50 to \$6.50 per sf. **NGF estimated cost = \$385,000 to \$455,000 (70,000sf @ \$5.50-\$6.50/sf).**
 - **Tee Improvements / New Forward Tees:** Improvement of tee boxes include soil enhancements, leveling, alignment and the addition of new tees. All of the 100,000+/- sf of tees need to be enhanced, plus an additional 30,000sf of new tees added. The unit price for this level of improvement is higher than other re-surfacing, or about \$3.00 to \$3.50 per sf. **NGF estimated cost = \$390,000 to \$455,000 (130,000sf @ \$3-\$3.50/sf).**
 - **Bunkers:** Renovation and/or restoration of bunkers in selected non-penal/ strategic locations should be implemented to enhance the aesthetics, challenge and overall golf experience. The unit price for this is about \$7,000 to \$8,000 per bunker. **NGF estimated cost = \$217,000 to \$248,000 (31 bunkers @ \$7,000-\$8,000/sf)**
 - **Cart Paths:** The golf course has cart paths that must be improved to provide smoother surface. The cart path improvements will direct traffic and minimize wear and tear to green and tee surrounds. **NGF estimated cost = \$378,000 to \$420,000 (21,000 linear feet (lf) @ \$18-\$20/lf).**
2. **Maintenance Facility:** QVGC needs to make improvements to its maintenance facilities, including repair of the metal-frame storage building and demolition and replacement of the maintenance support building:
 - Basic repairs and upgrades to the 7,600sf metal-frame maintenance facility at \$10-\$13/sf. **NGF estimated cost = \$76,000 to \$99,000 (7,600sf @ \$10-\$13/sf).**
 - Replacement of the 2,400sf wood-frame support building. **NGF estimated cost = \$192,000 to \$240,000 (7,600sf @ \$80-\$100/sf).**

3. **Range Mats and Netting:** Repair netting and purchase new range mats for the driving range. **NGF estimated cost = \$50,000 to \$60,000 (Lump Sum).**
4. **New 1st Tee Facility:** Development of a new practice center / 1st Tee facility on the closed par-3 course. Total cost will depend of the final mix of amenities, but NGF expects this new facility to include:
 - o New driving range, at least four practice holes and new chipping / practice areas. **NGF estimated cost = \$1.25 - 1.5 million +/- (lump sum).**
 - o New practice area support building / 1st Tee facility. **NGF estimated cost = \$400,000-\$500,000 (lump sum).**
5. **On-Course Service Improvements:** Improve drinking water stations and on-course restrooms on both courses. **NGF estimated cost = \$75,000 to \$100,000 (Lump Sum).**

Quail Valley GC NGF Recommended Upgrades – by Type			
Priority Capital Investments	Inputs	Low Estimate	High Estimate
1. La Quinta Restoration Program			
Drainage	Lump Sum	\$750,000	\$900,000
Fairway / Rough Resurfacing	Lump Sum	1,600,000	2,000,000
New Greens	70,000sf at \$5.50-\$6.50/sf	385,000	455,000
Tee Improvements / New Tees	130,000sf @ \$3-\$3.50/sf	390,000	455,000
Bunker Improvements	31 Bunkers @ \$7,000-\$8,000	217,000	248,000
Cart Paths	21,000lf at \$18-\$20/lf	378,000	420,000
Soft Costs, Prep & Contingency	10% of Above Costs	372,000	448,000
Total La Quinta Restoration		\$4,092,000	\$4,926,000
2. Maintenance Facilities			
Metal-Frame Storage	7,600sf @ \$10-\$13/sf	\$76,000	\$99,000
Wood-Frame Support	2,400sf @ \$80-\$100/sf	192,000	240,000
Total Maintenance Facilities		\$268,000	\$339,000
3. Range Mats and Netting Repairs		Lump Sum	50,000
4. New 1st Tee Facility			
Practice Area	Lump Sum	\$1,250,000	\$1,500,000
Support Building	Lump Sum	400,000	500,000
Total 1st Tee Facility		\$1,650,000	\$2,000,000
5. On-Course Services (Restroom / drinking)		Lump Sum	75,000
Grand Total of Capital Projects (all High Priority)		\$6,135,000	\$7,425,000
<small>All figures are NGF Consulting estimates based on the consultant's input and other similar projects completed in the region in the last 3 years that have been provided to allow for preliminary planning. These amounts may or may not reflect actual costs for Missouri City, and the City should engage appropriate research to cost out specific projects. cy= Cubic Yard; lf = linear feet; sf= Square Feet; Ac = Acre</small>			

REVIEW OF GOLF OPERATIONS

In the following section, the NGF provides a review of key aspects of the QVGC operation, including a review of facility oversight and structure, golf maintenance, staffing, revenue centers, fees, technology, programming, marketing and other issues key to the future of the operation.

Local Government Corporation (LGC) Review

Upon the acquisition of Quail Valley GC, the City sought to create separation from City government, while at the same time reserving some level of direct City control. As a result, the City created a Local Government Corporation (LGC), and then put a management contract in place to “supervise, manage, and operate the golf facility as a public golf course and recreational resource for the welfare of the public.” The LGC is run by a board of directors, which is primarily made up of Missouri City Council and senior City staff with direct oversight of the contract managed by the City Manager. The management agreement in place with the LGC includes terms that are very common in municipal golf management agreements, and provides for the management and operation of QVGC through an onsite facility General Manager. The City has also undertaken to provide golf course maintenance to the facility through a separate maintenance agreement with a third-party vendor. A summary of the key elements in the management agreement with the LGC is detailed below:

- As part of the agreement LGC is responsible for maintaining the Golf Course and all existing facilities and improvements, and any facilities and improvements added during the term of the agreement. LGC is to maintain in good working order all equipment necessary to achieve the maintenance standards generally accepted for golf courses.
- City retains all titles, certificates of occupancy and permits required for LGC’s operation of the Golf Course.
- The original term of the agreement between the City and LGC was for 10 years, commencing on July 1, 2009. With amendments, the agreement is scheduled to expire on July 1, 2021.
- The LGC collects all gross revenues, pays all operating expenses and capital expenses, retains appropriate reserves for adequate fund balances as authorized by the approved annual budget, and pays the City all new proceeds attributable to the golf course and/or the property. All QVGC staff is employed directly by the LGC.
- LGC is not to incur any debt, or make any expenditure for a capital expense or an operating expense, except in accordance with the approved annual budget.
- Provide an initial fund balance of \$50,000 to cover early shortfalls in operating expenses.
- Identified thresholds of investment and City contribution for capital and covering shortfalls

The basic terms presented in the management agreement between the City and the LGC are common in municipal golf and will often correlate with economic success at public sector golf facilities. In addition to the LGC oversight concept, the City has added an additional layer of privatization with the inclusion of a comprehensive contract for golf course maintenance services, which is typically the most expensive component in golf course operations. This structure provides some flexibility to the City in its operation of QVGC, but also creates some rigidity in payment terms that can impact monthly cash flow, especially in weaker demand periods.

Maintenance Contract Review

Bright View Golf Maintenance, Inc. entered into a ground maintenance contract for the two eighteen-hole golf courses, green space and the clubhouse, City Centre at Quail Valley for the period of January 1, 2018 through December 31, 2019, with an option to renew for three additional one-year terms. The maintenance contract is comprehensive, and includes all services related to maintaining the golf course playing areas such as labor, materials and equipment. This last item is especially important as maintenance equipment is often the second highest cost in golf course maintenance behind only labor. Other key terms in the maintenance agreement at QVGC include:

- QVGC pays Brightview Golf Maintenance compensation of \$1,212,380 for each year (approximately \$100,000 per month). This compensation was arrived at through negotiation of seven (7) key areas of service:

Lake maintenance removed (\$35,000 fee reduction)	Standard bunker sand replenishment only (removed winter/spring installment saving \$7,500 per year)
Irrigation/improvements cap set at \$15,000 annually (no change in fee)	Additional work to maintain property/fence lines throughout the golf course (added fee of \$6,480 per year)
Additional work to maintain the ivy wall along #15 El Dorado (added fee of \$1,800 per year)	Additional work to maintain the bunker surrounds to the original design standards and free of runners (added fee of \$35,500 per year)
Over-seeding of par 3 tee boxes in slow growth months removed (\$2,900 reduction per year)	

- Provides on-going course maintenance (including equipment) and the necessary staffing
- Maintenance Staffing includes (11.5 FTE)
 - Head Superintendent (FT - Salary)
 - Assistant Superintendent (FT - Salary)
 - Mechanic (FT - Salary)
 - Spray Technician (PT – Hourly)
 - 16 Equipment Operators & Laborers (PT – Hourly)

LGC Oversight and Staffing

The total position roster for staff involved in the operation and management of the Quail Valley GC include employees of the LGC and Brightview Maintenance. The only exception to this pertains to the Director of Instruction, which is an unpaid position compensated through the retention of lesson revenues generated. The course staff includes a mix of full-time and part-time employees.

Total Staffing

Quail Valley Golf Course Total Facility Staffing – 2018					
Department	FT Salary	FT Hourly	PT Hourly	PT Light	Responsibilities
Administration	1	0	0	0	Facility oversight
Golf Operations	2	1	4	30	pro shop, operations, carts, starter, lessons and range services
Catering / Grill / Banquet	4	5	18	6	All F&B operations (clubhouse, grill, bar, banquets, events, parties)
Golf Maintenance*	3	0	17	0	Maintain the golf playing area (3 rd Party Contract)
TOTAL	10	6	39	36	

*All golf maintenance employees employed by Brightview Maintenance as per maintenance contract

Staffing by Function

In reviewing the staff by function at QVGC, we note that the club operation and F&B functions are covered by a mix of full-time, part-time and other unpaid (volunteer and/or contractor) positions. NGF estimates a comparative total of 31.0 full-time equivalent (FTE) positions in the QVGC staffing (excluding maintenance function) and 42.5 if maintenance was included:

- **Administration (1.0 FTE)**
 - General Manager (FT - Salary)
 - *G&A Assistant (not staffed)*
- **Pro Shop / Golf Operations / F&B (12.0 FTE)**
 - Head Golf Professional (FT - Salary)
 - Assistant Golf Professional (FT – Salary)
 - 4 Golf Shop Assistants (PT - Hourly)
 - 12 Golf Course Starters / Marshalls / Rangers (PT - Light)
 - Director of Instruction (Contractor)
 - 18 Practice Range/Cart Attendants (PT – Light)
 - Fleet Manager / Mechanic (FT – Hourly)
 - Additional Volunteers
- **Catering / Grill / Banquet Operations (18.0 FTE)**
 - Director of Catering & Grill Operations (FT - Salary)
 - Assistant Event Manager (FT - Salary)
 - Assistant Grill Manager (FT - Salary)
 - Head Chef (FT - Salary)
 - 3 Senior Kitchen Staff (FT – Hourly)
 - 5 Kitchen Staff (PT – Hourly)
 - 2 Senior Wait Staff (FT – Hourly)
 - 13 Wait Staff (PT – Hourly)
 - 6 Beverage Cart Attendants (PT - Light)

It is important to note that the current operational structure also includes additional services provided by the City in the oversight of the LGC. Positions including the City manager, Assistant City manager, City Attorney and City Finance Director all have positions within the senior level oversight of the LGC.

There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The size of the 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 Quail Valley GC. The NGF data on public golf operations in 2016 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.

Quail Valley Golf Course Total Facility Identified Staffing – 2019				
Facility	Golf Operations Staff (FT / PT)*	F&B Staff (FT / PT)	Golf Maintenance Staff (FT / PT)	Total Staff (FT / PT)
Quail Valley GC (18-H)	4.0 / 19.0	9.0 / 18.0	3.0 / 17.0	16.0 / 54.0
Industry “Standards” (per 18 holes)				
Total U.S. Average	3.0 / 12.0	1.0 / 4.0	4.0 / 8.0	8.0 / 24.0
* The national standard for operations staff includes administration.				

Based on the NGF review of the Quail Valley GC staffing and golf industry norms, it appears that QVGC is operating with a staff that is just slightly larger than the national norm when adjustment for 36 holes is considered (two 18-hole courses). The current staffing levels reflect the large profile of the facility with an extensive clubhouse operation with significant non-golf revenue generation.

Merchandise Operations

QVGC has an extensive merchandising operation and NGF Consulting sees opportunity to continue the growth in sales actually experienced in 2018. Pro shop sales had increased steadily from around \$239,000 in 2014 to just under \$251,000 in 2016 (5% increase), before falling back to \$232,000 in 2017 (7.6% decline). The longer 15-month 2018 showed a large increase in merchandise sales, with \$322,700 in total pro shop sales. Total merchandise revenue per round had seen some decline from \$4.87 per round in 2015 down to \$3.83 per round in 2017 (21.4% decline). Total merchandise revenue per round was \$5.68 in 2018, an all-time peak for QVGC. This is compared to the industry standard of \$2.48 per round for merchandise, showing the QVGC pro shop sales performance if far exceeding the expected standard.

Pro shop merchandise at QVGC includes a wide variety of items, including the key golf “impulse” items such as balls, gloves, hats, towels and other small counter items. In addition, QVGC has an extensive apparel offering (including golf shoes), and this makes up a strong proportion of actual sales. The items that tend to sell best at facilities like the QVGC are the obvious impulse items as noted above, but also logoed merchandise like shirts and outerwear. The Quail Valley GC is not active in selling golf clubs and other hard goods, which is consistent with the trend NGF has documented in on-course retailing not wanting to compete with “big-box” retailers.

The direct cost of merchandise sold has averaged about 78.6% of sales since 2014, an amount that slightly exceeds the industry “standard” of 70% cost of sales on merchandise. A key to improving sales may be increasing inventory and using the space available for more displays. However, as the total margin on merchandise is only around 22%, the total net to the City will never be significant in merchandise sales. Rather, this is a service to golfers to make the round more enjoyable and help bring them back for more.

Technology and Marketing

The bulk of the marketing activities for Quail Valley GC are generated by on site management and through various electronic sources like social media, email campaigns and the website. In the past, Quail Valley employees had tried to attract a stronger outing segment via direct recruitment from various local outing sources. However, the results were inadequate to justify the continued expense of this marketing activity. The marketing activities conducted by LGC include email marketing to patrons in their golfer database as well as promotional activities on the course website.

The QVGC staff appeared to be focused appropriately on modern forms of electronic marketing, with the utilization of outside expertise for assistance in developing social media platforms, graphic designs, google ad words, and designing print advertisements. This expertise is costing about \$12,000 per year, and includes marketing for both golf and banquets/events (more below). The total marketing budget for QVGC was about \$42,000 in 2017 (12 months), or about 1.1% of total revenues. This is within the NGF-recommended threshold of 1-2% of total revenue for marketing.

Website

Quail Valley GC is hosting a dedicated website (www.golfquailvalley.com) operated by the facility and utilizing assistance from EZLinks Golf. The EZLinks platform is simple and intuitive, and has correlated well with success at many public-access golf facilities around the country. The QVGC website includes information on the course, the facility amenities (pro shop, F&B operation, banquet amenities, wedding services and the practice facilities / range), facility events and various player improvement items (lessons, kid camps, etc.). The site also allows golfers the opportunity to make tee times online, which is an important feature in modern public golf operations.

This website includes most all of the key features and user touches that NGF typically sees in successful golf facility websites. The address appears to be easy and should be findable in any web search (such as golf in Missouri City, Missouri City golf, etc.). The information included matches closely to NGF recommended information, and includes links to book tee times and provides e-club sign-up, although the course overview and information could be improved.

Player Development

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 encourage QVGC to continue with an aggressive player development program and maintain activity in key "grow-the-game" initiatives. Player development activity at QVGC is managed by the Director of Instruction, which is a contractor position compensated through the revenue derived from player development activities, a structure that is common at public golf facilities. Thus, the facility is active in player development programs, camps and lessons for all ages. The club hosts numerous group lessons and camps, and actively promotes lesson activity in the pro shop, on the website and on the driving range. A significant part of QVGC lesson programs have been targeted towards the female segment (wine & 9, Lady Clinics, etc.), which is an important industry "best practice" for growing golf in a community. QVGC has also been active in lesson and golf fitness packages, which is also a growing trend in the U.S.

Player development programs at golf courses are important for generating interest in golf and creating future customers, thus total revenue derived from the programs is much less important (more in recommendations). Still, 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 \$90,000 in new revenue per year at an average of \$25 per round of golfer spending.

Youth Golf

One key subset of player development activity is a special focus on youth golf. QVGC hosts extensive junior golf programming, and reports as many as 2,000 juniors came through one or more of the facility's programs in 2018. The Director of Instruction at QVGC is well known in the region for junior golf programming and thus QVGC junior golf programs are in high demand. The junior programming at QVGC comes in many forms, including:

- **1st Tee Programs** – QVGC is a 1st Tee facility, although physical space and amenities are limited.
- **Junior Golf Pathway** – multi-phase program to bring kids to active golfer from raw beginner (6 phase program)
- **“Junior Tour” programs** – Active youth tournaments hosted by high school coaches
- **Scholastic Golf** – QVGC hosts several middle and high school golf teams and events, including regular activity from three public schools, two private schools and one college
- **Junior Golf Camps** – QVGC hosts an active junior golf camp schedule, with 3 summer camps and two short spring break camps

This level of programming is ideal to add support to the community aspect of QVGC, but is also a great way to generate long-term support for the facility by developing new golf players who can become longer term customers as adults. This level of junior golf programming is very much a clear industry “best practice,” and the QVGC program as among the largest and most sophisticated ever reviewed by NGF.

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 shown strong correlation between an active calendar of organized events with strong economic performance. These events tend to stimulate activity and encourage repeat play, generating more rounds per golfer than without the event calendar. NGF notes an active calendar with strong participation in active leagues and groups at QVGC, all of which are actively promoted in the golf shop and the facility website. Organized activities include:

- **Men’s Golf Association** – Has about 180 members with 14 events per year and 80-90% participation.
- **Ladies Golf Association** – Has about 60 members with 4-6 events per year (hosts about 24 ladies per event).
- **Senior Men’s Golf Association** – Has about 100 members and hosts two events per week with 40 to 60 seniors per event.
- **Couples Tournaments** – Events held at various times per year with modest participation
- **Charity Events and Tournaments** – QVGC is actively promoting and marketing for new charity events to be hosted. Data shows 3,300+/- tournament rounds hosted in 2018, down 20% from the 4,100+/- hosted in 2014. The decline in condition on the La Quinta course is a reported factor in declining tournament rounds.

With two 18-hole courses and a large clubhouse, QVGC is an ideal location to host tournaments and events, especially larger tournaments that cannot be accommodated at 18-hole golf courses. As such, marketing and promotion of the facility as an ideal tournament venue is critical to the long-term success of QVGC, and the current senior management of the facility is clearly recognizing this potential. A significant part of marketing efforts are designed to enhance the awareness of QVGC as an ideal tournament venue and attract new interest in using the facility for this purpose.

Golf Playing Fees

In its current operation as a public golf course, the primary source of golf revenue are green fees, followed by annual passholder fees (in effect, pre-paid green fees) and cart rentals. QVGC has a wide variety of fees due to extensive categorization and yield management activities, which are appropriate and correlate well with success. The facility is offering fee variety for residents and non-residents, time of day, day of week and age (junior / senior rates). There is also variety between the La Quinta and El Dorado courses, due largely to the different experiences on each. A summary of the key Quail Valley GC public rates for comparison to local competitors is shown in the competitive review section presented later in this report. Below, is a general discussion of the three most important areas of QVGC fees – daily green fees, annual pass fees and other miscellaneous fees.

Daily Golf Playing Fees

Among all the green fees charged at QVGC, the key rate used by NGF for facility classification and comparison to market competition is the premier “Adult” green fee rate (WD/WE + Res./ Non-Res.). The table below details this key rate at QVGC since 2015 showing little change in this key rate over the last four years, with the most significant change in the Non-Res. WE rate on El Dorado, which has increased from \$50 in 2015 to \$53 in 2018 (6% increase). No other rate category has increased by more than 2.6% over that time, and almost all of the WD rates have remained fixed since 2015.

Quail Valley Golf Course Peak Green Fees El Dorado & La Quinta (2015-2018)								
	2015		2016		2017		2018	
	El Dorado	La Quinta						
Resident								
WE/Hol.	\$41.00	\$30.00	\$41.00	\$30.00	\$41.00	\$30.00	\$42.00	\$32.00
Weekday	\$32.00	\$21.00	\$32.00	\$21.00	\$32.00	\$21.00	\$32.00	\$21.00
Non-Resident								
WE/Hol.	\$50.00	\$39.00	\$51.00	\$40.00	\$51.00	\$40.00	\$53.00	\$42.00
Weekday	\$38.00	\$28.00	\$39.00	\$29.00	\$39.00	\$29.00	\$39.00	\$29.00

When cart is included, the highest weekend rate for non-residents was \$67 for the El Dorado course in 2018 (\$56 for La Quinta). This wide gap (almost 20% difference) is reflective of the different experience between the La Quinta and El Dorado courses, and further suggests the urgency to improve La Quinta to a level that more closely matches the El Dorado experience.

The other categories of fees are common in public golf and should have wide acceptance from golf consumers who are used to separate rates for weekdays and weekends (+ holidays), twilight, super twilight and junior or senior rates. As we note in the competitive review section (later in this report), this rate structure is common at other public courses in this region and thus has wide acceptance from consumers.

Annual Golf Fees

QVGC offers an annual pass program that entitles holders to pre-paid green fees, which can include unlimited cart rental and/or unlimited range balls for additional fees. The annual pass is also divided with separate fees for residents and non-residents, plus a separate category for families and seniors. QVGC also offers a weekday-only pass, which is popular with retired golfers who are active at QVGC on weekdays. The most expensive pass at QVGC is the non-resident unlimited pass, which sells for \$3,168 (individual) and \$4,760 (family). The club reports a total of

133 annual pass holders in early 2019, down from 151 in 2014 (12% decline). The QVGC passholders are very active, and comprise a lot of rounds activity in the golf leagues and associations noted previously (MGA, SMGA, etc.). This QVGC annual pass program includes a mix of individual and family passes, with about 85% individual and 15% family for each of the last four years.

This practice is common at municipal golf courses nationwide (NGF research shows 70% of municipal courses still make pre-paid green fee arrangements available). These passes have been very popular with players as a means of providing inexpensive golf on an annual basis. In review of the data for QVGC shows the discount being offered to annual passholders is well within the generally accepted industry standard of 25% discount for annual passholders (or members) at public golf courses. QVGC data shows 133 members (114 individual + 19 family) in place at the end of 2018, producing 15,267 rounds and \$383,886 in revenue. This produces an estimated \$25.14 per passholder round in green fee revenue, compared to the non-member average green fee revenue per round of \$29.48. The resulting rounds and activity from memberships is summarized below:

Quail Valley GC Annual Pass Analysis						
Annual Passes	FY2014	FY2015	FY2016	FY2017	FY2018	Average
Total Passholder	151	149	143	144	133	144
Passholder Rounds	17,537	17,069	17,740	17,063	15,267	16,935
Total Pass Revenue	\$348,218	\$352,155	\$347,495	\$333,226	\$383,886	\$352,996
Avg. Rounds per Passholder	116.1	114.6	124.1	118.5	114.8	117.6
Avg. Revenue per Passholder	\$2,306.08	\$2,363.46	\$2,430.03	\$2,314.07	\$2,886.36	\$2,451.36
Revenue per Pass Round	\$19.86	\$20.63	\$19.59	\$19.53	\$25.14	\$20.84
Green Fee Rev. per Round	\$26.97	\$27.01	\$22.65	\$22.13	\$29.48	\$25.65
% Discount to Passholders / Round	26.4%	23.6%	13.5%	11.7%	14.7%	18.0%

Other Miscellaneous Fees

QVGC has fees for all other golf activities, as is appropriate and commonplace in public golf. QVGC is offering range service (per range bag or as an annual pass), rental clubs, handicap service and membership in the local golf association (includes handicap service). There are also several different ways to purchase power cart service, either for a golfers' own private cart (commonly referred to as a "trail fee"), or an annual cart plan for use of QVGC's fleet of carts. Fees for use of your own private cart on the City's golf course is common and customary in golf. Even though the cart is private, its use on the golf course impacts conditions and general "wear and tear," and thus an appropriate fee is common. This fee is typically around 50-60% of the corresponding annual cart fee, which is the amount charged at QVGC (private cart = \$686 / Cart Plan = \$1,300).

Quail Valley GC Driving Range Operation

For many public golf courses, the driving range can be a significant source of revenue if it has the appropriate characteristics. These key features typically include good quality turf (versus artificial mats), good golf balls, convenient accessibility to the parking lot/clubhouse, adequate size (perhaps 275 yards or more on length) and lighting. Unfortunately, the location and land allocation of the Quail Valley GC range is a little small for a 36-hole facility doing the kind of volume that QVGC is hosting. Over the past two years, the Quail Valley range has generated revenue of approximately \$2.00 per round (which is higher than the U.S. average for public courses of \$1.00

per round). Total range revenue for 2017 was just over \$115,000 with a direct expense tied to the driving range of \$80,700 (30% margin). As the range is one of the highest margin revenue centers in a golf operation, any growth in this area will lead to improvements in facility net revenue. However, given the size and configuration of the range at QVGC the NGF does not expect significant revenue growth from the range unless some physical enhancements are made to expand size and capacities.

Golf Cart Operations

The club has existing leases for a total of 126 EZ-GO electric golf carts (plus a 6-seat and 4-seat carts). NGF observed that the carts were in good operational condition and stored inside the cart storage facility for protection. The Carts include a large operating expense for the lease, servicing and staging the carts for golfer use. Total cart expense recorded by QVGC in 2017 (last 12-month year) was \$266,054, or about \$2,100 per cart per year. This expense profile is much higher than the industry-expected \$1,000 per cart per year for lease (or purchase capitalization) and maintenance of a powered golf cart fleet. In addition, the NGF recommends a total of 72 carts per 18 holes, or a fleet of 144 for a 36-hole facility like QVGC. However, given the presence of a small and active group of private cart owners, this club appears to be getting by with the 126-cart fleet being adequate for all but a very small number of extremely busy days and/or large tournaments.

REVIEW OF F&B + BANQUET OPERATIONS

In the following section, the NGF provides a review of key areas of the large food, beverage and banquet/events operation at QVGC. This includes a review of each of the three primary areas of revenue – Grill operations, banquets & events and beverage cart operations. These three areas accounted for over \$2.0 million in revenue in the extended FY2018, or about 43% of total QVGC facility revenue. As this area is significant in the operation of QVGC, it is also a key area of recent growth and future growth potential. Total revenue from F&B operations has increased from \$1.2 million in 2104 to \$1.66 million in 2017 (38% increase), and exceeding \$2.0 million in the extended FY2018. All this during a time when direct income from golf operations has been steady with total rounds of golf slightly declining.

Food and Beverage Operation – Bluebonnet Grill

The basic food and beverage service provided at QVGC is from the Bluebonnet Grill on the ground floor of the clubhouse. This grill operation is providing a more upscale restaurant service than is typical for a public golf course, but has a wider clientele than just golfers and is thus producing a higher level of revenue. The area has seating for about 50-60 patrons at several tables and bar seating. Overflow can be accommodated in the Bluebonnet banquet room and/or on the adjacent covered outdoor patio. A summary of key findings from NGF on the Bluebonnet Grill operations:

Strengths

- High quality setting with strong visual appeal
- Outstanding menu with a wider selection than a typical public golf snack bar
- Full bar service adjacent to grill area
- Full wait and bar service for patrons
- Starting to attract a larger non-golf lunch business

Challenges

- Limited space to accommodate both golfers and non-golf restaurant appeal
- Limited space can impact after golf gatherings and scoring
- Not immediately proximate to the ground floor kitchen
- Open plan and high ceiling can make for a noisier experience when crowded
- Items are higher priced than the typical public golf course

Basic Financial Performance

Review of grill performance shows consistent growth in all key measures – total revenue, revenue per round and net operating revenue. Overall revenue growth was 27% from 2014 to 2017 (last 12-month year), but the higher average revenue-per-round in 2018 suggests the growth is continuing. This level of grill operation represents very strong performance compared to the NGF's industry standard of about \$6.00 per round for total F&B revenue at public golf courses. The Bluebonnet Grill alone has exceeded this figure, and is nearly doubling it in 2018. This strong performance is a result of both strong participation from golfers and the club's ability to attract a strong and growing non-golfer clientele. The net revenue from grill operations is also strong, and has recently exceeded the 10% industry standard margin for grill operations expected at public golf courses.

Quail Valley Golf Course Bluebonnet Grill Operation Summary (2014 – 2018)						
	FY2014	FY2015	FY2016	FY2017	FY2018*	Avg '14-18
Revenue	\$402,875	\$413,257	\$500,424	\$513,193	\$677,830	\$501,516
<i>Revenue per Round</i>	<i>\$7.54</i>	<i>\$8.11</i>	<i>\$8.31</i>	<i>\$8.46</i>	<i>\$11.93</i>	<i>\$8.89</i>
Direct COS	\$225,939	\$141,787	\$144,779	\$145,831	\$191,212	\$155,902
Operating Exp. (Department only)	\$374,163	\$273,464	\$273,748	\$271,283	\$353,742	\$309,280
Net Operating Revenue	(\$197,227)	(\$1,994)	\$81,897	\$96,079	\$132,876	\$36,334
Margin %	-49.0%	-0.5%	16.4%	18.7%	19.6%	7.2%

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period.

Banquet and Events Operation

QVGC has an extensive banquet operation with a wide variety of venues to suit any need or configuration, from the largest 350-person parties in the Magnolia room to small business meetings in the Oak conference room, and anything in between. The functional arrangement of the facility is also flexible enough to accommodate multiple events simultaneously, even during hours when the golf course is open and operating. This level of size, flexibility and accommodation is rare at public golf courses and provides great opportunity for QVGC to capitalize and grow this segment of the facility, at a time when golf demand and derived golf revenue is not growing nearly as fast. It is clear to NGF that QVGC management sees this growth opportunity, and has dedicated significant resources to expanding this revenue stream, especially in the growing wedding venue business.

Banquet operations at QVGC included 419 separate non-golf events hosted in 2018, comprising over 39,500 separate guest visits to the facility. This equates to roughly eight (8.0) events or banquets per week, which is a significant volume of business for a public golf course. As the events come in a wide variety of sizes, configurations and purposes, the flexibility of QVGC in both size and menu options gives great appeal to QVGC as a banquet venue. The club is currently using the Eventpro 360 software to manage the spaces, which is ideal for this type of operation. A summary of key findings from NGF on the banquet and event operation at QVGC:

Strengths

- High quality setting with strong visual appeal
- Outstanding flexibility in size and configuration in spaces available
- Multiple menu choices to fit any budget
- Second upstairs kitchen to assist with serving large functions
- Potential to collect large room fees that have no direct cost of production

Challenges

- Requires large staff
- Limited restrooms
- Upstairs kitchen limited
- Marketing is expensive
- QVGC not allowing outside catering may limit room fee collection potential
- Active use of all clubhouse facilities requires intense and continuous building maintenance and a large staff footprint to provide appropriate service

Basic Financial Performance

Review of the economic performance of the banquets and events shows consistent growth in revenue and expenses. Total revenue derived from banquets and events exceeded \$1.0 million in 2017, representing an increase of 48% over the \$675,000 generated in 2014. Many public golf courses both locally and nationally have seen improvement in this area of operation, and greater attention is being paid to banquet operations at golf courses nationwide. Still, the level of performance at QVGC is in the highest 5% (95th percentile) of public golf courses and rivals even many private country clubs, where banquet and event revenue tend to be much stronger than at public courses. This strong performance is a result of both strong activity and a high average revenue per event. The net revenue from banquets is also strong, coming close to the 10% industry standard margin for F&B operations expected at public golf courses.

Quail Valley Golf Course Banquet & Event Operation Summary (2014 – 2018)						
	FY2014	FY2015	FY2016	FY2017	FY2018*	Avg '14-18
Revenue	\$675,211	\$795,097	\$886,027	\$1,001,640	\$1,164,598	\$904,515
Direct COS	\$255,258	\$253,846	\$271,832	\$272,129	\$333,761	\$282,892
Operating Exp. (Department only)	\$424,599	\$498,789	\$532,323	\$599,504	\$722,499	\$555,543
Net Operating Revenue	(\$4,646)	\$42,462	\$81,872	\$130,007	\$108,338	\$66,080
Margin %	-0.7%	5.3%	9.2%	13.0%	9.3%	7.3%

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period.

Beverage Cart Operations

Beverage cart operations at QVGC are profitable, which goes against the industry trend. This service is not expected to contribute profit in a public golf operation, but rather is viewed as a service to golfers, ultimately leading to more repeat sales of green fees and cart fees. Most public golf course operations earn less than \$1.00 per round of golf on the beverage cart, showing QVGC well ahead of any reasonable public golf expectation. The total cost of sales has averaged around 47% the last five years, somewhat higher than the industry-expected 40% of total beverage cart sales.

**Quail Valley Golf Course
Beverage Cart Operation Summary (2014 – 2018)**

	FY2014	FY2015	FY2016	FY2017	FY2018*	Avg '14-18
Revenue	\$127,150	\$113,542	\$139,790	\$141,540	\$174,685	\$139,341
<i>Revenue per Round</i>	\$2.38	\$2.23	\$2.32	\$2.33	\$3.08	\$2.47
Direct COS	\$55,295	\$43,970	\$68,733	\$70,795	\$80,898	\$66,099
Operating Exp. (Department only)	\$65,779	\$59,826	\$58,883	\$63,460	\$78,888	\$65,367
Net Operating Revenue	\$6,076	\$9,746	\$12,174	\$7,285	\$14,899	\$7,875
Margin %	4.8%	8.6%	8.7%	5.1%	8.5%	5.7%

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period.

QUAIL VALLEY GC OPERATIONAL PERFORMANCE

The operation of the Quail Valley GC is much more intense than a typical public golf course operation and is in many ways more akin to a private golf or country club. The primary sources of revenue include the various golf fees, F&B and banquet sales, plus other ancillary sales and collection of fees. As is typical in public golf operations, much of the total expense is fixed in that the expenses must be borne regardless of how many rounds are played. The following paragraphs summarize the activity, revenue, and expenses for the QVGC facility based on the NGF review of operations and input from various LGC and City representatives.

Rounds Played at Quail Valley GC

Total rounds played at QVGC over the last five years has been highly inconsistent, showing how rounds activity is largely a component of factors beyond the control of golf operators, most significantly the weather. Rounds in the 15-month FY2018 were down significantly, but we note that FY2018 included Hurricane Harvey which forced the closure of QVGC for several weeks. Rounds had been generally trending upward in the period leading up to FY2018, showing great improvement in the QVGC operation. Of particular note is the performance of the La Quinta course, which appears to have shown a much greater decline than El Dorado. This is likely due to the drainage concerns noted earlier, and the fact that La Quinta can remain wet for several days after rain events. A summary of total rounds by course since 2014 is shown in the table below:

**Quail Valley Golf Course
Summary of Total Rounds by Type**

	FY2014	FY2015	FY2016	FY2017	FY2018	Avg '14-18	% chg '14-18	% '14-18
El Dorado	26,182	27,267	31,239	31,107	29,887	29,136	14.2%	51.6%
La Quinta	27,221	23,688	29,014	29,589	26,920	27,286	-1.1%	48.4%
Total Rounds	53,403	50,955	60,253	60,696	56,807	56,423		

By comparison, the total U.S. experienced a -11.4% decline in per-course golf rounds between 2008 and 2018, with a 4.8% decline recorded for calendar year 2018. In Texas, rounds were down 6.6% in 2018 after being flat in 2017, indicating the bad weather in 2018 was even more severe than 2017 (included Hurricane Harvey). For metro Houston (includes Missouri City), rounds were down 7.9% in 2018 after a 2.0% decline in 2017. This data shows how a more persistent period of extended rainfall can have a greater impact on activity than just a single large event, like a hurricane (see **Appendix C**).

Rounds Played by Type

The review of rounds by type in 2018 shows the dominance of passholders, who are now playing about 30% of total rounds on both courses, and as much as 38.5% of total rounds on the renovated El Dorado course. Other items of note are the increasing appeal of various discounted rounds like senior, twilight and third-party (i.e. *GolfNow*) rounds that now account for about 31% of total play on both courses. In summary, it seems that golf rounds at QVGC are divided into three key roughly equal segments – passholders, discounts and regular daily fee rounds.

Quail Valley Golf Course Summary of Total Rounds by Type						
	El Dorado			La Quinta		
	FY2018	Avg '14-18	% '14-18	FY2018	Avg '14-18	% '14-18
Daily Fee	2,101	2,860	9.8%	3,587	4,352	15.9%
Resident	2,578	2,401	8.2%	2,528	2,486	9.1%
Senior	1,686	1,443	5.0%	2,911	2,377	8.7%
Twilight	4,170	3,840	13.2%	5,403	5,499	20.2%
Passholder	10,914	11,224	38.5%	4,353	5,711	20.9%
Tournament	4,371	4,991	17.1%	3,305	3,491	12.8%
Third Party	3,309	1,988	6.8%	3,818	2,284	8.4%
Other	758	389	1.3%	1,015	1,086	4.0%
Total Rounds	29,887	29,136	100.0%	26,920	27,286	100.0%

Rounds Played by Month

The review of rounds played by month show clear seasons of higher and low demand. This has implications for facility cash flow, as many expenses are at a fixed rate per month (most notably maintenance contract), while revenue by month is much more variable. An average of the total rounds played by month since 2014 is shown in the table below:

	Avg '14-18	% '14-18
January	3,445	6.1%
February	3,821	6.8%
March	5,197	9.2%
April	5,748	10.2%
May	5,589	9.9%
June	5,005	8.9%
July	5,119	9.1%
August	4,314	7.7%
September	4,508	8.0%
October	5,776	10.2%
November	4,433	7.9%
December	3,406	6.0%
Total (Both Courses)	56,362	100.0%

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 is not realistic for golf, but results in an absolute maximum of around 80,000 total rounds per year (for an 18-hole course).

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. In the Texas area market golf facilities are operating year-round, although some months show more demand than others. Based on Quail Valley GC's course type and size, fee structure, weather conditions, down time for maintenance, NGF Consulting has estimated an *actual capacity* of about 45,000 rounds per year for each 18-hole golf course.

Quail Valley Golf Course Revenue

NGF has reviewed the total operating revenue from all sources at Quail Valley GC from 2014 through FY2018 (which ended September 30, 2018 and was a 15-month year). We note that the facility's overall revenue has been increasing steadily, especially in the F&B revenue center as noted previously. The data shows that QVGC is now a \$4.0 million +/- golf facility operation, with a total of about \$65-\$68 generated for each round of golf (average last five years). Approximately \$2.0 million of revenue is coming from golf operations (50%), and \$2.0 million is coming from the F&B areas of revenue. The 'standard' in the U.S. for 18-hole public golf courses is about \$1.0 million in total revenue, showing QVGC is far exceeding this standard, mostly as a result of expansive F&B operations, as the golf revenue is actually fairly close to the standard. The table below is a revenue summary of total operating revenue from all sources from 2014 through 2018:

Quail Valley Golf Course Summary of Total Revenue (2014-2018*)						
Description	2014	2015	2016	2017	2018*	Avg '14-18
Rounds (Starts)	53,403	50,955	60,253	60,696	56,807	56,327
Revenue						
Green Fees - La Quinta	\$454,684	\$396,204	\$405,692	\$436,515	\$566,995	\$452,018
Green Fees - El Dorado	512,519	519,075	557,018	528,983	657,560	555,031
Annual Fees	348,218	352,155	347,495	333,226	383,886	352,996
Driving Range	102,622	100,399	113,200	115,331	132,137	112,738
Pro Shop Sales	239,727	248,001	250,982	232,414	322,701	258,765
Cart Rentals	494,657	450,314	516,254	504,168	523,801	497,839
Monthly Private Cart Trail Fees	78,777	79,641	81,187	83,275	89,206	82,417
F&B Grille	402,875	413,257	500,424	513,193	677,830	501,516
Banquets and Events	675,211	795,097	886,027	1,001,640	1,164,598	904,515
Beverage Cart	127,150	113,542	139,790	141,540	174,685	139,341
Handicap Fees	10,292	10,369	9,574	10,760	17,725	11,744
Total Revenue	\$3,446,732	\$3,478,054	\$3,807,643	\$3,901,045	\$4,711,124	\$3,868,920
Total Rev/Rnd	\$64.54	\$68.26	\$63.19	\$64.27	\$82.93	\$68.69

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period.

Quail Valley Golf Course Average Revenue Analysis

The total average revenue per round at Quail Valley was \$64.27 for 2018, inclusive of all revenue sources as noted. Of the gross total, \$31.08 are golf-related revenues and the remaining \$33.19 in ancillary revenue (\$16.50 from banquets). These figures have remained fairly steady over the last few years, indicating that any increase in activity (rounds) will likely result in significant improvement in revenue. The table below is a summary of total average revenue per round by category from 2014 through 2018:

Quail Valley Golf Course Total Average Revenue per Round (2014 – 2018*)						
Description	2014	2015	2016	2017	2018*	Avg '14-18
Rounds (Starts)	53,403	50,955	60,253	60,696	56,807	56,327
Revenue						
Green Fees - La Quinta**	\$16.70	\$16.73	\$13.98	\$14.75	\$21.06	\$16.57
Green Fees - El Dorado**	\$19.58	\$19.04	\$17.83	\$17.01	\$22.00	\$19.05
Annual Fees	\$6.52	\$6.91	\$5.77	\$5.49	\$6.76	\$6.27
Driving Range	\$1.92	\$1.97	\$1.88	\$1.90	\$2.33	\$2.00
Pro Shop Sales	\$4.49	\$4.87	\$4.17	\$3.83	\$5.68	\$4.59
Cart Rentals	\$9.26	\$8.84	\$8.57	\$8.31	\$9.22	\$8.84
Monthly Private Cart Trail Fees	\$1.48	\$1.56	\$1.35	\$1.37	\$1.57	\$1.46
F&B Grille	\$7.54	\$8.11	\$8.31	\$8.46	\$11.93	\$8.90
Banquets and Events	\$12.64	\$15.60	\$14.71	\$16.50	\$20.50	\$16.06
Beverage Cart	\$2.38	\$2.23	\$2.32	\$2.33	\$3.08	\$2.47
Handicap Fees	\$0.19	\$0.20	\$0.16	\$0.18	\$0.31	\$0.21
Total Revenue	\$64.54	\$68.26	\$63.19	\$64.27	\$82.93	\$68.69
Source: Local Government Corporation, LLC. *FY2018 is a 15-month period for revenues and 12 months for rounds.						
**Average green fee revenue per round for each individual course – total does not sum.						

Quail Valley Golf Course Expenses

NGF has reviewed the total operating expenses across all departments 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. We note that the facility's overall expense profile has been relatively consistent, with a significant jump in FY2018 (15-month fiscal year). The data shows that QVGC is now a \$4.0 million +/- golf facility operation on the expense side as well, with approximately \$1.1 million of expense in the F&B side of the operation (28%) and the remaining \$2.9 million on the golf side of the operation (72%). This shows the high fixed cost nature of a golf course facility, with the largest single expense for golf maintenance a fixed requirement, regardless of how much golf is played. For comparison, the 'standard' in the U.S. for 18-hole public golf courses is also about \$1.0 million in total operating expense, showing QVGC is far exceeding this standard.

Expenses by Department

The table on the following page shows the total operating expenses at Quail Valley GC by department since 2014. Direct expense for the maintenance contract is the largest in the operation. Total expenses in support of the banquet operation has seen the most growth since 2014, growing 41% from 2014 to 2017 (last 12-month year). This is reflective of the banquet revenue increases as noted previously, and documents a distinction between the golf and F&B side of the operation, where golf expenses are mostly fixed but F&B expenses are much more variable and tied to revenue.

**Quail Valley Golf Course
Total Operating Expense by Department (2014 – 2018*)**

Description	2014	2015	2016	2017	2018*	Avg '14-18
Expenses						
Operations	\$374,425	\$318,302	\$351,101	\$364,012	\$409,929	\$363,554
Golf Maintenance Contract	1,191,472	1,141,873	1,177,533	1,201,257	1,513,638	1,245,155
Carts	287,314	262,185	245,431	266,054	333,932	278,983
Range	77,934	75,702	75,523	80,693	92,436	80,458
Pro Shop	46,463	41,851	40,999	37,701	46,893	42,781
F&B Grille	374,163	273,464	273,748	271,283	353,742	309,280
Banquets / Events	424,599	498,789	532,323	599,504	722,499	555,543
Beverage Cart	65,779	59,826	58,883	63,460	78,888	65,367
Administration	261,610	317,684	387,206	414,178	490,153	374,166
Total Operating Expenses	\$3,103,759	\$2,989,676	\$3,142,747	\$3,298,142	\$4,042,110	\$3,315,287

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period for revenues and 12 months for rounds.

Expenses by Function

The table below shows the total operating expenses at QVGC organized by function. The standard ratio for personnel expenses to total expenses is between 50% and 60%, excluding cost of sales. The total labor amount at QVGC has held steady at roughly 33% of total expense, but this figure is somewhat misleading due to the maintenance contract and its inclusion of maintenance labor. Other expense line-items appear to be in line with accepted standards, although direct comparison to standards is challenging due to the maintenance contract. Total utilities expense is about 7.0% of total expense compared to a 5.0% standard. Total golf course maintenance, including personnel, materials and equipment is comparable to the national standard of \$650,000 per 18 holes for a 'standard' quality public golf course. With a maintenance contract of approximately \$600,000 per year per course, the maintenance agreement at QVGC appears to be in line with national trends, and shows some savings due to economies of scale in a two-course operation.

**Quail Valley Golf Course
Total Operating Expense by Function (2014 – 2018*)**

Expenses	2014	2015	2016	2017	2018*	Avg '14-18
Contingency Labor	\$675,402	\$666,006	\$689,420	\$720,830	\$883,562	\$727,044
Golf Maintenance Contract	1,191,472	1,141,873	1,177,533	1,201,257	1,513,638	1,245,155
Facility Labor	266,721	334,371	341,670	333,304	481,056	351,424
Contract labor	32,214	0	0	0	0	6,443
Commissions	19,618	14,294	20,286	22,419	33,510	22,025
Instructor Fees	21,120	19,795	20,646	23,330	24,489	21,876
Leases	119,880	122,679	126,676	125,228	158,407	130,574
Materials & Supplies	139,783	84,109	84,102	108,523	110,378	105,379
Taxes / Fees / Insurance	65,764	53,300	59,452	63,525	84,102	65,229
General Repair & Maint.	118,451	107,566	132,929	153,742	156,069	133,751
Advertising & Promotions	43,612	44,340	44,418	38,363	56,134	45,373
Utilities	228,030	214,626	221,655	220,084	260,946	229,068
Service Agreements	24,800	18,409	16,170	23,193	31,847	22,884
Other	156,892	168,308	207,790	264,344	247,972	209,061
Total Operating Expenses	\$3,103,759	\$2,989,676	\$3,142,747	\$3,298,142	\$4,042,110	\$3,315,287

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period for revenues and 12 months for rounds.

Cash Flow and Timing of Income

At various times in the last few years of operation, the operating account for QVGC has reached a point of near depletion, with the City having to come up with funds to help meet immediate fiscal obligations. The City has expressed concern about these subsidies that have appeared from time to time, even in years when the QVGC operation had positive net income. The QVGC operation is large with extensive revenue and expense profile as noted. Given the basic financial equation is close to “break-even,” there may be some times when immediate obligations cannot be covered by the facility operating account. The recent shortfalls are mostly related to periods of severe weather that reduced revenue, coupled with a regular obligation of the maintenance contract that requires a monthly payment of about \$100,000, regardless of revenue generation.

Ideally, the QVGC operating account should be able to build a modest surplus in months when revenue is strongest, so as to cover the months of lower revenue. In 2018, the months that are typically strongest in revenue (April-October) were the months impacted most by severe weather. This put the facility behind in obligations to a point where it could not catch up, and thus needed an infusion to bring the accounts back into balance. This is similar to the initial birth of the LGC, which included a \$50,000 initial capitalization for exactly this reason. Solutions to this concern lay in finding ways to enhance revenue, or considering a switch to self-maintenance so that the City can control monthly golf maintenance expenses, although this option has other concerns (more later in this report).

Quail Valley Golf Course Financial Summary

NGF’s review of financial performance shows that Quail Valley GC is generating a very strong level of total facility revenue, but is challenged by an equally strong level of expenses. For the last four years, QVGC has operated at a deficit for three of those years. The operating losses have ranged between **(\$30,000)** and **(\$200,000)**, with the average facility loss for 2015 through 2018 at **(\$102,000)**. In reviewing the overall financial position of QVGC, it appears that there may be some areas to reduce expenses (more later in this report), but most of the challenge will be in enhancing revenue as a path to reduce operating deficits. It appears that QVGC was on a path to at least modest profitability before bad weather events in 2017 and 2018 derailed the improvement. Below is a comparison of Quail Valley’s revenues and expenses since 2014 and an overall performance summary for the course:

**Quail Valley Golf Course
Facility Operating Summary (2014 – 2018*)**

	2014	2015	2016	2017	2018*	Avg '14-18
Total Rounds	53,403	50,955	60,253	60,696	56,807	56,327
Revenue						
Golf Revenue	\$2,001,769	\$1,908,157	\$2,030,420	\$2,012,258	\$2,371,310	\$1,988,151
Retail / Golf Shop	239,727	248,001	250,982	232,414	322,701	242,781
Grill / Bev Revenue	530,025	526,799	640,214	654,733	852,515	587,943
Banquets and Events	675,211	795,097	886,027	1,001,640	1,164,598	839,494
Total Revenue	\$3,446,732	\$3,478,054	\$3,807,643	\$3,901,045	\$4,711,124	\$3,658,369
Total Cost of Sales	\$754,860	\$632,223	\$668,333	\$651,176	\$881,227	\$708,240
Gross Margin	\$2,691,872	\$2,845,831	\$3,139,310	\$3,249,869	\$3,829,897	\$2,950,129
Operating Expenses						
Total Golf Operations	\$786,136	\$698,040	\$713,054	\$748,460	\$883,190	\$736,423
Maintenance Contract	1,191,472	1,141,873	1,177,533	1,201,257	1,513,638	\$1,178,034
Total F&B / Banquet	864,541	832,079	864,954	934,247	1,155,129	\$873,955
Administration	261,610	317,684	387,206	414,178	490,153	\$345,170
Total Operating Expenses	\$3,103,759	\$2,989,676	\$3,142,747	\$3,298,142	\$4,042,110	\$3,133,581
Operating Income (Loss)	(\$411,887)	(\$143,845)	(\$3,437)	(\$48,273)	(\$212,213)	(\$183,452)
Non-Operating Revenue	\$18,820	\$9,635	\$14,389	\$18,710	\$7,603	\$13,831
Non-Operating Expense	\$0	\$0	\$0	\$0	\$0	\$0
Transfer In	\$0	\$0	\$0	\$0	\$0	\$0
Change in Net Position	(\$393,067)	(\$134,210)	\$10,952	(\$29,563)	(\$204,610)	(\$169,621)

Source: Local Government Corporation, LLC. *FY2018 is a 15-month period for revenues and 12 months for rounds.

QUAIL VALLEY GOLF COURSE GOLFER SURVEY

NGF's Golfer Survey Program was distributed in January-March 2019 seeking opinions on the Quail Valley Golf Course. The survey was web-based and presented directly to golf customers at the facility, and publicized through email and the internet. A **total of 389 surveys were collected** by NGF, divided between the two golf courses as follows:

- El Dorado - 226
- La Quinta - 163

The total number of responses for the full facility well exceeds the 200+/- responses NGF usually requires for statistical accuracy, and thus the information collected is deemed to be reliable, even though the number of responses for the individual La Quinta course may be below the target threshold. Overall, the information collected is very useful to NGF in understanding the likes, dislikes, concerns and suggested changes of a select group of active users of the QVGC. The survey group included a mix of golfers who identified themselves as Daily Fee Players (59%), Annual Passholders (36%) and Tournament Participants (5%).

This survey is not intended to be a scientific study of the City of Missouri City golfers. Rather, the NGF is viewing a small sample of golfers who use the City's golf facility 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 with other similarly priced courses nationwide (except for custom questions). The survey for Quail Valley GC shows some strong opinions about the facility and a growing concern that the conditions of the La Quinta course are in decline thus placing negative pressure on the overall value of golf on La Quinta, and a growing desire to play as much as possible on the El Dorado course. It is also important to remember that the survey is from golfers *that currently play the Quail Valley 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. A summary of general findings is shown below:

Summary of Findings

Overall satisfaction with the Quail Valley GC is very high compared to other similarly-priced facilities, particularly with clubhouse-related amenities and services. There was a clear difference between the two golf courses, were respondents rated the El Dorado course much higher than the national benchmark, while the rating for La Quinta were much lower than the benchmark. The issues related to La Quinta drainage were very much on the minds of these respondents in both benchmark questions and open-ended comments. Some of the scores for condition at La Quinta were so low that they rated among the lowest noted by NGF in facility surveys (below the 5th percentile – lower than 95% of all similarly-priced golf courses that use this NGF survey). This survey group seemed particularly satisfied with the staff at QVGC and the level of service received, regardless of which course was played.

General Findings from Both Courses

1. The profile of the Quail Valley GC survey respondent is predominantly male (87%) and generally older (92% over age 50 and 29% over 70), compared to a national benchmark of 85% male, 60% over 50 and 25% over 70. The annual pass respondents for Quail Valley tended to be a little older and more male than the daily fee players. There was no discernable difference between El Dorado and La Quinta golfers.

2. The NGF did observe that La Quinta survey respondents were more likely to be daily fee players, with 65% of respondents indicating they were daily fee players, compared to 55% daily fee players in the El Dorado survey. This may be an indication that annual passholders try to avoid La Quinta as they are more familiar with conditions.
3. The majority of Quail Valley GC golfers (67%) indicated that they never experienced a situation in which a cart was not available when needed. However, 30% of these respondents did indicate this having faced this situation, which is a high number for a public golf course.
4. When asked about practice facility upgrades, only 26% indicated that no upgrade was needed, while 38% indicated that they would value improvement in this area. Annual pass players were slightly more enthusiastic about practice facility upgrades than the daily fee players. The majority (60%) indicated that range improvements would not lead to more rounds of golf.
5. Only about 35% of QVGC golfers indicated that they had taken a lesson from an instructor, while the remaining 65% indicated that they had not. This may be an opportunity to expand the reach of golf lessons at the facility.
6. When asked if willing to pay more for a GPS equipped golf cart, the vast majority (67%) indicated they **would not** be willing to pay more for this service. The remaining 33% of respondents indicated a willingness to pay up to \$2.00 per round for this GPS service.
7. The majority of QVGC golfers (70%) had never hosted an event using banquet facilities at QVGC, with most noting no attempt to use these facilities for that purpose. A very small minority (2.2%) indicated they had tried but chose not to use QVGC because of concerns about quality and the location of the venue.
8. The vast majority of these golfers (84%) had attended some kind of banquet function at QVGC. These respondents indicated their opinion on banquet service at QVGC noting:
 - The food and service were excellent (73%)
 - The service was excellent but food quality could be improved (17%)
 - The food was excellent but the service could be improved (8%)
 - Both food and service quality could be improved (2%)

El Dorado GC

1. Overall satisfaction with El Dorado is generally high compared to national benchmarks, with key factors (greens, tees, fairways, roughs) rated in the 50-70th percentile when compared to similarly-priced golf courses that use this survey. Golfers were very high on the ancillary facilities (F&B, pro shop, staff, service, location, etc.), all scoring in the 80-95th percentile range.
2. Factors that golfers gave higher scores included friendliness of staff, golf course layout, staff service, convenience of location, affordability, overall value and clubhouse-related amenities. The factors that scored the lowest and were noted as needed improvements included some factors associated with course conditions, with particular notice of bunkers and a modest critique of greens.
3. There was also no marketable difference in scores from the various segments of golfers, with the daily fee players giving responses similar to the Annual Pass players. In general, we did find that annual passholders tended to rate all factors slightly higher than the daily fee players, but the difference was not significant (this was more of an issue on La Quinta – see below).

4. When asked if they thought the QVGC green fees were in line with the quality of the golf course, the vast majority of El Dorado respondents (86%) felt the course is appropriately priced. The response from annual passholders was almost identical with 88% indicating that QVGC was priced appropriately.
5. The El Dorado GC golfers indicated they would be willing to pay additional green fee if substantial money was invested into improving the facilities. A summary of responses from the combined 226 responses from El Dorado golfers:
 - \$2 to \$4 more per round – 21%
 - \$5 to \$7 more per round – 28%
 - \$8 to \$10 more per round – 14%
 - Not willing to pay more – 20%
 - Pay any amount more to improve course – 17%
6. When asked about the priority of improvements, the El Dorado Golfers indicated:
 - Course condition improvements (77%)
 - Practice area improvements (20%)
 - Clubhouse and/or restaurant improvements (3%)

La Quinta GC

1. Overall satisfaction with the La Quinta course is much lower than El Dorado, although satisfaction with the ancillary amenities (clubhouse, F&B, pro shop, staff) is comparable in both survey groups. The key factors with very low ratings in the La Quinta survey include factors related to golf playing conditions such as greens, tees, fairways, bunkers, roughs), which all rated lower than the 10th percentile, indicating that customer satisfaction with golf course conditions on La Quinta is lower than 90% to 95% of all similarly-priced golf courses that use this survey.
2. Factors that golfers gave higher scores included friendliness of staff, golf course layout, service, convenience of location and tee-time availability. The factors that scored the lowest and were noted as needed improvements included all those associated with conditions, with particular notice of turf quality, drainage, bunkers and cart paths.
3. There was also no significant difference in scores from the various segments of golfers, with the daily fee players giving responses similar to the Annual Pass players. However, annual pass players did seem to rate the La Quinta course a little higher than daily fee players, which may indicate a higher degree of loyalty or may be a reflection of seeing the course more often, including days when it is dry and problem issues are less severe.
4. When asked if they thought the QVGC green fees were in line with the quality of the golf course, a slightly smaller majority of La Quinta respondents (76%) felt the course is appropriately priced. We note that 23% of La Quinta golfers believed the course was “over-priced,” compared to only 11% of El Dorado golfers who gave that indication.
5. When asked about the priority of improvements, the La Quinta Golfers indicated:
 - Course condition improvements (89%)
 - Practice area improvements (11%)

6. The La Quinta GC golfers also appear willing to accept some type of capital surcharge on golf, but with slightly better acceptance of higher added fees. A summary of responses from the 163 replies from La Quinta golfers:
 - \$2 to \$4 more per round – 24%
 - \$5 to \$7 more per round – 26%
 - \$8 to \$10 more per round – 17%
 - Not willing to pay more – 17%
 - Pay any amount more to improve course – 16%

Key Survey Takeaways

NGF has noted several key takeaways to share with City leadership. Our survey shows significant approval and satisfaction with the QVGC facility, its staff and the convenience and affordability of the facility. However, there is significant dissatisfaction and a strong desire to see improvement in the La Quinta course to bring it to a level more comparable to El Dorado. And this is from golfers who have played La Quinta in the last year, suggests that improvements to this course should help revive the economic prospects of the entire QVGC facility. The City of Missouri City has a unique offering with the facilities at QVGC, and golfers very much appreciate the clubhouse, F&B service and banquet possibilities. These respondents also expressed a clear willingness to pay more to golf at QVGC, **if the additional funds were used to improve the golf course facilities.**

Competition

The survey indicated that the QVGC has several competitors, with only subtle differences between the two courses. The most significant competition to Quail Valley includes Sienna Plantation (20% of respondents indicated playing there), Wildcat (14% - more from La Quinta players), Greatwood (13% - more from El Dorado players), Southwyck (12% - more from La Quinta players), Blackhorse (12% - more from El Dorado players), River Point (10%) and Clear Creek (10%). There were several others in both course surveys that rated below 10%.

General Open-Ended Comments

1. In review of the general open-ended comments survey respondents made about **what they like most about the Quail Valley Golf Course**, NGF noted several key themes that were common throughout all the surveys, including:
 - Outstanding clubhouse amenities
 - High quality F&B with good service
 - Friendly golf staff / good service
 - Can usually get a tee time
2. In review of the general open-ended comments survey respondents made about **what needed improvement at the Quail Valley Golf Course**, NGF noted many more comments with a variety of topics; the most common included:
 - Improve golf course conditions on La Quinta (especially drainage)
 - Improve cart paths and bunkers on La Quinta
 - Improve the bunkers on El Dorado
 - Improve on-course services (restrooms, drinking fountains, etc.)
 - Improve the overall pace of play

SUMMARY – QUAIL VALLEY GOLF COURSE

Quail Valley Golf Course is a well-known public golf facility located in the heart of Missouri City and is the centerpiece amenity for the Quail Valley community of some 3,000+/- residential units, including a total of 1,040 homes with direct golf frontage, totaling \$268.8 million in assessed value. In reviewing the facility, the NGF Consulting team found a good quality public golf facility that is providing affordable recreation to Missouri City golfers and visitors, with an exceptional banquet and gathering venue that has regional impact and market reach. In addition, the facility shows all the signs of being managed well, showing good foresight on the part of the City in creating the Local Government Corporation (“LGC”) to oversee the Quail Valley operation. This arrangement has provided the City with an appropriate balance between oversight and “arms-length” separation.

As it exists today, the Quail Valley GC includes a mix of amenities that is common in public golf, and correlates well with economic success. The facility appears to be in good condition overall, although the La Quinta golf course is in decline and will need to be enhanced so as to match the quality of the El Dorado course. In all, the NGF review shows some deficiencies in physical condition, mostly related to some older amenities and infrastructure that needs to be brought up to date. Our consulting team has identified some \$6.1 to \$7.4 million in upgrades and enhancements for QVGC, mostly related to the La Quinta golf course, practice and maintenance facilities.

Operationally, it appears to NGF that the City is getting good value from its LGC form of operation, as the facility is generating revenue close to \$4.0 million in the last 12-month year, an amount that is very high for a public golf course, even one with 36 holes. However, as revenues are high, the expense to operate and maintain the QVGC is also around \$4.0 million, which is very high and results in a near “break-even” operation. While the NGF did not identify an obvious overspending in expense line-items, there may be some overstaffing in certain areas of the operation (carts, range, admin) that could be adjusted to provide some small savings to the facility. The City is providing golf course maintenance via contract with a private third-party, and this expense is the largest line-item in the golf facility budget. The NGF review suggests that while taking direct control of the maintenance function, the City is not likely to save a significant sum of money, this change could offer the City some flexibility in the operation and allow for some expense reductions during slower demand periods and during impactful weather (more analysis later in this report).

The new clubhouse/community center development has expanded the market impact of the facility, now attracting a large volume of non-golf banquet and gathering activity, to the extent that upwards of 43% of total revenue in 2018 was derived from clubhouse activities (F&B service + banquets). It is in this part of the facility’s business that provides the most opportunity for growth in revenue, and the LGC staff appears to recognize this with new emphasis and resources toward this area. It appears that QVGC was on a path to at least modest profitability before bad weather events in 2017 and 2018 derailed the improvement.

The NGF conducted a survey of golfers at the Quail Valley GC in January-March of 2019. A total of **389 surveys** were collected by NGF, spread out between El Dorado (226) and La Quinta (163), and included a mix of daily fee players (59%), annual passholders (36%) and tournament Participants (5%). The results of the survey show general satisfaction among golf customers, especially noting the level of service, quality of staff, mostly good conditions and the overall good value provided at QVGC. There was some real concern expressed about the condition of the La Quinta course and the need for upgrade, even if it means contributing a small amount on each round into some form of fund for future improvements. The respondents also noted a very high regard for the clubhouse and banquet operation, although actual use of the banquet facilities for non-golf events was limited from these respondents. What use there was, was very highly regarded in food quality and service.

External Factors Affecting the Operation of Quail Valley GC

In this section of the report, NGF will provide a summary of important external factors that have direct effect on the operation of Quail Valley Golf Course. This includes a review of local demographics and the economy, national golf industry trends, and a specific estimate of golf demand in the Missouri City market. NGF will also provide a review of other golf courses in the market area that compete with QVGC for market share. We will then provide a summary of these factors and how they relate to the continued operation of the QVGC.

DEMOGRAPHICS, ECONOMY AND WEATHER

The subject QVGC is located in Missouri City, as the centerpiece amenity to the large Quail Valley master planned community of some 5,000+/- families. The community is an important part of Missouri City, with its large tax base and own commercial and cultural dynamic. The broader region of southwest Houston is an important and growing area of predominantly single-family residences, with growing commercial infrastructure. Missouri City has since seen tremendous economic growth, moving eastward, southward, and then westward. Given this basic characteristic, it is expected that the continued operation of a public golf facility in Missouri City will be supported by the resident and business community, if the golf course product was appropriate.

Demographic Analysis – Local Permanent Residents

The table in **Appendix B** summarizes key demographic measures of population, income and other trends that relate to golf participation. The table below provides a summary of key demographic and golf demand measures for various market rings around the subject QVGC, Ft. Bend County, the State of Texas and the total U.S. A summary follows:

Market Data Comparisons 2018					
Quail Valley GC	2-Mile Radius	5-Mile Radius	10-Mile Radius	State of Texas	Total U.S.
Population Est. 2017	43,477	214,229	946,324	28,529,283	324,310,011
Population 2022 Proj.	52,028	252,989	1,060,384	30,786,120	337,744,388
Med. HH Income (2017)	\$96,175	\$87,753	\$62,238	\$59,623	\$59,240
Median Age (2017)	40.7	38.6	34.7	34.9	38.1
Household Participation Index	123	109	85	84	100
Number of Golfers	3,812	16,553	57,602	1,661,592	23,832,510
Rounds Potential (res.)	63,103	280,763	908,125	24,759,070	455,965,500

Source: NGF Consulting, Tactician Corporation, Applied Geographic Solutions. N/A = not available

- The local market around QVGC shows a large population, with over 214,000 residents within five miles in 2017. The more immediate (2 mile) population is characterized by older aged residents with much higher incomes and a high golf participation rate. The broader 10-mile market area shows younger age segments with lower incomes and a much weaker interest in golf. Still, the NGF estimates that there are over 57,000 golfers potentially demanding over 908,000 rounds of golf within 10 miles of the subject QVGC.

Key Economic Factors

In addition to identifying demographic trends, we have examined other economic factors that have the potential to affect demand for golf in 2019 and beyond. The underlying support for the regional economy comes from a local residential base that is predominantly homesteaded, with proximity to the nearby Houston market impacting the local Missouri City market. Below is a brief summary of factors specific to the local Missouri City and regional greater Houston economy:

Greater Houston Metropolitan Area

Houston is the largest metropolitan area in Texas and the fourth largest in the nation. The sheer size of the metro region provides all key elements that tend to support continued golf operations, including a large employment base, sophisticated commercial development, modern transportation infrastructure and significant residential footprint. Greater Houston's economy is driven by a broad mix of industries: space/science research; electronics; energy resources; high-tech industries; petrochemical works; steel and paper mills; shipyards; breweries; meatpacking houses; and factories. Houston is also home to many major medical centers and is widely considered a major financial center. Other key facts and figures on the greater Houston MSA include:

- Houston is the 4th most populous U.S. city with 2.312 million people (2017), and the total Houston MSA includes over 6.3 million people and comprises eight counties: Harris, Galveston, Brazoria, Fort Bend, Waller, Montgomery, Chambers and Liberty. This large population base is expected to support significant golf demand and activity.
- Economists note that Houston's economy is diversified and should typically see rebound from recessions that are faster than the nation as a whole. Recent reports suggest that the region's economy is growing faster than the U.S. as a whole, and the region was identified as the number one U.S. city for job creation by the U.S. Bureau of Statistics (2013). Houston was the first major city to regain all the jobs lost in the 2008-2012 recession, adding more than two jobs for every one lost by 2016.
- Nineteen Fortune 500 companies are headquartered in Houston, and dozens of publicly traded companies maintain key operations in Houston. The presence of a strong job market and these large employers tends to coincide with strong demand for both public and private golf.
- Houston is the 3rd most affordable housing market among major U.S. cities, and is 7th nationally in median household income and 5th nationally in per capita income. Both measures are consistent with stronger-than-average demand for golf at all price points.
- Sports and recreation activities are important components in the overall Houston area lifestyle. The area hosts several professional sports teams (Houston Texans, Houston Astros, Houston Rockets), and has hosted the most important sporting events like the Super Bowl (2004) and the Baseball All-Star Game (2004). The Houston MSA includes a total of 107 total golf facilities, including 64 public golf courses.
- The region has a high-quality auto transportation network, with multiple freeways connecting all parts of the metro region. These freeways provide generally convenient access to Missouri City from all points within the Houston metro area, making for a potentially large market for the subject QVGC.
- The region supports a vast visitation industry, with upwards of 23+ million visiting the region each year, some of whom can be expected to play golf. The Houston Airport System is the 4th largest multi-airport system in the U.S., hosting 38 million+ travelers annually. There are more than 50,000 hotel rooms in the Houston MSA.

- Development activity remains strong on the City’s western edges, though undeveloped land is still abundant close to the central business district and on the southern and eastern sides. Between 1990 and 2000, Houston had the third largest population growth nationally behind Phoenix and San Antonio.
- The Southwest metro (including the Missouri City area) areas captured the bulk of the City’s population growth between 1990 and 2000 even though little new development took place and vacancy rates were very low due to the increasing population absorbing existing housing units.
- Over the next 20 years regional population is expected to increase by 50% to 75%.

Local Missouri City Market Area

Missouri City is an active diverse community strategically located in the Houston MSA, with access to the national and international opportunities detailed above. Missouri City residents appear to be focused on a high standard for quality of life, with a balance of urban amenities in a small-town atmosphere. Missouri City is home to several award-winning master planned communities, including the subject Quail Valley community that was originally developed in the 1960s. Missouri City and Ft Bend County have seen tremendous economic growth, moving eastward, southward, and then westward. The City and County’s population estimates since 1990 show significant and very recent growth, and Ft. Bend County is now the second most populous in the Houston MSA:

City of Missouri City Population Estimates (1990-2018)				
	1990	2000	2010	2018*
Missouri City	36,176	52,913	67,538	74,561
% Change		46.3%	27.6%	10.4%
Ft. Bend County	225,421	354,452	585,375	764,828
% Change		57.2%	65.1%	30.7%

Source: US Census. *2018 census estimate.

Other key facts and figures on the local Missouri City / Ft. Bend County area include:

- Missouri City offers a great location that is only minutes from Downtown, The Galleria, The Texas Medical Center, both major airports and thus is well-positioned in the greater Houston metro for all of its business opportunities. This type of community location tends to correlate well with strong and active golf participation.
- In addition to the opportunities in the overall Houston metro region, Missouri City itself has a growing population and dynamic economy. The City has traditionally offered attractive incentive packages to businesses considering relocation through an active City Economic Development office.
- Missouri City is best known as a “bedroom community” with several master-planned communities dating back to the 1960s and 1980s. Most neighborhoods offer residents a variety of amenities, including nature areas, parks and golf courses. Among the more prominent communities in Missouri City:
 - **Quail Valley (Subject)** - This 2,500-acre community is home to over 5,000 families, and is interspersed with lakes, golf courses and Oyster Creek.

- **Sienna Plantation** – This community is a 10,000-acre master-planned community and includes over 2,000 acres of parkland, open space, greenbelts, lakes, rivers, recreational areas and an Arthur Hills designed championship golf course.
- **Lake Olympia** – Community includes 130-acres of natural lakes, 9-1/2 miles of wooded shoreline, marina, boating and fishing.
- **First Colony** - This 9,000-acre community contains neighborhoods and villages with extensive greenbelts, lakes and landscaped boulevards. Major amenities include championship golf, a private country club, athletic and aquatic facilities, parks, nature acres and lakes.
- **Riverstone** – This premier waterside community includes 6,000+/- homes, 250 acres of lakes, neighborhood recreation centers and dedicated open space.
- Other master-planned communities in Missouri City include:
 - Lakes of Brightwater (795 units / 280 acres)
 - Colony Lakes (643 units / 358 acres)
 - Hunter’s Glen (2,097 units / 568 acres)
 - Quail Green (1,349 units / 325 acres)
 - Meadowcreek (707 units / 204 acres)
- The Missouri City Parks and Recreation Department maintains and operates several parks and open spaces, and outdoor recreation of all kinds is important to the City and part of the basic character of Missouri City. Since acquiring the QVGC in 2007, the City has made considerable investment in this property that is now the centerpiece amenity to the City’s overall recreational offering.
- The transportation infrastructure in Missouri City and Ft. Bend County is sufficient to support continued public golf operations at the QVGC site. As golf activity is primarily driven by auto transportation, access to a strong roadway system is important to golf facilities and QVGC is accessible by major arterials in the area. Missouri City is served by two major highways – I-69 (Southwest Freeway) and Beltway 8 (Sam Houston Pkwy.) – plus an adequate supply of surface arterials. However, the NGF notes heavy traffic congestion in immediate proximity to QVGC, with both Cartwright Rd and State Highway 6 showing significant congestion that could impact non-local golf demand.
- In 2017, Hurricane Harvey caused significant flooding in Fort Bend County, leading to the evacuation of 200,000 residents and over 10,000 rescues. The unprecedented flooding, the result of record rainfall and overflow from the Brazos River and Barker Reservoir, resulted in damage to or destruction of over 6,800 homes in the county. This storm also caused considerable disruption to golf operations in the area, leading to much lower activity totals for 2017 than other comparable years.

Climate

As with any outdoor recreation, weather will have impact on golf participation. NGF data estimates that almost all golf is played with temperatures between 50- and 90-degrees Fahrenheit. The data suggests that golf in Missouri City is a year-round activity, with occasional slow periods due mostly to precipitation. With an average of ±50 inches of precipitation a year, this golf market is prone to a reduction in playable hours/days. The following table presents a summary of monthly weather data for Missouri City based on 50-year recorded trends:

Climatological Data Missouri City, TX					
Month	Temperatures			Precipitation Inches	Avg. Length of Day (Hrs.)
	Average	High	Low		
Annual	69.1	79.2	59.1	49.5	12.6
January	52.4	62.4	42.3	3.6	10.9
February	56.0	65.7	46.2	3.2	11.6
March	61.8	72.3	51.3	3.3	12.4
April	68.8	79.1	58.4	3.3	13.3
May	76.4	85.8	66.9	4.6	14.1
June	81.6	90.9	72.3	5.0	14.5
July	83.6	93.0	74.2	4.4	14.3
August	83.4	93.5	73.2	4.1	13.6
September	78.9	88.8	68.9	4.5	12.7
October	70.8	81.7	59.9	5.2	11.8
November	61.6	72.5	50.7	4.6	11.1
December	54.1	64.4	43.7	3.6	10.7

Source: Weatherbase.com, Missouri City, TX

GOLF MARKET SUPPLY AND DEMAND INDICATORS

National Golf Industry Overview

Despite the significant negative press, the golf industry remains healthy and golf continues its macro trend toward stabilization in 2018. Considering the severity of the most recent 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 and club memberships 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. Some findings from NGF:

- **Participation** - The national golfer number (participation) continues to show some net attrition, primarily among occasional/less committed golfers. Overall, NGF research indicates 23.8 million people in the U.S. that played at least one round of golf in the prior year, about ±900,000 fewer than in 2013. However, the vast majority of “core” golfers remain in the game. This compared to the generally stable rounds activity at QVGC (non-hurricane years), suggesting this facility’s performance is bucking the recent national activity trend.
- **Golf Course Supply** - The correction in golf course supply continued in 2017 at a level comparable with previous years, falling 1.5% (205.5 18-hole equivalent permanent closures and 15.5 18HEQ new openings). According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of golf courses equivalent to 7%. For perspective, golf supply grew by 44% in the previous 20 years (1986-2005). NGF data shows some decrease in the Missouri City market, with a reduction of only 9 holes in Ft. Bend County since 2009, following a total of 72 holes that closed between 2003-2008 (Quail Valley exec-9; Whispering Oaks GC; Willowwisp CC and Old Orchard GC) – all assumed to have closed for economic reasons.

- **Rounds Played 2017-2018** – Nationally, 434 million rounds of golf were played in 2018, representing a -4.8% decrease year-over-year. In Texas, the results were more severe, with the state recording a decrease of -6.6% for the year 2018. In Houston, rounds were down -7.9% in 2018 after a large decline in 2017, showing the area has been hit hard by weather and total rounds activity in this market has been worse than the total U.S. in the last two years (data source: Golf Datatech – see **Appendix C**).
- **Looking Ahead - 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 53 to 72 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 1 million+ golfing Boomers have reached retirement age. The Social Security Administration reports 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 golf include:

- **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked just under 1,000 major renovations completed since 2006, representing at least \$3 billion. New development activity also remains in the pipeline, with NGF tracking 37 facilities currently under construction and another 55 in planning stages.
- **Engagement:** Several years ago, NGF developed a scale to gauge 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. These engaged golfers are responsible for ±95% of rounds played and equipment spend. Those more engaged are significantly more likely to continue playing.
- **Increasing Diversity:** The junior golf population remains relatively stable at 2.9 million and continues to show a transformation in diversity. One-third of golfers age 6-17 are females, up from 17% in 1995 (in sum, 24% of all golfers are women). Also, 27% of junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which 29% are female and 24% non-Caucasian. The highest diversity is among beginning golfers, at 34% female and 32% non-Caucasian.
- **Beginners:** The number of beginners rose to a record 2.5 million in 2016, surpassing the record set in 2000 when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. Since 2011, the compound annual growth rate (CAGR) in beginners is an impressive 10.8%.
- **Off-Course Participation:** Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 20 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2016, about 40% of whom did not play on a golf course.
- **Latent Demand:** Overall interest in playing golf remains very high. NGF survey research indicates that the number of non-golfers who say they are “very interested” in taking up golf has doubled over the last five years to 12.8 million people.

Market Definition – Primary and Secondary Trade Areas

For purposes of the market analysis, NGF has defined the primary trade area for the QVGC as a 5-mile radius around the site, with a secondary trade area as the entire 10-mile market ring. In reality, NGF believes that the vast majority of play at QVGC comes from Missouri City / Quail Valley residents, many of whom are passholders and play frequently. The NGF expects that the QVGC facility could broaden its effective market if the La Quinta course is improved and upgraded as proposed by NGF (more later in this report).

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**.

- NGF estimates that there are at least 16,500 golfers living within five miles of QVGC, and over 57,600 golfers living with 10 miles of QVGC in 2018.
- NGF estimates that resident golfers could demand about 280,700 annual rounds of golf in the 5-mile market and upwards of 908,600 in the 10-mile market around QVGC. In the overall Houston MSA, NGF estimates demand potential of over 4.2 million rounds of golf annually, to be distributed over all (public and private) courses. This equates to approximately 33,500 rounds per 18 holes in the market, roughly 2.2% higher than the total U.S. average of 32,800+/- rounds per 18 holes.
- The golf demand indices for the local 5-mile and 10-mile markets around the QVGC show vastly different golf interest, with the local 5-mile market showing golf participation that is **9% higher** than the US average (index=109), while the 10-mile market has **15% lower** golf demand (index=85).
- **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, 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 121,000 interested non-golfers in the 10-mile market around QVGC. Given golf's tenuous participation situation, all golf courses should have programming aimed at "onboarding" prospective new golfers).

Other Demand Drivers

Supplementing golf demand from permanent residents are: (1) The area's many large corporate and public employers; and (2) Visitors to the Missouri City area. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing 0.557 rounds per day of travel. Though QVGC as presently situated would capture only a small proportion of these incremental rounds from visiting golfers, supplemental play from visitors drawn by a strong marketing program (e.g., through hotel tie-ins and other offerings) could be an important element in making QVGC financially viable, assuming the quality was appropriate (more later in this report).

Local Golf Supply

The broader 10-mile market ring is home to 12 total golf facilities, including 7 public and 5 private clubs. This shows how the golf market in this area is dominated by private golf clubs. Of the 7 public facilities, only two are municipally owned (Missouri City and Houston's Sharpstown) and five

are privately owned (daily fee). The NGF counts that all but two of the market’s 7 public courses are in the NGF-defined ‘Standard’ price point (peak riding rates between \$40 - \$70), with one ‘Value’ facility (under \$40-Sharpstown), and one ‘Premium’ facility (over \$70 – Wildcat). This suggests a somewhat more expensive golf market compared to the total U.S., where 50% of all public courses in the country are ‘value’ (only 14% in this market).

As with many other parts of the US, there has been very limited new course development in Ft. Bend County since 2000. The most recent course opening was Sienna Plantation and River Point (both opened in 2000). NGF has not recorded any golf course closures since 2009, although there were four course closures between 2003 and 2008 as noted previously. Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”. The NGF database shows no new golf courses either in planning or under construction in the local Missouri City market area.

Ratio analysis based on national benchmarks shows that the local 5-mile QVGC market area has a favorable supply ratio to the national benchmark, with approximately 23% more households per 18 holes in the Quail Valley market (Index = 123). The following table displays data showing the relative supply of golf courses in the various defined market rings and Ft. Bend County overall. The supporting tables in **Appendix xx** provide additional statistics on area golf course supply.

Missouri City Area Golf Course Supply within Defined Market Rings									
	# Facilities	Total Public Facilities	# of Premium Facilities (> \$70)	# of Standard Facilities (\$40-\$70)	# of Value Facilities (< \$40)	# of Private Facilities	Total Holes	Total Public Holes	Total Private Holes
2-Mile Radius	1	1	0	1	0	0	36	36	0
5- Mile Radius	4	1	0	1	0	3	117	36	81
10- Mile Radius	12	7	1	5	1	5	279	162	117

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 greater Missouri City area suggests an “inactive” market, with generally unfavorable demand ratios and favorable supply ratios.

Golfers per 18 holes

NGF has also evaluated the relative strength of the Missouri City golf market with a comparison to a national “threshold” of golfers per golf course within 10 miles 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 a key target for projected financial stability. As shown in the table below, Quail Valley GC is in a 10-mile market that has slightly fewer golfers per golf course than the identified target, with both the local 10-mile market and the overall Houston MSA showing about 3,500-3,700 golfers per golf course, about 90% of the identified target (4,000 golfers per golf course). This data suggests good opportunity for successful golf operations, all other factors being equal. The importance of this metric is mitigated somewhat in markets with a high annual influx of visiting golfers, but further stresses the importance of continued support from non-resident golfers.

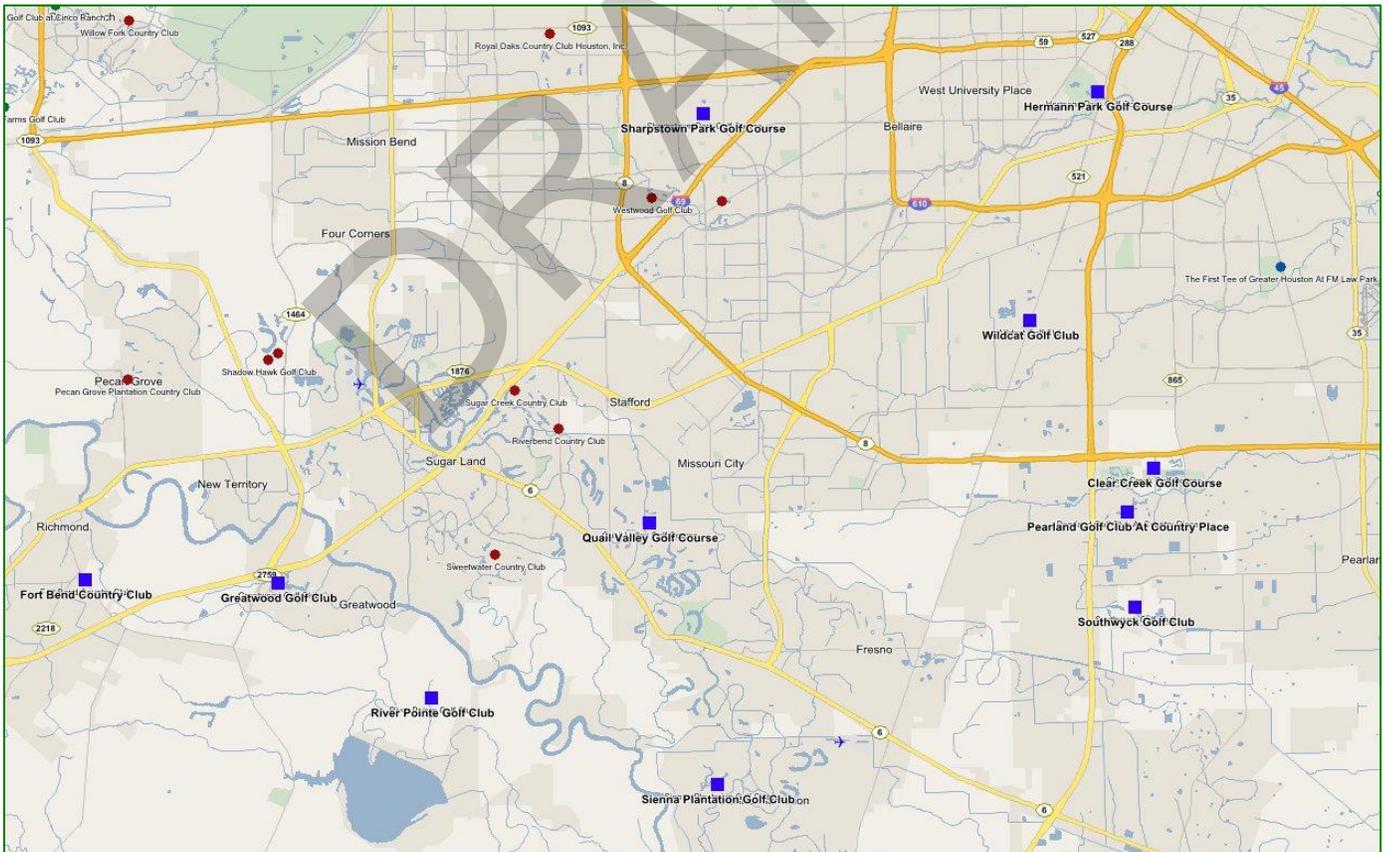
10-mile Ring	Est. No. of Golfers	Total 18-H Equivalent	Golfers per 18 holes
Total U.S. "Target" for Successful Public Golf			4,000
Quail Valley GC	57,602	15.5	3,716
Overall Houston MSA	432,397	124.0	3,487
Source: National Golf Foundation			

LOCAL COMPETITIVE GOLF MARKET

NGF has analyzed the public access golf market in the Missouri City, Texas market area, with particular emphasis on determining the current position of QVGC as a public-access golf course, and prospects for sustaining and/or building market share in the future. On the following pages, we list operating information for a group of selected competitive golf facilities within a 10+/- mile radius from Quail Valley GC. This list was not meant to be totally exhaustive or to account for all of the potential public golf competition to QVGC, but rather, to offer a frame of reference in evaluating actual performance of the subject as compared to other golf facilities noted by QVGC staff and golfers in the NGF survey as key competition. The map below identifies the location of the competitive courses relative to Quail Valley GC.

Competitive Public Access Golf Facilities Map

The map below shows the relative locations of the facilities selected as comparable to the QVGC.



Summary Information

The following tables provide summary information for the Quail Valley Golf Course and the primary competitors in the local market area.

Quail Valley GC Public Golf Market Facilities (10-mile Radius) – Summary Information						
Golf Facility	Location	Type	Year Open	Par / Slope ¹	Front Tee / Back Tee	Location Relative to: Quail Valley GC
Quail Valley Golf Course	Missouri City	18H-MU	1970			-
El Dorado Course				71 / 138	5,100 / 6,931	
La Quinta Course				71 / 140	5,486 / 6,920	-
Sienna Plantation Golf Club	Missouri City	18H-DF	2000	72 / 132	5,224 / 7,151	6.0
River Pointe Golf Club	Richmond	18H-DF	2000	72 / 129	5,097 / 6,969	6.2
Greatwood Golf Club	Sugar Land	18H-DF	1990	72 / 152	5,290 / 6,829	8.4
Sharpstown Park Golf Course	Houston	18H-MU	1955	70	5,880 / 6,660	9.2
Wildcat Golf Club	Houston	36H-DF	2001			9.5
Highlands Course				72 / 138	5,005 / 6,954	
Lakes Course				72 / 135	4,906 / 7,016	
Pearland Golf Club at Country Place	Pearland	18H-DF	1983	72 / 134	5,483 / 6,734	10.6
Southwyck Golf Club	Pearland	18H-DF	1988	72 / 127	5,145 / 6,914	10.9
Clear Creek Golf Course	Houston	18H-DF	1988	72 / 122	5,232 / 6,917	11.2
Fort Bend Country Club	Richmond	18H-DF	1951	71 / 121	5,363 / 6,424	12.6
Hermann Park Golf Course	Houston	18H-MU	1922	70 / 117	4,724 / 6,014	13.8

1. Slope is from the Back Tees

Market Area Public Golf Fee Information

Below is information regarding fee structures at selected public facilities in the QVGC market. The 1st chart reflects the peak season rate for green & cart fees and the 2nd chart shows the various membership / season pass options available at these facilities.

Facility	Green Fees & Cart Prime Time		Green Fees & Cart Mid-Day		Green Fees & Cart Twilight		Green Fees & Cart Super Twilight		Green Fees & Cart Senior	
	WD Walking/Riding	WE Walking/Riding	WD Walking/Riding	WE Walking/Riding	WD Walking/Riding	WE Walking/Riding	WD Walking/Riding	WE Walking/Riding	WD Walking/Riding	WE Walking/Riding
Quail Valley GC										
El Dorado	\$39/\$54	\$53/\$68	\$33.50/\$48.50	\$45/\$60	\$27/\$42	\$37/\$52	\$24/\$33.50	\$27/\$36.50	\$26/\$41	N/A
La Quinta	\$29/\$44	\$42/\$57	\$22.50/\$37.50	\$35/\$50	\$17/\$32	\$27/\$42	\$16/\$25.50	\$20/\$38.50	\$14/\$29	N/A
Sienna Plantation GC ²	Res. \$29/\$44 Non-Res. \$34/\$49	Res. \$39/\$54 Non-Res. \$44/\$59	N/A	N/A	N/A	N/A	\$20/\$35	\$30/\$45	\$20/\$35	N/A
River Pointe Golf Club ²	NA / \$33	DNA/\$42.50	N/A	N/A	\$21/\$29.25	DNA/\$33.25	\$21/\$25.50	DNA/\$28.50	DNA/\$28.50	N/A
Greatwood GC ²	Resident DNA/\$33 Non-Res. DNA/\$38	Fri. Res. NA/\$43 Fri. Non-Res. DNA/\$49 WE Res. DNA/\$48 WE Non-Res. DNA/\$57	DNA/\$31	Friday DNA/\$35 DNA/\$46	DNA/\$26	Friday DNA/\$27 DNA/\$39	N/A	N/A	Resident DNA/\$27 Non-Res. DNA/\$31	N/A
Sharpstown Park GC ²	\$18/\$29	\$26/\$37	N/A	N/A	\$15/\$33	\$20/\$38	\$13/\$31	\$16/\$34	\$13/\$24	N/A
Wildcat Golf Club ²	DNA/\$63	DNA/\$82	N/A	N/A	DNA/\$49	DNA/\$60	DNA / \$33	DNA / \$45	DNA/\$45	N/A
Pearland at Country Place	DNA/\$40	DNA/\$50	DNA/\$35	DNA/\$40	DNA/\$30	DNA/\$35	N/A	N/A	DNA/\$30	N/A
Southwyck GC ³	DNA/\$30	DNA/\$52	DNA/\$30	9AM-11AM DNA/\$42 11AM-1PM DNA/\$32	DNA/\$22	DNA/\$22	N/A	N/A	DNA/\$26	N/A
Clear Creek GC ²	DNA/\$29.99	Friday DNA/\$32 WE DNA/\$52	DNA/\$29.99	Friday DNA/\$32 WE DNA/\$39	DNA/\$25	Friday DNA/\$25 WE DNA/\$35	DNA / \$25	Friday DNA / \$25 WE DNA / \$25	N/A	N/A
Fort Bend CC	\$39/\$49	\$51/\$61	N/A	N/A	\$34/\$44	\$45/\$55	N/A	N/A	N/A	N/A
Hermann Park GC ²	\$20.50/\$35.50	\$30.50/\$45.50	N/A	N/A	\$16/\$28.50	\$24/\$36.50	\$12.50/\$22.50	\$18.50/\$28.50	\$12/\$27	Friday before 11am only \$12/\$27

Note: NA - Information not available DNA – Does not apply WD - Weekday WE – Weekend R-Resident NR – Non-Resident
 1. After 12pm on weekends only
 2. WD = M-Th / WE = Fri. – Sun.
 3. Mon-Thursday rates before 1pm include lunch and two drinks; Friday & weekend rates include two drinks

Season Passes & Membership Offerings – Quail Valley Golf Course Primary Competitors

Club	Limited Membership			Unlimited membership			Cart Fees		Junior Pass
	Weekday Only			7 Days Unlimited			Weekdays/ Unlimited		
	Single	Family	Senior	Single	Family	Senior	Single	Family	
Quail Valley Golf Course	\$1,888 / \$2,729	\$2,713 / \$3,929 Sr. Family \$2,442 / \$3,536	\$1,699 / \$2,456	\$2,359 / \$3,405	\$3,540 / \$5,117 Sr. Family \$3,185 / \$4,637	\$2,123 / \$3,065	Private Cart \$536 / \$686 Half Cart ¹ \$1,014 / \$1,300	Private Cart \$649 / \$832 Half Cart ¹ \$1,217 / \$1,560	N/A
Sienna Plantation Golf Club	\$2,112	\$2,448	\$1,908 (Ind.) / \$2,208 (Fam)	\$2,796	\$3,348	\$2,508 (Ind.) / \$3,000 (Fam)	\$1,200	\$1,800	\$2,796
River Pointe Golf Club	No Memberships or Season Passes								
Greatwood Golf Club	No Memberships or Season Passes								
Sharpstown Park Golf Course	No Memberships or Season Passes								
Wildcat Golf Club	\$4,500	\$6,600	N/A	\$5,400	\$6,600	N/A	Included in all memberships		N/A
Pearland Golf Club at Country Place	No Memberships or Season Passes								
Southwyck Golf Club	\$2,000 + tax	N/A	N/A	\$2,000 + tax	N/A	N/A	Included	N/A	N/A
Clear Creek Golf Course	\$64.95 per month + Access fees: \$18 before 3pm & \$15 after 3pm			\$64.95 per month + Access fees: \$25 before 10am & \$18 after 10am					
Fort Bend Country Club	\$228.44 monthly w/ your cart \$265.63 monthly w/ course cart	\$312.42 Initiation Fee + \$312.42 monthly	N/A	\$228.44 monthly w/ your cart \$265.63 monthly w/ course cart	\$312.42 Initiation Fee + \$312.42 monthly	N/A	Included	Included	\$237.64 Initiation Fee + \$237.64 monthly
Hermann Park Golf Course	No Memberships or Season Passes								
Note: NA - Information not available DNA – Does not apply WD - Weekday WE – Weekend R-Resident NR – Non-Resident 1. Fees do not include taxes									

Key Findings – Competitive Golf Market

NGF Consulting research indicates the following general findings regarding the supply of golf facilities in the Missouri City area golf market.

- The local market area offers a variety of golf facilities, with a variety of fee and annual pass arrangements. The public golf market is driven by privately-owned, daily fee (or semi-private) golf facilities, several of which were constructed as part of master-planned residential communities (like the subject QVGC). The City of Houston courses noted (Sharpstown and Hermann Park) are the only other municipally-owned golf courses in the defined market.
- The fees for golf in the market area tends to fall within definable ranges, with the lower, middle and premium segments represented. With its current fee structure, the NGF sees the El Dorado course as the highest-priced “middle” course, or a lower-priced “premium” course. La Quinta pricing is squarely in the “middle” range for courses in this area. QVGC also fits in the upper-middle range for annual pass (or membership) fees.
- Anecdotal evidence suggests that, both locally and nationally, golfers are playing fewer rounds and shifting play to less expensive rounds like twilight. Additionally, large outing/tournament and banquet business is off at many golf facilities.
- As is the case in most markets nationally, local golf operators report a general decline in rounds activity, with a peak around 1999-2000, and severe drops in 2006, 2010, 2013 and 2018, with growth in only 2012, 2015 and 2016. The decrease in per-course activity levels, both regionally and nationally, has been attributed to several factors, including emerging socio-economic trends and a general oversupply of public golf courses fighting for market share at a time when golf demand is flat. Total rounds activity among golf courses in this market tends to be in the range of approximately 30,000 to 35,000 rounds per 18-hole course annually (**Appendix C**).
- The general long-term trend in rounds decline has created some downward pressure on green fees in this market area. Further, the condition of La Quinta has also played a significant role in the amount Missouri City is able to charge golf customers.
- Most of the competitive facilities reviewed by NGF offer a season pass or annual membership that locks in players and improves customer loyalty. These passes come in a wide variety, offering options for golfers to pick and choose the program that best suits their needs. Options such as limited (weekday only) passes, unlimited (7 day) passes and pre-paid cart programs are all ideal in public golf and fit the “industry best practice” trend. Each of these options (and others) are available at QVGC, showing the facility to be in step with revenue-generating best practices.
- Over the past two years, the season passholder play at QVGC has been declining as a percentage of total rounds – it was 41% in 2014 and 36.5% in 2018. Anecdotal evidence from key competitors offering annual passes or memberships suggest that one-third of total play is derived from passholders, showing QVGC to be consistent with this performance.
- Most courses in this market are open all year long (weather permitting). However, there are clearly definable peak seasons in spring and fall, with April and October typically the most active months of the year (consistent with QVGC actual experience).

CITY OF HOUSTON – HERMANN PARK CASE STUDY

One of the key competitors to the Quail Valley GC is the City of Houston's Hermann Park Golf Course. This 18-hole golf course and small clubhouse offers low-fee public golf in a nice park setting approximately 13 miles from Missouri City. The City of Houston provides six golf facilities in the City, including Hermann Park which is considered historically significant. The Houston Parks and Recreation Department manages and operates three of the city's municipal courses (Memorial, Brock and Sharpstown), while the remaining three are managed by private companies for the city, including Hermann Park.

In reviewing this facility, the NGF found that while some of the overriding elements in the operation and maintenance of Hermann Park may seem like a new opportunity or concept to consider, the basic elements in Hermann Park Golf Course are consistent with a common municipal golf course lease. While Hermann Park is part of the "Hermann Park Conservancy," a separate public-private partnership that has raised considerable money to support park operations and investment, none of this money has found its way to help the golf course directly and the management of the golf course is run through the City's Park and Recreation Department, not the Hermann Park Conservancy. The following paragraphs provide some review of the concept, how it works and how it has affected the City's Hermann Park golf facility.

Background and Golf Course Lease

The Hermann Park Conservancy was established in 1992 as "Friends of Hermann Park" by community members wanting to address concerns about the Park's deterioration as a result of high attendance and insufficient funding. The conservancy is a nonprofit citizens' organization dedicated to the stewardship and improvement of Hermann Park for "generations to come." In 1993, *Friends of Hermann Park* commissioned a master plan for Hermann Park, which was adopted by Houston City Council in 1995 and has served as a guide for renovations and enhancements ever since.

In 2002, the Conservancy commissioned a study to determine the Park's maintenance needs. The study identified a large gap in what the Parks and Recreation Department was able to provide and what the Park needed to be properly preserved. In response, the Conservancy developed a volunteer department, which coordinates the volunteer hours needed each year to maintain Hermann Park. The organization was renamed "Hermann Park Conservancy" in 2004, and today the Conservancy oversees multi-million-dollar renovation projects as well as a comprehensive reforestation plan and maintenance initiatives.

Through a public-private partnership with the Houston Parks and Recreation Department, Hermann Park Conservancy raises millions of dollars each year to enhance and maintain the Park. The Conservancy also manages the design of projects, and then shares construction costs with the City of Houston. Thanks to the generous financial support of foundations, corporations, and individuals, the Conservancy has raised more than \$122 million for improvement projects in Hermann Park, although none of this money has gone to any golf course projects or support golf course operations.

Hermann Park is managed via lease agreement with a separate third party through the end of 2022. This agreement is between the operator and the City of Houston, and calls for a modest lease payment to be made to the City each year in proportion to rounds and revenue performance of the facility. The Hermann Park Conservancy is not part of the golf course lease or operation, and the conservancy is not providing any capital or other economic support to the golf facility.

EXTERNAL FACTORS SUMMARY

The demographic and economic factors affecting the demand for public-access golf in the local market around Quail Valley GC is mixed. Houston is a populous market with a lot of golfers, and the ratio of golfers per 18-holes is higher in the metro region than the U.S. as a whole (favorable for golf courses). However, in the local Quail Valley market this supply ratio is less favorable and golfers in the area have many available choices for public golf. In addition, this area is characterized by demographic and other factors (economy, traffic congestion, etc.) that tend to constrain golf activity. The NGF has also observed that there are other golf courses in the area to service golf demand, and many of these businesses are themselves experiencing declines in rounds and revenue. As such, the NGF has a reasonable expectation that while the market will provide support for continued operation of a public golf facility in Missouri City, substantial growth in rounds and income from current (2018) levels is unlikely. Other key findings from NGF's market analysis include:

- The overriding trends in the golf industry will present challenges to the City of Missouri City in growing golf activity and revenue at QVGC. The total number of golfers in Missouri City is declining and total spending on golf is declining along with them. Similarly, the cost to maintain and operate golf courses had increased in recent years (equipment, labor, resources, etc.), leading to a difficult economic environment for public golf courses.
- The Missouri City area economy is strong, with many key economic drivers that tend to correlate with strong participation in golf. The subject QVGC is proximate to a substantial part of the greater Houston area employment centers and large corporations, adding to the possibility of attracting patronage from this segment, **assuming facility quality is appropriate**. Generating golf from these corporate elements will be key to sustaining golf operations at QVGC, as local resident demand is likely not enough to support the operations of all golf facilities in the Missouri City area.
- The balance between supply and demand for public golf is generally favorable in the Missouri City area. There are enough households and golfers available to support each golf course in the market, and the courses in the area tend to host more rounds than average. NGF estimates that the number of golfers per 18 holes within 10 miles of QVGC is about 93% of the NGF-identified success threshold.
- The competition for providing public golf service to patrons in this market area is dominated by privately-owned, daily fee golf courses, many of which are part of master-planned communities like QVGC. The pricing at QVGC places the subject course in the upper-middle range of public golf in the area, which is ideal for market placement. Most of the competitive facilities reviewed by NGF offer a season pass or annual membership that locks in players and improves customer loyalty, including the subject QVGC, and represents an industry 'best practice' for enhancing revenue. Like Quail Valley, total rounds activity among all public golf courses in this market have fallen in recent years, and now fall into the range of approximately 30,000 to 35,000 rounds per 18-hole course annually.
- The physical amenities at QVGC appear vastly superior to its immediate competitive set of golf courses, giving enormous advantage to the Missouri City facility. However, the deficiencies identified in the la Quinta course at QVGC will have to be addressed in order for the City's golf facility to reach its maximum potential in rounds activity and revenue performance.

Recommendations for the Quail Valley GC and the City of Missouri City

Based on our evaluation of the Quail Valley GC and the local market environment, NGF has formulated recommendations that we believe could improve the overall economics of the City's public golf facility. The goal of this phase of the study was to help the City identify the business plan changes that could help to maximize rounds and revenues for the facility, thus sustaining its potential to remain a viable public golf facility business. NGF Consulting has prepared a schedule of specific recommendations to be considered by the City in QVGC operation. These recommendations have been organized into: (1) basic oversight and structure; (2) physical enhancements; and (3) operations.

NGF OBSERVATIONS ON QUAIL VALLEY GOLF COURSE

The NGF team offers a quick summary review of the most important findings and observations on the Quail Valley GC that form the basis for NGF recommendations. The NGF consultant's review of the facility found many positive aspects that make this facility highly sought-after in this competitive market of public golf courses. What did stand out to NGF in this review was the outstanding condition and presentation of the clubhouse amenities at QVGC, but a clearly deteriorating second golf course (La Quinta) that will require capital and operational expertise to correct in the coming years. Other observations on QVGC from NGF:

- The mix of amenities and overall facility offering at QVGC is outstanding for this market area, with the condition of the La Quinta golf course the only clear deficiency. Additional improvement to facilities related to new player development (practice area, driving range, 1st Tee facility, etc.) should be conducive to active additional golf programming, including new player development and hosting of large tournaments.
- The continued economic success of QVGC will require an influx of golfers and other non-golf patrons who do not reside close to the facility, which means QVGC will have to enhance its marketing to consumer prospects from a wide area of the Houston metro region, including businesses, groups and charities to use QVGC for tournaments and other non-golf events (banquets, parties, etc.).
- The strongest opportunity for revenue growth at QVGC is in the clubhouse operations area (F&B, banquets, etc.), as golf demand appears to have stabilized and pressure to substantially increase golf playing fees is limited.
- The management concept and operations agreement in place at QVGC appears to be ideal for the City, as it is providing outstanding and competent leadership and direct City oversight, but with some level of "arm's length" separation.
- The maintenance contract is the largest expense line-item in the QVGC budget, and brings some inflexibility as the monthly payment to the contractor is required regardless of monthly facility revenue. Some degree of added expense flexibility could be achieved by bringing the maintenance function into the LGC, but this move will require added up-front capital expense (new equipment) and the retention / attraction of new golf maintenance expertise.

BASIC OVERSIGHT AND STRUCTURE

The City of Missouri City has chosen to operate its golf facility through a Local Government Corporation (LGC) that is under direct control of City government, and via a management contract agreement. Further, the LGC has retained the services of a golf maintenance contract company to provide golf course maintenance services in exchange for a fixed fee of approximately \$100,000+/- per month. While this structure has allowed the City some level of flexibility in its golf facility operation, the risk of economic shortfalls remains with the City of Missouri City.

This current structure is essentially a “hybrid” concept that has elements of self-operation, fee-for-service management agreement and a maintenance contract. In many ways, the City is taking advantage of the best advantages of each concept and merging them together for the QVGC operation. However, with weather and other golf demand challenges, the QVGC operation has fallen short of budget targets the last few years, requiring direct City contribution of funds to support facility economic losses (which is common in municipal golf).

Structure Options

In light of these recent shortfalls, the NGF has considered alternate forms of operation for QVGC that the City could adopt and potentially reduce the economic stress in the golf facility. In reviewing these options, NGF has considered the City’s stated desire to retain some level of direct control of the operation, and the likelihood that proposed improvements for the facility, if completed, could possibly be financed by some form of public debt (e.g. public bond issue). This possibility of public financing of improvements will almost certainly eliminate any lease possibility for the facility given Internal Revenue (IRS) regulations on publicly-financed facilities.

As such, the basic options available to the City in the QVGC operation include some form of more direct self-operation, a more comprehensive full-service management contract, a concession agreement (or agreements), or some form of new conservancy. A general discussion of these operating structures, along with key advantages and disadvantages of each, is presented 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 would involve the City taking over the operation and using all City employees for staffing the facility. While this solution is close the current LGC management of QVGC, it will still require change in structure and employee management. While this structure is common in municipal golf, the challenges include rapidly inflating costs (especially associated with personnel and retirement benefits), and funding large-scale capital needs. Still, this structure will always have the advantage of direct City control of the operation for maximum benefit to the City.
2. **Full-Service Management Contract.** While the structure in place at QVGC today is very close to this, the City could opt for a more “traditional” management agreement and engage a separate, third-party private management entity to operate all aspects of QVGC in exchange for a management fee, typically around 4-6% of total revenue. The City is earning all revenues, is responsible for all expenses (salaries, maintenance, liabilities, capital) and pays a management fee to an operator. Some advantages to this strategy are already in place with the LGC agreement. The potential disadvantages are some loss of City control and the fixed fee for service, regardless of yearly variations in performance.

3. **Concession Agreements:** These are similar to lease agreements and can come in several types or combinations and might be allowable in conjunction with public financing. The advantage is shifting 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 contract agreements with separate entities for each facet of the operation. The most common concession agreements for public golf include:
 - a) **Contract for F & B / Banquet Services** involves hiring a separate operator for F&B, either through direct concession or exchange for capital investment. This would present challenges to the City given the extent of the F&B / banquet operation at QVGC, and the likelihood that another entity could gain economic benefit from the City's large investment in the clubhouse/community center.
 - b) **Contract for Maintenance Services** This is the "status-quo" for QVGC, which has a contract in place with a golf maintenance company with a national reputation. The agreement involves a fixed monthly fee, which can be challenging in certain months when revenue is not at peak due to off-season and/or weather challenges.
 - c) **Golf Pro / Pro Shop Concession** involves creating a concession for management and operation of the golf program at QVGC. Typically involves providing some large revenue center (carts, % of green fees, range, etc.), plus ownership of the pro shop to a qualified golf professional in exchange for management services and the employment of all golf-related personnel. These pro concessions are commonly short-term (under 5 years) and have traditionally been very popular for municipal golf courses in Texas.
4. **"Friends of" or "Conservancy."** While NGF has observed various municipal park departments raising capital through use of secondary private support interests, there does not seem to be any direct golf facility operations currently under the banner of a park conservancy. However, the NGF has observed various municipal park districts get support from separate private donations through a "friends of" charitable organization, helping to raise money for various improvement projects, although almost all of these have been smaller (under \$50,000) enhancements or construction projects (e.g. pavilions, gardens, landscaping, roofs, painting, etc.).

Most Viable Considerations

Based on our review of the various operational considerations for the City, NGF has identified the three most viable options for the City to consider for 2020 and beyond. The most viable options for the Quail Valley GC operation are:

- **Continue "As-Is."** The City can continue with its LGC / management agreement form of operation. This results in the least amount of stress for the facility and the City, and the system has worked for the best interest of the City. There are underlying challenges in the economics of QVGC, but NGF sees no evidence to suggest that some other form of operation will clearly put the City in a better operating position than at present (i.e. "grass is not greener"). The economic challenges faced by QVGC in recent years are a result of factors that would still be present, regardless of how the facility is operated and managed (weather, softening of golf demand, expense inflation, etc.).

- **Full-Service Management Contract.** The City can terminate the LGC and replace its existing management agreement with a new full-service operating agreement with a nationally-recognized golf management entity. The new agreement would include all services associated with QVGC (golf operations, pro shop, maintenance and F&B/banquet), and include a fixed management fee at the lower end of the range (4% of revenue), plus additional “at-risk” compensation based on net income performance. The NGF would envision that this new agreement would:
 - Be a 5-10-year agreement
 - Cost the City at least \$160,000 +/- per year in management fees to an operator
 - Include a provision for the vendor to earn additional management fees through enhanced facility performance
 - Include a provision for the new management entity to contribute to capital improvements needed at QVGC
 - Provide incentive for active new player development programming
- **Modified “As-Is.”** The City can continue with its LGC / management agreement with terms modified to allow for the LGC to directly control the golf course maintenance function. This would only require an expansion of responsibilities and keep the existing facility operating profile intact. Key changes would include (financial implications addressed below):
 - LGC acquisition of a fleet of golf maintenance equipment (either through capital purchase or lease)
 - Hiring of a qualified (GCSAA Class A) golf superintendent
 - Hiring of appropriate full and part-time maintenance staff

Financial Implications of LGC Assuming Maintenance

The estimated cost required to maintain the QVGC is presented in the table below. The cost was estimated under the assumption of the LGC replicating the Brightview maintenance concept, with comparable staffing and equipment. The NGF estimates the total cost to maintain the 36-hole QVGC (includes practice facility) will be \$1,120,000 in the first full year of LGC operation, growing at 2.0% per year to just over \$1,237,700 by the fifth year of operation. While this budget is comparable to the amount charged in the Brightview contract, it does have some flexibility in the largest line-item, part-time labor, which could be adjusted on an as-needed basis if demand is softer and/or weather forces the facility to reduce its hours of operation. Overall, fixed golf course maintenance expenses are expected to conform to the following general schedule prepared by NGF Consulting:

Estimated* LGC Golf Course Maintenance Expense Quail Valley Golf Course	
Salaries & Wages	
<i>Full-Time Employees</i>	
Course Superintendent	\$75,000
1 Asst. Super @ \$40,000	40,000
1 Mechanic @ \$28,000	30,000
Benefits & Taxes @ 31%	45,000
<i>Part-Time Labor</i>	
24,000 hours @ \$15.00/hr.	360,000
Total Salaries & Wages	\$550,000
Seed, Sod & Sand (incl. Top-Dress program)	\$150,000
Supplies (Chemicals & Fertilizer)	180,000
Equipment Lease	200,000
Other	40,000
Total Course Maintenance Expense	\$1,120,000
*Estimates based on 'usual and customary' standards for golf maintenance in a year-round climate. City should cost out specific expenses for QVGC as part of decision-making review.	

NGF Recommendation

The NGF team recommends that Missouri City continue to operate Quail Valley GC directly under its present form of LGC / Management Contract operation, subject to minor changes given the following conditions:

- **Conservancy.** If the Quail Valley LGC can be converted to some form of park conservancy and allow for new capital fund raising, the LGC charter should be altered accordingly.
- **Self-Maintenance.** If the financial projections can clearly support the modest improvement and expected flexibility shown in the NGF estimate presented above, the City should expand the LGC charter to include direct golf course maintenance through a more comprehensive full-service management agreement with the LGC.

Continuing with the basic LGC structure will offer the City the greatest chance for success in the operation, and provide a level of hands-on control so as to maximize the implementation of the program elements that will be required for the City to succeed in golf. Other reasons behind the NGF recommendation related to the LGC form of operation and management contract include:

- All operations (operations, golf, F&B and maintenance) all remain under the management of a single entity with full control from the City
- All staff responsible for the operation and maintenance of QVGC are employed by an entity independent from the City of Missouri City
- This structure allows for improvement in marketing, focusing on the addition of new players to QVGC and the expansion of non-golf (banquet) activity at the facility (more detail on marketing in operational recommendations below).
- The structure will provide the City flexibility in obtaining new investment to complete the enhancements and upgrades that are needed at QVGC (more below).

PHYSICAL IMPROVEMENT RECOMMENDATIONS

The NGF recommendations for enhancement to the physical plant of Quail Valley GC are based on our physical condition review presented previously. We have documented the challenging physical condition of the La Quinta course, along with other practice and maintenance area enhancements that are needed at QVGC. If the City is to grow its golf revenue at QVGC, significant improvement to the physical condition of the La Quinta course is required and this will require significant investment. The NGF recommendations to enhance the QVGC physical plant considers both “mission critical” improvements that are required to keep operating, as well as other considerations for future enhancement.

Highest Priority Enhancements

The NGF has proposed an improvement program for the golf facility that assumes completion of basic repairs and other enhancements as documented previously. NGF recommends that City of Missouri City, as part of the due diligence process before any decisions are made or work undertaken, retain a golf course architect and/or landscape architect to complete a conceptual plan and get hard dollar cost estimates for any golf course or structure changes proposed for QVGC. A summary of these improvements by functional area is summarized in the table below:

Quail Valley Golf Course Summary of Preliminary Golf Facility Enhancements by Functional Area			
Key Area of Improvement	Key Projects	Low Estimate	High Estimate
La Quinta Restoration	drainage + cart paths + trees + bunkers + tees + greens	\$4,092,000	\$4,926,000
Maintenance Facility	Metal-frame bldg. repairs / wood-frame replacement	\$268,000	\$339,000
Driving Range	New mats / range netting	\$50,000	\$60,000
1 st Tee Facility	New practice area, practice holes + school	\$1,650,000	\$2,000,000
On-Course Services	Restrooms / drinking stations	\$75,000	\$100,000
Total Estimated Facility-Wide Capital Investment		\$6,135,000	\$7,425,000
<small>All figures are NGF Consulting estimates based on NGF's input and other similar projects completed in the last 3 years that have been provided to allow for preliminary planning. These amounts may or may not reflect actual costs for the City, and the City of Missouri City should engage appropriate research to cost out specific projects.</small>			

OPERATIONAL RECOMMENDATIONS

The NGF found the QVGC operation to be highly professional, with a great many identified “industry best practices” currently employed properly by the LGC management in place at QVGC. Key best practices employed at the facility include aggressive marketing with focus on electronic platforms (internet, email, web ads, social media, etc.), focus on player development (lessons, camps, juniors, clinics, etc.), and taking full advantage of the extensive clubhouse amenity and potential non-golf revenue.

As such, NGF’s recommendations related to operations are not as extensive as in other studies we complete, given the advanced state of activity at QVGC. Still, the NGF team has identified some operational adjustments that, when implemented together, could lead to improved activity (rounds) and/or revenues at QVGC. These recommendations require limited investment and focus on “best practices” that NGF has observed in the golf industry that can help improve service, increase revenue, and/or control costs. Following are key NGF operational recommendations for QVGC, based on our review in 2019.

Technology and Marketing

An effective marketing plan incorporates research, planning, strategy, market identification, budget, timetable, and tracking (to gauge effectiveness of various campaigns and vehicles). NGF's review indicated extensive marketing at QVGC, with heavy reliance on technology (which is a "best practice"). NGF's recommendations for enhancing the marketing of QVGC include:

- Senior management should engage in direct, face-to-face selling to area businesses, organizations, churches, civic groups, etc. to promote tournaments and outings at QVGC. NGF has found that this direct approach is the best way to enhance the tournament and outing business that is so important to the future success at QVGC.
- The City of Missouri City should do more to promote the Quail Valley GC, in addition to any efforts completed by QVGC staff and the third-party technology vendor.
- QVGC marketing staff and the City should add some emphasis on printed materials such as brochures (like a three-page folded brochure) that could go in racks and/or be distributed to area businesses and hotels, and include information about golf and the facility's ability to service outings, parties, meetings, etc.

QVGC Website

Quail Valley GC is hosting a dedicated website (www.golfquailvalley.com) operated by the facility with assistance from EZLinks Golf. The EZLinks platform is simple and intuitive, and has correlated well with success at many public-access golf facilities around the country. The QVGC website includes most all of the key features and user touches that NGF typically sees in successful golf facility websites. The address appears to be easy and should be findable in any web search (such as golf in Missouri City, Missouri City golf, etc.). The information included matches closely to NGF recommended information, and includes links to book tee times and provides e-club sign-up, although the course overview and information could be improved.

Email Database

Building, maintaining, and actively utilizing an email platform to practice yield management and advertise events, specials, etc. is an effective "best industry practice" for public golf in 2019. E-mail marketing, with the exception of word-of-mouth and free advertising, is the most cost-effective advertising possible. NGF recommends that QVGC management continue to build its already impressive customer email database and communicate regularly (no more than 2-4 per month) about activities, events, tournaments, specials, etc. at QVGC. NGF recommendations for building the email database at QVGC:

- Emails should routinely be collected during golfer check-in for walk-in golfers, with emphasis on players new to QVGC. (We have seen placement of an iPad in the golf shop to capture customer emails as an effective tool).
- Make some of the periodic promos/specials contingent on having an email address on file, or providing one.

Technology

Comprehensive utilization of a quality, golf-oriented point-of-sale (POS) system helps management understand its customer profile segments, while also providing assistance in marketing and customer tracking. Technology is one of the most important tools available to a golf course management team to build a larger customer database, create customer loyalty and boost revenue. The efficiency of software for tee time reservations, operations / accounting reporting, retail point-of-purchase reporting, and overall management information systems has advanced dramatically in recent years and can help improve overall performance.

Some of the key features of industry leading POS systems - often underutilized by operators – are summarized in the bullets below:

- Loyalty program modules
- Creation of customer profile segments, including play and spending patterns
- Enhanced target marketing, messaging and yield management utilizing the customer database segmentation
- Integration with social media forums such as Facebook, Twitter, Instagram, etc.

There are also vendors that offer comprehensive services that manage all aspects of online marketing efforts. For example, they may provide software that integrates information collected from the POS, tee sheet, website, mobile applications, booking engine and social media networks to help golf course managers better understand and market to their customers.

Themed Programming & Events

Creative golf-themed events, on both the golf course and the driving range, are becoming more and more popular with operators looking to make golf more fun for less committed golfers, including many young adults who want their recreation to be 'experiential'. Examples of events that NGF has observed include:

- A weekly 9-Hole Scramble that had 13 teams (52 participants) and generated about \$2,500 in direct revenue, plus bar/grill revenue before and after the event.
- 'Balls & Beers' at the driving range. Participants pay a small fee for the event, which can feature a keg (or craft beers from local brewers) and unlimited range balls for an hour, with a golf pro walking the range giving quick lessons and tips.
- '9 & Wine' golf training programs for women's groups are a particularly popular and effective way to engage beginning women golfers and non-golfers.

Customer Service

Strong customer service can be a key differentiator in building customer loyalty. High level service at a golf course begins the moment the golfer sets foot on the property, beginning with a friendly welcome (especially for faces that staff may not have seen before). NGF generally recommends strategies such as staff training and establishment of customer service standards & measurable metrics – monitored through periodic customer surveys and occasional secret shoppers - to make sure that the standards are being consistently met or exceeded.

Capital Surcharge Concept

Some municipalities can fund golf course improvements through accumulated enterprise funds, pre-established budget priorities or dedicated capital improvement surcharges (e.g. \$xx added to green fees to fund improvements). As the Quail Valley enterprise fund balance is declining, and new capital is required to complete above-noted upgrades is needed, using a dedicated capital improvement surcharge to pay down new debt may be the most appropriate mechanism. The NGF is recommending a small capital surcharge be added to all rounds of golf, regardless of type, time or day. NGF recommends a \$2.00 surcharge for each 9-holes (\$4.00 for 18 holes), and this is included in our future facility projections. The NGF has found general acceptance of this type of program among golfers, provided the capital generated from the surcharge program is actually used to improve the facilities, and this use is clearly demonstrated. A new sign in the lobby of the clubhouse showing drawings or projects underway noting "your capital surcharge dollars at work" is a great way to enhance acceptance. The NGF also noted the general acceptance for this program from the respondents to our golfer survey in early 2019.

Recommendations for Increased Participation from Less-Traditional Segments

Increasing participation among less traditional golfer populations is generally about three groups – younger adults, women and minorities. We know that 50% of the population is female. We also know as much as 50% of the County population is considered minority (lower in the local Missouri City golf market), and the median age in some areas in and around Missouri City is younger than the nation as a whole. As a result, the future of public golf in Missouri City will be dependent on the ability of this golf system to engage and grow less traditional golfer segments.

Player Development

We note that new player development will be one of the critical elements to the long-term viability of Quail Valley GC, and this should continue to be a point of emphasis at the facility. The City's Golf Division has had success in building a lesson program despite limited resources and staff time. The NGF has documented that a critical element to the long-term viability of public golf courses is player development, especially a strong Junior Program, and it is important that these initiatives are continued, especially after renovations and upgrade.

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.

Key recommendations for player development programming include:

- Work directly with the PGA for specific descriptions of programs that work, and how to properly implement and promote these programs (i.e. "Get Golf Ready," "Hook a Kid on Golf," "Drive Chip & Putt," "PGA Junior League," and LPGA's "Teaching Her" program). Add focus on transitioning new players from learning to playing golf.
- Maximize the use at newly added (or improved) practice facilities at the City golf courses, as noted in NGF's physical recommendations.
- Encourage and provide incentives for staff to provide golf lessons during off hours.
- Create programs to make older, used golf equipment always available free of charge for beginners, and possibly for other needy prospects via donation or at a 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.

Golf and the Millennial Generation

In 2015, the NGF completed a comprehensive review of golf participation among the 19-36-year-old group known collectively as the "Millennial" generation. The NGF's study of Millennials was in reply to a drop in participation among this age group and a part of an industry effort to better understand golfing habits of young adults. What we discovered was that while this important segment of the population is more closely tethered to the sport than most think, the commitment isn't what it was compared to previous generations when they were the same age.

The NGF study of Millennials confirmed that one out of every four golfers are a Millennial, and that there are 12 million non-golfers among the generation that are “very or somewhat interested” in playing golf now. This contradicts media coverage of golf and Millennials that suggests progressive lifestyles, preferences and stressed finances are misaligned with golf’s old-fashioned sensibilities. There are six million Millennials playing 90 million rounds and spending \$5 billion on golf annually.

However, millennial golfers are not all created equal when it comes to their connection to the sport, as significant differences exist among this generation. The NGF divided the generation into three distinct segments based on key attitudinal and perceptual traits. The good news for golf is that more than half of millennial golfers are committed to the game and are unlikely to leave the sport barring any significant health or life-changing situations. It’s the second half of the population where golf has challenges. The segments include:

- **“Throwbackers” (3.3 million golfers, 51% of millennial golfers)** – ‘Throwbackers’ tend to behave just as avid golfers did generations before them, and share perceptions of the game that mirror the Boomer (parents’) generation. This group enjoys the challenge and is motivated by competition and staying fit. They work on their game, keep score and respect the rules. We expect this group is “very likely” to continue playing in the future.
- **“Breakfast Ballers” (1.4 million golfers, 22% of millennial golfers)** - This segment is drawn to the game for vastly different reasons. They play less frequently and are more motivated by excitement, adrenaline and the opportunity to socialize. Golf for them is not a lifestyle but a conduit for their social lives. They’re likely to enhance the experience with music, alcohol, gambling and social media. Although competitive, roughly half of Breakfast Ballers don’t keep score, and many pay little attention to the rules. Though generally committed to the game, most think golf is too serious, stuffy and in need of reform. It’s this segment that presents the best opportunity for participation growth.
- **“Dabblers” (1.7 million golfers, 27% of millennial golfers)** - While we count these participants as “golfers” because they played golf during the past year, most of them don’t really consider themselves golfers. Dabblers tend to be more female, and play infrequently, typically at the urging of someone else. They don’t keep score and only one-third say they enjoy golf “a lot.” These customers are just “dabbling” at golf, and without some intervention are unlikely to develop into better customers.

The last group notwithstanding, golf has a far more active and committed base of younger participants than it’s been given credit for. Still, the sport is not as attractive to this age group when compared to previous generations, and a better understanding of motivations for engaging in golf will help the sport attract even more young people.

Analysis of Expected Quail Valley Golf Course Financial Performance

Based on NGF analysis and recommendations, the consultants have prepared financial projections to show the potential economic performance of the Quail Valley GC assuming the City continues “as-is,” with little or no new investment in the property and a second scenario outlining the impact of completing key parts of the NGF-recommended physical enhancements (most notable the La Quinta course upgrade). All NGF projections are based on a set of

assumptions that may or may not become reality. We feel that these estimates represent the best effort to create a “fair estimate of performance” for this facility based on our complete review of the operation and market environment.

NGF has estimated the economic performance of Quail Valley under the assumption that the facility will retain the experienced professional management that is in place in FY2019, through at least 2023 (the five years of operation). NGF has assumed the inclusion of all existing primary revenue generators in the facility operation – green and cart fees, F&B sales, banquet sales, merchandise sales and the driving range. The expenses needed to operate the facility have been assumed to include all costs required to run the golf and clubhouse operation **on site**, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service).

QUAIL VALLEY GC PROJECTIONS – ‘AS-IS’ OPERATION (FY2019-FY2023)

In preparing our estimates of future performance for QVGC if it were to continue “as-is,” NGF has made several assumptions for input variables and external market conditions. We recognize that this estimate is prepared in 2019 (already six months into FY2019), and there are many uncontrollable factors that could impact our estimates (weather, economy, golf demand, etc.). As such, the NGF estimates are made using current (2019) inputs and current market conditions. All financial estimates are prepared in 2019 dollars. A summary of NGF assumptions are detailed below:

Basic Assumptions – ‘As-Is’ Scenario

- The overall economic condition remains stable, without any sizable increase or decrease in the Greater Houston / southwest Houston suburban area economy, employment, or visitation.
- The QVGC will operate with service and conditions as described previously, placing the facility in the upper-middle range of public golf courses in the local market area.
- The physical condition documented by NGF in this report remains stable, with outstanding clubhouse conditions, small but good quality practice facilities, well above-average conditions on the El Dorado course and problematic and declining conditions on the La Quinta golf course.
- The QVGC will operate with its traditional mix of revenue centers that are in place in FY2019, with the predominance of golf activity derived from annual passholders and daily fee customers. Additional revenue from range and clubhouse activities will include participation from other patrons, not playing a round of golf.
- NGF has assumed a basic inflation factor of 1.0% for average revenue and 2.5% for all expense categories.

Activity and Revenue Assumptions – QVGC (FY2019-FY2023)

The projections made for the operation of QVGC through the end of 2023 assume the facility will continue operation under current management and configuration, with no substantial capital investment in the facilities. Other key assumptions in the NGF projections:

- The projection for rounds activity through 2023 is presented below. The NGF has assumed little change in activity from 2018, but with steady declines in La Quinta rounds and modest increases in El Dorado. These rounds are divided into premium daily fee, discounted daily fee, passholder, tournament and third-party rounds. The

NGF is projecting greater increases in discounted and third-party rounds activity (golf industry trend), and stabilization of annual passholders at 120. The rounds and membership activity projected by NGF assume a new “stable” level of activity, with some years falling below and some years rising above this expected ‘average’ figure. The projected activity by type through 2023:

	FY2019	FY2020	FY2021	FY2022	FY2023
EI Dorado GC					
Premium DF	4,700	4,600	4,500	4,400	4,300
Discount DF	6,000	6,200	6,300	6,400	6,500
Passholder	11,000	10,500	9,900	9,900	9,900
Tournament	4,400	4,500	4,500	4,600	4,600
Third Party	3,300	3,500	3,600	3,700	3,800
Total EI Dorado GC	29,400	29,300	28,800	29,000	29,100
La Quinta GC					
Premium DF	6,000	5,500	5,200	5,100	5,000
Discount DF	7,400	7,500	7,600	7,700	7,800
Passholder	4,300	4,100	3,900	3,900	3,900
Tournament	3,300	3,000	2,800	2,700	2,600
Third Party	3,800	4,000	4,100	4,200	4,300
Total La Quinta GC	24,800	24,100	23,600	23,600	23,600
Total QVGC Rounds	54,200	53,400	52,400	52,600	52,700
Annual Passes	133	127	120	120	120

- NGF has based its green fee revenue projections using a blended average revenue per round for green fees. This average green fee per round revenue is projected at levels achieved in 2018, with 1.0% annual increases through 2023. This is reflective of a program to retain basic fee levels at QVGC through 2023. A summary of average green fees is shown in the table below (not intended to represent prices):

Blended Average Rev./ Round	FY2019	FY2020	FY2021	FY2022	FY2023
EI Dorado GC					
Premium DF	\$35.00	\$35.35	\$35.70	\$36.06	\$36.42
Discount DF	\$25.00	\$25.25	\$25.50	\$25.76	\$26.02
Tournament	\$35.00	\$35.35	\$35.70	\$36.06	\$36.42
Third Party	\$20.00	\$20.20	\$20.40	\$20.61	\$20.81
La Quinta GC					
Premium DF	\$25.00	\$25.25	\$25.50	\$25.76	\$26.02
Discount DF	\$19.00	\$19.19	\$19.38	\$19.58	\$19.77
Tournament	\$25.00	\$25.25	\$25.50	\$25.76	\$26.02
Third Party	\$19.00	\$19.19	\$19.38	\$19.58	\$19.77

- Revenue derived from annual pass and private cart sales have been projected at the 2017-18 average of \$2,500 per passholder per year for annual passes and \$626.30 per passholder per year for private carts, with 1.0% annual increases through 2023.
- NGF has based its revenue projections for ancillary revenue (grill, range, carts, merchandise, beverage cart) based on actual average revenue per round achieved in 2017, with 1.0% annual increases through 2023. A summary of average ancillary revenue per round are shown in the table below:

Blended Average Rev./ Round	FY2019	FY2020	FY2021	FY2022	FY2023
-----------------------------	--------	--------	--------	--------	--------

Pro Shop Sales	\$4.40	\$4.44	\$4.49	\$4.53	\$4.58
Driving Range	\$2.10	\$2.12	\$2.14	\$2.16	\$2.19
Power Cart Rentals	\$9.25	\$9.34	\$9.44	\$9.53	\$9.63
Bluebonnet Grille	\$9.50	\$9.60	\$9.69	\$9.79	\$9.89
Beverage Cart	\$2.60	\$2.63	\$2.65	\$2.68	\$2.71
Handicap Fees	\$0.20	\$0.20	\$0.20	\$0.21	\$0.21

Expense Assumptions

NGF Consulting has prepared estimates of expenses for the Quail Valley GC assuming continued operation by the existing LGC and management agreement through 2023. The NGF has assumed the basic patterns of expense to continue, noting:

- A continuation of the \$1.2 million golf maintenance contract through 2023 with 2.5% annual inflation.
- Other departmental expenses in 2019 are assumed at 2017-18 levels with slight adjustment for 2019. Expenses for operations, carts, pro shop, and administration generally conform to actual historical performance at QVGC.
- Cost of shop merchandise (COS) is assumed at 78.6% of total merchandise sales.
- Cost of goods sold (COS) for food and beverage is assumed at 31.3% of total F&B sales for banquets and the grill, and 47.4% for the beverage cart.
- NGF has assumed a large capital budget of two percent (2.0%) per year of total revenue to complete needed repairs that invariably come up in golf maintenance. These costs can be borne each year or saved up as a reserve over time.

Economic Performance Projections – ‘As-Is’ Scenario (FY2019-FY2023)

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow model for Quail Valley GC for 2019-2023 in the table below. All figures have been rounded to the nearest \$100 for simplicity.

Projected Cash Flow Analysis Quail Valley Golf Course Base Assumptions – ‘As-Is’ Operation					
	FY2019	FY2020	FY2021	FY2022	FY2023
Total Rounds	54,200	53,400	52,400	52,600	52,700
Revenue					
Green Fees - El Dorado	\$534,500	\$548,900	\$555,400	\$565,600	\$572,300
Green Fees - La Quinta	\$445,300	\$435,300	\$430,800	\$433,900	\$436,900
Annual Fees	332,500	320,700	306,000	309,100	312,200
Driving Range	113,800	113,300	112,300	113,800	115,200
Pro Shop Sales	238,500	237,300	235,200	238,500	241,300
Cart Rentals	501,400	498,900	494,400	501,300	507,300
Monthly Private Cart Trail Fees	83,300	80,300	76,700	77,400	78,200
F&B Grille	514,900	512,400	507,800	514,800	521,000
Banquets and Events	1,060,000	1,086,500	1,113,700	1,141,500	1,170,000
Beverage Cart	140,900	140,200	139,000	140,900	142,600
Handicap Fees	10,800	10,800	10,700	10,800	11,000
Total Revenue	\$3,975,900	\$3,984,600	\$3,982,000	\$4,047,600	\$4,108,000
Less Cost of Sales: (COS)					
Merchandise	\$187,500	\$186,500	\$184,900	\$187,500	\$189,700
F&B Grille	\$160,100	\$159,400	\$157,900	\$160,100	\$162,000
Beverage Cart	\$66,800	\$66,500	\$65,900	\$66,800	\$67,600
Banquets & Events	\$331,800	\$340,100	\$348,600	\$357,300	\$366,200
Total COS	\$746,200	\$752,500	\$757,300	\$771,700	\$785,500
Gross Margin	\$3,229,700	\$3,232,100	\$3,224,700	\$3,275,900	\$3,322,500
Operating Expenses					
Operations	\$370,000	\$379,300	\$388,800	\$398,500	\$408,500
Golf Maintenance Contract	1,200,000	1,230,000	1,260,800	1,292,300	1,324,600
Carts	267,000	273,700	280,500	287,500	294,700
Range	82,000	84,100	86,200	88,400	90,600
Pro Shop	37,000	37,900	38,800	39,800	40,800
F&B Grille	271,000	277,800	284,700	291,800	299,100
Banquets / Events	600,000	615,000	630,400	646,200	662,400
Beverage Cart	64,000	65,600	67,200	68,900	70,600
Administration	420,000	430,500	441,300	452,300	463,600
Total Operating Expenses	\$3,311,000	\$3,393,900	\$3,478,700	\$3,565,700	\$3,654,900
Operating Income (Loss)	(\$81,300)	(\$161,800)	(\$254,000)	(\$289,800)	(\$332,400)
Additional Income (TBD)	\$0	\$0	\$0	\$0	\$0
Less:					
Ongoing Capital	\$79,500	\$79,700	\$79,600	\$81,000	\$82,200
Net Income after D/S + Capital	(\$160,800)	(\$241,500)	(\$333,600)	(\$370,800)	(\$414,600)

QUAIL VALLEY GC PROJECTIONS – ENHANCEMENT SCENARIO (2019-2023)

The NGF has prepared a second estimate of future performance for QVGC under the assumption the City completes a comprehensive enhancement program, specifically to address the La Quinta and practice area enhancements in 2020. We recognize that this estimate is prepared in 2019 (already six months into FY2019), and there are many uncontrollable factors that could impact our estimates. If the proposed enhancements are undertaken in FY2020, then the full QVGC golf facility is not expected to have a full year under enhancement until FY2021, and that there will be considerable operating loss during FY2020 when the enhancement project is undertaken. As with the previous scenario, all NGF estimates are made using current (2019) inputs and current market conditions, and prepared in 2019 dollars. A summary of NGF assumptions are detailed below:

Basic Assumptions – Enhancement Scenario

- The overall economic condition remains stable, without any sizable increase or decrease in the Greater Houston / southwest Houston suburban area economy, employment, or visitation.
- The QVGC will operate with service and conditions as described previously, placing the facility in the upper-middle range of public golf courses in the local market area.
- Considering the proposed improvements, NGF has assumed that the physical condition of entire QVGC facility and all associated amenities will be maintained to the highest standards of public golf facilities in the area. This includes completion of a full upgrade to the La Quinta GC as proposed, along with practice facility enhancements.
- NGF has assumed a basic inflation factor of 1.0% for average revenue and 2.5% for all expense categories.
- The capital upgrade program recommended by NGF is completed according to the following schedule over a defined (yet-to-be-finalized) four-year period of time:

Quail Valley Golf Course Schedule of Improvements (FY2019-FY2023)			
Year	El Dorado (ED)	La Quinta (LQ)	Practice Facilities
FY2019	Open as is	Open as is + Master Plan Improvements	Open as is
FY2020	Open as is + added demand as LQ is enhanced	Closed most of the year for enhancement	Closed most of the year for enhancement
FY2021	Open as is	Re-Open after Enhancement	Re-Open after Enhancement
FY2022	Open as is	Fully Renovated + Open and operating	Re-Open after Enhancement
FY2023	Open as is	Fully Renovated + Open and operating	Re-Open after Enhancement

- The marketing of QVGC is enhanced upon re-opening, highlighting the new renovations of La Quinta with “grand re-opening” fanfare. New marketing is with an emphasis on technology, website & email programs, and direct selling. All marketing activities will target both local and non-local golfers, as well as golf events and tournaments.

Activity and Revenue Assumptions – Enhancement Scenario (FY2019-FY2023)

The projections made for the operation of QVGC through the end of 2023 assume the facility will continue operation under current management, and in recognition of new improvements to La Quinta and the practice amenities, a result of substantial capital investment in the facilities. Other key assumptions in the NGF projections:

- The projection for rounds activity through 2023 is presented below. The NGF has assumed some changes in activity, with more even distribution between the courses among passholders, increased demand for the now newer La Quinta course upon re-opening, and somewhat less reliance on third-party discounters. During the renovation period in FY2020, NGF has assumed the closure of La Quinta for at least 7-8 months and added demand on El Dorado. Upon re-opening, the NGF is projecting a return to growth in the sale of season passes, increasing to 145 by 2023. The rounds and membership activity projected by NGF assume a new “stable” level of activity, with some years falling below and some years rising above this expected ‘average’ figure. The projected activity by type through 2023:

Status	Open As Is	LQ Renovation	LQ Re-Open	Renovations Complete	
	FY2019	FY2020	FY2021	FY2022	FY2023
Year	FY2019	FY2020	FY2021	FY2022	FY2023
El Dorado GC					
Premium DF	4,700	6,000	5,000	5,000	5,000
Discount DF	6,000	8,000	7,000	7,000	7,000
Passholder	11,000	13,500	7,800	8,100	8,300
Tournament	4,400	6,000	4,000	4,000	4,000
Third Party	3,300	4,500	4,000	4,000	4,000
Total El Dorado GC	29,400	38,000	27,800	28,100	28,300
La Quinta GC					
Premium DF	6,000	2,000	7,000	7,000	7,000
Discount DF	7,400	2,000	8,000	8,000	8,000
Passholder	4,300	1,500	7,800	8,100	8,300
Tournament	3,300	1,000	4,000	4,000	4,000
Third Party	3,800	1,500	4,000	4,000	4,000
Total La Quinta GC	24,800	8,000	30,800	31,100	31,300
Total QVGC Rounds	54,200	46,000	58,600	59,200	59,600
Annual Passes	133	120	135	140	145

- NGF has assumed the addition of a new capital surcharge on all rounds of golf, to be made effective beginning in FY2020 (start Oct. 1, 2019). This will begin as a \$3.00 capital surcharge on every round of golf, increasing to \$4.00 per round in FY2021, with all funds to be dedicated to funding proposed enhancements. The NGF has assumed that all golf rounds will pay this surcharge, including green fee players, annual pass rounds, and other complimentary and/or volunteer rounds.
- NGF has based its green fee revenue projections using a blended average revenue per round for green fees. This average green fee per round revenue is projected at levels achieved in 2018, with 1.0% annual increases through 2023. The projection assumes greater equalization of average earned green fee revenue per round between the El Dorado and La Quinta courses after renovations are completed. A summary of average green fees is shown in the table below (not intended to represent prices):

Status	Open As Is	LQ Renovation	LQ Re-Open	Renovations Complete	
	FY2019	FY2020	FY2021	FY2022	FY2023
Blended Average Rev./ Round					
EI Dorado GC					
Premium DF	\$35.00	\$35.35	\$35.70	\$36.06	\$36.42
Discount DF	\$25.00	\$25.25	\$25.50	\$25.76	\$26.02
Tournament	\$35.00	\$35.35	\$35.70	\$36.06	\$36.42
Third Party	\$20.00	\$20.20	\$20.40	\$20.61	\$20.81
La Quinta GC					
Premium DF	\$25.00	\$20.00	\$35.70	\$36.06	\$36.42
Discount DF	\$19.00	\$16.00	\$25.50	\$25.76	\$26.02
Tournament	\$25.00	\$20.00	\$35.70	\$36.06	\$36.42
Third Party	\$19.00	\$16.00	\$20.40	\$20.61	\$20.81

- Revenue derived from annual pass and private cart sales have been projected at the 2017-18 average of \$2,500 per passholder per year for annual passes and \$626.30 per passholder per year for private carts, with 1.0% annual increases through 2023.
- NGF has based its revenue projections for ancillary revenue (grill, range, carts, merchandise, beverage cart) based on actual average revenue per round achieved in 2017, with 1.0% annual increases through 2023. Adjustment in practice area revenue has been included to reflect improvements made in this area. A summary of average ancillary revenue per round are shown in the table below:

Blended Average Rev./ Round	FY2019	FY2020	FY2021	FY2022	FY2023
Pro Shop Sales	\$4.40	\$4.44	\$4.49	\$4.53	\$4.58
Driving Range	\$2.10	\$1.00	\$3.50	\$3.54	\$3.57
Power Cart Rentals	\$9.25	\$9.34	\$9.44	\$9.53	\$9.63
Bluebonnet Grille	\$9.50	\$9.60	\$9.69	\$9.79	\$9.89
Beverage Cart	\$2.60	\$2.63	\$2.65	\$2.68	\$2.71
Handicap Fees	\$0.20	\$0.20	\$0.20	\$0.21	\$0.21
Capital Surcharge	\$0.00	\$3.00	\$4.00	\$4.04	\$4.08

Expense Assumptions

NGF Consulting has prepared estimates of expenses for the Quail Valley GC assuming continued operation by the existing LGC and management agreement through 2023. The NGF has assumed the basic patterns of expense to continue, noting:

- The maintenance contract is continued for FY2019, adjusted to \$750,000 in FY2020, and then restored to \$1,275,000 for 2021 with 2.5% annual inflation through 2023.
- Other departmental expenses remain unchanged from the “as-is” scenario.
- Cost of shop merchandise (COS) is assumed at 78.6% of total merchandise sales.
- Cost of goods sold (COS) for food and beverage is assumed at 31.3% of total F&B sales for banquets and the grill, and 47.4% for the beverage cart.
- NGF has assumed a large capital budget of two percent (2.0%) per year of total revenue to complete needed repairs that invariably come up in golf maintenance. These costs can be borne each year or saved up as a reserve over time.
- An estimate to pay back a \$5.0 million bond indebtedness is included, assuming 4% bond interest and a 20-year payback.

Economic Performance Projections – Enhancement Scenario (FY2019-FY2023)

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow model for Quail Valley GC for 2019-2023 in the table below. All figures have been rounded to the nearest \$100 for simplicity.

Projected Cash Flow Analysis Quail Valley Golf Course Base Assumptions – Enhancement Scenario					
	FY2019	FY2020	FY2021	FY2022	FY2023
Total Rounds	54,200	46,000	58,600	59,200	59,600
Revenue					
Green Fees - El Dorado	\$534,500	\$717,100	\$581,500	\$587,300	\$593,100
Green Fees - La Quinta	\$445,300	\$116,000	\$678,400	\$685,200	\$692,000
Annual Fees	332,500	303,000	344,300	360,600	377,200
Driving Range	113,800	46,000	205,100	209,300	212,800
Pro Shop Sales	238,500	204,400	263,000	268,400	272,900
Cart Rentals	501,400	429,800	552,900	564,200	573,700
Monthly Private Cart Trail Fees	83,300	75,900	86,200	90,300	94,500
F&B Grille	514,900	441,400	567,900	579,400	589,200
Banquets and Events	1,060,000	1,086,500	1,113,700	1,141,500	1,170,000
Beverage Cart	140,900	120,800	155,400	158,600	161,300
Handicap Fees	10,800	9,300	12,000	12,200	12,400
Total Revenue	\$3,975,900	\$3,550,200	\$4,560,400	\$4,657,000	\$4,749,100
Less Cost of Sales: (COS)					
Merchandise	\$187,500	\$160,700	\$206,700	\$211,000	\$214,500
F&B Grille	\$160,100	\$137,300	\$176,600	\$180,200	\$183,200
Beverage Cart	\$66,800	\$57,300	\$73,700	\$75,200	\$76,500
Banquets & Events	\$331,800	\$340,100	\$348,600	\$357,300	\$366,200
Total COS	\$746,200	\$695,400	\$805,600	\$823,700	\$840,400
Gross Margin	\$3,229,700	\$2,854,800	\$3,754,800	\$3,833,300	\$3,908,700
Operating Expenses					
Operations	\$370,000	\$379,300	\$388,800	\$398,500	\$408,500
Golf Maintenance Contract	1,200,000	750,000	1,275,000	1,306,900	1,339,600
Carts	267,000	273,700	280,500	287,500	294,700
Range	82,000	84,100	86,200	88,400	90,600
Pro Shop	37,000	37,900	38,800	39,800	40,800
F&B Grille	271,000	277,800	284,700	291,800	299,100
Banquets / Events	600,000	615,000	630,400	646,200	662,400
Beverage Cart	64,000	65,600	67,200	68,900	70,600
Administration	420,000	430,500	441,300	452,300	463,600
Total Operating Expenses	\$3,311,000	\$2,913,900	\$3,492,900	\$3,580,300	\$3,669,900
Operating Income (Loss)	(\$81,300)	(\$59,100)	\$261,900	\$253,000	\$238,800
Capital Surcharge Income	\$0	\$138,000	\$234,400	\$239,200	\$243,200
Less:					
Ongoing Capital	\$79,500	\$71,000	\$91,200	\$93,100	\$95,000
Bond Debt Service	\$0	\$0	\$368,000	\$368,000	\$368,000
Net Income after D/S + Capital	(\$160,800)	\$7,900	\$37,100	\$31,100	\$19,000

SUMMARY DISCUSSION – NGF PROJECTIONS

The results of NGF Consulting's preliminary cash flow projection show the potential for improved results in QVGC economic performance upon completion of facility upgrades, but there will still be challenges. While a reduction in maintenance contract expense will provide ample relief (if it can be negotiated), the facility will still likely have to endure losses during the period when renovations are underway, as the bulk of all other expenses will remain even with only 18 holes operating. We note that this improved economic position assumes the payment of a new bond debt payment and ongoing capital enhancements, as well as the inclusion of a new capital surcharge program to help off-set these new expenses. The NGF has estimated that if the QVGC can increase total earned revenue to over \$4.5 million by FY2021 (12.5% increase over today), the new revenue would be sufficient to cover all "on-site" operating expenses that would be required to operate and maintain the facility to appropriate market standards.

The NGF projects that with these improvements, Quail Valley GC would generate around 58,000 to 59,000 total golf rounds within one year after upgrade, an amount comparable to the 60,000 rounds actually played at QVGC in 2016. As is common with newly renovated golf courses, the City should anticipate some immediate impact when La Quinta is re-introduced to the market, and NGF has projected about 98% of stabilized rounds in the first full year after post renovation re-opening. This level of activity is fully achievable at this location, but requires a level of facility condition that does not currently exist and would require considerable new investment on La Quinta to achieve.

Considering all direct on-site expenses estimated for the new facility, including cost of sales and ongoing capital, the net income available to the City for capital reserve and contingencies is projected to be negative until the facility reaches about 56,000 rounds of golf. As such, the NGF can label this level of activity as a realistic "break-even" for the Quail Valley GC, as in years when rounds fall below 56,000 it is likely that the facility will lose money on site. This would put the operation back into a status that is more in line with industry standards, and it includes some adjustment in expenses to ensure proper management and maintenance of the facility.

Limiting Conditions

The income estimates presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the subject facility and the intended segment of the golf market toward which it is oriented. Particular focus was paid to the actual performance of area municipal golf courses. NGF Consulting is confident that some growth in activity and revenue can be achieved at Quail Valley GC after the recommended facility and operational improvements. From a practical standpoint, those managing the facility 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 analysis beyond the next five years of operation.

When projecting a realistic market share, 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. NGF believes it is important to measure a renovated golf course's likely performance 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 golf rounds can be sold. We note that our projections for future performance of the new course anticipate strong market acceptance from the very early stages after renovation.

Summary Statement

The City of Missouri City owns the 36-hole Quail Valley Golf Course and clubhouse, which continues to thrive as a well-run municipal golf facility with great potential to improve operations and financial performance. The facility is important to the City as both a key recreational amenity for residents and an important component of the City's residential tax base, with 1,040 homes with direct golf frontage - totaling \$268.8 million in assessed value. In reviewing the facility, the NGF team found a good quality public golf course operation with exceptional amenities and strong regional market impact. The facility is in generally good condition, although the older of the two golf courses – La Quinta – is deteriorating and in need of new investment in its basic infrastructure to create a better match between the two golf courses.

The review completed by NGF in early 2019 comes at a time when the recent economic performance of Quail Valley led some in the City to question whether this facility was being operated to its maximum potential, and/or if change was needed in the City's oversight of this facility. Operationally, the NGF is of the opinion that Missouri City is getting good value from its LGC form of operation. QVGC is a significant, \$4.0+ million operation with revenues well above the standards for a municipal golf facility, but with total operating expenses that are also well above standard. Considering the level of new capital investment that will be required at QVGC in the coming years (NGF has estimated \$6.1 to \$7.4 million in needed enhancements), some growth in revenue will be needed to fund these improvements that are necessary to maintain market advantage. This new revenue is expected to come from greater penetration of existing area golfers, the addition of new golf players, growth in non-golf events (events, banquets, etc.) and the NGF-recommended addition of a new capital surcharge on every round of golf.

The NGF has also documented the challenges in operating a public golf facility at a time when golf demand is less stable and competition for servicing golf demand is intense. In this and other markets, the NGF has documented the importance of keeping up with changing consumer tastes and making sure the product offering is the best it can be to sustain market advantage. The NGF has documented that the upgrades being proposed for QVGC would enhance the economic position of the City's golf facility, but the upgrades themselves may not generate enough additional revenue to fully support the cost to implement these improvements. In short, large-scale investment is needed at QVGC, just to sustain its current position, prevent further decline and provide opportunity for growth in golf revenue.

In summary, it is clear that the City's golf facility is a leader in this market, but significant improvement in the property is needed. While the NGF did observe a very high operating expense structure, our team did not identify any obvious overspending, nor did we identify any change in operating structure that would clearly place the QVGC in a better economic position than it is at present. In review of this municipal golf facility, the NGF's most significant recommendations to the City of Missouri City include:

1. Continue with LGC form of operation, perhaps with minor adjustments.
2. Commit to new investment in the property, particularly La Quinta upgrade, as soon as is reasonable to complete.
3. Implement a new small (no more than \$4 per round) capital surcharge on every round of golf, including passholder and other complementary rounds.
4. Implement a new program of extensive marketing, with focus on new golf player development and other non-golf events and banquets.

Appendices

A: Golf Course Life Cycle

B: Demographic, Golf Demand and Golf Supply Data

C: National Rounds Played Report

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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

Quail Valley Golf Course	2-mile ring	5-mile ring	10- mile ring	20- mile ring	Fort Bend County	Houston-The Woodlands-Sugar Land CBSA	State of Texas	U.S.
Summary Demographics								
Population 1990 Census	24,354	105,843	490,906	1,017,867	225,422	3,750,944	16,985,153	248,584,652
Population 2000 Census	33,534	146,867	659,801	1,292,411	354,453	4,693,126	20,851,813	281,399,034
CAGR 1990-2000	3.25%	3.33%	3.00%	2.42%	4.63%	2.27%	2.07%	1.25%
Population 2010 Census	40,614	181,463	818,428	1,592,402	585,375	5,920,416	25,145,561	308,745,538
CAGR 2000-2010	1.93%	2.14%	2.18%	2.11%	5.14%	2.35%	1.89%	0.93%
Population Estimate 2017	43,477	214,229	946,324	1,852,847	777,450	6,961,308	28,529,059	324,310,011
Population 2022 Projected	52,028	252,989	1,060,384	2,049,831	925,618	7,619,986	30,786,120	337,744,388
CAGR 2017-2022	3.66%	3.38%	2.30%	2.04%	3.55%	1.82%	1.53%	0.82%
CAGR 2010-2022	2.09%	2.81%	2.18%	2.13%	3.89%	2.13%	1.70%	0.75%
Median HH Income (2017)	\$96,175	\$87,753	\$62,238	\$65,771	\$98,839	\$65,580	\$59,623	\$59,240
Median Age (2017)	40.7	38.6	34.7	34.8	36.5	34.6	34.9	38.1
Ethnicity								
White	32.5%	35.6%	38.2%	44.6%	48.7%	58.0%	68.0%	70.4%
African American	35.1%	33.1%	26.5%	25.5%	20.9%	17.8%	12.7%	13.3%
Asian	23.6%	21.9%	19.0%	15.6%	20.1%	8.1%	5.0%	5.7%
All Other	8.9%	9.5%	16.3%	14.3%	10.3%	16.2%	14.4%	10.6%
Hispanic Population								
Hispanic	18.3%	20.0%	33.7%	30.8%	23.9%	36.3%	38.6%	17.5%
Not Hispanic	81.7%	80.0%	66.3%	69.2%	76.1%	63.7%	61.4%	82.5%
CAGR = Compound Annual Growth Rate								
Quail Valley Golf Course	2-mile ring	5-mile ring	10- mile ring	20- mile ring	Fort Bend County	Houston-The Woodlands-Sugar Land CBSA	State of Texas	U.S.
Golf Demand Indicators								
Total Households	15,634	72,448	322,844	696,565	245,985	2,488,717	10,219,676	124,506,607
Number of Golfing Households	2,627	10,808	37,366	80,136	37,036	294,090	1,175,750	17,175,900
Projected Golfing Households (2022)	3,111	12,487	41,610	88,805	41,033	320,916	1,262,831	17,934,830
Projected Annual Growth Rate	3.40%	2.90%	2.20%	2.10%	2.10%	1.80%	1.40%	0.90%
Seasonal Golfing Households	3	28	80	593	131	3,464	25,125	732,421
Latent Demand/Interested Non-Golfers	5,387	25,639	121,372	265,147	89,605	857,636	3,324,424	40,573,960
Household Participation Rate	16.80%	14.90%	11.60%	11.50%	15.10%	11.80%	11.50%	13.80%
Number of Golfers	3,812	16,553	57,602	114,089	59,674	432,397	1,661,592	23,832,510
Rounds Potential (resident golfers)	63,103	280,763	908,125	1,969,937	936,102	7,480,362	30,955,250	455,965,500
Estimated Course Rounds (in-market supply)	75,885	207,884	516,780	944,102	581,502	4,158,047	24,759,070	455,965,000
Demand Indices								
Golfing Household Participation Rate	123	109	85	84	110	86	84	100
Seasonal Golfing Households	3	7	4	15	9	24	42	100
Latent Demand/Interested Non-Golfers	91	95	102	116	93	99	94	100
Rounds Potential per Household (resident golfers)	111	107	77	78	105	83	83	100

Quail Valley Golf Course	2-mile ring	5-mile ring	10- mile ring	20- mile ring	Fort Bend County	Houston-The Woodlands-Sugar Land CBSA	State of Texas	U.S.
Golf Supply								
Golf Facilities								
Total	1	4	12	25	15	107	732	14,754
Public	1	1	7	13	7	64	515	11,006
Public: Daily Fee	0	0	5	8	6	45	338	8,509
Public: Municipal	1	1	2	5	1	19	177	2,497
Private	0	3	5	12	8	43	217	3,748
Public Golf Facilities by Price Point								
Premium (>\$70)	0	0	1	1	1	11	46	1,393
Standard (\$40-\$70)	1	1	5	11	6	33	195	4,087
Value (<\$40)	0	0	1	1	0	20	274	5,526
Golf Holes								
Total	36	117	279	513	324	2,232	12,492	250,146
Public	36	36	162	261	144	1,206	8,253	181,458
Public: Daily Fee	0	0	108	162	108	846	5,247	139,761
Public: Municipal	36	36	54	99	36	360	3,006	41,697
Private	0	81	117	252	180	1,026	4,239	68,688
Non-Regulation (Executive & Par-3)	0	0	0	0	0	81	486	20,277
Net Change*								
Net Change in Holes past 5 years	0	0	0	18	0	-270	-1,071	-13,941
Percentage Total Holes Past 5 Yrs.	0.00%	0.00%	0.00%	3.60%	0.00%	-10.80%	-7.90%	-5.30%
Net Change in Holes past 10 Years	-9	-9	-27	-27	-9	-423	-1,557	-19,098
Percentage Total Holes Past 10 Yrs.	-20.00%	-7.10%	-8.80%	-5.00%	-2.70%	-15.90%	-11.10%	-7.10%
*Numbers may include courses under construction and temporarily closed at the end of the year.								

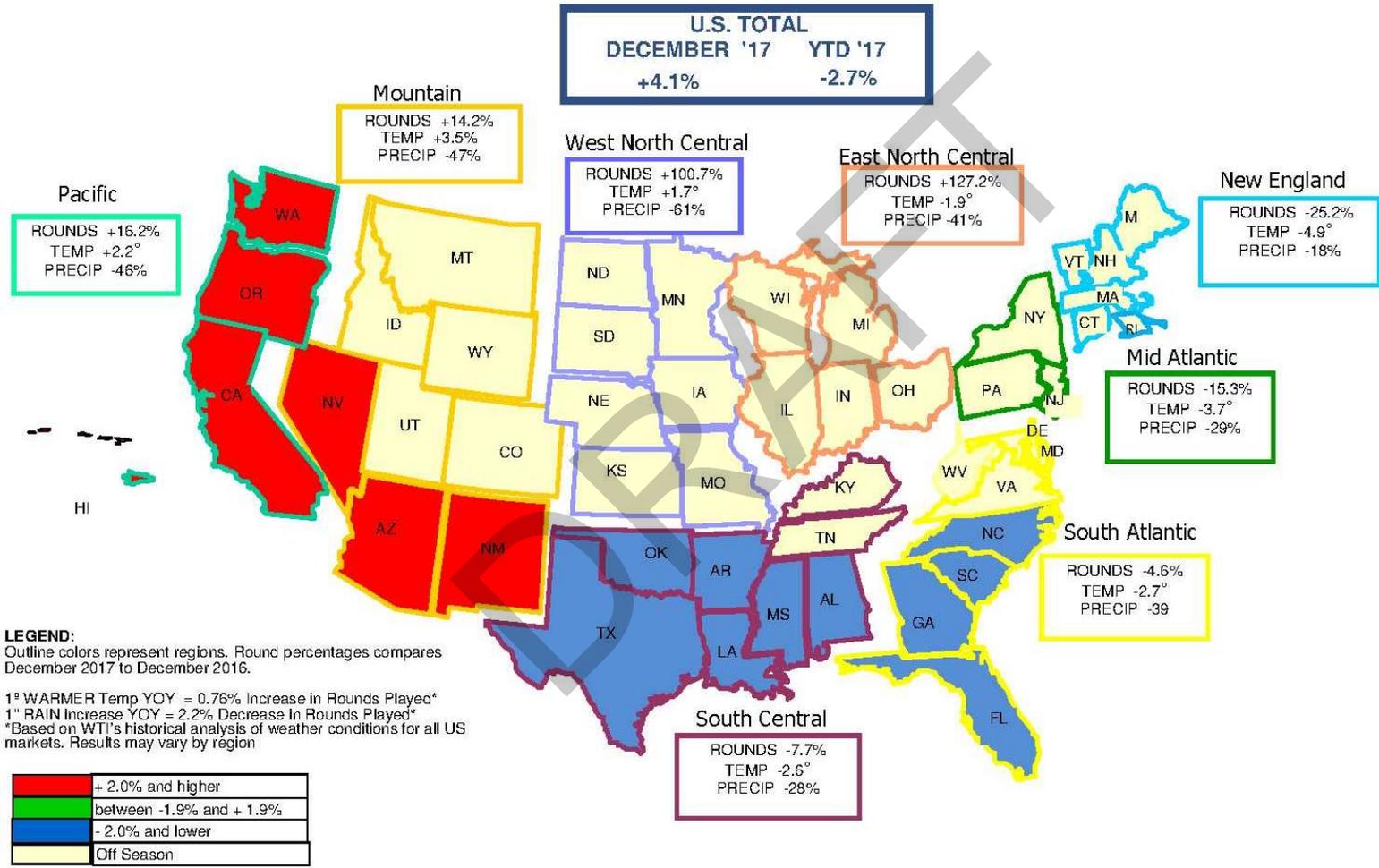
Quail Valley Golf Course	2-mile ring	5-mile ring	10- mile ring	20- mile ring	Fort Bend County	Houston-The Woodlands-Sugar Land CBSA	State of Texas	U.S.
Supply-Demand Ratios								
Households per 18 Holes								
Total	7,817	11,146	20,829	24,441	13,666	20,070	14,726	8,959
Public	7,817	36,224	35,872	48,039	30,748	37,145	22,289	12,351
Public: Daily Fee	0	0	53,807	77,396	40,998	52,951	35,059	16,035
Public: Municipal	7,817	36,224	107,615	126,648	122,993	124,436	61,196	53,748
Private	0	16,100	49,668	49,755	24,599	43,662	43,396	32,628
Premium (>\$70)	0	0	161,422	348,283	245,985	165,914	202,370	73,716
Standard (\$40-\$70)	7,817	36,224	53,807	60,571	35,141	68,184	49,370	28,602
Value (<\$40)	0	0	322,844	696,565	0	160,562	50,844	30,826
Golfing Households per 18 Holes								
Total	1,314	1,663	2,411	2,812	2,058	2,372	1,694	1,236
Public	1,314	5,404	4,152	5,527	4,630	4,389	2,564	1,704
Public: Daily Fee	0	0	6,228	8,904	6,173	6,257	4,033	2,212
Public: Municipal	1,314	5,404	12,455	14,570	18,518	14,705	7,040	7,415
Private	0	2,402	5,749	5,724	3,704	5,159	4,993	4,501

Premium (>\$70)	0	0	18,683	40,068	37,036	19,606	23,282	10,169
Standard (\$40-\$70)	1,314	5,404	6,228	6,968	5,291	8,057	5,680	3,946
Value (<\$40)	0	0	37,366	80,136	0	18,974	5,850	4,253
Household Indices								
Total	87	123	231	271	151	222	163	100
Public	63	291	288	386	247	298	179	100
Private	0	49	151	151	75	133	132	100
Premium (>\$70)	0	0	217	469	331	223	272	100
Standard (\$40-\$70)	27	126	187	210	122	236	171	100
Value (<\$40)	0	0	1,039	2,241	0	517	164	100
Golfing Household Indices								
Total	106	135	195	227	166	192	137	100
Public	77	317	244	324	272	258	150	100
Private	0	53	128	127	82	115	111	100
Premium (>\$70)	0	0	184	394	364	193	229	100
Standard (\$40-\$70)	33	137	158	177	134	204	144	100
Value (<\$40)	0	0	879	1,885	0	446	138	100
Rounds per 18 Holes								
Rounds Potential (resident golfers)	31,552	43,194	58,589	69,121	52,006	60,326	44,604	32,810
Estimated Course Rounds (in-market supply)	37,943	31,982	33,341	33,126	32,306	33,533	35,676	32,809

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APPENDIX C - NATIONAL ROUNDS PLAYED REPORT

End of Year 2017 National Rounds





National Golf Rounds Played Report

DECEMBER 2017

	DEC	YTD
PACIFIC	16.2%	-3.2%
CA	14.2%	-2.5%
Los Angeles	10.7%	-3.3%
Orange County	16.8%	-0.4%
Palm Springs	11.6%	-0.4%
Sacramento	23.5%	-10.8%
San Diego	13.8%	3.1%
San Francisco/Oakland	24.1%	-6.3%
HI	5.4%	1.3%
OR	20.1%	-6.8%
Portland	42.7%	-9.2%
WA	68.1%	-5.3%
Seattle	66.9%	-4.8%
MOUNTAIN	14.2%	0.5%
AZ	3.8%	-0.3%
Phoenix	4.4%	-1.2%
CO	152.2%	3.0%
Denver	176.9%	-1.7%
ID, WY, MT, UT	81.2%	-1.8%
NM	48.0%	5.5%
NV	3.3%	1.3%
Las Vegas	9.3%	2.6%
WEST NORTH CENTRAL	99.3%	-0.8%
KS, NE	96.9%	3.1%
ND,SD	NA	-6.0%
MN	63.6%	-6.5%
Minneapolis/St.Paul	57.9%	-7.0%
IA, MO	98.8%	2.2%
St Louis	132.3%	1.3%
Kansas City	153.6%	2.0%

	DEC	YTD
UNITED STATES	4.1%	-2.7%
PUBLIC ACCESS	3.0%	-3.6%
PRIVATE	7.2%	0.8%

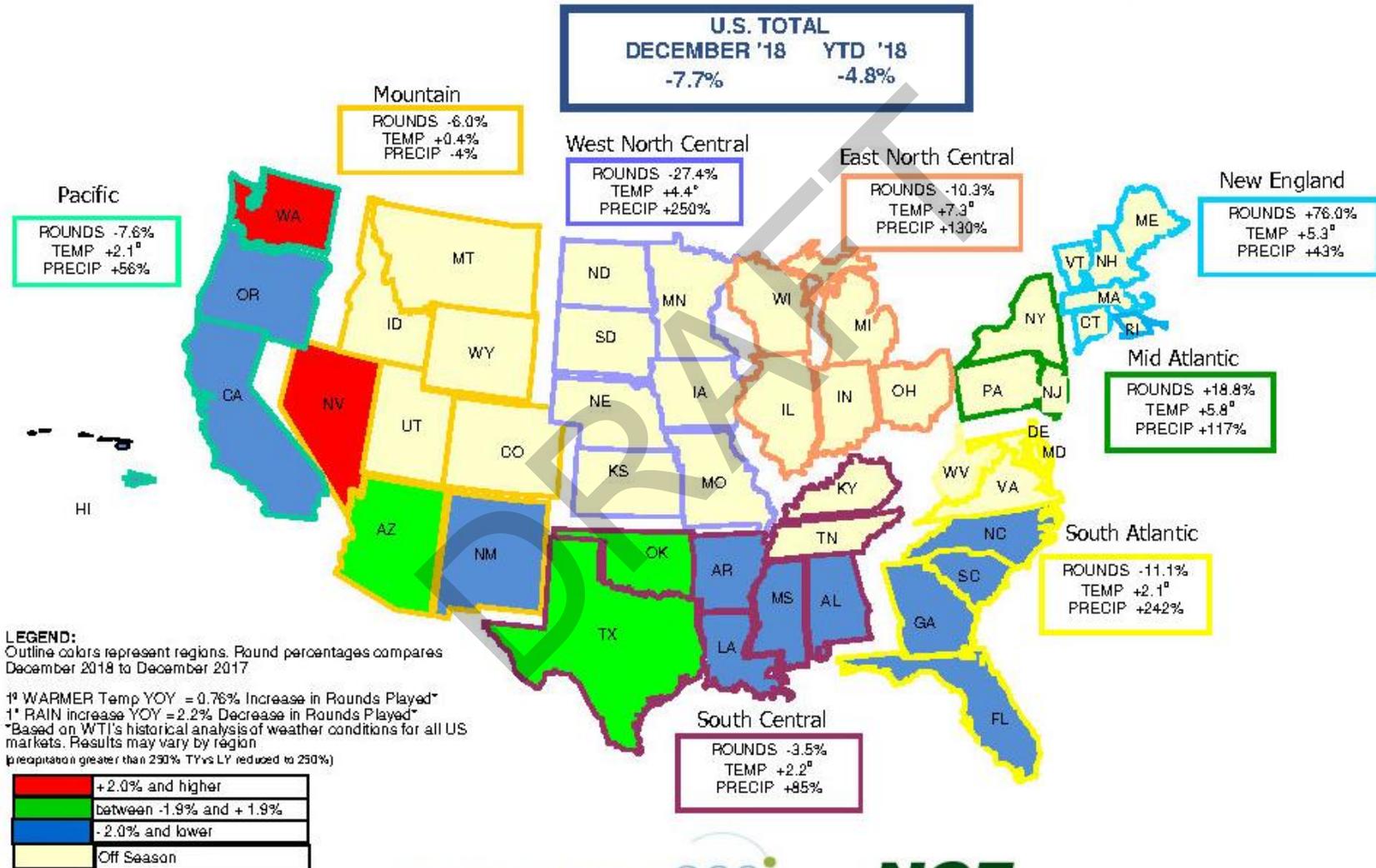
EAST NORTH CENTRAL	127.2%	-5.3%
IL	301.8%	-4.5%
Chicago	297.3%	-3.4%
IN	74.0%	-10.8%
MI	217.8%	-4.3%
Detroit	184.6%	-4.5%
OH	34.1%	-5.8%
Cincinnati	92.3%	2.8%
Cleveland	34.5%	-5.9%
WI	290.7%	-2.2%
SOUTH CENTRAL	-7.7%	-0.7%
AL	-15.0%	-1.8%
AR, LA, MS	-21.4%	-6.4%
KY	30.6%	2.5%
OK	-10.0%	-2.1%
TN	-11.1%	5.1%
Nashville	-13.9%	7.3%
TX	-2.8%	-0.1%
Dallas/Ft. Worth	-2.6%	1.1%
Houston	-0.4%	-2.0%
San Antonio	2.0%	-1.9%

	DEC	YTD
SOUTH ATLANTIC	-4.6%	-1.2%
DE, DC, MD	-6.1%	-2.7%
Washington/Baltimore	2.4%	-1.6%
FL	-4.4%	-1.3%
Jacksonville/Daytona	-10.8%	3.9%
Orlando	-1.0%	-6.0%
Tampa	2.0%	-1.1%
Palm Beach	7.4%	12.1%
Sarasota	1.5%	-0.5%
Naples/Ft. Myers	0.1%	-5.8%
Miami/Ft. Lauderdale	5.0%	-1.3%
GA	-6.2%	-7.1%
Atlanta	2.0%	-5.9%
NC	-3.4%	2.0%
Greensboro/Raleigh	-6.6%	1.2%
SC	-10.4%	0.0%
Charleston	-10.0%	0.9%
Hilton Head	-12.7%	5.9%
Myrtle Beach	-7.9%	0.0%
VA	4.4%	-0.1%
WV	29.0%	0.9%
MID ATLANTIC	-15.3%	-6.9%
NJ	-15.2%	-2.9%
NY	-28.5%	-9.9%
New York City	-32.0%	-4.1%
PA	-4.9%	-5.3%
Philadelphia	-21.2%	-6.4%
Pittsburgh	58.4%	-7.3%
NEW ENGLAND	-25.2%	-4.3%
CT	-39.7%	-0.3%
MA, RI	-23.1%	-3.8%
Boston	-18.2%	-0.5%
ME, NH, VT	NA	-7.6%

The percentages represent the differences in number of rounds played comparing December 2017 to December 2016.
 For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116



National Golf Rounds Played Report



LEGEND:
 Outline colors represent regions. Round percentages compares December 2018 to December 2017.
 1° WARMER Temp YOY = 0.76% Increase in Rounds Played*
 1" RAIN increase YOY = 2.2% Decrease in Rounds Played*
 *Based on WTI's historical analysis of weather conditions for all US markets. Results may vary by region (precipitation greater than 250% TY vs LY reduced to 250%)

Red	+2.0% and higher
Green	between -1.9% and +1.9%
Blue	-2.0% and lower
Yellow	Off Season



DECEMBER 2018

	DEC	YTD
PACIFIC	-7.6%	3.1%
CA	-8.4%	2.1%
Los Angeles	-6.6%	-1.0%
Orange County	-3.8%	6.3%
Palm Springs	-2.7%	1.9%
Sacramento	-19.5%	2.1%
San Diego	-2.1%	6.0%
San Francisco/Oakland	-11.2%	5.8%
HI	-7.6%	-5.0%
OR	-12.1%	5.2%
Portland	-10.0%	10.1%
WA	7.3%	8.7%
Seattle	5.5%	7.7%
MOUNTAIN	-6.0%	2.9%
AZ	-1.4%	3.3%
Phoenix	0.9%	4.4%
CO	-16.4%	-2.4%
Denver	-11.8%	-0.6%
ID, WY, MT, UT	-33.7%	6.9%
NM	-39.3%	-0.7%
NV	2.2%	2.3%
Las Vegas	-3.1%	1.5%
WEST NORTH CENTRAL	-27.4%	-7.7%
KS, NE	-32.1%	-7.0%
ND, SD	NA	-15.4%
MN	NA	-6.5%
Minneapolis/St. Paul	NA	-8.1%
IA, MO	-20.3%	-7.4%
St Louis	-23.7%	-8.4%
Kansas City	-20.2%	-4.3%

	DEC	YTD
UNITED STATES	-7.7%	-4.8%
PUBLIC ACCESS	-6.6%	-4.7%
PRIVATE	-11.0%	-5.4%

	DEC	YTD
EAST NORTH CENTRAL	-10.3%	-7.7%
IL	-32.4%	-6.7%
Chicago	-34.5%	-6.1%
IN	-32.6%	-7.8%
MI	104.8%	-2.9%
Detroit	124.4%	-4.0%
OH	-8.2%	-10.5%
Cincinnati	-15.0%	-10.3%
Cleveland	7.5%	-7.8%
WI	NA	-12.3%
SOUTH CENTRAL	-3.5%	-7.0%
AL	-7.3%	-0.5%
AR, LA, MS	-8.3%	-7.1%
KY	-4.9%	-4.1%
OK	-1.5%	-10.7%
TN	-12.7%	-12.1%
Nashville	-7.8%	-9.6%
TX	-0.7%	-6.6%
Dallas/Ft. Worth	-5.5%	-11.7%
Houston	1.8%	-7.9%
San Antonio	16.3%	-1.5%

	DEC	YTD
SOUTH ATLANTIC	-11.1%	-5.7%
DE, DC, MD	-3.1%	-14.1%
Washington/Baltimore	-3.7%	-12.3%
FL	-8.7%	-1.6%
Jacksonville/Daytona	-5.1%	-1.5%
Orlando	-9.7%	1.0%
Tampa	-21.6%	-3.0%
Palm Beach	4.3%	5.1%
Sarasota	0.7%	5.0%
Naples/Ft. Myers	-4.1%	1.2%
Miami/Ft. Lauderdale	-4.3%	-0.7%
GA	-15.6%	-4.6%
Atlanta	-17.8%	-5.5%
NC	-18.5%	-8.6%
Greensboro/Raleigh	-29.8%	-11.0%
SC	-17.0%	-8.1%
Charleston	-15.1%	-3.2%
Hilton Head	-13.1%	-3.7%
Myrtle Beach	-11.9%	-8.4%
VA	-17.0%	-11.3%
WV	-7.5%	-8.5%
MD ATLANTIC	18.8%	-11.4%
NJ	19.2%	-10.3%
NY	15.2%	-9.7%
New York City	28.5%	-9.9%
PA	20.9%	-13.6%
Philadelphia	30.3%	-11.7%
Pittsburgh	-14.0%	-12.4%
NEW ENGLAND	76.0%	-4.9%
CT	65.7%	-6.9%
MA, RI	78.8%	-1.7%
Boston	5.6%	-5.9%
ME, NH, VT	NA	-9.1%

The percentages represent the differences in number of rounds played comparing December 2018 to December 2017.
 For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116

NGF Business Analysis of the Quail Valley Golf Course



Prepared for
City of Missouri City

Presented by
Richard Singer

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City of Missouri City

Introduction

- National Golf Foundation
 - Municipal golf facility consulting
 - NGF Staff – Richard Singer and Ed Getherall
 - Previous Work with Quail Valley in 2007
 - **Not advocate for any position other than City of Missouri City's success with Quail Valley GC**

Key Components of the Study

- A comprehensive review of the subject Quail Valley GC, its present physical condition, identified capital needs and operational deficiencies.
- Status of the broader Missouri City/southwest Houston market area.
- A preliminary estimate of the cost of improvements that may be needed at QVGC.
- Benchmarking Quail Valley GC golf operations with industry standards and norms.
- Recommendations for management, marketing, amenities, services, pricing and other “industry best practices”

Part I: Summary of Quail Valley Golf Course



A: Summary of Physical Condition

- QVGC includes a mix of amenities that correlate with success in public golf.
- Since the acquisition, the City has made considerable investment in the facility – El Dorado renovation in 2009 and new clubhouse/community center in 2012.
- The overall physical condition of the QVGC property appears good, with only concerns:
 - Mis-match of La Quinta (\$+/- \$4.5MM to correct)
 - Maintenance facility in very poor condition
 - Some drainage problems

B: Operations

- QVGC is operated via an agreement with Local Government Corporation (LGC).
- QVGC is well managed with appropriate staff and no obvious deficiencies or over-spending.
- F&B operation is significant – 43% of revenue – and has strongest growth potential.
- Maintenance contract may limit flexibility in expenses and lead to timing issues in cash flow.
- The LGC is strong in technology and marketing, especially in recent efforts to increase revenue
- User fees are appropriate.

C: Operations Survey

- NGF collected a total of **389 surveys**:
 - 226 from El Dorado and 163 La Quinta golfers
 - Included a mix of daily fee players (59%), annual passholders (36%) and tournament Participants (5%).
- The results of the survey show general satisfaction among golf customers.
- Golfers noted very high-quality service
- Expressed concern about condition of La Quinta

D: Summary of QVGC Performance

- Total activity at QVGC had been increasing steadily the last few years, with just over 60,000 total rounds of golf hosted in 2016 and 2017, before falling back to 56,000 (6.7% decline) in 2018. Houston metro declined 7.9% with weather a key factor.
- QVGC is generating revenue close to \$4.0 million. However, the expense to operate and maintain the QVGC is also around \$4.0 million.
- The high expense structure is directly related to large clubhouse operation, leading directly to the near “break-even” operation at QVGC.



Part II: Summary of External Factors

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A: General Golf Industry Factors

- Trends are not favorable for golf and ongoing efforts at QVGC to grow the game will need to continue.
- The cost to maintain and operate golf courses has increased in recent years (equipment, labor, resources, etc.), leading to a difficult economic environment for public golf courses.
- The balance between supply and demand for public golf is generally favorable in Missouri City. There are enough households and golfers available to support each golf course in the market, and the courses in the area tend to host more rounds than average.

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B: Local Missouri City Market

- QVGC is proximate to key employment centers, adding to the possibility of attracting patronage from this segment, **assuming facility quality is appropriate.**
- The competition for providing public golf service in this market is dominated by privately-owned, daily fee golf courses, many of which are part of master-planned communities like QVGC.
- The physical amenities at QVGC appear vastly superior to its immediate competitive set of golf courses, giving enormous advantage to the Missouri City facility.

Part III: NGF Recommendations and Financial Projections



A: NGF Recommendations

- Continue with LGC form of operation, perhaps with minor adjustments.
- Commit to new investment in the property, particularly La Quinta upgrade, as soon as is reasonable to complete.
- Implement a new small (no more than \$4 per round) capital surcharge on every round of golf, including passholder and other complementary rounds.
- Enhance the existing program of marketing, with focus on new golf player development and attraction of other non-golf events and banquets.

Physical Improvement/Capital Investment

Quail Valley Golf Course Summary of Preliminary Golf Facility Enhancements by Functional Area			
Key Area of Improvement	Key Projects	Low Estimate	High Estimate
La Quinta Restoration	drainage + cart paths + trees + bunkers + tees + greens	\$4,092,000	\$4,926,000
Maintenance Facility	Metal-frame bldg. repairs / wood-frame replacement	\$268,000	\$339,000
Driving Range	New mats / range netting	\$50,000	\$60,000
1 st Tee Facility	New practice area, practice holes + school	\$1,650,000	\$2,000,000
On-Course Services	Restrooms / drinking stations	\$75,000	\$100,000
Total Estimated Facility-Wide Capital Investment		\$6,135,000	\$7,425,000

All figures are NGF Consulting estimates based on NGF's input and other similar projects completed in the last 3 years that have been provided to allow for preliminary planning. These amounts may or may not reflect actual costs for the City, and the City of Missouri City should engage appropriate research to cost out specific projects.

B: Financial Projections

- Potential for improved results with new investment in facilities (esp. La Quinta).
- The NGF projects that with improvements, QVGC would generate around 58,000 to 59,000 total golf rounds within one year after upgrade, comparable to rounds played in 2016.
- The NGF estimates that if the QVGC can increase total earned revenue to over \$4.5 million by FY2021 (12.5% increase), the new revenue would be sufficient to cover all “on-site” operating expenses that would be required to operate and maintain the facility to appropriate market standards.

Part IV: Summary Statement



A: Key Findings – 2019

- QVGC is a well-run golf facility that generates a very high level of total revenue.
- However, the large “footprint” of the facility requires a large operating expense to match revenue.
- There is no shortcut to reduce expense – only damage product. Net improvement must come from increased revenue.
- New investment in upgrades is needed to maintain prime conditions and marketability
- The facility is a key recreational amenity and important to the City’s residential tax base, with 1,040 homes with direct golf frontage - totaling \$268.8 million in assessed value.

NGF Business Analysis of the Quail Valley Golf Course



Prepared for
City of Missouri City

Richard Singer

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