



Operational Review

Of

Lady Bird Johnson Municipal Golf Course

March 2017

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INTEGRITY GOLF SERVICES

OPERATIONAL REVIEW OF LADY BIRD MUNICIPAL GOLF COURSE

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Executive Summary

Lady Bird Johnson Golf Course is a City of Fredericksburg operation that provides golf recreation for locals and tourists.

This review was commissioned by the City of Fredericksburg and oversight provided by Mr. Clinton Bailey, Assistant City Manager. The review was conducted by Integrity Golf Services (IGS) in partnership with Pellucid Corp over the period February 23 - March 9, 2017 with onsite visits February 27th & 28th.

The objective and scope of the Operational Review included marketing, golf operations, golf course maintenance, F&B lease agreement, facilities and financials.

The Operational Review was conducted by assessing the practices of Lady Bird Johnson Golf Course in comparison to industry best practices.

The Review finds that the current marketing strategy is not performing and improvement is of critical importance. Marketing practices need to be addressed and revamped with the major focus being the over 1 million annual visitors to the Fredericksburg area. The Pellucid report supports these findings as it shows there are not enough golfers in the local market to support Lady Bird Johnson Golf Course.

A review of focus groups minutes, S.F.S.W.O.T.'s and other communications shared with IGS indicate there is a disconnect between the City, golf course management and the local golfer.

The Golf Operation was reviewed and presentation is acceptable but there seems to be a lack of enthusiasm by the golf shop staff. The average fee is too low. Inventory levels for the amount of sales are extremely high.

Golf Course Maintenance is suffering due to the financial woes of the course, a small labor force and a reduced operating budget. Golf course budgets can be reduced and course appearance does not deteriorate immediately, but as time advances the appearance will become more and more evident. The joint use of the maintenance facility creates issues for storing and maintaining equipment properly. Several pieces of maintenance equipment have maximum hours of use.

Clubhouse Facilities are presentable but can be improved. To provide better curb appeal, the grounds around the clubhouse and parking lot both need more attention to detail.

The finances speak for themselves, revenues too low and overall expenses too high. Payroll plus benefits are the main culprits in the expense area. A municipal golf course that employs workers with municipal benefits is set up to fail if the municipality wants the golf course to cash flow or be close to cash flowing. Outsourcing to a professional employment organization can substantially reduce the costs associated with employee costs. Releasing an RFP to lease the golf course is also a possible option.

I. Marketing

Analysis Issues:

IGS believes that the overall marketing plan in place does not emphasize the correct target markets, (Golfers in Houston, DFW, Austin & San Antonio & the onsite RV Park). IGS could not confirm the actual number of tourists that visit Fredericksburg annually. A number given was over 1 million. If that is the case then based on the Texas golf participation rate of approximately 6.45% the 1 million translates into a potential of 64,500 golfers visiting annually. According to the fiscal year ending 9-30-16 there were only 3,435 rounds played by non-residents (tourists) at an average green fee of \$35.47 each.

Recommended Actions: Tools & Implementation

Marketing efforts thru print & social media have to be made to make contact with the tourist prior to their arrival in Fredericksburg. There is an RV Golfer magazine and web site to advertise to this segment of tourists.

Upside Potential: Objectives & Targets

Below shows the current revenue from tourists along with projected revenues assuming a 10%, 15% & 20% capture of the golfers visiting Fredericksburg. When cart revenue is added assuming an 80% usage rate there is substantial revenue increase. None of the assumptions below increase the average rate which is to say there is even more room for improvement.

Tourists	Tourist Golfers	Tourist Rounds	Avg Rate	Revenue		Cart Rate	Cart Revenue	Grand Total
1,000,000	64,500	3,435	35.47	121,839.45	Current	13.00	35,724.00	157,563.45
1,000,000	64,500	6,450	35.47	228,781.50	10%	13.00	67,080.00	295,861.50
1,000,000	64,500	9,675	35.47	343,172.25	15%	13.00	100,620.00	443,792.25
1,000,000	64,500	12,900	35.47	457,563.00	20%	13.00	134,160.00	591,723.00

Potential Problems/Issues Resulting from Action:

NA

Analysis Issues:

There is limited marketing to potential customers outside of the Fredericksburg market. The City of Fredericksburg has retained CVB for marketing of the Lady Bird Johnson Golf Course. Upon reviewing of the agreement it is apparent that the majority of the expenditures are occurring in print advertising. Print advertising is continually reaching fewer consumers as evidenced by the decline in newspaper and magazine subscriptions.

Recommended Actions: Tools & Implementation

Social media advertising should be utilized immediately, in today's fast paced society it is estimated there are 222.9 millions smart phone users in the U.S. Facebook & Instagram are two of the primary social media products available at minimal costs. Something as simple as starting a share our "**Facebook Page**" effort at the golf course will tremendously increase exposure, especially if the tourists that are experiencing a round of golf at LBJGC are specifically encouraged to like and share the courses page.

Upside Potential: Objectives & Targets

New prospective clients outside of the Fredericksburg area will be reached.

Potential Problems/Issues Resulting from Action:

The golf course Facebook page will need to be updated daily with photos and activities. The current staffing levels do not provide the personnel to perform this duty.

Analysis Issues:

There are too many season ticket pricing options. The resident has to work out the math to buy a season pass and in IGS experience this leads to the lowest price the majority of the time.

Recommended Actions: Tools & Implementation

Decrease the number of season ticket pricing options, too many options can confuse the consumer. Determine the one (single, couple, family) that makes the most financial sense. (Obviously change the options upon expiration of their current status).

Upside Potential: Objectives & Targets

Increased revenues even with possibly less season pass holders. Those that don't purchase a season pass will not stop playing golf and when they do play they will pay a higher average rate.

Potential Problems/Issues Resulting from Action:

The elimination of some pricing options will most likely upset those that were participated in the eliminated options.

Analysis Issues:

A strong data base is vital to marketing a daily fee operation. Current data capture at Lady Bird is at best minimally successful. Imagine capturing the majority of tourist email addresses and being able to market directly to them at no cost.

Recommended Actions: Tools & Implementation

Create and implement a tourist data base capture program, create an incentive for them to fill out a brief information card containing name, email and zip code. Create a data capture option on the web site.

Upside Potential: Objectives & Targets

The objective is to build a substantial data base owned and controlled by Lady Bird Golf Course. A data base such as this would result in the ability of the Golf Course to market directly to their previous tourist customer.

Potential Problems/Issues Resulting from Action:

The main problem will be getting the staff to effectively implement the program, consideration might be given to incentivize the staff, maybe a small bonus each month for the individual who enrolls the largest number.

Analysis Issues:

Improve the web site

Recommended Actions: Tools & Implementation

- Don't waste space with large maps, everyone uses their phone to map directions
 - Instead use great course photos that gain your attention and get you excited about playing the course.
- F&B Pictures
 - Groomsmen outings, guys toasting drinks, having fun.
 - Wedding pictures, get from the wedding photographers and permission from the past clients.
 - Any pictures of service/event you offer, better with people having a great time.
 - Golfers hanging out on patio or in restaurant.
- Golf Pictures
 - Tournament/Outing pictures, registration, golfing, scoreboard, action shots of people having fun.
 - Family golf pictures, league pictures, pro shop merchandise specials/sales.
- Videos
 - Golf tips or FAQ's from the Golf Professional.
 - Kitchen staff, making a recipe or an upcoming special.
 -
 - Keep videos under a minute, gain attention quick, the more professional the better (not a shaky camera).

- Drone, hole by hole and course overview.
- Use short statements/bullets, most readers don't want to read and have a short attention span.
- Review monthly/weekly website analytics report, always working towards continuous improvement!

Upside Potential: Objectives & Targets

The above displays the activities at the course which creates excitement for web site visitor, hopefully getting them to say "We need to play there on our next trip to Fredericksburg". Much of the above can also be posted on Facebook.

Potential Problems/Issues Resulting from Action:

Web site service modification, is the web site accessible to the staff to keep it updated?

Analysis Issues:

Current relationships with local hotels and B&B's.

Recommended Actions: Tools & Implementation

- Any hotel or B&B 15 miles or less, go meet with GM and propose a partnership:
 - Give GM or their choice of designee (of hotel) comp annual pass,
 - Get Front Desk or Lobby spot for your advertisement, smaller table tent ad or ad in guestbook in all hotel rooms.
 - Make sure concierge has the ad info and flyers to give to guests.
 - Track hotel guest usage in pro shop manually or in POS, to make sure the partnership is being executed properly.
- Hotel and B&B Promotion (once partnered with GM/hotel):
 - Any guest of hotel that shows receipt or key card will receive a small discount off of the tourist rate (or some discounted rate) and half-off club rental.
 - Ad could read "No Clubs-No Problem, come out to XYZ Club to play hassle-free! Half-off club rental."
 - On the ad itself, include a picture of the course, patio, rental set, etc.
 - The above hotel, B&B program should be geared to those already visiting the Fredericksburg area and used to fill non-prime times on the tee sheet.

Upside Potential: Objectives & Targets

Capturing unexpected additional rounds, if the course could average 10 of these rounds per week it would translate to \$23,790 in additional revenue even with a 25% discount off the tourist rack rate.

Potential Problems/Issues Resulting from Action:

Implementation and execution: Making the initial "Sales Call" and following up along with the proper tracking of the rounds for analytical assessment.

II. Golf Operations

Analysis Issues:

The lack of local player development as evidenced in the Pellucid Report concerning the number of golfers in the local area. Juniors are a major focus as they should be, but adult women are one of the greatest populations segments for growth.

Recommended Actions: Tools & Implementation

Implement some weekly complimentary ladies clinics. Promote on Facebook, the web site and other CVB media purchases.

Upside Potential: Objectives & Targets

Build good will in the community while growing the game. The golf professional with complimentary clinics will be the recipient in the future of additional lessons.

Potential Problems/Issues Resulting from Action:

N/A

Analysis Issues:

Average revenue per round is too low. IGS understands that a resident rate has been extended to 8 other counties and that the average rate per round is \$8 for a resident with a season pass. Reducing the fee for the other counties to the Gillespie County rate may have been too drastic of a reduction.

Recommended Actions: Tools & Implementation

Fees need to be increased incrementally. All green fees and cart fees should be reviewed. The initial increase should be substantial enough to have a real impact on total revenues but not so high that it causes a loss of rounds. Potentially a 6%-8% increase in green fees across the board. Possibly create a frequent player discount for other local counties residents, i.e. play 10 rounds receive 11th for free. Cart fees should be increased \$1 per rider immediately. Annual reviews of all fee structures should be implemented and annual increases should be considered. The City's cost of doing business continues to rise so revenues must increase annually.

Upside Potential: Objectives & Targets

The upside is evident with the increase of revenue streams.

Potential Problems/Issues Resulting from Action:

An increase in fees will always upset some patrons, however there is no competition in the immediate market area.

Analysis Issues:

Merchandise sales of \$141k annually translates into a \$5.56 spent per round. This number for a municipal golf course is much higher than average. The gross profit margin of 26.1% on those sales is also very strong. IGS sees two issues in merchandising, 1. the average inventory of approximately \$70k being carried is too high for the gross sales being achieved. A question IGS always asks when it sees these types of numbers is, how much of the inventory is aged more than 6 months? If there is a substantial amount that is over aged and not seasonal, i.e. outerwear garments, then the value on the balance sheet is overstated.

Recommended Actions: Tools & Implementation

Immediately place the old inventory on sale thus reducing the overall inventory. Old model demo clubs should be sold. With tourists being a market segment and a future target market, inventory dollars should be dedicated to logoed merchandise with the city name of Fredericksburg also on the item to encourage more sales.

Upside Potential: Objectives & Targets

This inventory reduction would create a short term increase in cash flow. The tourist golfer should be the focus on merchandise sales marketing.

Potential Problems/Issues Resulting from Action:

N/A

Analysis Issues:

Review of current POS software to ensure it can provide all of the database platform needs.

Recommended Actions: Tools & Implementation

Implement a complete evaluation of existing software and schedule demos of other POS products.

Upside Potential: Objectives & Targets

An upgrade in POS software would enhance the ability to communicate with all previous customers thus creating a seamless promotional tool.

Potential Problems/Issues Resulting from Action:

A new POS system will have a cost to it.

III. Golf Course Maintenance

Analysis Issues:

Overall the main playing surfaces, greens, tees & fairways are in decent condition but the tees and fairways would benefit from fertilization applications. Some greens are seeing an inordinate amount of poa annua. The immediate tee surrounds and rough are experiencing a variation of foreign grass invasion.

Recommended Actions: Tools & Implementation

Due to financial woes the superintendent has foregone widespread chemical applications leading to the above issues. The golf course is the sole product for Lady Bird Golf Course. If the tourist is going to be the target market the golf course has to be maintained at a higher level.

Upside Potential: Objectives & Targets

The increase in the GCM budget would result in an golf course product that will encourage tourists to return and also tell their friends visiting Fredericksburg.

Potential Problems/Issues Resulting from Action:

The cost of improving the maintenance program is the biggest challenge. Depending on the total acreage maintained an annual cost of \$50k-\$70k for chemicals and fertilizer would normally suffice, but that is a decision for Mr. Hanna.

Analysis Issues:

Staffing levels are very lean side for the proper maintenance of the golf course and grounds.

Recommended Actions: Tools & Implementation

Hire an two additional seasonal/part-time laborers at the bottom of the GCM pay scale for the GCM staff.

Upside Potential: Objectives & Targets

The superintendent can handle with regular scheduling the detail items, i.e. beautification, lake edgings, cart path edgings, etc.

Potential Problems/Issues Resulting from Action:

The main result would be the small increase in annual golf course maintenance payroll. They would be seasonal/part-time and therefore not require a benefits package.

Analysis Issues:

The location and condition of the maintenance area is a challenge. Sharing space and equipment with the Parks Department causes additional concerns. The chemical storage area is not large enough (even though minimal chemicals are being used) thus leading to unsecure storing of chemicals. The location is an eye sore to the patron.

Recommended Actions: Tools & Implementation

Move the parks department to a different location and at a minimum build a privacy fence around the maintenance yard. At a maximum relocate golf course maintenance to the renovation plan site

Upside Potential: Objectives & Targets

Curb appeal for patrons and better work conditions/environment for employees.

Potential Problems/Issues Resulting from Action:

Cost of relocation of Parks and privacy fence, if GCM relocated the major cost of a new facility will be a challenge.

Analysis Issues:

Equipment condition, many pieces have a very high number of hours on them which will cause more breakdowns that will also result in higher equipment maintenance costs.

Recommended Actions: Tools & Implementation

Review the equipment needs and create a long term/ongoing equipment replacement plan.

Upside Potential: Objectives & Targets

This long term plan would ensure the future condition of the Lady Bird Golf Course to be an asset to the community and the tourism market.

Potential Problems/Issues Resulting from Action:

There will be associated costs for new equipment.

Analysis Issues:

There are several dead trees on the golf course in various locations. These dead trees create an unnecessary accident risk.

Recommended Actions: Tools & Implementation

IGS understands the cost to remove, but understands the city can probably remove with in-house personnel. Removal of said trees should be a priority.

Upside Potential: Objectives & Targets

Eliminates the dead tree accident risk and improves the aesthetics of the course.

Potential Problems/Issues Resulting from Action:

N/A

IV. Food & Beverage Operations

Analysis Issues:

Since the F&B operation is currently leased to a third party IGS does not have enough information to make a current evaluation. However, IGS has looked at the previous year's F&B numbers and discovered labor costs without benefits were running over 61% of revenue.

Recommended Actions: Tools & Implementation

The city with their pay/benefits structure cannot operate a food & beverage outlet profitably.

Upside Potential: Objectives & Targets

Until a change is made in how employees are compensated or the golf course is leased out, continue with the 3rd party lease.

Potential Problems/Issues Resulting from Action:

Quality of food and service can be an issue.

Analysis Issues:

The Cardinal Room is not utilized as it should be.

Recommended Actions: Tools & Implementation

The GM should work closely with the grill tenant on booking small groups to utilize the space.

Upside Potential: Objectives & Targets

Additional revenues

Potential Problems/Issues Resulting from Action:

Communication is vital to ensure that the F&B tenant is informed and prepared for any function.

V. Facilities Operations

Analysis Issues:

Clubhouse conditions are acceptable in appearance but the parking area is need of attention to detail.

Recommended Actions: Tools & Implementation

Keep the parking lot blown and the esplanades weed free, they look better barren than full of weeds and obviously much better with some low maintenance plant life.

Upside Potential: Objectives & Targets

The image of the Lady Bird will be one of quality facilities with curb appeal.

Potential Problems/Issues Resulting from Action:

N/A

VI. Financial

Analysis Issues:

IGS has reviewed the previous 3 years financials. For comparisons sake Food & Beverage revenues and expenses have been left out. Golf Course Revenues have decreased from \$980,813 in 2014 to \$952,372 in 2015 and slightly up to \$960,759 in 2016 Payroll percentage to revenues including Golf Operations and Golf Course Maintenance payrolls excluding benefits in that time span are averaging 49.46%. When benefits are added it exceeds 65%. These percentages are

extremely high and when compared to industry wide percentages are approximately 25% higher than similar operations in the non-municipal sector.

Recommended Actions: Tools & Implementation

IGS recommends that the City immediately begin a search for a Professional Employment Organization to outsource employees at Lady Bird Golf Course. Done right, outsourcing can help deliver better services for less. Outsourcing is not a tool that can be used in all instances, but the process can serve as an effective vehicle to analyze and improve many public services. Where appropriate, outsourcing can provide significant opportunities to reduce the cost and improve the quality of public services and should be part of ongoing efforts to ensure that taxpayers are provided with best value by the governments that serve them.

Upside Potential: Objectives & Targets

There would be an immediate reduction in payroll & benefits costs. The overall savings should be approximately \$100k annually. While savings and service-quality improvements may be immediate, outsourcing can also permit the City of Fredericksburg to shift liability to contractors. If a city employee is pruning a tree and a limb falls on a car, the city will typically be liable for damages. If a private party provides this service, however, the city can likely shift this cost to the contractor's insurance.

Potential Problems/Issues Resulting from Action:

The most difficult challenge to outsourcing is often political. This risk manifests itself in obvious ways, such as opposition from public employees who would lose their jobs, to the less obvious ones, such as the likelihood that officials will be held responsible for any problems resulting from an outsourcing but not reap the corresponding benefits for success. It may be appropriate to address these concerns by conducting an outsourcing process that includes a decision point after bids are received so next steps can be based on facts about cost and service quality that the bids provide.

Analysis Issues:

After reviewing focus group notes, letter from citizens and the S.F.S.W.O.T. that IGS requested completed by key personnel, there seems to be a disconnect between the City, the golf course

management, and the citizens. A strategic plan needs to be developed by the City and golf course management and all parties held accountable for the approved plan.

Recommended Actions: Tools & Implementation

The plan should be written as soon as possible.

Upside Potential: Objectives & Targets

A solid plan with accountability will improve operations and communications with the local community.

Potential Problems/Issues Resulting from Action:

There will be disagreement on the direction of the plan leading to potential staffing issues.

Analysis Issues:

Fredericksburg is a tourist destination, and there are no hotel accommodations in close proximity to the golf course.

Recommended Actions: Tools & Implementation

Research the possibility of a hotel operator being enticed to build close to or on golf course property.

Upside Potential: Objectives & Targets

By having a hotel close by or on property giving the tourist easy access to the golf course almost creates a "Resort Style" environment. Increased golf revenues along with F&B revenues

Potential Problems/Issues Resulting from Action:

Is there land available for a hotel site?

Analysis Issues:

The cash operating losses of \$796,108 (General fund contributions minus depreciation) over the past 3 years are very troubling for the city and most likely create a tenuous situation with locals that do not play golf and have no interest in whether the golf course is in the community or not.

Recommended Actions: Tools & Implementation

Distribute an RFP to management to companies to lease the golf course, understand that leases are negotiable and that a management company will not assume the solid waste loan or the

electric loan. When you deduct those costs of \$304,800 over 3 years from the \$796,108 loss the golf course is down to a \$491,308 operating loss over 3 years.

Upside Potential: Objectives & Targets

A lease agreement will eliminate all employees from the City payroll and benefits programs, eliminate normal operating losses and reduce the City's exposure from other major capital intense needs.

Potential Problems/Issues Resulting from Action:

Change is always a challenge. Employees being terminated by the City and rehired by the management company with a different compensation package will create some trepidation by the employees. Management companies will review all fee structures and any changes made to the local fees will cause some tribulations.