Park District of Highland Park
July, 2012

# Park District of Highland Park Report: Future Operation Options for Highland Park Country Club and Sunset Valley Golf Course

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7/21/12

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# Introduction

In May, 2012, Pellucid was retained by the Park District of Highland Park to assist in the decision making process involving the potential transfer of Highland Park Country Club (HPCC) operations to the Park District in 2014. HPCC has been operated by the City of Highland Park since its acquisition in 1994 with some general understandings that HPCC would be "transferred" and managed by the Park District upon retirement of the acquisition debt which is scheduled to occur in 2013. HPCC is currently managed under contract with Kemper Sports Management and it is our understanding that that contract has been extended to run through the 2014 golf season. The Park District currently manages Sunset Valley Golf Course (SVGC). Pellucid has been provided with operational data for both HPCC and SVGC covering 2009, 2010 and 2011 for the purposes of projecting the results of a combined operation of HPCC and SVGC.

We see essentially five major alternatives for both the Park District and City of Highland Park:

1. The Park District would operate both courses on a combined basis.
2. The Park District could accept the transfer of HPCC and both facilities would be managed separately much as they are now.
3. The Park District could accept the transfer, but elect to close HPCC and continue to operate SVGC.
4. The Park District could accept the transfer and elect to close SVGC and continue to operate HPCC.
5. The City and Park District could elect to keep both facilities operating and solicit proposals to "outsource" the management of both facilities.

Pellucid has previously evaluated the operations of HPCC and SVGC as part of projects done for Highland Park, Lake Forest and Lake Bluff related to the anticipated economic impact of the proposed new golf course at Fort Sheridan. Both the original project in 2005 and an update in 2008 provide us with a good historical perspective of the operations of both facilities.

In addition to the information we will provide, it is our understanding that the Park District has also retained Jacobsen Golf Design of Libertyville, IL to provide an architectural audit of HPCC and SVGC. Jacobsen is a well respected golf course architectural firm and should provide some additional guidance that will benefit the decision making process.

Pellucid has also provided services to numerous other courses in the Chicago area, which also serves to broaden our understanding of the Chicago golf market and how it has changed over the last decade. This understanding of the market is critical to our ability to provide meaningful guidance.

There are three key components of our project:

**US Golf Trends and Local Chicago Market Conditions –** What are the current trends in national and local Chicago golf market conditions?

**Voice of the Local Golfer Survey (VoLG)** – Pellucid fielded a comprehensive survey to both known customers of HPCC and SVGC and a group of "independent" golfers obtained from a third party. These results from over 600 respondents have been filtered and analyzed from a variety of perspectives.

**Financial Analysis** – We have used the data provided to estimate the financial results of a "combined" operation of HPCC and SVGC in order to help in the decision making process.

In addition to the datasets used in the above, there was an initial meeting with the Park District staff on May 11, 2012. This meeting was followed by site visits to HPCC on June 13, 2012 and SVGC on June 27, 2012. Liza McElroy, Dan Malartsik and Elliot Becker at the Park District were very helpful. Randy Farber of Kemper Sports at HPCC was also very helpful in getting us data through Craig Anderson at the City of Highland Park. Rob Saunders and Brian Green at SVGC were also very accommodating and provided good background data.

Pellucid will also be using its proprietary weather analytics to provide a "weather neutral" framework for our analysis. This is especially important in light of the unusual weather variations in both 2011 and 2012. 2011 was marked by an abnormally low number of Golf Playable Hours and 2012 will most likely show an abnormally high number of Golf Playable Hours, both of which must be taken into account.

In our conclusions, we will attempt to provide guidance in reaching decisions regarding a very complex set of issues. We undoubtedly cannot understand all the political and community issues presented in the five alternatives we see; but we do feel that the following report will serve to provide a well- rounded perspective of both the Chicago golf market and the ongoing golf operations in Highland Park.

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**US Golf Market Conditions**

National Golf Industry data is available from a variety of sources. Pellucid aggregates data and provides analyses that are highly respected in the golf industry. The primary sources are:

**National Sporting Goods Association –** The NSGA has fielded a consistent panel survey tracking golf participation since 1980.

**Golf Datatech –** Since 1999, Datatech has tracked rounds played across the US along with tracking the retail movement of golf merchandise.

**National Golf Foundation –** While the NGF has been widely criticized over the years and is, in fact, considered a competitor; Pellucid has found the NGF Golf Course database to be the most accurate in the industry.

**PGA PerformanceTrak –** A more recently developed system based on individual course reporting similar to Golf Datatech, Pellucid uses this data to compare and augment the datasets used in its analyses.

Pellucid annually reviews the data provided to develop a "State of the Industry" (SOI) presentation and report. Presented at the PGA Merchandise Show in Orlando to over 200 industry leaders in 2012, attendance at the SOI presentation is approved for PGA of America continuing education credits for its members. Many of the charts used in this summary of US Golf Market Conditions have been drawn from the SOI.

## Glossary of Terminology

**Participation –** Percentage of the total population that played golf at least once in the prior year.
**Frequency** – The average number of annual rounds played by each golfer.
**Public-Price Course –** The lowest price group of public access, regulation-length facilities based on the range of values for highest 18-hole weekend greens fee ($35 or less for the local draw area in this analysis)
**Public-Value Course –** The middle price group of public access, regulation-length facilities based on the range of values for highest 18-hole weekend greens fee ($35.01-$67.99 for the local draw area in this analysis)

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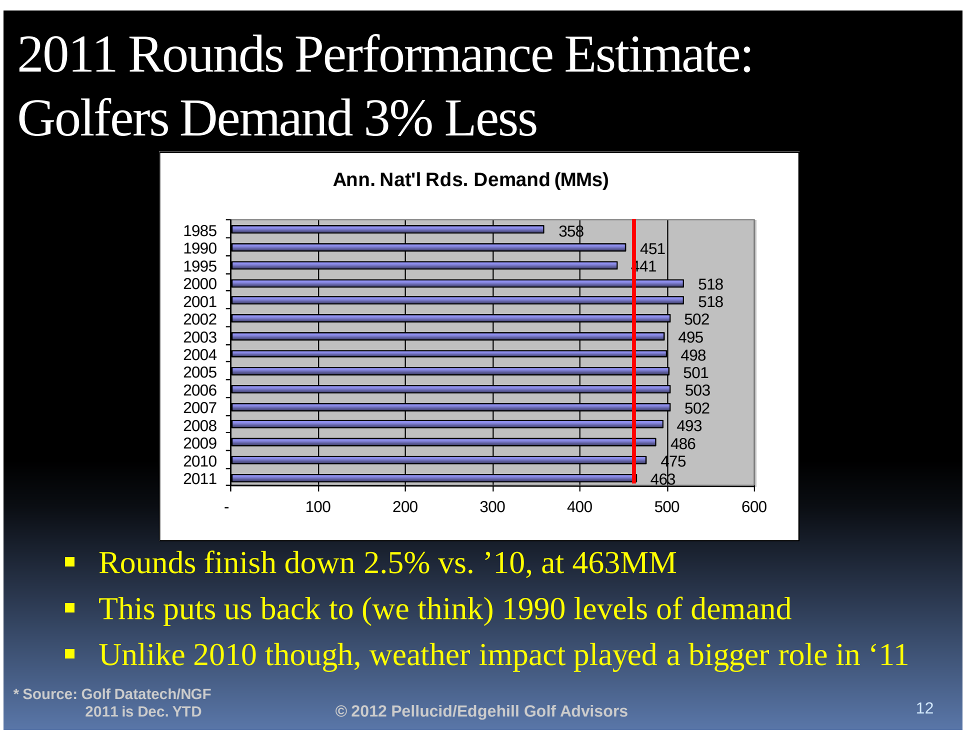
**Public-Premium Course** – The highest price group of public access, regulation-length facilities based on the range of values for highest 18-hole weekend greens fee ($68 or more for the local draw area in this analysis)
**Golf Playable Hours (GPH)** – Using a proprietary formula developed in conjunction with WeatherBank, Pellucid uses hourly weather data from the closest Official US Weather Reporting Station (KPWK) to calculate season length and daily capacity.
**Weather Adjusted Capacity (WAC)** – The benchmark capacity of a golf course based on variation of daylight hours, season length and other factors related to weather conditions. The best example of this application is the concept that 2 golf courses across the street both share the same theoretical capacity.
**Course Utilization % (CU%)** - The relationship between actual rounds played vs. the WAC determined above
**Supply Dilution** – The number and % increase of new holes added to market supply over time. The Supply Dilution Index also compares the change in golf supply with actual population changes over the same period.

**The past decade has been tough for the golf industry.** Rounds have declined from a peak of 518 Million in 2001 to an estimated 463 Million in 2011 (-11%).



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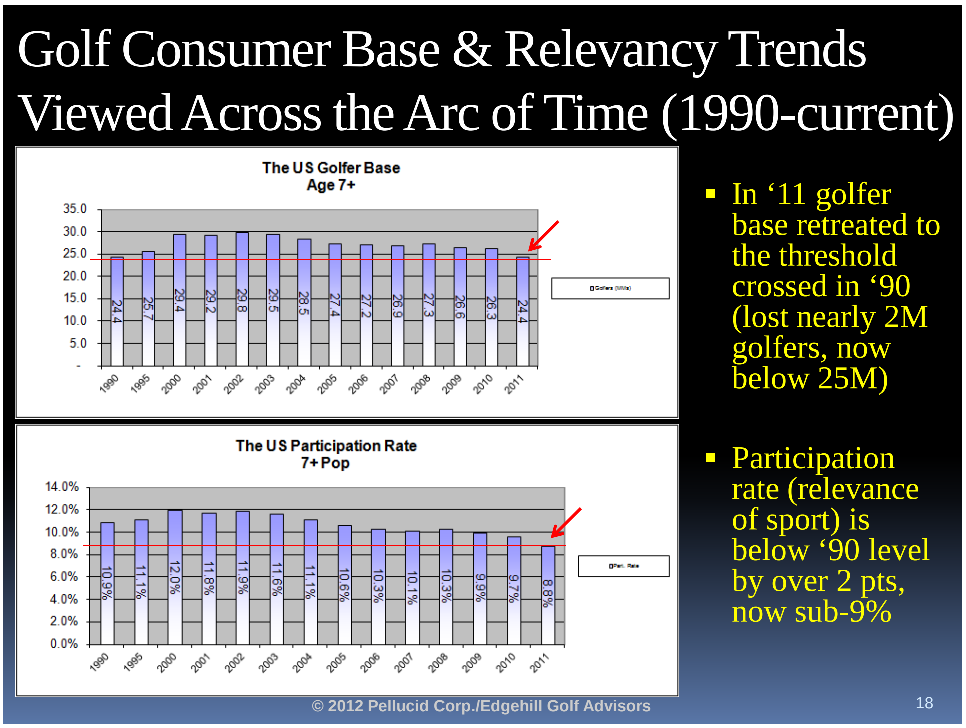
Golf Participation has also declined significantly over the same period.




There has been considerable discussion about the projected positive impact of the aging of the "baby boomer" generation. Because golfers tend to play more annual rounds (frequency) as they get older; it was widely anticipated that this would provide a "tailwind" of about 1.5% per year to the annual rounds performance in the golf industry.

Pellucid and Edgehill have spent a great deal of time on assessing the reasons that have caused this positive tailwind not to occur. There are several identifiable factors that appear to be the culprits:

- The "baby boomers" have exhibited traditional behavior and are playing more rounds; but their "frequency" has not been increasing as much as projected.
- The next generations of golfers (Gen X and Gen Y) are both smaller in sheer demographic size and have not embraced golf as a recreational pursuit at the same rate golf attracted the "baby boomers" when they were in the same 20 – 45 year old age group.
- The economic downturn of 2007 and subsequent recession impacted the "baby boomers" the most in terms of employment and dramatic savings and home equity losses.

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This is best outlined by the “age group” analysis below.

## Consumer Franchise Declines in Core Demographics, Higher Involvement Groups

| | 2011 Golfers (Ks) | # Chng vs. YA (Ks) | % Chng vs. YA | 2011 Shr-of-Golfers | Pt. Chng |
|---|---|---|---|---|---|
| Total | 24,405 | (1,904) | -7% | | |
| | | | | | |
| Singles | 2,700 | (340) | -11% | 11.1% | (0.5) |
| Casuals (2-9 rds/yr) | 9,423 | (722) | -7% | 38.6% | 0.0 |
| Involveds (10-39 rds/yr) | 7,820 | (698) | -8% | 32.0% | (0.3) |
| Committeds (40+ rds/yr) | 4,463 | (144) | -3% | 18.3% | 0.8 |
| | | | | | |
| Male | 18,152 | (1,582) | -8% | 74.4% | (0.6) |
| Female | 6,254 | (322) | -3% | 25.6% | 0.6 |
| | | | | | |
| 7-17 Juniors | 3,008 | (307) | -9% | 12.3% | (0.3) |
| 18-34 Early Career | 6,833 | (881) | -11% | 28.0% | (1.3) |
| 35-54 Mid Career | 8,587 | (787) | -8% | 35.2% | (0.4) |
| 55-64 Late Career | 3,212 | (39) | -1% | 13.2% | 0.8 |
| 65+ Seniors | 2,765 | 110 | 4% | 11.3% | 1.2 |
| | | | | | |
| $0-$34.9K Lower Inc | 3,695 | 116 | 3% | 15.1% | 1.5 |
| $35-$74.9K Middle Inc | 7,969 | (677) | -8% | 32.7% | (0.2) |
| $75K+ Higher Inc | 12,747 | (1,337) | -9% | 52.2% | (1.3) |

- Total number of golfers dropped 7% or 1.9M loss
- Golfer base decline driven primarily by:
  - Males vs. females
  - Mid-involvement
  - Age group 18-54
  - $75K+ income group
- Net, mixed results losing some “core” (males, $75K+) & some “fringe” consumers (18-34, Casuals)

* 3-yr average measure of base size



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In short, the golf industry is exhibiting weak consumer fundamentals on a variety of levels

- A declining participation base indicates a loss of consumer “relevance”.
- The key group of “involved” and “committed” golfers playing with the highest frequency and generating a great majority of annual rounds played is showing the greatest declines.
- Golf is losing “higher income” participants.

The declining consumer fundamentals have had a **negative net result on the operating performance of golf courses across the US.**

Declining participation and annual rounds have caused a significant loss of what Pellucid terms “velocity” – the annual number of rounds played per 18 Hole facility. Between 1990 and 2005, the golf industry introduced about 34% more supply of golf courses in anticipation of projected increases in “baby boomer” frequency and overall golf participation that assumed the next generations would embrace golf at the same high rate exhibited by the “baby boomers”.

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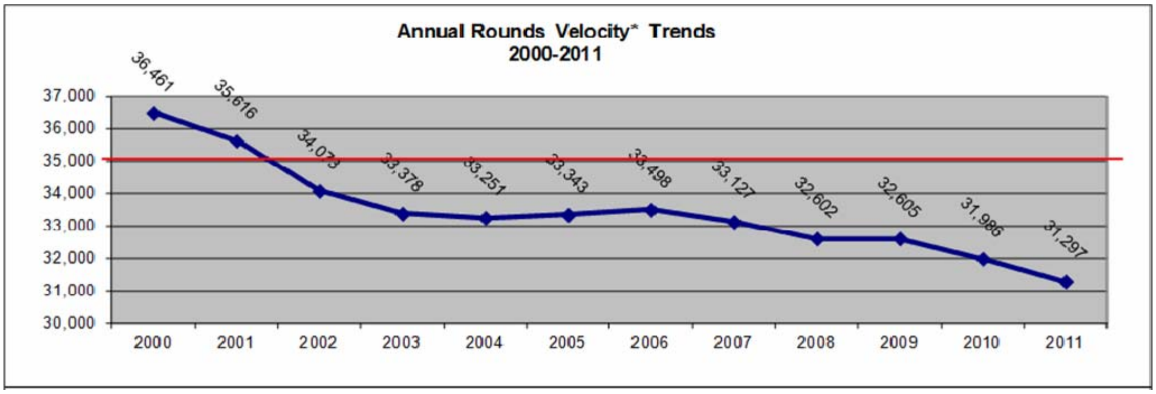
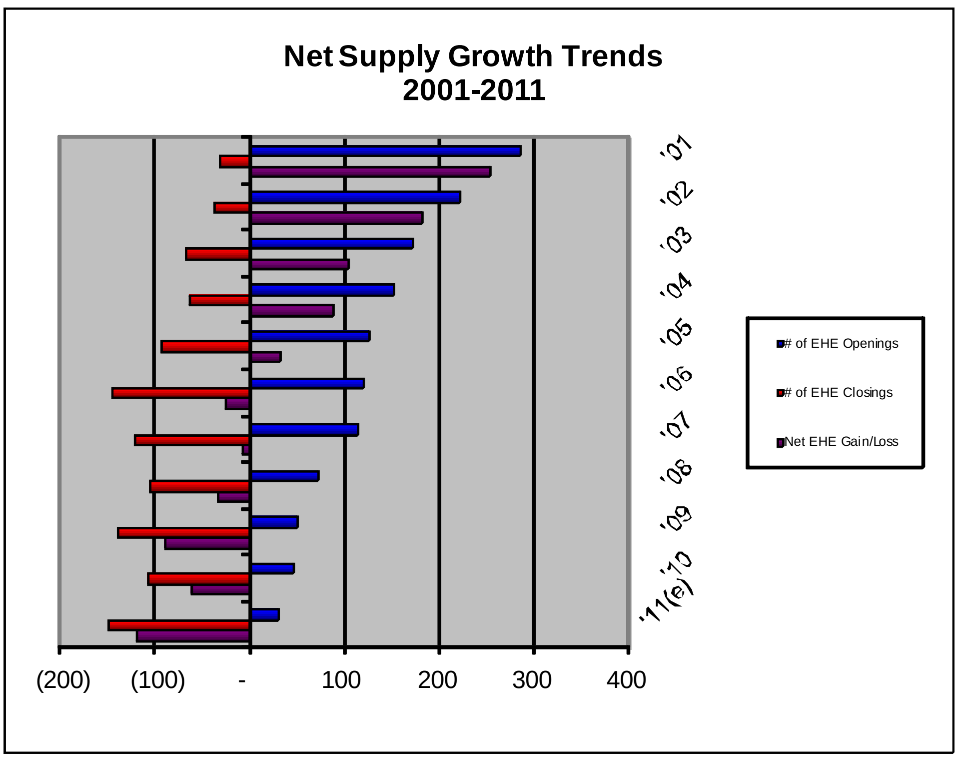



By 2005, evidence of over-supply was obvious and the market belatedly responded by slowing new course development to a virtual halt.




**As it pertains to this specific report, the type and age of courses being closed is of particular interest.**

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## By Vintage, 9-Hole Facilities Post 1960 Are Being Taken Out & 2000-2010 Supply

| Tot. Holes | <18 | 18 | >18 | | Closed Holes | <18 | 18 | >18 | |
|---|---|---|---|---|---|---|---|---|---|
| Pre 1960 | 6% | 21% | 5% | 31% | Pre 1960 | 7% | 15% | 3% | 26% |
| 1960-1979 | 5% | 19% | 6% | 31% | 1960-1979 | 10% | 20% | 3% | 33% |
| 1980-1989 | 1% | 6% | 3% | 10% | 1980-1989 | 3% | 8% | 1% | 11% |
| 1990-1999 | 2% | 13% | 3% | 18% | 1990-1999 | 5% | 11% | 1% | 16% |
| 2000-2010 | 1% | 7% | 1% | 10% | 2000-2010 | 4% | 9% | 0% | 13% |
| | 15% | 67% | 18% | 100% | | 29% | 63% | 8% | 100% |

- Contrary to NGF's assertion that the bulk of supply loss was older, 9-hole facilities that had outlasted their useful life, 1960-1979 hardest hit & post 1980 disproportionately represented
- New supply also well represented in the "take outs"

Source: NGF Facility Dababase



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While both SVGC and HPCC are older courses – SVGC built in the 1920s and HPCC in the1960s – the renovation of HPCC in the 1990s makes it more "modern". While the highest percentage of course closures are "older", we were surprised at the relatively high percentage of closures of courses built in the 1990s.

Our major point at this juncture is simply to emphasize that any decisions regarding the closure of either HPCC or SVGC would not simply be based on age. We will articulate more on this point in our recommendations, but want to bring the issue up so that the balance of the report can be viewed in proper context.

Also, because Jacobsen Golf Design will also be providing insight into the decision making process; their comments on relative comparative design of the courses as they currently exist will be of great value. Also, they may have valuable input on how each course might be improved, the relative cost of the improvements for each facility and which of these would represent a greater degree of improvement on a cost/benefit basis.

In the final analysis, the golf industry across the entire US faces numerous challenges in trying to deal with a prolonged period of declining participation and overall rounds demand.

- Even with aggressive player development programs, it will take some time to recover the golfers lost over the past decade.
- The economic downturn of 2007 and the recession has had a profound effect on the golf frequency of the “baby boomers” – even 5 years later, we are seeing negative impact in the segments of committed and avid golfers.
- Even though development has slowed and we are seeing net declines in golf course supply, it will take another 10 years at the current pace to work off the over-supply built 1990 – 2005.

**Highland Park Local Golf Market Analysis**

Even though the national golf industry trends are negative, there are local markets and market factors that may mean a given local geography may outperform the national market conditions. Pellucid developed the Golf Local Market Analyzer (GLMA) specifically for the purpose of being able to differentiate one local market from another and to identify why a specific local market might be expected to perform differently than the national benchmarks.

In addition to base population along with golf participation and frequency; there can be wide variations in Income, Age and Ethnicity in local markets compared to national averages. There is also a wide variation on a state by state basis. For example, the national overall golf participation rate is 9% while the rate in Illinois is more than 30% higher at over 12% (even though Illinois has slipped from over 14% since 2004).

In addition to detailing the specifics of these variations for the Highland Park local market area, our past studies of the area will allow us to compare any changes that have occurred over the past 4 years since our last update.

To quote from our 2008 report, “The local market, both the Chicago metro and the North Shore local, remains under considerable pressure for existing operator rounds and revenue growth due to the combination of slow supply absorption, sluggish rounds demand growth and pricing pressure from an influx of Public-Premium supply struggling to maintain their pro-forma rounds and price points.” We want to determine if this statement remains true or if some substantive changes have occurred.

The first comparison of 2008 and 2012 data is basic participation – the number of golfers in the area and the number of annual rounds (frequency).

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### Pellucid Part and Frequency Comparison Report 2008

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Total Population** | 561,708 | 3,022,742 | 5,873,628 |
| **Total Households** | 198,459 | 1,107,497 | 2,093,591 |
| **State Participation Rate (% of Tot. Pop)** | 12.60% | 12.60% | 12.70% |
| **Estimated Number of Golfers** | 70,762 | 380,784 | 744,198 |
| **State Frequency Rate (Rounds per Golfer per Year)** | 20.6 | 20.6 | 20.6 |
| **Estimated Play Rate (Rounds per Capita per Year)** | 2.6 | 2.6 | 2.6 |
| **Cons. Survey-based Annual Rounds Est.** | 1,460,442 | 7,859,134 | 15,306,902 |

### Pellucid Part and Frequency Comparison Report 2012

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Total Population** | 504,566 | 2,821,347 | 5,628,928 |
| **Total Households** | 185,703 | 1,080,935 | 2,113,180 |
| **State Participation Rate (% of Tot. Pop)** | 12.50% | 12.50% | 12.60% |
| **Estimated Number of Golfers** | 63,098 | 352,792 | 708,480 |
| **State Frequency Rate (Rounds per Golfer per Year)** | 24.7 | 24.7 | 24.6 |
| **Estimated Play Rate (Rounds per Capita per Year)** | 3.1 | 3.1 | 3.1 |
| **Cons. Survey-based Annual Rounds Est.** | 1,557,850 | 8,710,910 | 17,415,125 |

What we see in the above data is that the number of golfers has declined from 70,762 to 63,098 in the 10 mile radius (almost 11%). The decline in the 30 mile radius is not as great at just under 5%, but the major point is that the **Highland Park local golf market is exhibiting the same decline in golf participation that we see on the national level.**

The annual frequency did increase in 2012 over 2008. This indicates that overall rounds demand should be higher in 2012 than it was in 2008. This would be consistent with the general aging of the population and the increased frequency habits exhibited by older golfers and should be good news for Highland Park.

However, we then use the GLMA to look at the Income and Age demographics and any changes between 2008 and 2012.

**Pellucid Rounds Potential by HH Income Comparison Report 2008**

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Total Households** | 198,459 | 1,107,497 | 2,093,591 |
| **HH Counts - By Income Group** | | | |
| $ 0 - $34,999 | 29,427 | 273,867 | 562,373 |
| $35,000 - $74,999 | 52,249 | 353,751 | 659,712 |
| $75,000 + | 116,784 | 479,880 | 871,507 |
| All Income Groups | 198,459 | 1,107,497 | 2,093,591 |
| **Play Rate (Rds per HH per Year) - By Income Group** | | | |
| $ 0 - $34,999 | 1.7 | 1.7 | 1.7 |
| $35,000 - $74,999 | 6.3 | 6.3 | 6.3 |
| $75,000 + | 11.5 | 11.5 | 11.5 |
| All Income Groups | 8.7 | 7.4 | 7.2 |
| **Income-weighted Consumer-based Annual Rounds Estimate** | | | |
| $ 0 - $34,999 | 50,049 | 465,672 | 957,479 |
| $35,000 - $74,999 | 329,190 | 2,228,734 | 4,175,917 |
| $75,000 + | 1,343,099 | 5,519,116 | 10,021,841 |
| All Income Groups | 1,722,338 | 8,213,522 | 15,155,236 |
| **Rounds Potential Index** | 124 | 106 | 103 |

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### Pellucid Rounds Potential by HH Income Comparison Report 2012

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Total Households** | 185,703 | 1,080,935 | 2,113,180 |
| **HH Counts - By Income Group** | | | |
| $ 0 - $34,999 | 30,481 | 278,022 | 583,573 |
| $35,000 - $74,999 | 46,136 | 323,186 | 631,406 |
| $75,000 + | 109,086 | 479,728 | 898,200 |
| All Income Groups | 185,703 | 1,080,935 | 2,113,180 |
| **Play Rate (Rds per HH per Year) - By Income Group** | | | |
| $ 0 - $34,999 | 2.1 | 2.1 | 2.1 |
| $35,000 - $74,999 | 7.6 | 7.6 | 7.7 |
| $75,000 + | 13.8 | 13.8 | 13.8 |
| All Income Groups | 10.4 | 9 | 8.8 |
| **Income-weighted Consumer-based Annual Rounds Estimate** | | | |
| $ 0 - $34,999 | 65,509 | 597,559 | 1,240,391 |
| $35,000 - $74,999 | 352,910 | 2,472,152 | 4,838,034 |
| $75,000 + | 1,510,772 | 6,643,910 | 12,416,420 |
| All Income Groups | 1,929,191 | 9,713,621 | 18,494,844 |
| **Rounds Potential Index** | 128 | 111 | 108 |

When we look at the Income in the area, we see a positive Rounds Potential Indices (RPIs) in all 3 radii, especially in the 10 mile radius closest to the golf courses. We also see that the RPI has improved by 3% since 2008 in the 10 mile radius and slightly more in the 20 and 30 mile radii. This should be a positive for the local golf market area surrounding Highland Park.

However, when we look at the Age data, we see a major shift has occurred in the demographics from 2008 to 2012. While there are some rather complex issues regarding the use of 2000 Census data that had been projected out to 2008 and then the introduction of new (and presumably more accurate decennial actual count) 2010 Census that could cause this big a shift over a relatively short period; the new data suggest that the Highland Park local golf market has seen a major change to a much younger demographic. **A younger population base is negative for golf participation.**

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## Pellucid Rounds Potential by Pop Age Comparison Report 2008

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Total Population** | 561,708 | 3,022,742 | 5,873,628 |
| **Pop Counts - By Age Group** | | | |
| Age 0 - 34 | 242,981 | 1,455,806 | 2,907,040 |
| Age 35 - 54 | 173,369 | 893,962 | 1,715,327 |
| Age 55 + | 145,359 | 673,063 | 1,251,428 |
| All Age Groups | 561,708 | 3,022,832 | 5,873,796 |
| **Play Rate (Rds per Capita) - By Age Group** | | | |
| Age 0 - 34 | 1.2 | 1.2 | 1.2 |
| Age 35 - 54 | 3.5 | 3.5 | 3.5 |
| Age 55 + | 5 | 5 | 5 |
| All Age Groups | 2.9 | 2.7 | 2.7 |
| **Age-weighted Consumer-based Annual Rounds Estimate** | | | |
| Age 0 - 34 | 291,577 | 1,746,960 | 3,494,129 |
| Age 35 - 54 | 606,889 | 3,129,382 | 6,015,521 |
| Age 55 + | 726,793 | 3,365,316 | 6,262,155 |
| All Age Groups | 1,625,259 | 8,241,658 | 15,771,804 |
| **Rounds Potential Index** | 111 | 105 | 103 |

## Pellucid Rounds Potential by Pop Age Comparison Report 2012

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Total Population** | 504,566 | 2,821,347 | 5,628,928 |
| **Pop Counts - By Age Group** | | | |
| Age 0 - 34 | 252,358 | 1,381,222 | 2,739,440 |
| Age 35 - 54 | 142,782 | 799,078 | 1,619,906 |
| Age 55 + | 109,405 | 640,967 | 1,269,428 |
| All Age Groups | 504,545 | 2,821,267 | 5,628,773 |
| **Play Rate (Rds per Capita) - By Age Group** | | | |
| Age 0 - 34 | 1.4 | 1.4 | 1.4 |
| Age 35 - 54 | 3.9 | 3.9 | 3.9 |
| Age 55 + | 5.2 | 5.2 | 5.2 |
| All Age Groups | 2.9 | 3 | 3 |
| **Age-weighted Consumer-based Annual Rounds Estimate** | | | |
| Age 0 - 34 | 353,303 | 1,933,722 | 3,816,308 |
| Age 35 - 54 | 556,867 | 3,116,489 | 6,317,819 |
| Age 55 + | 568,898 | 3,333,018 | 6,595,194 |
| All Age Groups | 1,479,069 | 8,383,230 | 16,729,322 |
| **Rounds Potential Index** | 95 | 96 | 96 |

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We next look at the Supply History data that tracks the number and type of golf holes over time compared to overall population growth.

### Pellucid Supply History Summary Comparison Report 2008

| | 1980 Holes | 1990 Holes | CAGR | 2000 Holes | CAGR | 2006 Holes | CAGR |
|---|---|---|---|---|---|---|---|
| Private | 1,017 | 1,098 | 0.80% | 1,152 | 0.50% | 1,152 | 0.00% |
| Public Premium | 333 | 423 | 2.40% | 513 | 1.90% | 567 | 2.00% |
| Public Value | 693 | 747 | 0.80% | 855 | 1.40% | 873 | 0.40% |
| Public Price | 288 | 324 | 1.20% | 378 | 1.60% | 378 | 0.00% |
| Learning & Practice | 153 | 198 | 2.60% | 225 | 1.30% | 243 | 1.60% |
| **Total** | **2,484** | **2,790** | **1.20%** | **3,123** | **1.10%** | **3,213** | **0.60%** |
| Pop % Chng-CAGR | | | | | 1.00% | | 0.40% |
| Ann Supp. Absorp/Dilution* | | | | | -0.10% | | -0.20% |
| Cume Supp. Absorp/Dilution | | | | | -1.20% | | -2.00% |

### Pellucid Supply History Summary Comparison Report 2012

| | 1980 Holes | 1990 Holes | CAGR | 2000 Holes | CAGR | 2010 Holes | CAGR |
|---|---|---|---|---|---|---|---|
| Private | 1,035 | 1,116 | 0.80% | 1,170 | 0.50% | 1,206 | 0.30% |
| Public Premium | 468 | 558 | 1.80% | 684 | 2.10% | 738 | 0.80% |
| Public Value | 585 | 639 | 0.90% | 747 | 1.60% | 765 | 0.20% |
| Public Price | 180 | 216 | 1.80% | 243 | 1.20% | 243 | 0.00% |
| Learning & Practice | 144 | 189 | 2.80% | 216 | 1.30% | 225 | 0.40% |
| **Total** | **2,412** | **2,718** | **1.20%** | **3,060** | **1.20%** | **3,177** | **0.40%** |
| Pop % Chng-CAGR | | | | | 1.00% | | 0.00% |
| Ann Supp. Absorp/Dilution* | | | | | -0.20% | | -0.40% |
| Cume Supp. Absorp/Dilution | | | | | -1.50% | | -5.30% |

Supply imbalance has actually worsened since 2008 – mainly due to lack of population growth

- Large increase in Public Premium segment
- Price Compression pushing more courses into Public Premium
- Narrowing "spread" in Public Value segment in which SVGC and HPCC operate.
- Indicates market is becoming increasingly competitive

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We then looked at overall demographic trends to further understand the changes in population that appear in the 2012 data.

## Demographic Trend Comparison Report 2008

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Percent Change from 2007 to 2012:** | | | |
| Population | 1.50% | 0.50% | 1.60% |
| Household | 0.60% | -0.70% | 0.50% |
| Median Age | 2.40% | 2.90% | 3.20% |
| Owner Occupied Housing | 1.80% | 3.80% | 5.20% |
| Renter Occupied Housing | -4.90% | -9.20% | -8.40% |

## Demographic Trend Comparison Report 2012

| | 10 Miles: | 20 Miles: | 30 Miles: |
|---|---|---|---|
| **Percent Change from 2011A to 2016:** | | | |
| Population | -1.90% | -1.60% | -1.30% |
| Household | 1.90% | 1.70% | 1.80% |
| Median Age | 3.20% | 3.90% | 3.90% |
| Owner Occupied Housing | 2.00% | 1.60% | 1.80% |
| Renter Occupied Housing | 1.60% | 1.70% | 1.80% |

What we see is confirmation that the demographic forecast in 2008 called for population growth that did not actually occur and that the 2010 Census discovered a population decline and other changes that will impact the local golf market going forward.

- Demographic forecasters missed the mark in 2008 – projected population growth did not occur!!!
- 2012 forecast appears to recognize earlier projection error and shows declining population through 2017
- **Declining population will also pose challenges for SVGC & HPCC**

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The next 2 sets of data evaluate the "Facility Reported" rounds for the courses in the local Highland Park golf market. Both HPCC and SVGC are in the "Public Value" segment.

To better understand the GLMA methodology, all the courses are classified as follows:

- Private courses are a segment
- Learning & Practice are all 9 Hole courses under 3,000 yards and all 18 Hole courses under 6,000 yards – usually referred to as "Executive Courses"
- The Public (Daily Fee) courses are then segmented based on price using the highest weekend greens fee which is used to establish price tiers. The middle price tier delineates Public Value and, by deduction, courses above the mid-tier are classified Public-Premium and those below mid-tier are classified Public-Price.

What we see in this data is an overall decline in rounds in the overall 30 mile radius from 5,288,899 in 2008 to 5,038,278 in 2012. This 5% decline will be confirmed in an additional data set from Golf Datatech immediately following the Pellucid GLMA data.

Most important to note is the following:

- Public Premium courses averaged 29,259 in 2008 and were 29,919 in 2012
- Public Value courses averaged 33,810 in 2008 and 34,339 in 2012
- Public Price courses averaged 42,791 in 2008 and 28,121 in 2012.

In short, the Public Premium and Public Value courses maintained their rounds levels 2008 – 2012, while there was a precipitous drop for the lowest priced Public Price segment. While this looks good on the surface, we will talk further about the "price compression" in the market that is actually causing these results.

In 2008, the price point for Public-Premium was about $79 – in 2012 it was down to $65. The spread for Public-Value was $35 - $79 in 2008 and $34 to $64 in 2012. **This significant indicator of price declines and the tightening of the price range for Public-Value is further evidence of the market competitiveness on the North Shore.**

We would also suggest that as lower priced Public-Price courses face the same inflationary pressures on costs, their expense reductions have resulted in a noticeable decline in playing conditions. **As prices decline and/or stay static for better conditioned courses, golfers appear to be deserting the lower priced courses.** This is confirmed by the rather steady level of rounds at Public-Premium and Public-Value courses in the market.

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## Rounds Demand Trends, Chicago Market: 2000-2011

- Any supply growth is problematic when suffering from market-wide rounds declines
  - Have lost almost 2M rounds since '00
  - Annual loss in demand is just under 2%, nearly 2x the national CAGR of decline of just over 1%
  - Not sure why it's happening but an unfriendly environment to current operators and positively hostile to new supply

| Year | Ann. Rds |
|---|---|
| 2000 | 11,309,756 |
| 2001 | 11,264,697 |
| 2002 | 10,657,235 |
| 2003 | 10,530,864 |
| 2004 | 10,478,472 |
| 2005 | 10,354,221 |
| 2006 | 10,111,544 |
| 2007 | 10,275,960 |
| 2008 | 9,947,686 |
| 2009 | 10,037,215 |
| 2010 | 10,037,215 |
| 2011 | 9,334,610 |
| | |
| Rds Chng '00-'11 | (1,975,146) |
| % Chng '00-'11 | -17.5% |
| CAGR '00-'11 | -1.7% |

* Source: Golf Datatech, Pellucid baseline rounds



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All our data suggests that there has been a decline in rounds demand in the Chicago golf market over the past decade. The real question is how SVGC and HPCC have performed against the data. Due to our previous work with the two courses, we see the following important points:

- **In 2004, SVGC did 40,824 rounds when the Pellucid GLMA showed the average Public Value course was doing 35,278 – SVGC was out-performing the market.**
- **In 2011, SVGC did 30,001 rounds and the Pellucid GLMA showed the average Public Value course was doing 34,339 – SVGC is under-performing the market**
- **In 2004, HPCC did 28,422 rounds and the Pellucid GLMA showed the average Public Value course was doing 35,278 – HPCC was under-performing the market.**
- **In 2011, HPCC did 22,623 rounds and the Pellucid GLMA showed the average Public Value course was doing 34,339 – HPCC continued to under-perform the market – by a bunch.**

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To properly frame the questions regarding the acquisition of HPCC by the Park District; we really need to evaluate the drop in rounds at both SVGC and HPCC in relation to the drop in rounds demand across the Chicago golf market.

- SVGC has experienced a 25% drop in rounds since 2004; but was outperforming the market in 2004.
- HPCC has consistently underperformed the market, although the drop in rounds at HPCC has been less than SVGC at 21%.
- According to the above Golf Datatech figures, the Chicago market has declined in rounds by 11% from 2004 to present so the decline at both facilities exceeds the overall market.

In order to attempt to find answers to these findings, we need to look at the results of our survey of golfers in the Highland Park area.

**Survey Results**

Jim Koppenhaver and Harvey Silverman conducted a Voice of the Local Golfer (VoLG) survey on behalf of the Park District of Highland Park as an integral part of this project. The Park District has been provided with a separate, detailed analysis of the results.

In addition, Pellucid has conducted two other recent surveys in the immediate area for other clients. Both of thee surveys included SVGC and HPCC in the competitive set of courses. While client confidentiality precludes us from showing those results, we can use them to bolster the results of our findings in this survey.

The survey included three distinct customer groups:

1. Golfers from the SVGC customer database.
2. Golfers from HPCC provided by KemperSports Management.
3. Golfers from a third party database of known golfers from the immediate area.

The lists were "de-duped" in order to eliminate multiple responses. In addition, Rob Saunders at SVGC provided a list of email addresses for SVGC season pass holders that was run against the email addresses of the respondents so that we could check to see that the season pass holders did not skew the results. Using this method, we were able to determine that less than 10% of the SVGC responses came from season pass holders. Since the season pass holders generate over 20% of the revenue at SVGC, we are comfortable with the survey results.

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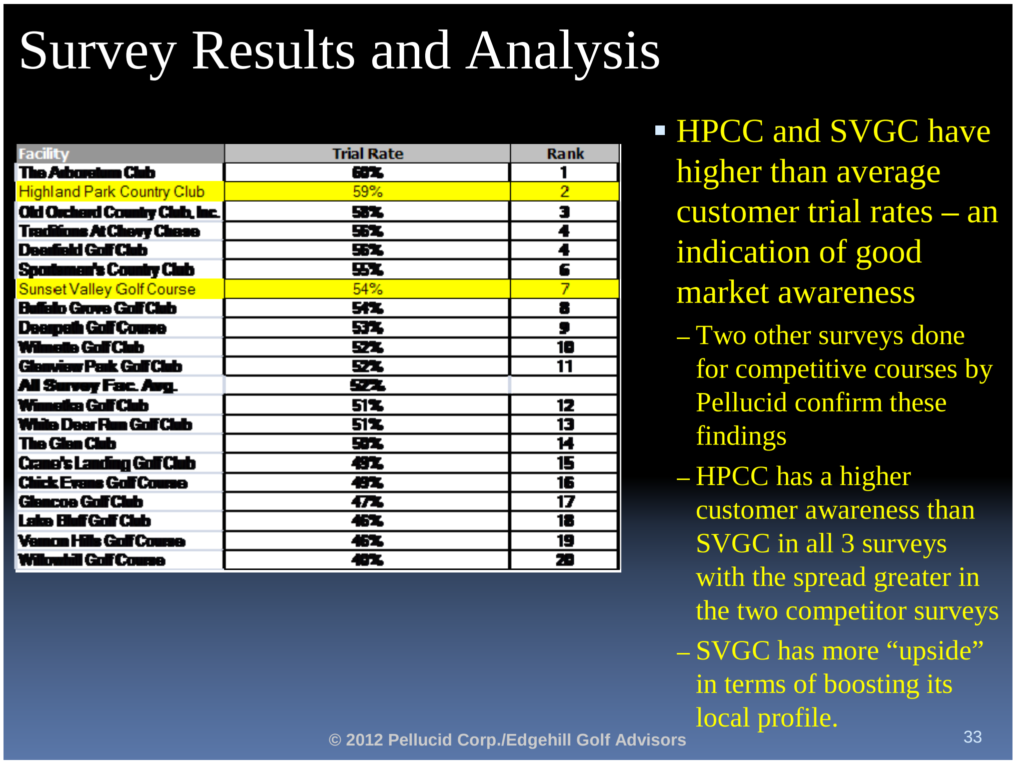


The major point of the above analysis is that both HPCC and SVGC enjoy higher than average ratings for "customer trial rates". This generally means that a majority of survey respondents report playing each of the facilities in the past year. It also helps identify the actual major competitors for both HPCC and SVGC.

It is significant to note that HPCC has about a 10% higher trial rate than SVGC. That may not seem like a big difference, but when we look at the two other Pellucid surveys in the area we see a consistent pattern of HPCC having a higher trial rate than SVGC. The margins in the other surveys were also wider than in this survey. **This leads us to believe that HPCC has a higher market recognition factor than SVGC in the local Chicago golf market.**

We defer to the analysis presented in the more detailed separate survey report; however we see several major themes:

- SVGC gets a larger share of play from its respondents than HPCC.
- SVGC gets a better Quality Score from its customers than HPCC gets from its customers.

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- HPCC gets lower Quality Scores from the Local Area Golfer survey respondents than SVGC.
- Our other two local surveys confirm that HPCC is viewed “more negatively” in the Chicago golf market.
- The “Net Promoter Rating” is much higher for SVGC than HPCC.

## Net Promoter Ratio: SVGC vs. Selected Competitors

| Answer Options | % Promoters | % Neutral | % Detractors | Net Promoters Ratio* |
|---|---|---|---|---|
| Sunset Valley Golf Course | 87% | 9% | 4% | 22.2 |
| White Deer Run Golf Club | 68% | 20% | 12% | 5.7 |
| Glencoe Golf Club | 64% | 22% | 14% | 4.5 |
| The Glen Club | 59% | 20% | 21% | 2.8 |
| Sportsman's Country Club | 52% | 28% | 20% | 2.6 |
| Traditions At Chevy Chase | 50% | 30% | 21% | 2.4 |
| Winnetka Golf Club | 48% | 32% | 20% | 2.3 |
| Deerfield Golf Club | 53% | 24% | 23% | 2.3 |
| Deerpath Golf Course | 45% | 30% | 25% | 1.8 |
| **All Fac. Avg.** | **46%** | **27%** | **28%** | **1.7** |
| The Arboretum Club | 39% | 32% | 29% | 1.4 |
| Lake Bluff Golf Club | 38% | 32% | 30% | 1.3 |
| Wilmette Golf Club | 31% | 44% | 25% | 1.2 |
| Highland Park Country Club | 44% | 19% | 37% | 1.2 |
| Glenview Park Golf Club | 27% | 36% | 36% | 0.8 |
| Buffalo Grove Golf Club | 20% | 35% | 45% | 0.4 |
| Willowhill Golf Course | 19% | 35% | 46% | 0.4 |
| Old Orchard Country Club, Inc. | 18% | 37% | 45% | 0.4 |
| Crane's Landing Golf Club | 23% | 21% | 56% | 0.4 |
| Vernon Hills Golf Course | 15% | 38% | 48% | 0.3 |
| Chick Evans Golf Course | 8% | 26% | 67% | 0.1 |

- SVGC gets a high NPR from their primary players
  – 3-4x closest competitor and 18-19x the score they give to HPCC

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In conclusion, **the survey results indicate that HPCC has a relatively poor reputation in the Chicago area golf market.** As we noted earlier, HPCC has consistently done fewer rounds than other competitive courses in the area by a relatively wide margin. In the end, this is the acid test for how well (or poorly) a course is perceived in its market.

On the other hand, SVGC has less market awareness, but stronger ratings for quality and share of its customers overall annual play. Since at one time (2004) SVGC significantly outperformed its price segment in rounds, the survey results indicate that SVGC may have an opportunity to recapture that performance versus the problems that HPCC has in overcoming a rather consistent negative market perception. We may be able to find some clues in the operational analysis section of this report.

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**Operational Analysis**

Edgehill Golf Advisors conducted site visits to both HPCC and SVGC as part of this study. Edgehill and Pellucid have also conducted operational reviews for SVGC in the past and have visited HPCC several times in conjunction with previous work for the Park District and City of Highland Park.

## Operational Review - SVGC

- The SVGC facilities are well maintained.
- Superintendent Brian Green and Golf Operations Manager Rob Saunders appear well qualified as detailed in our 2008 Report
- Brian Green has successfully reduced man hours in the Maintenance budget by 25% since 2010 without any noticeable decline in course conditions
- Rob Saunders has also contained man hours in golf operations and appears to have reduced those by 10%
- There were some changes in the Active software platform in October, 2010. The counter staff has largely failed to adjust to that software change which is hurting the collection of valuable customer information

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As we look at the operations of SVGC, we generally see a well run facility. **The playing conditions are very good compared to other municipal courses we have reviewed over the years.**

Superintendent Brian Green has reduced maintenance man hours from 20,542 in 2010 to 18,162 in 2011 and is projecting about 15,660 in 2012. He has also made a transition to more “part-time” seasonal labor to eliminate the need for the rather high level of benefits required for “full-time” employees. **These reductions do not appear to have negatively affected the overall playing conditions at SVGC.**

There will be two major maintenance challenges facing SVGC going forward:

1. Emerald Ash Borer will require tree removal and chemical treatment for remaining ash trees resulting in higher forestry costs.
2. Reduced bunker maintenance may cause a decline in bunker quality that may be noticed by customers over the long term.

Other than those two issues, SVGC has a very well maintained and complete equipment fleet. The irrigation system is in good condition and should not require any major upgrades in the near future.

On the Golf Operations side, it appears that payroll has been reduced from about $211,000 in 2008 to $193,000 in 2011. This reduction of about 10% does not appear to have affected customer service. As noted in the survey results, SVGC gets good overall ratings. We noticed good customer interaction during our visits as well.

However, we do see some major operational issues at SVGC. As part of this study, we were provided with certain tables from the Active/GEN software platform used at SVGC. Using these tables, Pellucid and Edgehill are able to dissect the database for key customer information and other measures that help us track how well a golf course is performing. Pellucid and Edgehill have been using this Customer Franchise Analysis (CFA) application since 2003 and have analyzed hundreds of courses. This gives us the unique ability to track not only three years of comparative data for the subject golf course; but also relate these results to historical benchmarks created by all the courses we have studied using the CFA.

When we did the CFA for SVGC, we discovered that there was a big change in the identification of customers that occurred in October, 2010. During 2009 and 2010, SVGC was able to identify over 2,000 unique customers using the Active/GEN platform. In 2011 that number dropped below 1,000 **– this reduction of over 50% is highly unusual.**

We contacted the Park staff and alerted Rob Saunders to the potential problem. We also allocated some of our site visit time to verify the source of the issue. It turns out the Active/GEN made a software change in October, 2010 that represented a **change in the way the counter staff would be able to capture customer history and value.** The staff demonstrated that tracking a customer's history and value would require three extra steps at the time of checking in a golfer. These extra steps, however, would only add about 30 seconds to the check-in process.

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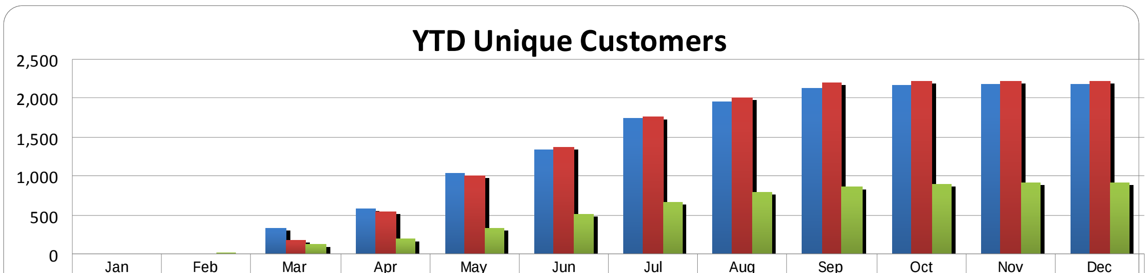
From what we can determine, one staff member is fairly conscientious about taking those extra steps; however the rest of the counter staff personnel have simply pushed the button that allows them to skip that part of the process. This has resulted in the big decline in customer identification at SVGC.




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 1 | 8 | 337 | 588 | 1,031 | 1,336 | 1,743 | 1,948 | 2,133 | 2,162 | 2,181 | 2,181 |
| 2010 | 2 | 6 | 170 | 541 | 998 | 1,369 | 1,754 | 2,015 | 2,193 | 2,219 | 2,222 | 2,223 |
| 2011 | 3 | 22 | 123 | 194 | 334 | 518 | 675 | 791 | 859 | 895 | 908 | 911 |

In addition to the software problem outlined above, we also saw some other issues relating to the use of technology at SVGC.

- Website design and accessibility need to be upgraded
- All website & on-line reservation services need to be “mobile enabled”
- Email marketing efforts need to be evaluated and better utilized to use customer segmentation (i.e. reduce the frequency of discounts to regulars, focus offers on new and lapsed golfers which requires the customer tracking mentioned above).

The better use of technology was recommended in our 2009 Operational Review. It appears that some of those suggestions were implemented, but were negatively affected by the software change by Active/GEN. The other suggestions regarding website and email management were not adopted.

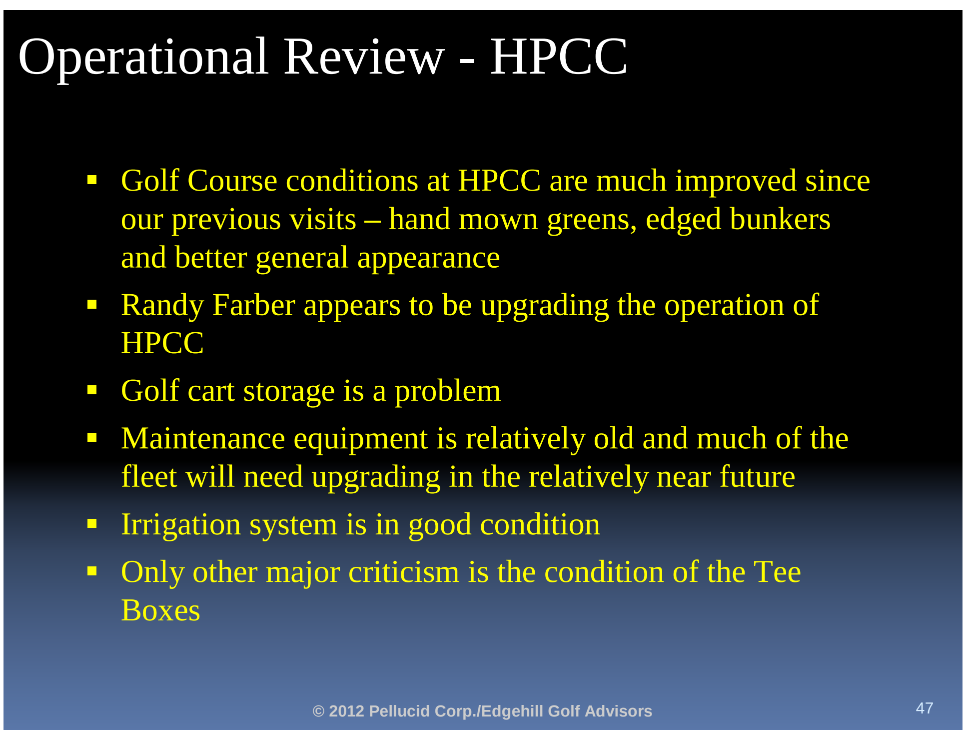
We have to warn the Park District that the failure to take steps to better use available technology will negatively impact the operation of SVGC in the future.

- The goal of the counter staff should be to identify **every** golfer that plays SVGC.
- The counter staff needs to be **required to take the check-in steps** to make sure every golfer gets entered properly to track customer history and value.
- The SVGC website needs to have its own specific “domain” that is accessible without having to access the main Park District website.
- All web applications need to be “mobile enabled”
- Email program improvement cannot occur until the customer identification tools above are implemented.

In conclusion, the facilities at SVGC are in good shape. Course maintenance is good and customers appreciate the conditions. Brian Green and Rob Saunders both have talent and appear to be doing a good job of controlling expenses with no discernible decline in quality of service.

Our major concern is in the noted problems in using technology. This situation needs attention on a number of levels. This is especially true in light of the demographic issues we outlined in the GLMA regarding the problems of attracting younger golfers to participate in the game. **If SVGC is going to attempt to recapture the market over-performance exhibited almost a decade ago, it is going to have to adopt a much wider use of available marketing technology.**

When we look at HPCC, we see a different set of challenges. Our survey results indicate a negative perception in the market and we need to determine if that is “correctible”. Also, with HPCC being managed by a third party (KemperSports Management), we have to look beyond simply the facilities and course conditions to see if Kemper is doing some things differently than SVGC from a marketing standpoint.



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Starting with the positives, we feel the golf course conditions have been greatly improved since our last visit in 2009.

- The greens are now being "walk mowed" and this has made a noticeable difference.
- Bunkers have been edged drastically improving their appearance.
- Fairways and roughs have good definition
- Overall appearance of the facility is much better

We also appreciated the cooperation of the relatively new General Manager, Randy Farber. We found him very capable and noted that many of the changes made above have been made since his arrival. Randy commented that the superintendent is also relatively new to the position and was a big help in achieving the improved conditions.

On the negative side, the tee boxes are only in "average" condition. We would rate them as inferior to the condition of those at SVGC. We also noted that cart storage is a problem and will add to the costs of providing clean golf cars to the golfer and reduce their useful life and relative condition over that life. Proper indoor (or covered) cart storage would be desirable, but will represent a needed capital expenditure going forward.

The equipment fleet is also relatively old. The replacement of the fleet will be required in the near future and again represents a capital need. Fortunately, the City has apparently cooperated with KemperSports Management on the regular maintenance program for the irrigation system, and it is not anticipated that there will be any major irrigation capital requirements in the short term.

We will comment later on the difficulty we had in getting the necessary detail of consistent operating expenses from the City, but we did get enough information to at least comment on the relative sufficiency of the expenses shown for Maintenance and Golf Operations.

The overall maintenance expenses shown for 2011 were approximately $530,000. We also reviewed, as best we could, some provided "trial balance" information that indicated realistic amounts were spent on such maintenance items as Fuel, Fertilizer, Chemicals and Landscaping materials. It was very difficult without getting the requested detail on salaries and wages to determine the sufficiency of those amounts. In the end, the only conclusion we can provide is that it is realistic that HPCC can be maintained for the amount shown. **We should also point out that the $530,000 is within the range for "frostbelt" courses shown in various National Golf Foundation reports and within a range seen by Edgehill for courses it has studied.**

We can only guess at the Golf Operations expense at HPCC. The lack of detail for any General & Administrative expenses that may be related to Golf Operations make it really difficult to determine the true level of Golf Operations expense. Golf Shop expense is listed as $163,000 in one spot but appears to include Cost of Goods Sold of about $60,000. Cart expense is listed at $129,000, but appears to include the cart lease of about $53,000 leaving $76,000 to cover cart staging labor that might overlap with other golf operations staffing. Again, the "trial balance" data we received seemed to indicate that some expenses may be included in G&A that might be considered part of Golf Operations. In the end, all we can really assess is that it would be possible to adequately staff a golf operation within the $103,000 left after COGS is deducted and from the Golf Shop expense and adding the $76,000 allocated to cart expense above the estimated lease payment. **That amount would be sufficient to staff golf operations, but really requires additional clarifications.**

**Over 48% of HPCC revenues come from Food & Beverage operations.** Only about 7% ($74,000) of the total F&B revenue comes from the "Café" that directly services the golfers at HPCC. We also have to look at expenses that show $455,000 in "Total Country Club", $377,000 in "Total G & A" and $742,000 in "Total F & B" and $66,000 for the "Café". These expenses total almost 60% of the total expenses shown for HPCC. Before any real conclusions can be reached regarding the operations of HPCC, the following questions need to be asked and answered:

- In the financials provided by the City in May, 2012, are the bond payments contained in the approximately $2,760,000 expenses shown for HPCC? If so, where?
- What is the real breakdown of the $377,000 in G&A?
- What is included in the $455,000 of "Total Country Club" expenses?
- $107,000 in marketing expenses is not allocated.

In short, we are handicapped in truly analyzing HPCC operations by not having complete or consistent financial data. We can, however, make the following comments:

- It appears that adequate funds are allocated to golf course maintenance.
- It appears that budgeted golf shop expenses are adequate to provide basic services to the golfer.
- There will be needed capital expenses to upgrade the equipment fleet.
- Cart storage is a problem and cart related expenses may be high.

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## Financial Analysis

We have actually introduced some of our financial analysis into the preceding comments on operations. We have created a 7 Year financial analysis for both SVGC and HPCC as part of this study. We have a **great deal of confidence in the numbers for SVGC** and **very little confidence in the numbers for HPCC**.

It appears that SVGC lost about $270,000 on operations in 2011. HPCC claims that it is showing a loss of $184,000 in 2011 which includes bond payments of $170,000.

Our methodology is to apply consistent factors to the baseline numbers we establish. In the case of SVGC, they project that rounds will be up in 2012, so we used 32,000 rounds as a basis in 2012 and used the $15.20 amount from 2011 as the factor for Greens Fees per round in 2012. We then applied a 3% annual increase to both revenues and expenses.

We followed the same process for HPCC. HPCC is projecting 24,000 rounds for 2012 and we used their 2011 amount for Greens Fees per round in the 2012 annual calculation. We then applied the same 3% escalator for revenues and expenses. For HPCC, we showed the estimated $170,000 annual bond payment ending at the end of 2013.

We came pretty close to replicating the actual results at SVGC, while our estimate for HPCC showed a loss of $241,000 as opposed to the $184,000 shown on one of the statements provided by the City.

Going forward, we project that SVGC will show a similar loss in 2012 ($276,000) to that shown in 2011. That loss will decline to an estimated -$218,000 in 2013, but increase again to about -$250,000 in 2018.

For HPCC, the 2011 loss of -$241,000 will decline to -$194,000 in 2012 and -$192,000 in 2013. After the bond payments end, HPCC is projected to run at a relatively breakeven level with annual losses projected to range from -$23,000 in 2014 to -$35,000 in 2018.

On the surface it appears that HPCC is clearly the better performing course, especially after the bond payments end in 2013. However, as we mentioned, HPCC needs an essentially total new equipment fleet for which there appears to be no capital reserve. Additionally, it is unclear where the bond payments actually have been accounted for and the amounts shown as “transfers” in the “trial balance” do not match the losses shown in the various income recaps we were provided. In short, until further financial detail is available, we see that **it is possible that HPCC’s financial performance looks better than it actually is.**

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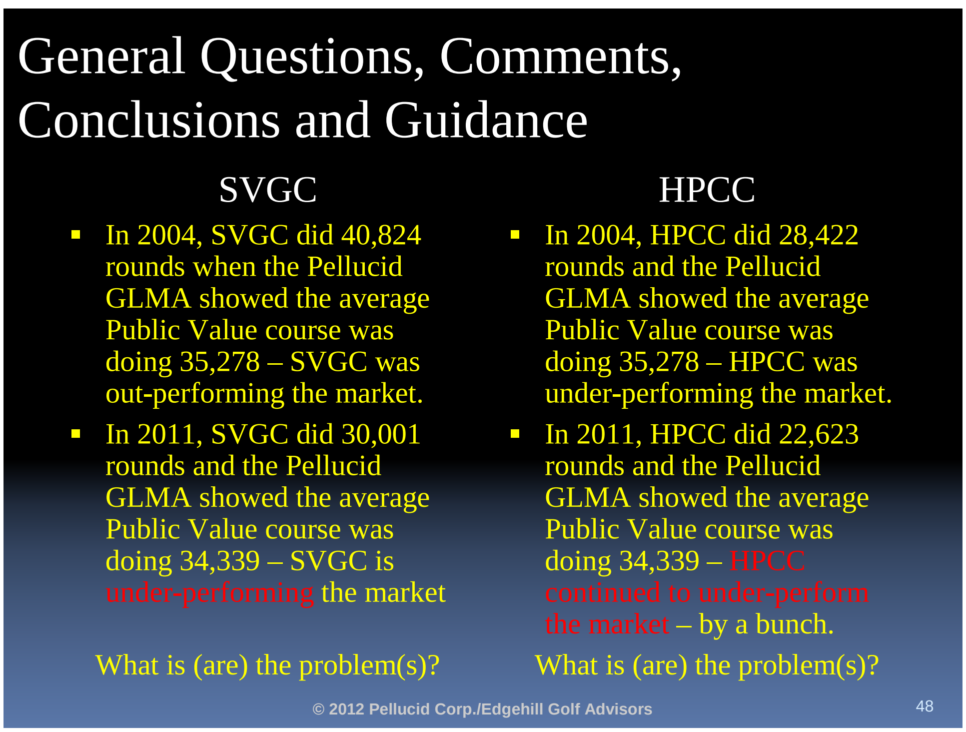
We are providing the extensive model for SVGC with this report. As we said earlier, we have a good deal of comfort with the SVGC data provided by the Park District. We are also providing the summary sheet for HPCC. We will recommend further investigation of HPCC financial performance in our conclusion.

One salient point we would like to make in closing our financial analysis is that it appears that **the Practice Range at HPCC is profitable**. While we are unsure as to the actual results of Golf Operations as it pertains to the actual rounds being played at HPCC and the overall profitability of the F & B operations; **the unique and essentially separate location of the HPCC Practice Range means it could be operated profitably as an "independent" facility.**

## Conclusions




One of the persistent questions for us in doing this Project has been to find out why SVGC has gone from outperforming the market in 2004 to its current below average performance. Clearly, our operations review indicates some glaring weaknesses in the adoption of technology. **The demographics of the area have changed significantly to skewing much younger. We think this is a major factor in the change at SVGC.**

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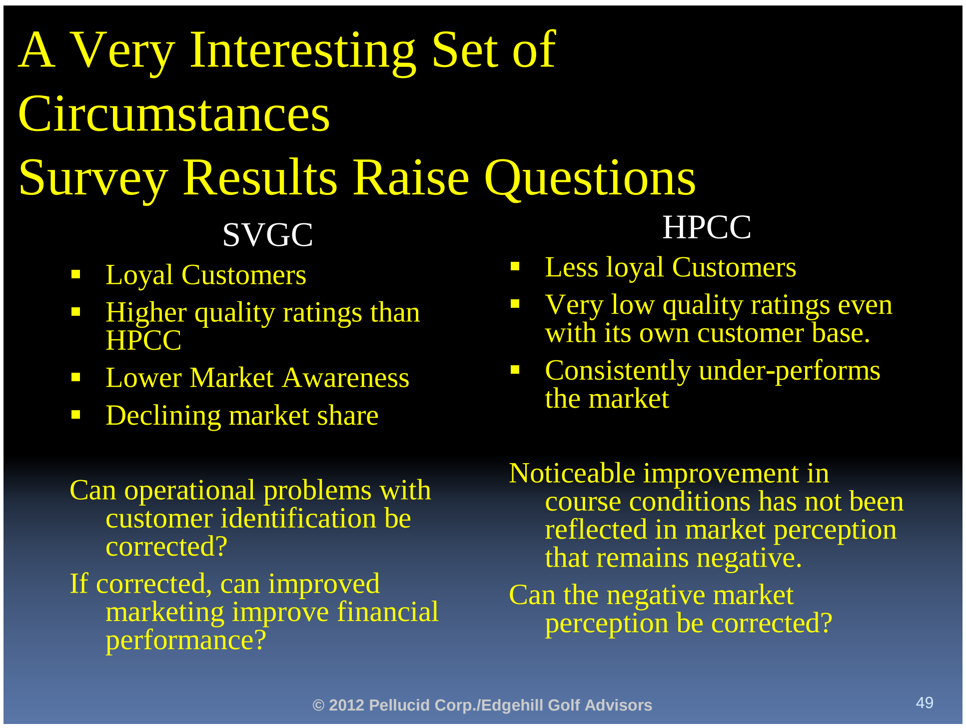
SVGC has always had a heavy reliance on both season pass play and permanent tee times. This may discourage younger players because it ties up the more desirable weekend tee times. We noted this in our 2009 review and suggest that the change in age demographics has simply made the issue more apparent since then.




Our survey results clearly show SVGC to have a loyal set of customers that give it a much higher Net Promoter Rating than HPCC. The other market data from additional surveys seem to confirm a “negative” perception of HPCC in the Chicago golf market.

We will defer to the results of the architectural audit from Jacobsen Golf Design, but we suspect that HPCC will require more work to try and correct the negative market perception than will be required to improve SVGC. We base this largely on our finding that SVGC has relatively recently outperformed the market while HPCC has apparently always under-performed the market.

We also feel that the operational issues with the counter staff at SVGC can be corrected with either better staff training or changes. This will require the better use of available technology, but these issues are being faced by golf courses across the US.

# Conclusions

- Closing SVGC would be unpopular with its loyal customer (voter) base
- Closing HPCC would likely have less negative pushback, but ongoing building and grounds maintenance would involve significant expense
- Due to integration with the storm water drainage system, sale of HPCC is not an option

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# Guidance

- Make operational changes related to customer identification at SVGC – problems with counter staff need correction
- Total evaluation and necessary modification of SVGC marketing programs including website and adoption of mobile friendly applications – will require professional help
- Further evaluation of HPCC operations needs to be part of the transition process
- Explore alternatives for HPCC regarding renovation to correct the negative perception of HPCC in the marketplace

- Final Alternative – Explore the potential leasing of both facilities to an outside operator

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## Final Comments

- Problems at SVGC are fixable
- If fixed, financial performance should improve at SVGC
- Negative perceptions of HPCC may be harder to fix
- Any renovation of HPCC should be accompanied by a complete cost/benefit analysis

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As we review all the findings in this report, several points stand out:

- The Chicago golf market remains very competitive
- The demographics of the immediate Highland Park area are changing – Income remains high, but the market is getting much younger, which is a problem for golf participation both locally and nationally.
- Both SVGC and HPCC are currently under-performing the market
- Closing SVGC would be politically unpopular
- SVGC has some operational issues, but these appear fixable
- HPCC has a longer standing problem with negative market perception
- Further investigation of the operation of HPCC with the cooperation of the City must be undertaken prior to any decision that results in the operation of HPCC over any extended period of time.

To formulate real conclusions based on the findings of this report, we would base it on the fact that the City of Highland Park does not need to own and operate two golf courses. **The base population does not justify having two courses and the overall Chicago and national golf market trends do not anticipate any rapid improvement in market conditions on the immediate horizon.**

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If we were pressed to lay out a future plan, we would make the following suggestions:

- Try to fix the operational issues at SVGC
- See what Jacobsen Golf Design suggests for SVGC – tree health is going to be an issue due to the ash borer in any event.
- The Park District should explore the operation of the HPCC Practice Facility as a separate Park entity.
- Explore alternative uses for the physical facilities (buildings) at HPCC
- Close HPCC unless further financial analysis and/or input from the architectural audit indicate profit potential at HPCC that we do not see.

Thank you for the opportunity to complete this very interesting analysis. There are a lot of challenging issues facing both the Park District and the City of Highland Park. We also appreciated the cooperation from the entire staff at the Park District.

Please feel free to contact us with any questions regarding this report.

Respectfully submitted,

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Stuart C. Lindsay
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