

Golf Study

Knoxville Municipal, Whittle Springs, and Williams Creek
September 26, 2023

Prepared by:



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Section 1 - Executive Summary

Purpose of Golf Study

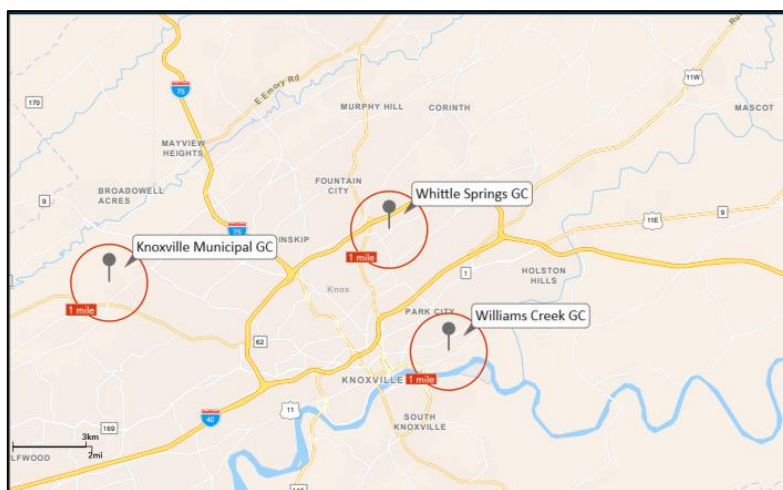
To research, analyze, and present options that will increase the probability that the City of Knoxville can provide its residents golf as a recreational amenity that offers value for the patrons on a foundation that optimizes the financial resources allocated by the City.

This report has been reviewed by Ms. Sheryl Ely, Director of Parks and Recreation; Mr. Aaron Browning, Deputy Director of Parks and Recreation; Mr. Dan Zimmer, Regional Manager for Indigo Sports, with insights provided by Mr. Justin Smedley, General Manager of Knoxville Municipal, Mr. Rusty Howell, General Manager of Whittle Springs and Mr. Alan Gibb, President of Williams Creek Youth Foundation.

Their comments have been integrated into this study to ensure the facts presented are accurate and provide appropriate context to the reader, particularly the non-golfer. To the extent that comments received by the management companies presented a different perspective than our professional opinion, they were thoughtfully considered.

A Living Organism

The City of Knoxville owns three golf courses located here:



These golf courses comprise:

Course	Year Open	Length	Slope Rating	Prime Time Rate
Knoxville Municipal	1983	6,217	118	\$39
Whittle Springs	1932	5,729	112	\$33
Williams Creek	2003	2,869	N/A	\$37

Note 1: The USGA does not provide slope ratings for Par 3 golf courses.

Note 2: Prime time rates = weekend green fee with cart

Note 3: Knoxville Municipal was acquired by the City in 1967, annexed into the City, and surrounded by Knox County.

The experience provided by these courses will attract new entrants to the game, recreational golfers, and senior citizens seeking a leisurely round of golf. These golf courses will not appeal regularly to the accomplished avid golfer who prefers longer, more challenging venues.

Knoxville Municipal and Whittle Springs are operated as an "Enterprise Fund." An enterprise fund is a government-owned fund that sells goods and services to the public for a fee. The purpose of an enterprise fund is to recover its costs through user fees or to meet other public policy or management goals.

While cost recovery is the focus of an Enterprise Fund, as a municipal asset, there is an emphasis on the intangible aspect of providing value, service, and the opportunity to provide a recreational amenity to citizens. It costs about \$100,000 to maintain 150 acres of open park space. Although the golf course's cash flow deficit is less than \$100,000, it is advantageous to continue to operate the golf courses, even with a minor cash flow deficiency.

The financial performance of the golf courses is recorded in the Golf Enterprise Fund (000508) and various associated sub-funds. For the past decade, transfers to support the golf courses have been made from the general fund, capital projects, golf fund, fleet fund, and various intrafund transfers slightly exceeding \$3 million. This financial support has covered professional service fees of \$1,608,517, depreciation of \$706,897, operational losses of \$168,366, and various capital projects.

A golf course is a living organism comprising ten components that depreciate, i.e., greens, tees, fairways, irrigation systems, cart paths, etc.

It is desired that an investment of \$193,700 be made annually, exclusive of capital repairs for the clubhouse or maintenance buildings, to maintain a golf course adequately based on the current infrastructure at Knoxville Municipal and Whittle Springs. Over the past decade, a capital investment, preferably from cash flow, should have been invested in Knoxville Municipal and Whittle Springs, totaling \$3,874,000, contrasted to the \$1,181,497 expended, of which 70% was for cart paths.

Knoxville Municipal and Whittle Springs have been managed under contract for the past sixteen years via a third-party agreement with Indigo Sports that expires on December 31, 2023.

Williams Creek Golf Course is managed by WC Two, a Tennessee 501(c)3 non-profit corporation “doing business as” the Williams Creek Youth Foundation. Their lease to manage the golf courses expires on October 31, 2031.

The Williams Creek Youth Foundation has gathered support from the City of Knoxville, Knox County, corporations, individuals, and other non-profits to deliver on its mission. To illustrate, the golf course was constructed and managed on behalf of the City of Knoxville as a private-public initiative. Over its 23-year history, the Foundation reported nearly \$3 of private funding was provided for every \$1 of public financing. From January 1, 2021, through December 31, 2022, of the \$384,416 in grants and donations received, \$20,833 were from private funding sources.

Today, Williams Creek is partially financially supported by the \$8 million Parks and Recreation Department budget, which is part of the General Fund. The General Fund is the primary operating fund of a municipality. General fund dollars are used to support City services such as police, fire, planning, community development, and administrative support services.

Since FY 2001, the City of Knoxville has invested in Williams Creek \$2,688,348 allocated as follows:

Items	Amount
Foundation Support according to the original agreement	\$300,000
Capital Investment	134,675
Operational Support, Including Maintenance Equipment (July 1, 2007 – December 31, 2022)	620,000
Labor Support: Superintendent (November 1, 2016 - December 31, 2022)	92,500
Other Utilities, Including Water from 2007 through 2022	1,541,173

According to the lease signed with WC Two on November 1, 2001, it should be noted that Section X of the agreement reads,"

"The City shall provide police, fire, and private protection at its expense to the Premises on the same basis as such protection is provided to other city Parks and greenways. The cost of electricity shall be the responsibility of the City. The cost of all other utilities, including water, **shall be the responsibility of WC Two.**"

Contrary to the November 1, 2001, agreement, it appears through an undocumented change, the City has paid the cost of all other utilities, including water at Williams Creek, since 2007.

In June 2022, the City Council committed an additional \$300,000 in capital funding to Williams Creek over the next three years through 2024.

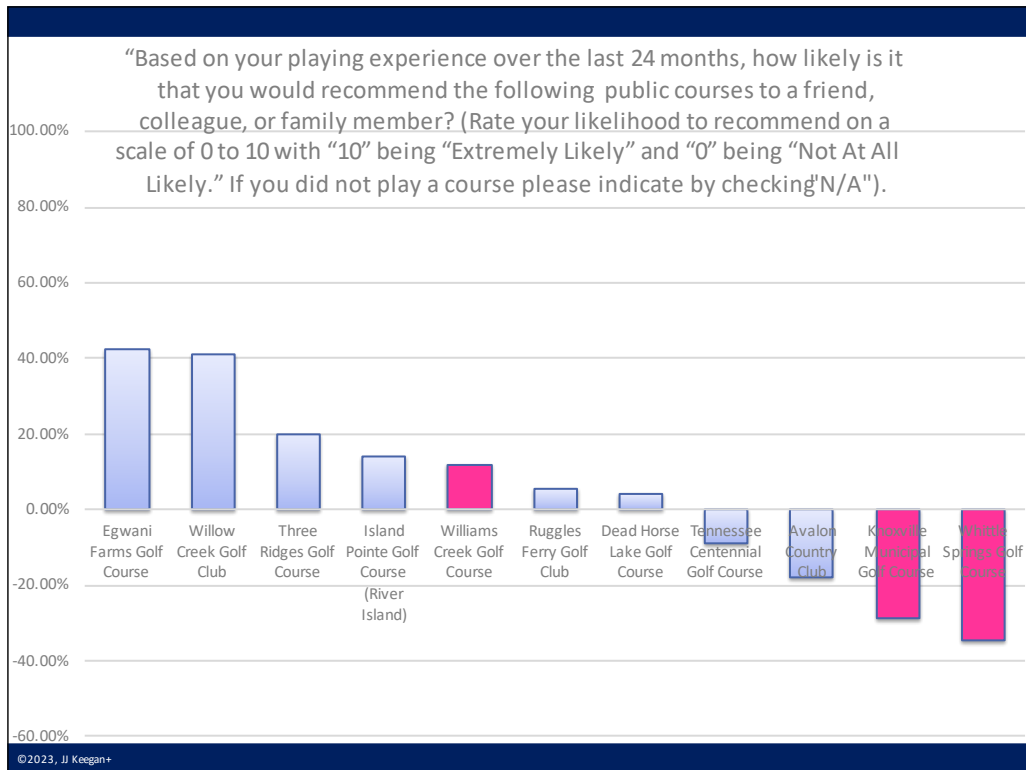
The favorable capital committed to Williams Creek is 44% greater than that allocated to Knoxville Municipal and Whittle Springs, though only 21,578 rounds are played at Williams Creek. Rounds played in FY 2023 at Knoxville Municipal and Whittle Springs were 34,137 and 31,324, respectively.

Deferred Capital Impacts Customer Loyalty

The lack of proper capital investment in the golf courses has eroded the quality of the experience provided to the golfers. The extent of this deterioration was captured in a public survey conducted within this golf study. The question asked was:

"Based on your playing experience over the last 24 months, how likely would you recommend the following public courses to a friend, colleague, or family member? (Rate your likelihood to recommend on a scale of 0 to 10, with "10" being "Extremely Likely" and "0" being "Not at All Likely.")

Of the 11 golf courses listed, Knoxville Municipal was ranked 10th, and Whittle Springs 11th. It should be noted that the short chip/putt golf courses operated by Knox County, Beverly, and Concord were not included in the survey.



The deferred capital for the courses, as illustrated below, is substantial:

	Critical	Competitive	Comprehensive	Total
Knox Municipal	\$1,050,000	400,000	1,000,000	2,450,000
Whittle Springs	1,500,000	350,000	980,625	2,830,625
Williams Creek	500,000	476,000	2,844,700	3,820,700
Total	\$3,050,000	1,226,000	4,825,325	9,101,325

Note 1: The components of the proposed capital investment for each golf are presented in 30+-page reports for each facility: Exhibit 3A - Knoxville Municipal, Exhibit 3B - Whittle Springs, and Exhibit 3C – Williams Creek.

Note 2: Critical is defined as what is essential now that needs repair, adversely impacting the current operations and negatively affecting revenues.

Note 3: Competitive is defined as those capital improvements required to ensure the current golf experience enjoyed by the golfers is comparable to that of other golf courses.

Note 4: Comprehensive is defined as the significant capital investment necessary to render the golf course in a state comparable to that on the day it opened.

While these numbers look daunting unto themselves, the level of investment does not address the critical safety issue on Whittle Springs 10th to 12th holes where damages to homes and cars repeatedly are extensive, and this level of investment does not incorporate the capital required for the sorely needed clubhouse renovations, particularly at Whittle Springs and Williams Creek.

To render the City's golf courses current by undertaking the issues listed above might require upwards of \$15 million.

A National Perspective

Golf is a \$102 billion industry, 20% larger than in 2016.

Thirteen thousand nine hundred forty-six facilities offer 15,945 golf courses in the United States. There are 25.6 million golfers, of which 9.3 million are seriously committed to the game. Seventy-five percent of golfers are male. The average age of a golfer was 43.8, with a household income of \$102,433 as of 2021.

The 515 million rounds played in 2022 represent a 16.0% increase from the 2017 -2019 average. During the past three years, play among youth, black, Hispanic, and females, has increased by 36%, 34%, 21%, and 15%, respectively. Demand is showing no immediate material signs of weakening. However, uncertainty did exist in January 2023 due to the specter of an economic recession and the growing emphasis on businesses requiring workers to return to the office. Through June 30, 2023, rounds are up nationally by 5.5% compared to 2022.

Spurred by the Pandemic, the popularity of golf entertainment has expanded dramatically across the nation from 3 entertainment centers in 2006 to 80 entertainment centers in 2022. There are over 500 businesses with golf simulators. The presence of amusement centers, i.e., Top Golf, Drive Shack, Big Shot, and Top Tracer, attracted around 27.9 million people in 2022. Top Tracer alone is installed at over 280 green grass facilities, which has seen range revenues soar. Off-course golf options now attract more individuals than on-course.

Off-course options have created an environment that makes people want to play, provides a more approachable way for them to learn the game, provides the excitement of a good shot, and provides a sense of the requirements to play traditional golf. Thus, societal values are now changing.

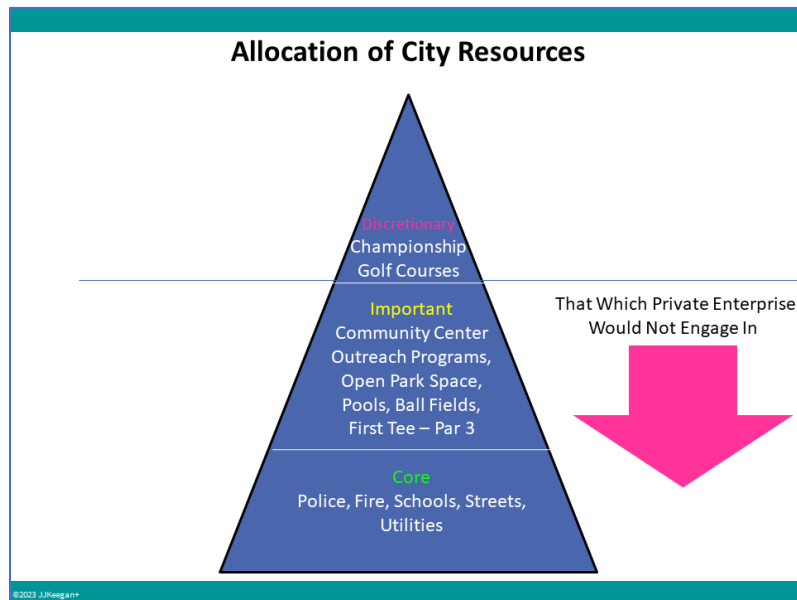
Golf has long been viewed as the elitest, expensive, and most time-consuming sport, as noted by Thorstein Veblen in his book, "*The Theory of the Leisure Class*," in which he challenges some of society's most cherished standards of behavior and exposes the hollowness of many of our canons of taste, education, dress, and culture.

There is now a brand revitalization regarding golf. The off-course alternatives have given consumers' confidence that golf, while challenging, can also be fun, entertaining, and exciting. As a result, the game is becoming more popular, fashionable, diverse, and approachable.

The off-course audience continues to grow at a high rate. Still, the journey to green grass facilities remains full of logistical and emotional challenges: golf clubs and balls, golf apparel, and the recurring cost of green fees, carts, and range. For those who operate courses, most feel having a dress code is essential.

Trickle Down: The Demographics

The City of Knoxville faces a conundrum. Though operating on a net asset position exceeding \$800 million with annual revenues exceeding \$300 million, the City operates within strict financial guidelines and limited resources. The allocation of funds is usually based on the following priorities:



That begs the question, "Do you invest in an asset with little chance of being fiscally self-sustaining?" Or how do you measure the intangible value of providing a recreational amenity to enhance residents' quality of life to justify such an investment?

The harsh reality is that the City of Knoxville could shutter all three facilities and avoid the potential capital investment of \$15 million and the annual capital subsidy of \$400,000. Residents could still play golf on the area's twelve other public golf courses. While utilization of golf courses nationally has increased from 52% to 70% due to the surge in demand resulting from the Pandemic, ample weekday tee times remain available.

While it would be more expensive and less convenient, numerous facilities in Knox County offer extensive lessons and programming for new entrants to the game. Fairway and Greens Golf

Center is a prime example. Further, ample tee times remain during the week to attract senior play at other courses.

Operational Challenges

The question that must be addressed is, "Why do the City of Knoxville golf courses have little chance of being fiscally self-sustaining?" The answer comprises four components: typography challenges with the existing sites, revenue constraints influenced by demographics, historical operating cost constraints, and accelerated expenses to support the new capital investment.

Topography Challenges

Today's most profitable golf course facilities provide a wide range of amenities beyond an 18-hole golf course: a driving range with Top Tracer, a short game area, a putting green, fully stocked merchandise inventory, and a restaurant capable of hosting tournaments and outings with 144 golfers simultaneously.

Knoxville Municipal maintains only a green and tee watering system. The irrigation system at Whittle Springs is over 40 years old. Neither golf course has a driving range. Neither Knoxville Municipal nor Whittle Springs has sufficient land to accommodate the expansion of the golf experience available at other Knoxville area golf courses. The Clubhouses at each facility are basic and lack the kitchen capacity to host lucrative tournaments and outings.

While Knoxville Municipal has excessive frontage space from the entrance to the clubhouse, it lacks the width and depth to install a driving range. A creek crosses holes 1, 9, and 10 adjacent to the clubhouse, limiting viable options.

Revenue Constraints Influenced by Demographics

While many elements need to be present for a golf course to be successful, the principal factors are:

- Demand greater than or equal to Supply.
- Sufficient playable golf days
- The experience offered is greater than or equal to Greens Fees
- Availability of water at a reasonable (hopefully not to exceed \$1.20 per thousand gallons)

The City of Knoxville, with 257 playable golf days per year, is fortunate that demand for golf far exceeds supply, as noted here:

Entity	United States	Tennessee	Knox Municipal	Whittle Springs	Williams Creek
Population	337,470,185	7,120,037	401,345	322,522	321,970
Golf Courses	15,945	276	10	9	9
Golf Facilities	13,946	249	10	9	9
People Per Facility	21,165	25,797	40,135	35,836	35,774
People Per Course	24,198	28,595	40,135	35,836	35,774
Demand Exceeds Supply - Facilities		122%	189.63%	169.32%	169.03%
Demand Exceeds Supply - Courses		118%	165.86%	148.09%	147.84%

Note 1: The number for population, golf courses, and golf facilities is based on a radius of 10 miles from the facility.

Note 2: A golf facility facilities, i.e., Bethpage, Torrey Pines, etc., can have multiple courses at one facility.

The average prime-time green fee with a cart in the United States is \$51. The typical golf course has over 80 rates throughout the year. The goal of a golf course is to realize 60% of the posted rate when considering the time of the day, the day of the week, the time of the year, and the type of individuals that are electing to play golf. Regretfully, the average **posted rate** in the Knoxville area is 5% less, as shown here:

Course	Apparation	Field Test 6/10 for 6/17	Software Provider	Annual Pass
Avalon Country Club	\$64.00	\$64.00	Tee It Up.com	Call membership
Beverly - The Barn	12.00	12.00	Knox County Website - Online booking not available	N/A
Concord	8.00	7.00	Knox County Website - Online booking not available	N/A
Dead Horse Lake	54.00	55.00	ForeUp	Rewards Program
Egwani	55.00	57.00	GolfNow	N/A
Island Point	62.00	57.00	GolfNow	N/A
Knoxville Municipal	35.00	39.00	GolfNow	950
Ruggles Ferry	43.00	50.00	ForeUp	N/A
Tennessee Centennial	36.00	46.00	GolfNow	899
Three Ridges	47.00	49.00	Knox County Website - Online booking not available	Loyalty Card
Whittle Springs	32.00	31.00	GolfNow	900
Williams Creek	32.00	35.00	GolfNow	775
Willow Creek	62.00	N/A	Website Out of Date Re Rates. No online booking	3,188 + Cart
Average Prices Inclusive of Beverly/Concord	41.69	41.83		
Average Price Excluding Beverly and Concord	47.45	48.30		

Note 1: Apparation maintains an extensive database of 35 data points for all golf courses in the United States and is attached as an Appendix to this report.

Thus, Knoxville's net revenue per round target (green fee, cart, membership sales, golf card passes) is \$28.98 (\$48.30 – average green price in Knoxville area times 60%).

Over the past decade, Knoxville Municipal and Whittle Springs realized revenue per round of \$23.58 and \$20.60 for green fee/cart, etc., on an average of 29,180 and 25,392 rounds, respectively. Thus, the gross revenue from green fee-related items was \$574,200 and \$423,504, respectively.

While the superficial observer would suggest raising rates, there are two constraints: 1) the golf courses in the competitive set offer a far better experience at prices only slightly higher, shown in the table above, and 2) the income levels of Knoxville rates are below national medians as illustrated here:

Site	USA	Tennessee	Knox County, TN	Knoxville Municipal (0 - 10 minutes)	Whittle Springs (0 - 10 minutes)	Williams Creek (0 - 10 minutes)
2023 Median Age	39.1	40.3	39.8	38.8	39.1	28.7
2023 Median Household Income	\$72,603	\$61,449	\$65,504	\$64,404	\$42,505	\$34,724
2023 Median Net Worth	\$157,240	\$136,536	\$150,888	\$154,147	\$37,174	\$13,379
2023 Average Home Value	\$405,750	\$318,182	\$347,327	\$270,158	\$271,323	\$261,854
2023 Participated in Golf Last 12 Mo	6.21%	6.11%	6.93%	6.18%	5.42%	6.00%
2023 Watch PGA Golf on TV	9.83%	9.88%	10.95%	9.96%	9.02%	8.53%
2023 Fees for Participant Sports Excluding Trips	\$46.05	\$37.84	\$44.03	\$39.48	\$28.89	\$21.17
2023 Fees for Recreational Lessons	\$55.82	\$41.79	\$49.47	\$43.70	\$31.11	\$22.37
2023 Sports/Rec/Exercise Equipment	\$108.10	\$97.56	\$106.54	\$96.84	\$72.38	\$56.82

Source: ESRI – ArcGIS Online

Note: Fees represent spending per individual.

Historical Operating Constraints

In an industry with over 10,000 public facilities, including over 2,000 municipal golf courses, one would think that national benchmarks reflecting key industry statistics, likely available in the hotel industry, would be available other than mere monthly rounds report from Golf Datatech. Despite the efforts of the PGA of America and several private entities, meaningful current benchmarks are lacking.

Presented below are what are reasonable benchmarks compared to the operation of the City of Knoxville's golf courses:

Benchmark	National Benchmark	Public Frostbite (244 Playable Days)	Knoxville Municipal	Whittle Springs	Williams Creek
Green Fees and Carts	\$850,000	722,300	\$570,161	\$440,167	\$492,989
Food and Beverage	200,000	162,200	78,960	46,664	53,414
Merchandise	100,000	85,600	41,263	33,639	54,328
Other	150,000	68,900	0	-400	0
Grant Income & City Utility Support	0	0	0	0	296,801
Total Revenue	\$1,400,000	\$1,039,000	\$690,384	\$520,071	\$897,432
Administrative Expenses	\$300,000		179,547	134,950	624,211
Golf Shop Expenses	\$400,000		118,427	96,060	65,705
Maintenance Expenses	\$500,000	486,600	227,175	263,815	163,624
Other	0	442,800	130,701	76,617	0
	\$1,200,000	\$929,400	\$655,850	\$571,441	\$853,540
EBITDA	\$200,000	\$109,600	\$34,534	\$-51,371	\$43,892

Note 1: EBITDA – Earnings before interest, taxes, depreciation, and amortization.

Note 2: The City of Knoxville numbers represent the ten-year average from 2014 – 2023.

Note 3: The Williams Creek financial numbers represent 2022.

Note 4: Public Frostbite statistics published by the National Golf Foundation in 2010 in a report titled "*Operating and Financial Performance Profiles of 18-hole Golf Facilities in the United States.*" The sample size was 109 golf courses.

Note 5: Williams Creek does not maintain its financial statements following the generally accepted accounting principle for golf courses regarding departmental allocation of expenses delineating administrative, golf shop, and maintenance separately. The Williams Creek financials are prepared to utilize the Administrative category as an omnibus account combining many line items usually allocated to the Golf and Maintenance departments. The proper classification of expenses, particularly salaries, greatly facilitates comparing the operating performance of the golf course to industry benchmarks. We believe that the Williams Creek financials fairly state in all significant and material respects the operation of that golf course.

Expenses for the City of Knoxville's golf courses do not reflect the total disbursement made on behalf of the City's golf courses. All golf courses submit work requests to the City's Public Service Department for assistance on major projects, i.e., tree removal and grinding, concrete work, and restroom repairs. When resources (labor) are available, the Public Service Department will complete the pending work orders pro bono.

Though golf courses cater to a more educated base with higher net income, Public Service focuses on implementing repairs based on a standard that curbs graffiti, vandalism, and property

destruction. Thus, when work is completed, i.e., bathroom remodeling, it is at a basic level inconsistent with what golfers will experience at other facilities.

Under the guidance of Troon Golf, the City's two golf courses have been highly judiciously managed from the perspective of controlling expenses. In today's inflationary world, the minimal expense allocation is not sustainable, particularly for maintenance expenses, primarily for the cost of water.

The Knoxville Utility Board charges \$2.60 to \$4.55 per 1,000 gallons of treated water. The price varies based on the total gallons consumed. Golf courses become financially challenged when water costs exceed \$1.20 per 1,000 gallons. It should be noted that Knoxville Municipal and Whittle Springs mainly water only tees and greens and consume far less water than a typical golf course.

Accelerated Expenses to Support the New Capital Investment.

The investment in reconstructing greens to a proper size, installing irrigation systems, repairing bunkers with capillary concrete liners at Williams Creek, mitigating drainage, fixing cart paths, removing trees, restrooms and remodeling clubhouses while improving the golf experience is associated with increased labor costs and utility expenses.

Should the City elect to fund the capital improvement suggested, in part or in whole, the operating expenses will increase more than the facilities can assess concerning higher green fees. Thus, it is likely net operating losses will increase.

The question that needs to be answered is, "Can green fees be raised sufficiently to cover the increased operating expenses?"

Suppose one adopts a conservative perspective using the 2022 operating expenses and presumes that the funds for capital investment are derived from a 20-year bond with a 5% interest rate, as illustrated below. In that case, the increase in green fees is not practical based on the fees other golf courses are charging, nor is the option of significantly higher fees politically viable.

	Critical		Competitive		Comprehensive	
	Knox Municipal	Whittle Springs	Knox Municipal	Whittle Springs	Knox Municipal	Whittle Springs
Operational Expenses (FY 2022 Actual)	\$709,644	\$685,115	\$709,644	\$685,115	\$709,644	\$685,115
Management Fee	91,711	78,153	91,711	78,153	91,711	78,153
Depreciation (Future Capital Reserves)	75,000	75,000	75,000	75,000	75,000	75,000
Capital Improvements - Principal (20 Year Bond: 4%)	31,367	44,810	43,316	55,265	73,189	102,806
Capital Improvements - Interest (20-Year Bond: 4%)	51,788	73,982	71,516	91,245	120,838	169,736
Total Expenses	\$959,510	\$957,060	\$991,188	\$984,778	\$1,070,382	\$1,110,810
Rounds Forecasted	34,000	30,000	34,000	30,000	34,000	30,000
Rev Par Per Round to Cover Expenses	28.22	31.90	29.15	32.83	31.48	37.03
Net Revenue Goal %	60%	60%	60%	60%	60%	60%
Required Rack Rate to Justify Capital Investment	\$47.03	\$53.17	\$48.59	\$54.71	\$52.47	\$61.71
10-Year Average Revenue Per Round	23.58	20.60	23.58	20.60	23.58	20.60
Increase in Fees to Justify Capital Investment	20%	55%	24%	59%	34%	80%

Fee increases ranging from 20% to 80% are a non-starter.

Further, we were informed that the City of Knoxville will not issue a bond for an Enterprise Fund and that the capital would be funded through a lump sum payment from the General Fund. The size of the investment required to improve the experience at the City of Knoxville's golf course will still not render them fiscally self-sustaining.

Where to From Here?

The status quo is always a choice.

However, suppose the City of Knoxville's golf courses were privately owned. In that case, the most viable financial option is to sell Knoxville Municipal and Whittle Springs to address the critical housing shortage within the City.

Recreational golf would still be provided by the City as Williams Creek is a delightful 18-hole par three golf course that serves a vital community need providing an entrance door to the game of golf for the disadvantaged and disenfranchised. The continued capital commitment from the City, the County, corporate benefactors, and the Tennessee Golf Foundation is very pragmatic.

Allocating capital to Williams Creek to renovate the second floor with a small restaurant operation and golf simulators to provide entertainment and instruction year-round would benefit Williams Creek's mission and the surrounding community.

The viable options for Knoxville Municipal and Whittle Springs are less clear. A comprehensive architectural analysis of each golf course was undertaken as part of this Golf Study by Trey Kemp, American Society of Golf Course Architects. Those reports along with appropriate supporting research related to this Golf Study, including an analysis of Williams Creek, are available online.

A partnership or alternate options could be explored with Knox County considering Knoxville Municipal's location was acquired in 1967, annexed into the City and is surrounded by land governed by Knox County. Knoxville Municipal generates consistent positive cash flow, and when incorporated into the slightly profitable Knox County golf system (\$150,000 EBITDA), there is a possibility it might be additive to the financial position of the County's golf courses. The capital expenses required to update the course with only a small potential return suggest transferring the facility to the County might be a prudent financial option for both entities.

If the City is firm on continued ownership of the land, in that the course is located within 15 minutes of the I-40, I-75, and I-640, various individuals interviewed suggested converting Knoxville Municipal Golf Course into a nine-hole facility, adding a driving range and an athletic complex (baseball, lacrosse, and soccer fields) and branding the facility as the Sports Capital of Tennessee comparable to the designation that Round Rock has successfully implemented in the suburbs of Austin, Texas.

The cost and viability of that option are beyond the scope of "The Golf Study."

For Whittle Springs, there are a few options – none will render the facility financially self-sustaining, certainly not within the next five years, and none without significant capital investment. As part of the Whittle Springs Assessment, numerous options were researched: 1) realigning the 11th and 12th tees; 2) reducing the course to 9 holes; 3) creating a 12-hole facility; 4) building a 12-hole facility with a 6-hole short course and 18 hole putting course across the street from the clubhouse on currently vacant land' and 5) developing a nine-hole courses with a community center.

The course's irrigation is barely functional. The maintenance equipment is years beyond typical replacement. Drainage issues exist. There is no driving range, the practice putting green is tiny, and the short game facility across the street is rudimentary.

The clubhouse is dated and indeed in need of renovation. The bathrooms are embarrassing. Food service is nominal. The parking lot needs repaving. The manager sits in a small office comparable to a ticket window at the theatre.

Safety issues with the adjacent neighbors exist on the 10th, 11th, and 12th holes. While insurance has occasionally covered damage to those homes, subsequent claims by the insurance carrier have not been paid. Current homeowners are considering forming a class to file an action against the City.

The parcel across the street, currently used as an informal practice area, is too small for a driving range. Creating a three or six-hole golf course on that land would be revenue dilutive in relationship to the capital investment and incremental operating expenses.

A loyal group of up to 75 golfers are adamant that the golf course remains 18 holes, citing many anecdotal issues, including it is one of the oldest courses in Tennessee, having been built in 1932 as an accompanying amenity to a resort. The clubhouse's walls are adorned with perhaps over 100 pictures of former Men's Club members who have died. It is a sad place to visit. They maintain the course will die if it is changed from 18 holes as they will cease being patrons.

While some interviewed hoped that the facility would be transitioned to a community park, maintaining open park space comes at a cost that exceeds the annual operating loss before management fees of the facility centrally located within the City.

The practical solution comes at a high cost.

Though Whittle Springs is 5 miles and a 13-minute drive from Williams Creek, it is a neighborhood unto itself and could further enhance the City's initiative as the "entry door to the game of golf."

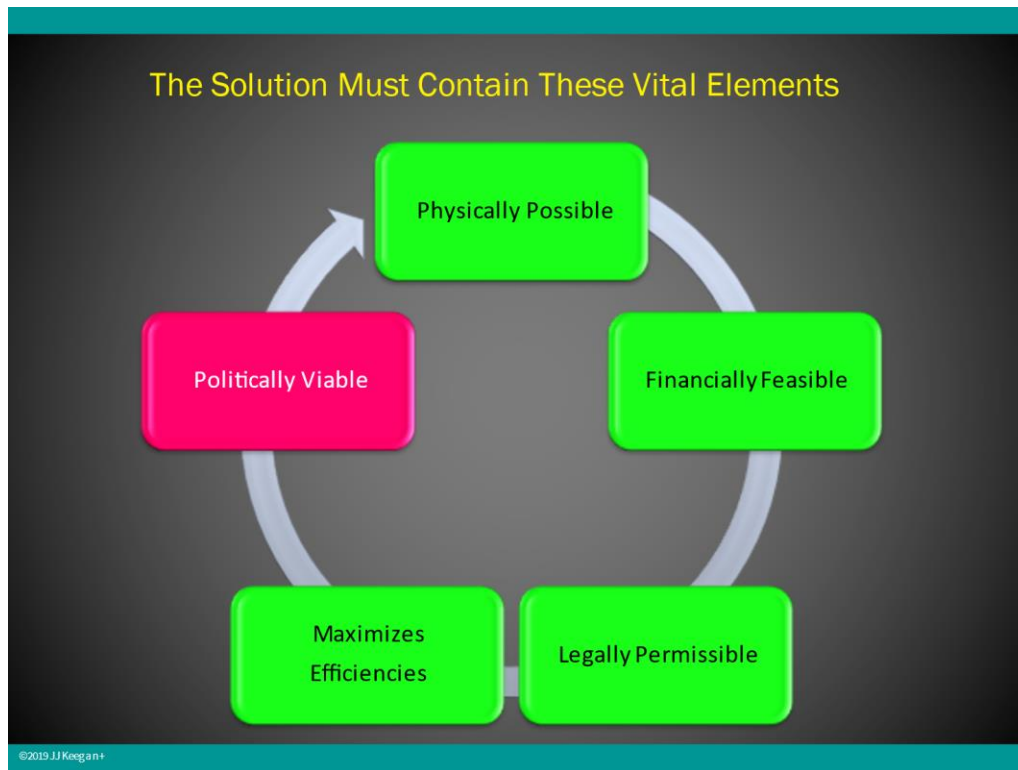
The conversion of the facility to a "community center" concept incorporating a nine-hole golf course, a driving range with Top Tracer, perhaps a miniature golf course, and a respectable clubhouse with a sports bar motif and comparable food options would create a lively gathering facility for nearby residents. Most importantly, it would make a greenway around the property, providing safety to homeowners bordering the course on holes 7, 10, 11, and 12.

Depending on the options selected, the investment would be no less than \$3 million and more than likely approach \$6 million and require a minimum of three years to complete. The existing operation would be suspended during construction.

A potential offset to that investment might arise from selling the land where the current clubhouse and vacant parcel sit for single family or multi-family missing middle housing.

What is clear is transitioning Knoxville Municipal and Whittle Springs from an Enterprise Fund to the General Fund is practical. Further, the current third-party management contract expires on December 31, 2023. It is a city requirement that the agreement must be rebid. Consideration might be given to self-management, as the fringe benefits paid to City employees are set at a reasonable 35%. However, transitioning to self-management is fraught with peril, labor challenges, and uncertainty regarding the common service allocation costs that the General Fund may levy. Those expenses are currently absorbed by Troon's overhead.

Finding the best solution for a municipal asset must contain five elements:



The highest hurdle is often the political viability of a solution. Ultimately, City Administration and City Council must define the vision and future of the golf courses.

How can the City balance providing subsidized recreational opportunities in an economically sustainable way?

Section 2 - The Golf Study

Scope

The City of Knoxville sought to evaluate the City's three public golf courses and provide planning recommendations for the future of these courses. The engagement encompassed five specific tasks.

An abbreviated description of the scope of the engagement is listed below to present the reader with an understanding of the scope of the Golf Study engagement.

Task One: Project Coordination and Site Visit

Visit and inspect the three City-owned golf courses (Knoxville Municipal, Whittle Springs, and Williams Creek), including all support amenities as well as competing facilities in the market area, to gain an understanding of the demand/supply dynamic that shapes the public golf market in the greater Knoxville area.

Task Two: Review of Current Operations

Perform a "high-level" review of Knoxville golf course operations (Knoxville Municipal, Whittle Springs, and Williams Creek)

Task Three: Market Analysis

Provide a macro discussion of the U.S. golf industry, emphasizing golf course supply trends and projections and golf participation across different user groups. Analyze the demographic profile of the Knoxville area and identify relevant trends that predict future golf participation and activity. Provide a realistic picture of the public golf market's present and projected future status and any potential market opportunities.

Task Four: Recommendations

Based on the results of the overall study, provide recommendations covering the following:

- A. Revenue Growth - List innovative strategies for increasing revenue at each course.
- B. Golf Supply - Based on demographic analysis, utilization, and financial review, should the City consider reducing or increasing its number of courses or holes per course?

- C. Food & Beverage Operating Structure - Does the current operating structure for Food & Beverage outlets maximize profitability while meeting the expressed needs of the golfers?
- D. Future Capital Needs. Evaluate the existing condition of the golf courses and related assets and create a 10-year capital plan.
- E. Future Annual Funding - Evaluate the financial performance of each golf facility for the past (10) years and compare results to the local market and industry benchmarks.
- F. Marketing Strategy -. Evaluate current marketing activities, materials, and practices.
- G. Public and Customer Input - How does customer satisfaction at the three golf courses compare to local competitors?
- H. Other - Based on your evaluation of current operations, which operating practices do you recommend we implement, modify, or remove? Does the management structure for the golf courses maximize financial performance and customer satisfaction?

Task Five: Financial Projections –

Provide a 5-year projection for use levels, revenues, and expenses.

We present in the following sections the recommendations desired in Task Four and the five-year financial projections requested in Task Five.

We have formulated these insights by extensively undertaking Tasks 1 through 3, investing 12 days onsite in the City of Knoxville, meeting with City Leadership, Course Staff, Management Company, and City Golf Advisory Committee members, and touring the golf courses in the competitive market area. In addition, we conducted several online Zoom meetings during the engagement that commenced on June 5, 2023.

Section 3 - Revenue Stimulus

The Target Market

Revenue strategies at a municipal golf course are rooted in a fundamental question: "Where is the balance between providing value to golfers and assessing appropriate fees that reflect the competitive market?"

City Administration ultimately decides on that question based on the City's leadership input.

Aaron Browning, Deputy Director of Parks and Recreation, created a version of a three-level cost recovery model for the allocation of Park and Recreation resources highlighted below:



It is essential to understand the allocation of resources from the City's General Fund of Park and Recreation in providing a quality of life and, to some extent, financial underwriting for residents. Illustrated below are these priorities:

- **LEVEL 1 – COMMUNITY BENEFITS**

- Parks
- Playgrounds
- Splash pads
- Trails
- Greenways
- Free Special Events
- After-School Program
- Outreach Programs (Free or \$)
- Programs at Rec Centers (Free or \$)

- **LEVEL 2 – INDIVIDUAL/COMMUNITY BENEFIT**

- Summer Camp
- Learn to Swim Lessons
- Youth sports fees
- Rec Center Programs with small fees
- Transportation Fee for Senior Programs
- Memorial Tree/Bench Program
- Monitored facility use (pools, tennis)
- Programs in the Park partners
- Fee-based Special Events

- **LEVEL 3 – INDIVIDUAL BENEFIT**

- Golf
- Adult sports league fees
- Concessions
- Rentals (Shelter, building, field, pool)

Pending the direction of the City Administration to the contrary, the Community Service Model created by Aaron Browning would suggest that golf, as it solely provides an individual benefit, fees should be based on fair market value, which, in our professional opinion, we agree.

Cost Recovery Theory

A contrary theory to maximizing the financial performance of a golf course implemented by many municipalities is titled: "Cost Recovery." A City creates the goal of creating a percentage of cost recovery based on three variable targets: earnings before interest taxes, depreciation and amortization, net cash flow after debt services, or the highest standard net cash flow after debt service with a provision for capital reserves.

Most municipalities that select a cost recovery model aim to achieve 100% of earnings before interest, taxes, and amortization. The issuance of bonds often funds capital improvements. Regarding the City of Knoxville, we learned during this Golf Study that the City had not provided clear direction regarding the appropriate fees to charge patrons. The management company, in turn, has interpreted that an emphasis on delivering value over fees at a fair market value is preferred.

Competitive Rates?

During the Golf Study, the prime-time rates for Knoxville Municipal and Whittle Springs were \$39 and \$31, respectively, for June 17. The subsequent lowest rates among Knoxville area courses were \$46 and \$49, assessed by Tennessee Centennial (operated by the City of Oak Ridge) and Three Ridges (operated by Knox County), respectively.

While the experience provided at the Knoxville Municipal and Whittle Springs is the lowest amongst the 18-hole golf courses in the metro area, the prime-time rate is understated by \$3 per round based on the experience provided.

It should be noted that over 80 different rates may be offered depending on the time of the year, time of the day, the type of golfer, and any promotions.

The goal of a golf course to reflect the impact of the multitude of rates offered is to achieve a revenue per round of 60% of the prime-time rate. Thus, a \$3 increase in the prime-time rate would create the expectation that revenue would increase by the number of rounds played time \$1.80 (\$3.00 times 60%).

Thus, there is an opportunity to increase revenue, presuming the 10-year average of annual rounds played remains constant by >\$115,000 (64,0000 rounds * \$1.80).

Beyond establishing the correct rate based on the experience offered, revenue can be diluted by discounts offered throughout the year.

For the past decade, Knoxville Municipal Golf and Whittle Springs have achieved net realization per round of 55% and 50%, respectively. That indicates that revenue exceeding \$50,000 will likely be lost annually from excessive discounting.

Discounting occurs from multiple sources: 1) the use of barter, 2) season passes, 3) punch passes (loyalty cards), and 4) Groupon coupons. The City of Knoxville provides golfers with all these opportunities to discount their rounds of golf.

Barter principally comes from using the G1 POS/Website software offered by GolfNow, in which two tee times (“trade tee times) provided are offered complimentary in exchange for a license to use the software.

Season Passes (Also Known As “Annual Passes”)

Over 75% of municipal golf passes offer varying “season passes” types that provide unlimited play. The most common season passes are five days (weekdays only) and seven-day passes. Discounts on these passes are often offered to senior citizens.

Someone always loses when season passes are issued: the golf course if the golfer excessively uses the pass beyond “breakpoint” or the golfer who buys the pass in anticipation of playing frequently during the year but doesn’t.

Presented below is a calculation of how the Knoxville Municipal seven-day pass is excessively discounted:

	Unlimited Pass – Walking: Nationally	Knoxville Municipal 2023 Unlimited Pass Walking
Transferable amongst Golfers	No	Yes
Holes	18	18
Playable Days	260	257
Playing Frequency	32%	25%
Annual Rounds Played	83	64
Rate Rack	\$34.00	\$24.00
Frequency Discount	30%	30%
Proper Annual Fee	1,980	1,075
Current Annual Fee – Full		950
Season Passes Underpriced by		(125)

Note 1: Unlimited Pass for Seniors is \$750. Five Day full weekday passes are \$750 and \$650 for seniors.

Note 2: The Knoxville Municipal season pass holder averages 79 rounds per year. The Knoxville Municipal pass offers the following benefits:

- Unlimited Green Fees
- 14-day advanced tee times
- 15% discount on the golf shop
- 10% discount on food & beverage purchases

- Membership runs from the date of purchase to the same date the following year.
- Cart fee required if the member decides to ride (\$11 – 18 holes, \$9 – 9 holes)
- 5-day members pay green fees if they play on a day their membership does not cover
- Plus, your first six cart fees are FREE! |

The season pass program is flawed for many reasons: 1) It should expire at the end of the calendar year to facilitate annual rate increases for all golfers; 2) it provides access to the tee time, blocking golfers who would otherwise pay the prime-time rate; 3) offers discounts on top of the green fees; and 4) and includes six free carts valued at \$66.

The most profitable municipal golf courses do not offer unlimited season pass rates. Instead, they sell a loyalty card for \$99, \$199, or \$299 that provides discounts of 10%, 20%, or 30% on every round based on the prevailing rate on the date and time played.

The City of Knoxville offers a comparable in its Player’s Pass. A Player’s Pass Card is \$25 and lasts for a year from the date of purchase and provides the golfer with the following benefits:

- Save \$5+ OFF public rack rate EVERY ROUND (18 holes with cart)
- Exclusive Monday & Tuesday specials to save you even more than \$5 all day!
- Twilight rates begin 2 hours before Public (at noon)
- Super Twilight rates start after 3 pm
- Accepted at Knoxville Municipal and Whittle Springs (rates vary)

Thoughts for Consideration

- 1) City Leadership needs to clarify the balance it desires in providing a recreation experience below fair market value or at a rate representing competitive market conditions.
- 2) In a perfect world, season passes should be discontinued. Realizing that idea is fraught with political consequences; the option is that Season Passes should be repriced to reflect the value provided to the golfer and should expire at the end of each calendar year to provide revenue integrity or coincide with the City’s fiscal year. The proration of annual fees could be implemented during the year of transition.

Section 4 – Demographics

The Game of Golf

There are 25.6 million golfers in the United States, of which 9.3 million are seriously committed to the game. Seventy-five percent of golfers are male. The average age of a golfer was 43.8, with a household income of \$102,433 as of 2021.

The 515 million rounds played in 2022 represent a 16.0% increase from 2017 to 2019.

During the past three years, play among youth, black, Hispanic, and females, has increased by 36%, 34%, 21%, and 15%, respectively. Demand is showing no immediate material signs of weakening. However, uncertainty did exist in January 2023 due to the specter of an economic recession and the growing emphasis on businesses requiring workers to return to the office.

Through June 30, 2022, rounds are up nationally by 5.5% compared to the year before. Demand for golf remains strong as the off-course audience continues to grow at a high rate.

Demand vs. Supply

There are multiple methods to measure demand vs. supply: 1) the number of people per golf facility, 2) the number of people per golf course, 3) the number of golfers per golf facility, or 4) the number of golfers per course.

Demand for golf exceeds supply based on the population, as illustrated here:

Entity	United States	Tennessee	Knox Municipal	Whittle Springs	Williams Creek
Population	337,470,185	7,120,037	401,345	322,522	321,970
Golf Courses	15,945	276	10	9	9
Golf Facilities	13,946	249	10	9	9
People Per Facility	21,165	25,797	40,135	35,836	35,774
People Per Course	24,198	28,595	40,135	35,836	35,774
Demand Exceeds Supply – Facilities		122%	189.63%	169.32%	169.03%
Demand Exceeds Supply – Courses		118%	165.86%	148.09%	147.84%

Note 1: The population for the City of Knoxville’s golf courses is based on a 10-mile radius from the facility provided by ESRI’s ArcGIS Online.

Note 2: The National Golf Foundation provided the number of United States and Tennessee golf courses.

Note 3: Apparation provided the number of golf courses for the City of Knoxville based on a 10-mile radius from the facility.

A more accurate measurement of demand vs. supply is based on the number of golfers in the market. Shown below are various facts regarding the City of Knoxville’s golf course and the existing golfer demand:

	Knoxville Municipal	Whittle Springs	Williams Creek	U.S. Per Course	U.S. Per Facility
10 Mile Radius					
Year Course Opened	1984	1948	2003	N/A	N/A
Predictive Index Score	2,833	5,979	9,367	N/A	N/A
Slope Rating	118	113	110	N/A	N/A
MOSAIC Profile	7.38%	-2.00%	-2.50%	N/A	0.00%
Golfers	22,510	17,080	17,098	25,100,000	25,100,000
Rounds Played	444,880	341,456	345,552	515,000,000	515,000,000
Estimated Course Rounds	278,164	255,444	355,896	515,000,000	515,000,000
Demand Index	159.93%	133.67%	97.09%	100.00%	100.00%
Rounds Per Course	44,488	37,940	34,555	32,299	36,928
Rounds Played Per Golfer	19.76	19.99	20.21	20.52	20.52
Golfers Per Number of Golf Courses	2,501	2,009	2,012	1,574	1,800

Note: Demand can also be measured by 18-hole equivalents, which produces a still higher number of golfers per course when measured nationally.

Demographics: Age, Income, and Interest in Sports

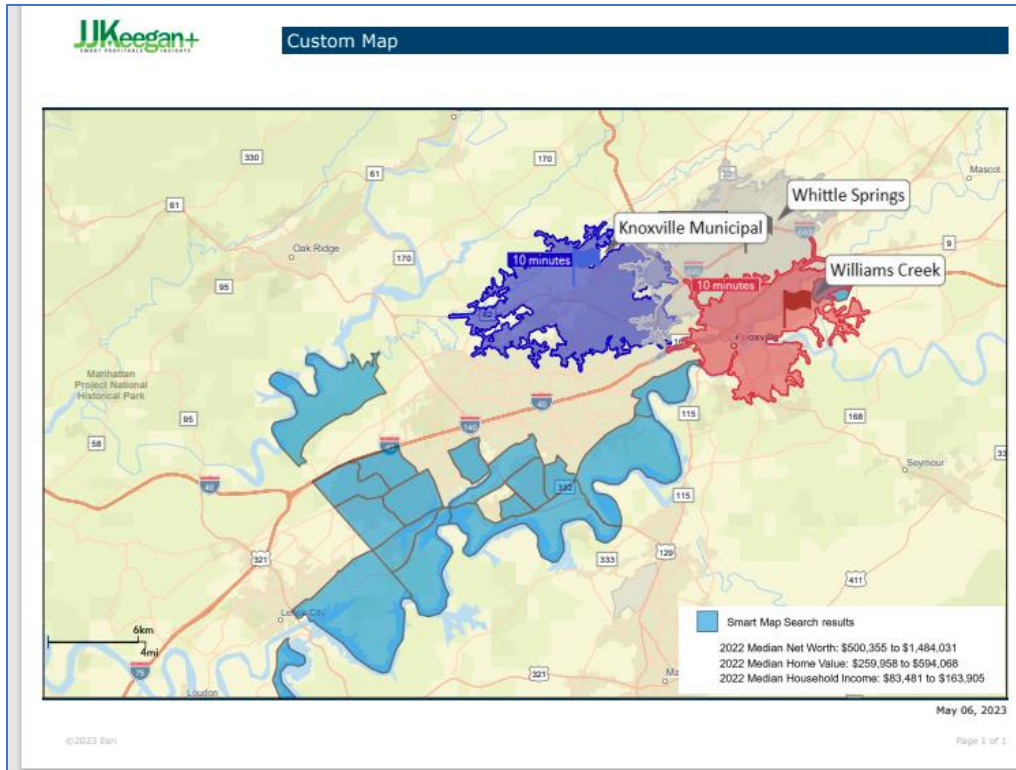
While still positive, the demand index measuring golfers is not as strong when contrasted with the population. The household income, median net worth, average home, and interest in golf is less in the City of Knoxville compared to the United States or the State of Tennessee, as illustrated here:

Site	USA	Tennessee	Knox County, TN	Knoxville Municipal (<10 minutes)	Whittle Springs (< 10 minutes)	Williams Creek (<10 minutes)
2023 Median Age	39.1	40.3	39.8	38.8	39.1	28.7
2023 Median Household Income	\$72,603	\$61,449	\$65,504	\$64,404	\$42,505	\$34,724
2023 Median Net Worth	\$157,240	\$136,536	\$150,888	\$154,147	\$37,174	\$13,379
2023 Average Home Value	\$405,750	\$318,182	\$347,327	\$270,158	\$271,323	\$261,854
2023 Participated in Golf Last 12 Mo	6.21%	6.11%	6.93%	6.18%	5.42%	6.00%
2023 Watch PGA Golf on TV	9.83%	9.88%	10.95%	9.96%	9.02%	8.53%
2023 Fees for Participant Sports Excluding Trips	\$46.05	\$37.84	\$44.03	\$39.48	\$28.89	\$21.17
2023 Fees for Recreational Lessons	\$55.82	\$41.79	\$49.47	\$43.70	\$31.11	\$22.37
2023 Sports/Rec/Exercise Equipment	\$108.10	\$97.56	\$106.54	\$96.84	\$72.38	\$56.82

As reported by ESRI ArcGIS online, the recreational interest of Knoxville residents is concentrated in other activities beyond golf, as shown below, which explains why demand, when measured by the number of golfers, is slightly less.

Category	Knoxville Municipal	Whittle Springs	Williams Creek
Fishing	122	103	86
Motorcycles	120	106	153
Hunting	117	104	118
Volleyball	116	98	94
Bowling	111	103	125
Golf Market Index	97	76	81

Presented below is a map that reflects the area of the Knoxville metro area that is very conducive to golf as reflected by zip code, where the median net worth is between \$500,000 to \$1,484,031, and the median home value is \$250,958 to \$594,068. The household income is between \$73,481 to \$163,905:



The Predictive Index

Does that reflect that the City of Knoxville should vacate providing golf as a recreational opportunity for its citizens?

Hardly for a golf course to be economically successful, it must possess one of two criteria:

- 1) It must be of sufficient championship caliber, i.e., Bethpage, Crandon Park, Harding Park, and Torrey Pines, to attract tourists beyond a 10-mile radius who are willing to pay a high green fee to play nationally acclaimed courses or
- 2) It should provide an experience that matches the attitudinal behavior of residents within the 10-mile radius.

Shown below is the Predictive Index calculation matching the pre-deposition of Knoxville residents to the golf experience they are seeking:

	A	B	C	D	E	F	G	H	I	J	
1	MOSAIC Profile										
2	>45	0	0	2	3	4	5	5	5	5	
3	40	0	0	2	3	4	5	5	5	5	
4	35	0	1	3	4	5	4	4	4	4	
5	30	0	1	3	4	5	4	4	3	3	
6	25	1	2	4	5	4	3	3	3	2	
7	20	1	2	5	4	4	3	2	2	1	
8	15	2	3	5	4	3	2	2	1	0	
9	10	2	Knoxville Municipal	4	3	2	2	1	0	0	
10	5	3	3	4	2	2	1	0	0	0	
11	0	Whittle Springs and Williams Creek	4	3	2	1	1	0	0	0	
12	-5	3	4	3	1	0	0	0	0	0	
13	-10	4	5	2	1	0	0	0	0	0	
14	-15	4	4	2	0	0	0	0	0	0	
15	-20	4	4	2	0	0	0	0	0	0	
16	-25	5	4	1	0	0	0	0	0	0	
17	-30	5	4	1	0	0	0	0	0	0	
18	<-35	5	4	0	0	0	0	0	0	0	
19	Slope Rating	110 - 114	115 - 119	120 - 124	125 - 129	130 - 134	135 - 139	140 - 144	145 - 149	150 or >	
20		Probability of Financial Success for Golf Course Based on Residents with 10 Mile Radius									
21	5	Excellent									
22	4	Good									
23	3	Fair									
24	2	Below Average									
25	1	Very Challenged									
26	0	Little Chance									
27	©JJ Keegan+, 2023										

Note 1: The Slope rating measures the difficulty of a golf course. New entrants and recreational golfers seek to play golf courses that match their abilities.

Note 2: The cost of a round of golf consists not only of the green fee and cart but also can be measured by the number of golf balls lost. Hence, a gentler and more forgiving course is sought out by the new entrants to the game and recreational golfers.

Thoughts for Consideration

Based on the Predictive Index calculation, each of the City’s golf courses has a “fair” chance of success in that they reasonably provide the experience golf residents seek concerning the slope rate of the facilities.

However, The City of Knoxville’s Knoxville Municipal and Whittle Springs lacks a driving range and adequate short-game practice facility. The City’s golf courses lack adequate clubhouses and are not adequately irrigated, resulting in substandard turf conditions.

Thus, the golf courses are likely to financially underperform as the other golf courses in the Knoxville metro area provide a better value and higher experience.

Section 5 – Food and Beverage Operating Structure

The Menu

The Golf Study asked a single question regarding Food & Beverage: “Does the current operating structure for Food & Beverage outlets maximize profitability while meeting the expressed needs of the golfers?”

The answer is “no.”

While each course presents different challenges, the conclusion is the same. The current clubhouses are not adequately equipped to offer a food and beverage experience that either meets the expressed needs of the golfers or is comparable to the other golf courses in the competitive set.

Whittle Springs and Williams Creek offer drinks, and packaged food, except hot dogs, are also available from a rotating grill at Williams Creek. Nominal seating is available at both facilities. Revenue from food and beverage at these courses’ averages under \$45,000 and \$55,000 at Whittle Springs and Williams Creek, respectively

While Knoxville Municipal has an operating kitchen, it also has limited seating within the Clubhouse and a small outdoor patio, generating less than \$115,000 in revenue. Some municipal golf courses generate over \$1,000,000 in food and beverage revenue when hosting tournaments, outings, and leagues.

The food experiences offered at the City of Knoxville do not compare to other courses in the area, i.e., Avalon, Egwani, Tennessee Centennial, and Three Ridges.

Golf Entertainment Center

Surprisingly, the facility that has the best short-term potential to boost its food and beverage offering is Williams Creek. The second floor of the Clubhouse is effectively empty space save for some bathrooms and an administrative office.

The introduction of a golf entertainment center with the installation of golf simulators and a bar and grill would achieve several vital objectives consistent with initiatives advanced by the Tennessee Golf Foundation and First Tee:

- 1) Provide an opportunity for year-round instruction.
- 2) Offer a location center for residents to be introduced to the game of golf in a hospitable setting.
- 3) Provide a community center for residents with a menu offering hamburgers, club sandwiches, hot dogs, brats, and Caesar salads complimented by beer, wine, and soft drinks.

Spurred by the Pandemic, the popularity of golf entertainment has expanded dramatically from 3 entertainment centers in 2006 to 80 entertainment centers in 2022. There are over 500 businesses with golf simulators. The presence of entertainment centers hosted around 27.9 million people in 2022. Off-course golf options now attract more individuals than on-course.

There is now a brand revitalization regarding golf. The off-course alternatives have given consumers' confidence that golf, while challenging, can also be fun, entertaining, and exciting. As a result, the game is becoming more popular, fashionable, diverse, and approachable. Off-course options have created an environment that makes people want to play, provides a more approachable way for them to learn the game, provides the excitement of a good shot, and provides a sense of the requirements to play traditional golf.

Options to Expand Service Economically

What has become extremely popular at golf courses is food trucks.

Another option for Williams Creek is the introduction of a food truck. The Highland Creek Golf Course in Charlotte, NC, installed a food truck to boost sales on the turn illustrated below:



The food truck serves a dual purpose as it provides food and beverages for the weekend concerts where the wood fire cook pizza is trendy, drawing residents, most of whom don't play golf. Positioning the food truck near the 10th tee overlooking the Wee Course would be ideal for serving golfers and providing residents with a community outreach initiative when live entertainment is currently offered.

An Ideal aspect of this alternative is that the mobile food truck could be moved to serve other Parks and Recreation events, creating economies of scale and dual-purpose use.

The food truck installed at the Bear Creek Golf Course in Grand Prairie, Texas, pictured below, boosted sales at the turn from golfers from under \$50,000 to over \$250,000 in its first year of operation, we were informed.



The Clubhouse Determines Food Options

On the flip side is Whittle Springs. The Clubhouse is dated, dysfunctional, and in dire need of a significant renovation. The more practical alternative for this facility is the construction of a new clubhouse, also designed to serve the needs of nearby residents.

For Knoxville Municipal, the opportunity to boost revenues would be premised on creating a large covered outdoor patio that overlooks the golf course.

An example is the Meadowbrook clubhouse that opened in June 2022 by the Minneapolis Park Board, shown below:



That facility costs \$1.3M, including landscape plantings, sidewalks, and retaining walls. Other municipal clubhouses recently built include the Rockwood Golf Course-- the City of Fort Worth, and the Texas Rangers Golf Club – the City of Arlington, for \$7.7 and \$14.5 million, respectively.

Thoughts for Consideration

The principal purpose of serving food and beverages at a course is to complement the golf experience, providing convenience to the golfer seeking a quick snack and drinks on the golf course.

Most golf course restaurants lose money. Most food and beverage operations are operated by a third-party lease, which obtains the liquor licenses and assumes the liability of serving.

Food carts starting at \$15,000 to appropriate food trucks for a golf course that cost around \$75,000 is the path of least resistance for the City to consider when prioritizing the capital needs at the golf courses.

Section 6-- Annual Capital Needs

The Need for Capital is a Constant

The golf course is a living organism. It is only designed as the architect intended on the golf course's opening.

A golf course consists of many components, each of which has an expected life cycle shown here:

GOLF COURSE ITEMS

EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

No two golf courses are alike except for one thing: deferring replacement of key items can lead to greater expense in the future, as well as a drop in conditioning and player enjoyment. The following information represents a realistic timeline for each item's longevity.









Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. The American Society of Golf Course Architects (ASGCA) encourages golf course leaders to work with an ASGCA member, superintendents and others to assess their course's components.

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

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 visit www.ASGCA.org

DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 302, BROOKFIELD, WI 53005

For the Golf Study, we addressed, in a hole-by-hole analysis, the following items at Knoxville Municipal, Whittle Springs, and Williams Creek:

1. General Overview

- a. Aesthetics
- b. Playability
- c. Maintainability
- d. Security/Vandalism

2. Greens

- a. Size
- b. Grass Conditions
- c. Contour Analysis
- d. General Character

3. Tees

- a. Size
- b. Condition

4. Fairways

- a. Character
- b. Conditions

5. Cart Paths

- a. Condition
- b. Impact on course

6. Hazards

- a. Sand Bunkers
- b. Water
- c. Rough
- d. Trees

7. Drainage

- a. Flood Issues
- b. Erosion/Siltation
- c. Adjacent Development
- d. On Course Drainage

8. Practice Facilities

- a. Putting Green
- b. Short Game Area
- c. Practice Range

9. Golf Course – Expected Life Cycle

10. Hole-By-Hole Analysis

11. Estimate of Probable Costs

12. Safety Issue Options

The comprehensive reports prepared by Trey Kemp, ASGCA, are available upon request from the Parks and Recreation Department.

To undertake a complete renovation of a fully featured golf course today costs upwards of \$8 million. It is ideal if an annual capital reserve nearing \$250,000 is funded from cash flow to recognize the life span of the various golf course components.

Over the past 20 years, the capital investment in the City of Knoxville's golf courses has been minimal. For each golf course based on existing components, we estimated the capital required to renovate each golf course completely.

Shown below is the calculation made for the Knoxville Municipal Golf Course:

Golf Course Name:		Based on Maximum Life			Input Field		
Component	Component - Sub Group	Years Minimum	Years Maximum	Estimated Cost to Replace	Years Since Asset Replaced	Annual Capital Reserve	Deferred Capital Expenditures
Greens		15	30	1,200,000	30	40,000	1,200,000
Bunker Sand		5	12	0	12	0	0
Irrigation System	Irrigation Control	10	15	250,000	30	16,667	500,000
	Heads and Swing Joints	7	10	500,000	30	50,000	1,500,000
	PVC Pipe	20	30	600,000	30	20,000	600,000
	Pump Station	10	25	300,000	20	12,000	240,000
	Pump House	15	25	80,000	20	3,200	64,000
Corrugated Pipe		15	30	400,000	30	13,333	400,000
Cart Paths	Asphalt	20	20	600,000	20	30,000	600,000
Cart Paths	Concrete	15	30	0	30	0	0
Practice Range Tees		5	10	0	10	0	0
Tees		15	20	150,000	20	7,500	150,000
Bunker Drainage Pipes		5	10	0	10	0	0
Mulch		2	2	2,000	2	1,000	2,000
Turf Care Center	Mix/Load facility	20	30	0	30	0	0
	Cold Storage (Equipment)	20	30	0	30	0	0
	Equipment Repair Shop	20	30	0	30	0	0
	Shop Yard (Concrete)	20	30	0	30	0	0
Water Features	Hole:	20	30	0	30	0	0
	Hole:	20	30	0	30	0	0
	Hole:	20	30	0	30	0	0
	Hole:	20	30	0	30	0	0
Clubhouse Landscape		20	20	0	20	0	0
				\$ 4,082,000		\$ 193,700	\$ 5,256,000

Note 1: The maximum life of the component was used to conservatively determine the annual capital reserve, i.e., the irrigation system depreciated over 30 years.

Note 2: The total cost to renovate Knoxville Municipal is less than the typical golf course because it lacks bunkers, offers limited cart paths, and has nominal water features.

A Deep Hole

Realizing that a complete renovation of each golf course was not feasible, we evaluated what was critical, competitive, or comprehensive to enhance the experience at each facility. An investment ranging from \$3.05 to \$9.1 million is suggested and allocated as follows:

Course	Critical	Competitive	Comprehensive	Total
Knox Municipal	\$1,050,000	400,000	1,000,000	2,450,000
Whittle Springs	1,500,000	350,000	980,625	2,830,625
Williams Creek	500,000	476,000	2,844,700	3,820,700
Total	\$3,050,000	1,276,000	4,825,325	9,101,325

Note 1: Critical is defined as what is essential now that needs repair, adversely impacting the current operations and negatively affecting revenues.

Note 2: Competitive is defined as those capital improvements required to ensure the current golf experience enjoyed by the golfers is comparable to that of other golf courses.

Note 3: Comprehensive is defined as the significant capital investment necessary to render the golf course in a state comparable to that on the day it opened.

It should be highlighted that this procurement suggestion does not consider the capital required for the clubhouses, the maintenance facilities, or the equipment to maintain each facility. When considering the Parks and Recreation Fiscal Year 2022 annual budget was \$13.285 million for operational and capital, with over \$5 million allocated to projects throughout the City of Knoxville, the capital required to render the golf courses competitive is daunting.

Presented below are the detailed suggestions formulated from this study:

Knoxville Municipal Capital Needs

Knoxville Municipal Golf Course is a fun golf course. Knowing the maintenance budget and lack of an irrigation system before our visit, expectations were not high, but we were pleasantly surprised with its current condition.

The greens, while tiny, were in great shape, and the rest of the course was very playable. The following list of top priorities should be addressed:

1. Pump

Replacing the irrigation system is of the highest importance. If the current pump fails, the Superintendent can do nothing until a new one is put in. The current wait time for a new pump is 2 – 3 months, sometimes up to 6 months.

2. Irrigation System

While there is some irrigation around the greens, the rest of the course only has quick couplers in some areas, making it difficult for the maintenance crew. A new irrigation system is needed for the golf course. After upgrading the pump, the golf course's most important item is adding a complete irrigation system.

3. Tee Expansion

The tees on all holes need to be expanded to accommodate the amount of play at the course. The tees should only be extended after a new irrigation system is put in. The new irrigation system is critical for turf establishment and ongoing turf health.

4. Drainage

There are drainage issues on eight holes on the golf course, and these should be addressed to help maintain the golf course.

5. Greens Renovation/Expansion

The greens are in great shape but are almost 40 years old and extremely small. With the amount of play the course receives, the greens should be larger to help with wear and tear and improve strategy and playability.

Below are the critical, competitive, and comprehensive suggestions for Knoxville Municipal.

Component	Description	Critical	Competitive	Comprehensive
Pump	New VFD Pump	\$175,000		
New Irrigation System	(1-row)	875,000		
Tees	Renovation and Resurfacing		100,000	
	Expansion		200,000	
Drainage Improvements	Improvements		100,000	
Greens Renovation	Contractor Mobilization			50,000
	Kill Turf, Remove Greensmix, Drainage & Pea Gravel			52,500
	Reshape green and surrounds			150,000
New Greens Drainage	Perforated Pipe			120,000
	Vents/Cleanouts/Markers			6,000
USGA Greens Construction	1" Greensmix			350,000
	Pea Gravel			125,000
	Barrier Liner (optional)			12,000
	Tracer Wire (optional)			4,500
Greens	Soil Preparation – Fine debris removal, fine grade, and fertilize			30,000
	Surrounds			10,000
Grassing	Greens – Bentgrass Seed			15,000
	Surrounds – Sod			75,000
Subtotal		\$1,050,000	\$400,000	\$1,000,000
Total				\$2,450,000

Whittle Springs Capital Needs

Whittle Springs Golf Course is a fun golf course with great rolling topography. The course was in good shape, considering the Superintendent's available resources. The course looks incredible with a new irrigation system, areas re-grassed, and trees limbed up. The greens are extremely small but fun for the most part, and they were in very good shape during my visit. Below is a list of the significant items that should be addressed:

1. Safety Issues

This has been something that has always been somewhat of an issue with the adjacent homes but has become more prevalent with more rounds of golf being played and many of those by beginner golfers who are not as accurate as the more experienced golfers. Holes 10, 11, and 12 have been studied, and several suggestions have been made over the past few years. In my opinion, those suggestions will help, but not solve the problem. The only way to fix the problem would be to reroute a portion of the golf course. At the end of this section, we will look at some options.

2. Irrigation System

While there is some irrigation, it is extremely old and unreliable. A new irrigation system is needed for the golf course to compete in the marketplace. A new irrigation system is also essential before any other improvements are made to the course. If new sod is put down without an irrigation system, it will stress the maintenance crew, who would have to hand water it in, and then over time, it would still be vulnerable without irrigation to help it survive.

3. Tee Expansion

The tees on all holes need to be expanded to accommodate the amount of play for the course. The tees should only be expanded after a new irrigation system is installed on the course.

4. Tree Work

The trees on the golf course have gotten big over time, making the hole corridors smaller and shading tees, greens, and rough. Tree trimming and removal would help the health of the turf and make the golf course more playable.

5. Drainage

Major drainage issues along the main drainage channel on holes 1, 7, 8, 9, and 18 should be addressed. These issues make it hard to maintain turf in those areas.

6. Greens Renovation/Expansion

The greens are in good shape but old and extremely small. With the amount of play the course receives, the greens should be larger to help with wear and tear and improve strategy and playability.

Below are the critical, competitive, and comprehensive suggestions for Whittle Springs Golf Course.

Component	Description	Critical	Competitive	Comprehensive
New Irrigation System	(1-row)	\$1,500,000		
Tees	Renovation and Resurfacing		100,000	
	Expansion		100,000	
Drainage Improvements	Improvements		50,000	
Tree Removal	Tree Removal (> Caliper)		30,000	
	Tree Trimming		50,000	
	Brush & Small Tree Removal (< 6" Caliper)		20,000	
Greens Renovation	Contractor Mobilization			50,000
	Kill Turf, Remove Greensmix, Drainage & Pea Gravel			47,625
	Reshape green and surrounds			150,000
New Greens Drainage	Perforated Pipe			108,000
	Vents/Cleanouts/Markers			6,000
USGA Greens Construction	1" Greensmix			315,000
	Pea Gravel			112,500
	Barrier Liner (optional)			12,000
	Tracer Wire (optional)			4,500
Greens	Soil Preparation – Fine debris removal, fine grade, and fertilize			27,000
	Surrounds			10,000
Grassing	Greens – Bermudagrass Sprigs			63,000
	Surrounds – Sod			75,000
Subtotal		\$1,500,000	\$350,000	\$980,625
Total				\$2,830,625

Beyond the capital needs for the golf course, an equally pressing concern is safety issues on holes 10 – 11 – 12 at the Whittle Springs Golf Course.

Along with evaluating the golf course, we felt it was necessary to look at ways to improve the safety issues on holes 10 – 12. Below are ideas that will hopefully help in discussions regarding this area.

Idea #1 – Modification of Holes 11 and 12

The first idea would be to implement the recommendations from the report Mike Beebe, ASGCA, provided the city in November of 2021. Those recommendations included the following:

Hole 11:

- Re-orient the back tee to align the golfer towards the left side of the hole rather than parallel to Fairmont, as currently exists.

Install 7 – 10 hardwood trees in the open areas along the right side of the hole to provide a vertical barrier.

- Remove the sizeable existing hardwood tree on the left side of the fairway.
- Once the tree is removed, shift the fairway to the left towards the existing path.
- Shift the right side of the fairway away from the road, approximately 15 feet.

Hole 12:

- Eliminate the back tee and plant two hardwood trees in the open area to provide a vertical barrier.
- Enlarge the existing White tee and make it the new Black/White Tee.
- Install 5-7 hardwood trees in the open area along the right side of the hole to provide a vertical barrier.
- Once the tree is removed, shift the fairway to the left towards the existing path.
- Shift the right side of the fairway away from the road, approximately 15 feet.

These recommendations would help the situation, but as stated in his report, they would not guarantee that homes would not get hit.

Idea #2 – The Comprehensive Answer

A comprehensive solution, and the most expensive, likely exceeding \$6 million, is converting the 18-hole golf course to a 9-hole facility, as illustrated below.



This option is most viable because it provides a solution that includes a new clubhouse, maintenance building, driving range, short-game area, and a parking lot, and most importantly, solves the safety existing on holes 10, 11, and 12. It also allows converting the land on which the clubhouse and small practice area currently exists to affordable housing.

Williams Creek Capital Needs

Williams Creek Golf Course is among the best 18-hole par three golf courses nationwide. The golf course has no glaring deficiencies, just a few areas to consider improvements. The major areas where the facility could be improved are not on the course but at the driving range and on the Wee Course. If these areas were all brought up to the standard of the golf course, Williams

Creek would be the envy of any golf facility. The recommended following items should be addressed:

1. Driving Range

As mentioned earlier, the driving range could be improved. Lowering and enlarging the tee would allow for a longer rotation, giving divots more time to heal, meaning less time hitting off the artificial mats.

The targets in the driving range should also be addressed, making them more defined from the teeing area. While this is being done, drainage work and smoothing out the driving range floor would allow turf to grow and be maintained. This will also make it easier to pick up balls.

The netting of the driving range should also be addressed as illustrated here:



2. Wee Course

The Wee Course is an area with untapped potential. While the three holes now serve their purpose as introductory holes for youth and new beginner golfers, they could be improved. To maximize its potential, a study should look at the entire site.

This is the window into the course for people driving by; improving this area and creating something special for the First Tee program and beginners will help to bring more people into the game of golf.

3. Strategic Planning for a new irrigation system and greens

The greens and irrigation system are functioning well, but it is never too early to start planning, even if that is for 10 to 15 years. A new irrigation system and renovating

greens are big-ticket items on the golf course and can be financially overwhelming when not planned for.

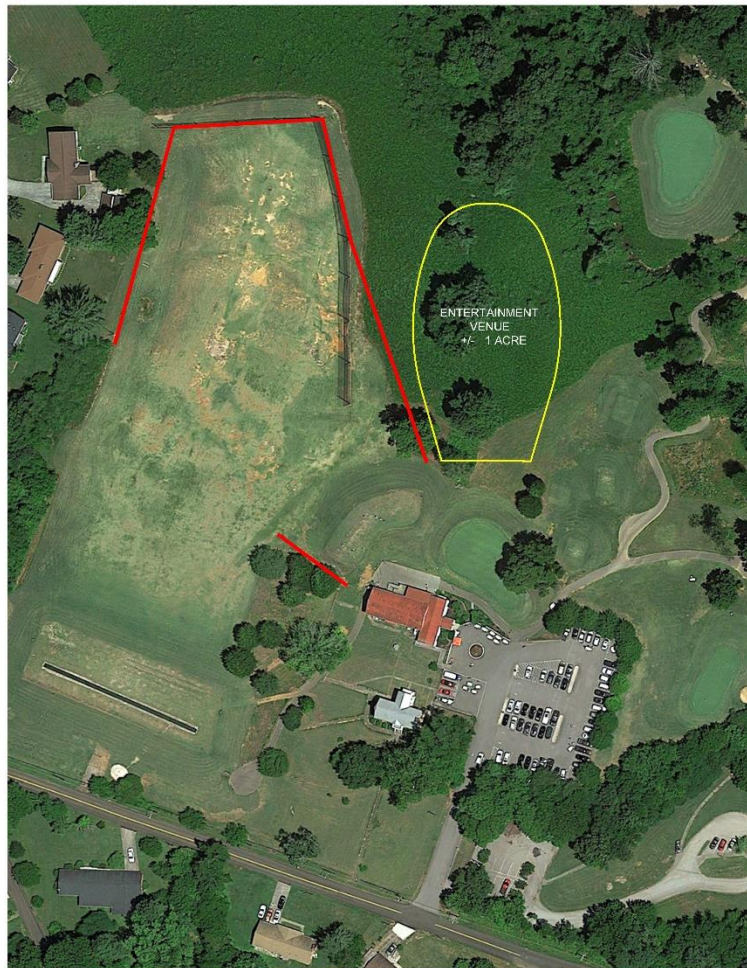
Below are the critical, competitive, and comprehensive suggestions for Williams Creek.

Component	Description	Critical	Competitive	Comprehensive
Driving Range	Expanded tee – (shaping, sod, irrigation).	\$200,000		
	Define targets (shaping and sod)	75,000		
	Range floor (drainage, smooth, irrigation modifications, and sod)	225,000		
Wee Course	New green complexes (shaping, drainage, grassing)		270,000	
	Grading and Drainage		50,000	
	New irrigation		81,000	
	Grassing		75,000	
Greens Renovation	Contractor Mobilization			50,000
	Kill Turf, Remove Greensmix, Drainage & Pea Gravel			81,000
New Greens Drainage	Perforated Pipe			129,600
	Vents/Cleanouts/Markers			6,000
USGA Greens Construction	1" Greensmix			378,000
	Pea Gravel			124,200
	Barrier Liner (optional)			12,000
	Tracer Wire (optional)			4,500
Greens	Soil Preparation – Fine debris removal, fine grade, and fertilize			32,400
Grassing	Greens – Bentgrass Seed			16,200
Irrigation Systems				2,000,000
Subtotal		\$500,000	\$476,000	\$2,908,900
Total				\$3,884,900

Alternative Non-Golf Ideas

An idea came up during the meeting at the golf course. Adding a concert pavilion to draw in more people from the area would be a huge benefit not only to Williams Creek but also to the surrounding community.

After being on site and analyzing the property, one location stood out for this area. The area is directly behind the clubhouse, putting green between the driving range and the first hole. The diagram below shows the general location.



An alternative location is at the bottom of the Wee Golf Course, which would serve as an amphitheater for concerts.

Thoughts for Consideration

If you, as the reader, and I, as the drafter of this report, owned Whittle Springs, we would sell the golf course for real estate development. That is not politically viable.

Thus, the solution of investing in a "golf entertainment community center" at Whittle Springs by building a 9-hole golf course with a driving range and short game, though likely to cost \$6 million, is the suggestion that should be advanced to the City Council, if for no other reason, the safety issues on holes 7, 10, 11 and 12 would be resolved.

Regarding Williams Creek, converting the 2nd floor into a golf simulator area with up to three bays and a food and beverage operation would be a prudent investment, further serving the goals of that facility. Another option is the purchase or lease of the house behind the clubhouse, which might serve as an event location.

The questions that City leadership needs to ask are, “Should the City allocate its limited capital solely to Williams Creek based on its mission, and should it allocate funds to Whittle Springs, not as a golf course, but as a community center where golfers and nearby residents will benefit?”

Section 7-- Financial Performance & Implications

The Task

The task was to evaluate the financial performance of each golf facility for the past (10) years and compare results to the local market and industry benchmarks.

A Small Business with Big Challenges

Despite its recreational allure and positive brand image, the golf course operation is a small business subject to many uncontrollable factors: demographics, weather, and politics. From 2006 to 2018, golf was in a state of decline as more than 150 golf courses closed nationally annually. Presented below are statistics that the golf industry, as measured by the number of golfers nationally and golf facilities, has declined over the past 12 years:

Benchmark	2010	2022
Golfers Nationally	27.1 million	25.6 million
Latent Potential Demand	45.0 million	41.1 million
Rounds Played	498 million	515 million
Golf Facilities	15,902	13,946

Note 1: 2010 Statistics from National Golf Foundation issued to Miami-Dade County in 2011.

Note 2: Latent Potential Demand is defined by the National Golf Foundation as people who didn't play golf in 2022 but indicated that they are very interested in playing golf on a golf course.

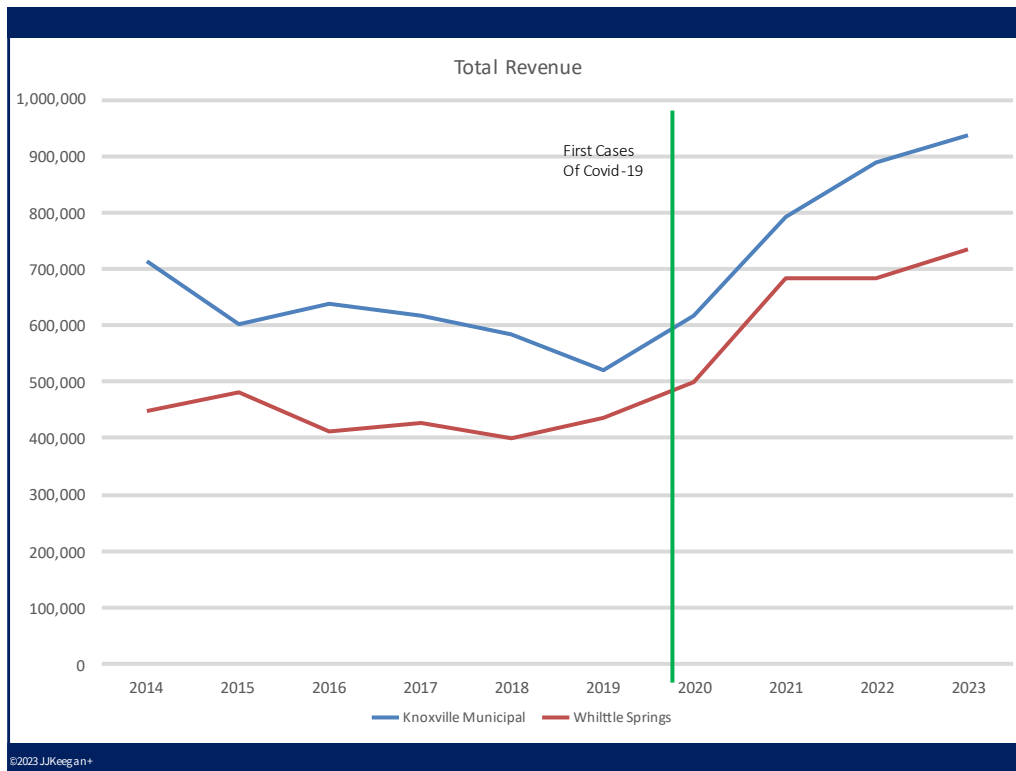
Covid-19

One of these uncontrollable factors, COVID-19, significantly resuscitated play as rounds nationally had fallen to 424 million in 2019.

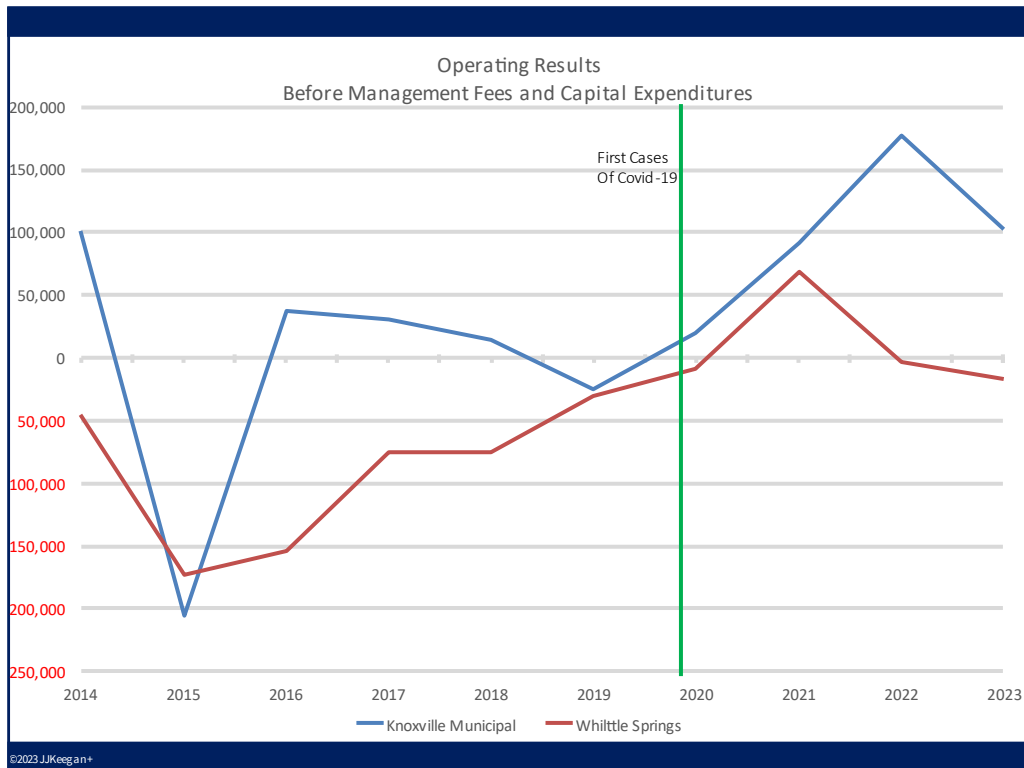
Rounds, revenue, and net income increased due to golf being perceived as a "safe, healthy recreational alternative during the worldwide health crisis." These benefits were enjoyed by golfers at the Knoxville Municipal and Whittle Springs as revenue dramatically increased, as shown here:

	Knoxville Municipal			Whittle Springs		
	Rounds	Revenue	Net Income	Rounds	Revenue	Net Income
2014	31,493	712,226	100,932	23,367	449,138	-45,813
2015	26,784	600,883	-205,184	20,471	481,000	-172,823
2016	28,483	637,209	36,976	22,344	410,829	-153,349
2017	26,767	615,728	30,790	21,445	426,912	-74,989
2018	22,063	582,911	14,204	18,720	399,725	-75,148
2019	25,465	520,513	-24,630	23,100	435,360	-30,963
2020	30,454	618,367	20,449	29,885	498,757	-8,646
2021	33,131	791,371	91,713	31,735	683,483	68,153
2022	33,026	887,346	177,702	29,507	681,825	-3,290
2023	34,137	937,290	102,385	31,324	733,679	-16,838

Represented graphically, the impact of Covid-19 is clear:



The correlation in improved net income, as golf expenses are primarily fixed, was realized:



Though revenue and net income soared due to the Pandemic, the question that needs to be addressed is, “Were Knoxville Municipal and Whittle Springs adroitly managed to optimize the additional revenue opportunities from the surge in demand?”

Adroit Management

There is a standing joke in the golf industry, “When rounds are down, it is because of the weather. When rounds are up, it is solely because of management.”

Utilizing Weather Trends International’s ten-year playable days calculated based on a fiscal year to match the City of Knoxville’s fiscal year, we computed revenue per playable day, and the income per round realized – both reflecting the efficiency of management. Presented below are the results.

	Knoxville Municipal			Whittle Springs	
	Playable Days	Revenue Per Playable Day	Revenue Per Round Yield at % of Prime-Time Rate	Revenue Per Playable Day	Revenue Per Round Yield at % of Prime-Time Rate
2014	257	2,771	44.90%	1,748	36.16%
2015	247	2,433	43.65%	1,947	39.34%
2016	263	2,423	45.76%	1,562	35.43%
2017	270	2,280	48.78%	1,581	39.13%
2018	251	2,322	55.37%	1,593	45.33%
2019	240	2,169	44.92%	1,814	42.05%
2020	259	2,388	48.66%	1,926	39.31%
2021	262	3,020	57.24%	2,609	53.40%
2022	271	3,274	63.01%	2,516	55.14%
2023	265	3,537	69.74%	2,707	61.90%

Note 1: A Golf Playable Day (GPD) is defined as a day where the maximum temperature is above 50 degrees Fahrenheit and below 95 degrees Fahrenheit, precipitation is less than 0.25 inches of rainfall, and wind speed is less than 19 miles per hour. These numbers can be used to compare “good” years with “not good” years.

The conclusion is straightforward. By implementing demand pricing, Indigo Sports effectively captured the increased interest in golf and adjusted prices to reflect the increased demand.

Note the goal of a golf course is to realize revenue per round equaling 60% of the published prime time rate. Why only 60%? Over 80 different rates are posted during the year, recognizing the time of the year, time of the day, day of the week, and type of golfer. Sixty percent recognizes the impact of various rates posted, all of which are less than the prime-time rate.

In equity, it should be highlighted that revenue per round realization from fiscal year 2014 through fiscal year 2020, which was below 50% (except for Knoxville Municipal in 2018), was too low, resulting in an annual potential loss of revenue exceeding \$100,000 collectively at Knoxville Municipal and Whittle Springs through discounting.

No implication is intended here regarding the market utilization achieved by other golf courses. Simply stated, a golf course should earn an average revenue per round of 60% of the published prime time rate. Knoxville Municipal did not achieve that benchmark until 2022, and both courses achieved that target in FY 2023.

With respect to Williams Creek, the average revenue per round realized in 2022 was 54%, resulting in a loss of potential revenue of \$45,547 from discounting as calculated here:

Category	Amount
Prime Time Rack Rate	\$35
Revenue Realization Goal	60%
Revenue Per Round Target	\$21.00
Revenue Per Round Realized	\$18.99
Revenue Shortfall from Discounting	\$2.01
2022 Rounds Played (Public and Members)	21,678
Potential Revenue Not Realized	\$45,524

However, it is understandable and mainly attributable to human nature. While a business is struggling, it is natural to discount to capture any revenue at any price, believing that no income will be realized without a further reduction in rates. Demand pricing is a dual-edged sword.

As seen below, the City of Knoxville golf courses were far below a benchmark of 52% utilization. before the Pandemic and upwards of 70% starting in 2020:

	Capacity	Knoxville Municipal	Whittle Springs
2014	65,823	47.84%	35.50%
2015	64,467	41.55%	31.75%
2016	66,637	42.74%	33.53%
2017	67,409	39.71%	31.81%
2018	64,266	34.33%	29.13%
2019	61,564	41.36%	37.52%
2020	65,988	46.15%	45.29%
2021	66,504	49.82%	47.72%
2022	68,146	48.46%	43.30%
2023	67,120	50.86%	46.67%

Note 1: Capacity is determined by the number of playable days, assuming 8-minute tee time intervals are between foursomes and rounds start being played 1 hour after sunrise and stop playing 3 hours before sunset.

Note 2: For 2020, single-rider carts and limits on tee times imposed by the City during COVID-19 impacted utilization.

We feel this lack of usage of the City's golf courses is attributable to the lack of driving ranges, short-game facilities, dated clubhouses, and course conditions resulting from the lack of irrigation systems available at the other competitive courses in the Knoxville area.

To compensate for this lack of utilization, Indigo Sports has deftly adjusted labor expenses incurred, reflected here:

	Knoxville Municipal	Whittle Springs
Labor Expenses	\$261,311	191,742
Burden (Fringe Benefits)	48,195	27,808
Total Labor Expenses	\$309,506	219,550
Labor Expenses a % of Revenue	37.85%	36.87%
Fringe Benefits as % of Revenue	18.44%	14.50%

Seeing labor expenses at municipal golf courses exceed \$500,000 is prevalent. The benchmark for labor expenses as a percentage of revenue ranges between 45% and 55%, depending on the type of experience management seeks to create.

While the critic might say that Knoxville Municipal and Whittle Springs maintenance expenses should be lower as those golf courses have smaller greens, no bunkers, and minimal water hazards, the statement overlooks an important fact. It is easy to misrepresent statistics.

To illustrate, an increase in rates from \$10 to \$15 presents a 50% increase, yet an increase from \$100 to \$125 represents only a 25% increase though the difference is the customer spent \$20 more (\$125 – \$100 vs. \$15 – \$10). Such is the case here. The denominator is revenue far below industry benchmarks for reasons defined within this Golf Study.

A benchmark for maintenance expenses is that they should equal 10,000 times the prime-time green fee. In other words, with a green fee and cart priced at \$39, one would expect the maintenance costs at a golf course to be near \$390,000. The total maintenance expenses, labor, plus agronomic inputs at Knoxville Municipal and Whittle Springs are \$214,739 and \$248,504, respectively.

It is truly amazing the effective job the Superintendents achieve at Knoxville Municipal and Whittle Springs based on the lack of resources provided to them. Agronomists cannot create ideal playing conditions, no matter how talented they are, without the necessary resources.

Another benchmark, fringe benefits as a percent of revenue, documents one of the benefits of third-party management. While the City fringe benefit percentage is 35%, fringe benefits paid to Knoxville Municipal and Whittle Springs workers are only 16.78%. During the past ten years, an analysis of fringe benefit savings shows the following:

Category	Amount
Management Fee	\$1,552,987
Fringe Benefit Savings	825,464
Management Fees After Fringe Benefit Savings	\$727,523

Often, the fringe benefit savings will exceed the management fees expended. However, this is not the case here. If the City opted for self-management, it is reasonable to expect that the common service allocation charges from the General Fund to the Enterprise Fund would exceed \$60,000 annually. Thus, the City saved money over the past decade by utilizing the services of a third-party management company.

Thoughts for Consideration

This section of the Golf Study was to contemplate the annual future funding that would be required. As documented in other sections, the amount to render the golf courses competitive is daunting.

One can't effectively abandon the assets of an enterprise for two decades and think that a small incremental investment will resolve the issue. If any investment is made, it should be in the infrastructure of the golf course sans considering the needs of the associated parking lots or clubhouses.

A long-term strategy should consider repurposing Knoxville Municipal, allocating capital for the conversion of Whittle Springs to a nine-hole golf course community center, and allocating an increasing share of the financial responsibility of Williams Creek to the County, Corporations, and non-profit entities. Those who hail the game's benefit and want a seat at the table to influence policies should have a commensurate financial stake in the outcome.

Section 8-- Marketing

Why – How – What

Marketing for a golf course starts with understanding the vision and mission statement of the facility and creating a brand image that embraces the customer.

Some golf courses can define a compelling theme that entices the golfer to visit. Bandon Dunes, "Golf as It Was Meant to Be," is an example of such a motivating statement.

In a well-managed operation, every operational decision can be traced to the tactical plan and the strategic vision.



The City of Knoxville golf courses have formulated neither vision nor mission statements nor created a compelling marketing message to attract and build customer loyalty.

In a Ted Talk viewed over 62 million times, Simon Sinek describes the "golden circle of communication, "WHY? - HOW? - WHAT? He states that all companies and organizations know WHAT they do. They are easily able to describe their products and services. Some companies can explain HOW they are different – their unique selling position. Few companies can articulate WHY clearly. He concluded that the most successful companies communicate from the inside

out. All other companies communicate from the outside in. People don't buy WHAT you do. They buy WHY you do it.

By defining your strategic vision, the WHY your golf course exists translates into performance targets through goal-creation realized through marketing.

Here are a few examples of the vision statement some municipalities have embraced:

- 1) "We deliver a convenient and affordable recreational experience for those who play just for fun."

The subtle message here is that frequent customers who act as though this is their private club should sense the equality in the message and perhaps play elsewhere if they don't want to encounter beginners. And conversely, beginners and many women might feel more welcome reading this "why."

- 2) "We are here to provide a cauldron to allow you to learn how good you are at golf and to allow you to appreciate the game's traditions."

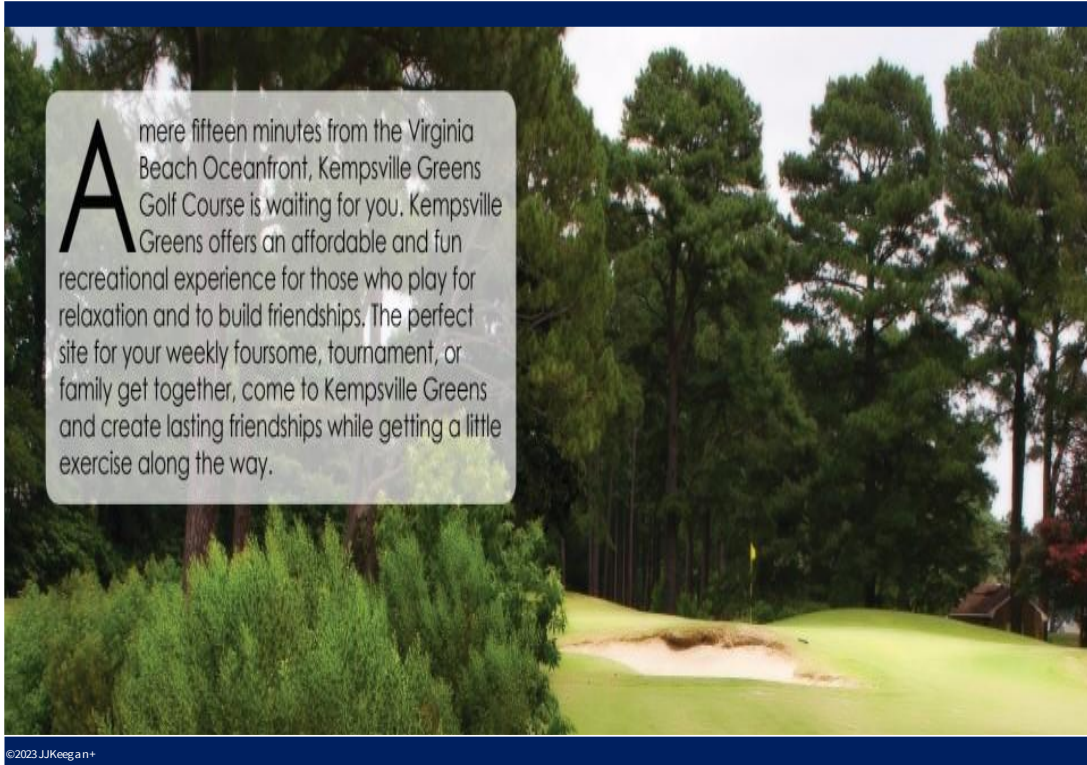
This would be appropriate wording for a course with a slope rating over 140.

- 3) The subtle message here is to bring your game and that this is not the facility for rank amateurs who don't appreciate the challenges golf offers and the traditions so respected in golf that shape the game's culture.

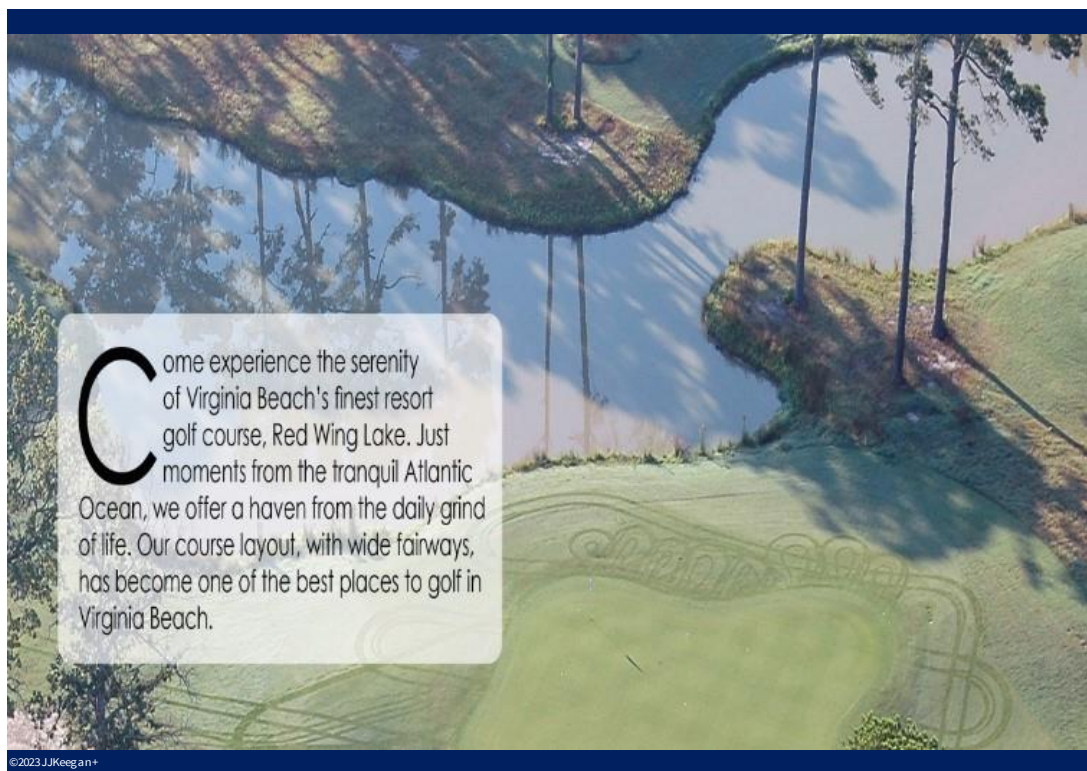
- 4) "We will provide, in a responsible fiscal manner, as a recreation component of our leisure programs, golf consistent with the stands of the leading municipalities concerning green fees, maintenance, and administrative operations in other that we maximize revenue, increase operational efficiency, and ensure optimum customer serve as prudent stewards of government-owned assets."

This is a good message for a golf course in an enterprise that recognizes only 1 out of 7 residents play golf and that the municipality is being good stewards of resources, realizing the average golfer earns over \$100,000.

Several years ago, the City of Virginia Beach embraced creating a compelling marketing message for its golf courses. For Kempville Green, the marketing message was:



For their premier golf course, the marketing message was:



Of the City's three golf courses, Williams Creek has the best opportunity to create a compelling marketing message based on its affiliation with the Tennessee Golf Foundation and First Tee.

Perhaps the following would represent a suitable first draft of several rotating messages on the website: "Williams Creek's goal is not to develop the next professional golfer but to help our youth transition into adulthood, teaching them how to set and achieve realistic goals, deal with conflicts and challenges, and develop core values. We look forward to welcoming your family to the game of golf to ensure that they succeed in the game of life."

The comical approach might appeal to the value-oriented golfer for Knoxville Municipal and Whittle Springs, lacking short game facilities, a driving range, and providing golf courses with few bunkers and water hazards:

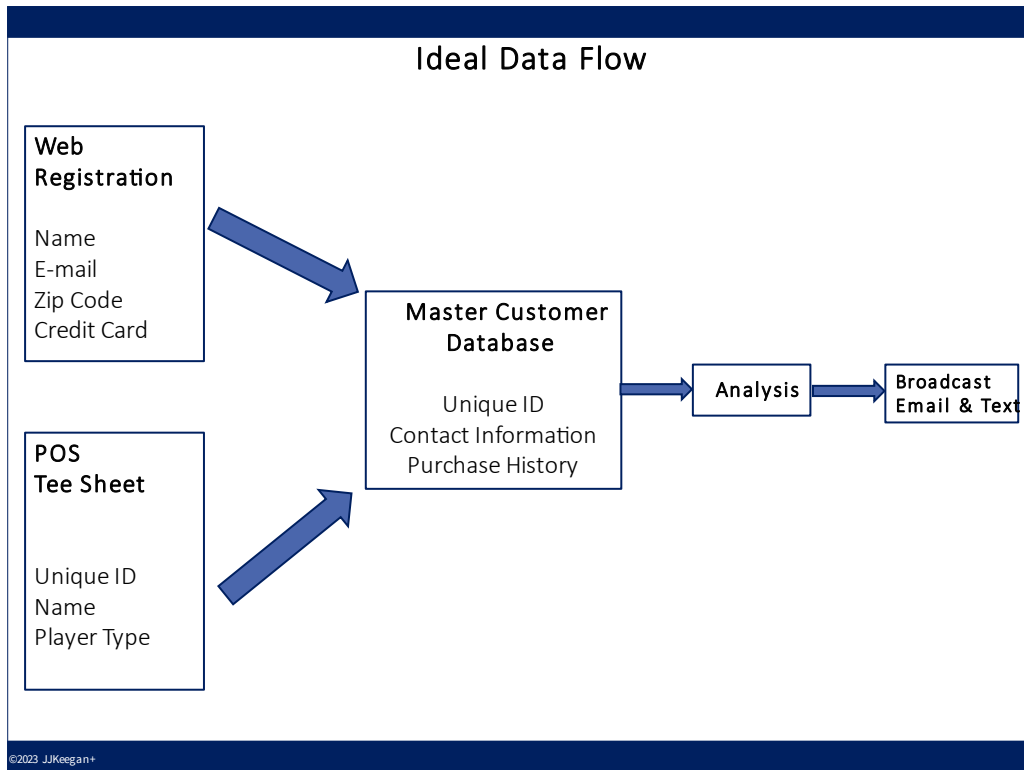
"Tired of losing your golf balls? Our golfer-friendly courses will offer a delightful experience for family, friends, or business associates."

"What is Your Time Worth? Our golf courses offer a fast pace of play in less than four hours for the lowest price in Knoxville. Your time is important. We will provide you with a great value and an enjoyable round of golf."

"They say golf is expensive, not at Knoxville Municipal or Whittle Springs. We offer the lowest prices for an 18-hole golf course and provide the best value for any course in the Knoxville area. Play where people who value their money enjoy golf."

Data Flow

Most golf courses utilize the website and email as their primary marketing tools to build a customer database, as illustrated here:



Opportunities Available

As part of this Golf Study, when we visited the golf courses, we had our name and email address entered into the POS system. Also, we registered our email addresses on the Knoxville Municipal and Whittle Springs website to receive tee time confirmations and marketing messages. We have received no emails or text messages in the past two months during the height of the golf season. We believe this is a missed opportunity to engage golfers.

Several years ago, Indigo Sports invested over \$3 million in developing an impressive database marketing platform. Nightly, customer information is uploaded from the golf course analyzed, and targeted messages can be sent to golfers based on customer behavior.

When this platform was developed, they activated a marketing campaign for one of their client's courses for golfers who had not visited the golf course in 90 days. To 1/3 of the targeted audience, they were emailed stating they were missed and offered a 20% discount upon returning to the course in 30 days. To the second 1/3, the same email was sent offering them a 10% discount. To the final 1/3, the same email was sent, merely saying they were missed.

Interestingly, the return rate among the three groups was nearly identical. It was merely recognizing the individual stimulated a response.

Indigo Sports has an impressive set of marketing tools and strategies. We would encourage their increased utilization.

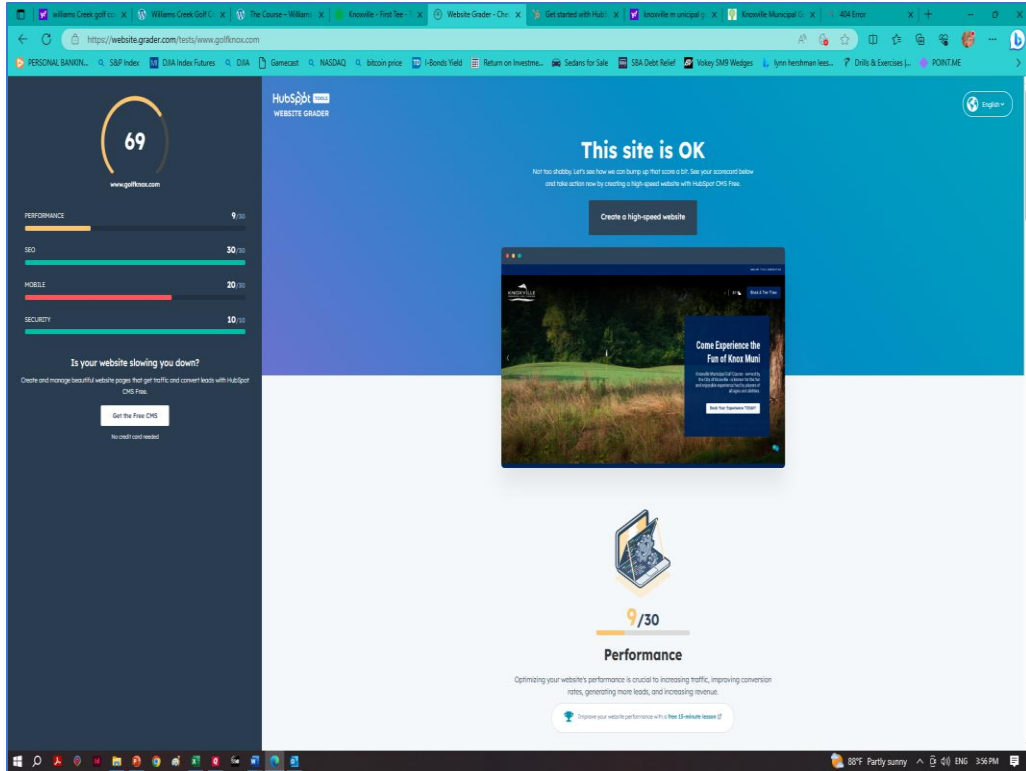
Note that the typical municipal golf course will have a minimum of 3,500 up to 11,000 registered emails.

It was also disappointing that golfers cannot register on the Williams Creek website to receive promotional messages. We were informed in early June the website was being updated to incorporate that feature. As of August 24, 2023, **that feature has not been activated**. Sumo.me, a software application, can be added to the website for \$384 annually. This software facilitates the collection of email addresses from website visitors and the creation of various automatic marketing messages depending on the page viewed.

Also, we felt put off that the Williams Creek website has a button for the public and a separate button for "members" to book tee times. We believe featuring "members" on a municipal golf course, especially one focused on youth, sends the wrong marketing message.

Cost Effective Marketing Tools

There are FREE tools offered by Hubspot that measure the effectiveness of a website. Presented below is their evaluation of the Knoxville Municipal Golf Course website.



We are very sympathetic to the time requirements to send marketing messages to golfers. Hootsuite offers an effective software tool for slightly over \$150 per year. A golf course can set up its marketing messages on this site and have them automatically distributed by parameters the golf course sets to the client email database and Facebook, Twitter, TikTok, and other desired social media platforms.

The sophisticated golf course operator might install LeadLander on their website. LeadLander is a website visitor analytics and reporting solution that provides specific details about each person visiting your site. Presented below is an example of the information provided by a person visiting one's website:

Troongolf visited your website

📅 07/17/2023 16:52:45
 Arvada, Colorado, United States
 Referred From: <https://www.google.com/> ,
<https://jikeegan.com/> ,
<https://jikeegan.com/in-the-news/> ,
<https://jikeegan.com/category/blog/>
 IP Address: 63.224.75.206

[View full visit details](#)

About Troongolf

[Visit website](#) →

Company Size: 1000+	Primary Address:
Revenue: \$5M - \$100M	Scottsdale, AZ, United States
Industry: Hospitality	
IP Address: 63.224.75.206	

Leadlander reports immediately not only who visited your site but also what they viewed, reflected here:

Pages viewed this visit

- 🏠 07/17/2023 16:34:15
<https://jikeegan.com/>

- 07/17/2023 16:34:47 [00h 00m 32s]
<https://jikeegan.com/in-the-news/>
- 07/17/2023 16:35:45 [00h 01m 30s]
<https://jikeegan.com/category/blog/>
- 07/17/2023 16:36:28 [00h 02m 13s]
<https://jikeegan.com/distance-and-equitable-stroke-control/>

- 07/17/2023 16:52:45 [00h 18m 29s]
<https://jikeegan.com/distance-and-equitable-stroke-control/>
- 🚪 Exit

[View full visit details](#)

There are other marketing activities golf courses deploy. Some golf courses use Facebook, Twitter, and TikTok with less success. Print advertising is infrequently used in this digital world besides regional golf publications.

Thoughts for Consideration

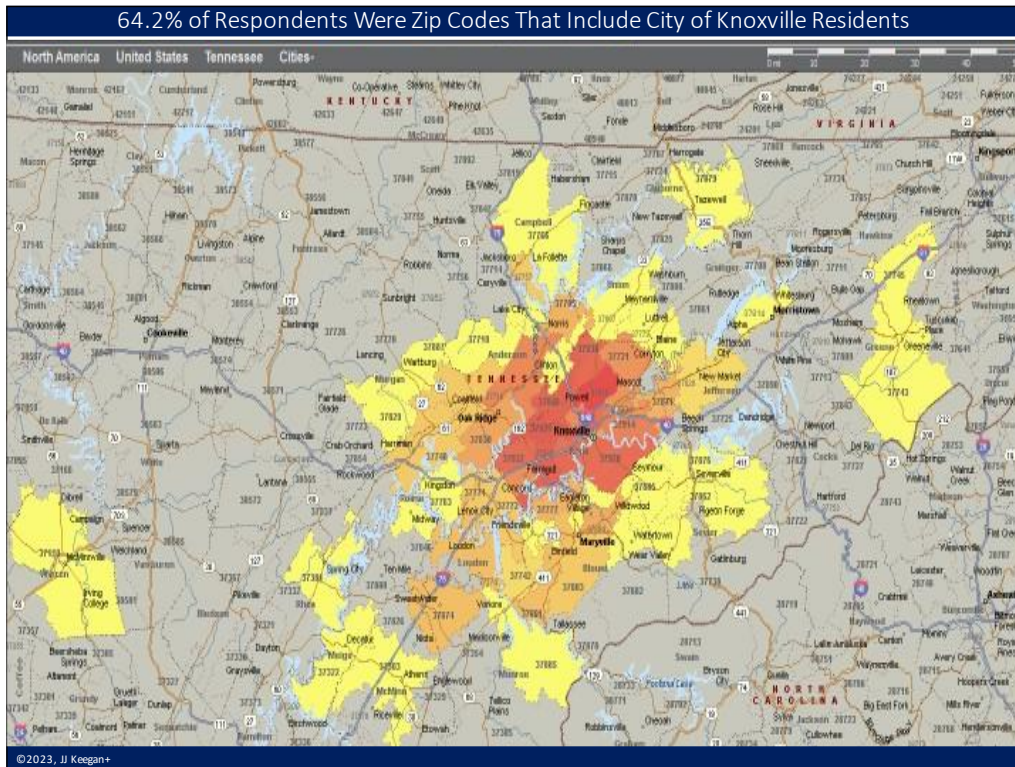
Considering the limited resources, both time and money, golf courses use the website and the POS system to capture customer data as a foundational principle for marketing. This seems to be an undeveloped opportunity for the City of Knoxville to increase the customer database and bolster customer loyalty.

Section 9— Public and Customer Input

Survey Says

As part of this Golf Study, we surveyed 562 individuals who responded to 40 questions. The full results of the study are available upon request.

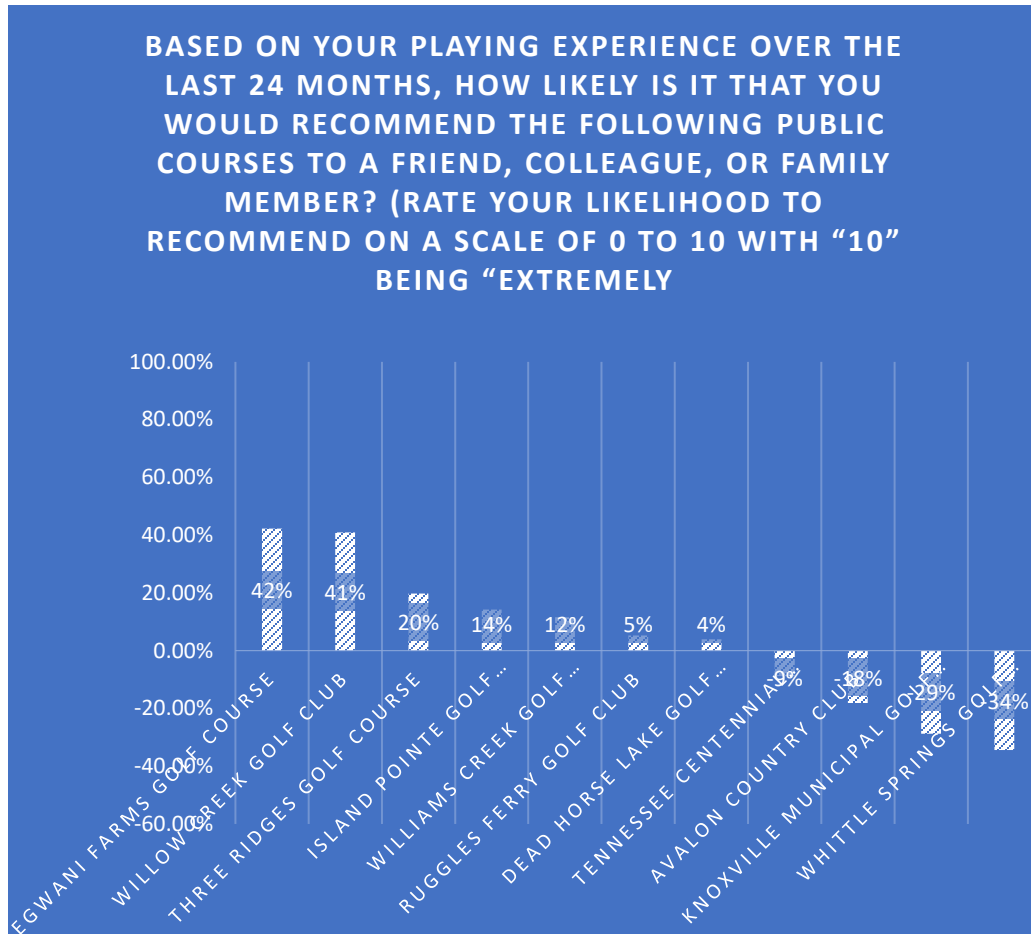
Nearly all respondents were individuals who play golf. The respondents averaged 29.7 rounds per year of playing on seven golf courses, with the majority citing that they play as frequently as they desire. Course conditions and price were two important factors to them. The respondents lived in various parts of the City and outlying areas illustrated here:



They were asked the following question:

“Based on your playing experience over the last 24 months, how likely would you recommend the following public courses to a friend, colleague, or family member? (Rate your likelihood to recommend on a scale of 0 to 10, with “10” being “Extremely Likely” and “0” being “Not at All Likely.” If you did not play a course, please indicate by checking “N/A”).

Their responses regarding their affinity for the City of Knoxville’s golf courses are shown here:



Note: Based on the number of responses received, we are 95% confident with a 5% margin of error concerning the survey results.

Insights – Always on Point

In conducting over 300 municipal golfer surveys over the past decade, we are always chagrined by two insights these surveys generate:

- 1) The public golfer’s observations consistently aligned with our professional thoughts regarding the experience created by a golf course.

Despite the moniker of being a “municipal golfer,” these individuals have incomes consistent with golfers nationally.

- 2) The profile of the respondent is shown here:

Category	Knoxville Respondent	US Golf
Gender: Male %	92%	75%
Age	53.7	43.8
Income	\$123,146	\$102,433

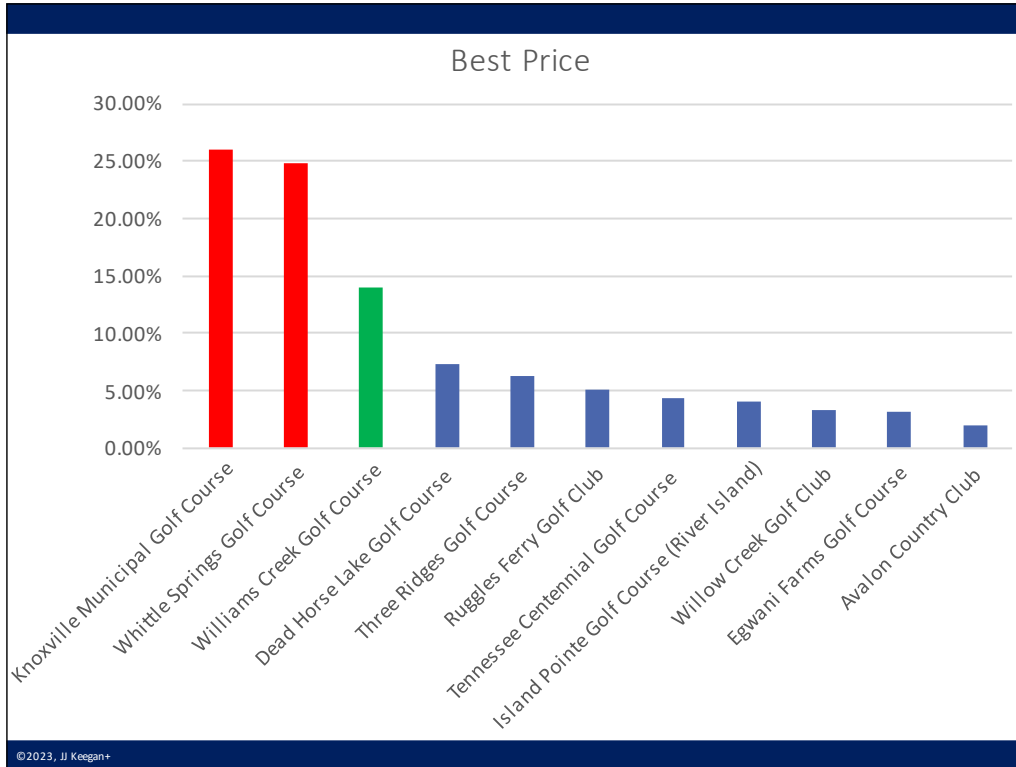
That raises the question, “If the median household income of the City of Knoxville golfer is \$123,146, and they represent only 1 in 7 citizens, how does a municipality justify supporting the recreational leisure of the wealthiest portion of residents when the basic needs of the City for fire, police, schools, and parks are largely unmet?

While the financial support of Williams Creek might be understood as the entry door to the game for youth and the disadvantaged, even though, according to the President of Williams Creek Youth Foundation, approximately 1,000 rounds out of 21,578 played in 2022 are from those intended populations, how can one support the significant investment that is now required to render Knoxville Municipal and Whittle Springs competitive?

Knoxville Municipal and Whittle Springs are accounted for in an Enterprise Fund: 000508. The concept of an Enterprise Fund is that fees should be charged to the patrons to offset the operating expenses and the capital requirements of these City assets.

Thus, it would be anticipated that capital investment would be recaptured from increased fees or higher visitation rates of the facility.

However, the public survey revealed the Knoxville golfer focus on price illustrated here:



Price is what someone is willing to pay. The City of Knoxville’s golf course also offers the best value, i.e., the real, long-term worth or benefit of the item as shown here:

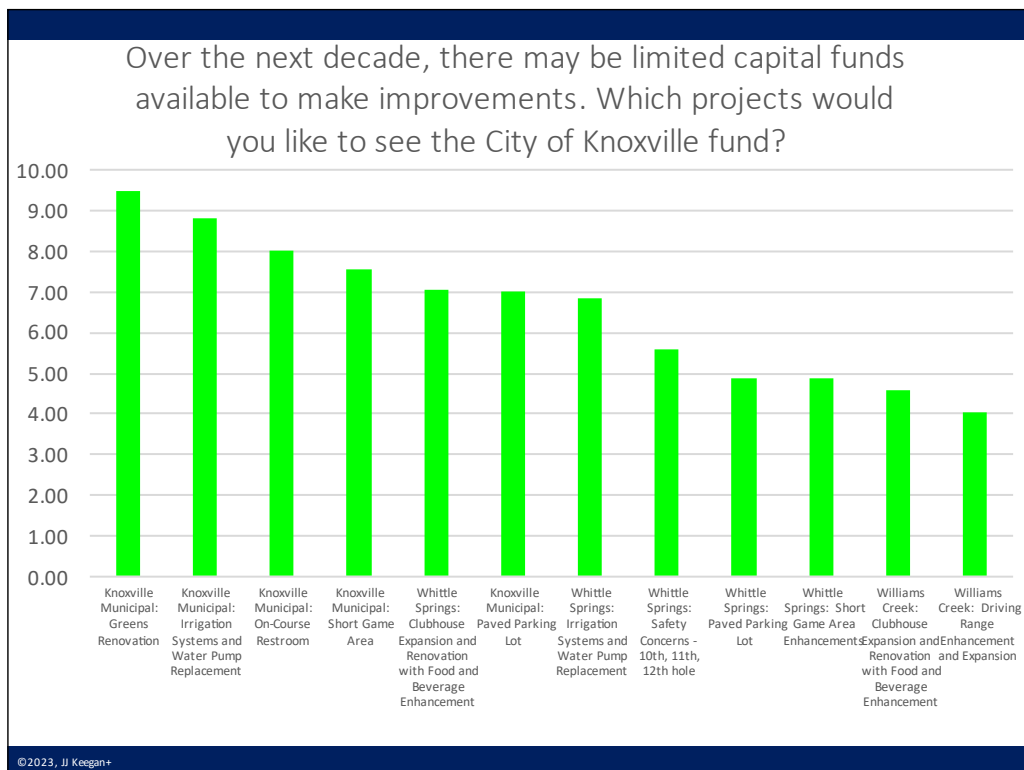


Therefore, based on the myopic focus on the price and value of its golfing patron, it is unlikely that the City will be able to recapture capital investments made in the golf course.

Improvements Desired by Golfer

When asked what improvements they would like to see, Course Design and Layout were the first two choices at Knoxville Municipal and Whittle Springs. Food and beverage enhancement and the economic viability of Williams Creek were the top two concerns of respondents.

Interestingly, when asked which course they would like to evaluate, 55% selected Knoxville Municipal, which was annexed into the city when the course was acquired in 1994. Their priority on capital investment should first be allocated to that course was clear when asked what improvements they would like to see at the City’s golf courses as illustrated here:



Considering the location of Knoxville Municipal is on the outskirts of the City limits and is frequently visited by non-residents, one must question the justification of a material investment in that facility.

Thoughts for Consideration

When capital investments have not been made, the course experience has degraded to now requiring a large allocation of funds to render the facility's current and considering that the patrons who utilize the facility are focused on price and value, such an investment will be a "sunk cost." It is incumbent on City leadership to ask, "Should we financially underwrite golf courses when the community needs are adequately provided by private enterprise?"

Section 10-- Management Practices

The Dilemma

In undertaking a Golf Study, should one comment on practices so ingrained in the culture of the golf course that, though not in the best financial interest of the facility, they are unlikely to be changed as the suggestions will not be well received by some and politically unviable to others?

That is a dilemma faced here concerning the following:

- 1) Technology: The POS/TTRS system utilized by Indigo Sports
- 2) Self, Third-Party Management or Lease
- 3) Professional Fees Paid to Non-Profit Employees

Technology – Is Barter Bad?

There may be no more controversial topic in the golf course operation than licensing a POS and Tee System via barter – providing the software vendor unfettered access up to three times per day. The National Golf Course Owners Association and the PGA of America have long opposed barter for software licensing and issued many joint publications as to the peril of this practice.

The case for barter is long-standing. Before the formation of the monetary financial system centuries ago, barter was the principal of economic trade.

Even today, barter is prevalent, exchanging a few green fees for advertising, legal counsel, accounting services, or receiving a discount on goods or merchandise. To the extent that a business enterprise has excess capacity, exchanging for goods or services that have value to the owner or a commodity that they won't use is logical.

So, what is wrong with barter?

In the golf industry, extensive, fully featured golf software is available for \$8,000 to \$10,000 annually.

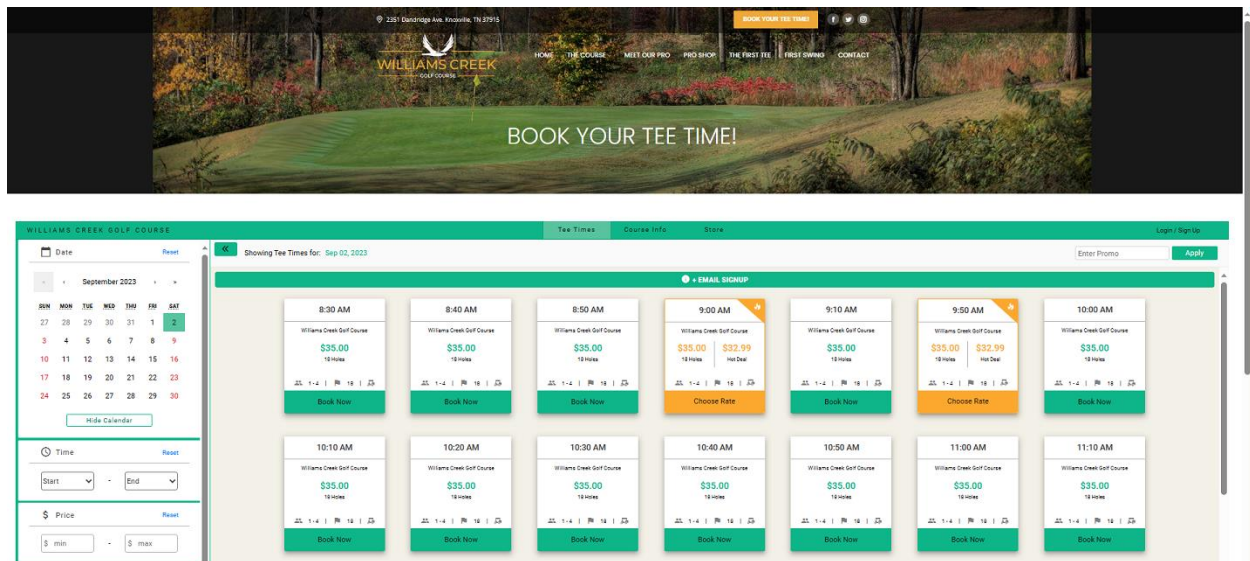
In FY 2022, Williams Creek had 2,270 "Hot Deal" green fees and carts sold (bartered slots allocated to GolfNow, representing 10.52% of the total rounds played. Though the published green price at Williams Creek is \$32, if GolfNow sold those tee times for the average rate received by Williams Creek, \$19.29, they would have theoretically generated \$43,798 for a service available for less than \$10,000.

In combination with the \$45,524 in potential revenue lost discounting paid tee times (Page 55), the opportunity exists to increase revenue by \$89,332 (14.6% of 2022 total operational revenue) through price integrity and eliminating barter with the introduction of effective email marketing and an interactive website.

Regretfully, the dissipation of revenue potential continues at Williams Creek in 2023. Amazingly, Williams Creek management allows GolfNow to feature the "hot deals" on the golf course website.

It is alarming how often GolfNow has a trade time/hot deal with consecutive tee times. For instance, this Sunday, August 27, GolfNow "owns" the 12:00, 12:10 and 12:20 tee times. The 12:10 and 12:20 are labeled as hot deals on the course website. GolfNow trade times are in peak days nearly every day.

To illustrate, as shown below, on Friday, September 1, and Saturday, September 2, two trade times are listed between 9:00 and 9:30 a.m.



At Knoxville Municipal and Whittle Springs, Indigo Sports wisely restricted GolfNow from labeling the trade tee times as "hot tee times"; thus, it is difficult for the golfer to differentiate between trade vs. paid tee times. The GolfNow agreement also specifies a "floor rate" of 50% of the rack rate for trade tee times sold.

However, Knoxville Municipal sold 2,037 trade times, while Whittle Springs sold 1,452 trade times. Based on an average revenue per round realized, the liquidated trade at Knoxville Municipal cost \$48,032, while Whittle Springs incurred a liquidated trade of \$29,211.

Thus, the City of Knoxville likely forfeited \$121,041 in revenue for software valued at an estimated \$30,000 at their golf courses.

The proponents of barter would argue that the above calculation is an oversimplification of the issue and doesn't represent the fair value the Course received in marketing services from GolfNow, the convenience of creating a database of customers, or the value of the GolfNow brand as the default site public golfers use to reserve a tee time.

The thought is, "If you do not use their platform, your course will lose visibility, leading to a decreased market share of rounds played."

But the issue is more complicated than that.

By GolfNow posting a price below the rate charged by the golf course, it defines the value of the experience they will receive in the consumer's mind. Why would I reserve the 11:00 a.m. tee time from the Course for \$32 if I can buy the 11:40 tee time for \$20?

The golfer that uses GolfNow is not loyal to any course and is merely seeking a tee time at the lowest price that is most convenient to their schedule.

Transparency Lacking— Special Considerations

We were informed by several management company leaders and industry executives that third-party management companies receive special consideration from GolfNow.

The following was represented to us by the third-party management company during this Golf Study:

- Indigo Sports does not receive any commissions for tee times sold at the Knoxville courses.
- Each course has cash or various trade options available to them for the use of the G1 POS and software that is reviewed annually.
- There is a price floor, and they are not involved in determining when trade times are sold. They are not sold during peak times when the rates are highest.
- The course benefits from their contract terms, which are considerably better than most stand-alone properties can do independently.

- There is dedicated support from GolfNow and a team of revenue managers from the corporate side that manages this relationship.
- They can provide a detailed list of every tee sold, including trade rounds.

Statements like the above give us a concern.

The city does not have access to the books of the management company to confirm or deny whether financial considerations are received. It was stated to us by other industry leaders that while GolfNow doesn't use the term "Commission", there is some fee paid to Troon and several of the multi-course operators based on revenues generated from Contractual agreements.

The cash price to use G1 POS is often quoted to exceed \$100,000, which is ludicrous.

While the establishment by the contract of "floor pricing" would prevent the degradation of perceived value, we were informed that while floor pricing was in effect during part of the past fiscal year, the General Managers could not confirm that contract provisions were still in place during this Golf Study.

The trade tee times are usually sold at 11:50 and 12:10 on the weekend, considered prime tee times.

There is no evidence that the City of Knoxville's golf courses benefit from contract terms they might achieve without third-party representation.

To illustrate floor pricing, we know a management company that oversees a multi-course municipality in which the floor pricing was set at 80% of the rack rate. The management company receives a 50% commission on the trade times sold. If GolfNow, which it does on occasion, sells a tee time below the trade floor, they are required to reimburse the management company. Their General Manager monitors trade tee times sold daily. Thus, the golf course is effectively charged a 10% commission on the trade times sold. That is reasonable. A floor price of 50% is not reasonable.

Regarding dedicated support, Indigo Sports is very skilled in revenue management, and the services of GolfNow are not needed.

Despite the issues raised above, in our professional opinion, perhaps the most critical issue is the substandard quality of the G1 software offered by GolfNow compared to that provided by Club Caddie, Club Prophet, ForeUP, Lightspeed, or Teesnap.

Thus, transparency is a fundamental ethical principle on which municipal governments operate.

As such, we believe the use of GolfNow by a third-party management company should be a disqualifier in the RFP selection process to manage a municipal golf course unless the special considerations received by the management company are disclosed to the municipality via providing a copy of their contract with GolfNow to ensure full disclosure.

Self or Third-Party Management?

Nearly 50% of municipal golf courses are operated by third parties through a lease or management agreement.

Interestingly, many individuals don't understand the nuances of the various options for managing a municipal golf course. Three basic alternatives are self-management, third-party management, or a lease.

Presented is an outline of the variances in these forms of management:

Matrix of Decisions	Self-Manage	Third Party Management	Lease
Risk	Full Risk	Full Risk	No Risk
Capital Investment	Full Capital	Full Capital	No Capital, unless negotiated
Profits	Full Profits	Full Profits less management fee	No Profits other than "rent"

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While this chart is an oversimplification of the options, the principal difference is that under third-party management, a municipality pays a third party, typically between \$75,000 and \$95,000, to operate an 18-hole golf course, whereas, under the lease, the municipality receives a rental payment.

Suppose the golf course is self-managed or operated by a third party; in that case, the municipality is still responsible for 100% of the capital investment, receives 100% of the profits, or bears the financial responsibility for all losses. Under a lease, any capital investment by the lessee is negotiated at the outset of the contract.

Concerning self-manage, municipalities are frequently criticized by daily golf course owners as having an unfair competitive advantage in operating their facilities. Some of these operators believe that:

- Profit Motivation Not as Intense
- Don't recognize or fund depreciation.
- Better Insulated from Downturns
- Located in Population Centers
- Capital Easier to Access
- Land is Free
- No Property Taxes
- Fees for water, sewer, electricity, and gas can be lower.
- Zoning Changes may be more easily obtained.
- Employees are attracted to lucrative fringe benefits: health, life, annual merit and cost of living increases, and retirement compensation.

But municipalities, when self-managed, face many challenges, including:

- The payroll cost structure is higher.
- Labor issues: the ability to hire and dismiss.
- Presence of labor unions
- Inflexibility of rates
- Politics
- Golfers demand low-priced season passes, improved conditions, and better pricing.
- The Course is expected to provide a wide range of unprofitable services.
- Procurement is cumbersome.
- All financial information is in the public domain.

The Formula to Decide the Best Option

The decision to self-manage or engage a third-party management company is made based on several criteria. Often the decision can be reduced to a calculation of the following factors:

- Do the City's fringe benefits exceed 35%?
- Are the golf courses charging a "common service allocation" fee for the services provided to the golf course from the General Fund, i.e., accounting, human resources, legal, fleet leases, computers, and procurement?

To the extent that the City would incur fringe benefits and the common service allocation fees exceed the management fee charged, it would be logical to retain a third-party management company strictly based on expense savings.

That formula is shown here for the City of Knoxville, examining only one element: payroll burden.

Category	Amount
10-Year Average Annual Payroll	\$453,054
Payroll Burden	76,003
Payroll % of Labor	16.78%
City Payroll Burden %	35.00%
City Payroll Burden (\$453,054 * 35%)	158,569
Additional Payroll Burden if City Self-Manages (\$158,568 – 76,003)	82,566
Third-Party Management Fees (10-Year Average)	155,299
Potential Annual Savings if the City Self-Manages	72,733

The potential savings if the City chooses to self-manage is misleading. It doesn't include the common service allocation charge the General Fund would assess. These expenses, we have observed, range from \$50,000 to \$500,000 depending on the formula used by the City's Finance Department to allocate costs. To illustrate, if the formula used by the City was the square footage of the City's buildings if a golf course operated from a large clubhouse, the common service allocation charge could be high.

Thus, the City of Knoxville should retain a third-party management company if they continue operating Knoxville Municipal and Whittle Springs.

Under the Indigo Sports banner, Troon Golf has managed Knoxville Municipal and Whittle Springs for 16 years. They are the largest and one of the most respected managing companies for municipal courses in the golf industry. Indigo Golf Partners operates over 160 golf courses, country clubs, and resorts. Most of the facilities are operated by a third-party agreement, though it is believed to be about 45 golf courses via a lease.

Troon Golf provides 825+ locations while also managing various amenities, such as racquet sports, aquatics, fitness, food & beverage, lodging, and homeowner's associations. CourseCo, Kemper Sports, Pinnacle Golf, and Touchstone are other fine management companies that manage municipal golf courses.

Most management companies aim to earn their professional services fee ranging from 6% to 10%, though some management companies earn up to 14% of a facility's total revenue. Over

the past decade, the City of Knoxville has paid management fees totaling \$1,552,987, representing 13.18% of revenue.

While that percentage is high in relationship to an industry benchmark, it is partly attributable to the low revenue potential of the City's golf courses from the lack of amenities and capital investment benchmarked against the fixed costs the management company has incurred to provide oversight to the facilities.

In today's critical society, where one can always raise questions and doubts regarding the performance of others, it is our observation that Indigo Sports has masterfully controlled expenses far below industry benchmarks.

Even recognizing the limitation of the customer experience that they could create due to the lack of amenities and dated infrastructure, in the public survey conducted, customer service provided received a respectable rating considering the challenges faced:



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Salaries Paid to Non-Profit Employees

Private corporations are very sensitive to how Non Profit Entities use their donations and grants. Their well-intended donations are designed to achieve the non-profit entity's visions and mission and are not to be consumed by administrative expenses, overhead, and salaries

Total salaries and professional fees at Williams Creek represent 54.07% of total revenue, including grants and donations. The golf industry benchmark for wages at a municipal course ranges from 45% to 52%.

Thoughts for Consideration

The commission third-party management firms receive for licensing G1, GolfNow's course management system, is troubling based on the lack of an audit trail. The City should request an accounting of the monies paid to Indigo Sports related to the tee times sold on behalf of the City of Knoxville related to the benefit the City has derived from using that software.

Because the deferred capital at the City of Knoxville's golf courses is so substantial and the revenue below national benchmarks, it is unlikely the City will be able to attract a firm to lease the golf courses without a significant capital commitment and agreeing on any future major changes to the courses.

As the existing management agreement expires on December 31, 2023, it is prudent to issue a Request for Proposal for the management of Knoxville Municipal and Whittle Springs starting in 2024 under a five-year agreement. It is always a good learning experience to conduct oral interviews of short-listed candidates to understand how they would manage the facilities and the fee structure that may apply.

Unfortunately, due to the significant deferred capital expenditures that the City would be obligated to fund, leasing the golf courses to a third party is not a likely viable option.

Section 11 - Five-Year Cash Flow Projections

The Roulette Wheel

The task assigned was:

"Based on factors such as recent historical use levels, operating results, current and expected status of the local golf market, as well as assumed implementation of key capital investments and operational recommendations (including revenue enhancement opportunities), provide a 5-year projection for use levels, revenues and expenses by each business element to estimate potential financial performance of each of the three golf courses over the next five years."

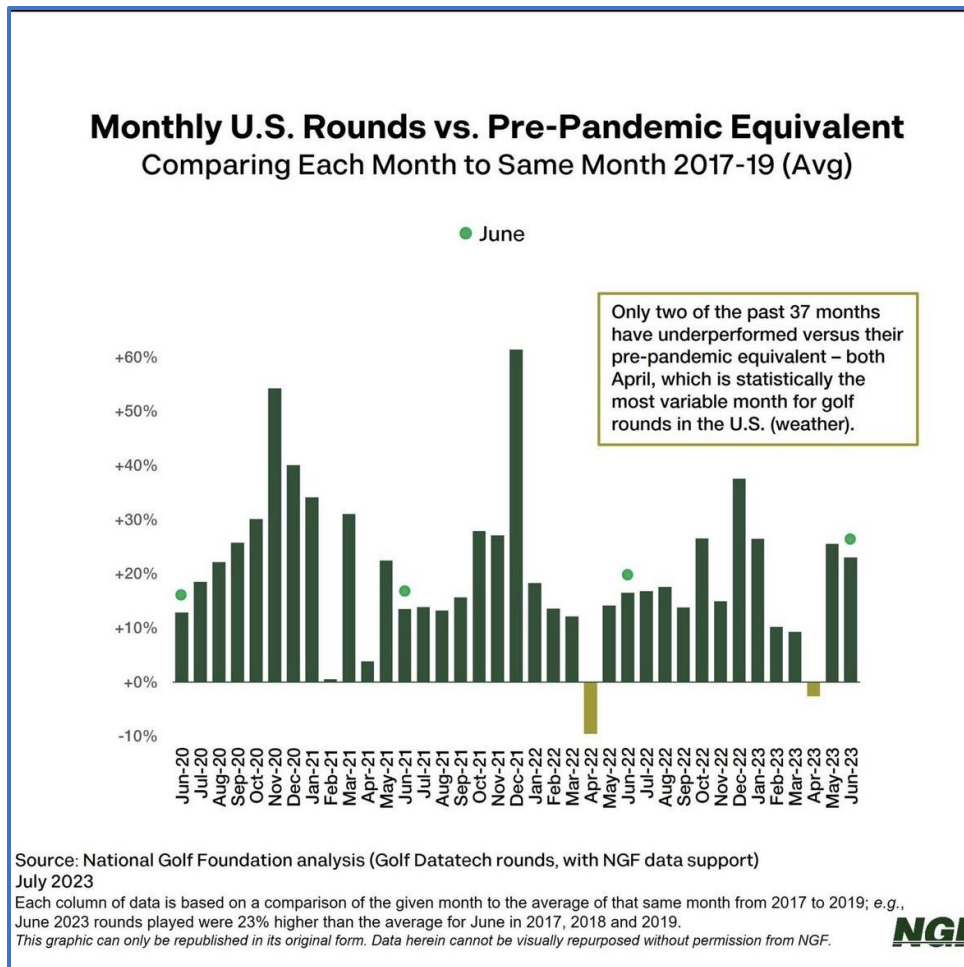
Creating five-year financial projections is a hazardous endeavor, even when updating the budgets for a long-standing enterprise in which the amenities existing at a facility are competitive and capital investment has been made judiciously. Neither of those elements is present at the City of Knoxville's golf courses.

Do you update the historical statements to reflect incremental changes and potential capital investment? How does one measure the impact of future uncontrollable and controllable factors on the business enterprise?

The following factors complicate creating cash flow forecasts for the City of Knoxville:

- Will Knoxville Municipal and Whittle Springs be transferred to the General Fund?
- Though a Request for Proposal will be issued in September 2023 to manage Knoxville Municipal and Whittle Springs beginning January 1, 2024, will the City opt to self-manage the golf courses? Note that the impact on revenue and expenses on managing courses may change dramatically based on a different operating philosophy, especially if another third-party management company is retained.
- Will prime-time green fee rates be adjusted to reflect the current value provided to the golfer? There is a differential between the City of Knoxville's green fee rates and what other area courses charge. Prime time green might be raised by \$3. Will the City Administration approve such an adoption?
- Will revenue-dilutive season passes be discontinued, or will rates be increased?
- Will barter be abandoned and cost-effective POS/TTRs be implemented?

- Will increased marketing efforts be initiated to attract and retain golfers?
- Will the brand image of the golf courses, now vague, be defined and reflected on the website, via email, and other initiatives?
- Operational expenses currently incurred are below industry benchmarks. This factor, combined with inflation, suggests that costs will increase soon.
- The Pandemic has created a surge in rounds nationally, benefiting the City of Knoxville golf courses regionally. On August 1, 2023, the National Golf Foundation posted on Instagram the following image:



From 2018 to 2023, Knoxville Municipal rounds have increased from 22,063 to 34,137, with proportional increases in revenue from \$582,911 to \$937,290. At Whittle Springs, rounds have risen from 18,720 to 31,324, with revenue increases of \$339,725 to \$733,679. Will the surging interest in golf continue?

- The capital investment to render the golf courses competitive is daunting. What, if any, capital investment will occur, realizing that such investment is not likely, at least in the short-term, to meaningful change the operating results? Further, underlying considerations regarding investment embrace the following:
 - There is a possibility the ownership of Knoxville Municipal might be transferred to Knox County or converted into nine holes and an athletic complex.
 - Irrigation system upgrades estimated to exceed \$1 million are long overdue at all three golf courses.
 - The Clubhouses require renovation at all three golf courses.
 - Whittle Springs has little chance of achieving 100% cost recovery as currently configured. The capital investment to create a community center focused around a nine-hole golf course, driving range, and short-game area that resolves the existing perilous safety issues will likely cost over \$6 million.
 - Williams Creek depends on financial support from the City of Knoxville. Corporate contributions are insufficient to cover operating expenses.
 - Will the November 1, 2001, agreement regarding the responsibility of WC Two be responsible for utility costs be enforced?

- On August 29, 2023, the City of Knoxville held a primary election for Mayor and 4 of 9 City Council seats. The general election is on November 7, 2023. The Mayor was reelected on August 29, 2023, receiving 57.5% of the vote, and is now term-limited. Will the Mayor be able to implement the substantial changes needed?

- We were informed that the City of Knoxville will not issue a bond for an Enterprise Fund and that the capital would be funded through a lump sum payment from the General Fund. The City's budget is cumbersome. Any meaningful capital investment requires at least two years before construction funds are disbursed. Further, the investment size required to improve the experience at the City of Knoxville's golf course will still not render them fiscally self-sustaining.

The Crystal Ball

It would be professionally negligent to render any cash flow forecast based on the numerous uncertainties regarding the governance and operations of the City of Knoxville's golf course during this critical phase of their uncertainty regarding the policies and capital investment that may be made. The superficial observer might attribute the numbers presented to be a realistic projection of what might occur.

Thoughts for Consideration

One of the responsibilities of the current third-party management company is to submit an annual budget that essentially presumes small incremental changes during the current fiscal year.

Any suggestions in this Golf Study that would have a material impact on the operating results are unlikely to be implemented during the current fiscal year.

Therefore, we believe and agree that the budget submitted will likely be the most likely outcome over the next 12 months. Revenue will remain constant to that achieved for FY 2023, expenses will likely increase, and further subsidy of the golf courses will be required.

Research and Resources

The strategic vision for the City of Knoxville's Golf Study presented in the Executive Summary encompassed the following sections:

Section 1 - Executive Summary

Section 2 – The Golf Study Scope

Section 3 – Revenue Stimulus

Section 4 – Demographics: Facilities: Grow, Status Quo, Contract

Section 5 - Food and Beverage

Section 6 - Future Capital Needs

Section 7 - Future Annual Funding

Section 8 - Marketing Strategy

Section 9 - Public and Customer Input

Section 10 – Other Including Management Structure

Section 11 – Five-Year Cash Flow Forecast

Section 12 – Appendix: Research and Resources

The research and resources supporting this Golf Study are available by filing a Request for Information with the City of Knoxville under the Freedom of Information Act.

The data, insights, and suggestions delivered were formulated based on licensing the following ESRI ArcGIS Online reports:

Report - 10 20 30 Drive Time Radius ESRI ArcGIS Online	Knoxville Municipal	Whittle Springs	Williams Creek
Demographic Profile	X	X	X
Demographic Summary	X	X	X
Dominant Tapestry Profile	X	X	X
Key Facts	X	X	X
Recreation Expenditure	X	X	X
Sports and Leisure Market Profile	X	X	X
Tapestry Profile	X	X	X
Target Summary	X	X	X

This field study encompassed seven steps.

Highlighted below, those steps are enumerated along with the data sources licensed and field-tested operational templates deployed for this engagement as a foundation for the insight’s suggestions presented.

Step 1: Local Market Analysis

- Apparation – Golf Course Database – 130 Courses – 37 Data Elements
- Geographic Market Analysis – (Tactician, National Golf Foundation)
- Macro Demand Supply Analysis – Population Base (ESRI and National Golf Foundation)
- Master Demographics and Sports Spending (ESRI)
- Mosaic Profile Analysis (Tactician)
- Predictive Index (JJ Keegan+)

Step 2 – Weather Playable Days

- Weather Trends International 10-Year Golf Playable Days Report
- Season Pass Value Calculation (JJ Keegan+)

Step 3 – Architectural and Agronomy

- Knoxville Municipal Golf Course Assessment (Trey Kemp, ASGCA)
- Whittle Springs Golf Course Assessment (Trey Kemp, ASGCA)
- Williams Creek Golf Course Assessment (Trey Kemp, ASGCA)
- Annual Labor Hour Estimate – 2023
- Deferred Capital Evaluation – Knoxville Municipal (JJ Keegan+)
- Deferred Capital Evaluation – Whittle Springs (JJ Keegan+)
- Deferred Capital Evaluation - Williams Creek (JJ Keegan+)
- Whittle Springs Golf Course Short Course CONCEPT A 11-16-2021 (Troon)
- Whittle Springs Golf Course Short Course CONCEPT B 11-16-2021 (Troon)

Step 4 – Operations

- Secret Shopper Photos for facilities visited:
 - Avalon – 19
 - Beverly – 9
 - Concord – 11
 - Dead Horse - 33
 - Egwani Farms – 18
 - Island Pointe – 29
 - Knoxville Municipal – 168
 - Ruggles Ferry – 11
 - Tennessee Centennial – 27
 - Three Ridges – 30
 - Top Golf – 9
 - Whittle Springs – 191
 - Williams Creek - 134
 - Willow Creek – 13

- Step 4 - Customer Value Experience – 2023 (JJKeegan+)

Step 5 – Customers

- Golfer Survey (40 Questions) (JJKeegan+)

Step 6: Technology

- Technology Integration Checklist (JJKeegan+)

Step 7 – Financial Statements

- 2014 - 2022 Balance Sheet and Income Statement (City of Knoxville, JJ Keegan+)
- 2023 City of Knoxville Capital Recommendations (City of Knoxville)
- Budget Detail for Golf Management Fees (City of Knoxville)
- The City of Knoxville CAFR Reports - 6 30 2013 to 6 30 2023 (City of Knoxville)
- The City of Knoxville Golf Course Rounds 2008-2022 Chart (City of Knoxville – JJK)
- C-02-0040 Management Agreement - Williams Creek (City of Knoxville)
- C020040 Williams Creek – CONTRACT: (City of Knoxville)
- C020040 Williams Creek - FY23 1st Golf Payment (City of Knoxville)
- C020040 Williams Creek - FY23 2nd Golf Payment (City of Knoxville)
- CAPITAL Williams Creek - INV01252023 \$100,000 (City of Knoxville)
- CAPITAL Williams Creek - INV12212021 \$134,675 (City of Knoxville)
- Five-Year Financial Projection - Daily Fee and Municipal - 2 Courses – 2023 (JJKeegan+)
- Golf Capital Expenditures by Golf Course (City of Knoxville)
- FY22 COK Budget - Fund 508 (City of Knoxville)
- FY23 COK Budget - Fund 508 (City of Knoxville)
- FY23 Active Golf Courses Leases (City of Knoxville)
- FY24 COK Budget - Fund 508 (City of Knoxville)
- 06-30-22 Knoxville Municipal Financials Fiscal Year End (Troon)
- 06-30-22 Whittle Springs Financials Fiscal Year End (Troon)
- 2023 Knoxville Municipal Budget Draft (Troon)
- 2023 Whittle Springs Budget Draft Staff Roster - Knox Muni (City of Knoxville, Troon)
- 2024 Knoxville Municipal Budget Draft (Troon)
- 2024 Whittle Springs Budget Draft (Troon)
- Staff Roster – Whittle Springs (City of Knoxville, Troon)
- City of Knoxville Golf Courses Equipment List (Troon)
- Golf Study - Member and Player Pass Revenue and Rounds (Troon)
- FY23 Equip Replacement (Troon)
- KNX & WS Rates (Troon)
- KNX & KNX 2023 Outing List (Troon)
- KNX & WS Comp Analysis (Troon)
- KNX & WS Ops Capex 5yr Lookback (Troon)
- KNX & WS Rounds Summary (Jul '21 - Current) (Troon)
- Knoxville Municipal Golf Course Improvements - FY24 (Troon)
- Whittle Springs Golf Course Improvements - FY24 (Troon)
- Whittle Springs Golf Course Report 11-14-2021 (Troon)
- 2023 06 08 - Williams Creek Financial Statements (W.C. Two)
- William PUC Costs - All Provided (City of Knoxville)
- Centennial Golf Course Subsidy - December 15, 2015 (City Website)

- [The City of Oak Ridge Budget Final FY 2023 \(City Website\)](#)
- [The City of Oak Ridge Rounds Analysis 2019-23 \(City Website\)](#)
- [Knox County 2022CAFR \(County Website\)](#)