

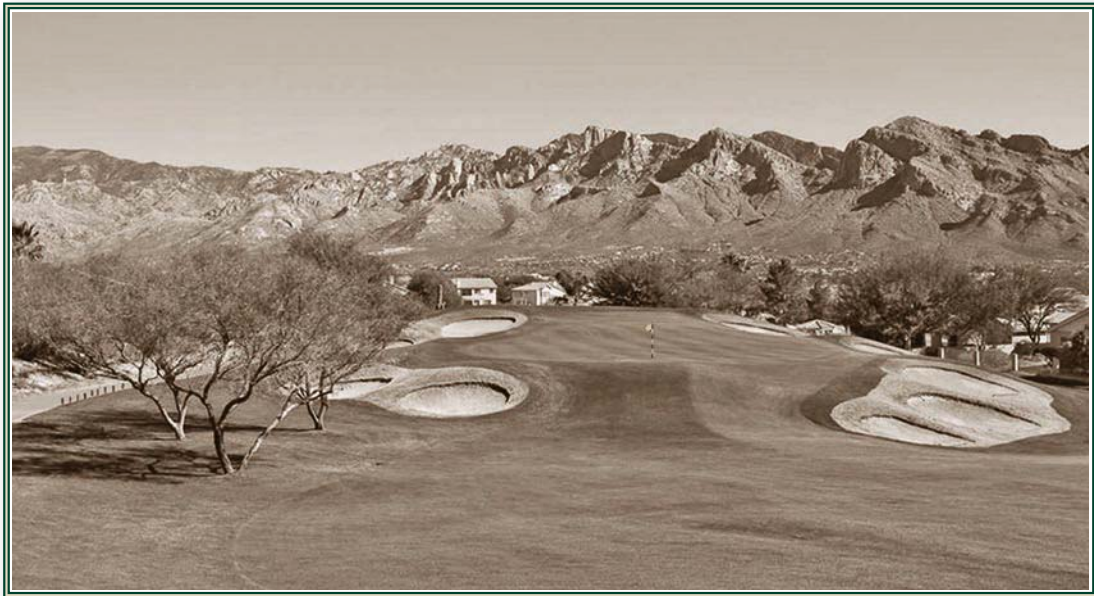
EL CONQUISTADOR GOLF & TENNIS
ASSESSMENT & RECOMMENDATIONS

for the

TOWN OF ORO VALLEY
GOLF PROGRAM

Prepared for

The Town of Oro Valley, Arizona



Prepare by



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Introduction and Executive Summary

PURPOSE

WLB Group, Inc. along with the National Golf Foundation Consulting, Inc. (“NGF”) and Forrest Richardson & Associates (“FRA”) were retained by the Town of Oro Valley, Arizona (“Town”) to assist in evaluating the operational and economic performance of the Town’s public-access golf system. This three-course, 45-hole golf system is known collectively as the “El Conquistador Golf & Tennis” (“El Conquistador G&T” or “ECGT”), and includes the Cañada and Conquistador 18-hole golf courses, plus a separate 9-hole Pusch Ridge Golf Course. The Town is seeking to have a strategic review of the golf facilities, along with the adjacent community center, and evaluate the long-term potential and review options to enhance economic performance. The following report details findings and recommendations on the ECGT, with analysis of the physical and economic condition of the facility and the market environment within which it operates. The NGF has provided a set of recommendations to the Town that will improve overall operations and economics of the golf facility under the assumption that the property will continue to operate as a golf course.

BACKGROUND

The Town owns and operates a 45-hole golf facility located on two separate sites in Oro Valley. The facility includes a main 36-hole campus at El Conquistador Golf & Tennis, and a separate 9-hole course located approximately 3.0 miles away at the El Conquistador resort. The courses are all located within Oro Valley and are fully integrated within master-planned communities with considerable home frontage on the golf courses. The golf facility is part of the Town of Oro Valley community offering, and includes a considerable amenity footprint with services ranging from tennis, swimming and fitness in addition to golf. The ECGT is operated by the Town via contract with Troon Golf Management (“Troon”), a nationally recognized golf management entity that was in place to manage ECGT under its previous owner, and has considerable experience in managing high quality golf facilities nationwide, including other clubs in the Tucson market area.

As a whole, the El Conquistador G&T and Pusch Ridge golf facilities combined to produce total top-line revenue of just over \$2.9 million in 2016, the vast majority of which comes from golf fees, member dues and F&B sales. The on-site operating expenses at the facility totaled around \$5.2 million (including cost of sales), resulting in a roughly **(\$2.3 million)** loss on operations (excluding other necessary costs such as capital upgrades and new investment in infrastructure). The current financial condition is worse than most public sector golf operations in the U.S, where 67% of municipal golf course operations are able to cover on-site expenses, but not able to cover both on-site expenses and capital improvement costs (only about 33% can cover both).

The Town’s golf facility has declined in performance for a number of reasons, some of which are not controllable by the Town or Troon. Factors such as the recent recession, the declining interest in golf, growth in the number of competing golf courses and even ECGT conditions have all contributed to the recent decline. One key aspect that the NGF has reviewed is the sheer size of this facility, 45 holes, at a time when golf demand is on the decline and the cost to maintain premium conditions is on the rise. The NGF has also documented a divided customer base for this facility, with long-tenured golf members, many of whom live in the adjacent residential community, and a more transient, daily fee golfer seeking high quality at an affordable rate. The review and recommendations contained in this report from NGF are designed to help the Town understand what actions it can take to help maximize the performance of the facility, in light of market realities and facility limitations.

NGF REVIEW – 2017

In 2017, WLB Group, Inc. along with the NGF and FRA were retained by the Town of Oro Valley to assist with evaluating the golf club, and to make recommendations to help ensure the long-term viability of the facility. This includes a thorough review of ECGT on an 'as-is' basis, as well as an examination of the facility's capital needs and effects of deferred maintenance. It is expected that the results of this NGF study will be used by the Town as a guide for the future of golf, and to help prepare a more formal strategic plan that may include a reduction in the size of the facility (number of holes) and/or a change in operation and maintenance. The review includes an evaluation of the system as it is presently operated and assumes continued operation as a golf facility. The Town can always consider outright closure of the golf courses, although this would create a separate set of issues and pitfalls to be reviewed, and are not analyzed in this report.

The findings and recommendations presented by NGF in this report are based on NGF and FRA experience, knowledge of golf industry best practices, and a review of the El Conquistador G&T facility. WLB provided base mapping and general land planning input on behalf of the team. NGF and FRA completed tours, meetings with key personnel and stakeholder groups, and collected insights and opinions during the Spring of 2017.

NGF/FRA activities completed to date include meetings with Town staff, golf course staff, staff at other area golf courses and two public meetings to solicit community input. The WLB/NGF/FRA team also completed a comprehensive tour of the facility and all its components, and complete interviews of the on-site manager and golf superintendent.

The key components and issues of this report include:

- Overall condition and operating efficiencies of El Conquistador G&T and Pusch Ridge.
- A review of golf industry standards and norms of operation.
- Status of the broader Oro Valley / southeast Arizona market area, with focus on external issues that can affect public golf operations, including the balance between demand and supply.
- A comprehensive review of the subject ECGT and Pusch Ridge's present physical condition and capital needs.
- An estimate of the cost of upgrades that may be needed at ECGT and Pusch Ridge.
- Benchmarking El Conquistador G&T golf operations with industry standards and norms.
- Provide recommendations on the appropriate mix of facilities in relation to facility size, number of holes, amenities offered, quality of services and pricing.
- Review of economic projections under a variety of configurations and number of holes, ultimately leading to a NGF/FRA recommendation for ECGT's optimal configuration.

The NGF consulting engagement was managed by Richard B. Singer, Senior Director of Consulting Services, with assistance from Forrest Richardson, ASGCA, Golf Course Architect; Ed Getherall, Director of Consulting Services; and Jodi Reilly, Consulting Administrator. In addition to meetings with Town officials and golf course personnel, the NGF consultants collected materials to aid in understanding the local market area, weather data, other regional municipal golf operations, and golf operations in general. NGF also collects considerable information and data on the golf industry as a regular part of our organization's work, and much of this information and data is presented throughout this report.

SUMMARY OF KEY FINDINGS

Town of Oro Valley is operating a popular golf facility with a mix of amenities that is marketable in the local area. However, this facility has a history of operation as a semi-private club with a mix of members and daily fee play, and even though it is owned by the Town and intended to be a community public facility, it still has a perception in the market as a private club. The operating and service profile in place at the facility is also more commensurate with a private club, where service to members is first and foremost, with daily fee customers having a much lower focus. This is also shown in the economics of the club, where members account for more than 50% of the revenue, but also contribute to a much higher operating expense.

This executive summary provides an “at-a-glance” summarization of the NGF review, detailing the main findings and NGF recommendations for the Town golf facility. Additional details and support data can be found in the full body of our report and its appendix.

Key Findings on El Conquistador Golf & Tennis

El Conquistador G&T is well located in Oro Valley, but has limited appeal for customers beyond the local Oro Valley area. With an offering of multiple golf courses, ECGT can provide service to a wide range of golf customers, but the club is having difficulty filling up all 45 holes of golf. The adjacent community center and recreation facilities add greatly to the appeal of the club and its economic potential. The 9-hole Pusch Ridge GC is generating a very low level of activity and revenue, and is declining in condition. Other findings from NGF’s review of ECGT:

1. The overall condition of the facility is good, reflecting well on the Town’s contracted operator (Troon). NGF has estimated a total of \$5.1 million in required repairs over the next few years, in addition to the \$6.0 million estimated by the Town for clubhouse and community center improvements. This investment also includes upwards of \$170,000+/- in annual recurring items.
2. The NGF does not believe the facility is being mismanaged in any way, and uncontrollable factors (economy, competition, etc.) are more impactful to this operation than its management. Transitioning from a private golf club located inside a residential community with homes on the golf courses to a Town-owned community public golf course is always a challenge and will take time to fully implement. Of particular concern to NGF is:
 - a. The golf course facility that is spread out over a wide area with multiple tracts of property all separated by residences and roadways adds to the cost of maintenance and operations.
 - b. The ECGT clubhouse is aging with space allocation problems, plus ADA-related deficiencies that must be addressed in any renovation.
 - c. The total of 45 holes is a lot of golf to maintain and manage effectively. The Town will likely find that some reduction in golf holes at ECGT could lead to the facility becoming more manageable and more appealing to golfers.
3. The uncertainty surrounding the future of ECGT is impacting the facility’s ability to market effectively. The ECGT would benefit from improvements to its technology and marketing, with enhanced focus on daily fee golfers, tournaments and outings.
4. The playing fees and concession prices at ECGT are generally appropriate for the market and the overall quality of the facility offering. However, the pricing program for daily fee golf at ECGT is somewhat confusing for the average golfers and may impact demand at certain times of the year, day of week or time of day.

5. ECGT produces strong ancillary revenue in merchandise and F&B. The strong F&B revenue is somewhat mitigated by a very high F&B operating expense leading to an almost **(\$260,000)** loss on the Overlook. The revenue from the Overlook is higher than standard, showing the support from non-golf business and banquets helping to enhance revenue above and beyond the service of golfers.
6. The total on-site Town operating loss was about **(\$2.2 million)** in 2016, before depreciation or capital improvements. This loss is off-set by the City's program of dedicating a portion of Town sales tax to the golf operation, totaling just over \$2.0 million in 2016. While losses on operations are common in municipal golf, the depth of this loss is less common. **In 2016, the loss on operations in the Town's golf system exceeded the revenue produced by a dedicated ½-cent sales tax.**
7. The operating metrics for ECGT are generally lower than industry norms, with the NGF review showing lower rounds activity, higher average revenue per round and much higher total operating expenses. The higher expenses are mostly a result of a very high utilities expense showing the challenges in this operation.
8. The NGF and FRA hosted an open meeting with interested ECGT members and Oro Valley residents. The feedback from these groups showed very little tolerance for change and lack of concern for the troubled facility economics. However, NGF/FRA does expect that changes to ECGT would be accepted by both groups if completed properly and with effective communication to affected parties.

Key Findings on Market and External Factors

The NGF market analysis shows that golf is an important component in the greater Tucson and Oro Valley offering. While there is strong demonstrated demand for golf in the local market, there are also a lot of golf courses available to service the demand. As such, the NGF has a reasonable expectation that while the market will provide support for continued operation of a public golf facility in Oro Valley, the full complement of 45 holes may be too much to sustain in an economically efficient way. Other key findings from NGF's market analysis include:

- The overriding trends in the golf industry are not favorable for facility operators. The total number of golfers has declined and the number of golf courses had expanded in previous decades, leading to a decline in per-course rounds and income. NGF has also documented rapid inflation in expenses to operate golf facilities in this market, especially related to the cost of water for irrigation.
- The Oro Valley and greater Tucson area economy is driven by many traditional industries, but also has a strong and thriving tourist economy. There were an estimated 4.0 million visitors to Tucson in 2016, which NGF estimates could include 300,000+ golfers demanding daily fee golf. Generating golf from these visitors will be key to sustaining golf operations at ECGT and providing adequate facilities a key factor in their attraction, as local resident demand may not be enough to sustain operations.
- The overall demand/supply balance for golf in the greater Tucson market is very unfavorable to golf courses. There are far fewer permanent households and resident golfers available to support each 18 holes of golf in the market, and as a result the golf courses in this area tend to host fewer rounds than average. The most active golf course in this market area is the City of Tucson's Randolph GC hosting close to 37,000 rounds per 18 holes, compared to ECGT hosting fewer than 21,000 rounds per 18 on the El Cañada and Conquistador courses.

- Other competitive golf courses in the market area have felt reduced demand and increasing competition. The City of Tucson's public golf courses are down 25% in rounds and 19% in revenue since 2008, and other public golf courses report similar reductions. There is a short peak season in the fall and spring during which demand is strongest and the highest fees can be charged.
- The golf courses in the local competitive market are operating within a varied range, with the subject ECGT in the upper middle range for public golf courses and on the very lower range for private memberships. ECGT is most competitive in its membership offering, in that the facility is priced closer to the pre-paid green fee arrangements at public courses but has an amenity offering more in line with local private clubs (golf, tennis, pool, fitness, etc.).

NGF RECOMMENDATIONS

The NGF has prepared a comprehensive list of recommendations designed to help improve the ECGT and make the facility more efficient and profitable. The recommendations contained in this review include: (1) considerations on operating structure of the system; (2) changes and/or improvements that could be made to the physical plant so as to best match demand and supply; and (3) specific ideas for improving the operation, growing the game and thus rounds and revenues. The NGF recommendations are summarized here, with full detail on specific action steps detailed in the body of this report.

Basic Oversight and Structure

The Town of Oro Valley has chosen to operate its golf facility through a fee-for-service management agreement with Troon Golf, and direct oversight by the Parks and Recreation Director and Town Manager. It has been assumed by NGF that this form of operation is in place for several reasons, including the desire to retain professional management and to fulfill contractual obligations related to the Town acquisition of the golf courses. As another form of operation could be considered by the Town, NGF prepared a review of alternative options that are available to public sector agencies. However, upon review of the pros and cons of each option, the NGF recommends that the Town continue with its existing management agreement with Troon, but also seek to attract a separate (possibly Troon under separate agreement) operator for the F&B / Overlook operation as the best option for the short and intermediate term as golf club improvements are contemplated and enacted.

Physical Improvement Recommendations

In recommending upgrades to the physical plant at El Conquistador G&T, NGF has divided our suggestions into three options related to the ultimate number of holes at ECGT, plus a fourth consideration on Pusch Ridge that could be viewed separately from the other ECGT options. The data presented in this analysis suggests strongly that 45 holes of golf may not be market supportable for the long term at this location. As such, the NGF/FRA team has prepared analysis of what the ECGT facility and economics would look like considering an improved 36 holes (Option A), 27 holes (Option B) and only 18 holes at ECGT (Option C). An alternative program for continuing golf at Pusch Ridge GC was also reviewed by the NGF/FRA team.

A full analysis of each option was presented in the body of this consulting report, including a detailed review of all proposed changes, site plan renderings and cost to complete estimates (all presented in **Appendix C** of this report) and summarized in the table below:

El Conquistador Golf & Tennis Summary of Renovation Options				
Option	No. of Golf Holes	Total Investment	Potential Acreage for Alternate Use	Expected Savings
Option A	36	\$5,115,775	21.2	20%
Option B	27	\$4,639,115	32.0*	35%
Option C	18	\$4,200,795	83.2*	45%
Pusch Ridge	12	\$3,013,120	14.9	70%

*Includes only Town owned property and does not include additional HOA-owned parcels.

Pusch Ridge Considerations

The 9-hole golf course at Pusch Ridge presents unique challenges to the Town of Oro Valley. This facility is clearly challenged economically, with very low activity and revenue due to a variety of factors including difficult layout, lack of walkability, declining maintenance and generally low interest for stand-alone 9-hole golf among golfers. Still, despite the challenge, the overall loss on Pusch Ridge was estimated at \$175,000 in 2016 with a reduced operation, a small fraction of the over \$2.1 million loss on overall Town golf operations.

There are several courses of action that the Town can consider for the future of Pusch Ridge, including outright closure, which is always an option but has pitfalls (more below). This consulting team was tasked with evaluating options for continued operation as a golf course and developed a concept that can improve the economics of Pusch Ridge GC. The consulting team's idea was to create a 12-hole par-3 golf course to be called the "Dirty Dozen" that reduces the maintained turf to only 11.9 acres and frees up about 15 acres for potential repurposing. The cost to complete this concept would be \$3.1 million, but financing options can be explored as well as responsible repurposing of the newly available property.

The NGF review of the economics of the proposed new "Dirty Dozen" shows that even with a minimal operation and modest rounds activity (7,500), the new 12-hole course could cover all its expenses. If the Town and Troon were to significantly enhance the marketing and promotion of the facility, and gain full buy-in from the adjacent resort (possibly through pre-purchase of rounds), the "Dirty Dozen" course could add as much as \$112,000 in profit to the golf system.

Basic Operational Recommendations

Additional recommendations regarding basic operations that apply regardless of "big picture" changes that may occur are provided and detailed in the NGF report. Key suggestions include:

- **Enhancing Technology:** The Town must continue to maximize its use of technology in areas such as POS, email, databases, financial reporting and, of course, its website.
- **Enhance Marketing:** This recommendation is widespread and covers many items, but could be postponed until physical improvements are complete. Ultimately, the future success of ECGT will be the ability to attract daily fee golfers and tournaments/outings.
- **Attracting Less-Traditional Segments:** The NGF has documented the changing demographics and the fact that the Tucson has large populations that do not have strong tradition in golf. The NGF has offered ideas for helping ECGT bring new segments into golf, focusing on younger adults (18-35), minorities and women.

ALTERNATE USE CONSIDERATIONS

The consulting team has completed this review under the assumption of continued operation of some golf by the Town of Oro Valley at one or both of ECGT and Pusch Ridge. It is always an option for public-sector owners of golf facilities to close or reduce golf courses and consider alternate uses of golf course property. As such, the consulting team has completed a preliminary review of basic options to be considered by the Town, including:

1. Outright closure of one or both Town golf facilities.
2. Repurposing portions of golf course property that may become available due to proposed changes in size and space of golf facilities.

The analysis completed by the consulting team and presented in this report outlined several options for the Town to consider, but a few key findings were clear:

- Outright closure, although perhaps the most economically beneficial decision, is not necessarily a “cheap” option, as there are costs to prepare the property appropriately and there may be additional contemporaneous impacts that have to be considered (property values, tax base, resort relations, etc.). Further study is recommended.
- There are parcels being removed from golf in the consulting team program, including up to 32± acres at ECGT (27 hole option) and 15 acres at Pusch Ridge GC. These parcels could be used as naturalized space, passive recreation, intense recreation or repurposing/development. The consulting team notes that all but the last concept (development) will result in additional cost to the Town, while some form of responsible repurposing could lead to new revenues for the Town.
- Any new revenue accrued to the Town from responsible development could be used to fund the renovation and upgrade program proposed for ECGT and Pusch Ridge.

FINANCIAL OVERVIEW SUMMARY

As part of this NGF study effort, the consultants have prepared an economic evaluation to show the potential economic performance of the El Conquistador G&T under certain scenarios of facility size and operational performance, and considering specific assumptions identified in this report. The NGF projections have been prepared under four separate scenarios of ECGT operation, along with a separate estimate for Pusch Ridge. The four ECGT scenarios considered include: (1) Continue “as-is” with no major changes but only repairs and minor improvements; (2) completion of a golf course renovation resulting in the retention of 36 holes (Option A); (3) a renovation resulting in 27 holes (Option B); and (4) a renovation resulting in 18 holes at ECGT (Option C).

Summary Discussion – NGF Projections

The results of the NGF financial projection analysis show that all of the options analyzed by NGF/FRA will improve the economic position of ECGT, largely through reduced maintenance expenses (fewer maintained acres) and shifting the F&B operation to a third-party vendor. Still, even with NGF recommendations and the modest growth of rounds and revenues, we still expect ECGT to see challenges in the next few years. Continued operation with rounds at or near current levels (under 50,000 total) will not lead to profitability for ECGT, and severe losses will continue, but become more manageable for the Town under any of the renovation options presented.

The analysis also shows that the 27-hole option (Option B) at ECGT will most likely result in the strongest net performance for the Town. This is due to the 27-hole option allowing ECGT to retain a strong share of members and still service a comparable amount of daily fee play to what is serviced today. The 27-hole design provides flexibility to still allow for certain “member blocks” to be accommodated and even a select timing of shotgun starts. The 36-hole option is still providing too much golf and higher maintenance costs, while the 18-hole option will likely chase away all but the most die-hard resident members with private carts, thus resulting in revenue that is much lower than the savings in maintenance expense. The NGF/FRA team also notes that the 27-hole option provides the Town with some flexibility if the golf market were to recover or if the operator is successful in growing activity, the capacity is still there to accommodate the increase.

Other findings from financial projections:

- If ECGT is to continue “as-is,” without facility enhancement, there will not be any driver to reduce expenses or produce increased rounds or revenue. The result will be even larger losses on operations in the coming years as expense inflation out-paces revenue increases. Losses on operations could grow as large as **(\$2.2 million)**, even if rounds increase to over 54,300 after five years (9.3% increase in rounds).
- If the ECGT is renovated to reduce maintained acreage, provide a new and modern irrigation system, and a modernized clubhouse, the facility would see improvement in economic performance regardless of the number of holes. If the concept of a new, third-party vendor to operate and absorb the risk in the F&B operation is included in the facility changes, the economic performance should improve with immediate elimination of the large loss on F&B operations.
- While continued operation of Pusch Ridge is problematic for the Town, the NGF/FRA plan shows that a new dynamic change to the facility could help significantly reduce the maintenance on that golf course. With only 11.5 acres to maintain and irrigate, the new Pusch Ridge (“Dirty Dozen”) will be able to achieve profitability with as little as 7,500± rounds annually, assuming an operating concept comparable to today.
- If the club is upgraded and reduced to 27 holes, the NGF projects better economic performance, but still a loss on operations. The net income will improve because the revenue drivers derived from enhanced facilities noted above would still be present, but the total golf maintenance expense for a “premium” facility with only 27 holes of golf would help close the gap on operations. Combined with the Town’s approximately \$2.0 million sales tax earmark, the NGF projects as much as \$1.0 million± per year could be available for other capital projects. The capacity is so high on a 36-hole operation, that ECGT is not likely to experience capacity issues on 27 holes, except for the four or five busiest days of the year.

Summary Matrix of NGF/FRA Projections

The table below provides a summary of the analysis of three renovation options along with a base scenario assuming ECGT continues “as-is.” The information provided includes the total investment for ECGT required under each option (excluding Pusch Ridge) and an estimate of total land acreage that could become available for alternate (non-golf) use. This information, combined with the projected rounds, revenue and expenses estimated by NGF in this analysis, provides the Town with a clear insight into the economic implications of each option. Moving forward, it is likely that the Town’s ultimate use of the newly available acreage will be the key to the success of any of these options, particularly if the land can be used to provide a source of capital to the Town for use in capital projects at ECGT and Pusch Ridge. The summary table is presented below:

EI Conquistador Golf & Tennis Review of Scenarios – Year 5				
	Base	Option A	Option B	Option C
Initial Investment	\$0	\$5,115,775	\$4,639,115	\$4,200,795
New Acreage Made Available	0.0	21.2	32.0*	83.2*
Summary in Year 5				
Total ECGT Rounds	50,300	50,300	40,600	32,400
Pusch Ridge Rounds	4,000	7,500	7,500	7,500
Total Facility Revenue	\$3,407,200	\$2,827,200	\$2,430,300	\$1,828,400
Total COS	\$635,300	\$380,200	\$330,900	\$252,400
Net F&B Revenue	(\$267,500)	73,400	73,400	73,400
Total Operating Expense	\$4,852,700	\$3,738,800	\$3,006,000	\$2,753,000
Total Labor Expense	\$2,304,300	\$1,614,400	\$1,234,900	\$1,096,900
Total Utilities Exp.	1,402,000	1,087,400	883,100	761,600
Net Income	(\$2,080,800)	(\$1,291,800)	(\$906,600)	(\$1,177,000)
Management Fee	\$144,000	\$144,000	\$144,000	\$144,000
Net Before Other	(\$2,224,800)	(\$1,435,800)	(\$1,050,600)	(\$1,321,000)
Sales Tax	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Net Net	(\$224,800)	\$564,200	\$949,400	\$679,000
*Includes only Town owned property and does not include additional HOA-owned parcels.				

SUMMARY CONCLUSION

The Town of Oro Valley has been operating the popular 45-hole El Conquistador facility for only two full years. This facility is aging and has seen declines in activity and is now operating at a deficit, up to **(\$2.1 million+)**. The loss on operations is a result of several influences, some of which are not controllable by the town or Troon Golf. Factors such as a recent recession, increasing competition, declining physical condition and declining interest in golf have contributed to the loss on operations. The last factor is particularly important as the Town must now consider the optimal mix of amenities and golf course sizes, and whether 45 holes of golf remain supportable by the Town of Oro Valley.

The ECGT facility has several amenities with potential for strong appeal to a wide variety of golf and club consumers. However, this facility has a history of operation as a semi-private club and even though it is owned by the Town and intended to be a community public facility, it still has a perception in the market as a “private” club. The local golf market has changed dramatically in the last decade and as we look to the future of golf in Oro Valley, there is genuine concern that the full 45-hole allotment may not be a good match for the current state of golf demand. The cost to properly maintain a complement of 45 holes of golf is large and growing. The NGF review in 2017 shows that the cost to maintain the ECGT is much higher than any standard, mostly a result of high utilities expense that is caused, in part, by an antiquated irrigation system. **Given this and the change in demand, the NGF sees a 27-hole golf facility at ECGT and a modified par-3 golf course (possibly 12 holes) at Pusch Ridge as a much better option for Oro Valley to provide a more sustainable golf facility for the longer term going forward.**

ECGT has a mix of customers, with long-tenured golf members, many of whom live in the adjacent residential community, and a more transient, daily fee golfer seeking high quality at an affordable rate. The direct feedback gained from frequent club users and local Oro Valley residents as part of this study effort shows that any change to this facility is going to be controversial. However, NGF/FRA does expect that changes to the facility will be accepted by the community, provided the changes are not too severe, still allow for an active club membership and do not result in intense development in narrow hole-corridors. The changes recommended by the consultants in a 27-hole operation at ECGT (Option B) along with a new “Dirty Dozen” concept at Pusch Ridge, should provide a more economically sustainable golf operation that should receive strong public support.

Given the above-noted findings, it is clear that the Town will not be able to continue the operation “as-is,” and changes will be required. In summary, the most important and actionable recommendations made by NGF are listed below, noted in priority order:

1. Improve the physical condition of the ECGT, including clubhouse enhancements.
2. Take action to reduce the amount of irrigated turf on all golf courses.
3. Upgrade the irrigation system to include new controls and in-ground piping.
4. Reduce to 27 holes at ECGT, with three 9-hole courses of equal quality and appeal.
5. Lease out (or concession) the F&B operation at ECGT to a third party.
6. Implement the plan to renovate Pusch Ridge into a “Dirty Dozen” concept as proposed by NGF/FRA.
7. Enhance marketing (mostly through improved technology) and embrace and implement new activities that appeal to less traditional golfer segments, especially female golfers.

External Factors Affecting the Operation of Public Golf Courses

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

DEMOGRAPHICS, ECONOMY AND WEATHER

The ECGT and Pusch Ridge facilities are key amenities for residents and visitors to Oro Valley, both in terms of recreation and support for adjacent real estate. The Oro Valley area is a growing suburb of Tucson that has developed its own separate industry and resort profile, but is very much dependent on the influx of seasonal residents and visitors to its hotels or for day-trips. As such, the NGF expects that the continued support of any golf facility in Oro Valley will rely on participation from the large visitor market to the Tucson area, in addition to the permanent resident population.

Demographic Analysis – Local Permanent Residents

The table in **Appendix B** provides detailed demographic data on selected market definitions, including 5-mile, 10-mile and 15-mile market rings from the ECGC site. For comparison, the NGF also shows the Tucson MSA (Pima County), State of Arizona and total U.S. A summary of key findings on local resident demographics is shown below:

- Population in the area around the subject ECGC is growing rapidly, with population increasing at 5-times the U.S. average from 1990-2000 and almost 2-times the national average from 2000-2020.
- Total population around ECGC in 2016 was just over 270,000 within 10 miles and over 558,000 within 15 miles. Data shows the overall greater Tucson MSA population now at just over 1.02 million, with 1.5% annual growth expected through 2021.
- Consistent with a seasonal market, the permanent population in Oro Valley and greater Tucson is older with much higher incomes than the State of Arizona and the nation as a whole.
- Median Income in the local market rings is 25% higher than the State of Arizona and 22% higher than the total U.S. In general, higher income residents are more likely to actively participate in golf than lower income residents.
- Median Age in the market area is considerably older than the state and national medians. In general, golf participation and frequency tends to increase with age.
- The basic demographic profile of the local permanent population is generally consistent with strong golf participation. The NGF expects that this population will have higher golf participation rates and stronger demand for golf service. The NGF would also expect that golf demand from these local residents would be at a green fee (or membership fee) rate that is on the higher end of established rates for this market area.

Key Economic Factors

Oro Valley is a smaller town on the northern edge of the Tucson metro area, with a growing permanent population and a local economy in part supported by tourists and seasonal residents. Below, the NGF provides observations on the key economic drivers of the area and the potential impact on golf activity at ECGT.

Climate

As with any outdoor recreation, weather will have impact on golf participation. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees Fahrenheit. Understanding local weather patterns helps determine the number of golf playable days. The data suggests that golf is a year-round activity in Oro Valley, but time-of-day is a significant issue. In the peak of summer, temperatures routinely exceed 90 degrees in the middle of the day, leaving a smaller window for early morning demand that can limit activity. The following table presents a summary of monthly weather data for Oro Valley area based on 50-year recorded trends:

Climatological Data – Oro Valley, AZ					
Month	Temperatures			Precipitation Inches	Average Length of Day (Hours)
	Average	High	Low		
Annual	65.4	83.5	47.3	11.4	12.6
January	50.2	66.3	34	0.9	10.8
February	51.1	68.2	33.9	0.9	11.5
March	54.7	73.5	35.8	0.7	12.4
April	62.4	82.1	42.7	0.3	13.4
May	70	90.9	49.7	0.2	14.3
June	79.7	100.6	58.8	0.2	14.7
July	85	100.3	69.6	2.2	14.5
August	82.3	97.4	67.2	2.4	13.7
September	78	95.5	60.4	1.3	12.7
October	66.7	85.9	47.5	0.8	11.8
November	56	75.9	36	0.5	10.9
December	48.4	65.1	31.6	1.0	10.5

Source: Weatherbase.com, Oro Valley, AZ

Oro Valley Economy

The Oro Valley economy is driven by its proximity to Tucson, the attraction of tourists and seasonal residents, and some growth in High Tech employment. A summary of key findings and data related to the Oro Valley Economy that have direct impact on the golf club is noted below:

- **High Tech and Employment** - Oro Valley is home to over 10 high tech firms and has a median household income nearly 50% higher than the U.S. median. Oro Valley is also a regional center for the biotech industry. Innovation Park is the high-tech center of Oro Valley, featuring a number of medical and biotech campuses. High-tech and biomedical employment tends to coincide with higher-than-average participation in golf and can be a source for corporate activity and memberships at golf courses. Primary employers in Oro Valley include:

- **Sanofi-Aventis:** world's third largest pharmaceutical company has a facility in Innovation Park.
- **Ventana Medical Systems:** international headquarters in Innovation Park.
- **Northwest Medical Center:** medical office building in Innovation Park.
- **Honeywell:** facility in unincorporated Pima County, surrounded by Oro Valley.
- **Golf and Resorts** – The economy of Oro Valley is also fueled by the resort industry, and the Town features several resorts and country clubs. Hotel/Resort Inventory in Oro Valley includes:
 - Hilton Tucson El Conquistador Golf and Tennis Resort (428 rooms)
 - Fairfield Marriott Inn and Suites (88 rooms)
 - Holiday Inn Express (105 rooms)
 - Red Lion Inn & Suites Tucson North Foothills (155 rooms)
 - Others close to Oro Valley include the Omni Tucson National Golf Resort & Spa, Westward Look Resort and The Westin La Paloma Resort & Spa.
 - AXBEX reports that investors are planning to add a new “boutique” hotel (under 100 rooms) adjacent to Stone Canyon Oro Valley to be opened after 2019-2020.
- **Transportation** – The primary access to Oro Valley is through automobile transportation, with two main highways providing access from Tucson – Interstate -10 and Highway 77. Highway 77 provides the most direct route, but this roadway is a major arterial and not a controlled access freeway. As such, commute times to Oro Valley to and from Tucson can be lengthy despite the 12 mile distance. This can have impact on golf demand and activity for commuters to Tucson and/or attracting Tucson residents, visitors or businesses to Oro Valley for golf.

Greater Tucson / Southeast Arizona Area Economy

Oro Valley is part of the Tucson, Arizona MSA, which is the major urban and economic center of southern Arizona, and is the second-largest urban area in Arizona after Phoenix. The greater Tucson market area has a substantial economy and specific economic drivers that could impact demand for golf at the ECGT, specifically aerospace, technology and tourism. Some general findings on the broader Tucson area include:

- **Population** – The Tucson MSA has a population of around 980,000+ in its primary urban area. The recent trends are for growth in population at levels that exceed the national average and are comparable to the overall state average.
- **Tucson Employment** – Tucson supports a progressive economy, with three primary centers of employment – healthcare, mining and military. The MSA is home to 12 individual employers with over 5,000 employees, including the two largest employers in the MSA (University of Arizona and Raytheon). These large employers provide support for the area economy, including public golf courses.
- **Tourism** - In addition to Oro Valley, tourism is also an important component in other parts of the Tucson region. The Arizona Office of Tourism notes that “Arizona’s warm weather and natural beauty” make tourism one of the State’s top industries. Key aspects of the Tucson area tourism economy are noted below. Each point of data tends to back the expectation that tourism will continue to support golf demand in this region.
 - Pima County generated \$2.8 billion in direct spending in 2015 and \$197.3 million in direct tax revenue collection. Over 24,000 jobs are generated by tourism in the region, and more than 4.0 million people visit the area annually.

- The recent recession has impacted Tucson area tourism. Total bed tax collected by local municipalities and Pima County declined from an all-time high of \$10.5 million in 2007 to \$6.6 million in 2015. The County is reporting a significant upswing in tourism in FY2015/16. Based on *Smith Travel Research* predictions, Pima County's bed tax collections are expected to grow approximately 4 percent in FY2016/17.
- The Tucson area is home to an active calendar of festivals, events and attractions that help to support tourist demand in the area and feed visitors to hotels and add demand for public golf service.
- Municipalities and agencies ("*Visit Tucson*") are putting additional resources into efforts to expand the region's tourist appeal. Projects to expand sports attractions (primarily in amateur sports), provide investment in new facilities & infrastructure, and add focus to the area as a "tourist destination are ongoing.
- Hotel occupancy generally peaks in the fall and spring, with October-November and March-April as the peak four months. The hottest months of June-Sept. tend to support the lowest occupancy and is considered the off-season.
- **Transportation** – The key areas of transportation in the Tucson region that can impact golf demand in Oro Valley include the roadway infrastructure and the airport:
 - There are two interstate highways in the metro area. I-10 runs southeast from Phoenix through Marana, passes west of downtown Tucson, and continues east toward El Paso. I-19 leaves I-10 south of downtown and heads south to the Mexican border. Tucson does not have a beltway system, and as noted previously, there is no direct interstate route from central Tucson to Oro Valley, thus limiting the convenience of ECGT.
 - Tucson International Airport (TUS) is the second busiest airport in Arizona after Phoenix, and provides nonstop flights to 15 U.S. destinations. Although TUS is not a hub or focus city for any airline, the airport is categorized by the FAA as a Primary Commercial Service airport with nearly 1.8 million enplanements in 2015 and 2016. The top service destinations out of TUS include Phoenix, Las Vegas, Atlanta, Houston and Chicago.

GOLF MARKET SUPPLY AND DEMAND INDICATORS

Golf Industry Overview - 2016

Despite significant negative press, the golf industry remains healthy and golf continues its macro trend toward stabilization in 2016. Considering the severity of the most recent recession and its lingering effects on discretionary income and time, golf has held up rather well. Multiple NGF studies of golfers since 2008 attribute the gradual decline in golfers and rounds since peak participation primarily to the impact of lower job security and concern over personal finances, **not waning appeal for the game**. Total spending on golf and club memberships will always be vulnerable to outside forces such as the economy, but the game remains popular and is fortunate to have a deep well of interested prospects. Some findings from NGF:

- **Participation** - The national golfer number (participation) appears to be continuing a stabilization trend in 2016 after nearly a decade of decline. The total golfer population now stands at 23.8 million, down from a peak of 30 million in 2005 (20.7% decline). Total rounds volume has also declined a comparable amount over the same period. Over 2.5 million people took up golf for the first time in 2016, the highest annual total in more than 16 years.

- **Golf Course Supply** - The correction in golf course supply continued in 2016 at a level comparable with the previous three years. According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of 679.5 golf courses (18HEQ), which represents a drop of about 5% off the peak supply year of 2005. For perspective, golf supply grew by 40% in the previous 20 years (1985-2005). This much-needed move toward supply/demand equilibrium is expected to continue for the next several years.
- **“Millennials”** - Also, despite reports to the contrary, interest in the game remains strong among 18-34 year-old “Millennials,” but not at the levels of previous generations. More than 28 million Americans who don’t play are “very” or “somewhat” interested in playing golf now. More than 12 million of those are of Millennial age. Millennials make up 25% of all golfers (6.2 million) and spend more than \$5 billion annually on playing fees, equipment and apparel.

Comparative Market Data

The table below details basic demographic and golf market data indicating the magnitude of the local golf demand (additional support data in **Appendix B**). We note that much of this data is based on the permanent resident population, and is not reflective of the retiree, seasonal resident and visitor populations in the market area (more later in this section).

Summary of Market Indicators	5-Mile Ring	10-Mile Ring	15-Mile Ring	Tucson MSA	Arizona	Total U.S.
Demographics						
Population 2010 Census	85,513	258,918	533,351	980,263	6,392,017	308,745,538
Population Estimate 2016	87,469	271,210	558,296	1,027,379	6,861,737	322,736,220
Population 2021 Projected	93,618	291,152	600,570	1,106,490	7,346,245	335,779,240
CAGR 2016-2021	1.37%	1.43%	1.47%	1.49%	1.37%	0.80%
Median HH Income (2015 Estimate)	\$68,324	\$56,167	\$47,456	\$48,046	\$51,887	\$56,106
Median Age (2015 Estimate)	45.2	42.3	39.7	\$38	\$37	38.0
Golfers						
Number of Golfing Households	8,680	24,232	42,018	69,007	407,846	17,094,500
Seasonal Golfing Households	429	1,216	1,792	3,233	30,968	737,636
Rounds Potential (resident golfers)	257,365	719,525	1,190,539	2,012,194	11,809,889	465,791,320
Estimated Rounds (in-market supply)	419,332	984,308	1,367,423	1,947,628	14,854,984	465,791,320
Latent Demand/Interested Non-Golfers	11,724	38,759	80,758	130,619	837,729	37,346,480
Golf Indices						
Golf Participation Index	171	147	125	121	113	100
Golf Rounds Activity Index	186	160	130	130	120	100

Source: Tactician, Inc. and NGF Consulting. CAGR = Compound Annual Growth Rate.

- The permanent population in the ECGT market areas is relatively small, but with higher median age and median household income. These figures tend to coincide with higher-than-average participation in golf.
- The local ECGT market has a strong proportion of higher income households than the greater Tucson market. An estimated 30.6% of households in the 5-mile ring show incomes over \$100,000 annually, while 7.0% show income in excess of \$200,000, both a key “sweet spot” for high golf participation and activity:

Higher Income Households	5-Mile Ring		10-Mile Ring		Tucson MSA	
	No.	Pct.	No.	Pct.	No.	Pct.
No. of Households over \$100,000 Income	11,182	30.6%	29,063	24.9%	73,320	18.9%
No. of Households over \$200,000 Income	2,588	7.0%	7,640	6.5%	16,339	3.9%

- The NGF estimates about 24,000 golfing households, plus an additional 1,200 seasonal households, in the 10-mile market around ECGT. Further, the NGF estimates a total of over 69,000+ golfing households and 3,200+ seasonal golfing households in the greater Tucson market area. This is a large market of permanent and seasonal golfers capable of supporting a large market of golf facilities, and this does not include the even larger market of transient / visiting golfers who come to the area each year.
- NGF estimates the residents in the 10-mile ring could demand upwards of 719,500 rounds of golf annually, but the golf courses in this market ring are hosting over 984,000 rounds annually, indicating a strong demand from non-residents at area golf courses. The 2.0 million rounds played in the Tucson MSA represent about 17% of all golf rounds played in Arizona, further documenting the strength and importance of this golf market and helping to confirm the expectation that there is demonstrated demand for golf service in the Oro Valley market.
- Overall golf demand is higher per household in the ECGT market when compared to the rest of the State and nation overall. The area also shows a high level of latent demand, with almost 38,000 non-golfers expressing interest in becoming golfers in the 10-mile ring.
- As population growth is expected to exceed the national and State average by 2021, the change in number of golfers is also expected to increase by 2021.

Visitor Golf Demand

Earlier we noted about 4.0 million visitors to the Tucson MSA in 2016. These visitors are contributing to the golf course activity in the region. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing 0.557 rounds per day of travel. Based on current golf participation rates, the estimate for potential tourist golf rounds that are coming to Tucson is 70,000 to 80,000 rounds annually. Given its location and appeal of area resorts, it is reasonable to expect the subject course to capture a significant share of this visiting golf activity that is generated from Tucson area tourists. As such, it is important for ECGT to maintain a strong marketing presence, especially through digital/website channels, as a couple of thousand visitor rounds could make a big difference in the bottom line.

Latent Demand

People who express an interest in playing golf but have not yet started include former golfers and those who have never tried. The demographic profile of latent demand tends to be more female and younger than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). The latent demand population is comparable to the golfer population, and NGF estimates as many as 38,000 interested non-golfers within 10 miles of ECGT. Given golf's tenuous participation situation, all golf courses should have active programming aimed at inviting and "onboarding" prospective new golfers.

Local Golf Supply

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

- There are 18 total golf facilities (14 public access), totaling 405 holes, within 10 miles of ECGT. There are a total of 39 golf facilities (30 public) within the Tucson MSA. Ratio analysis based on national benchmarks shows that all three market rings are vastly over-supplied, as there are about 25% **fewer** households available (unfavorable) to support each 18 holes of golf than the nation overall. This weakness is particularly acute in the immediate 5-mile market, where the eight total golf facilities represent an over-supply of 56% (there are 56% **fewer** households per 18 holes compared to the national benchmark).
- There was a lot of new construction of golf courses in the last 20 years, with 11 of the 25 golf facilities within 15 miles constructed between 1995 and 2007. This rapid increase in supply included local facilities such as Saddlebrook Ranch (2007) and the Golf Club at Dove Mountain (2009), the two newest facilities in the Tucson market.
- The NGF estimates that a net of 18 holes were closed in the greater Tucson market since 2011, the equivalent of one 18-hole golf course (Canoa Hills GC and Challenge at Santa Rita GC closed in 2012-13). This is consistent with broader national trend of golf course contraction as a reaction to declining national demand for golf.
- The NGF database shows one other new golf course in planning in the Tucson market area, the Rocking K Ranch project that is part of a master planned community set to open in late 2018. We also note several golf facility competitors that have undergone or are planning renovation.

Golf Course Market Supply / Demand Summary

Using the most basic measures of golf demand and supply, we note four possible combinations for any given market area: (1) favorable demand and favorable supply (“potential growth market”); (2) favorable demand and unfavorable supply (“competitive”); (3) unfavorable demand and favorable supply (“inactive”); and (4) unfavorable demand and unfavorable supply (“saturated”). The review of data for the greater Tucson area suggests a “competitive” market for golf, with relatively strong demand from resident households and a very unfavorable household/supply ratio. It is clear that the influx of visiting golfers is key to sustaining golf course operations in this market, especially for a remotely-located club like El Conquistador G&T.

Golfers per 18 holes

NGF has also evaluated the relative strength of the market with a comparison to a national “threshold” of golfers per golf course within 10 miles of a facility. In its 2009 publication “*The Future of Public Golf in America*,” NGF hypothesized that the best predictor of a public golf course’s success was the number of golfers per 18 holes within a 10-mile radius, with **4,000** identified as the key number for projected financial stability. **The NGF has estimated that there are only about 1,400 golfers per 18-hole course in the ECGT market**, thus lowering chances for successful golf operations, all other factors being equal. The importance of this metric is mitigated somewhat in markets with a high annual influx of visiting golfers, but further stresses the importance of continued support from non-resident golfers.

LOCAL COMPETITIVE GOLF MARKET

NGF has analyzed the public access golf market in the Oro Valley / Tucson Arizona market area, with particular emphasis on determining the current position of ECGT as a municipally-owned public-access golf course, and prospects for sustaining and/or building market share in the future. On the following pages, we list operating information for a group of selected competitive golf facilities. This list was not meant to be totally exhaustive or to account for all of the potential public golf competition to ECGT, but rather, to offer a frame of reference in evaluating actual performance of the subject as compared to other golf facilities noted by ECGT staff and golfers in the NGF survey as key competition.

Competitive Public Access Golf Facilities Map

The map below shows the relative locations of the facilities selected as comparable to the ECGT. The list of facilities is intended to be representative, but not exhaustive.



Summary Information

The following tables provide summary information for ECGT and a selection of other comparable / Competitive golf facilities.

Facility Summary Information - Expected Primary Competitors to El Conquistador Golf & Tennis Club										
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee/ Back Tee	Location Relative ECGT	Architect	Range Stations		
El Conquistador Golf & Tennis Club	Oro Valley	MU-36				-		35		
Cañada Course		18	1982	72 / 135	5,093 / 6,636	-	Greg H. Nash/Jeff D. Hardin			
Conquistador Course		18	1985	71 / 129	5,265 / 6,720	-	Greg H. Nash/Jeff D. Hardin			
Pusch Ridge		9	1982	35 / 110	2,788	3.0	Jeff D. Hardin	0		
Oro Valley Country Club	Oro Valley	PR-18	1960	72 / 132	6,170 / 7,032	1.6 miles	Arthur Hills	12		
Omni Tucson Nat'l. Golf Resort & Spa	Tucson	DF-36								
Catalina Course		18	1963	73 / 138	5,414 / 7,262	3.2 miles	Robert B. Harris	20		
Sonoran Course		18	1982	70 / 127	4,579 / 6,552		Remodel: Bryce Devlin/Robert Von Hagge Bruce Devlin/Robert Von Hagge			
Crooked Tree Golf Course	Tucson	DF-18	1975	72 / 132	5,008 / 7,065	3.5 miles	Lee Trevino/Dave Bennett	50		
The Golf Club at Vistoso	Oro Valley	DF-18	1995	72 / 133	5,093 / 6,954	4.1 miles	Tom Weiskopf	30		
The Views Golf Club At Oro Valley	Oro Valley	DF-18	1986	72 / 133	4,775 / 6,715	5.2 miles	Greg H. Nash/Jeff D. Hardin	20		
The Golf Club At Dove Mountain ¹	Marana	DF-27	2009	72	5,283 / 7,494	5.4 miles	Jack Nicklaus	50		
The Highlands At Dove Mountain	Marana	DF-18	1997	72 / 136	4,716 / 6,904	5.7 miles	Arthur Hills	20		
Quail Canyon Golf Course	Tucson	Par 3 DF-18	1964	54 / 87	2,236 / 2,311	5.9 miles	Gil Kammert	0		
The Gallery Golf Club	Marana	DF-36								
North Course		18	1998	72 / 139	5,256 / 7,384	6.6 miles	John Fought	50		
South Course		18	2003	72 137	5,215 / 7,468		John Fought			
Quarry Pines Golf Club	Tucson	DF-18	1997	71 / 123	4,893 / 6,318	6.9 miles	Brian Huntley/Gilmore Graves Arch. Firm	25		
Silverbell Golf Course	Tucson	MU-18	2005	70 / 123	5,235 / 6,936	8.7 miles	Arthur Jack Snyder Remodel: Kenneth M. Kavanaugh	25		

1. An additional 9-hole course project was cancelled in early 2015. The land is now being used for housing. *Air miles from subject site, rounded to half-mile; actual driving distances will likely be greater.
Type: DF – Daily Fee; MU – Municipal

Summary Fee & Rounds Data – Expected Primary Competitors					
Golf Facility	18-Hole Prime Time Green Fees & Carts Mon-Thurs / Fri & WE	18-Hole Midday Green Fee & Carts Mon-Thurs / Fri / WE	18-Hole Twilight Green Fee & Carts Mon-Thurs / Fri / WE	18-Hole Junior Green Fee Only Mon-Thurs / Fri / WE	
El Conquistador Golf & Tennis Club	8am-10am \$49 / \$55 10:01am-12pm \$45 / \$49	After 12pm \$39 / \$45	After 2pm \$29 / \$39	\$25 / \$25	
Oro Valley Country Club	Private Club - ClubCorp owns and manages; Peak Green and Cart Guest Fees = \$80 per person				
Omni Tucson National Golf Resort & Spa	Outside Guest Fee \$200 Resort Guest Fee \$150	N/A	Outside Guest Fee \$120 Resort Guest Fee \$100	N/A	
Crooked Tree Golf Course	\$49 / \$49	After 12pm \$40 / \$40	N/A	After 3pm \$5 / \$5 / \$5	
The Golf Club at Vistoso ¹	\$42 / \$42	After 12pm \$33 / \$33	After 2pm \$22 / \$22 / \$22	N/A	
The Views Golf Club At Oro Valley	Non-Resident \$59 / \$59 Resident \$49 \$49	After 1pm Non-Resident \$47 / \$47 Resident \$37 / \$37	After 2pm Non-Resident \$33 / \$33 / \$33 Resident \$25 / \$25 / \$25	N/A	
The Golf Club At Dove Mountain ²	\$109 / \$119	After 12pm \$59 / \$89	\$59 / \$79 / \$79	N/A	
The Highlands At Dove Mountain	Non-Resident \$99 / \$99 Resident \$67 / \$67	N/A	After 3pm Non-Resident N/A Resident \$29 / \$29 / \$29	N/A	
Quail Canyon Golf Course	\$19 / \$19	N/A	N/A	walking \$10 with cart \$12	
The Gallery Golf Club	\$185/\$225	\$60/\$100	N/A	N/A	
Quarry Pines Golf Club ²	\$29.99 / \$39	After 12pm \$22.99 / Fri \$22.99 / Sat-Sun \$25.99	After 2pm \$22.99 / \$22.99	\$25 / \$25	
Silverbell Golf Course ²	Non-Resident \$43 / \$43 Resident \$39 / \$39 City Card \$35 / \$35	After 12 pm Non-Resident \$33 / \$43 Resident \$25 / \$39 City Card \$20 / \$35	After 2 pm Non-Resident \$31 / \$36 Resident \$23 / \$32 City Card \$18 /\$28	N/A	

1. Current online published pricing. Peak rate from 10/1-12/31 is \$60, Loyalty Discount \$49.

2. Use online pricing. No rack rate fees listed.
N/A = Program not available

Annual Memberships / Loyalty Programs – Primary Competitors		
Golf Facility	Annual Membership Single / Couple or Family	Loyalty Program
El Conquistador Golf & Tennis Club	<p>Explorer (Single) / Conqueror (Family) / Discovery (age ≤45) / Adventurer (age ≤18) Non-Resident \$3,900 / \$5,820 / \$4,200 / \$720 Resident \$3,540 / \$5,280 / \$3,840 / \$600 Rates do not include cart fees</p> <p>Weekend Warrior Membership (unlimited on Fridays after 2pm, Sat-Sun, Holidays, birthday) Single / Couple / Family \$1,200 / \$1,920 / \$2,880</p> <p>Summer Sizzler Golf Pass \$299 (unlimited golf w/ cart after 12noon, for 4 months; includes F&B & merchandise discounts)</p>	<p>Troon Golf Rewards: Earn 1 point for every dollar you spend. Redeem for complimentary round of golf, reach elite status levels and receive additional discounts on golf and merchandise, receive special offers, invitations to exclusive events and Callaway® promotions.</p> <p>Troon Card: Up to 50% off golf fees; book any ONLINE RATE and receive 15% off that rate at check; 2 for 1 golf offers; 25% off Troon Card rate on the day of your birthday; replay rates from \$25; 25% off club rental fees at participating courses; access to TroonCardTickets.com; 10% off golf shop merchandise and restaurants; monthly digital E-News; Troon Card Text Club; customized experience packages; exclusive twilight and 9-Hole rates; single player & twosome booking engines; Book Tee Times 24/7/365; complimentary introductory & skills clinics; Troon Cards Facebook Group.</p>
Oro Valley Country Club	Single \$6,108; Full Family \$7,380	Afternoon-only package - \$3,720/\$4,980 + \$1,500 initiation
Omni Tucson National Golf Resort & Spa	Offer Executive, Traditional, Premier and Athletic/Social Memberships: Call for pricing	N/A
Crooked Tree Golf Course	N/A	N/A
The Golf Club at Vistoso	Mountain Club Annual Pass (Arizona National Club and The Golf Club of Vistoso) \$2,300 / \$3,000 (+\$15 cart fee per person, per rnd)	Catalina Card \$49 Discounted rounds (save \$7-\$11 per round)
The Views Golf Club At Oro Valley	Non Resident \$3,535 / \$6,245 Resident \$3,125 / \$5,820	N/A
The Golf Club At Dove Mountain	Call for pricing	N/A
The Highlands At Dove Mountain	Non-Resident \$4,429 / \$8,137 Resident \$3,782 / \$6,769	Play Cards 40 Play: \$2,193; 20 Play: \$1,148; 10 Play: \$627
Quail Canyon Golf Course	N/A	N/A
The Gallery Golf Club	\$9,900	Sports plus = \$5,700
Quarry Pines Golf Club	\$1,599 / \$2,599 + tax, carts not included Jr. membership \$499 + tax	Fee round for every 5 rounds played
Silverbell Golf Course	Mega Pass (includes all 5 City courses: Fred Enke, El Rio, Silverbell & Randolph) Weekday \$2,499 + tax / NA Everyday \$3,249 + tax / NA	Bonus Points: earn 1 point for every dollar spent on Green Fees. Redemption= Peak times need 330 points, afternoon 200 points.
N/A = Program not available		

Key Findings – Competitive Golf Market

A summary of general findings regarding the competitive market for ECGT:

- Based on discussions with club staff and supported by the NGF market review, the NGF has identified two separate sets of competitive facilities for ECGT, including both public-access golf courses and private clubs. The most significant competition from each category includes:

Key ECGT Competitors	
Public Courses	Private Clubs
The Golf Club at Vistoso Crooked Tree Golf Course The Views Golf Club at Oro Valley Silverbell Golf Course	Oro Valley Country Club The Highlands At Dove Mountain Omni Tucson National

- Total rounds activity among golf courses in this market has declined since a recent peak around 2008, and the long term peak around 1999-2000. Rounds activity is now around 30,000 to 35,000 rounds per 18 holes at public courses, down from the 40,000 to 45,000 rounds observed in 2008. The market leader in the area for rounds activity remains the City of Tucson's Randolph Golf Complex that reported approximately 75,000 total rounds on 36 holes. Other City of Tucson public courses hosted between 29,900 and 33,700 rounds on 18 holes. Immediate competitors GC.
- For the private member clubs, the total number of golf memberships reported was about 325 for Oro Valley CC, 340 for Highlands at Dove Mountain and 350 at Omni Tucson. This compared to the 240+/- for the subject ECGT.
- Green fees among the competitive set we profiled were highly varied, with ECGT running at the higher end of its immediate competitive set, with rack green fees higher than Crooked Tree, Vistoso and Silverbell, but lower than The Views. All of the market competitors are offering various forms of discounting for day of week, time of day, juniors and seniors. Considering its various discounts, the subject ECGT is priced appropriately for this market and the \$29/\$29 weekday fees are competitive in this market.
- Pre-paid green fee arrangements (memberships) are common at public golf courses in the market, but ECGT pricing is the highest among this competitive set. However, ECGT membership pricing is on the lower end when compared to the local private courses Like Oro Valley CC, Dove Mountain and Omni Tucson. When considering the full amenity package at ECGT, the cost of membership is very affordable, with the off-set being that the course is not fully private and public golf is allowed.
- The competitive nature of the regional golf market places constraints on the ability to raise fees. This is evident in the fee structures of the primary competitors; despite some high quality and well maintained golf courses, the majority of courses keep their peak weekend rates at or below \$60. There is a large gap between the mid-level courses and the high-end resorts. Premium facilities like Omni Tucson (\$200 in season), and The Gallery (\$225 guest fee) have much higher price points.
- None of the area's public access golf facilities have undergone recent renovations or major capital investments, other than irrigation and/or other minor upgrades and improved maintenance conditions (City of Tucson courses). As a result, ECGT is providing a high quality of golf service for a public course in this market.

City of Tucson Municipal Golf System

The only other municipal golf courses in the Oro Valley market area are four golf facilities owned by the City of Tucson, and currently operated via contract with OB Sports. The four facilities:

- **Randolph Golf Complex** – two 18-hole golf courses (North and Dell Ulrich) + extensive driving range and large clubhouse
- **El Rio Golf Course** – Shorter 18-hole golf course from the 1930s + small range and clubhouse
- **Fred Enke Golf Course** – 18-hole regulation-length golf course with driving range and clubhouse
- **Silverbell Golf Course** – 18-hole par-70 golf course with driving range and modest clubhouse (closest to Oro Valley)

Together the four City courses represent a varied offering of public golf in Tucson, with fees ranging from \$18 to \$49 for an 18-hole round of golf. The Randolph golf courses tend to be the highest fees, ranging down to the mostly lower fees at El Rio GC. The golf facilities were full self-operated by the City of Tucson through its Parks and Recreation department through 2011, with a food and beverage contract beginning in 2012 and a full four-course management agreement (lease) beginning in 2015. A summary of key NGF findings in review of this municipal golf system are shown below:

- **Rounds Activity:**
 - Total rounds played in 2016 were around 168,900+/-, down from over 225,000 rounds in 2008 (25% decline).
 - The highest activity is reported at the Randolph Golf Complex with 74,300 rounds on 36 holes (37,150 per 18); followed by 33,700 at Silverbell, 31,000 at El Rio and 29,900 at Fred Enke. Overall, the Tucson City golf system is hosting approximately 33,800 rounds per 18 holes.
- **Economic Performance:**
 - Total golf revenue at the four facilities was just over \$7.5 million in 2016, down from the \$9.28 million reported in 2008 (19% decline). However, the \$7.5 million in 2016 represents a 23% increase over the \$6.1 million generated in each of the 2012-2014 years. Since the addition of OB Sports management in 2015, revenues have increased in 2015 and 2016.
 - Total operating expenses were \$7.53 million in 2016, resulting in a +/- **(\$30,000)** loss on operations (before depreciation and overhead).
 - System-wide, the City is earning an average of \$29.17 per round of golf on green and cart fees and \$4.61 per round on merchandise sales. Income from driving range and F&B operations vary by facility with a peak of \$5.31 per round on the range at Fred Enke and \$7.20 per round on F&B at Randolph.
- **Other:**
 - In 2008-2012, the City employed a total of 154 staff at the four courses (31 per 18 holes), and had reduced this number to 68 by the end of 2014 (13.6 per 18 holes) before switching to a lease beginning in 2015.
 - The Tucson courses are offering aggressive frequent player programs with a “Mega-Pass” (pre-paid green fee) from \$949-\$3,249, Summer City Card, Summer 7-play pass and a junior card.

EXTERNAL FACTORS SUMMARY

The NGF market analysis shows that golf is an important component in the greater Tucson and Oro Valley offering. While there is strong demonstrated demand for golf in the local market, there are also a lot of golf courses available to service the demand. As such, the NGF has a reasonable expectation that while the market will provide support for continued operation of a public golf facility in Oro Valley, the full complement of 45 holes may be too much to sustain in an economically efficient way. Other key findings from NGF's market analysis include:

- The overriding trends in the golf industry will present challenges to the Town of Oro Valley in continuing golf course operations. The total number of “core” golfers is declining and total spending on golf is declining along with them. Similarly, the total number of golf courses had expanded in previous decades, leading to a decline in per-course rounds and revenues collected. NGF has also documented rapid inflation in expenses to operate golf facilities in this market, especially related to the cost of water for irrigation.
- The Oro Valley and greater Tucson area economy is driven by many sub-industries related to high-tech and healthcare, but also a strong and thriving tourist economy. There were an estimated 4.0 million visitors to Tucson in 2016, which NGF estimates could include 300,000+ golfers demanding 70,000+ rounds annually. Generating golf from these visitors will be key to sustaining golf operations at ECGT and providing adequate facilities a key factor in their attraction, as local resident demand may not be enough to sustain operations.
- The overall demand/supply balance for golf in the greater Tucson market is very unfavorable to golf courses. There are far fewer permanent households and resident golfers available to support each 18 holes of golf in the market, and as a result the golf courses in this area tend to host fewer rounds than average. The most active golf course in this broad market area is the City of Tucson's Randolph GC hosting close to 37,000 rounds per 18 holes. The fewest rounds per 18 holes are at the subject El Conquistador G&T, which is hosting fewer than 21,000 rounds per 18 on the El Cañada and Conquistador courses.
- Other competitive golf courses in the market area have felt a reduced demand and increasing competition. The City of Tucson's public golf courses are down 25% in rounds and 19% in revenue since 2008, and other public golf courses report similar reductions. There is a short peak season in the fall and spring during which demand is strongest and the highest fees can be charged. Hotel facilities are an important factor for feeding golfers to the ECGT, and ECGT will have to do more to accommodate hotel operators in the hopes of attracting a greater share of play.
- The golf courses in the local competitive market are operating within a varied range, with the subject ECGT in the upper middle range for public golf courses and on the very lower range for private memberships. ECGT is most competitive in its membership offering, in that the facility is priced closer to the pre-paid green fee arrangements at public courses but has an amenity offering more in line with local private clubs (golf, tennis, pool, fitness, etc.).
- Finally, all golf facilities face a couple of other factors beyond their control: First, a high fixed expense structure and operating expenses that tend to rise more rapidly than revenues (e.g., ability to raise fees is constrained); this dynamic appears to be particularly acute with rising water costs. Second, while golf is more popular than ever with younger children, the activity is losing appeal with younger adults and this will provide a continuing challenge for golf courses to attract younger players.

Subject Facility – El Conquistador Golf & Tennis

The subject property is the El Conquistador Golf & Tennis, a 45-hole golf facility located on two separate sites and owned by the Town of Oro Valley, Arizona. The facility includes a main campus at the El Conquistador Golf & Tennis, with two 18-hole golf courses – The Conquistador and Cañada, and a separate 9-hole course located approximately 3.0 miles away at the El Conquistador resort. The courses are all located within Oro Valley and are fully integrated within master-planned communities with considerable home frontage on the golf courses. The golf facility is part of the Town of Oro Valley community offering, and includes a considerable amenity footprint with services ranging from tennis, swimming and fitness in addition to golf.

The club and adjacent community center were acquired by the Town via acquisition from the HSL Resort, with commencement on May 1, 2015. To provide day-to-day operations, the Town hired Troon Golf Management, a nationally recognized golf management entity that was previously in place to manage ECGT under its previous owner, and has considerable experience in managing high quality golf facilities nationwide, including other clubs in the Tucson market area. The El Conquistador G&T is now operated as an affordable, high-quality public golf facility that serves year-round and seasonal residents of Oro Valley, as well as a large number of area visitors on a daily fee basis.

As a whole, the El Conquistador G&T and Pusch Ridge golf facilities combined to produce total top-line revenue of just over \$2.9 million in 2016, the vast majority of which comes from golf fees, member dues and F&B sales. The on-site operating expenses at the facility totaled around \$5.2 million (including cost of sales), resulting in a roughly **(\$2.3 million)** loss on operations (excluding other necessary costs such as capital upgrades and new investment in infrastructure). The Current financial condition is worse than most public sector golf operations in the U.S, where 67% of municipal golf course operations are able to cover on-site expenses, but not able to cover both on-site expenses and capital improvement costs (only about 33% can cover both).

In our review of the ECGT, the NGF found a well-located and affordable resort-style golf facility that includes the basic design and amenities that correlates with success in in public golf, but the facility may be too large and operated too much like a private club to achieve its maximum economic potential as a Town-owned golf facility. For many years the ECGT relied on the support of club members, many of whom lived within the adjacent residential community, for economic support, but as the membership has declined, the challenge for the Town going forward is to generate new levels of public golf activity to produce green fee income to off-set lost member revenue.

INVENTORY OF FACILITIES – EL CONQUISTADOR GOLF & TENNIS

The El Conquistador Golf & Tennis facility includes the following elements:

- 18-Hole regulation par-72 Cañada Golf Course
- 18-Hole regulation par-72 Conquistador Golf Course
- 18,000 square foot (sf) clubhouse on two levels, with food service (The Overlook) on the upper level and pro shop and locker rooms on a lower level (no elevator).
- Separate 33,000 sf community center with various fitness and recreational amenities and the Town Parks and Recreation offices.
- 15 lighted tennis courts and 4 pickleball courts
- Two (2) swimming pools (1 lap pool + 1 rec. pool)
- 1.5 acre maintenance compound on east side of La Cañada Dr. with equipment storage and maintenance offices
- 20-station driving range with 300+ yards of depth and separate “member” area on back end (northwest side)
- Three practice greens, including one practice chipping area

The Pusch Ridge GC facility includes (at a separate location):

- 9-Hole regulation par-35 Pusch 9 Golf Course
- 16 lighted tennis courts
- 6,000sf support building (most used as storage for resort)
- 6,500+/- sf maintenance area

The above mix of elements offers a good variety for a resort golf facility, allowing for appeal to all segments of golfers from beginners to seasoned players and is marketable in this local area. The separation between the main ECGT campus and Pusch Ridge creates some challenges in efficient operation. In addition, several key components of the adjacent community center at ECGT are not part of the golf operation (notable recreation, fitness and swimming), but are on site at ECGT and adjacent to the golf and tennis operations that are under the golf management umbrella (more later in this report).

EL CONQUISTADOR G&T SITE OVERVIEW

The El Conquistador Golf & Tennis is located in central of Oro Valley, immediately proximate to the Town administration center along La Cañada Drive. The main entrance to the facility is via La Cañada Dr., less than ¼-mile south of the Town Hall. La Cañada Dr. is a primary north-south thoroughfare through Oro Valley that runs south all the way to the northern part of Tucson and Interstate-10. This road also has several key east-west connector intersections making the entrance to the golf facility easily findable and convenient, even for patrons who may be less familiar with the area. At present, there is no traffic light to protect turns in and out of the ECGT but the Town reports a new traffic signal will be added within the next year. Pusch Ridge is located along the N. Oracle Rd. (Highway 77) corridor with direct access to the adjacent resort and golf course via El Conquistador Way. Highway 77 is a major north-south arterial running from Tucson to areas well north of Oro Valley. This mostly divided highway is a primary access corridor for all traffic coming from Tucson into Oro Valley.

While the location of both ECGT and Pusch Ridge is generally accessible from the local area, the lack of a nearby controlled-access freeway makes the golf courses less convenient for a wider geographic area and may limit potential demand from areas closer to Tucson. ECGT staff

and several club members noted that even though downtown Tucson is only 11 miles from the club, commute time can often be 45 minutes or longer. This makes the continued attraction of local Oro Valley area golfers a key to the long term success of ECGT and the support of the residences immediately adjacent to the golf courses extremely important for economic support.

The primary ECGT is operating out of an extended single structure encompassing the community center and golf clubhouse. The entrance and parking configuration comprise a 5.5-acre entrance and parking area that includes about 190± primary parking spaces. The typical public golf course requires about 140 parking spaces per 18-holes, so with 36 holes ECGT may be low on parking, especially when the additional recreation amenities are considered. There is some additional property (reported to be separate and privately owned) that is adjacent to the parking lot and often used on busy days for parking, although the area is not formally marked as parking. On other busy days, the entrance road shoulder is used for overflow parking, although this area is not marked for parking either. In all, the basic logistics and way flow of the entrance and bag drop is good for a public golf course, but may not fit for a full 36-hole golf operation and additional recreation amenities like tennis, pool and the community center.

Site Positives

- **Location:** The positive aspect of ECGTs' location is the presence of large-scale adjacent development to provide potential golfer support for the facility. Pusch Ridge also has adjacent development and the 428-room Hilton Tucson El Conquistador Golf and Tennis Resort.
- **Access:** Both facilities are convenient for area residents and other locals. The ECGT site will be especially appealing when the new traffic light is added to the entrance on La Cañada Drive.
- **Aesthetics:** The three golf courses have a wide variety of features and amenities to add aesthetics, with abundant natural foliage, wildlife and pleasant views. The El Conquistador courses include a wide variety of golf experiences, and Pusch Ridge offers a more unique golf offering for the area with variable topography and views of the resort and nearby mountains.

Site Negatives

- **Location:** The location of both facilities suggests to the public at large that the facilities may be private or not open to the public. The ECGT location within a large residential community conveys a private club operation. The Pusch Ridge proximity with the Hilton Tucson El Conquistador Resort leads most to believe the course is only available for use by hotel guests. The NGF notes the importance of the Town working to convey a clear and unambiguous message to the public that both courses are "open and available for public use."
- **Spread Out:** The configuration of the ECGT property is wide and physically diverse, leading to challenges in managing the full 36-hole property. There are four separate parcels separated by major roadways and require golf cart crossings at several points. Many of the golf holes are not visible from the pro shop, clubhouse or starter shack. Thus the ECGT will always require a strong management presence and larger-than-standard operating staff.
- **Water Use Concerns:** The golf club occupies a very dry space and extensive irrigation will always be required. Given the cost for water, it is expected that there will always be a higher-than-standard maintenance expense at ECGT and Pusch Ridge, even if the total irrigated acreage can be reduced (more later in this report).

Aerial View – El Conquistador G&T



Google Earth image showing ECGT and immediate surroundings. This view shows how golf is intertwined with residential communities, but also shows the convenience to roadways. This location has advantages for continued operation with close proximity to golfer-rich neighborhoods and easy access to the property. The view also shows the reason for neighborhood concern as any change in land use of golf course playing area will clearly impact local residents and property values.

Aerial View – Pusch Ridge GC



Google Earth image showing the Pusch Ridge 9-hole course surrounding the El Conquistador resort. Several sections of the golf course have homesites with direct golf frontage, leading to neighborhood concerns to changes of golf land use.

REVIEW OF PHYSICAL PLANT – EL CONQUISTADOR GOLF & TENNIS

Golf Courses

ECGT includes three separate golf courses in two locations, with 36 holes (Conquistador and Cañada) at ECGT and 9 holes at Pusch Ridge and the El Conquistador Resort. These courses were originally developed to be an amenity to sell residential lots, and have a somewhat convoluted construction history. According to the original architect Jeff Hardin, numerous changes to land ownership, development plans and golf corridors contributed to the awkward routing of the courses. In several locations, the distance between holes is significant and it is often difficult for players to know where to go next. Further, this awkward routing mandates cart use, and also contributes to extra management and maintenance challenges, convoluted starting for tournaments, and prevents efficient flexible uses, such as 9-hole rounds.

Design

The 36-hole facility today is comprised of two 18-hole, regulation courses: the “Conquistador” and “Cañada” Courses. The Conquistador is generally across natural desert terrain with several holes along washes and drainage areas. Single family homes border most of the golf course with only one area where golf holes are parallel to one another. Corridors are tight and it is observed that many homes are protected against errant balls with poles and netting. A small portion of the course abuts commercial development. The Cañada is on more dramatic land, with golf holes playing along desert washes and across ridges. Single family homes border nearly all holes with a few holes bordered by a multi-family development. Commercial development borders a few areas of the course.

The design by Hardin and Nash has not had much done to it over the years. Bunkering is still in their 1980s-90s style with some bunkers added for curb appeal as opposed to strategy. Forced carries over desert areas are infrequent, at least to the point of being too demanding. Among the biggest drawbacks is the lack of more forward tees to allow yardages much less than 5,000-yards on either course. Greens and approaches are good and varied. Greens are generally large with undulations significant, yet playable.

Cañada plays 6,636 yards from its longest tee and to a par of 72. The course has a total of four tee positions, but can play from six positions using combinations (Blue-White or White-Red), allowing for play from 6,636 yards to 5,093 yards from the most forward regulation tee (not counting “family” tees). The course has a USGA slope rating of 135 from its Blue tee, which represents that the golf course is 15% “harder” than the standard slope of 117. The other shorter-length tees are also higher than the “standard” for difficulty, meaning that the Cañada Course is considered harder to play and thus appropriate for skilled golfers and golf competitions and may be less appealing to beginners and less-skilled players.

The Conquistador Course plays 6,720 yards from its longest tee and to a par of 72. Conquistador also has four tee positions, but can play from six positions using combinations (Gold-Silver or Turquoise-Red), allowing for play from 6,720 yards to 4,773 yards from the most forward regulation tee (not counting “family” tees). This course has a USGA slope rating of 129 from its Black tee, indicating the course is “easier” than Cañada, but still more challenging than the standard slope of 117. The other shorter-length tees are comparable to the “standard” for difficulty, and the mix of yardages give a nice selection for all players.

Among the most detrimental aspects of the courses is the lack of continuity between the starting and finishing holes. The Conquistador Course begins at the clubhouse with its 9th hole remote by approximately 1/2 mile. To access the 10th hole, players must drive along the practice range and/or through neighborhoods. The 18th hole then finishes against the clubhouse. The Cañada Course begins at the clubhouse and has long journeys between holes, and a 10th hole more than a mile from the clubhouse. The 18th hole of Cañada also finishes against the clubhouse.

Clubhouse Review

The support structures at ECGT include the approximately 18,000 sf clubhouse facility that is generally divided into three levels, and separate from the attached community center (more below). All elements appear to be generally functional, but the facility is deteriorating and has certain space allocations that could be improved to provide better appeal. The building is not compliant with the Americans with Disabilities Act (ADA), and thus any changes to the facility will have to include achieving ADA compliance. The NGF believes that improving the physical condition of the ECGT clubhouse is key for improving economic performance of the facility, as the clubhouse is important for creating the initial impression and a match to other Town facilities would be ideal. Key NGF observations regarding the El Conquistador G&T clubhouse include:

Level 1

- **Pro Shop** – The pro shop area includes adequate retail space, offices and storage. The pro shop location is good, with proximity to the main entrance, locker room areas and rear entrance to the golf courses. There is some visibility to control key golf areas such as the cart staging area and the driving range.
- **Locker Rooms** - The ECGT has a men's and ladies' locker room/restroom, located in the hallway past the pro shop and close to the rear entrance. These areas include newer refurbished restrooms and approximately 250+/- ½ lockers in each locker room. The Men's locker room includes some space for card tables and a billiard table. Staff reports that the lockers are mostly unused and thus the locker room space could be re-purposed to other uses without much objection from customers.
- **Outside Space** – ECGT has outdoor spaces on the lower level of the clubhouse that could be used for outdoor F&B service or additional gathering space. The small tented area for about 30-35 patrons, located proximate to the south end of the community center close to the attachment with the golf clubhouse and the Garden Café that is now closed (more in F&B review).

Level 2

- **Food and Beverage Service Area** - The service area for F&B is of modest size, with seating for about 140+/- patrons inside the Overlook Restaurant. This space is divided by an attractive center fireplace and has the bar and casual seating area for about 60-70 to the left, and a more formal area with seating for 60-70 to the right and center. The area includes only full tableside wait service, with no walk-up snack bar area that is popular with golf courses.
- **Kitchen Space** - The ECGT clubhouse has a large kitchen with enough space to adequately service the Overlook Grill and the upstairs banquet area for most days except only the largest events and banquets. Still, the kitchen and banquet space available limits the size of parties that can be adequately served at the ECGT.
- **Sunset Room Area** – The ECGT also includes a second level meeting room with capacity of up to 120 patrons. This setup is ideal for a public golf course and can help maximize F & B revenue with increased appeal for both golf events (tournaments) and non-golf activity such as meetings and gatherings.

Basement Level

- **Bag and Cart Storage Area** - The clubhouse at ECGT has a basement level for cart storage, adequate to store and charge up to 120 electric carts and additional beverage carts. The space also includes work areas for staff and some storage.

Driving Range/Practice Areas

The driving range could be an outstanding feature at ECGT, but the facility may not be large enough to accommodate the demand from golfers at the 36-hole ECGT. The range is only 70 yards wide, thus allowing for only about 20 hitting stations to be used at any one time. When the two courses are full (or during larger events) this size is not adequate to accommodate the demand from all golfers. The range has good depth at 280+ yards and there is a separate member area on the back end (northwest side) of the range that can be accessed via W. Cañada Hills Dr. and via cart paths currently on either side of the range. Good driving ranges provide at least 30 separate tee line positions so each line is used only one day per month to ensure turf health. Many courses with smaller range tee depth have gone to adding a line of artificial turf for use 1-2 days per week to let the other turf heal and recover (more later in this report). In addition to the range, ECGT offers three practice greens and one practice chipping area. These amenities are generally consistent with high quality golf facilities, but may be a little small for a 36-hole facility.

While the range is proximate to the clubhouse and Overlook Restaurant, F&B service to range users is not convenient since the Garden Café closure. A growing trend in golf is to make concessions convenient and available, including beer and alcohol, to range users in an effort to “liven up” range activity and add appeal.

Community Center Review

In addition to, and immediately adjacent to, the ECGT golf clubhouse is the 33,000+/- sf Oro Valley community center with various fitness and recreational amenities, as well as the Town’s Parks and Recreation office. This community center is the key recreation amenity for the Town and has a divided operation, with the Town responsible for basic recreation and programming, while the golf operator (Troon) is responsible for the tennis operation. All full members of the ECGT have access to the recreation facilities, and the Town also offers a separate recreation membership that is separate from golf. The basic amenity package included with the community center comprises:

Community Center Interior

- **Entrance Lobby and Offices** – The center includes a welcome desk and a large amount of information on recreation programs and the community center. The offices for the Town’s Park and Recreation Department are included in this space. This space may not be effectively utilized and some renovation to provide better separation of functions may be warranted.
- **Fitness** – There is considerable space for various fitness activities, including both free weights and exercise machines. Machines include treadmills, exercise bikes and weightlifting machines. This equipment looked to be newer and in good condition. The space for fitness is a combination of former racquetball courts and the hallway entrance for racquetball. Some improvement to this area could improve access and add more space for fitness.
- **Day Care Area** - The community center has a small “Kids Korner” area for children to use while parents are working out or engaging in recreation. This space is for younger children and there is no teen room for older kids activities.
- **Racquetball Courts** – The community center has six racquetball courts, although some are currently used for other activities, such as aerobics or exercise bikes. The Town is considering reducing the number of courts and opening the space for increased fitness activities.

- **Garden Café** – The center has a small snack bar area with kitchen (grill, fryer and oven) and a pass-through window for easy service. This area was closed in 2016 to reduce expense, as the space was not heavily used. However, this space is the only walk-up casual dining area for ECGT and this type of service is popular with golfers.
- **Locker Rooms** – This center has smaller men’s and ladies’ locker rooms, which are essentially changing areas and restrooms for fitness and tennis patrons.
- **Meeting Room (Arizona Room)** – The center has a small meeting room for up to 10 with conference table and seating. Improved audio/visual (A/V) capabilities and new furniture would help to make the room more appealing for private use.

Community Center Exterior

- **Tennis** – The town has a total of 15 lighted tennis courts and 4 pickleball courts in the exterior and on the community center grounds. The courts are concrete and are showing some wear and could be improved. There is limited services for the tennis patrons (restrooms or F&B), and tennis players must come into the community center or clubhouse for these services.
- **Swimming Pool** - The town is operating Two (2) swimming pools (1 lap pool + 1 rec. pool) at the community center. There is also a little pool and Jacuzzi that gets very limited use and could be re-purposed (Town is considering a splash pad).

Other Structures and Facilities

ECGT Maintenance Compound

The maintenance facilities at ECGT include a 1.5 acre compound on east side of La Cañada Dr. with equipment storage and maintenance offices. It appeared to NGF that the maintenance compound included all of the basics required for adequate golf course maintenance, including appropriate chemical storage, employee areas and equipment repair areas. The golf maintenance facility is adequate and appears to have ample space. Troon estimates that an investment of \$150,000 needs to be made to bring certain aspects of the facility up to date. This investment would be largely corrective in nature.

Pusch Ridge Pro Shop and Maintenance

Pusch Ridge includes a separate 6,500sf support building that is now primarily used for a tennis pro shop and storage for the resort in areas that were originally designed as racquetball courts. This space was very small, and appeared to be in declining condition and may ultimately have to be removed and replaced. Pusch Ridge has a separate small maintenance area with equipment storage and maintenance facilities. It is expected that this facility can serve the continued maintenance needs of Pusch Ridge into the foreseeable future.

Pusch Ridge Tennis Courts

In addition to the 15 courts at ECGT community center, there are 16 additional lighted courts with grandstands at Pusch Ridge and the El Conquistador resort. These courts appeared to be in much better condition than the ECGT and staff reports heavy use from both the Oro Valley community and resort guests. There are several tennis events held each year that attract patrons and help the resort fill rooms.

On Course Facilities

Each of the ECGT 18-hole golf courses includes comfort stations with restrooms and drinking fountains. These facilities appeared to be in good working order with a good appearance, and are providing the basic restroom and water drinking stations typically associated with better quality golf courses.

REVIEW OF GOLF COURSE CONDITION AT ECGT

The NGF review of ECGT documented the general condition of the golf courses and the inputs required (staffing, budget, equipment, etc.) for maintenance. The turf care and setup of the golf courses has a great deal to do with the satisfaction of golfers/customers. Conditions of the two courses were evaluated by touring the facilities and discussing concerns and procedures with the Troon maintenance staff. While no in-depth agronomic, soils, water or maintenance practice overview was conducted, we believe the reporting here to reflect a good overview of conditions.

Global Review of General Golf Course Conditions

The primary issues at both courses have to do with deferred maintenance. As noted, no significant improvements have been made, at least none that amount to a major renovation or remodeling, during the 30 or more years the courses have been opened. Over the years small projects here and there have been implemented, yet no work has outright replaced any complete infrastructure system since the Conquistador was opened in 1982, and Cañada in 1985. Review of key infrastructure conditions at ECGT:

- **Greens:** Most recently Troon has resurfaced greens on the Conquistador Course. Resurfacing involved removing the upper layer of turfgrass, replacing sand and seeding with T-1 Bentgrass. Rootzones at these greens are still 35 years old. Greens at the Cañada Course are reported by Troon to be in need of a similar resurfacing. These greens are currently planted with TifDwarf and have significant infestation of *Poa Annua*. Overall, greens are currently holding up with the noted resurfacing a major capital item yet to be funded and scheduled on the Cañada Course.
- **Tees:** The tees are in many cases crowned and in need of releveling. The most pressing issues with tees are size (many are too small to support play) and the lack of intermediate and forward tees on nearly all golf holes. Having tee flexibility for varying yardages to accommodate players of wider skill ability is an extremely important goal for the courses.
- **Bunkers:** All bunkers need to be rebuilt. Many should be eliminated. Bunkers are in many cases too large and making them smaller as part of rebuilding is recommended. Bunkers are also of varying styles, which may be attributed to having some exist solely as curb appeal. Jeff Hardin noted that some bunkers were simply added by the developer without the golf course architects knowledge.
- **Turf:** Turf conditions in roughs and fairways are adequate. Drainage is a problem in some areas, especially where water is focused into swales that are within landing and high traffic areas. Poor irrigation coverage contributes to drainage issues.
- **Cart Paths:** Cart paths are in need of significant repair and/or replacement. Extruded curb has been used to form edges and these are a tripping hazard, unsightly and also prevent adequate and required ADA access to some tees and greens.
- **Trees:** Trees have been allowed to grow uncontrolled in some areas. Dense vegetation has cropped up along fairways in washes. Some plants are invasive and need to be removed. Overall, a major investment in arbor care is required to remove dying trees, overgrown trees and trees that may pose a hazard from falling limbs (e.g., Eucalyptus varieties), and to prune trees to remain that are desired.
- **Ponds:** The irrigation ponds have concrete edges and are reported to be lined with a soil sealant (not verified). Troon reports that the Town has conducted leakage tests, but these were not necessarily conclusive. The Town has indicated to us that more accurate tests will be conducted to verify whether or not the ponds leak. Leakage is of paramount concern considering the cost of the effluent water to the Town.

Irrigation and Water Issues

Overall, irrigation remains the greatest area of maintenance concern and has shown considerable decline since the original development. The aging system is a mismatch of controls, heads and inefficient pipe sizes that have been patched together over the years. The irrigation system condition is directly affecting turf quality; contributing to wet spots and poor drainage; and is costing the Town considerably in terms of inefficient irrigation, by volume, manpower and energy consumption. Troon Golf reports an average of 300,000 gallons of water per course per day costing over \$740,000 in 2016 (35.5% of total golf maintenance budget). The conclusion of the team is that a major investment in irrigation replacement must be made regardless of how the courses are to be reconfigured.

There are two pump stations in use for the 36-holes. The upper station (located near the No. 3 Hole of the Conquistador Course) was recently re-built and is operating well. The lower station (located adjacent to the maintenance facility) is settling into the wet well and has other serious signs of aging and decline. It is likely that this station needs to be fully replaced in lieu of repair, motor replacement, etc.

The 36-hole El Conquistador Facility reports a total turf area of 146 acres, or an average of four acres per golf hole (although the range and practice areas are included within the 146 acre). For a desert “target” style golf facility the average per hole is high. Many areas can be removed from turf, but this must be handled so it does not adversely affect playability or strategy. Turf reduction is discussed further in subsequent sections.

The irrigation systems are well past their useful life cycle, but have been patched together over the years to remain in operable condition. Many improvements have been made by Troon and there is a history of replacing components and control systems when they “absolutely have to be replaced,” but no more frequently. The system, by now, is in total need of replacement with the exception of some main lines may be suitable to be left intact in a few areas (please see separate report by Coates Irrigation Consultants).

Safety Issues

Troon did not report any incidents of injury from errant balls, cart accidents or falls associated with the golf course areas. This may be because they have only been managing the courses for a few years and do not have a complete history of incidents.

Although no in-depth safety evaluation was made by the NGF/FRA consulting team, consultants did note the presence of poles and nets to protect homes. In considering reconfiguration options, it is recommended that the issue of errant balls be weighed in selecting what parcels and areas to consider for removal from golf uses. Among the safety issues that should be addressed further by the Town include:

- Errant balls (specifically those to adjacent property, ROWs and public spaces)
- Cart path gradients, curves and widths
- Access from paths to tees and greens
- Curbs along paths that may pose a tripping hazard
- Dense vegetation that prevents players from seeing one another on nearby holes
- Path access to and from the practice range and distant starting holes with inadequate fencing/netting along paths
- Practice greens at the end of the range that may not be situated ideally (e.g., are too close to areas of active range use)

It is noted that corridor widths of golf holes, while in some locations too narrow, are generally consistent with a course of this age. Design guidelines and golf use widths have increased over time, so it cannot be expected that older courses will have widths of golf corridors that match what would be required in recent times.

Consideration was given to the options to reconfigure the golf courses that took into account removing certain holes from golf use, as well as relocating tees, fairways and non-turf areas to better address issues of corridor width. Reconfiguration options, where practical, are shown to improve safety and yield better courses from the perspective of errant balls to outside parcels.

Maintenance Staffing and Budget

The NGF has reviewed the staffing and budget for maintaining the 45-hole ECGT in 2016. Documentation provided by the Club and the Town show a total golf course maintenance budget of \$2.34 million in FY2016 with a total of 20 golf maintenance staff, all full-time employees. Of this amount, \$2.09 million is on the 36 holes at ECGT and about \$250,000 is for maintaining Pusch Ridge. When compared to industry standards the NGF finds the ECGT to be well above expectations in budget and in-line on staffing. This can be expected given the large water cost that is common in this part of the country. Better quality public golf courses spend between \$650,000 and \$800,000 per 18 holes on maintenance with a staff of 8 to 12 employees per 18 holes (maintenance only and excludes capital upgrades). When adjusted for size, we see that **ECGT is spending around \$1.0 million per 18 holes on maintenance at ECGT with 8.0 employees per 18 holes.**

Golf Maintenance Budget

As noted, the NGF data shows golf course maintenance budgets between \$650,000 and \$800,000 per 18 holes for better quality golf courses nationwide, but NGF has an expectation of higher maintenance expense in Arizona due to the climate and direct cost for irrigation water. The traditional mix of expense proportions are shown in the table below derived from NGF research. It is important to realize that so many components can impact the final appearance of the course. Utilization of the facility, weather patterns, grass types, design characteristics, infrastructure limitations are all part of the variables affecting the maintenance costs. A summary of maintenance expense proportions for the ECGT main 36-hole course, along with NGF-estimated “standard” proportions is shown below:

ECGT Golf Maintenance Expense				
Function	ECGT Expense in FY16	% of Total ECGT Maint. Budget	US Industry Standard %	Arizona Standard (NGF Estimate)
Labor/ Benefits	\$722,206	35%	50%	40%
Repairs & Maint.	414,740	20%	25%	25%
Operations	92,315	4%	15%	15%
Utilities	860,535	41%	10%	20%
Total ECGT	\$2,090,963	100%		

Golf Maintenance Staffing

ECGT is operating with a large golf maintenance staff to account for a 45-hole operation. Staff reports there is no formal assignee to the Pusch Ridge course, and maintenance activity at that separate 9-hole course is on an as-need basis from existing staff. The basic staffing for ECGT includes the positions shown in the table below. The NGF estimates a comparative total of 20 full-time equivalent (FTE) positions, an amount equal to * FTEs per 18 holes:

Golf Maintenance Positions (all FT)
Grounds Superintendent
Asst. Superintendent
Foreman (3)
Irrigation Specialists (2)
Mechanic
Asst. Mechanic
Greenkeepers (11)
Total Staff = 20
Equivalent – 8 FTE per 18 holes

REVIEW OF PUSCH RIDGE GOLF COURSE CONDITIONS

Originally conceived as an 18-hole course to serve the destination resort, legal battles and property disputes soon resulted in only nine holes being built. According to Jeff Hardin, the co-designer of the course, Pusch Ridge became an “orphaned” golf layout with no land on which to build a second nine holes. The resulting decision was to build an entirely new course further down on the slopes of the mountain, now the home to the El Conquistador 36-hole layout.

Opened in the early 1980s, the course winds around the Hilton El Conquistador Resort and between patio homes. Distant views are dramatic, and even more so are views up to the Santa Catalina Mountains and the prominent Pusch Ridge feature, so named for George Pusch (1847–1921), who came to Arizona from Europe in the 1870s and settled in the Oro Valley area.

Design

Pusch Ridge is an unusual 9-hole course in that it is generally a difficult layout with very tight and demanding holes. Most stand-alone 9-hole courses across the U.S. are typically easier layouts with many being well less than regulation par-36 designs. The par-35 design of Pusch Ridge is not for the faint at heart. Fairways are very narrow, lined with dense desert brush and are undulating. Elevated greens occur at five of the nine holes.

The course plays to about 2,800 yards with some yardage flexibility from forward tees. Bunkering is sparse, but formidable - bunkers are deep and many require high recovery shots to reach the green. The course has dramatic views and, while technically walkable, is made difficult by the severe slopes and a few long spans between holes. Aside from a small practice putting green, there are no practice facilities at the course.

Conditions and Safety

Conditions of the course were evaluated by touring the facilities and discussing concerns and procedures with the Troon maintenance staff. While no in-depth agronomic, soils, water or maintenance practice overview was conducted, we believe the reporting here to reflect a good overview of conditions that may be used to form next steps by the Town. Team findings:

- As with the El Conquistador Courses, the primary issue has to do with deferred maintenance. No improvements have been made in recent years and there is no specific golf feature or infrastructure that could not be fully replaced, rebuilt or renovated to attain an above average level of quality.
- The Town has opted to approve closure of the course during the off-season (summer months) in order to save operating costs. Water is applied to the course, but sparingly during the summer. Maintenance during the closure period is minimal with weekly mowing and regular greens maintenance.

- Turf conditions in roughs and fairways appear adequate. Drainage is not seen as an issue, although some flatter areas are reportedly problematic after heavy rains. In large part, the course is a very simply design that was built minimally to take advantage of natural terrain and gradients.
- Cart paths are in need of repair, replacement or completion in some areas. There are specific locations where cart paths are problematic to ADA access guidelines, such as tees and some green areas.
- Underbrush of natural desert areas along fairways has been allowed to grow uncontrolled. Some areas have invasive species that should be removed by hand to prevent spreading of unwanted plants in the naturalized desert areas in the area. Some trees are dead, dying or in need of pruning and care.

Safety Issues

Troon did not report any incidents of injury from errant balls, cart accidents or falls associated with the golf course areas at Pusch Ridge, although NGF/FRA noted the same narrow corridor issues as with ECGT. In the context of transforming Pusch Ridge (to be presented later in this report), safety issues could be mitigated through shortening the holes to an all par-3 format.

- Among the safety issues noted that should be addressed further by the Town are:
- Errant balls (specifically those to adjacent property, ROWs and public spaces)
- Cart path gradients, curves and widths
- Access from paths to tees and greens
- Curbs along paths that may pose a tripping hazard

It is noted that corridor widths of holes, while in some locations too narrow, are consistent with a course of this age. Design guidelines and golf use widths have increased over time, so it cannot be expected that older courses will have widths of golf corridors that match what would be required in recent times.

Irrigation & Water Issues

The Pusch Ridge course is irrigated with potable water as there is no available supply of effluent water. Even though a site exists to build a small water treatment plant, this parcel was excluded in the sale of the courses to the Town from HSL Properties. As a result, the cost of water to irrigate the golf course is very high at Pusch Ridge, totaling some \$122,000 in 2016 (50% of the total golf maintenance budget). The 9-hole course reports a total turf area of 40 acres. The NGF/FRA team expects that some areas can be removed from turf, although remodeling the course as a 9-hole regulation length course is not recommended (more later in this report).

The irrigation system is old and simple, and should be fully replaced regardless of whether the Town opts to transform the course into a new golf experience or simply bring it up to par in its current 9-hole regulation format. These options are discussed in subsequent sections. Water is pumped uphill from a small pond through a booster pump within the system. Heads and controls are also older, and accuracy and coverage of irrigated areas is well below industry standards.

Water is being wasted through the old and inadequate system.

The single irrigation pond is reported to be soil sealed with no formal edge treatment although the pond condition was not verified by consultants). Troon reports that the Town has conducted some leakage tests, but these were not necessarily conclusive. The Town has indicated to us that more accurate tests will be conducted to verify whether or not the pond leaks. Leakage is of paramount concern considering the cost of the potable water the Town uses at Pusch Ridge.

REVIEW OF GOLF OPERATIONS

In the following section, the NGF provides a review of key areas of the ECGT operation, including staffing, technology, fees, ancillary centers, organized activities, marketing and other issues key to the future of the operation.

Organizational Structure

The golf system is part of a Community Center Fund that also includes Town-operated elements such as the recreation programs and swimming pools (located on property at ECGT). As noted, the El Conquistador Golf & Tennis facility is operated by the Town of Oro Valley through a management contract agreement with Troon Golf, LLC (“Troon”), and all staff at the facility is employed directly by Troon. It was reported to NGF that the agreement to turn over ECGT to the Town of Oro Valley included a requirement that a third-party management company must operate ECGT.

The basic structure of the golf operation is comparable to a growing number of municipal golf courses nationwide, of which approximately 56% are fully self-operated, 15% are managed by a third party and the remainder are managed by a mix of various lease and/or concession components. The most common concession component is in the food and beverage area, where growing majority of municipal golf courses employ a private F&B vendor via contract.

Troon Golf Management Agreement

The Troon management contract dates back to December 2014, executed in advance of the formal Town take-over of ECGT in May 2015. Troon’s general responsibilities include supervising the daily operations designated by the Owner (Town), and include all elements commonly associated with golf facility operations (golf, maintenance, F&B, merchandise, etc.), but also includes additional items like tennis courts and swimming pools. The basic terms of the management agreement include:

- **Management Fee:** From May 1, 2015 and after, a base management fee for each Fiscal Year is equal to \$144,000, equitably prorated for any partial Fiscal Year. This equates to \$12,000 per month and is exactly 4.9% of the total revenue earned in 2016. Financial data presented to NGF shows total management fee paid to Troon as only \$108,000 (3.7% of gross revenue).
- **Incentive:** From January 1, 2016 and after, an incentive management fee equal to \$20,000 payable by Owner to Troon in the event the gross margin for the applicable Fiscal Year exceeds \$5.0 million. With actual Gross margin in FY2016 close to \$2.35 million five million dollars, it would seem to NGF that this is not a real “incentive” as the target is generally not achievable under the current status and structure.

Staffing

All staff at ECGT (including The Overlook) is employed directly by Troon, as part of the golf budget ultimately approved by, and supported by, the Town of Oro Valley (pass through). ECGT has a total of 32 full-time positions and upwards of 44± additional part-time positions, with some seasonal variation. The current senior management positions at ECGT include:

- **Facility General Manager (GM):** Responsible for the entire facility operation and oversees all departments.
- **Grounds Superintendent:** Maintenance for all three golf courses is overseen by the GCSAA Class-A Golf Superintendent, who has been with ECGT for less than 2 years. This position is also full-time with benefits.

- **Head Golf Professional:** Responsible for managing the golf course operations and is staffed by a Class-A PGA golf professional, as is customary in golf operations.
- **Food and Beverage Manager:** Manages the F&B operation at ECGT, with focus on “front of house” operations and customer service.
- **Head Chef:** Oversees the kitchen at ECGT, and all “back of house” F&B operations.

The basic staffing for ECGT includes the positions shown in the table below. Full-time (FT) positions include salary and benefits. There are fewer part-time (PT) positions at ECGT, but the PT staff tends to work more hours than is typical in golf, and are more like full-time hourly positions. The NGF estimates a comparative total of 54+/- full-time equivalent (FTE) positions in golf system staffing, equating to 21.6 FTE’s per 18 holes, including Pusch Ridge (PR):

General & Admin. Positions		Pro Shop / Operations Positions	
General Manager (FT)		Head Golf Professional (FT)	
Staff Accountant (FT)		Assistant Professionals (2 – FT)	
Membership Director (FT)		Pro Shop Attendants (2 – PT)	
Membership Coordinator (PT)			
Tennis Operations		Golf Course Maintenance (Incl. PR)	
Tennis Director (FT)		Grounds Superintendent (FT)	
Tennis Professionals (3 – PT)		Asst. Superintendent (FT)	
Tennis Shop Attendants (3-PT)		Foreman (3 - FT)	
Guest Services		Irrigation Specialists (2 - FT)	
GS Supervisor (.5 – PT)		Mechanic (FT)	
Starters / Rangers (1.5 PT)		Asst. Mechanic (FT)	
GS Staff (10 – PT)		Greenkeepers (11 - FT)	
Food & Beverage / Concessions			
F&B Front of House		F&B Back of House	
F&B Manager (FT)		Head Chef (FT)	
F&B Supervisor (FT)		Sous Chef (FT)	
Lead Server (FT)		Line Cook (4 – PT)	
Servers (9-PT)		Staff (2 – PT)	
Bussers (2.5 PT)			
Greeter (.5 – PT)			
Bartender (3-PT)			
Beverage Cart (2 – PT)			

Staffing Summary

The staffing for ECGT appears to have more employees than is “typical” for public golf courses in the U.S., even when part-time employees are considered. The staffing model at ECGT seems more in line with private club averages from NGF. There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The number of staff needed for a particular golf operation depends on several factors, not the least of which is budget considerations. Personnel costs typically represent the largest single expense item in a golf course operation, as is the case for ECGT (labor cost = 49.9% of total operating expense in 2016). The NGF data on both public and private golf operations in 2016 show averages for full-time staffing at 18-hole golf courses nationwide (table below). This level of staffing represents a reduction from 2009 figures as a result of declining income and the need to reduce expense.

El Conquistador Golf & Tennis Total Facility Staffing – 2017				
Facility	Operations Staff (FT / PT)*	Maintenance Staff (FT / PT)	F&B Staff (FT / PT)	Total Staff (FT / PT)
El Conquistador G&T	7.0 / 21	20.0 / 0	5.0 / 24	32.0 / 45
Avg. per 18-H	2.8 / 8.4	8.0 / 0.0	2.5 / 12.0**	12.8 / 18.0
Industry “Standards” (per 18 holes)				
Public Golf Courses per 18 Holes	2.0 / 9.0	4.0 / 9.0	1.0 / 2.0	7.0 / 24.0
Total FTE – Public 18	6.5	8.5	2.0	17.0
Private Clubs per 18 Holes	4.5 / 12.0	6.0 / 18.0	1.5 / 5.0	12.0 / 35.0
Total FTE – Private 18	10.5	15.0	4.0	29.5
*Includes G&A, tennis and guest services staff. ** F&B staff is for the 36 holes at ECGT only – no F&B at PR.				

Marketing and Technology

Review of the ECGT financial history shows \$83,385 was spent in FY2016 on advertising and promotion, with an equal amount expected in FY2017 (\$77,210 through 10 months). In addition, Troon (the Town) employs a full-time marketing and membership coordinator to advertise and promote the facility and membership. Staff reports to NGF that the responsibilities in these positions are to serve members first, and then concentrate on marketing.

Traditionally, NGF recommends marketing budgets for golf courses of 1-2% of total gross facility revenue, or between \$29,000 and \$48,000 for ECGT in 2016. A review of the marketing initiatives and materials show strong efforts to draw activity to ECGT, through print, mail, web and other efforts. The key areas of focus for increasing activity and revenue at ECGT include:

- **Membership Promotions** – The club is active in promoting various membership plans as a primary focus of marketing.
- **Daily Fee** – various cross promotions with other golf businesses and lodging facilities, as well as targeted green fee specials.
- **Email** – using the EZ Links database to target promotions via email, and is active in using the platform for marketing and advertising events and specials. This is a key “best industry practice” for public golf in 2017 and is very effective.
- **Events and Tournaments** – The marketing staff is active in promoting and selling to organizations, clubs and corporations to try and attract events and tournaments to ECGT. This is another key “best industry practice” for public golf in 2017.
- **Activities** – ECGT is promoting club activities and events, targeted at both members and the public (e.g. Mother’s Day Brunch, etc.).

Technology and Systems

ECGT is presently using a modern Point-of-Sale (POS) system that includes all modules commonly associated with successful golf operations. Our review shows ECGT staff is using its software systems to provide assistance in marketing and customer tracking with:

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

Concerns of Marketing Staff

The marketing staff at ECGT expressed various concerns to NGF about specific issues that inhibit the ability to market the club effectively. The most significant of these concerns included:

- **Political Discourse** – The internal Town debates about the future of the club is creating uncertainty and impacting demand for both memberships and daily fee golf.
- **Technology** – ECGT should improve its tech platform and improve the mobile app.
- **Clubhouse** – The current clubhouse does not show well and needs a facelift – it is the first thing prospects see and it does not make a good first impression.

Golf Playing Fees

ECGT offers a complex golf fee program, with a set rate for 18-holes based on time of year, time of day and day of the week. There are also discounts for various multi-play programs and internet specials. Based on our market review, the fees seem generally appropriate, but some of the rates may be confusing to customers less familiar with the program. Fees are set with time of play discounts that is in line with the convention in this market. There is also no distribution between the courses, which may not be the most ideal given the premium demand for Conquistador over Cañada due to newer greens. A summary of the fees at ECGT:

EI Conquistador 2017 Daily Golf Fees						
	Time of Day	Jan 1-Apr 30 Non-Prime/Prime	Time of Day	May 1-May31 Non-Prime/Prime	Time of Day	June 1-Sept 30 Non-Prime/Prime
First Block BB	8:00-10:00	\$49 / \$55	6:30-10:00	\$35 / \$39	6:30-10:00	\$29 / \$35
Second Block BB	10:01-12:00	\$45 / \$49	10:01-12:00	\$29 / \$35	10:01-12:00	\$25 / \$29
Third Block BB	12:01-2:00	\$39 / \$45	12:01-3:00	\$25 / \$32	12:01-5:00	\$20 / \$25
Fourth Block BB	2:01-5:00	\$29 / \$39	3:01-5:00	\$22 / \$29	12:01-5:00	\$20 / \$25
Troon Card		\$39 / \$45		\$22 / \$29		\$20 / \$25
Troon Advantage		\$35 / \$45		\$39 / \$45		\$25 / \$29
Wholesale		\$60am - \$40pm		\$30am - \$20pm		\$20
Replay		\$35		\$20		\$15
Junior		\$25		\$20		\$15
	Time of Day	Oct 1-Oct 31 Non-Prime/Prime	Time of Day	Nov 1-Nov 30 Non-Prime/Prime	Time of Day	Dec 1-Dec 31 Non-Prime/Prime
First Block BB	7:00-10:00	\$39 / \$49	7:30-10:30	\$49 / \$55	8:00-10:00	\$49 / \$55
Second Block BB	10:01-12:00	\$35 / \$45	10:31-12:00	\$45 / \$49	10:01-12:00	\$45 / \$49
Third Block BB	12:01-2:00	\$29 / \$39	12:01-2:00	\$39 / \$45	12:01-2:00	\$39 / \$45
Fourth Block BB	2:01-5:00	\$25 / \$35	2:01-5:00	\$29 / \$39	2:01-5:00	\$29 / \$39
Troon Card		\$29 / \$39		\$39 / \$45		\$39 / \$45
Troon Advantage		\$35 / \$45		\$45 / \$49		\$45 / \$49
Wholesale		\$30am - \$20pm		\$55am - \$35pm		\$55am - \$35pm
Replay		\$20		\$35		\$35
Junior		\$20		\$25		\$25

Membership

ECGT offers an annual membership program that is mostly a holdover from the days before Town acquisition. The premium membership sells for \$440/month for a Town resident family and \$485 per month for a non-resident family. Cart fees and trail fees for private carts are in addition. The club reports a total of 241 members in early 2017, up from around 230+/- in 2016, but down from its pre-Town semi-private club days in 2008 when there were over 350 members. The ECGT members are a very active group and comprise a lot of activity in local associations (more later in this section). New categories of membership have been added in the last year in an effort to stimulate demand. Updated 2017 pricing is shown below:

EI Conquistador 2017 Membership Fees				
	Resident Monthly/Yearly	Non-Resident Monthly/Yearly	Trail Fee Annually Individual/ Family	Club Cart Annually Individual/ Family
CONQUEROR MEMBERSHIP¹ (Formerly "Family" Membership)	\$440/\$5,280	\$485/\$5,820	\$1,200	\$1,800
EXPLORER MEMBERSHIP (Formerly "Individual" Membership)	\$295/\$3,540	\$325/\$3,900	\$850	\$1,200
DISCOVERY² (Formerly "Junior Executive" Membership)	\$320/\$3,840	\$350/\$4,200	\$850/\$1,200	\$1,200/\$1,800
ADVENTURER MEMBERSHIP³	\$50/\$600	\$60/\$720	n/a	n/a
WEEKEND WARRIOR⁴	Single \$100/\$1,200 Couple \$160/\$1,920 Family \$240/\$2,880		Single \$50 Monthly Couple \$80 Monthly Family \$145 Monthly	Single \$75 Monthly Couple \$130 Monthly Family \$195 Monthly

1. Four family member maximum
 2. Ages 45 and under; four (4) family member maximum
 3. Ages 18 and under; one (1) junior maximum
 4. Access to 36 holes of unlimited golf on Fridays after 2 p.m., Sat-Sun, holidays and your birthday.

The presence of memberships at public courses is common nationwide, but they usually come in the form of pre-paid green fee arrangements or season passes, rather than “memberships.” The very concept of membership includes a connotation of privilege and exclusivity that is common with private golf clubs. The memberships at ECGT have been affordable when compared to other private clubs in the area and very affordable when the additional community center amenities are included. Review of data shows that the 240 members at ECGT are producing 25,280 rounds and \$876,134 in dues revenue (30% of total ECGT revenue). This produces an estimated \$34.66 per member round in revenue to ECGT. The resulting rounds and activity from memberships is summarized below:

EI Conquistador G&T Membership Analysis		
	2016	2017
Total Members	240	241
Total Member Dues	\$876,134	\$607,040
Member Rounds	25,280	17,634
Avg. rounds per member	105	73
Avg. revenue / member	\$3,651	\$2,519
Avg. Dues per member round	\$34.66	\$34.42

Concession Operations (The Overlook and Pro Shop)

Food and Beverage Operations

The food and beverage operation at ECGT consists of The Overlook, the banquet room and on-course beverage cart service. The Grill is operated by Troon as a separate department and has a high staff and service profile. The Overlook is a full-service restaurant operation with full-liquor bar service, all supported by a wait service staff. The Overlook serves golf customers, but has also attracting a considerable non-golf lunch business. Overall, this is a full menu operation with pricing that is appropriate for a public golf course in this market area.

The Overlook is open for lunch seven days a week from 10:00 am to 3:00 pm, followed by a “happy hour” from 3:00 pm to 6:00 pm. Dinner service is limited to Thursday and Friday, but weekly specials are on Tuesday (Taco Night), Thursday (Pasta Night) and Friday (Fish Fry). These hours of operation are a concern for golfers, as the hours are reported to be inconsistent (sometimes close early) and there are many golfers out on the course well past 3:00 PM. Golf course F&B concessions work best when the hours of operation closely match the hours of operation for the golf course, both in the morning and afternoon. The Overlook provides beverage cart service, but this too is inconsistent, with most service only on weekend and during tournaments.

The Overlook is also providing full service for all F&B on property, including all of the community center activities and tennis. NGF observed a “Garden Café” located in the community center building that used to provide F&B service to community center patrons. This café has been closed due to inactivity, but included a small kitchen area with grill and small areas for seating (indoor and outdoor). At present, there is no F&B service in the immediate vicinity of the 15 tennis courts or swimming pools.

The Overlook is also responsible for managing the banquet space available in the upstairs area of the clubhouse. The facility offers flexible event space to accommodate groups from 10 to 120 people. The golf club is just one of many available event spaces in Oro Valley, including hotels, outdoor pavilions and the golf club. As the condition of the golf clubhouse has deteriorated, the event space at The Overlook has become much less popular, especially when compared to space available at the other venues as noted.

Merchandise Operations

NGF Consulting sees strong performance in the merchandising operation at ECGT. Pro shop sales were over \$212,000 in 2016, or around \$4.13 per round. This is compared to the industry standard of \$2.48 per round for merchandise. The items that tend to sell best at facilities like the ECGT are the obvious “impulse” items (balls, gloves, hats, towels, socks, etc.), but also logoed merchandise like shirts and outerwear. The El Conquistador logo is very marketable on shirts and jackets.

The direct cost of merchandise sold has been in the range of the industry “standard” of 70% cost of sales on merchandise, with ECGT recording around 77% in 2016. A key to improving sales may be increasing the volume of outing, event and tournament rounds and doing more to promote key soft items that feature the El Conquistador logo. However, as the total margin on merchandise is only around 30%, the total net to the Town will never be significant in merchandise sales. Rather, this is a service to golfers to make the round more enjoyable and help to bring them back for more.

Summary of ECGT Concessions

The pro shop and F&B concession operations at ECGT represents approximately 29% of total gross revenue at the facility, a figure which is just slightly higher than the Industry standard of 25%. A summary of Concessions at ECGT in 2016 is shown below:

EI Conquistador Golf & Tennis Pro Shop / F&B Concession Operations							
Course	Basic Features	2016 Total Gross Revenue	2016 Revenue/Round	U.S. Std. Rev./Round*	Direct Cost of Sales	COS % of Revenue	U.S. Std. COS*
Food & Bev.	The Overlook, banquet area and beverage cart	\$606,271	\$11.79	\$6.10*	\$213,704	35.2%	40%
Merchandise	Large and modern retail space with a wide selection of golf merchandise and apparel.	\$212,593	\$4.13	\$2.48*	\$162,818	76.6%	70%
Total System		\$818,864	\$15.92	\$8.58*	\$376,522	46.0%	50%

*U.S. Standard for 18-hole courses.

Golf Cart Operations

ECGT is operating a fleet of 100 carts, with 80 located at ECGT and stored on the lower level of the clubhouse, and 20 additional carts at Pusch Ridge. In addition, the club reports upwards of 120+/- carts that are privately-owned by members living within the community. The total lease for the carts is \$90,000 per year (4 year lease), which equates to about \$900 per cart per year or very well within the industry standard of \$1,000 per cart per year.

The total operating fleet of 80 carts for the two 18-hole courses equates to 40 golf carts per 18 holes, which is below the industry standard of 72 golf carts per 18 holes. However, ECGT does allow private carts to serve a large portion of regular-play members. Staff reported to NGF that the lack of carts available for golfer use is a common complaint at ECGT, and the addition of at least 10-12 carts to the fleet would help to ease some of the availability concerns. If activity were to increase in the coming years, the number of carts will certainly be inadequate to fully serve the club on its busiest days. The cart lease also included two beverage carts, which should be adequate to serve this club given current activity, and NGF typically recommends one beverage cart per 18-hole course.

Driving Range Operations

Driving range operations represent a minor part of ECGT income, with only \$36,600 in income reported for 2016 (\$0.71 per round), increasing to \$43,800 in the first 10 months of 2017 (\$1.13 per round). The ECGT range is smaller, with a narrow hitting area that leads to a small tee line and does not allow turf to recover fast enough for the next time of use. This may contribute to the generally low range revenue at ECGT. As golfers appreciate good quality turf to hit from, improvement in this area should help range activity and revenue. Driving ranges are important amenities to golf courses for two reasons:

- **Direct Revenue** – Driving ranges are a profit center with low associated costs and realistic revenue levels approaching \$2.00 per round of golf. Total range revenue at ECGT could be as high as \$100,000+ if you apply this industry target.
- **Indirect Revenue** – The presence of a good range at a golf course can also improve revenue indirectly by improving merchandise and F & B sales (golfers stay longer), and ranges can help attract more rounds of golf, group events and tournaments.

As the driving range segment at ECGT is very small, the NGF recommendations related to range operations center around ways to expand the amenity and improve use and revenue (more in recommendations section), possibly with a new artificial turf tee line. NGF also sees the driving range as a potential catalyst for growing golf activity and developing new golfers that can then consume and support other golf rounds income.

Player Development Programming

Cultivating new golfers is not only key to the future of golf, it has also proven to be an immediate generator of revenues for facilities and it is in both the Town's and Troon's interest to continue to be aggressive in player development program and maintain activity in key "grow-the-game" initiatives. Player development activity at ECGT is provided by golf professionals who have hosted over 500+ lessons during the last full year. The top two golf professional positions at ECGT are staffed by PGA golf professionals who are active in player development programs, camps and lessons for all ages. The club hosts free Saturday golf clinics and a summer junior golf series. Despite being a "vacation destination," ECGT is very active in junior golf, with a Troon branded junior club (Troon Junior Club).

Player development programs at golf courses are important for generating interest in golf and creating new future customers, and thus total revenue derived from the programs is much less important (more in recommendations). Still, the PGA of America has estimated that actively engaging in new player development programs can develop as many as 200 to 350 new golfers per year for a golf course. The PGA goes on to estimate that if each new golfer produced 10 rounds of golf per year, it could add upwards of 2,000 to 3,500 new rounds of golf per facility, or as much as \$70,000 to \$122,500 in new revenue per year at an average of \$35 per round of golfer spending.

Pusch Ridge Player Development

The 9-hole facility at Pusch Ridge could be a positive facility to support player development programming, and 9-hole facilities in general tend to support this function. However, the location, difficulty of the course and difficult walking conditions make Pusch Ridge a poor fit for player development purposes as currently configured. With changes, it may be possible for the Town to add significant player development and junior programming up to Pusch Ridge, as the course can become an "intermediate" step between the driving range and a full-length golf course that can be popular with beginners.

Organized Golf Activities

One of the keys to successful public golf operations and generating green fee revenue is the continued promotion and hosting of group activities such as leagues, outings and tournaments. These activities are a key to maximizing rounds activity at public golf courses and NGF has shown strong correlation between an active calendar of organized events with strong economic performance. These events tend to stimulate activity and encourage repeat play, generating more rounds per golfer than without the event calendar.

Tournaments and Outings

ECGT does emphasize the league and group business, most notably to members. The club is increasing its marketing to attract larger tournaments, and this venue is particularly appealing for very large events and tournaments as ECGT has two golf courses to accommodate bigger groups. Also, having a second golf course allows for more modest tournaments to be held while still servicing regular golfers and members.

Records show about 2,240 tournament rounds hosted in 2016, spread out over around 40+/- tournament events. There are also three major “member” tournament events in the January-April season, including a club championship for men, women and seniors. ECGT also hosts several 20-30 player outings that are not recorded as tournament rounds.

Leagues

ECGT appears to be a leader in planning, promoting and organizing group activities and leagues, providing a high level of service (scorecards, prizes, etc.) to two primary league participants:

- **ECGT Men’s Golf Association** – 111 members play three events per week with 40+/- active players per event.
- **ECGT Ladies’ Golf Association** – 64 members play two events per week with about 25-28+/- players per event.

Other Operational Issues

Other key issues related to the ECGT operation observed by NGF Consulting:

- **Shotgun Starts** – In an effort to effectively manage its limited inventory of golf rounds available for sale, ECGT hosts a large volume of “shotgun” rounds, whereby all golfers in a defined set start at the same time and on different holes. Staff reports a very high volume of shotgun starts, with most of the member and club activity events run this way. It is common for one of the two courses at ECGT to offer shotgun starts, while the other will take ordinary tee times. This program has advantages and disadvantages. The benefit to ECGT is the ability to sell more of the more expensive premium rounds earlier in the day (but only for non-members), while the disadvantage is that non-members can have a difficult time knowing when the course may be available to them.
- **Club Rentals** - One key to increasing the volume of visitor and corporate golf rounds is to have high quality rental golf club sets available, and communicating this fact to potential customers. Many better quality golf courses in tourist markets are showing success by purchasing newer, brand name rental sets and renting them for 1 to 2 years and then selling them in the pro shop. The funds gained upon sale can be used to purchase newer rental sets and keep the cycle going. As the key revenue source for the ECGT is green + cart fees, rental sets can help the facility to sell more rounds and the rental sets are not viewed as a strong profit center.
- **Hotel Affiliation** – The El Conquistador resort has direct affiliation with both the ECGT and 9-hole Pusch Ridge. Town and club staff report certain requirements that at least one golf course at both locations be open and available for the resort guests. However, in recent years, Troon reports that the total volume of rounds generated from the resort has been in decline, although the resort still maintains requirements on the operation structure, quality and offering. In the coming years, this agreement may have to be spelled out more clearly with a requirement of a certain number of rounds for the golf courses to be provided by the resort, all via contract.
- **Signage** - The signage (directional and informational) for ECGT could be improved to help golfers less familiar with the property find the golf club (in and out of Oro Valley), and find their way around at the golf course (directional signage and hole markers). Additional signage can help improve access for golfers from various points within the region and for golfers in carts once at the golf course.

SYSTEM-WIDE OPERATIONAL PERFORMANCE

NGF has completed a review of the recent performance of the El Conquistador and Pusch Ridge facilities summarized in the paragraphs that follow with comparison to golf industry “Standards and Norms.” In summary, it appears that ECGT is performing with activity that is well below industry standards, but with revenues that slightly exceed and expenses that significantly exceed those same standards. This is significant given the size of the ECGT operation and the wide variety of amenities and services provided. NGF has observed a large economic loss on operations that is related to the high-end service profile more akin to a private country club than a municipal golf facility. The review below covers rounds activity, revenues and operating expenses over the last two years, corresponding to the period of ownership by the Town.

Rounds

The tables below show total rounds by type and by month from FY2016 through April of FY2017 (10 months). We note that over this timeframe, ECGT has shown a level of rounds activity that is well below expected industry standards and other local competition. The total of 45,478 rounds on 36 holes in FY2016 equates to about 22,700 per 18-hole course, and the 9-hole course at Pusch Ridge only produced 5,938 rounds. The total U.S. average rounds (“starts”) per 18 holes now stand at 31,527 for public golf courses, with a figure closer to 35,000 for Arizona golf courses. **This shows the Conquistador and Cañada golf courses are well below the U.S. Standard.**

Rounds by Type

The review of rounds played by type shows the importance of members at ECGT – 55.6% of all rounds played. Of the 20,200 non-member rounds, about 31% are through some form of discount or special, showing the challenge in a competitive market. The tournament rounds at 4.9% in 2016 show good performance in this area, as the NGF standard for a public golf course is 5.0%. Rounds identified as “Complimentary” are rounds with no green fee charged, and are for employees and “courtesy” rounds used for hotels and marketing. These “comp” rounds account for a very small amount that is not significant. The NGF typically sees public golf courses have around 3.0% of rounds as complimentary (mostly for marketing).

El Conquistador Golf & Tennis Total Rounds Played by Type and by Course (2016 – 2017*)			
Rounds by Type	FY2016	FY2017*	FY16 % of Total
Member Rounds	25,280	17,634	55.6%
Specials	6,173	5,812	13.6%
Public	11,431	9,845	25.1%
Tournament/Event	2,240	935	4.9%
Comps	354	289	0.8%
Total	45,478	34,515	100.0%
Pusch Ridge	5,938	4,347	
Grand Total Rounds	51,416	38,862	
Rounds by Course	FY 16	FY 17	FY16 % of Total
Conquistador	23,630	12,507	46.0%
Cañada	21,848	22,008	42.5%
Pusch Ridge	5,938	4,347	11.5%
Grand Total Rounds	51,416	38,862	100.0%

*Partial year through April 30 (10 months)

Rounds by Month

The rounds-by-month data shows the strong seasonality of the ECGT operation. About 42.4% of all rounds occur in the four months between January and April, and about 62% of all play is played between November and April. Strong seasonal golf facilities like this tend to be more challenged economically due to the compaction of rounds and the limited time available to earn necessary revenue. If something happens to limit demand in these periods (bad weather, economic downturn), the course will suffer more than if the demand was spread more evenly around the year.

The monthly review also shows some variation in rounds by type during the year. While the peak winter-spring season is the strongest for both member and daily fee play, the daily fee play drops off more significantly in the off season and member support still remains somewhat strong through the summer months and into the fall. This shows some difference in play patterns between the members and daily fee golfers.

El Conquistador Golf & Tennis Total Rounds Played by Month (2016 – 2017*) Conquistador and Cañada Only			
Monthly Total	FY2016	FY2017*	FY16 % of Total
July	2,698	2,072	5.9%
August	2,580	2,080	5.7%
September	3,565	2,882	7.8%
October	3,119	3,405	6.9%
November	5,128	3,390	11.3%
December	3,650	3,272	8.0%
January	4,630	3,450	10.2%
February	4,849	4,745	10.7%
March	5,157	5,094	11.3%
April	4,651	4,125	10.2%
May	3,410	0	7.5%
June	2,041	0	4.5%
Total	45,478	34,515	100.0%
	Jan-April		42.4%
	Jun - Sep		23.9%

*Partial year through April 30 (10 months)

Total Facility Revenue

The tables below show the total revenue derived from all sources at El Conquistador Golf & Tennis. The total revenue of just over \$2.9 million for 2.5 golf courses is close to the industry standard of \$1.1 million per 18 holes. Average revenue for ‘standard’ courses (between \$30 and \$65 green + cart fee) is estimated at \$1.1 million per 18-hole course per year. However, when considering the overall service profile, size of the facility and potential “resort-type” operation, the Town may find that using NGF private club data will provide a better comparison. Average revenue for private clubs (across all types) is estimated at \$3.2 million per 18-hole course per year, indicating that ECGT is operating with revenues that closely approximate a public golf facility, built with amenities and services that more closely approximate a private club operation. A summary of ECGT revenues:

El Conquistador Golf & Tennis (Incl. Pusch Ridge) Total Revenue by Category (2016 – 2017*)			
Operating Revenue	FY2016	FY2017*	FY16 % of Total
Golf Fees	\$892,716	\$822,124	30.6%
Member Dues	876,134	607,040	30.1%
Merchandise Sales	212,593	167,691	7.3%
Food & Beverage	606,271	594,309	20.8%
Swim & Tennis Service	272,570	274,853	9.4%
Range Rental & Other	36,556	43,828	1.3%
Golf Lessons & School	6,877	11,065	0.2%
Other	10,017	11,335	0.3%
Total Operating Revenue	\$2,913,734	\$2,532,245	100.0%
Less: Direct Cost of Sales (COS)			
Merchandise	162,818	112,443	
Food & Beverage	213,704	232,082	
Service Commissions	184,818	189,886	
Lessons / Golf School	6,627	10,529	
Total COS	\$567,967	\$544,940	
Gross Margin	2,345,767	1,987,305	

*Partial year through April 30 (10 months)

Average Revenue Analysis

The total facility-wide average revenue per round of golf was \$61.75 in FY2016 (excluding Pusch Ridge), higher than the overall public golf course industry average of \$34.59 per round. As total revenue per round at ECGT is above the standard, all of the other departments exceed the standard as well, with the lone exception of driving range revenue. ECGT earned \$36.67 on golf fees and memberships in 2016, with \$38.60 reported for the first 10 months of FY2017 (5.3% increase). The average for standard public golf courses in the U.S. was \$24.51 for total golf revenue per round (green, cart, membership), plus an additional \$10.08 in ancillary spending for a total of \$34.59 per round. In general, the ECGT is hosting a lower total volume of rounds per 18-holes than the standard, but earning a higher level of per-round income compared to the total U.S. standard.

El Conquistador Golf & Tennis (ECGT Only) Total Revenue by Category (2016 – 2017*)			
Average Revenue per Round	FY2016	FY2017*	U.S. Industry Standard
Golf Fees	\$17.41	\$21.02	
Member Dues	\$19.27	\$17.59	
Sub-Total Golf Only (GF, Carts, Memb.)	\$36.67	\$38.60	\$24.51
Merchandise Sales	\$4.65	\$4.86	\$2.48
Food & Beverage	\$13.33	\$17.22	\$6.10
Swim & Tennis Service	\$5.99	\$7.96	N/A
Range Rental & Other	\$0.80	\$1.27	\$1.00
Golf Lessons & School	\$0.15	\$0.32	N/A
Other	\$0.15	\$0.26	\$0.50
Total Average Revenue per Round	\$61.75	\$70.49	\$34.59

*Partial year through April 30 (10 months)

On-Site Operating Expenses

The table below shows the total on-site operating expenses by category for FY2016 and the first 10 months of FY2017 (excluding cost of goods sold - not an operating expense). These costs are in the process of being reduced in 2017 in effort to bring the system into balance, especially in total payroll and benefits, where Troon has made every effort to reduce staff and improve efficiency. The overall expenses to operate ECGT facilities are considerably higher than expense averages for standard public golf courses in the nation of \$1.03 million per 18 holes (including F&B). By comparison, ECGT is spending approximately \$1.8 million per 18 holes (excluding management fee), or about 1.75 times the standard. The NGF notes the extremely high utilities expense as a key catalyst for the high expense, in addition to personnel costs.

EI Conquistador Golf & Tennis (Incl. Pusch Ridge) Total Revenue by Category (2016 – 2017*)			
Operating Revenue	FY2016	FY2017*	FY16 % of Total
Payroll	\$1,806,178	\$1,365,347	39.9%
Benefits + Other EE Related	451,981	357,913	10.0%
Repairs & Maintenance	527,442	330,796	11.6%
Operating Expenses	284,738	247,063	6.3%
Utilities	1,234,450	1,140,030	27.3%
Leases	133,150	292,900	2.9%
Marketing	83,385	77,210	1.8%
Taxes, Licenses, Insurance	6,843	2,241	0.2%
Total Operating Expenses	\$4,528,167	\$3,813,500	100.0%

*Partial year through April 30 (10 months)

Expense by Department

Direct expenses divided by department are shown below. The figures show 46.2% of total expenses is for golf course maintenance, which is within the range of industry standards. However, the \$2.09 million in golf maintenance equates to around \$1.0 million per 18 holes for golf course for maintenance, which is well above the industry standard noted previously.

EI Conquistador Golf & Tennis Total Expenses by Department (2016)		
Function	2016	Pct. Of Total
ECGT Golf Maintenance	\$2,090,963	46.2%
ECGT Golf Operations	\$473,699	10.5%
Building Maintenance	\$289,621	6.4%
ECGT Member Services	\$131,592	2.9%
Food & Beverage	\$648,036	14.3%
General & Admin	\$348,855	7.7%
ECGT Tennis	\$165,783	3.7%
Sports Fitness	\$101,479	2.2%
Pusch Ridge Golf Operations	\$4,669	0.1%
Pusch Ridge Tennis	\$27,260	0.6%
Pusch Ridge Golf Maintenance	\$246,210	5.4%
Operating Expenses	\$4,528,167	100.0%
Management Fee	\$108,000	
Total Expenses	\$4,636,167	

Expense by Function

Direct expenses for personnel are the largest for golf facility operations, as is the case with the Town of Oro Valley. The standard threshold for the ratio of personnel expenses to total expenses is between 50% and 60%, excluding cost of sales and management fee. For comparison, ECGT personnel expenses are at the lower range of this standard, but as NGF has previously noted, total facility expenses are much higher than standard, especially the utilities expense that is impacting these ratios.

El Conquistador Golf & Tennis Total Expenses by Function (2016)			
Function	2016	Pct. Of Total	Industry Standard
Payroll & Benefits	\$2,255,116	49.8%	50%
Repairs & Maintenance	525,278	11.6%	18%
Operating Expenses	334,433	7.4%	20%
Utilities	1,234,239	27.3%	5%
Marketing	80,903	1.8%	2%
Other	98,198	2.2%	5%
Operating Expenses	\$4,528,167	100.0%	100.0%
Management Fee	\$108,000		
Total Expenses	\$4,636,167		

Pusch Ridge Revenue and Expense Review

The table below shows a summary of Pusch Ridge as a separate stand-alone operation:

Pusch Ridge GC Summary of Revenue and Expense (2016-2017*)			
	2016	2017*	2016 Pct
Rounds	5,938	4,347	
Operating Revenue			
Golf Fees	\$101,031	\$96,784	95.9%
Merchandise Sales	1,339	0	1.3%
Other	3,000	2,350	2.8%
Total Operating Revenue	\$105,370	\$99,134	100.0%
Total Rev/Rnd	\$17.75	\$22.81	
Direct Cost of Sales (COS)	\$2,635	\$0	
Expenses			
Payroll & Benefits	\$95,182	\$65,070	34.2%
Repairs & Maintenance	49,889	10,794	17.9%
Operating Expenses	8,328	3,475	3.0%
Utilities	122,350	161,774	44.0%
Marketing	1,375	0	0.5%
Other	1,015	0	0.4%
Total Operating Expenses	\$278,139	\$241,113	100.0%
Pusch Ridge Net Operating Inc.	(\$175,404)	(\$141,979)	\$0

*Partial year through April 30 (10 months)

This review shows the challenges in operating the shorter 9-hole Pusch Ridge Golf Course. The low activity and low revenue show the limited market appeal of the facility, and if support from the adjacent resort is not strong this course will continue to struggle. The numbers also show a genuine attempt by Troon to reduce operating expenses, with reductions in maintenance and pro shop operations. The cost for utilities remains high just like the main ECGT, and the Town would benefit from new investment in Pusch Ridge that would lead to reduced water usage, especially considering that this course is using City water for irrigation (as opposed to re-use at ECGT). Overall, the numbers show the limited appeal of Pusch Ridge and the difficulty in maintaining and operating this facility given its location. Still, while the NGF estimates a **(\$175,000)** loss on operations at Pusch Ridge, this is only a small fraction of the much larger losses shown on ECGT and the system as a whole.

Food and Beverage Operation (The Overlook)

The food and beverage operation at El Conquistador G&T includes the Overlook operation, the banquet room and on-course beverage cart service. Troon Golf is recording The Overlook as a separate department, so the revenue and expense for the F&B can be reviewed as a separate cost center. As noted above, the NGF has included the operation into the revenue and expense totals so as to make appropriate industry comparisons.

Food and beverage operations at golf facilities tend to achieve two goals: (1) provide direct revenue; and (2) help increase the overall volume of rounds and other revenues at the facility. The primary focus of public golf course F & B service is to serve the needs of the golfers, with an occasional non-golf customer. The typical 18-hole public golf course will earn about \$6.10 per round in food and beverage, less direct costs. The industry standard for direct cost of sales at golf course F & B operations is around 40%. A summary of the food and beverage revenue and expense performance at ECGT:

The Overlook at El Conquistador Golf & Tennis Summary of Revenue and Expense (2016 – 2017*)		
	2016	2017*
Revenue		
Gross Revenue	\$606,271	\$594,309
Less Cost of Sales: (COS)		
Food/Bev.	\$213,704	\$232,082
COS %	35.2%	39.1%
Gross Margin	\$392,567	\$362,227
Operating Expenses		
Wages & Benefits	\$553,753	\$391,130
Marketing	\$15,066	\$9,912
R&M	\$20,027	\$4,217
Operating	\$59,190	\$57,387
Total Expenses	\$648,036	\$462,646
F & B Net	(\$255,469)	(\$100,419)
*Partial year through April 30 (10 months)		

Combined Facility Summary and Discussion

The table at the end of this page shows the full summary of the ECGT golf operation, including The Overlook. A summary of NGF findings related to the revenue and expense performance of the El Conquistador Golf & Tennis follows below.

Overall Performance

The overall review of ECGT shows total revenue in 2016 of around \$2.91 million, with a modest decline anticipated for FY2017. The total on-site operating expenses total \$5.1 million (including cost of sales), for a net operating loss of **(\$2,182,400)** before depreciation or capital improvements. While losses on operations are common in municipal golf nationwide, the depth of this loss is not common and speaks to the seriousness of the economic problem at ECGT. **In 2016, the loss on operation at ECGT and The Overlook exceeded the revenue produced by a dedicated ½-cent sales tax.**

Further, the losses are on operations only. The figures reviewed do not include other key items in a golf operation such as reserve for replacement, depreciation or direct Town expenses in administering the golf / grill operation. In total, the NGF sees both total activity (rounds) and total revenue as being more commensurate with an 18 or 27-hole golf operation, as opposed to a 45-hole operation. It is clear that this level of economic performance is not sustainable for the long term and change in performance is going to be necessary to keep this club open and operating. The NGF sees increases in revenue as the best opportunity to improve economic performance, although a reduction in facility size (number of holes) would likely improve the bottom line if completed in an efficient manner (more in NGF projections).

Performance Summary

The table below shows a summary of the ECGT golf operation, including all expenses as reported by Troon Golf and the Town of Oro Valley. As shown, even with the influx of over \$2.0 million in sales tax revenue earmarked for this golf facility operation, the ECGT operation still falls short of break-even. The NGF notes that this economic performance does not include any capital left over for needed upgrades and other investments that are common in golf facility operations. The NGF had previously documented nearly \$6.0 million in upgrades and improvements that will be required at the facility in the next decade.

El Conquistador Golf & Tennis Summary of Revenue and Expense (2016-2017*)		
	2016	2017*
Rounds	51,416	38,862
Total Operating Revenue	\$2,913,734	\$2,532,245
Less:		
Direct Cost of Sales (COS)	\$567,967	\$544,940
Total Operating Expenses	\$4,528,167	\$3,813,500
EC G&T Operating Net Income	(\$2,182,400)	(\$1,826,195)
Other Items		
Base management Fee	\$108,000	\$120,000
Local Sales Tax Revenue	\$2,030,750	\$1,611,667
EC G&T Net Income After Mgt. Fee and Sales Tax	(\$259,650)	(\$334,528)
*Partial year through April 30 (10 months)		

SUMMARY – EL CONQUISTADOR GOLF & TENNIS

El Conquistador G&T is a high quality golf facility with an outstanding mix of amenity offerings that should be very attractive to golf and club consumers in the Oro Valley area. The club is well located along a main roadway in Oro Valley, but the very nature of roadway infrastructure in this park of the Tucson market will serve to limit the appeal of ECGT to customers who reside close to the facility in Oro Valley. With an offering of multiple golf courses, ECGT can provide service to a wide range of golf customers by providing a variety of golf layouts, but the club is having difficulty filling up all 45 holes of golf. The adjacent community center and numerous recreation facilities and programs add greatly to the appeal of the club and its economic potential. The 9-hole Pusch Ridge GC is generating a very low level of activity and revenue, and is declining in condition. Other findings from NGF's review of El Conquistador G&T:

- ECGT offers a mix of amenities that is marketable in the local area. However, this facility has a history of operation as a semi-private club and even though it is owned by the Town and intended to be a community public facility, it still has a perception in the market as a "private" facility. The operating and service profile in place at the facility is also more commensurate with a private club, where service to members is first and foremost, with daily fee customers having a much lower focus. This is also shown in the economics of the club, where members account for more than 50% of the revenue, but also contribute to a much higher operating expense.
- The overall condition of the facility is good, reflecting well on the Town's contracted operator (Troon). The NGF finds the ECGT to be well-run, with strong and competent management and staff. The NGF does not believe the facility is being mismanaged in any way, and uncontrollable factors such as increased competition, changes in the economy and declining demand for golf are more impactful to this operation than its management. Transitioning from a private golf club located inside a residential community with homes on the golf courses to a Town-owned community public golf course is always a challenge and will take time to fully implement.
- Although in good maintenance condition, the basic design of the facility is leading to challenges in operation and maintenance, thus increasing the cost to the Town. This facility is spread out over a wide area with multiple tracts of property all separated by residences and roadways. The NGF team has estimated that the main 36 holes facility at ECGT will require over \$5.1 million (Option A) in new investment to keep the facility relevant in this market. The 9-hole Pusch Ridge GC will also require \$3.0 million in upgrades to help make that facility desirable and less expensive to operate.
- The main golf clubhouse at ECGT is aging and has condition and space allocation issues that could be improved to make a better impression on potential golf and non-golf customers. The primary deficiencies that must be addressed by the Town are ADA-related issues for a multi-level building that does not have an elevator.
- The total of 45 holes is a lot of golf to maintain and manage effectively. Coupled with the market analysis findings, the Town may find that some reduction in golf holes at the ECGT would make the remaining operation more manageable and more appealing and attractive to golfers, especially non-regular transient golfers.
- The uncertainty surrounding the future of ECGT is impacting the facility's ability to market effectively. The ECGT would benefit from improvements to its technology and marketing, with enhanced focus on daily fee golfers, tournaments and outings. However, the NGF agrees that extensive marketing and promotion should be deferred until the long-term plan for the facility is clearly established.

- The playing fees and concession prices at ECGT are generally appropriate for the market and the overall quality of the facility offering. However, the pricing program for daily fee golf at ECGT is somewhat confusing for the average golfers and may impact demand at certain times of the year, day of week or time of day.
- ECGT produces strong ancillary revenue in merchandise and F&B. The strong F&B revenue is somewhat mitigated by a very high F&B operating expense leading to an almost **(\$260,000)** loss on the Overlook. It appears that the food service concept in place at ECGT is too focused on a restaurant atmosphere that does not include the easy access, snack bar / sports pub atmosphere that more directly correlates with success in golf facility operation. The revenue from The Overlook is higher than standard, showing the support from non-golf business and banquets helping to enhance revenue above and beyond the service of golfers.
- The total on-site TOWN operating loss was about **(\$2.2 million)** in 2016, before depreciation or capital improvements. This loss is off-set by the City's program of dedicating a portion of Town sales tax to the golf operation, totaling just over \$2.0 million in 2016. While losses on operations are common in municipal golf, the depth of this loss is less common. **At present, all other revenue sources within the Town are used to support the operation at ECGT and Pusch Ridge.** It is clear that this level of economic performance is not sustainable for the long term and change in performance is going to be necessary to keep this club open and operating properly and with proper maintenance and capital investment.
- The operating metrics for ECGT economics are generally higher than industry norms, but with much lower rounds activity. A summary of key metrics with comparison to ECGT:

Matrix of Key Operating Metrics El Conquistador Golf & Tennis (2016)			
Metric	ECGT in 2016	Industry Target	NGF Comments
Rounds per 18 Holes*	22,739*	31,527	Total rounds are well below the standard. This is especially concerning given the Arizona climate. Activity is also highly seasonal, with 62% of play coming in the 4-month winter season.
Total Facility Revenue /18H**	\$1,165,200	\$1,000,000	Revenue is comparable to the standard, but PR is counted as a 0.5 golf course, affecting the estimate. NGF still expects this to be much higher than standard if PR is excluded from the calculation.
Total Facility Expense/18H**	\$2,081,600	\$1,000,000	Expenses well above standard and closer to the private club standard, with sub-categories well above standard (utilities, labor).
Golf Maintenance Expense/18H*	\$1,045,000	At least \$800,000	Maintenance expenses are actually comparable to the standard and this is reflected in good playing conditions. Total utilities expense is severe (41% of total) and should be reduced.
Total Facility Revenue/Round	\$61.75	\$34.59	Total revenue per round is above standard, partly a reflection of enhanced ancillary revenue from merchandise and F & B.
Golf Revenue/Round	\$36.67	\$24.51	Golf revenue per round is above the standard, which is good considering the high volume of member play. An increase in daily fee rounds will help to improve overall revenue.
F&B Revenue/Round*	\$13.33	\$6.10	F&B revenue is higher than standard. The Overlook does a lot of non-golf business and banquets helping to skew this figure away from the industry norm.
Merchandise Revenue/Round	\$4.65	\$2.48	The high quality shop and high quality merchandise selection has led to improved sales, now higher than the standard.
*Rounds, F&B revenue and golf maintenance expense for Cañada and Conquistador only. **Includes The Overlook + expenses exclude COS.			

NGF Recommendations for El Conquistador G&T and Oro Valley

Based on our evaluation of El Conquistador G&T, our review of operations and market analysis, NGF has formulated recommendations that the Town can implement to enhance or supplement its existing business and physical plan for its golf facility. The goal of this phase of the study was to help the Town identify the physical configuration and operating structure that will maximize the activity to capacity ratio and net revenues for the golf club, while maintaining or enhancing the golfer experience at the El Conquistador G&T and Pusch Ridge. Many of NGF Consulting's recommendations involve the basic alteration of the ECGT golf courses so as to maximize maintenance efficiency and reduce utilities expense, some of which would be accomplished through a reduction in the number of golf holes to be offered at this golf facility.

The NGF recommendations for Town of Oro Valley include: (1) considerations on operating structure of the system; (2) changes and/or improvements that could be made to the physical plant so as to best match demand and supply; and (3) specific ideas for improving the operation, growing the game and thus rounds and revenues within the system.

NGF OBSERVATIONS ON EL CONQUISTADOR GOLF & TENNIS

The NGF team offers a quick summary review of the most important findings and observations on the ECGT that form the basis for NGF recommendations:

- The ECGT offers a mix of amenities that is consistent with successful golf facilities, but some upgrade to the golf courses and ancillary facilities is needed. The facility hosts a combination of regular-play, mostly resident members plus supplemental support from daily fee patrons who are seeking a high quality and affordable golf experience.
- Data shows a facility that has experienced a significant recent decline in rounds, with only 22,000 rounds per 18-holes hosted at ECGT in 2016. A decline in rounds is consistent with national trends, and has been exacerbated at ECGT due to a recent recession, increased competition, declining interest in golf and the change from a privately-owned club facility with members to a Town-owned public golf course.
- The club is earning high average revenue-per-round on golf, with an estimated \$36.67 earned per round in membership, green fees and carts. This is coupled with a low total rounds figure to result in revenue that is comparable to industry standards. The revenue earned per round from both golf and ancillary sources strongly suggest that any increase in rounds activity will result in significant improvement in revenue.
- The total expense to maintain and operate ECGT is vastly higher than any industry standard for public golf, and is much closer to standards established for private golf clubs. The high level of service provided to members in golf and F&B has resulted in a large club support staff that is contributing to high expenses.
- While the ECGT maintenance budget is comparable to industry standards, the total cost for utilities is much higher than standard and reduction in utilities expense, particularly water use, is highest on the list of improvements proposed for ECGT.
- The external market environment is not favorable for strong economic performance of golf facilities. The basic ratio of golfers to golf courses is unfavorable and this is reflected in rounds activity at ECGT. The Town may find that the full 45-holes of golf at ECGT are not market supportable for the long term.

BASIC OVERSIGHT AND STRUCTURE

Town of Oro Valley has chosen to operate its golf facility through a fee-for-service management agreement with Troon Golf, and direct oversight by the Parks and Recreation Director and Town Manager. It has been assumed by NGF that this form of operation is in place for several reasons, including the desire to retain professional management and to fulfill contractual obligations related to the Town acquisition of the golf courses. As another form of operation could be considered by the Town, NGF has prepared a review of options that are available to Oro Valley should it decide to alter the operation. A general discussion of the common structures, along with advantages and disadvantages, is presented.

Structure Options

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

1. **Self-Operation.** This would involve the Town taking over the operation and using all Town employees for staffing the facility. A key challenge in this option is finding and retaining qualified personnel, especially in key management positions such as manager and superintendent. Another advantage to this structure is direct Town control of the operation for maximum benefit to the Community, while the disadvantage is mostly economic, as the facility may become subject to Town employment policies.
2. **Concession Agreements:** These are similar to lease agreements and can come in several types or combinations. The advantage is shifting some risk and payroll to a private entity. The key areas of operation include Pro Shop, Food and Beverage, and/or Maintenance, and involve the Town contracting for one, some, or all of these services. One subset of this concept includes multiple concessions, a system in which Town creates multiple contract agreements with separate entities for each facet of the operation. The most common concession agreements for municipal golf include:
 - a) **Contract for Food / Beverage Services** involves hiring a separate operator for the F&B, either through direct concession or exchange for capital investment.
 - b) **Contract for Maintenance Services** involves contracting with a private entity to provide golf course maintenance services in exchange for a pre-determined fee.
 - c) **Multiple Concessions** involves creating multiple agreements for separate entities for each facet of the golf operation (pro shop, F&B, and maintenance).
3. **Full-Service Management Contract.** This is the “status-quo” for Oro Valley. The Town has hired Troon to manage the facilities, but Oro Valley still owns all revenues and is responsible for all expenses, plus a management fee paid to the operator. Some advantages to this strategy are a shifting of labor expense from a public to a private structure, and the expected benefit of professional management, including access to purchasing and marketing programs. The main disadvantages are some loss of Town control, the fixed fee for service (regardless of performance) and the City still responsible for all capital investment and upgrades.

4. **Hybrid Contract.** A hybrid contract combines some of the advantages of a lease with those of a management contract. The most common difference from the management contract is that a variable management fee is included, allowing the operator and Town to share in the risk of the operation. The current Troon agreement has some elements in common with a hybrid in that there is an incentive program in place, but no real risk is shared with the operator. The most successful hybrids are ones that include both a fixed payment to the operator along with some sharing of risk with the Town.
5. **Operating Lease(s).** The Town could lease the golf facility to a private operator in exchange for an annual (or monthly / quarterly) lease payment. The lease could be established to include certain requirements, including capital investment in facility improvements, maintenance standards and/or restrictions on green fees. The advantage of this option is a total privatization of the golf operation, assuming a lease partner can be found, and the theoretical shifting of economic risk away from Oro Valley and onto the private operator. The disadvantage is the nearly complete loss of Town control on not just the operation, but likely policies, procedures and fees as well.

Structure Considerations

The NGF review of the various operational considerations for Town of Oro Valley golf leads to a few key findings on several options. In consideration of the options presented, we note:

- **Self-Operation.** The NGF review shows this option has appeal, but would be very difficult to implement in the near-term given uncertainties about the future of the physical plant of ECGT (more below). This option would also require the Town to obtain golf management expertise through direct hire of Town employees. A key consideration in self-operation is the Town's ability to find and attract qualified personnel, but also offer competitive compensation with incentives.
- **Traditional Concession.** This option will likely produce too many "working parts" that require attention and shift the Town from managing golf courses to managing multiple contracts. The Town will likely still be responsible for capital expenditures and thus not much different than the management agreement in place at present. One form of concession that could be considered would be in the F&B operation, where a separate restaurant vendor could be retained to operate the Overlook and free the Town and Troon from that responsibility and more than **(\$250,000)** loss.
- **Lease.** An outright lease of the facility would be an attractive option if the Town's objectives in municipal golf were purely financial, and if a suitable partner could be found that would be willing to take on all operational risk. However, NGF notes that if the Town opts to pursue a lease agreement for the golf course, it should be pursued only if the new lease partner will bring capital to the agreement and complete some (or all) of the upgrades identified by NGF, and absorb all the risk in the operation.

NGF Recommendation

In light of operational and physical recommendations that NGF believes will improve the economic performance of the golf facility, the Town is likely to find that continued operation via management contract (as-is) is the most viable operating structure, at least for the short term. ECGT is in need of physical upgrade in order to increase its revenue potential, and changing management or operations while this is being planned or underway would not be ideal.

The NGF team recommends that the Town of Oro Valley continue with its existing management agreement with Troon, but also seek to attract a separate (possible Troon under separate agreement) operator for the F&B / Overlook operation as the best option for the short and intermediate term as golf club improvements are contemplated and enacted. This structure will offer Town the greatest chance for success in the operation and provide a level of hands-on control so as to maximize the implementation of the physical and program changes that will be required for the Town to succeed in golf.

PHYSICAL UPGRADE RECOMMENDATIONS

The NGF team has identified the following key areas of recommended physical plant improvement (investment) at ECGT and Pusch Ridge that can be completed over the next several years. NGF ideas to improve the ECGT stem from the Town's desire to provide a high level of service while reducing maintenance expense, especially utilities expense. If the ECGT is to significantly alter the economic performance of the golf system, some reduction in maintained turf will be required, possibly even a reduction in the number of golf holes.

The NGF has also considered more substantial changes to the physical plant at El Conquistador G&T in consideration of key findings noted above, most importantly the reality that 45 holes of golf may not be market supportable for the long term at this location. In recommending changes to the physical plant at El Conquistador Golf & Tennis, NGF has divided our suggestions into three options at ECGT, plus an additional option for Pusch Ridge. A summary of the improvements identified by NGF are summarized below:

El Conquistador Reconfiguration Options (Conquistador & Cañada Courses)

The Town of Oro Valley requested that the consulting team complete review and analysis of three specific reconfiguration options for the 36-hole ECGT site - configurations involving 18 holes, 27 holes and 36 total holes of golf.

The consultant team went further to look into options that might consider a combination of a regulation course (i.e., 18-hole equivalents with a par of 70 to 72 and a yardage of 6,000 yards or greater). Such options looked at an executive length course (i.e., ≤ par-66 and ≤5,000-yards). We also considered 9-hole formats including a par-3 layout and other "alternative" course options such as 6-hole and even 12-hole layouts.

Overall, we do not consider such non-regulation combinations to become successful at El Conquistador. A driving force to this conclusion is the cost of reconfiguration (completely changing greens, fairways, etc.) combined with what we see as an expectation that the facility continue its legacy as a regulation format golf experience. El Conquistador, both physically and by way of its history, is most suited to continue as a regulation golf experience, regardless of the number of golf holes.

Some of the public comments about reconfiguration (during public meetings) had to do with softening long walks between holes and also working to find a walkable 9-holes or 18-holes that could be played within the facility as opposed to a mandate of taking a golf cart. Loops of holes that could be played (i.e., fewer than 9-hole loops) was also a suggestion. The consultant team worked to satisfy these comments as part of our recommended reconfiguration.

El Conquistador Reconfiguration Option A

Option A represents a 36-hole reconfiguration of the Conquistador & Cañada Courses, retaining two 18-hole courses. The plan removes some parcels from golf use, but retains nearly all of the existing Conquistador Course with the exception of existing Hole No. 12. This option will allow the

Town some re-use of parcels removed from the new golf courses. A summary of the changes proposed and a site plan rendering of this option appears in **Appendix C** to this report.

In summary, Option A allows ECGT to remain as a 36-hole facility with two 18-hole courses. The reconfiguration requires six new greens and one expanded green. New paths, plus some fairway and approach areas will be created to form new holes and reconfigured holes. The conceptual plan shows 77 bunkers retained and/or remodeled. Overall, bunkers are reduced by 19%. Significant turf reduction is achieved through reconfiguring some holes and making parcels available for non-golf uses. Parcels removed for non-golf uses total 21.2± acres in land area, and managed turf of Option A is 74.2%± of existing, or a 25.8% reduction (based on reported managed turf footprint of 140 acres).

El Conquistador G&T Option A – Parcels Removed / Turf Reduction		
	Notes	Acres Removed
Parcel 1	Existing Nos. 12 & 13 Conquistador	6.0 Acres±
Parcel 2	Existing No. 1 Cañada	7.3 Acres±
Parcel 3	Existing Nos. 2 & 16 Cañada	5.1 Acres±
Parcel 4	Existing No. 17 (portion) Cañada	2.8 Acres±
Total Acres Removed		21.2 Acres±
Turf Reduction Summary		
Turf Reduction (removed holes):		11.0 Acres±
Turf Reduction (retained holes):		26.7 Acres±
Total for Option A (incl. practice areas)		37.7 Acres±

Probable Cost Estimate - El Conquistador Reconfiguration Option A

The **probable cost estimate for Option A is estimated at \$5,115,775**, including soft costs (engineering, design, etc.). The cost breakdown detail is displayed in **Appendix C** to this report. Option A includes the following improvements to the ECGT golf courses:

Turf reduction for all retained golf holes	Bunker renovation for all retained bunkers
Facility-wide tee leveling (all retained tees)	New bunkers (as shown)
Facility-wide tee additions for new back and forward tees (as shown)	New tees, paths, approach and fairways areas to accommodate reconfiguration work
Irrigation replacement (all holes, per conditions)	Facility-wide path repair and ADA access work
Irrigation retrofit (turf reduction areas)	Course-wide tree removal, addition and pruning work (allowance)
Irrigation pump station replacement (south)	Maintenance facility upgrades (allowance)
New greens (6)	Removal of holes for non-golf parcels
Expanded green (1)	Re-vegetation of existing turf areas on removed holes to be used for non-golf purposes

El Conquistador Reconfiguration Option B

Option B represents a 27-hole reconfiguration of the Conquistador & Cañada Courses, retaining three 9-hole loops. The conceptual plan shows these as the “Silver Nine”, “Gold Nine” and “Turquoise Nine”. The plan removes some parcels from golf use, allowing the Town re-use of some of these parcels. A summary of the changes proposed and a site plan rendering of this option appears in **Appendix C** to this report.

In summary, Option B allows a 27-hole facility to remain with three separate, yet integrated, 9-hole loops. These three loops are termed the “Silver”, “Gold” and “Turquoise” nines. The reconfiguration requires three new greens and one expanded green. New paths, plus some fairway and approach areas will be created to form new holes and reconfigured holes. The conceptual plan shows 59 bunkers retained and/or remodeled. Overall, bunkers are reduced by 38%. Turf reduction is significant by reconfiguring several holes and making some of these parcels available for non-golf uses. Parcels removed for non-golf uses total 32.0± acres in land area for land areas owned by the Town. An additional 28.9± acres is removed from parcels that would revert to an HOA upon being removed from golf use. Total managed turf of Option B is 62%± of existing, or a 38% reduction (based on reported managed turf footprint of 140 acres):

El Conquistador G&T Option B – Parcels Removed / Turf Reduction		
	Notes	Acres Removed
Parcel 1	Existing Nos. 12 & 13 Conquistador	6.0 Acres±
Parcel 2	Existing No. 1 Cañada	7.3 Acres±
Parcel 3	Existing Nos. 2 & 16 Cañada	5.1 Acres±
Parcel 4	Existing No. 4 Cañada	5.2 Acres±
Parcel 5	Existing No. 5 Cañada	5.6 Acres±
Parcel 6	Existing No. 17 (portion) Cañada	2.8 Acres±
Total Acres Removed (Town Owned)		32.0 Acres±
Parcel 7	Existing No. 10 Cañada	7.1 Acres±
Parcel 8	Existing No. 11 Cañada	6.3 Acres±
Parcel 9	Existing Nos. 12 & 13 Cañada	10.6 Acres±
Parcel 10	Existing No. 14 Cañada	4.9 Acres±
Total Acres Removed (HOA Owned)		28.9 Acres±
Total Acres Removed		60.9 Acres±
Turf Reduction Summary		
Turf Reduction (removed holes):		32.8 Acres±
Turf Reduction (retained holes):		25.3 Acres±
Total for Option B (incl. practice areas)		87.9 Acres±

Probable Cost Estimate - El Conquistador Reconfiguration Option B

The **probable cost estimate for Option B is estimated at \$4,639,115**, including soft costs (engineering, design, etc.). The cost breakdown detail is displayed in **Appendix C** to this report. Option B includes the following improvements to the ECGT golf courses:

Turf reduction for all retained golf holes	Bunker renovation for all retained bunkers
Facility-wide tee leveling (all retained tees)	New bunkers (as shown)
Facility-wide tee additions for new back and forward tees (as shown)	New tees, paths, approach and fairways areas to accommodate reconfiguration work
Irrigation replacement (all holes, per conditions)	Facility-wide path repair and ADA access work
Irrigation retrofit (turf reduction areas)	Course-wide tree removal, addition and pruning work (allowance)
Irrigation pump station replacement (south)	Maintenance facility upgrades (allowance)
New greens (3)	Removal of holes for non-golf parcels
Expanded green (1)	Re-vegetation of existing turf areas on removed holes to be used for non-golf purposes

El Conquistador Reconfiguration Option C

Option C represents an 18-hole reconfiguration of the Conquistador & Cañada Courses, retaining one 9-hole regulation length course. The plan removes several parcels from golf use, allowing the Town re-use of some of these parcels. A summary of the changes proposed and a site plan rendering of this option appears in **Appendix C** to this report.

Option C allows an 18-hole facility to remain in a regulation length format. The reconfiguration requires one new green. New paths, plus some fairway and approach areas will be created to form new holes and reconfigured holes. The conceptual plan shows 40 bunkers retained and/or remodeled. Overall, bunkers are reduced by 58%. Turf reduction is significant by reconfiguring several holes and making some of these parcels available for non-golf uses. Parcels removed for non-golf uses total 83.2.0± acres in land area for land areas owned by the Town. An additional 28.9± acres is removed from parcels that would revert to an HOA upon being removed from golf use. Total managed turf of Option B is 45%± of existing, or a 65% reduction (based on reported managed turf footprint of 140 acres):

El Conquistador G&T Option C – Parcels Removed / Turf Reduction		
	Notes	Acres Removed
Parcel 1	Existing No 2 Conquistador	4.4 Acres±
Parcel 2	Existing No. 4 Conquistador	6.3 Acres±
Parcel 3	Existing Nos. 3 & 5 Conquistador	12.2 Acres±
Parcel 4	Existing No. 6 Conquistador	6.9 Acres±
Parcel 5	Existing No. 8 (tee area) Conquistador	1.7 Acres±
Parcel 6	Existing Nos. 12 & 13 Conquistador	11.4 Acres±
Parcel 7	Existing No. 10 Conquistador	6.8 Acres±
Parcel 8	Existing No. 9 Conquistador	7.5 Acres±
Parcel 9	Existing No. 1 Cañada	7.3 Acres±
Parcel 10	Existing Nos. 2 & 16 Cañada	5.1 Acres±
Parcel 11	Existing No. 4 Cañada	5.2 Acres±
Parcel 12	Existing No. 5 Cañada	5.6 Acres±
Parcel 13	Existing No. 17 (portion) Cañada	2.8 Acres±
Total Acres Removed (Town Owned)		83.2 Acres±
Parcel 7	Existing No. 10 Cañada	7.1 Acres±
Parcel 8	Existing No. 11 Cañada	6.3 Acres±
Parcel 9	Existing Nos. 12 & 13 Cañada	10.6 Acres±
Parcel 10	Existing No. 14 Cañada	4.9 Acres±
Total Acres Removed (HOA Owned)		28.9 Acres±
Total Acres Removed		112.1 Acres±
Turf Reduction Summary		
Turf Reduction (removed holes):		59.1 Acres±
Turf Reduction (retained holes):		21.6 Acres±
Total for Option C (incl. practice areas)		65.3 Acres±

Probable Cost Estimate - El Conquistador Reconfiguration Option C

The **probable cost estimate for Option C is estimated at \$4,200,795**, including soft costs (engineering, design, etc.). The cost breakdown detail is displayed in **Appendix C** to this report. Option C includes the following improvements to the ECGT golf courses:

Turf reduction for all retained golf holes	New bunkers (as shown)
Facility-wide tee leveling (all retained tees)	New tees, paths, approach and fairways areas to accommodate reconfiguration work
Facility-wide tee additions for new back and forward tees (as shown)	Facility-wide path repair and ADA access work
Irrigation replacement (all holes, per conditions)	Course-wide tree work (allowance)
Irrigation retrofit (turf reduction areas)	Maintenance facility upgrades (allowance)
New greens (1)	Removal of holes for non-golf parcels
Bunker renovation for all retained bunkers	Re-vegetation of existing turf areas

Summary of EI Conquistador Renovation Options

A summary of the options reviewed by NGF/FRA is shown in the table below. We note that while each option has considerable investment, the expected savings in maintenance is not relational, as many of the expenses in a golf operation are fixed, regardless of the number of holes.

EI Conquistador Golf & Tennis Summary of Renovation Options				
Option	No. of Golf Holes	Total Investment	Potential Acreage for Alternate Use	Expected Savings
Option A	36	\$5,115,775	21.2	20%
Option B	27	\$4,639,115	32.0*	35%
Option C	18	\$4,200,795	83.2*	45%
*Includes only Town owned property and does not include additional HOA-owned parcels.				

Pusch Ridge Renovation – The “Dirty Dozen” Course

In reviewing the Town’s choices for the future of Pusch Ridge GC, NGF/FRA identifies three options for the troubled 9-hole facility:

- I. Close the golf facility, repurposing the land into non-golf uses.
- II. Renovate the facility in its current configuration, bringing all golf features and areas back to an acceptable condition.
- III. Transform the facility into a new golf experience, different from the existing.

While there are potential options that are variations of the above, these options represent the baseline considered by the consultant team. Examples of variations could include closing the predominant acreage of the facility and leaving smaller golf amenities, such as putting greens that could be used for golf practice and general use. This approach, however, would not produce revenue and would likely be a burden to the Town. Another hybrid example would be to follow option (ii) but with a smaller turf footprint. This approach, while conserving water, is not likely to render a viable golf course given that the existing course has difficult terrain and holes, is not conducive to beginners, casual players and a resort audience.

The team recommends that, should preservation of the golf course be the selected path, that the Town considers transformation to a new and sustainable format (iii). In this approach, the golf experience becomes compatible with the EI Conquistador Resort, and also the terrain and neighborhoods. In developing the concept, the design takes into account these needs as well as those to attract new players, serve needs not offered by the EI Conquistador facility and any of its three options; 18-holes, 27-holes or 36-holes.

The new concept proposed for Pusch Ridge involves rebuilding the golf course using a majority of the exiting land area for a new “alternative” golf experience. Removed from the current golf area are existing Hole Nos. 5 and 6, which could be repurposed into non-golf uses. Other existing golf corridors are used to create a new 12-hole golf course that has been coined “The Dirty Dozen.”

The “Dirty Dozen” is shown on the conceptual land plan (**Appendix C**) as a 12-hole course of all par-3 holes between 100 yards to 200 yards in length. Tee and green areas are planned to be “islands” of turf with all other areas transformed into a Sonoran Desert landscape. The footprint of the golf course is reduced by more than 70% to just 11.5 acres of managed turf. Water use would be reduced significantly. The course begins in the same location of the existing course, continuing clockwise in a routing that utilizes the same corridors as the existing 9-hole course, except Holes No. 5 and 6 that are removed from the routing. Total acres removed from golf to be available for possible alternate use would be 14.9 acres.

The “Dirty Dozen” Plan provides a 12-hole “alternative golf facility” that is similar to several successful new and innovating golf course concepts in the U.S. Examples include the following:

- Bandon Dunes Resort (Oregon) — Bandon Trails 13-hole Course (all par-3)
- Mountain Shadows (Arizona) — The Short Course, 18-holes (all-par-3)
- Terranea Resort (California) — The Links at Terranea 12-hole Course (all par-3)
- Monarch Dunes (California) —The 12-hole Challenge Course (all par-3)
- Wickenburg Ranch (Arizona) — The Lil’ Wick 9-hole (all par-3)
- Prairie Club (Nebraska) — The Horse Course 10-hole (all-par3)

This trend (e.g., to build alternative, less-time and highly playable and enjoyable formats) has been widely accepted throughout golf with numerous projects recently constructed and many in planning stages. The conventional 18-hole, regulation length format, while still highly accepted and viable, is augmented by such smaller courses where players of all skill levels can enjoy the game without having to endure 4-5 hours of time and the demands of longer holes.

For Oro Valley, the concept would not only integrate well to the El Conquistador Resort experience, but would complement the El Conquistador’s larger (and longer) golf facility, whether in an 18-hole, 27-hole or 36-hole retained format. HSL Properties, owner of the El Conquistador Resort, has indicated strong enthusiasm for the “Dirty Dozen Concept” as a way to transform the existing course into something the resort can leverage as a “must-play” golf experience that will take less time, provide a truly unique “one-of-a-kind” golf experience in the region, and will fit a model where less resources and turf coverage are required to sustain the golf operation.

Probable Cost Estimate – “Dirty Dozen” Concept at Pusch Ridge

The **probable cost estimate for Option C is estimated at \$3,013,120**, including soft costs (engineering, design, etc.). The cost breakdown detail is displayed in **Appendix C** to this report. The reconfigured course required nine new greens, all new tee complexes and fill-in and/or replacement of cart paths. Transformation of existing turf areas to non-turf is a significant part of the scope. The rebuilt course would feature most features to be rebuilt, with all greens either being reconstructed or resurfaced. This program includes all of the improvements identified in the previous three ECGT options, with the following additions:

Irrigation system reservoir and pumping	Maintenance facility replacement (allowance)
New greens (9)	Maintenance Facility Demo
Resurfaced/restored greens (4)	Removal of holes for non-golf parcels

BASIC OPERATIONAL RECOMMENDATIONS

The NGF has documented a very strong operational program put in place by Troon Golf that includes all of the “industry best practices” commonly associated with success in golf facility operations. As such, the NGF does not have much in the way of operational recommendations, except for a few additional items including ideas for improving technology capabilities and marketing, and improving the appeal of golf to less traditional segments.

Recommendations to Better Employ Technology

Technology is one of the most important tools available to a golf course management team to create incremental revenue, and proper deployment of technology is critical in golf operations in 2017 and beyond. Technology defines and guides the marketing strategy to build a larger customer database, create customer loyalty and boost revenue. The ECGT golf operation would benefit from maximizing the POS technology that is in use at the course today. Better golf systems can become a large part of improved marketing activities. In general, the Town should work with Troon Golf to maximize technology by:

- Allow customers to secure on-line tee times as per ECGT policy.
- Using the POS system to identify specific customers and spending patterns to help maximize effective targeted email marketing campaign (i.e. data mining).
- Allowing for increased purchases from the online portal. Items such as gift cards and memberships can be purchased directly from the website and would expand revenue.
- Allowing for social media tools to be integrated into email marketing. This can be done automatically through delivery tools that automatically integrate to the leading social media forums, i.e. Facebook, Twitter, Instagram, etc.
- Expand and use the smartphone application to include yardage guides and allow golfers to receive text alerts broadcast from the email system. Having a mobile application facilitates connecting with the customer.

E-mail – E-mail databases are essential in today’s golf market place, as a means of staying in touch with the golfer customer base. E-mail marketing, with the exception of word-of-mouth and free advertising, is the most cost-effective advertising possible. Augmenting this database should be a top priority of management, possibly working in conjunction with hotel operators, so that email marketing can be optimally implemented.

Website and Internet – We noted that the Internet is the most cost-effective form of advertising for golf facilities. The www.elconquistadorcc.com website for ECGT is consistent with success in golf facility marketing, but could be enhanced slightly to include:

- Ability to book tee-times and make purchases online
- More pictures of the golf courses.
- A scorecard for each course.
- More information on the banquet room and its availability.
- Email Club / Email Specials section to capture customer emails, possibly using periodic deals on rounds or other specials.
- Notes on progress and pictures of upgrades as they are being completed (future).

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

You Tube - You Tube is the second most utilized search engine on the internet. El Conquistador G&T could develop a presence, including informational videos of the facility and golf course, as well as activities such as league play, tournaments, & instruction.

Recommendations for Increased Participation from Less-Traditional Segments

Increasing participation among less traditional golfer populations is generally about three groups – younger adults, women and minorities. We know that 50% of the population is female. We also know that about 18% of the Town’s population is considered minority, and the median age in the metro region is younger than the local Oro Valley market. As a result, the longer-term future of public golf in this part of Arizona will be dependent on the ability of this golf system to engage and grow these less traditional golfer segments.

Player Development

We note that new player development will be one of the critical elements to the long-term viability of ECGT, and this should be a point of emphasis at the facility, especially a strong Junior Program (Troon has documented growth in this area). Also, because of today’s difficult climate for golf operations, tapping latent demand among groups that traditionally have shown relatively low golf participation – such as women and minorities – is more important than ever. PGA data shows every new golfer developed could be worth as much as \$500 per year (10 rounds at \$50), and the common successful player development program produces at least 200 new golfers per facility.

Key recommendations for player development programming include:

- Work directly with the PGA for specific descriptions of programs that work, and how to properly implement and promote these programs (i.e. “Get Golf Ready,” “Hook a Kid on Golf,” “Drive Chip & Putt,” “PGA Junior League,” and LPGA’s “Teaching Her” program). Add focus on transitioning new players from learning to playing golf.
- Expand and improve the practice / golf learning amenities at ECGT and Pusch Ridge, as noted in NGF’s physical recommendations.
- Encourage and provide incentives for staff to provide golf lessons during off hours.
- Create programs to provide older, used golf equipment to always be available free of charge for beginners, and possibly for other needy prospects via donation or at a deep price discount.

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

Alternate Use Considerations for Golf Course Property

The consulting team has completed this review under the assumption of continued operation of some golf by the Town of Oro Valley at one or both of ECGT and Pusch Ridge. It is always an option for public-sector owners of golf courses to close or reduce golf courses and consider alternate uses of golf course property. As such, the consulting team has completed a preliminary review of basic options to be considered by the Town, including:

3. Outright closure of one or both Town golf courses
4. Repurposing portions of golf course property that may become available due to proposed changes in size and space of golf facilities.

The consulting team offers a base review of each of these options in the section that follows:

COURSE CLOSURE OPTIONS

The consultant team was tasked with review of specific options for the reconfiguration of the two 18-hole courses at ECGT and the 9-hole golf course at Pusch Ridge. As noted previously, full closure of either or both of the golf facilities (36-hole El Conquistador and/or 9-hole Pusch Ridge) is always an option for the Town, although this option has not been analyzed by the consultant team. The option of fully closing one, two or all of the golf courses in this instance does require an understanding of the potential impact together with baseline costs associated with converting existing turfgrass to a suitable groundcover.

While this specific option was not part of the scope assigned to the consultant team, the team did provide a general overview of full closure options along with considerations that the Town would need to address as part of such a decision.

Closure of all 36-holes at El Conquistador

Full closure of the El Conquistador 36-hole operation would involve significant costs to remove managed turf areas and, at minimum, plant and establish revegetation desert varieties to the areas removed from turf. Work required to remove turf involves stripping the upper layers of existing turf, re-shaping certain golf features to allow for natural surface drainage (to prevent stagnate water and waterborne insects), preservation of some irrigation infrastructure to be used to establish seed, and, finally, applying a hydroseed mix of native desert seed and a bonding agent (tackifier) that will help prevent erosion and allow the seed to germinate.

Based on 146± acres of existing managed turf, we estimate approximately \$2.5 million for turf conversion and establishment at El Conquistador using a per-acre cost of 17,000 (slightly less per acre than shown for specific options A, B and C; based on volume). Added to this cost would be approximately 20% for soft costs (design, engineering, etc.) and a reasonable contingency. Our opinion of probable cost is approximately \$3 million.

Closure of all 36-holes at El Conquistador would need to take into account the following elements that have not been evaluated by the consulting team and would need additional study and review:

- Maintenance and upkeep of the removed parcels (arbor care, etc.)
- Security and access to removed parcels
- Cost and upkeep of existing ponds (or removal costs)
- Cost to remove fencing and range netting
- Securing existing underpasses, paths, restrooms, etc.
- Installing signage (no trespassing, etc.)
- Disposition of the practice facilities (retained as golf use, or not)
- Effluent water use; any established requirements for use and/or discharge
- Affect to neighborhood property values, especially as related to property tax valuations and property tax income to the Town

Closure of the Entire Pusch Ridge Facility:

This specific option is noted within the report and may be considered by the Town as one approach to eliminating the current losses associated with the 9-hole Pusch Ridge facility. The data reviewed show current losses to be \$175,000 per year at Pusch Ridge. This relatively low amount is primarily a result of Troon reducing its staff and effort at Pusch Ridge to the absolute minimum, and closing the course completely during the summer months. Despite some public sentiment that “closing Pusch Ridge is a path to eliminating loses for all the golf operations...” we note that the current losses at Pusch Ridge, if eliminated, would reduce overall losses at the combined 45-hole operation by just 7.5% of the current total golf losses.

In order to fully close the Pusch Ridge facility we estimate that an average cost of \$20,000 per acre be applied to calculate removal of existing managed turf with reestablishment to native desert vegetation. This slightly higher amount per acre is recommended due to significant slopes involved in the Pusch Ridge terrain combined with more intricate access than at El Conquistador. Hydroseed tackifier agents would need to be stronger to help prevent erosion. The sequence and work required to remove turf is basically the same as at El Conquistador (see above).

Based on a total turf footprint of 40± acres, we estimate full conversion of existing turf areas to be approximately \$800,000 plus soft costs and contingency of about 20%, rendering an estimated probable cost of near \$1.0 million. Additional costs to fully close the Pusch Ridge facility would need to account for razing the existing (old, now abandoned) maintenance facility (estimated at \$40,000) and disposition of the existing irrigation storage pond, which has not been estimated.

Closure of the full Pusch Ridge golf facility would need to take into account the following elements that have not been evaluated by the consulting team and would need additional study and review:

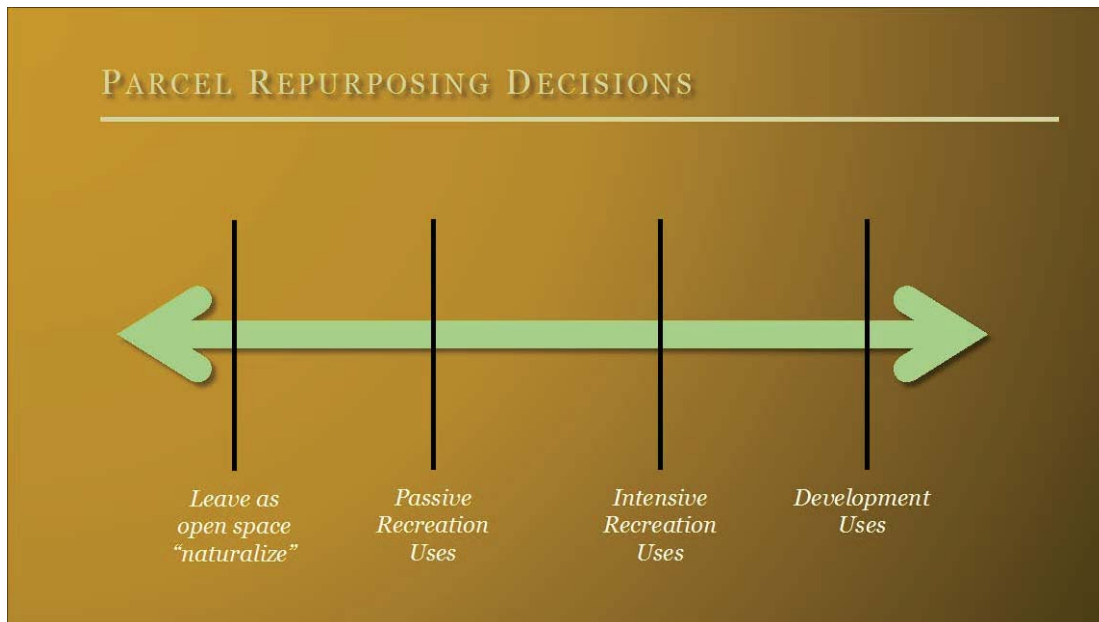
- Maintenance and upkeep of the removed parcels (arbor care, etc.)
- Security and access to removed parcels
- Cost and upkeep of the existing pond (or removal costs)
- Installing signage (no trespassing, etc.)
- Affect to neighborhood property values, especially as related to property tax valuations and property tax income to the Town
- Relationship with the adjacent resort and contractual obligations established upon purchase by the Town

PARCEL REPURPOSE OPTIONS

The scope of work assigned to the consultant team does not include specific recommendations for parcel repurposing. However, the team is providing considerations to the Town, including necessary decisions that should be taken into account as parcel repurposing is contemplated.

Scale of Repurposing Options

Parcel repurposing, in general, ranges from converting current golf uses to naturalized open space (e.g., native desert terrain) to potential uses as residential or commercial development. This range is shown on the following graphic:



Conversion to **“Naturalized Open Space”** involves removing existing turfgrass and establishing native plants via hydroseeding. Work involved includes reshaping some areas to allow for surface drainage and native plant establishment (temporary irrigation, etc.)

Conversion to **“Passive Recreation Uses”** might include uses such as trails, dog parks, smaller picnic areas and similar improvements that would replace portions of existing turfgrass with remaining areas converted to naturalized open space. It may also be possible, in some areas, to leave certain golf greens as public-use putting greens that may be accessed by those within and from outside the immediate neighborhoods.

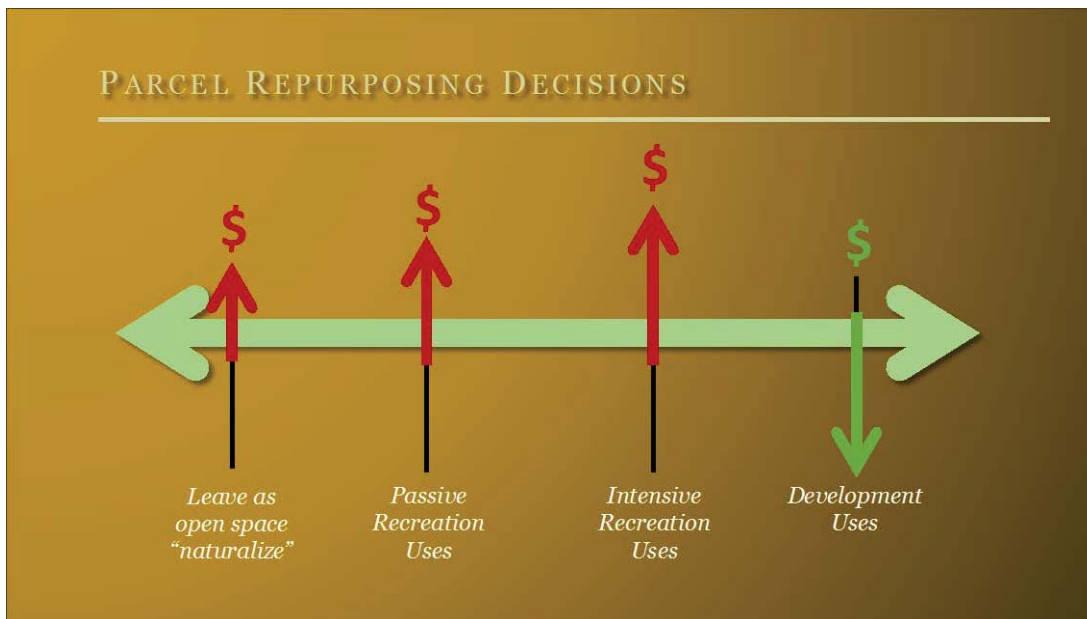
“Intensive Recreation Uses” would include such new improvements as larger parks, play fields, sports fields, multi-use grounds and similar recreation amenities.

“Development Uses” cover any of several land uses including appropriate residential uses and compatible commercial uses. It might be noted that repurposing to development, whether residential or commercial, does not necessarily need to involve sale of land parcels for such uses. Development uses could be accommodated by the Town under ground lease situations where the Town would receive perpetual lease payments for use of land on which development might occur.

Cost –vs- Revenue Impacts of Repurposing Options

Parcel repurposing must consider balances associated with compatible neighborhood uses and whether options are sustainable from a financial standpoint. In most options to convert golf uses to non-golf uses for recreation amenities, such as open spaces or parks, costs to maintain and operate those amenities will be present in addition to the cost to convert land from golf as well as build the new park/recreation structures and infrastructure.

While the consultant team is not providing forecasts and specific costs associated with anything beyond direct conversion from golf to naturalized open space (desert re-vegetation), we are providing the following graphic to demonstrate the financial impact of repurposing decisions:



Conversion to “**Naturalized Open Space**” involves cost as covered within each of the options for El Conquistador (A, B and C) as well as the Pusch Ridge (“Dirty Dozen”) concept. This cost is relatively low and renders the land back to its familiar desert terrain and landscape. The scale above shows graphically this low cost in comparison to more intense recreation conversions.

Conversion to “**Passive Recreation**” would inherently involve more cost than simply removing turf and re-vegetation. Regardless of whether trails are repurposed from existing cart paths, details such as ADA access, restrooms, security, lighting and other necessary additions would escalate costs more than naturalization.

Conversion to “**Intense Recreation Uses**” will involve the highest cost to be borne by the Town. Building new recreation structures, infrastructure and necessary accompaniments such as parking, access points, etc. would not only be an up-front cost, but maintenance and upkeep of these new recreation amenities would be ongoing.

Conversion to “**Development Uses**” would only be prudent for the Town if a lease or sale of certain lands could be structured to provide the Town a revenue source. As an example, if a portion of a parcel removed from golf were offered to a private developer to build appropriate housing or commercial property, a ground lease could be realized by the Town in exchange for rights that would allow the developer to plan, construct and market the property. In this case the costs to the Town would be less than conversion from golf to a naturalized area and the outcome to the Town would be revenue as opposed to a continual maintenance and operation cost.

Development Repurposing

Given that appropriate repurposing of some parcels for development use (residential or commercial) will produce revenue for the Town, the consultant team believes that this direction deserves further study. In order that the Town and residents understand the impacts of repurposing in this form, specific plans for parcels will need to be prepared to show how far from existing lots and neighborhoods such new development would be located. Additional details, such as visual aesthetics, traffic/access and buffering are important considerations to understanding new development on former golf parcels. The following points are provided as they relate to repurposing with development uses:

- **Zoning Of Golf Parcels.** Current zoning is shown on the exhibits in **Appendix C**. With few exceptions, zoning for most existing golf parcels allow residential development subject to restrictions and site plan approvals. Zoning for a few parcels would allow for neighborhood commercial development, also subject to specific conditions.
- **Compatibility with Current Neighborhoods.** This is paramount to repurposing for either new residential or commercial uses. Factors such as proximity, landscaping, grade differentiation, noise, lighting, access and architectural aesthetics would need to be carefully considered.
- **Land Values.** Conversion from golf to non-golf uses for residential or commercial is likely to have an effect on land values. A qualified real estate appraiser, working in tandem to plan and design parcels or portions thereof, would be a means to understanding land value impacts. New residential lots and homes, as one example, may have a positive effect on land values. While a particularly intense commercial presence may have the opposite effect.
- **Sale of Land Versus Leasing Of Land.** As discussed above, repurposing land from golf uses for residential or commercial uses may not need to be sold. Rather, the Town could retain the land as “owner” and lease the rights to development to a third party. Examples of such lease arrangements exist on publically held lands, tribal lands, Federal lands (national parks, etc.).
- **Earmarking of Revenue for Recreation Purposes.** Earmarking of revenue when converting land to development use does not necessarily mean that the land is no longer “recreation land” per se. If, for example, revenue generated on a portion of a parcel removed from golf and converted to development was designated specifically for use to sustain and grow recreation programs, then the land would remain “recreation land” with that specific purpose mandated.
- **Sales Tax Revenue.** Residential and commercial developments have certain tax revenues that return to the Town. These impacts are part of the equation in determining the overall revenue associated with development conversion/repurposing.

Specific Repurposing Considerations at El Conquistador G&T

Parcels shown on Options A, B and C for El Conquistador need to be further evaluated for their appropriateness for certain repurposing alternatives. The following general factors and concepts need to be weighed in this process.

Parcel size (width)	Long term financial sustainability	Partial retention of golf uses
Parcel location and terrain	Revenue generation potential	Blending natural space with new use
Parcel access	Zoning / entitlements on parcels	Revenue-generating public recreation
Cost to repurpose	Proximity to private homes, buffers	Potential partnering with HOAs

Cost to maintain new uses	Land banking options for LT future	Leasing land with revenues to Town
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El Conquistador Non-golf Parcel Summary

Parcels shown on Options A, B and C that are removed from golf uses under the specific plans fall into three primary categories. These are:

1. Narrower parcels, such as existing fairways with residential lots to either side.
2. Wider parcels, such as those where golf holes oppose one another or where there are not existing residential lots in close proximity to parcel edges.
3. Parcels with direct access to major roadways, such as those along La Cañada Drive.

In evaluating parcels for their suitability to repurpose, these categories become important when considering appropriate non-golf uses. For example, more intense recreation uses may be suitable for parcels falling into category “2” but may not be ideal for those in category “1.” New residential lots may be appropriate in category “3” while they may not be in category “1.” These are just examples and may be proven otherwise after appropriate planning and study.

Specific Repurposing Considerations at Pusch Ridge GC

Parcels shown in the Pusch Ridge Transformation Concept Plan need to be further evaluated for their appropriateness for certain repurposing alternatives. The following factors and concepts need to be weighed in this process.

Parcel size (width)	Long term financial sustainability	Partial retention of golf uses
Parcel location and terrain	Revenue generation potential	Blending natural space with new use
Parcel access	Zoning / entitlements on parcels	Revenue-generating public recreation
Cost to repurpose	Proximity to private homes, buffers	Potential partnering with HOAs
Cost to maintain new uses	Land banking options for LT future	Leasing land with revenues to Town
Integration of recreation uses and potential synergy with the El Conquistador Resort		

Pusch Ridge Non-golf Parcel Summary

Parcels that are removed from golf as shown on the Pusch Ridge Transformation Plan, and also that may be realized in the event that the Pusch Ridge facility is fully closed and turned into all non-golf uses, fall into three primary categories. These are:

1. Narrower parcels, such as existing fairways with residential lots to either side. (Not shown on the transformation plan, but would occur at existing Hole Nos. 3 and 8 as examples if the facility were fully closed.)
2. Wider parcels, such as “Parcel 1” and “Parcel 2” on the transformation plan.
3. Parcels with access, yet are smaller and more isolated, such as “Parcel 3,” “Parcel 4” and “Parcel 5.”

In evaluating parcels for their suitability to repurposing, these categories become important when considering appropriate non-golf uses. For example, more intense recreation uses may be suitable for parcels falling into category “2” but may not be ideal for those in category “1” or “3.” New residential lots may be appropriate in category “2” and “3” while they may not be in category “1.” These are just examples and may be proven otherwise after appropriate planning and study.

El Conquistador Resort Compatibility & Considerations

Specific consideration should be given to the adjacent El Conquistador resort operation and its impact to the Town. El Conquistador Resort represents a travel and hospitality destination for the Town of Oro Valley. The Pusch Ridge GC, while plagued with maintenance and configuration drawbacks as previously explained, is none-the-less the golf amenity for the resort. In essence, the current Pusch Ridge Golf Course provides the “front door” to the resort and also serves the resort neighborhood as a “Central Park” of sorts.

If the existing golf facility is closed fully the impact to the resort may be dramatic. This outcome is dependent on what repurposing is ultimately offered and how those plans are implemented. With no golf the resort will forever be required to send guests off property for golf events and bookings. Typically, this is not ideal in hospitality operations, especially where an on-property golf course may be available right out the resort’s front door.

As noted, HSL Properties (owner of the resort) has expressed enthusiasm for a transformation concept such as that shown in our accompanying plan. The consultant team understands that the resort would embrace this transformation for obvious reasons, namely that it would yield a new and exciting golf experience for the resort to market and drive play. In the absence of more specific plans for non-golf uses on all of the existing golf parcels, it is difficult to judge the resort owner’s enthusiasm. This is to be expected as it is difficult to envision what is not yet rendered, even in schematic form.

The dynamic of the resort’s enthusiasm brings into focus the relationship between the Town and the resort. It must not be discounted how this relationship can to be balanced for the benefit of both parties. Further, the neighborhoods surrounding the resort are part of the overall dynamic. In the end, the best solution for all parties is to balance repurposing so that the new use becomes a win-win solution for the Town, the resort and the neighborhoods.

Should the Town select the option to close the Pusch Ridge facility outright, it is not only likely to affect the resort, but will bring up the question of whether a transformed golf course (as an option) would have had a greater benefit to both the Town and resort in contrast to other, 100% non-golf, uses. As the resort prospers it generally follows that the Town will also prosper. Conversely, should the Town select the option to transform the existing golf into the 12-hole concept with certain parcels open for other uses, it may be questioned why the Town is expected to bear this investment cost when it has the appearance of primarily furthering the resort’s interests. The question may become even more entangled when public sentiment is expressed that compares the investment at Pusch Ridge with decisions at El Conquistador.

Concepts for Consideration

The answers to the above questions are complex and will require further study above and beyond this consultant engagement. Again, it remains the “win-win-win” outcome that should ultimately prevail to benefit the Town, resort and neighborhoods. In reaching this goal, we have organized the following considerations and concepts that may be helpful to make decisions at Pusch Ridge:

- **Partial Repurposing.** As shown on the proposed Transformation Concept Plan, golf can be retained with certain parcels made available for repurposing.
- **Revenue Earmarked For Golf Re-Investment.** As noted above, ground lease options can provide for the Town to offer certain parcels (or portions of parcels) to qualified developers with revenue returning to sustain golf and other recreation operations.
- **Resort Commitment.** Having a high-quality golf experience “on” property for the resort may be correlated to a guarantee of tee times at the golf facility by the resort entity. This is typical in public-private situations where the public sector maintains a golf property for partial use by a resort operation. The resort guarantees a certain number of tee times to the golf entity and is given in return, access and limited privileges.
- **Resort Participation with Golf Pro Shop.** It may be practical to work with HSL Properties on developing a small, stand-alone pro shop as part of the resort’s current “Western Town” experience. This space could serve the golf by transacting tee times, offering food and beverage and generally anchoring the golf starting point. This concept would eliminate the need for a fully staffed pro shop/clubhouse.
- **Neighborhood Commitment.** Currently there is no subsidy of the golf open space by the neighborhoods. In some situations, neighborhoods have been asked to participate in order to maintain golf assets. This may be realized by nominal amounts earmarked for the golf to remain in years when the golf does not produce ample revenue to be financially self-sustaining. As a means to offset such contributions, residential owners can be provided discounts and limited “memberships” that provide access and privileges that run with the property in perpetuity.
- **Transaction Funds.** As individual lots or resort units are sold it may be advantageous to consider a transaction fee to be collected that would grow a fund to help sustain the golf amenity. This is used throughout Arizona and other states by HOAs as a means to offset operational losses of recreation assets, such as golf, during times when revenues fall short of costs.
- **Effluent Water Conversion.** Currently the Pusch Ridge facility operates on potable water as no close-by effluent source is available. Consideration may be given to potentially working with the resort to eventually install a localized water treatment plant for the purpose of treating resort and community sewage and making it available for golf/parks use.

Financial Analysis of Expected El Conquistador Golf & Tennis Performance

As part of this NGF study effort, the consultants have prepared an economic evaluation to show the potential economic performance of the El Conquistador G&T under certain scenarios of facility size and operational performance. In this section of our report, the ECGT's economic potential is evaluated and summarized. All NGF projections are based on a set of assumptions that may or may not become reality. We feel that these estimates represent the best effort to create a "fair estimate of performance" for this facility based on our complete review of the operation and market environment.

The NGF projections have been prepared under four separate scenarios of ECGT operation, along with a separate estimate for Pusch Ridge. The projections are based on the NGF's preliminary recommendations to the Town on future changes that may (or may not) occur at the facility. The four ECGT scenarios considered include: (1) Continue "as-is" with no major changes but only repairs and minor improvements; (2) completion of a golf course renovation resulting in the retention of 36 holes; (3) a renovation resulting in 27 holes; and (4) a renovation resulting in 18 holes at ECGT.

All four scenarios generally assume that ECGT will adopt other recommendations related to improved marketing, enhancing event and banquet operations and actively seeking to grow non-resident and non-regular-play golf activity. With many golf facilities competing at the similar 'standard' price points, revenue growth based on increasing average rates cannot be relied upon, so most growth must be derived from increases in rounds activity. Market conditions and other factors likely dictate that ECGT will remain a modest volume producer for the foreseeable future, but rounds activity and other revenues can be enhanced with strategic marketing, increased awareness of the excellent value these courses offer, and improved amenities to make the facilities more competitive for larger outings, banquets, etc.

SUMMARY OF ORO VALLEY GOLF PROJECTIONS

NGFC has made projections for each of the four scenarios based on expected performance in a "normal" environment and the implementation of NGF recommendations. In the tables that follow, NGF has summarized the projections for ECGT under each scenario with estimates of performance by revenue and expense line items. The NGF has not reviewed or projected any direct capital cost to complete the enhancements, as this is assumed to be provided separately from the golf operation, and that no additional cost such as debt service will be applied to the golf enterprise. We note that these projections are based on NGF estimates for future performance in consideration of recommendations made for ECGT under the four scenarios as noted above.

"As-Is" Base Scenario – Full 45 Hole Operation

The projections we have made assume the ECGT operation will continue "as is," but with some improvement to marketing, technology and operating efficiencies. The number of holes remains intact, including the existing 9 holes at Pusch Ridge. The existing agreement between the Town and Troon is assumed to remain in force with continued Troon operation of the Overlook restaurant. The Town's projected capital plan to enhance the community center and clubhouse is also assumed to proceed as planned.

Basic Assumptions – “As-Is” Operation

Other key assumptions in the NGF projections:

- The overall economic condition remains stable, without any sizable increase or decrease in the Oro Valley area economy, employment, or visitation.
- The basic pricing structure will remain in place and memberships will continue to be offered at the same rate and privilege as today.
- The decline in rounds observed is assumed to recover and stabilize at around 50,000 total rounds on 36 holes at ECGT. Pusch Ridge rounds continue to decline slightly, falling to 4,000 by Year 5. The rounds and membership activity projected by NGF assume a new “stable” level of activity, with some years falling below and some years rising above this expected ‘average’ figure. The projected activity by type through Year 5:

El Conquistador G&T	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Members	240	250	250	250	250
Member Rounds	25,200	26,300	26,300	26,300	26,300
Daily Fee Rounds	20,000	22,000	23,000	24,000	24,000
Total ECGT Rounds	45,200	48,300	49,300	50,300	50,300
Pusch Ridge Rounds	4,500	4,300	4,200	4,100	4,000
Total Rounds	49,700	52,600	53,500	54,400	54,300

- The average revenue per round for green fees is projected at FY2017 levels for Year 1 of the ECGT projection, with 1.5% annual increases through Year 5. This is reflective of a program to retain basic fee levels and retain the membership component at ECGT through Year 5. Average revenue for carts, merchandise, F&B, swim/tennis, and other revenues are projected at 2017 levels for Year 1. Direct cost of sales for merchandise is held at 75%. Average revenue for The Overlook is projected at 2017 levels for Year 1. Total cost of sales on F & B is estimated at the historical 35%.

Blended Average Fees	Year 1	Year 2	Year 3	Year 4	Year 5
Average Member Rate	\$3,650	\$3,705	\$3,760	\$3,817	\$3,874
Average Rate for 18h Courses	\$38.00	\$38.57	\$39.15	\$39.74	\$40.33
Average Pusch rate	\$21.00	\$21.32	\$21.63	\$21.96	\$22.29
Average Pro Shop	\$4.65	\$4.72	\$4.79	\$4.86	\$4.94
Average F&B	\$13.75	\$13.96	\$14.17	\$14.38	\$14.59
Average Swim/Tennis	\$6.00	\$6.09	\$6.18	\$6.27	\$6.37
Average Driving Range	\$0.90	\$0.91	\$0.93	\$0.94	\$0.96
Average Lessons	\$0.25	\$0.25	\$0.26	\$0.26	\$0.27
Average Other	\$0.25	\$0.25	\$0.26	\$0.26	\$0.27

- Operating expenses in Year 1 are retained at 2017 levels, including additional cost of sales for service commissions and lessons. All labor-related and other expenses are projected to grow annually at 2.5% based on historical records and recent trends.

Economic Performance Projections – “As-Is” Scenario

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

Projected Cash Flow Analysis
EI Conquistador Golf & Tennis (Incl. Pusch Ridge)
“As-Is” 45-Hole Operation

Golf Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Golf Fees	\$854,500	\$940,200	\$991,300	\$1,043,700	\$1,057,200
Member Dues	876,000	926,200	940,100	954,200	968,500
Merchandise Sales	213,600	231,300	239,400	247,800	251,400
Food & Beverage	621,500	674,100	698,400	723,200	734,100
Swim & Tennis Service	271,200	294,100	304,700	315,600	320,300
Range Rental & Other	40,700	44,100	45,700	47,300	48,000
Golf Lessons & School	11,300	12,300	12,700	13,100	13,300
Other	12,400	13,400	13,800	14,200	14,400
Total ECGT Revenue	\$2,901,200	\$3,135,700	\$3,246,100	\$3,359,100	\$3,407,200
Less Cost of Sales: (COS)					
Merchandise	\$160,000	\$173,200	\$179,400	\$185,700	\$188,400
Food/Bev.	\$217,500	\$235,900	\$244,400	\$253,100	\$256,900
Svc. Commissions/Lessons	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
Total COS	\$567,500	\$599,100	\$613,800	\$628,800	\$635,300
Combined Facility Gross Margin	\$2,333,700	\$2,536,600	\$2,632,300	\$2,730,300	\$2,771,900
Operating Expenses					
Payroll	\$1,670,000	\$1,711,800	\$1,754,600	\$1,798,400	\$1,843,400
Benefits + Other EE Related	417,500	428,000	438,700	449,600	460,900
Repairs & Maintenance	410,000	420,300	430,900	441,700	452,800
Operating Expenses	254,000	260,400	266,900	273,600	280,400
Utilities	1,270,000	1,301,800	1,334,400	1,367,800	1,402,000
Leases	290,000	297,300	304,700	312,300	320,100
Marketing	79,500	81,500	83,500	85,600	87,700
Taxes, Licenses, Insurance	5,000	5,100	5,200	5,300	5,400
Total Operating Expense	\$4,396,000	\$4,506,200	\$4,618,900	\$4,734,300	\$4,852,700
Net Income Before Other	(\$2,062,300)	(\$1,969,600)	(\$1,986,600)	(\$2,004,000)	(\$2,080,800)
Management Fee	\$144,000	\$144,000	\$144,000	\$144,000	\$144,000
Net Income After Mgt. Fee	(\$2,206,300)	(\$2,113,600)	(\$2,130,600)	(\$2,148,000)	(\$2,224,800)
Local Sales Tax	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Facility Net after All Items	(\$206,300)	(\$113,600)	(\$130,600)	(\$148,000)	(\$224,800)

Option A – ECGT Renovation w/ 36 Holes & New Pusch Ridge Concept

The projections made for the upgrade scenario assume all of the base assumptions in the “as-is” scenario, with the following exceptions:

Basic Assumptions – Option A

- The full 36-hole ECGT golf facility is renovated and enhanced as proposed by FRA and presented as “Option A” (**Appendix C**), with total new investment of \$5.1 million. This renovation will remove 21.2 acres of turf from maintenance (approximately 11% of turf) for potential re-purposing.
- All ECGT activity and revenue inputs remain constant from the base scenario.
- As the Pusch Ridge facility is upgraded to the “Dirty Dozen” 12-hole concept, rounds and revenue for Pusch Ridge are adjusted according to the estimate below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Pusch Ridge (“Dirty Dozen”) Rounds	4,500	6,000	7,000	7,500	7,500

- The Overlook Restaurant is leased to a 3rd-party operator under a separate agreement for 10% of total revenue. As such, total revenue to the Town would be 10% of gross on F&B, plus all direct expenses for the F&B operation (COS, labor and operations) would be eliminated from the ECGT projections.
- Total operating expenses are adjusted as follows:
 - F&B expenses are eliminated as noted above
 - ECGT golf course maintenance expenses for payroll, repairs & maint. And operations are reduced by 20% to reflect reduced maintained acreage.
 - Total ECGT utilities expense is reduced by 20% to reflect reduced irrigated acreage and efficiencies in new irrigation system.

Economic Performance Projections – Option A ECGT Renovation w/ 36 Holes & New Pusch Ridge Concept

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow model for the ECGT upgrade scenario in the table below - all figures have been rounded to \$100.

Projected Cash Flow Analysis					
EI Conquistador Golf & Tennis (incl. Pusch Ridge)					
“Enhanced” 45-Hole Operation					
Golf Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Golf Fees	\$854,500	\$976,400	\$1,051,800	\$1,118,400	\$1,135,200
Member Dues	876,000	926,200	940,100	954,200	968,500
Merchandise Sales	213,600	232,600	241,600	250,500	254,200
Food & Beverage	62,200	67,400	69,800	72,300	73,400
Swim & Tennis Service	271,200	294,100	304,700	315,600	320,300
Range Rental & Other	40,700	44,100	45,700	47,300	48,000
Golf Lessons & School	11,300	12,300	12,700	13,100	13,300
Other	12,300	13,300	13,700	14,100	14,300
Total ECGT Revenue	\$2,341,800	\$2,566,400	\$2,680,100	\$2,785,500	\$2,827,200
Less Cost of Sales: (COS)					
Merchandise	\$160,000	\$174,100	\$180,800	\$187,500	\$190,200
Food/Bev.	\$0	\$0	\$0	\$0	\$0
Svc. Commissions/Lessons	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
Total COS	\$350,000	\$364,100	\$370,800	\$377,500	\$380,200
Combined Facility Gross Margin	\$1,991,800	\$2,202,300	\$2,309,300	\$2,408,000	\$2,447,000
Operating Expenses					
Payroll	\$1,170,000	\$1,199,300	\$1,229,300	\$1,260,000	\$1,291,500
Benefits + Other EE Related	292,500	299,800	307,300	315,000	322,900
Repairs & Maintenance	360,000	369,100	378,400	387,900	397,600
Operating Expenses	204,000	209,100	214,300	219,700	225,200
Utilities	985,000	1,009,700	1,035,000	1,060,900	1,087,400
Leases	290,000	297,300	304,700	312,300	320,100
Marketing	79,500	81,500	83,500	85,600	87,700
Taxes, Licenses, Insurance	6,000	6,100	6,200	6,300	6,400
Total Operating Expense	\$3,387,000	\$3,471,900	\$3,558,700	\$3,647,700	\$3,738,800
Net Income Before Other	(\$1,395,200)	(\$1,269,600)	(\$1,249,400)	(\$1,239,700)	(\$1,291,800)
Management Fee	\$144,000	\$144,000	\$144,000	\$144,000	\$144,000
Net Income After Mgt. Fee	(\$1,539,200)	(\$1,413,600)	(\$1,393,400)	(\$1,383,700)	(\$1,435,800)
Local Sales Tax	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Facility Net after All Items	\$460,800	\$586,400	\$606,600	\$616,300	\$564,200

Option B – ECGT Renovation w/ 27 Holes & New Pusch Ridge Concept

NGF has prepared a projection for the El Conquistador G&T under the assumption that a complete renovation and reduction to 27 holes at ECGT is completed as proposed by FRA and presented as “Option B” (**Appendix C**). This renovation will remove 32 acres of turf from maintenance (approximately 16% of turf) for potential re-purposing. The program also assumes implementation of the new “Dirty Dozen” 12-hole concept for Pusch Ridge. The total investment proposed under “Option B” was previously identified as \$4.64 million. The projections made for the new 27-hole (plus 12 at Pusch Ridge) scenario assumes all of the base assumptions in the “as-is” scenario, except:

Basic Assumptions – Option B

- With a change to 27 holes at ECGT, the activity production is expected to change. NGF assumes the core of 120+/- members who reside within the adjacent community and have private carts are likely to remain, and may become the only members. Some of the lost activity will be picked up by additional daily fee play. The new activity schedule projected by NGF is shown below:

El Conquistador G&T	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Members	180	160	130	120	120
Member Rounds	18,900	16,800	13,700	12,600	12,600
Daily Fee Rounds	20,000	23,800	26,900	28,000	28,000
Total ECGT Rounds	38,900	40,600	40,600	40,600	40,600
Pusch Ridge Rounds	4,500	6,000	7,000	7,500	7,500
Total Rounds	43,400	46,600	47,600	48,100	48,100

- All ECGT revenue inputs remain constant from the base scenario.
- The Overlook Restaurant is leased to a 3rd-party operator under a separate agreement for 10% of total revenue. As such, total revenue to the Town would be 10% of gross on F&B, plus all direct expenses for the F&B operation (COS, labor and operations) would be eliminated from the ECGT projections.
- Total operating expenses are adjusted as follows:
 - F&B expenses are eliminated as noted above
 - ECGT golf course maintenance expenses for payroll, repairs & maint. And operations are reduced by 35% to reflect reduced maintained acreage.
 - Total ECGT utilities expense is reduced by 35% to reflect reduced irrigated acreage and efficiencies in new irrigation system.

Economic Performance Projections – Option B ECGT Renovation w/ 27 Holes & New Pusch Ridge Concept

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow model for the ECGT upgrade scenario in the table below - all figures have been rounded to \$100.

Projected Cash Flow Analysis					
EI Conquistador Golf & Tennis (incl. Pusch Ridge)					
“Enhanced” 39-Hole Operation (27@ECGT + 12@PR)					
Golf Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Golf Fees	\$854,500	\$1,045,900	\$1,204,500	\$1,277,300	\$1,296,500
Member Dues	\$657,000	\$592,800	\$488,800	\$458,000	\$464,900
Merchandise Sales	184,300	196,200	199,900	203,300	206,400
Food & Beverage	62,200	67,400	69,800	72,300	73,400
Swim & Tennis Service	271,200	294,100	304,700	315,600	320,300
Range Rental & Other	40,800	43,300	43,900	44,600	45,200
Golf Lessons & School	9,700	10,300	10,500	10,600	10,800
Other	10,800	11,800	12,300	12,600	12,800
Total ECGT Revenue	\$2,090,500	\$2,261,800	\$2,334,400	\$2,394,300	\$2,430,300
Less Cost of Sales: (COS)					
Merchandise	\$138,000	\$146,800	\$149,500	\$152,100	\$154,300
Food/Bev.	\$0	\$0	\$0	\$0	\$0
Svc. Commissions/Lessons	\$160,000	\$164,000	\$168,100	\$172,300	\$176,600
Total COS	\$298,000	\$310,800	\$317,600	\$324,400	\$330,900
Combined Facility Gross Margin	\$1,792,500	\$1,951,000	\$2,016,800	\$2,069,900	\$2,099,400
Operating Expenses					
Payroll	\$895,000	\$917,400	\$940,300	\$963,800	\$987,900
Benefits + Other EE Related	223,800	229,400	235,100	241,000	247,000
Repairs & Maintenance	250,000	256,300	262,800	269,400	276,200
Operating Expenses	179,000	183,500	188,100	192,800	197,600
Utilities	800,000	820,100	840,600	861,600	883,100
Leases	290,000	297,300	304,700	312,300	320,100
Marketing	79,500	81,500	83,500	85,600	87,700
Taxes, Licenses, Insurance	6,000	6,100	6,200	6,300	6,400
Total Operating Expense	\$2,723,300	\$2,791,600	\$2,861,300	\$2,932,800	\$3,006,000
Net Income Before Other	(\$930,800)	(\$840,600)	(\$844,500)	(\$862,900)	(\$906,600)
Management Fee	\$144,000	\$144,000	\$144,000	\$144,000	\$144,000
Net Income After Mgt. Fee	(\$1,074,800)	(\$984,600)	(\$988,500)	(\$1,006,900)	(\$1,050,600)
Local Sales Tax	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Facility Net after All Items	\$925,200	\$1,015,400	\$1,011,500	\$993,100	\$949,400

Option C – ECGT Renovation w/ 18 Holes & New Pusch Ridge Concept

NGF has prepared a projection for the El Conquistador G&T under the assumption that a complete renovation and reduction to only 18 holes is completed at ECGT as proposed by FRA and presented as “Option C” (**Appendix C**). This renovation will remove 83.2 acres of turf from maintenance (approximately 43% of turf) for potential re-purposing. The program also assumes implementation of the new “Dirty Dozen” 12-hole concept for Pusch Ridge. The total investment proposed under “Option C” was previously identified as \$4.2 million. The projections made for the new 18-hole (plus 12 at Pusch Ridge) scenario assume all of the base assumptions in the “as-is” scenario, except:

Basic Assumptions – Option C

- With a change to 18 holes at ECGT, the activity production is expected to change and be more commensurate with 18-hole courses in the market area. NGF assumes the membership would ultimately fall to about 80+/- of the core adjacent residents with private carts. Some of the lost activity will be picked up by additional daily fee play. The new activity schedule projected by NGF is shown below:

El Conquistador G&T	Year 1	Year 2	Year 3	Year 4	Year 5
No of Members	120	100	80	80	80
Member Rounds	12,600	10,500	8,400	8,400	8,400
Daily Fee Rounds	20,000	21,000	22,000	23,000	24,000
Total ECGT Rounds	32,600	31,500	30,400	31,400	32,400
Pusch Ridge Rounds	4,500	6,000	7,000	7,500	7,500
Total Rounds	37,100	37,500	37,400	38,900	39,900

- All ECGT revenue inputs remain constant from the base scenario.
- The Overlook Restaurant is leased to a 3rd-party operator under a separate agreement for 10% of total revenue. As such, total revenue to the Town would be 10% of gross on F&B, plus all direct expenses for the F&B operation (COS, labor and operations) would be eliminated from the ECGT projections.
- Total operating expenses are adjusted as follows:
 - F&B expenses are eliminated as noted above
 - ECGT golf course maintenance expenses for payroll, repairs & maint. and operations, are reduced by 45% to reflect reduced maintained acreage.
 - Total ECGT utilities expense is reduced by 45% to reflect reduced irrigated acreage and efficiencies in new irrigation system.

Economic Performance Projections – Option C ECGT Renovation w/ 18 Holes & New Pusch Ridge Concept

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow model for the ECGT upgrade scenario in the table below - all figures have been rounded to \$100.

Projected Cash Flow Analysis					
EI Conquistador Golf & Tennis (incl. Pusch Ridge)					
“Enhanced” 30-Hole Operation (18@ECGT + 12@PR)					
Golf Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Golf Fees	\$854,500	\$937,900	\$1,012,700	\$1,078,600	\$1,135,200
Member Dues	\$438,000	\$328,500	\$236,500	\$212,900	\$191,600
Merchandise Sales	155,000	153,300	151,000	158,600	165,900
Food & Beverage	62,200	67,400	69,800	72,300	73,400
Swim & Tennis Service	195,600	191,800	187,900	197,000	206,300
Range Rental & Other	35,900	35,200	34,500	36,100	37,800
Golf Lessons & School	8,200	8,000	7,800	8,200	8,600
Other	9,200	9,000	8,800	9,200	9,600
Total ECGT Revenue	\$1,758,600	\$1,731,100	\$1,709,000	\$1,772,900	\$1,828,400
Less Cost of Sales: (COS)					
Merchandise	\$113,700	\$111,500	\$109,200	\$114,500	\$119,900
Food/Bev.	\$0	\$0	\$0	\$0	\$0
Svc. Commissions/Lessons	\$120,000	\$123,000	\$126,100	\$129,300	\$132,500
Total COS	\$233,700	\$234,500	\$235,300	\$243,800	\$252,400
Combined Facility Gross Margin	\$1,524,900	\$1,496,600	\$1,473,700	\$1,529,100	\$1,576,000
Operating Expenses					
Payroll	\$795,000	\$814,900	\$835,300	\$856,100	\$877,500
Benefits + Other EE Related	198,800	203,700	208,800	214,000	219,400
Repairs & Maintenance	240,000	246,100	252,300	258,600	265,100
Operating Expenses	194,000	198,900	203,900	209,000	214,200
Utilities	690,000	707,300	725,000	743,100	761,600
Leases	290,000	297,300	304,700	312,300	320,100
Marketing	79,500	81,500	83,500	85,600	87,700
Taxes, Licenses, Insurance	6,100	6,600	7,000	7,300	7,400
Total Operating Expense	\$2,493,400	\$2,556,300	\$2,620,500	\$2,686,000	\$2,753,000
Net Income Before Other	(\$968,500)	(\$1,059,700)	(\$1,146,800)	(\$1,156,900)	(\$1,177,000)
Management Fee	\$144,000	\$144,000	\$144,000	\$144,000	\$144,000
Net Income After Mgt. Fee	(\$1,112,500)	(\$1,203,700)	(\$1,290,800)	(\$1,300,900)	(\$1,321,000)
Local Sales Tax	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Facility Net after All Items	\$887,500	\$796,300	\$709,200	\$699,100	\$679,000

Pusch Ridge – Projected Performance

NGF has documented the declines in rounds and revenue at Pusch Ridge GC and the consulting team fully expects these reductions to continue into the intermediate and long-term future. Put simply, Pusch Ridge does not have market appeal as it is in 2017, and the economic losses on the operation are likely to get worse as time goes on. In our review of the Town’s overall golf system, NGF and FRA have reviewed the two options that Town has in continuing operations at Pusch Ridge – continue as a 9-hole facility (‘as-is”) or modify in to something more unique and marketable. There is always a third option of closing the course entirely that was not analyzed by the consulting team. A review of each option follows below:

Continue as 9-Hole Course - “As-Is”

The projections made for continuing Pusch Ridge as 9-hole course with no modifications are shown below. Key assumptions in developing the projections include:

- Continued declines in activity, falling to around 4,000+/- total rounds by Year 5. Pusch Ridge would continue as a 6-month operation, closing each summer as at present.
- The course would continue to operate without a formal pro shop or food and beverage operation. The only ancillary sales would be minor merchandise (balls, tees, hats, etc.) and vending snack items.
- Revenues assume an average of approximately \$21.00 per round for all golf fees, services and charges at Pusch Ridge GC, with 1.5% inflation through Year 5.
- Expenses are assumed to reflect the current reduced operation, with minimal staff and utilities as the largest expense item.
- A summary of expected performance is shown below:

Projected Cash Flow Analysis Pusch Ridge GC 9-Hole “As-Is” Operation					
Rounds	4,500	4,300	4,200	4,100	4,000
Golf Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Golf Fees	\$94,500	\$91,700	\$90,900	\$90,000	\$89,200
Merchandise / Snacks	3,400	3,300	3,200	3,200	3,200
Other	1,100	1,100	1,100	1,100	1,100
Total Golf Revenue	\$99,000	\$96,100	\$95,200	\$94,300	\$93,500
Total COS	\$2,300	\$2,200	\$2,200	\$2,200	\$2,200
Operating Expenses					
Total Personnel	\$70,000	\$71,800	\$73,600	\$75,400	\$77,300
Repairs & Maintenance	10,000	10,300	10,600	10,900	11,200
Operations	4,000	4,100	4,200	4,300	4,400
Utilities	120,000	123,000	126,100	129,300	132,500
Marketing	1,500	1,500	1,500	1,500	1,500
Other	1,000	1,000	1,000	1,000	1,000
Total Expense	\$206,500	\$211,700	\$217,000	\$222,400	\$227,900
Facility Net	(\$109,800)	(\$117,800)	(\$124,000)	(\$130,300)	(\$136,600)

Enhance Pusch Ridge w/ “Dirty Dozen” Concept

NGF has prepared a projection for Pusch Ridge under the assumption that the golf course would remain open with a complete renovation of the facility into a 12-hole concept and a “Dirty Dozen” branding as proposed by FRA and presented as “Pusch Ridge Option” (Appendix C). This renovation will remove 14.9 acres of turf from the facility, mostly along the interior of holes bordering directly on the EI; Conquistador entry roadway. The total investment proposed for this Pusch Ridge Concept was previously identified as \$3.0 million. The projections made for the new 12-hole concept assume all of the base assumptions in the “as-is” scenario, except:

- The new concept is marketed and gains support from the adjacent resort. Rounds improve to 7,500 by the fourth year of operation. Pusch Ridge would continue as a 6-month operation, closing each summer as at present.
- The course would continue to operate without a formal pro shop or food and beverage operation. The only ancillary sales would be minor merchandise (balls, tees, hats, etc.) and vending snack items.
- Revenues assume an average of approximately \$21.00 per round for all golf fees, services and charges at Pusch Ridge GC, with 1.5% inflation through Year 5.
- Expenses are assumed to reflect the current reduced operation, with minimal staff and utilities as the largest expense item. Other changes in expenses from turf reduction:
 - Total ECGT utilities expense is reduced by 65% to reflect reduced irrigated acreage and efficiencies in new irrigation system.
- A summary of expected performance is shown below:

Projected Cash Flow Analysis Pusch Ridge GC 12-Hole “Dirty Dozen” Operation					
Rounds	4,500	6,000	7,000	7,500	7,500
Golf Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Golf Fees	\$94,500	\$127,900	\$151,400	\$164,700	\$167,200
Merchandise / Snacks	3,400	4,600	5,400	5,900	6,000
Other	1,100	1,500	1,800	2,000	2,000
Total Golf Revenue	\$99,000	\$134,000	\$158,600	\$172,600	\$175,200
Total COS	\$2,300	\$3,100	\$3,600	\$4,000	\$4,000
Operating Expenses					
Total Personnel	\$70,000	\$71,800	\$73,600	\$75,400	\$77,300
Repairs & Maintenance	10,000	10,300	10,600	10,900	11,200
Operations	4,000	4,100	4,200	4,300	4,400
Utilities	50,000	51,300	52,600	53,900	55,200
Marketing	1,500	1,500	1,500	1,500	1,500
Other	1,000	1,000	1,000	1,000	1,000
Total Expense	\$136,500	\$140,000	\$143,500	\$147,000	\$150,600
Facility Net	(\$39,800)	(\$9,100)	\$11,500	\$21,600	\$20,600

“Dirty Dozen” Concept Revenue Potential

The base level projection shows the expected performance of Pusch Ridge under the assumption of continued operation with limited staff, minimal marketing and six-month closure during the summer. If the new and exciting concept added to this site were to be aggressively marketed and the adjacent resort was to funnel golfers to the new “Dirty Dozen” golf course, the economic performance of the facility would be improved considerable. In considering this possibility, NGF shows a realistic estimate of potential under a number of different scenarios, all of which assume lower personnel expense without a traditional pro shop staff, deferring to a resort-Town program to collect green fees, etc. These estimates are based on several assumptions as noted, and also consider the actual performance of other par-3 golf courses in comparable resort settings:

- The “Base” projection assumes a modest improvement to 7,500 rounds by Year 4, and matches the Year 4 projection noted above. Pusch Ridge would continue as a 6-month operation, closing each summer as at present.
- A second projection is prepared under the assumption of enhanced marketing and promotion of the new concept, plus enhancements to staff and year-round operation. Expenses are adjusted to account for the year-round operation and additional on-site staff presence.
- The third projection is prepared under the assumption of both enhanced marketing and full buy-in from the adjacent resort, possibly through advance purchase of 4,000± rounds per year. Expenses are adjusted to account for the year-round operation and additional on-site staff presence:
- A summary of projected income under each scenario is shown below:

Year 4 Cash Flow Projection 12-Hole “Dirty Dozen” Operation Summary of Income Potential			
	Base	Enhanced Marketing	Full Commitment from Resort
Rounds	7,500	12,000	16,000
Golf Revenue			
Golf Fees	\$164,700	\$263,500	\$351,300
Merchandise / Snacks	5,900	9,400	12,500
Other	2,000	3,100	4,200
Total Golf Revenue	\$172,600	\$276,000	\$368,000
Total COS	\$4,000	\$6,300	\$8,400
Operating Expenses			
Total Personnel	\$75,400	\$125,000	\$150,000
Repairs & Maintenance	10,900	20,000	30,000
Operations	4,300	10,000	10,000
Utilities	53,900	60,000	60,000
Marketing	1,500	3,000	4,000
Other	1,000	2,000	3,000
Total Expense	\$147,000	\$220,000	\$257,000
Facility Net	\$21,600	\$49,700	\$102,600

SUMMARY DISCUSSION – NGF/FRA PROJECTIONS

The results of the NGF financial projection analysis show that all of the options analyzed by NGF/FRA will improve the economic position of ECGT, largely through reduced maintenance expenses (fewer maintained acres) and shifting the F&B operation to a third-party vendor. Still, even with NGF recommendations and the modest growth of rounds and revenues, we still expect ECGT to see challenges in the next few years. Continued operation with rounds at or near current levels (under 50,000 total) will not lead to profitability for ECGT, and severe losses will continue, but become more manageable for the Town under any of the renovation options presented.

The analysis also shows that the 27-hole option (Option B) at ECGT will most likely result in the strongest net performance for the Town. This is due to the 27-hole option allowing ECGT to retain a strong share of members and still service a comparable amount of daily fee play to what is serviced today. The 27-hole design provides flexibility to still allow for certain “member blocks” to be accommodated and even a select timing of shotgun starts. The 36-hole option is still providing too much golf and higher maintenance costs, while the 18-hole option will likely chase away all but the most die-hard resident members with private carts, thus resulting in revenue that is much lower than the savings in maintenance expense. The NGF/FRA team also notes that the 27-hole option provides the Town with some flexibility if the golf market were to recover or if the operator is successful in growing activity, the capacity is still there to accommodate the increase.

Other findings from financial projections:

- If ECGT is to continue “as-is,” without facility enhancement, there will not be any driver to reduce expenses or produce increased rounds or revenue. The result will be even larger losses on operations in the coming years as expense inflation out-paces revenue increases. Losses on operations could grow as large as **(\$2.2 million)**, even if rounds increase to over 54,300 after five years (9.3% increase in rounds).
- If the ECGT is renovated to reduce maintained acreage, provide a new and modern irrigation system, and a modernized clubhouse, the facility would see improvement in economic performance regardless of the number of holes. If the concept of a new, third-party vendor to operate and absorb the risk in the F&B operation is included in the facility changes, the economic performance should improve with immediate elimination of the large loss on F&B operations.
- While continued operation of Pusch Ridge is problematic for the Town, the NGF/FRA plan shows that a new dynamic change to the facility could help significantly reduce the maintenance on that golf course. With only 11.5 acres to maintain and irrigate, the new Pusch Ridge (“Dirty Dozen”) will be able to achieve profitability with as little as 7,500± rounds annually, assuming an operating concept comparable to today. With enhanced marketing and full buy-in from the resort (pre-paid rounds) the new Pusch Ridge facility could contribute as much as \$112,000± in profit to the operation.
- If the club is upgraded and reduced to 27 holes, the NGF projects better economic performance, but still a loss on operations. The net income will improve because the revenue drivers derived from enhanced facilities noted above would still be present, but the total golf maintenance expense for a “premium” facility with only 27 holes of golf would help close the gap on operations. Combined with the Town’s approximately \$2.0 million sales tax earmark, the NGF projects as much as \$1.0 million± per year could be available for other capital projects. The capacity is so high on a 36-hole operation, that ECGT is not likely to experience capacity issues on 27 holes, except for the four or five busiest days of the year.

Summary Matrix of NGF/FRA Projections

The table below provides a summary of the analysis of three renovation options along with a base scenario assuming ECGT continues “as-is.” The information provided includes the total investment for ECGT required under each option (excluding Pusch Ridge) and an estimate of total land acreage that could become available for alternate (non-golf) use. This information, combined with the projected rounds, revenue and expenses estimated by NGF in this analysis, provides the Town with a clear insight into the economic implications of each option. Moving forward, it is likely that the Town’s ultimate use of the newly available acreage will be the key to the success of any of these options, particularly if the land can be used to provide a source of capital to the Town for use in capital projects at ECGT and Pusch Ridge. The summary table is presented below:

El Conquistador Golf & Tennis Review of Scenarios – Year 5				
	Base	Option A	Option B	Option C
Initial Investment	\$0	\$5,115,775	\$4,639,115	\$4,200,795
New Acreage Made Available	0.0	21.2	32.0*	83.2*
Summary in Year 5				
Total ECGT Rounds	50,300	50,300	40,600	32,400
Pusch Ridge Rounds	4,000	7,500	7,500	7,500
Total Facility Revenue	\$3,407,200	\$2,827,200	\$2,430,300	\$1,828,400
Total COS	\$635,300	\$380,200	\$330,900	\$252,400
Net F&B Revenue	(\$267,500)	73,400	73,400	73,400
Total Operating Expense	\$4,852,700	\$3,738,800	\$3,006,000	\$2,753,000
Total Labor Expense	\$2,304,300	\$1,614,400	\$1,234,900	\$1,096,900
Total Utilities Exp.	1,402,000	1,087,400	883,100	761,600
Net Income	(\$2,080,800)	(\$1,291,800)	(\$906,600)	(\$1,177,000)
Management Fee	\$144,000	\$144,000	\$144,000	\$144,000
Net Before Other	(\$2,224,800)	(\$1,435,800)	(\$1,050,600)	(\$1,321,000)
Sales Tax	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Net Net	(\$224,800)	\$564,200	\$949,400	\$679,000
*Includes only Town owned property and does not include additional HOA-owned parcels.				

Summary Statement

The Town of Oro Valley has been operating the popular 45-hole El Conquistador facility for only two full years. This facility is aging and has seen declines in activity and is now operating at a deficit of **(\$2.1 million+)** that must be funded by other Town activities – adding stress to Oro Valley taxpayers. The loss on operations is a result of several influences, some of which are not controllable by the town or Troon Golf. Factors such as a recent recession, increasing competition, declining physical condition and declining interest in golf have contributed to the loss on operations. The last factor is particularly important as the Town must now consider the optimal mix of amenities and golf course sizes, and whether 45 holes of golf remain supportable by the Town of Oro Valley.

The ECGT facility has several amenities with potential for strong appeal to a wide variety of golf and club consumers. However, this facility has a history of operation as a semi-private club and even though it is owned by the Town and intended to be a community public facility, it still has a perception in the market as a “private” facility. The local golf market has changed dramatically in the last decade and as we look to the future of golf in Oro Valley, there is genuine concern that the full 45-hole allotment may not be a good match for the current state of golf demand. The cost to properly maintain a complement of 45 holes of golf is large and growing. The NGF review in 2017 shows that the cost to maintain the ECGT is much higher than any standard, mostly a result of high utilities expense that is caused, in part, by an antiquated irrigation system. **Given this and the change in demand, the NGF sees a 27-hole golf facility at ECGT and a modified par-3 golf course (possibly 12 holes) at Pusch Ridge as a much better option for Oro Valley to provide a more sustainable golf facility for the longer term going forward.**

ECGT has a mix of customers, with long-tenured golf members, many of whom live in the adjacent residential community, and a more transient, daily fee golfer seeking high quality at an affordable rate. The direct feedback gained from stakeholders as part of this study effort shows that any change to this facility is going to be controversial. However, NGF/FRA does expect that changes to the facility will be accepted by the community, provided the changes are not too severe, still allow for an active club membership and do not result in intense development in narrow hole-corridors. The changes recommended by the consultants in a 27-hole operation at ECGT (Option B) along with a new “Dirty Dozen” concept at Pusch Ridge, should provide a more economically sustainable golf operation that should garner strong public support.

Given the above-noted findings, it is clear that the Town will not be able to continue the operation “as-is,” and changes will be required. In summary, the most important and actionable recommendations made by NGF are listed below, noted in priority order:

1. Improve the physical condition of the ECGT, including clubhouse enhancements.
2. Take action to reduce the amount of irrigated turf on all golf courses.
3. Upgrade the irrigation system to include new controls and in-ground piping.
4. Reduce to 27 holes at ECGT, with three 9-hole courses of equal quality and appeal.
5. Lease out (or concession) the F&B operation at ECGT to a third party.
6. Implement the plan to renovate Pusch Ridge into a “Dirty Dozen” concept as proposed by NGF/FRA.
7. Enhance marketing (mostly through improved technology) and embrace and implement new activities that appeal to less traditional golfer segments, especially female golfers.

Appendices

Appendix A – Golf Course Life Cycle Information

Appendix B – Golf Demand and Supply Data

Appendix C – Summary of Conceptual Reconfiguration Plan Options

Appendix D – National Rounds Played Report

Appendix E – Before and After Photo Simulations

Appendix F – Irrigation System Evaluation and Recommendations Report

Appendix G – Existing Conditions Exhibits

Appendix H – Parcel Repurposing

Appendix I – Community Meeting Notes

APPENDIX A – GOLF COURSE LIFE CYCLE

GOLF COURSE ITEMS EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

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

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

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

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

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

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



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

APPENDIX B – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

El Conquistador G&T Local Demographics

El Conquistador Golf & Tennis Club	5 mile	10 mile	15 mile	County	State	U.S.
Summary Demographics						
Population 1990 Census	42,616	159,497	385,917	666,883	3,663,266	248,584,652
Population 2000 Census	75,075	225,897	484,743	843,744	5,130,674	281,399,034
CAGR 1990-2000	5.83%	3.54%	2.31%	2.38%	3.43%	1.25%
Population 2010 Census	85,513	258,918	533,351	980,263	6,392,017	308,745,538
CAGR 2000-2010	1.31%	1.37%	0.96%	1.51%	2.22%	0.93%
Population Estimate 2016	87,469	271,210	558,296	1,027,379	6,861,737	322,736,220
Population 2021 Projected	93,618	291,152	600,570	1,106,490	7,346,245	335,779,240
CAGR 2016-2021	1.37%	1.43%	1.47%	1.49%	1.37%	0.80%
CAGR 2010-2021	0.83%	1.07%	1.08%	1.11%	1.27%	0.77%
Median HH Income (2016)	\$68,324	\$56,167	\$47,456	\$48,046	\$51,887	\$56,106
Median Age (2016)	45.2	42.3	39.7	\$38	\$37	38.0
Ethnicity						
White	85.5%	80.1%	76.0%	72.6%	71.3%	70.7%
African American	2.2%	2.9%	4.0%	4.1%	4.8%	13.3%
Asian	3.5%	4.1%	4.0%	3.2%	3.4%	5.6%
All Other	8.8%	12.8%	16.1%	20.1%	20.5%	10.5%
Hispanic Population						
Hispanic	18.4%	24.9%	30.0%	36.2%	30.6%	17.3%
Not Hispanic	81.6%	75.1%	70.0%	63.8%	69.4%	82.7%
CAGR = Compound Annual Growth Rate						
El Conquistador Golf & Tennis Club	5 mile	10 mile	15 mile	County	State	U.S.
Golf Demand Indicators						
Total Households	36,751	119,413	242,899	412,435	2,621,507	123,896,538
Number of Golfing Households	8,680	24,232	42,018	69,007	407,846	17,094,500
Projected Golfing Households (2021)	9,065	25,310	43,629	72,205	431,710	17,802,020
Projected Annual Growth Rate	0.90%	0.90%	0.80%	0.90%	0	0.8%
Seasonal Golfing Households	429	1,216	1,792	3,233	30,968	737,636
Latent Demand/Interested Non-Golfers	11,724	38,759	80,758	130,619	837,729	37,346,480
Household Participation Rate	23.60%	20.30%	17.30%	16.70%	0	13.8%
Number of Golfers	11,691	31,618	53,795	93,106	603,301	24,130,710
Rounds Potential (resident golfers)	257,365	719,525	1,190,539	2,012,194	11,809,889	465,791,320
Estimated Course Rounds (in-market supply)	419,332	984,308	1,367,423	1,947,628	14,854,984	465,791,320
Demand Indices						
Golfing Household Participation Rate	171	147	125	121	113	100
Seasonal Golfing Households	198	172	125	133	200	100
Latent Demand/Interested Non-Golfers	115	121	124	110	106	100
Rounds Potential per Household (resident golfers)	186	160	130	130	120	100

El Conquistador G&T Golf Demand and Supply Data

El Conquistador Golf & Tennis Club	5 mile	10 mile	15 mile	County	State	U.S.
Golf Supply						
Golf Facilities						
Total	8	18	25	39	314	15,204
Public	6	14	19	30	246	11,388
Public: Daily Fee	4	11	14	24	215	8,906
Public: Municipal	2	3	5	6	31	2,482
Private	2	4	6	9	68	3,816
Public Golf Facilities by Price Point						
Premium (>\$70)	4	8	9	12	90	1,363
Standard (\$40-\$70)	2	5	8	14	102	4,013
Value (<\$40)	0	1	2	4	54	6,012
Golf Holes						
Total	171	405	567	801	6,066	257,193
Public	135	324	441	630	4,734	187,614
Public: Daily Fee	90	261	324	495	4,167	146,124
Public: Municipal	45	63	117	135	567	41,490
Private	36	81	126	171	1,332	69,579
Non-Regulation (Executive & Par-3)	0	18	36	81	927	21,348
Net Change						
Net Change in Holes past 5 years	0	18	0	-18	-171	-9,045
Percentage Total Holes Past 5 Yrs	0.00%	4.70%	0.00%	-2.20%	-2.70%	-3.4%
Net Change in Holes past 10 Years	0	45	27	27	-126	-12,231
Percentage Total Holes Past 10 Yrs	0.00%	12.50%	5.00%	3.50%	-2.00%	-4.5%

El Conquistador Golf & Tennis Club	5 mile	10 mile	15 mile	County	State	U.S.
Supply-Demand Ratios						
Households per 18 Holes						
Total	3,869	5,307	7,711	9,268	7,779	8,671
Public	4,900	6,634	9,914	11,784	9,968	11,887
Public: Daily Fee	7,350	8,235	13,494	14,998	11,324	15,262
Public: Municipal	14,700	34,118	37,369	54,991	83,222	53,751
Private	18,376	26,536	34,700	43,414	35,426	32,052
Premium (>\$70)	6,125	9,553	17,350	24,261	22,502	74,930
Standard (\$40-\$70)	24,501	26,536	28,576	27,496	24,051	28,982
Value (<\$40)	0	119,413	121,450	137,478	69,907	27,566
Golfing Households per 18 Holes						
Total	914	1,077	1,334	1,551	1,210	1,196
Public	1,157	1,346	1,715	1,972	1,551	1,640
Public: Daily Fee	1,736	1,671	2,334	2,509	1,762	2,106
Public: Municipal	3,472	6,923	6,464	9,201	12,947	7,416
Private	4,340	5,385	6,003	7,264	5,511	4,422
Premium (>\$70)	1,447	1,939	3,001	4,059	3,501	10,338
Standard (\$40-\$70)	5,787	5,385	4,943	4,600	3,742	3,999
Value (<\$40)	0	24,232	21,009	23,002	10,876	3,803
Household Indices						
Total	44	61	88	106	89	100
Public	41	55	83	98	83	100
Private	57	82	107	134	109	100
Premium (>\$70)	8	13	24	33	31	100
Standard (\$40-\$70)	85	92	99	96	84	100
Value (<\$40)	0	417	424	480	244	100
Golfing Household Indices						
Total	76	89	110	128	100	100
Public	70	81	104	119	94	100
Private	97	120	134	162	123	100
Premium (>\$70)	14	19	30	40	34	100
Standard (\$40-\$70)	146	136	125	116	94	100
Value (<\$40)	0	613	532	582	275	100
Rounds per 18 Holes						
Rounds Potential (resident golfers)	27,091	31,979	37,795	45,218	35,044	32,599
Estimated Course Rounds (in-market supply)	44,140	43,747	43,410	43,767	44,080	32,599

APPENDIX C – SUMMARY OF CONCEPTUAL RECONFIGURATION PLAN OPTIONS

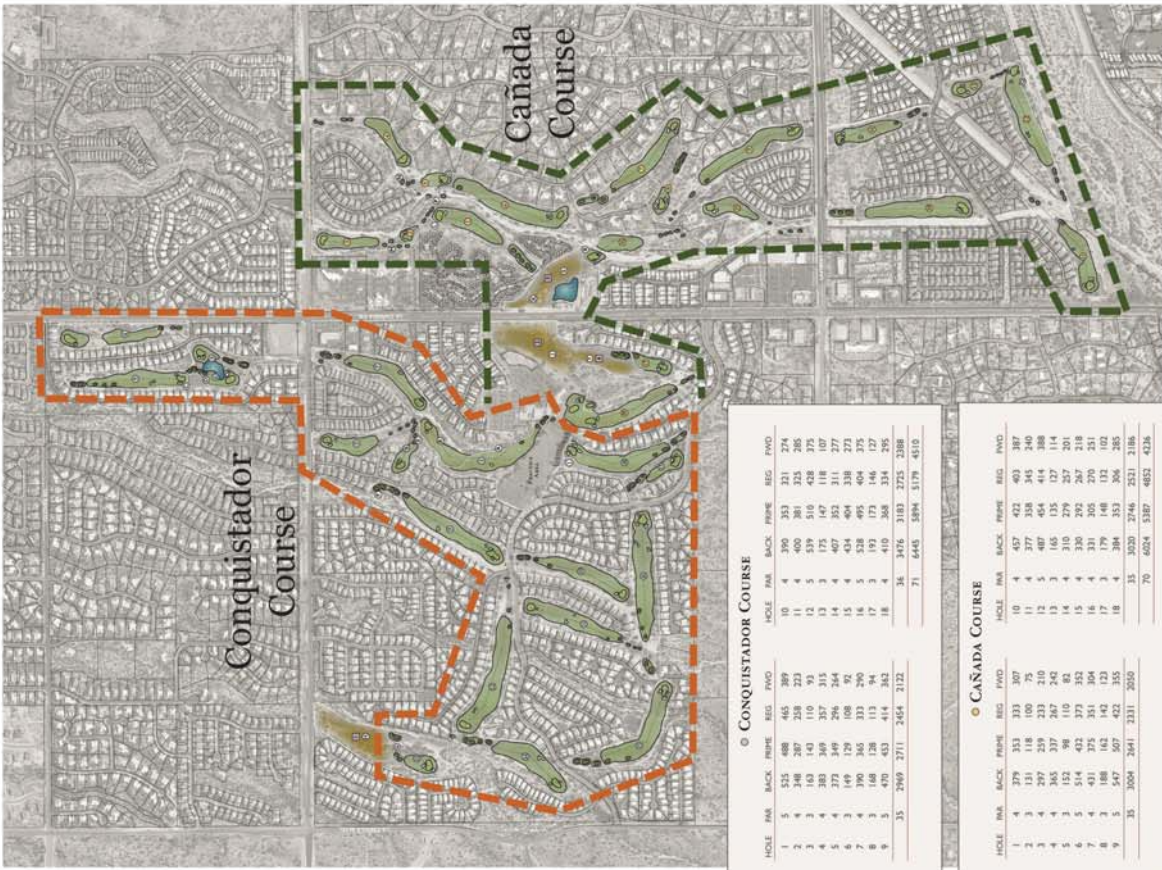
El Conquistador Reconfiguration Option A

Option A represents a 36-hole reconfiguration of the Conquistador & Cañada Courses, retaining two 18-hole courses. The plan removes some parcels from golf use, but retains nearly all of the existing Conquistador Course with the exception of existing Hole No. 12. Details include:

- A. A new cart path is proposed at the right side of existing Hole No. 1 (Conquistador) to remove carts from the edge of the practice range area where errant balls may be a hazard. The access path to the west end of the practice range from the clubhouse area is eliminated with path access transferred to the opposite side of the practice area. These adjustments mitigate safety issues.
- B. The existing par-4 Hole No. 1 (Conquistador) is converted to a par-5 by extending the approach and building a new green and surrounds. Tees for existing Hole No. 6 (Conquistador) are shifted (see “E”) to permit this adjustment. The new green will be at the edge of a natural wash. This adjustment adds one stroke to par and allows other holes to be shortened for the purpose of reducing turf while retaining a regulation length layout.
- C. Existing hole No. 5 (Conquistador) is converted into a par-4 by building a new green and surrounds. This adjustment facilitates a new par-3 to play to the existing green now used for Hole No. 4 (Conquistador).
- D. A new par-3 hole is created (new Hole No. 6), playing to the existing green of Hole No. 4 (Conquistador). A new set of tees at the edge of the existing pond facilitates this new hole.
- E. Existing Hole No. 7 (Conquistador) is retained with new tees set higher and to the right of the existing tees. This adjustment permits “B” as described above. The par-3 is now Hole No. 8 of the new Conquistador 18-hole Course.
- F. Existing Hole No. 7 (Conquistador) is converted to a par-5 with a new tee and an expanded green. This adjustment facilitates more length for the conversion of the hole to a par-5.
- G. Existing Hole No. 13 (Conquistador) is converted into a par-3 by adding a new set of tees. These adjustments make available “Parcel 1” for non-golf use(s). New Hole No. 13 of the Conquistador Course plays to the existing No. 13 green.
- H. Existing Hole No. 12 (Conquistador) is eliminated entirely. This adjustment is integral to “G” and “Parcel 1” as described above.
- I. A new two-way cart path is proposed to offer better and safer access to and from the west end of the practice area, and also to access the 10th tee (and other holes) of the Conquistador Course. New practice area protection fencing (poles and nets) are shown to border this new path.
- J. Existing Hole No. 1 (Cañada) is eliminated. Combined with “T” (below) this adjustment facilitates “Parcel 2” to be utilized by the Town for non-golf use(s). Access to the new No. 1 hole of the Cañada Course will be along the entry drive and by using the existing underpass at La Cañada Drive. New Hole No. 1 (Cañada) is the former Cañada Hole No. 3.
- K. Existing Hole No. 2 (Cañada) is eliminated. Combined with “S” (below) this adjustment facilitates “Parcel 3” to be utilized by the Town for non-golf use(s). Access to the new No. 1 hole of the Cañada Course will be along the northern edge of the non-golf parcel.
- L. The new Hole No. 1 of the reconfigured Cañada Course is a shortened version of existing Hole No. 3 (Cañada). This is facilitated by building a new green and surrounds. A new path will access this new green and then connect to a new par-3 hole added north of the existing green area.

- M. A new par-3 hole is created on the ridge behind the new Cañada Course Hole No. 1. This becomes new Hole No. 2 (Cañada). This adjustment is facilitated by a new set of tees, path and green. New tees are also created for the subsequent hole, new Hole No. 3 (Cañada). The slightly shortened Hole No. 3 is essentially existing Hole No. 4 (Cañada).
- N. A new par-3 hole is created by using and expanding tees at what is existing Hole No. 6 (Cañada) tee complex area. This new par-3 becomes new Hole No. 5 (Cañada) and plays to a new green (see "O" below)
- O. The new green for new Hole No. 5 is located at what is now the first portion of fairway for the existing Hole No. 6 (Cañada). The new par-3 is facilitated by a new path, tee expansions and a new green and surrounds accommodated by both "N" and "O" as described.
- P. New tees and a new path are proposed to retain the existing par-5 (now Hole No. 6 of the Cañada Course). With the addition of two par-3 holes ("M", "N" and "O" above) the slightly reconfigured Hole No. 6 remains new Hole No. 6 (Cañada). The new par-5 plays across the natural wash, adding strategy and a heroic tee shot.
- Q. Existing Hole No. 12 (Cañada) is converted into a par-5 by building a new green, expanding the approach and adding path to access the new green. Tees are adjusted on the subsequent hole, No. 13 (Cañada).
- R. Existing Hole No. 16 (Cañada) is converted into a par-4 by building a new green short of the wash/drainage crossing that now crosses the existing fairway. This reconfiguration facilitates Parcel 3 in combination with "S" and "K".
- S. The approach and green for existing Hole No. 16 (Cañada) is removed for non-golf use(s) to create Parcel 3 in combination with "R" and "K".
- T. Existing tees and a portion of the current Hole No. 17 (Cañada) is removed for non-golf use(s) to create Parcel 4. The new Hole No. 17 becomes a par-3 with new tees playing to the existing green.

El Conquistador Reconfiguration Option A - Rendering Exhibit



LEGEND

- ⊕ New over path or right side / (relocate) ramp path
- ⊕ Convert hole to par-3 / new green
- ⊕ Create new par-4 / new green
- ⊕ Create new par-5 / new fair
- ⊕ Create new tee (indicated for "3")
- ⊕ Convert hole to par-5 / new tee & original green
- ⊕ Remove existing hole (N/A, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100)
- ⊕ New over path & ramp protection (newly)
- ⊕ Remove existing hole (N/A, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100)
- ⊕ New green / new path
- ⊕ New tee / new path (for new par-3)
- ⊕ New tee / new path (for new par-4)
- ⊕ New hole & path (relocated) / (new green & path)
- ⊕ Convert hole to par-5 / new green
- ⊕ Remove existing approach & green (N/A, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100)
- ⊕ Convert hole to par-5 / new tee

PARCEL KEY

- 6.0 acres / Existing No. 14 & 15 El Conquistador
- 7.0 acres / Existing No. 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100)
- 5.4 acres / Existing No. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100)
- 2.8 acres Existing No. 17 (existing) (Cul-de-sac)

at 2.8 acres. Total lot, removed from golf

PLAN SUMMARY

Turf Reduction (removed holes): 10.0 acres
 Turf Reduction (retained holes): 46.7 acres
 Total Turf Area (for Option A): 56.7 acres
 Total Turf Area (for existing): 77.0 acres
 New Greens: 75
 Existing Greens: 79
 Total Greens: 154

*Based on existing turf area for 90 holes reported at 90 acres
 Reported turf reduction is shown for all golf holes. Turf reduction is calculated based on the area of the hole and the area of the hole's surrounding area. Turf reduction is reported in acres and rounded to the nearest tenth.

CONQUISTADOR COURSE

HOLE	PAR	BACK	FRONT	REG.	FINISH	REG.	FINISH	HOLE	PAR	BACK	FRONT	REG.	FINISH	
1	5	525	488	465	389	10	4	300	353	321	274	10	4	
2	4	348	307	258	223	11	4	400	381	325	285	11	4	
3	4	183	160	140	120	12	4	375	358	345	240	12	4	
4	4	388	346	327	315	13	3	175	147	111	107	13	3	
5	4	373	349	296	244	14	4	407	352	311	277	14	4	
6	3	149	129	108	92	15	4	434	404	338	273	15	4	
7	3	190	165	133	100	16	5	328	475	494	375	16	5	
8	3	190	165	133	100	17	4	410	368	334	295	17	4	
9	5	470	453	414	382	18	4	410	368	334	295	18	4	
35	2969	2711	2454	2122	36	3476	3103	2725	2388	71	6445	5894	5179	4510

CAÑADA COURSE

HOLE	PAR	BACK	FRONT	REG.	FINISH	HOLE	PAR	BACK	FRONT	REG.	FINISH			
1	4	379	353	333	307	10	4	457	421	403	387			
2	3	131	118	100	75	11	4	377	358	345	240			
3	4	297	259	233	210	12	5	487	454	414	388			
4	4	365	337	267	242	13	3	166	135	135	127			
5	4	375	349	327	315	14	4	407	352	311	277			
6	3	149	129	108	92	15	4	434	404	338	273			
7	3	190	165	133	100	16	5	328	475	494	375			
8	3	190	165	133	100	17	4	410	368	334	295			
9	5	470	453	414	382	18	4	410	368	334	295			
35	2969	2711	2454	2122	36	3476	3103	2725	2388	71	6445	5894	5179	4510



El Conquistador
Golf Club

OPTION A

CONCEPTUAL
RECONFIGURATION
PLAN

36-Hole
Reconfiguration
of the
Conquistador & Cañada
Courses



Conceptual Plans Prepared as part of the golf course reconfiguration study by:



Drawn June 14, 2017 from provided site data. Conceptual plan for reconfiguration only. Not for construction.
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El Conquistador Reconfiguration Option A – Estimated Probable Cost

Option A – Conceptual Reconfiguration Plan (36 Holes)

I.	BASE RECONFIGURATION	Qty	Unit	Unit Cost	Item Total	Notes
	Mobilization	1	LS	\$ 15,000	\$ 15,000	Use of Maint. Facility assumed
	Staking	1	LS	\$ 10,000	\$ 10,000	GPS from plans (no RLS)
	(A) New Path/Remove Path	1	LS	\$ 35,000	\$ 35,000	Bury old concrete on site
	(B) New Green/Approach	1	LS	\$ 80,000	\$ 80,000	Modified USGA
	(C) New Green/Surrounds	1	LS	\$ 65,000	\$ 65,000	Modified USGA
	(D) New Tees/Surrounds	1	LS	\$ 40,000	\$ 40,000	4-in. Sand plated/re-work surrounds at pond edge
	(E) New Tees	1	LS	\$ 15,000	\$ 15,000	4-in. Sand plated
	(F) New Tees/Green Exp.	1	LS	\$ 40,000	\$ 40,000	4-in. Sand plated/Modified USGA (expansion)
	(G) New Tees/Surrounds	1	LS	\$ 40,000	\$ 40,000	4-in. Sand plated
	(H) Remove Holes/Re-veg.	2.6	AC	\$ 18,000	\$ 46,800	Rem. upper layer, re-shape, bury, hydroseed
	(I) New Paths/Range Fence	1	LS	\$ 150,000	\$ 150,000	60-ft. height assumed
	(J) Remove Hole/Re-veg.	2.4	AC	\$ 18,000	\$ 43,200	Rem. upper layer, re-shape, bury, hydroseed
	(K) Remove Hole/Re-veg.	1.7	AC	\$ 18,000	\$ 30,600	Rem. upper layer, re-shape, bury, hydroseed
	(L) New Path	1	LS	\$ 25,000	\$ 25,000	Concrete, 7-ft. width
	(M) New Tees	1	LS	\$ 20,000	\$ 20,000	4-in. Sand plated
	(N) New Tees/Path	1	LS	\$ 30,000	\$ 30,000	4-in. Sand plated/concrete, 7-ft. width
	(O) New Green/Fairway	1	LS	\$ 80,000	\$ 80,000	Modified USGA
	(P) New Tees/Path	1	LS	\$ 30,000	\$ 30,000	4-in. Sand plated/concrete, 7-ft. width
	(Q) New Green/Approach/Path	1	LS	\$ 80,000	\$ 80,000	Modified USGA
	(R) New Green/Surrounds	1	LS	\$ 65,000	\$ 65,000	Modified USGA
	(S) Remove Hole/Re-veg.	2.6	AC	\$ 18,000	\$ 46,800	Rem. upper layer, re-shape, bury, hydroseed
	(T) New Tees	1	LS	\$ 20,000	\$ 20,000	4-in. Sand plated
	Sub Total				\$1,007,400	
II.	TURF REDUCTION (Additional)	Qty	Unit	Unit Cost	Item Total	Notes
	Turf Conversion/Retained Holes	26.7	AC	\$ 20,000	\$ 534,000	Turf removal for retained holes only
	Irrigation Retrofit	26.7	AC	\$ 4,000	\$ 106,800	Allowance amount
	Sub Total				\$ 640,800	
III.	DEFERRED MAINTENANCE (Essential)	Qty	Unit	Unit Cost	Item Total	Notes
	Bunker (Removal)	34	EA	\$ 2,000	\$ 68,000	Removed from retained holes only
	Bunkers (remodeled, added)	77	EA	\$ 5,500	\$ 423,500	1,100 s.f. Avg.; BBB System
	Greens Resurfacing	78,000	SF	\$ 4	\$ 312,000	(13) Greens at 6,000 s.f. per green (average)
	Tee Additions	21	EA	\$ 3,000	\$ 63,000	4-in Sand plated
	Tee Leveling/Resurfacing	40	EA	\$ 1,500	\$ 60,000	Allowance
	Irrigation Work (Coursewide)	108.3	AC	\$ 8,500	\$ 920,550	New control Sys./heads for areas retained
	Path Repair/ADA Access	1	AL	\$ 250,000	\$ 250,000	Allowance; curb removal/replacement
	Landscape	1	AL	\$ 60,000	\$ 60,000	Pruning, removal (allowance)
	Irrigation Pump Station (lower)	1	AL	\$ 250,000	\$ 250,000	Replacement (allowance)
	Golf Maint. Facility Upgrades	1	AL	\$ 150,000	\$ 150,000	Allowance
	Sub Total				\$2,557,050	
IV.	PROJECT COSTS	Qty	Unit	Unit Cost	Item Total	Notes
	Engineering/Design	1	AL	\$ 325,000	\$ 325,000	Allowance
	Permits/Fees	1	AL	\$ 15,000	\$ 15,000	Allowance
	Grow-in/Maturation	1	AL	\$ 150,000	\$ 150,000	Water, labor (project allowance for planted areas)
	Contingency (10% I, II & III)				\$ 420,525	
	Sub Total				\$ 910,525	
	TOTAL ESTIMATED PROBABLE COST (golf course work)				\$5,115,775	

Notes: (1) Probable cost estimates based on conceptual plan dated 6-1-17; (2) Environmental remediation and similar unforeseen conditions may be required and are not included; (3) All quantities are estimates based on the conceptual planning work prepared to date; (4) Non-prevailing wage work requirements have been assumed for the purposes of the estimates; (5) Statements of Probable Costs represent the Golf Course Architect's best judgment of the probable construction cost as a design professional given that neither the Golf Course Architect nor Owner has control over the cost of labor, materials, or equipment; or over a contractor's methods of determining bid prices; or over competitive bidding, market or negotiating conditions; (6) Construction management services are not included; (7) Facility down time is not included within these estimates; (8) Irrigation work is limited to replacing control system, heads and laterals with main line preservation in selected areas.

El Conquistador Reconfiguration Option B

Option B retains all but a few existing holes of the Conquistador Course. Hole No. 12 and a portion of Hole No. 13 are removed. Nine full holes and portions of two other holes are removed from the Cañada Course. Specific reconfiguration and improvement work is as follows:

- A. A new cart path is proposed at the right side of existing Hole No. 1 (Conquistador) to remove carts from the edge of the practice range area where errant balls may be a hazard. The access path to the west end of the practice range from the clubhouse area is eliminated with path access transferred to the opposite side of the practice area. These adjustments mitigate safety issues.
- B. The existing par-4 Hole No. 1 (Conquistador) is converted to a par-5 by extending the approach and building a new green and surrounds. Tees for existing Hole No. 6 (Conquistador) are shifted (see “E”) to permit this adjustment. The new green will be at the edge of a natural wash. This adjustment adds one stroke to par and allows other holes to be shortened for the purpose of reducing turf while retaining a regulation length layout. This hole becomes No. 1 of the Silver Nine.
- C. Existing hole No. 5 (Conquistador) is converted into a par-4 by building a new green and surrounds. This adjustment facilitates a new par-3 to play to the existing green now used for Hole No. 4 of the Silver Nine.
- D. A new par-3 hole is created (new Hole No. 6 of the Silver Nine), playing to the existing green of Hole No. 4 (Conquistador). This new par-3 is conceptually shown on the accompanying “before/after” exhibit. A new set of tees at the edge of the existing pond facilitates this new hole.
- E. Existing Hole No. 7 (Conquistador) is retained with new tees set higher and to the right of the existing tees. This adjustment permits “B” as described above. The par-3 is now Hole No. 8 of the Silver Nine.
- F. Existing Hole No. 7 (Conquistador) is converted to a par-5 with a new tee and an expand green. This adjustment facilitates more length for the conversion of the hole to a par-5, which is No. 7 of the Silver Nine.
- G. Existing Hole No. 13 (Conquistador) is converted into a par-3 by adding a new set of tees. These adjustments make available “Parcel 1” for non-golf use(s) (see above). New Hole No. 4 of the Gold Nine plays to the existing No. 13 green (Conquistador).
- H. Existing Hole No. 12 (Conquistador) is eliminated entirely. This adjustment is integral to “G” and Parcel 1 as described above.
- I. A new two-way cart path is proposed to offer better and safer access to and from the west end of the practice area, and also to access the 10th tee (and other holes) of the Conquistador Course. New practice area protection fencing (poles and nets) are shown to border this new path.
- J. Existing Hole No. 1 (Cañada) is eliminated. Combined with “T” (below) this adjustment facilitates “Parcel 2” to be utilized by the Town for non-golf use(s). Access to the new No. 1 hole of the Turquoise Nine will be along the entry drive and by using the existing underpass at La Cañada Drive. New Hole No. 1 (Turquoise) is the former Cañada Hole No. 3.
- K. Existing Hole No. 2 (Cañada) is eliminated. Combined with “S” (below) this adjustment facilitates “Parcel 3” to be utilized by the Town for non-golf use(s). Access to the new No. 1 hole of the Cañada Course will be along the northern edge of the non-golf parcel.
- L. A new path is proposed to connect to existing Hole No. 6 (Cañada). This hole, a par-5, becomes the 3rd hole of the reconfigured “Turquoise Nine”.
- M. Existing Hole No. 4 of the Cañada Course is removed to allow for “Parcel 4” to be made available for non-golf use(s).

- N. Existing Hole No. 5 of the Cañada Course is removed to allow for “Parcel 5” to be made available for non-golf use(s).
- O. Existing Hole No. 10 of the Cañada Course is removed to allow for “Parcel 7” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- P. Existing Hole No. 11 of the Cañada Course is removed to allow for “Parcel 8” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- Q. Existing Hole Nos. 12 and 13 of the Cañada Course are removed to allow for “Parcel 9” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- R. Existing Hole No, 14 of the Cañada Course is removed to allow for “Parcel 10” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- S. Existing Hole No. 16 (Cañada) is converted into a par-4 by building a new green short of the wash/drainage crossing that now crosses the existing fairway. This reconfigured hole becomes No. 7 of the “Turquoise Nine”. This reconfiguration facilitates Parcel 3 in combination with “T” and “K”.
- T. The approach and green for existing Hole No. 16 (Cañada) is removed for non-golf use(s) to create “Parcel 3” in combination with “S” and “K”.
- U. Existing tees and a portion of the current Hole No. 17 (Cañada) is removed for non-golf use(s) to create “Parcel 6.” The new Hole No. 8 of the Turquoise Nine becomes a par-3 with new tees playing to the existing green.

El Conquistador Reconfiguration Option B - Rendering Exhibit



El Conquistador
Golf Club

OPTION B
CONCEPTUAL
RECONFIGURATION
PLAN

27-Hole
Reconfiguration
of the
Conquistador & Cañada
Courses



Conceptual Plan Prepared as part of the golf course reconfiguration study by:



Drawn June 14, 2017 from provided site data. Conceptual plan. All dimensions are in feet. Not for construction. (Drawing: ELCS09 REV:02/17)



LEGEND

- New over path or right side / minimize ramp path
- Convert hole to par-3 / new green
- Create new par-4 / new green
- Create new par-5 / new fairway
- Create new fairway (for 3P)
- Create new path / new fairway / new ramp or bypass green
- Convert hole to par-3 / new green / new ramp or bypass green
- Remove existing hole (Nos. 12 & 13 of Conquistador)
- New over paths & ramp protection (new)
- Remove existing hole (No. 1 of Cañada)
- New path to new tee
- Remove existing hole (Nos. 2 of Cañada)
- Remove existing hole (Nos. 4 of Cañada)
- Remove existing hole (Nos. 15 of Cañada)
- Remove existing hole (Nos. 16 of Cañada)
- Remove existing hole (Nos. 17 of Cañada)
- Remove existing hole (Nos. 18 of Cañada)
- Convert hole to par-4 / new green
- Convert hole to par-5 / new tee
- Convert hole to par-3 / new tee

PARCEL KEY

- 60 acres / Existing Nos. 12 & 13 of Conquistador
- 70 acres / Existing No. 14 of Cañada
- 51 acres / Existing Nos. 2 & 3 of Cañada
- 51 acres / Existing No. 4 of Cañada
- 54 acres / Existing No. 5 of Cañada
- 48 acres / Existing No. 17 of Conquistador
- 21 acres / Existing No. 16 of Cañada
- 63 acres / Existing No. 11 of Cañada
- 104 acres / Existing Nos. 12 & 13 of Cañada
- 43 acres / Existing No. 14 of Cañada
- 48.6 acres / Est. removed from golf (overlook + rd)
- 21 acres / Existing No. 16 of Cañada
- 63 acres / Existing No. 11 of Cañada
- 104 acres / Existing Nos. 12 & 13 of Cañada
- 43 acres / Existing No. 14 of Cañada
- 48.6 acres / Est. removed from golf (overlook + rd)
- 60.9 acres / Total Est. removed from golf

PLAN SUMMARY

Teef Reduction (removed holes): 38.6 acres
 Teef Reduction (retained holes): 62.4 acres
 Teef Area Total for Option B: 89.0 acres
 Teef Reduction: 60% of existing (1.4 acres)
 New Greens: 25
 Existing Greens: 39
 New Tees: 25
 Existing Tees: 39

● SILVER NINE

HOLE	PAR	BACK	FRONT	REG	PWD
1	5	525	488	465	389
2	4	348	287	238	223
3	3	163	143	110	93
4	4	373	349	296	264
5	4	373	349	296	264
6	3	149	129	108	92
7	4	390	365	333	290
8	5	508	478	446	372
9	5	425	425	414	362
35	35	2849	2711	2454	2122

Silver + Gold
6,445 yards / Par-71

● GOLD NINE

HOLE	PAR	BACK	FRONT	REG	PWD
10	4	390	353	321	274
11	4	400	381	325	285
12	5	539	510	458	375
13	4	373	350	318	277
14	4	402	350	318	277
15	4	434	404	338	273
16	5	538	495	404	375
17	4	390	365	333	290
18	4	415	364	325	285
36	36	3494	3183	2725	2388

Gold + Turquoise
6,816 yards / Par-72

● TURQUOISE NINE

HOLE	PAR	BACK	FRONT	REG	PWD
1	4	387	360	320	297
2	5	568	523	460	400
3	4	431	375	331	304
4	5	547	507	423	355
5	5	547	507	423	355
6	4	330	292	267	218
7	4	331	305	270	251
8	4	338	315	284	265
37	37	3140	3023	2620	2235

Turquoise + Silver
6,309 yards / Par-71

Responsible for reconfiguration of the Silver, Gold, and Turquoise courses. All dimensions are in feet. Not for construction. (Drawing: ELCS09 REV:02/17)

El Conquistador Reconfiguration Option B – Estimated Probable Cost

Option B – Conceptual Reconfiguration Plan (27 Holes)

	Qty	Unit	Unit Cost	Item Total	Notes
I. BASE RECONFIGURATION					
Mobilization	1	LS	\$ 15,000	\$ 15,000	Use of Maint. Facility assumed
Staking	1	LS	\$ 5,000	\$ 5,000	GPS from plans (no RLS)
(A) New Path/Remove Path	1	LS	\$ 35,000	\$ 35,000	Bury old concrete on site
(B) New Green/Approach	1	LS	\$ 80,000	\$ 80,000	Modified USGA
(C) New Green/Surrounds	1	LS	\$ 65,000	\$ 65,000	Modified USGA
(D) New Tees/Surrounds	1	LS	\$ 40,000	\$ 40,000	4-in. Sand plated/re-work surrounds at pond edge
(E) New Tees	1	LS	\$ 15,000	\$ 15,000	4-in. Sand plated
(F) New Tees/Green Exp.	1	LS	\$ 40,000	\$ 40,000	4-in. Sand plated/Modified USGA (expansion)
(G) New Tees/Surrounds	1	LS	\$ 40,000	\$ 40,000	4-in. Sand plated
(H) Remove Holes/Re-veg.	2.6	AC	\$ 18,000	\$ 46,800	Rem. upper layer, re-shape, bury, hydroseed
(I) New Paths/Range Fence	1	LS	\$ 150,000	\$ 150,000	60-ft. height assumed
(J) Remove Hole/Re-veg.	2.4	AC	\$ 18,000	\$ 43,200	Rem. upper layer, re-shape, bury, hydroseed
(K) Remove Hole/Re-veg.	1.7	AC	\$ 18,000	\$ 30,600	Rem. upper layer, re-shape, bury, hydroseed
(L) New Path	1	LS	\$ 18,000	\$ 18,000	Concrete, 7-ft. width
(M) Remove Hole/Re-veg.	2.1	AC	\$ 18,000	\$ 37,800	Rem. upper layer, re-shape, bury, hydroseed
(N) Remove Hole/Re-veg.	2.2	AC	\$ 18,000	\$ 39,600	Rem. upper layer, re-shape, bury, hydroseed
(O) Remove Hole/Re-veg.	4.9	AC	\$ 18,000	\$ 88,200	Rem. upper layer, re-shape, bury, hydroseed
(P) Remove Hole/Re-veg.	3.4	AC	\$ 18,000	\$ 61,200	Rem. upper layer, re-shape, bury, hydroseed
(Q) Remove Hole/Re-veg.	6.2	AC	\$ 18,000	\$ 111,600	Rem. upper layer, re-shape, bury, hydroseed
(R) Remove Hole/Re-veg.	3	AC	\$ 18,000	\$ 54,000	Rem. upper layer, re-shape, bury, hydroseed
(S) New Green/Surrounds	1	LS	\$ 65,000	\$ 65,000	Modified USGA
(T) Remove Hole/Re-veg.	2.6	AC	\$ 18,000	\$ 46,800	Rem. upper layer, re-shape, bury, hydroseed
(U) New Tees	1	LS	\$ 20,000	\$ 20,000	4-in. Sand plated
Sub Total				\$ 1,147,800	
II. TURF REDUCTION (Additional)					
Turf Conversion/Retained Holes	25.3	AC	\$ 20,000	\$ 506,000	Turf removal for retained holes only
Irrigation Retrofit	25.3	AC	\$ 4,000	\$ 101,200	Allowance amount
Sub Total				\$ 607,200	
III. DEFERRED MAINTENANCE (Essential)					
Bunker (Removal)	29	EA	\$ 2,000	\$ 58,000	Removed from retained holes only
Bunkers (remodeled, added)	59	EA	\$ 5,500	\$ 324,500	1,100 s.f. Avg.; BBB System
Greens Resurfacing	48,000	SF	\$ 4	\$ 192,000	(8) Greens at 6,000 s.f. per green (average)
Tee Additions	21	EA	\$ 3,000	\$ 63,000	4-in Sand plated
Tee Leveling/Resurfacing	30	EA	\$ 1,500	\$ 45,000	Allowance
Irrigation Work (Coursewide)	87.9	AC	\$ 8,500	\$ 747,150	New control Sys./heads for areas retained
Path Repair/ADA Access	1	AL	\$ 150,000	\$ 150,000	Allowance; curb removal/replacement
Landscape	1	AL	\$ 60,000	\$ 60,000	Pruning, removal (allowance)
Irrigation Pump Station (lower)	1	AL	\$ 250,000	\$ 250,000	Replacement (allowance)
Golf Maint. Facility Upgrades	1	AL	\$ 150,000	\$ 150,000	Allowance
Sub Total				\$ 2,039,650	
IV. PROJECT COSTS					
Engineering/Design	1	AL	\$ 300,000	\$ 300,000	Allowance
Permits/Fees	1	AL	\$ 15,000	\$ 15,000	Allowance
Grow-in/Maturation	1	AL	\$ 150,000	\$ 150,000	Water, labor (project allowance for planted areas)
Contingency (10% I, II & III)				\$ 379,465	
Sub Total				\$ 844,465	
TOTAL ESTIMATED PROBABLE COST (golf course work)				\$ 4,639,115	

Notes: (1) Probable cost estimates based on conceptual plan dated 6-1-17; (2) Environmental remediation and similar unforeseen conditions may be required and are not included; (3) All quantities are estimates based on the conceptual planning work prepared to date; (4) Non-prevailing wage work requirements have been assumed for the purposes of the estimates; (5) Statements of Probable Costs represent the Golf Course Architect's best judgment of the probable construction cost as a design professional given that neither the Golf Course Architect nor Owner has control over the cost of labor, materials, or equipment; or over a contractor's methods of determining bid prices; or over competitive bidding, market or negotiating conditions; (6) Construction management services are not included; (7) Facility down time is not included within these estimates; (8) Irrigation work is limited to replacing control system, heads and laterals with main line preservation in selected areas.

El Conquistador Reconfiguration Option C

Option C retains 18-holes of the existing two courses, Conquistador and Cañada. Approximately nine holes of the existing Conquistador Course and approximately nine holes from the existing Cañada Course are removed from golf use. The residual holes form the front none of the 18-hole course that is configured as a result of the plan. Specific reconfiguration and improvement work is as follows:

- A. A new cart path is proposed at the right side of existing Hole No. 1 (Conquistador) to remove carts from the edge of the practice range area where errant balls may be a hazard. The access path to the west end of the practice range from the clubhouse area is eliminated with path access transferred to the opposite side of the practice area. These adjustments mitigate safety issues.
- B. Existing Hole No. 2 (Conquistador) is eliminated entirely. This adjustment allows "Parcel 1" to be removed from golf use.
- C. Existing Hole No. 4 (Conquistador) is eliminated entirely. This adjustment allows "Parcel 2" to be removed from golf use.
- D. Existing Holes No. 3 and 5 (Conquistador) are eliminated entirely. This adjustment allows "Parcel 3" to be removed from golf use.
- E. Existing Hole No. 6 (Conquistador) is eliminated entirely. This adjustment allows "Parcel 4" to be removed from golf use.
- F. Existing Hole No. 7 (Conquistador) is adjusted to remove the existing tee areas and shorten the hole. New tees are added for this change. This adjustment allows "Parcel 5" to be removed from golf use.
- G. Existing Hole Nos. 12 and 13 (Conquistador) are eliminated entirely. This adjustment allows "Parcel 6" to be removed from golf use.
- H. Existing Hole No. 10 (Conquistador) is eliminated entirely. This adjustment allows "Parcel 7" to be removed from golf use.
- I. Existing Hole No. 9 (Conquistador) is eliminated entirely. This adjustment allows "Parcel 8" to be removed from golf use.
- J. A new two-way cart path is proposed to offer better and safer access to and from the west end of the practice area, and also to access the 10th tee (and other holes) of the Conquistador Course. New practice area protection fencing (poles and nets) are shown to border this new path.
- K. Existing Hole No. 1 (Cañada) is eliminated. This adjustment facilitates Parcel 9 to be utilized by the Town for non-golf use. Access to the new No. 10 hole of the 18-hole course will be along the entry drive and by using the existing underpass at La Cañada Drive. New Hole No. 10 is the former Cañada Hole No. 3.
- L. Existing Hole No. 2 (Cañada) is eliminated. Combined with "T" (below) this adjustment facilitates "Parcel 10" to be utilized by the Town for non-golf use(s).
- M. Existing Hole No. 4 of the Cañada Course is removed to allow for "Parcel 11" to be made available for non-golf use(s).
- N. Existing Hole No. 5 of the Cañada Course is removed to allow for "Parcel 12" to be made available for non-golf use(s).
- O. Existing Hole No. 10 of the Cañada Course is removed to allow for "Parcel 14" to be made available for non-golf use(s), although this parcel would revert to the HOA.

- P. Existing Hole No. 11 of the Cañada Course is removed to allow for “Parcel 15” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- Q. Existing Hole Nos. 12 and 13 of the Cañada Course are removed to allow for “Parcel 16” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- R. Existing Hole No, 14 of the Cañada Course is removed to allow for “Parcel 17” to be made available for non-golf use(s), although this parcel would revert to the HOA.
- S. Existing Hole No. 16 (Cañada) is converted into a par-4 by building a new green short of the wash/drainage crossing that now crosses the existing fairway. This reconfigured hole becomes No. 16 of the resulting 18-hole course. This reconfiguration facilitates “Parcel 10” in combination with “L” and “T”.
- T. The approach and green for existing Hole No. 16 (Cañada) is removed for non-golf use(s) to create “Parcel 10” in combination with “L” and “T”.
- U. Existing tees and a portion of the current Hole No. 17 (Cañada) is removed for non-golf use(s) to create “Parcel 13.” The new Hole No. 17 becomes a par-3 with new tees playing to the existing green.

El Conquistador Reconfiguration Option C – Estimated Probable Cost

Option C – Conceptual Reconfiguration Plan (18 Holes)

I.	BASE RECONFIGURATION	Qty	Unit	Unit Cost	Item Total	Notes
	Mobilization	1	LS	\$ 15,000	\$ 15,000	Use of Maint. Facility assumed
	Staking	1	LS	\$ 5,000	\$ 5,000	GPS from plans (no RLS)
	(A) New Path/Remove Path	1	LS	\$ 35,000	\$ 35,000	Bury old concrete on site
	(B) Remove Hole/Re-veg.	2.2	AC	\$ 18,000	\$ 39,600	Rem. upper layer, re-shape, bury, hydroseed
	(C) Remove Hole/Re-veg.	2	AC	\$ 18,000	\$ 36,000	Rem. upper layer, re-shape, bury, hydroseed
	(D) Remove Hole/Re-veg.	7.2	AC	\$ 18,000	\$ 129,600	Rem. upper layer, re-shape, bury, hydroseed
	(E) Remove Hole/Re-veg.	4	AC	\$ 18,000	\$ 72,000	Rem. upper layer, re-shape, bury, hydroseed
	(F) New Tees/Surrounds	0.5	AC	\$ 18,000	\$ 9,000	Rem. upper layer, re-shape, bury, hydroseed
	(G) Remove Holes/Re-veg.	4.8	AC	\$ 18,000	\$ 86,400	Rem. upper layer, re-shape, bury, hydroseed
	(H) Remove Holes/Re-veg.	3.7	AC	\$ 18,000	\$ 66,600	Rem. upper layer, re-shape, bury, hydroseed
	(I) Remove Hole/Re-veg.	4.6	AC	\$ 18,000	\$ 82,800	Rem. upper layer, re-shape, bury, hydroseed
	(J) New Paths/Range Fence	1	LS	\$ 150,000	\$ 150,000	60-ft. height assumed
	(K) Remove Holes/Re-veg.	2.4	AC	\$ 18,000	\$ 43,200	Rem. upper layer, re-shape, bury, hydroseed
	(L) Remove Hole/Re-veg.	1.7	AC	\$ 18,000	\$ 30,600	Rem. upper layer, re-shape, bury, hydroseed
	(M) Remove Hole/Re-veg.	2.1	AC	\$ 18,000	\$ 37,800	Rem. upper layer, re-shape, bury, hydroseed
	(N) Remove Hole/Re-veg.	2.2	AC	\$ 18,000	\$ 39,600	Rem. upper layer, re-shape, bury, hydroseed
	(O) Remove Hole/Re-veg.	4.9	AC	\$ 18,000	\$ 88,200	Rem. upper layer, re-shape, bury, hydroseed
	(P) Remove Hole/Re-veg.	3.4	AC	\$ 18,000	\$ 61,200	Rem. upper layer, re-shape, bury, hydroseed
	(Q) Remove Hole/Re-veg.	6.2	AC	\$ 18,000	\$ 111,600	Rem. upper layer, re-shape, bury, hydroseed
	(R) Remove Hole/Re-veg.	3	AC	\$ 18,000	\$ 54,000	Rem. upper layer, re-shape, bury, hydroseed
	(S) New Green/Surrounds	1	LS	\$ 65,000	\$ 65,000	Modified USGA
	(T) Remove Hole/Re-veg.	2.6	AC	\$ 18,000	\$ 46,800	Rem. upper layer, re-shape, bury, hydroseed
	(U) New Tees	1	LS	\$ 20,000	\$ 20,000	4-in. Sand plated
	Irrigation Pump Station(s)	1	AL	\$ 150,000	\$ 150,000	Retrofit upper station to serve all holes
	Sub Total				\$ 1,475,000	
II.	TURF REDUCTION (Additional)	Qty	Unit	Unit Cost	Item Total	Notes
	Turf Conversion/Retained Holes	21.6	AC	\$ 20,000	\$ 432,000	Turf removal for retained holes only
	Irrigation Retrofit	21.6	AC	\$ 4,000	\$ 86,400	Allowance amount
	Sub Total				\$ 518,400	
III.	DEFERRED MAINTENANCE (Essential)	Qty	Unit	Unit Cost	Item Total	Notes
	Bunker (Removal)	24	EA	\$ 2,000	\$ 48,000	Removed from retained holes only
	Bunkers (remodeled, added)	40	EA	\$ 5,500	\$ 220,000	1,100 s.f. Avg.; BBB System
	Greens Resurfacing	48,000	SF	\$ 4	\$ 192,000	(8) Greens at 6,000 s.f. per green (average)
	Tee Additions	15	EA	\$ 3,000	\$ 45,000	4-in Sand plated
	Tee Leveling/Resurfacing	20	EA	\$ 1,500	\$ 30,000	Allowance
	Irrigation Work (Coursewide)	65.3	AC	\$ 8,500	\$ 555,050	New control Sys./heads for areas retained
	Path Repair/ADA Access	1	AL	\$ 100,000	\$ 100,000	Allowance; curb removal/replacement
	Landscape	1	AL	\$ 40,000	\$ 40,000	Pruning, removal (allowance)
	Golf Maint. Facility Upgrades	1	AL	\$ 150,000	\$ 150,000	Allowance
	Sub Total				\$ 1,380,050	
IV.	PROJECT COSTS	Qty	Unit	Unit Cost	Item Total	Notes
	Engineering/Design	1	AL	\$ 275,000	\$ 275,000	Allowance
	Permits/Fees	1	AL	\$ 15,000	\$ 15,000	Allowance
	Grow-in/Maturation	1	AL	\$ 200,000	\$ 200,000	Water, labor (project allowance for planted areas)
	Contingency (10% I, II & III)				\$ 337,345	
	Sub Total				\$ 827,345	
	TOTAL ESTIMATED PROBABLE COST (golf course work)				\$ 4,200,795	

Notes: (1) Probable cost estimates based on conceptual plan dated 6-1-17; (2) Environmental remediation and similar unforeseen conditions may be required and are not included; (3) All quantities are estimates based on the conceptual planning work prepared to date; (4) Non-prevailing wage work requirements have been assumed for the purposes of the estimates; (5) Statements of Probable Costs represent the Golf Course Architect's best judgment of the probable construction cost as a design professional given that neither the Golf Course Architect nor Owner has control over the cost of labor, materials, or equipment; or over a contractor's methods of determining bid prices; or over competitive bidding, market or negotiating conditions; (6) Construction management services are not included; (7) Facility down time is not included within these estimates; (8) Irrigation work is limited to replacing control system, heads and laterals with main line preservation in selected areas.

“Dirty Dozen” 12-hole, Par-3 Pusch Ridge Golf Facility

The Pusch Ridge Transformation work is outlined as follows:

- A. Creation of a new 18-hole Putting Course & Short Game Practice Area
- B. New Tees, Green & Surrounds for new Hole No. 1
- C. New Tees, Green & Surrounds (grades lowered for entry drive views) for new Hole No. 2
- D. New Tees, Green & Surrounds for new Hole No. 3
- E. New Tees, Green & Surrounds for new Hole No. 5
- F. New Tees, Green & Surrounds for new Hole No. 6
- G. New Tee Complex & Path Access for new Hole No. 9
- H. New Tees, Greens & Surrounds for new Hole No. 10
- I. New Tees, Greens & Surrounds for new Hole. No. 11
- J. New Tees, Greens & Surrounds for new Hole No. 12
- K. An optional Starter Shack & Pub Location is shown to replace the existing clubhouse and facilities should these be deemed unusable and/or too costly to renovate and bring up to standards.

In addition to the above details, new tees, desert restoration and other related work is required for the transformation. The conceptual plan exhibit shows this work regardless of whether it is listed above.

“Dirty Dozen” 12-hole, Par-3 Pusch Ridge Golf Facility - Rendering Exhibit

LEGEND

- Ⓐ 18-hole Putting Course & Short Game Practice Area
- Ⓑ New Trees, Green & Surrounds
- Ⓒ New Trees, Green & Surrounds (grades lowered for entry/drive views)
- Ⓓ New Trees, Green & Surrounds
- Ⓔ New Trees, Green & Surrounds
- Ⓕ New Tree Complex & Path Access
- Ⓖ New Trees, Greens & Surrounds
- Ⓗ New Trees, Greens & Surrounds
- Ⓘ New Trees, Greens & Surrounds
- Ⓚ Optional Starter Shack & Pub Location

PARCEL KEY

- 1 7.3 acres / Existing No. 5
- 2 4.9 acres / Existing No. 6
- 3 0.9 acres / Existing No. 7 (portion)
- 4 0.4 acres / Existing No. 8 (portion)
- 5 1.4 acres / Existing No. 9 (portion)

14.9 acres removed from golf

PLAN SUMMARY

- Turf Reduction (removed holes): 9.1 acres
- Turf Reduction (retained holes): 19.4 acres
- Turf Area Total: 11.5 acres
- Turf Reduction: 28.8% of existing (-71.2%)
- New Greens: 9

* Based on existing turf area for existing 9-hole reported at 40 acres



CARD of the COURSE

HOLE	PAR	BACK	FRONT	REG	FWD
1	3	173	163	135	113
2	3	145	118	97	82
3	3	101	93	80	69
4	3	141	126	114	80
5	3	132	123	107	88
6	3	135	120	106	90
7	3	195	175	163	135
8	3	163	158	148	140
9	3	163	158	148	140
10	3	146	135	118	103
11	3	120	111	100	87
12	3	154	146	130	117
36		1795	1558	1374	1172



**THE
“DIRTY DOZEN”
COURSE**

**CONCEPTUAL
PLAN**

*12-hole Par-3
Reconfiguration
of the Pusch Ridge
Golf Facility*



This exhibit is a component of the golf course reconfiguration and study prepared by:



Drawn June 1st, 2017 from provided site data. Conceptual plan. It is for planning and feasibility purposes only. Not for construction. (Drawn 10/26/17)

“Dirty Dozen” Course Plan – Estimated Probable Cost

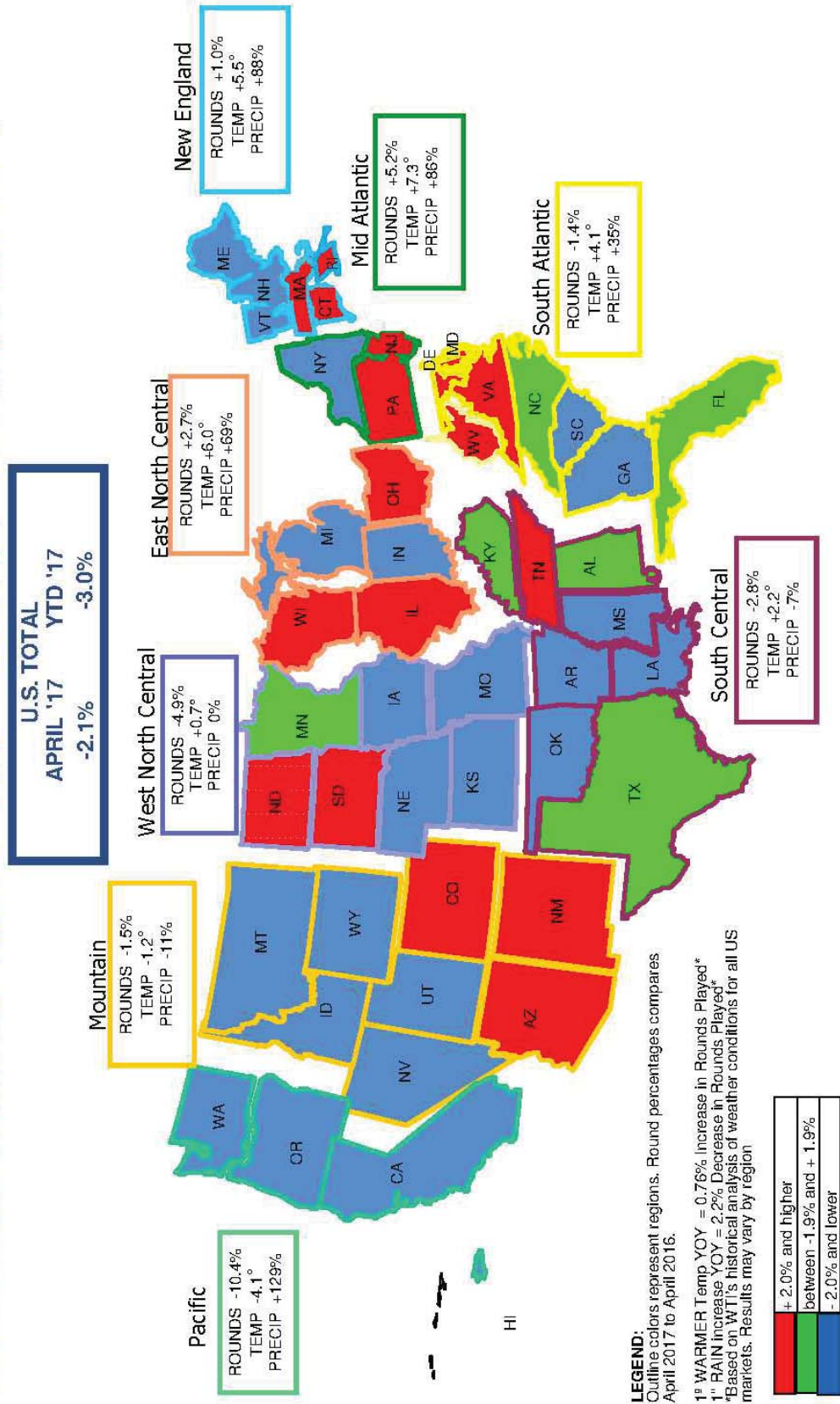
Pusch Ridge Conceptual Reconfiguration Plan (12 Holes)

	Qty	Unit	Unit Cost	Item Total	Notes
I. BASE RECONFIGURATION					
Mobilization	1	LS	\$ 15,000	\$ 15,000	Use of Maint. Facility assumed
Staking	1	LS	\$ 5,000	\$ 5,000	GPS from plans (no RLS)
(A) New Putting/Short Game	1	LS	\$ 95,000	\$ 95,000	Modified USGA
(B) New Hole (green, tees, path)	1	LS	\$ 75,000	\$ 75,000	Modified USGA
(C) New Hole (green, tees, path)	1	LS	\$ 75,000	\$ 75,000	Modified USGA
(D) New Hole (green, tees, path)	1	LS	\$ 65,000	\$ 65,000	Modified USGA
Hole No. 4 (tees, path)	1	LS	\$ 30,000	\$ 30,000	4-in. Sand plated/Concrete, 7-ft width
(E) New Hole (green, tees, path)	1	LS	\$ 75,000	\$ 75,000	Modified USGA
(F) New Hole (green, tees, path)	1	LS	\$ 75,000	\$ 75,000	Modified USGA
Hole No. 7 (tees, path)	1	LS	\$ 30,000	\$ 30,000	4-in. Sand plated/Concrete, 7-ft width
(G) New Tees/Path/Bridge	1	LS	\$ 65,000	\$ 65,000	4-in. Sand plated/Concrete, 7-ft width
(H) New Hole (green, tees, path)	1	LS	\$ 75,000	\$ 75,000	Modified USGA
(I) New Hole (green, tees, path)	1	LS	\$ 65,000	\$ 65,000	Modified USGA
(J) New Hole (green, tees, path)	1	LS	\$ 75,000	\$ 75,000	Modified USGA
Remove Holes/Re-veg. (Parcel 1)	3.6	AC	\$ 18,000	\$ 64,800	Rem. upper layer, re-shape, bury, hydroseed
Remove Holes/Re-veg. (Parcel 2)	3.8	AC	\$ 18,000	\$ 68,400	Rem. upper layer, re-shape, bury, hydroseed
Irrigation Reservoir Tank	1	AL	\$ 120,000	\$ 120,000	Allowance (Incl. new Svc, gravity w/ booster)
Sub Total				\$ 1,073,200	
II. TURF REDUCTION (Additional)					
Turf Conversion/Retained Holes	28.5	AC	\$ 18,000	\$ 513,000	Rem. upper layer, plate w/ DG
Sub Total				\$ 513,000	
III. DEFERRED MAINTENANCE (Essential)					
Bunker (Removal)	5	EA	\$ -	\$ -	Incl. in base work
Bunkers (remodeled, added)	15	EA	\$ -	\$ -	Incl. in base work
Greens Resurfacing	18,000	SF	\$ 4	\$ 72,000	(3) Greens at 6,000 s.f. per green (average)
Tee Leveling/Resurfacing	4	EA	\$ 1,500	\$ 6,000	Allowance
Irrigation Work (Coursewide)	11.5	AC	\$ 40,000	\$ 460,000	New control Sys./heads (see notes below)
Path Repair/ADA Access	1	AL	\$ 150,000	\$ 150,000	Allowance
Landscape	1	AL	\$ 50,000	\$ 50,000	Pruning, removal (allowance)
Exist. Golf Maint. Facility Demo	1	AL	\$ 40,000	\$ 40,000	Allowance
Golf Maint. Facility Upgrades	1	AL	\$ 75,000	\$ 75,000	Allowance (new shed and covered storage)
Sub Total				\$ 853,000	
IV. PROJECT COSTS					
Engineering/Design	1	AL	\$ 275,000	\$ 275,000	Allowance
Permits/Fees	1	AL	\$ 5,000	\$ 5,000	Allowance
Grow-in/Maturation	1	AL	\$ 50,000	\$ 50,000	Water, labor (project allowance for planted areas)
Contingency (10% I, II & III)				\$ 243,920	
Sub Total				\$ 573,920	
TOTAL ESTIMATED PROBABLE COST (golf course work)				\$ 3,013,120	

Notes: (1) Probable cost estimates based on conceptual plan dated 6-1-17; (2) Environmental remediation and similar unforeseen conditions may be required and are not included; (3) All quantities are estimates based on the conceptual planning work prepared to date; (4) Non-prevailing wage work requirements have been assumed for the purposes of the estimates; (5) Statements of Probable Costs represent the Golf Course Architect's best judgment of the probable construction cost as a design professional given that neither the Golf Course Architect nor Owner has control over the cost of labor, materials, or equipment; or over a contractor's methods of determining bid prices; or over competitive bidding, market or negotiating conditions; (6) Construction management services are not included; (7) Facility down time is not included within these estimates; (8) Irrigation work is estimated at full system replacement with selected main line spans to remain.

APPENDIX D – NATIONAL ROUNDS PLAYED REPORT

DataTech National Golf Rounds Played Report



LEGEND:
 Outline colors represent regions. Round percentages compares April 2017 to April 2016.

1st WARMER Temp YOY = 0.76% Increase in Rounds Played*
 1st RAIN Increase YOY = 2.2% Decrease in Rounds Played*
 *Based on WTI's historical analysis of weather conditions for all US markets. Results may vary by region

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





National Golf Rounds Played Report

April 2017

	APRIL	YTD		APRIL	YTD		APRIL	YTD
PACIFIC	-10.4%	-12.0%	UNITED STATES	-2.1%	-3.0%	SOUTH ATLANTIC	-1.4%	3.9%
CA	-3.4%	-9.1%	PUBLIC ACCESS	-2.9%	-4.1%	DE, DC, MD	7.4%	0.6%
Los Angeles	2.3%	-7.7%	PRIVATE	0.9%	0.6%	Washington/Baltimore	6.2%	1.5%
Orange County	2.4%	-7.3%	EAST NORTH CENTRAL	2.7%	-7.4%	FL	-1.5%	4.2%
Palm Springs	-2.6%	-3.1%	IL	4.0%	-7.4%	Jacksonville/Daytona	3.5%	12.7%
Sacramento	-22.0%	-26.8%	Chicago	8.5%	-2.2%	Orlando	-4.8%	-6.5%
San Diego	2.0%	-5.2%	IN	-5.8%	-12.2%	Tampa	1.3%	3.8%
San Francisco/Oakland	-7.5%	-16.5%	MI	-6.9%	-14.8%	Palm Beach	16.0%	22.4%
HI	-4.5%	-1.4%	OH	-1.2%	-14.3%	Sarasota	-3.2%	3.1%
OR	-24.8%	-19.3%	Cincinnati	9.5%	2.2%	Naples/Ft Myers	-8.3%	-3.4%
Portland	-29.5%	-32.8%	Cleveland	13.2%	-9.8%	Miami/Ft. Lauderdale	-11.7%	3.0%
WA	-31.5%	-30.5%	WI	2.1%	-1.1%	GA	-6.5%	1.8%
Seattle	-32.0%	-30.7%	SOUTH CENTRAL	-2.8%	-0.3%	Atlanta	-6.3%	4.4%
MOUNTAIN	-1.5%	1.3%	AL	-0.5%	5.3%	Greensboro/Raleigh	-1.5%	5.8%
AZ	2.3%	-0.5%	AR, LA, MS	-12.7%	-5.1%	NC	-5.0%	3.9%
Phoenix	3.0%	-0.4%	KY	1.5%	2.2%	SC	-5.8%	3.8%
CO	5.2%	22.3%	OK	-15.6%	-5.7%	VA	5.1%	0.9%
Denver	7.0%	17.2%	TN	4.7%	18.2%	WV	9.5%	8.3%
ID, WY, MT, UT	-15.0%	-5.2%	TX	0.6%	-1.3%	MID ATLANTIC	5.2%	-14.7%
NM	5.5%	6.1%	Dallas/Ft. Worth	2.4%	0.7%	NJ	11.1%	-14.5%
NV	-3.5%	-3.6%	Houston	2.1%	0.0%	NY	-13.0%	-19.3%
Las Vegas	-6.7%	-4.8%	San Antonio	-5.8%	-8.3%	PA	8.4%	-13.5%
WEST NORTH CENTRAL	-4.9%	-8.3%	NEW ENGLAND	1.0%	-10.7%	New York City	18.6%	-11.3%
KS, NE	-10.5%	-10.4%	CT	7.8%	-9.5%	Philadelphia	18.1%	-13.6%
ND, SD	6.3%	-4.4%	MA, RI	10.7%	-8.2%	Pittsburgh	19.7%	-9.1%
MN	1.9%	-7.2%	ME, NH, VT	-15.1%	-16.1%			
Minneapolis/St. Paul	1.4%	-5.4%						
IA, MO	-6.1%	-7.5%						
St Louis	-10.4%	-8.1%						
Kansas City	-10.6%	-7.7%						

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

APPENDIX E – BEFORE AND AFTER PHOTO SIMULATIONS

*Oro Valley
El Conquistador Facility
Hole No. 6 (new)*



*Oro Valley
Pusch Ridge Facility
Hole No. 5 (new)*



**APPENDIX F – IRRIGATION SYSTEM EVALUATION AND
RECOMMENDATIONS REPORT**



Coates Irrigation Consultants, Inc.

1420 North Greenfield Road | Suite 103 | Gilbert, Arizona 85234

Phone 480-481-0682 | Fax 480-481-0939

May 3, 2017

Mr. Forrest Richardson
FORREST RICHARDSON AND ASSOCIATES
2337 East Orangewood Avenue
Phoenix, Arizona 85020

RE: EL CONQUISTADOR GOLF COURSES
Irrigation System Evaluation and Recommendations Report

Dear Forrest:

We visited the project site today to evaluate the irrigation systems at the three El Conquistador Golf Courses, and make recommendations for improvement. We met with Tyler Rasmussen (superintendent); Tom Meade of Troon Golf (General Manager); Richard Singer of the National Golf Foundation; and yourself. During the meeting we discussed areas of concern and potential golf course improvements, including irrigation components that desperately need to be replaced. Tom stated that he will provide a lab test for the reclaimed water for the El Conquistador and La Canada golf courses, as well as water quantity and cost. We walked and toured the areas of the golf course.

We also reviewed CICI Plans (from 2003); and Reports (from 2001, 2006 and 2008 which accompany this Report) prior to our visit and with Tyler for coordination. We obtained computer irrigation data from Tyler as well for the La Canada and El Conquistador golf courses.

A. PUSCH RIDGE GOLF COURSE (9 Holes):

1. We began at the Flowtronex pump station (photos included). The pump station currently includes two (2) 75-HP horizontal centrifugal pumps and motors, with spaces for two (2) future pumps that have not been installed. One of the 75-HP pumps has not been working (we believe it

burned up). So Tyler has only one 75-HP pump to irrigate the golf course, which is insufficient. He schedules the irrigation system for minimal watering. The pressure is set at 130 psi on the pump station discharge.

2. As we recall, the pump station was designed for 18 holes, but there are currently only 9 holes. That appears why the blank spaces are included on the pump station for the two future pumps and motors. The water supply for this golf course is potable.

3. There is a Flowtronex booster pump above the main pump station, also set at 130 psi. We believe CICI designed both of these pump station a number of years ago.

4. We photographed one of the Toro Osmac RDR satellite controllers, inside a traditional cabinet. The enclosure keeps the components weather-resistant, so the circuits won't break down so quickly.

5. Pusch Ridge has its own central (a Toro Lynx system) computer at the maintenance facility. This is separate from the La Canada and El Conquistador golf courses. All equipment including sprinklers appears to be Toro.

6. The irrigation system waters approximately 40 acres of turf. There is a lot of rough area (more than half of the golf course in comparison with fairways, tees, and greens surfaces). The irrigation system is not completely separated in terms of roughs being on different zones / schedules from fairways, etc. They are integrated due to the fashion of the golf course, mowing patterns, and the like. It may be possible to reduce pressure at the pump stations and in the system with a redesign, and irrigation only the tees, greens, and fairway close-cut areas as the priority.

Pusch Ridge Golf Course Recommendations:

1. The 75-HP motor at the pump station must be repaired and replaced immediately.

2. This golf course lends itself to tremendous turf reduction possibilities. Money would need to be invested into it to design and install a new irrigation system which separates the roughs from the fairways, etc. It is possible that many parts of the existing irrigation system could be utilized in the new system design. CICI will need to GPS-map the existing the features (tees, greens, fairway mowing lines, etc.) and the irrigation system in order to create a base file

and study what parts of the existing system could be kept in place. There are currently no electronic records of the golf course or irrigation system. CICI will use the information to create a turf reduction irrigation plan in working with your office and according to your direction.

3. The potable water could easily be cut in half by turf reduction in the new irrigation design concept. The best outcome of this particular area of the golf course would be to save overall cost after the initial capital expenditures. After the design and installation changes, Pusch Ridge may lend itself to the expansion to a redesign resulting in 18 holes of golf. We don't know the marketability.

B. LA CANADA GOLF COURSE (18 Holes):

1. We drove the golf course with Tyler and reviewed the condition of the irrigation system. This golf course is located on the east side of the property, where the maintenance facility is situated.

2. A Toro Lynx central computer operates Osmac RDR field satellite controllers. Approximately 100 field units exist on the La Canada and El Conquistador golf courses. These satellite controller cabinets have aged and are not weatherproof anymore, so leaks have occurred on a regular basis which has damaged the circuit boards. These boards must be replaced in order for the RDR units to function, and cost at least \$500 each (or more). The controllers are out of date and must be replaced on both La Canada and El Conquistador. Tyler has had to steal parts from other controllers to make them work for some time.

3. A wiring problem also is prevalent on the golf course. 24-volt and 120-volt wires have been cut so many times through the years, and poor connections have resulted in many shorts in the wiring network. Electrical current does not hold properly, so some sprinklers have been linked together so as many as four (4) heads operate together on a station. We recall this situation as far back as 2001, when the previous superintendent had us provide an evaluation at that time. This linking of sprinklers causes erratic flow issues, since the demand is significantly higher for stations with 4 sprinklers (150 to 200 gpm) than those with one head (50 gpm). The flow demand is not equal throughout the golf course, and the overall run time is affected. Wiring has been make-shifted over the years, and needs a lot of help.

4. The La Canada Rain Bird pump station was found to be corroded and in a bad state. It is many years old and has many issues, including broken scanner motors on the Amiad filters for which Tyler is awaiting parts. The filter screens therefore don't get cleaned properly, so he has to put the filters in by-pass mode and debris from the reclaimed sewage treated water in the lake gets into the irrigation system. This has caused further issues within the irrigation sprinklers, valves, and pipes which must be cleaned out. It appears that three 100-HP motors exist on the station.

5. The pump station pad was observed to be "tilting," and is shown in photos. This is a big problem that must be fixed right away. This work must be scheduled carefully so the pump station is inoperable for as short a time as is possible. The irrigation system's needs must be the priority when making this change.

6. Holes 4 and 5 were an afterthought that were added later going north. Those holes are at a deficit, with no air-relief valves to dissipate air that travels through the pipes to that far north end location.

7. At the far south end, there are two (2) pressure regulators at one of the road crossings. These have recently been installed in order to reduce pressure in the mainline from 190 psi (where surges had been blowing out pipes) to proper water pressures to protect the pipes. The pipes had been weakened due to all the high-pressure surges. These pressure regulators had been recommended by CICI as many as 15 years ago, but were installed only recently.

8. Also at the far south end, four holes were added by the original developer over-and-above what the capacity of the mainline pipes and pumps are capable of supplying. Velocity in the pipes is therefore extremely high (as high as 15 fps, where 5.0 is normal as recommended by the PVC pipe manufacturers). Pipe damage has occurred; these problems must be corrected by a new design.

La Canada Golf Course Recommendations:

1. Pump station must be repaired, including replacement of the filter scanner motors. Also, the pump station concrete slab is tilting and is in bad trouble. It must be repaired or replaced soon, before the pumps stop working due to the angle and movement of the slab.

2. The Osmac RDR field controller units should be replaced with new Toro satellite controllers which are compatible with the Lynx central computer.

3. Sprinkler spacing issues exist on this golf course. Heads are not spaced correctly. The entire irrigation system and features need to be GPS-mapped in order to study the situation and find ways to remove turf in certain places (in coordination with your office). Once we know the locations of the sprinklers on an electronic map, we can advise on where turf may be removed. Sprinklers and valves have been added or moved over the years; the map is the only accurate way to know what is existing, what may be saved, and what must be replaced.

C. EL CONQUISTADOR GOLF COURSE (18 Holes):

1. The pump station is a newer Rain Bird unit (about 9 months old). This pump station includes three (3) 75-HP pumps and motors, and operates at 130 psi discharge pressure. It appears to be operating effectively.

2. Irrigation issues on this course are very similar to the La Canada course. RDR Osmac failures due to circuit board breakage, wiring issues due to shorts and cuts in the wires which leads to inconsistent operation so large areas don't even irrigated. Controller cabinets need to be replaced or new controllers installed since the old RDR units are out-of-date, and the like.

3. Air-relief valves need to be added to the system. Tyler stated that only two (2) air-relief valves are currently operating. Due to the elevation changes and high points in the irrigation pipe network where air collects and causes surges, many more air-relief valves are necessary. Air will then be able to dissipate out of the piping system to minimize damage. More air-relief valves must be installed in the system at high elevation points or dead ends of the pipe network where air tends to collect.

4. Sprinkler spacing is again a problem. We found sprinklers everywhere from 99 feet to 60 feet apart. Spacing needs to be consistent for proper distribution uniformity, so heads need to be relocated and re-spaced for coverage to be correct. Also, part-circle and full-circle sprinklers have been wired together on the same station due to wiring failures over the years. This is inappropriate, since full-circles must operate twice as long as part-circles. When they operate for the same length of time, the turf is either starved or super-saturated which causes other problems due to runoff. This must be corrected so the hydraulic flow chart and water

window are efficient. It is currently not as efficient as it could be, which also affects electric pumping costs.

El Conquistador Golf Course Recommendations:

1. Replace Osmac RDR controller cabinets with new controllers.
2. Add air-relief valves in locations designed by CICI.
3. GPS-Mapping of the existing irrigation system should be accomplished by CICI to be utilized for a turf reduction program, to save water and cost.
4. A number of irrigation components need to be replaced, and new equipment installed following a new irrigation design. The key is to realize which holes or areas will be taken out of play in order to reduce turf. What the staff has done to date is to turn off some sprinkler heads between holes to reduce irrigation, but due to their location sometimes this is not the best alternative because areas desired to continue irrigation have received too little precipitation and have suffered. You (Forrest) and your staff will need to advise us regarding the best locations for turf removal.
5. A great deal of reclaimed water is being consumed each day. It is quite expensive; Tyler or Tom will send the cost. Tyler has been given a water budget of 307,000 gallons per peak day for 18 holes of golf. The La Canada and El Conquistador courses are basically 65 and 60 acres of turf, and some of that could be reduced in rough and fairway areas. This subject must be coordinated with an irrigation plan concept and replacement schedule.

D. SUMMARY:

The recommendations above are issues that must be corrected in order to improve irrigation system efficiency. We estimate that 25-30% of water is currently being wasted; not because of the operator, but because:

- Sprinklers have different nozzles
- Sprinklers have different pressure regulators
- Varying sprinkler spacing

This all results in inefficient irrigation operation and difficulty in management. The improvements will require capital expenditure as discussed above.

We trust that this information is helpful. We will be happy to provide a proposal for the next step of irrigation mapping and design when the client is ready to move forward. Call with questions or concerns.

Sincerely,

Gaylon L. Coates, President
COATES IRRIGATION CONSULTANTS INC.

Cost for GPS-Mapping of Irrigation System & Golf Course Features:

Tees, Greens, Bunkers, Lakes, Pump Stations, Sprinkler heads, Valves, Mainline routing, Controllers, Quick-couplers; converted into an AutoCadd file at 100-scale:

Pusch Ridge Golf Course:	\$ 7,000.00
La Canada Golf Course:	\$ 12,000.00
El Conquistador Golf Course:	\$ 12,000.00
Total:	\$ 31,000.00 Plus expenses

Photos follow on the next pages

Pusch Ridge Golf Course Photos:



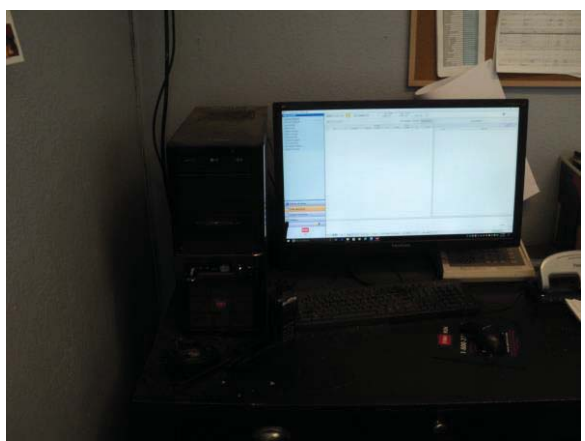
El Conquistador Golf Courses Irrigation System Evaluation Report



La Canada Golf Course Photos:



El Conquistador Golf Courses Irrigation System Evaluation Report



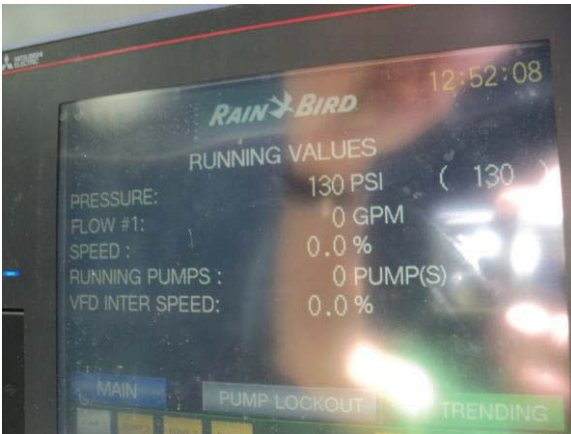
El Conquistador Golf Courses Irrigation System Evaluation Report



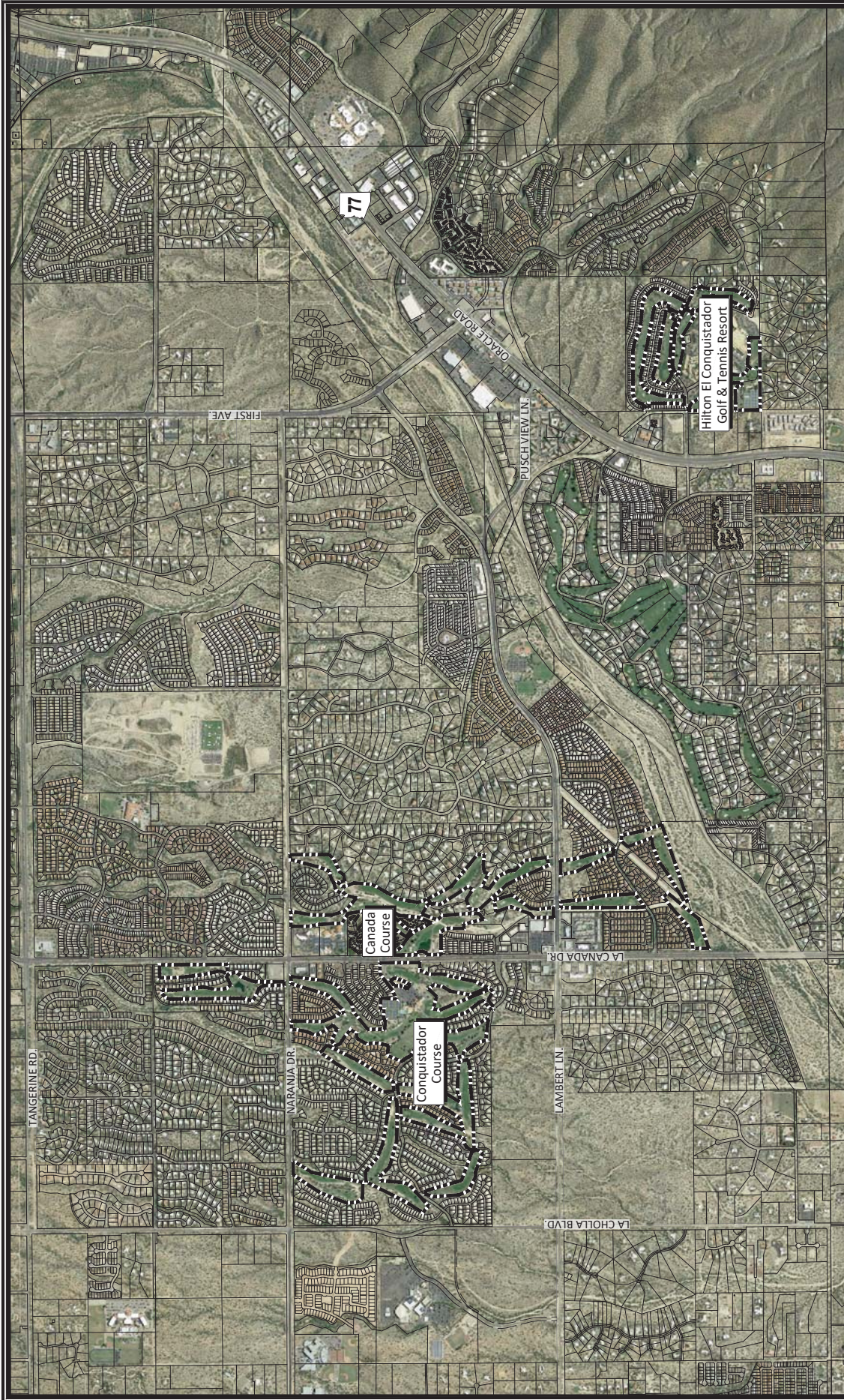
El Conquistador Golf Course Photos:



El Conquistador Golf Courses Irrigation System Evaluation Report



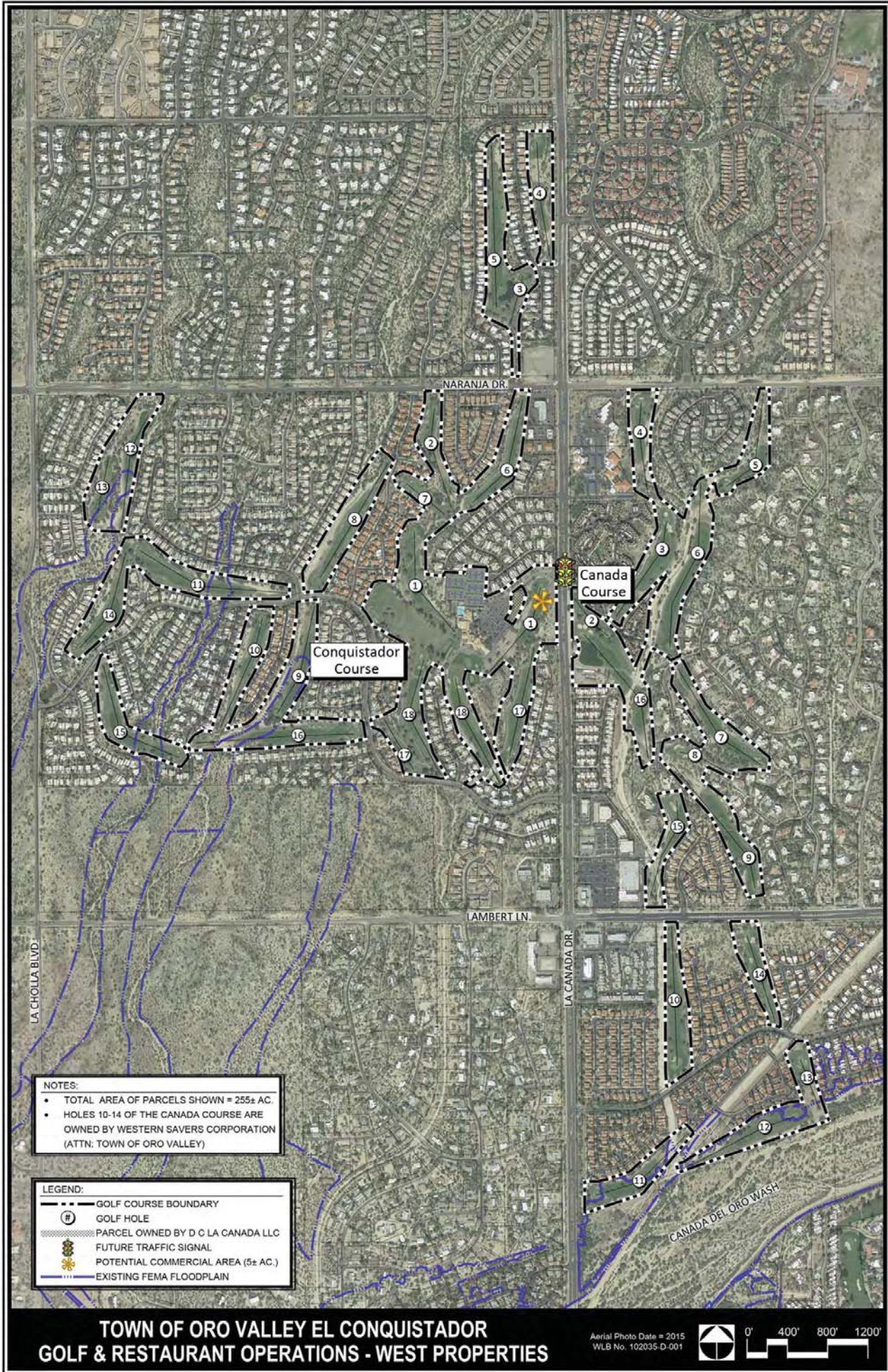
APPENDIX G – EXISTING CONDITIONS EXHIBITS



TOWN OF ORO VALLEY EL CONQUISTADOR GOLF & RESTAURANT OPERATIONS



Aerial Photo Date = 2015
V.L.B. No. 102035-D-001



NOTES:

- TOTAL AREA OF PARCELS SHOWN = 255± AC.
- HOLES 10-14 OF THE CANADA COURSE ARE OWNED BY WESTERN SAVERS CORPORATION (ATTN: TOWN OF ORO VALLEY)

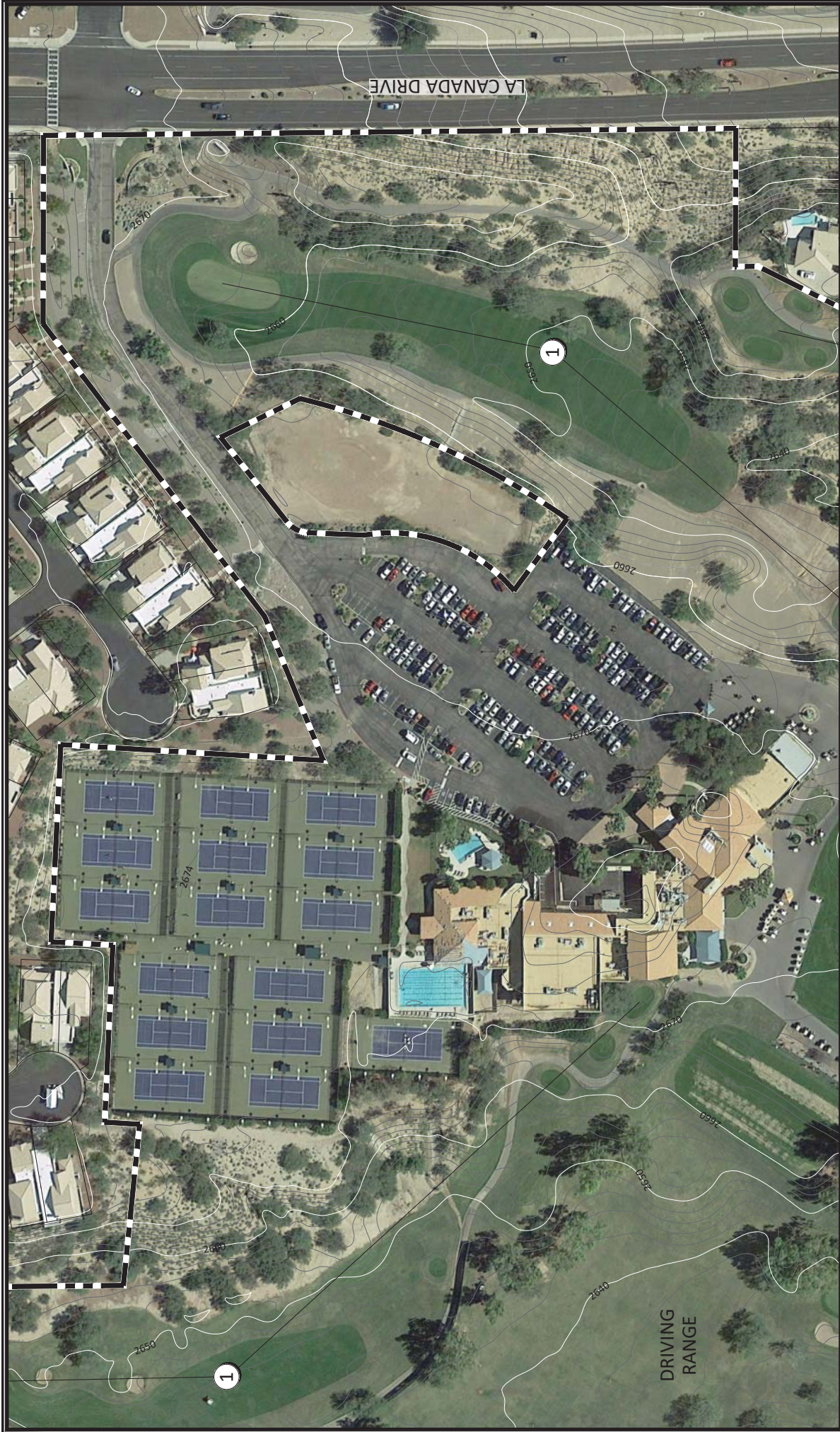
LEGEND:

- GOLF COURSE BOUNDARY
- ⊙ GOLF HOLE
- PARCEL OWNED BY D C LA CANADA LLC
- ★ FUTURE TRAFFIC SIGNAL
- ★ POTENTIAL COMMERCIAL AREA (5± AC.)
- EXISTING FEMA FLOODPLAIN

**TOWN OF ORO VALLEY EL CONQUISTADOR
GOLF & RESTAURANT OPERATIONS - WEST PROPERTIES**

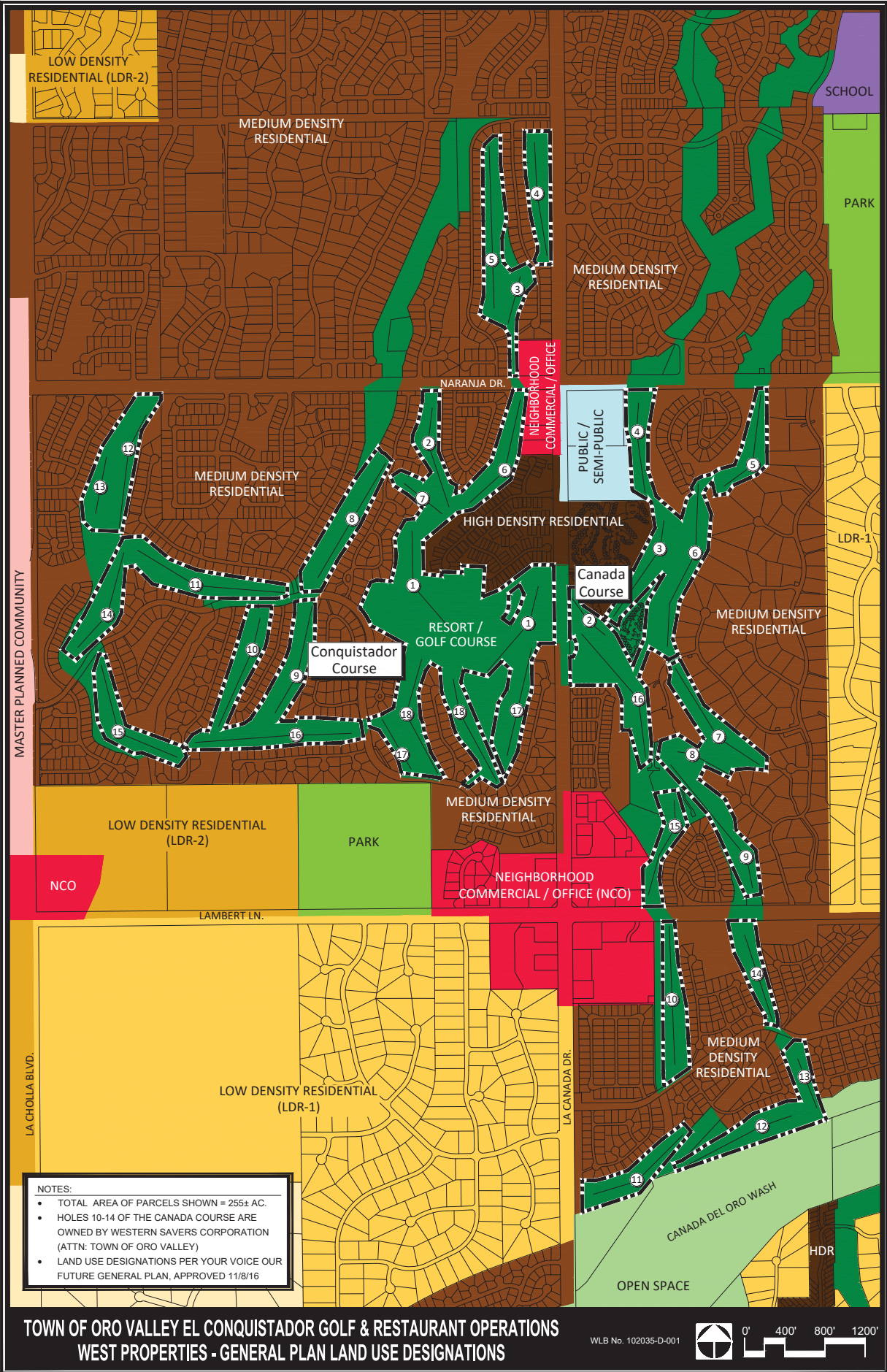
Aerial Photo Date = 2015
WLB No. 102035-D-001

0' 400' 800' 1200'



**TOWN OF ORO VALLEY EL CONQUISTADOR GOLF & RESTAURANT OPERATIONS
COMMUNITY & RECREATION CENTER**

Contour Interval = 2'
 1" = 100'
 W.B. No. 102934-D-01



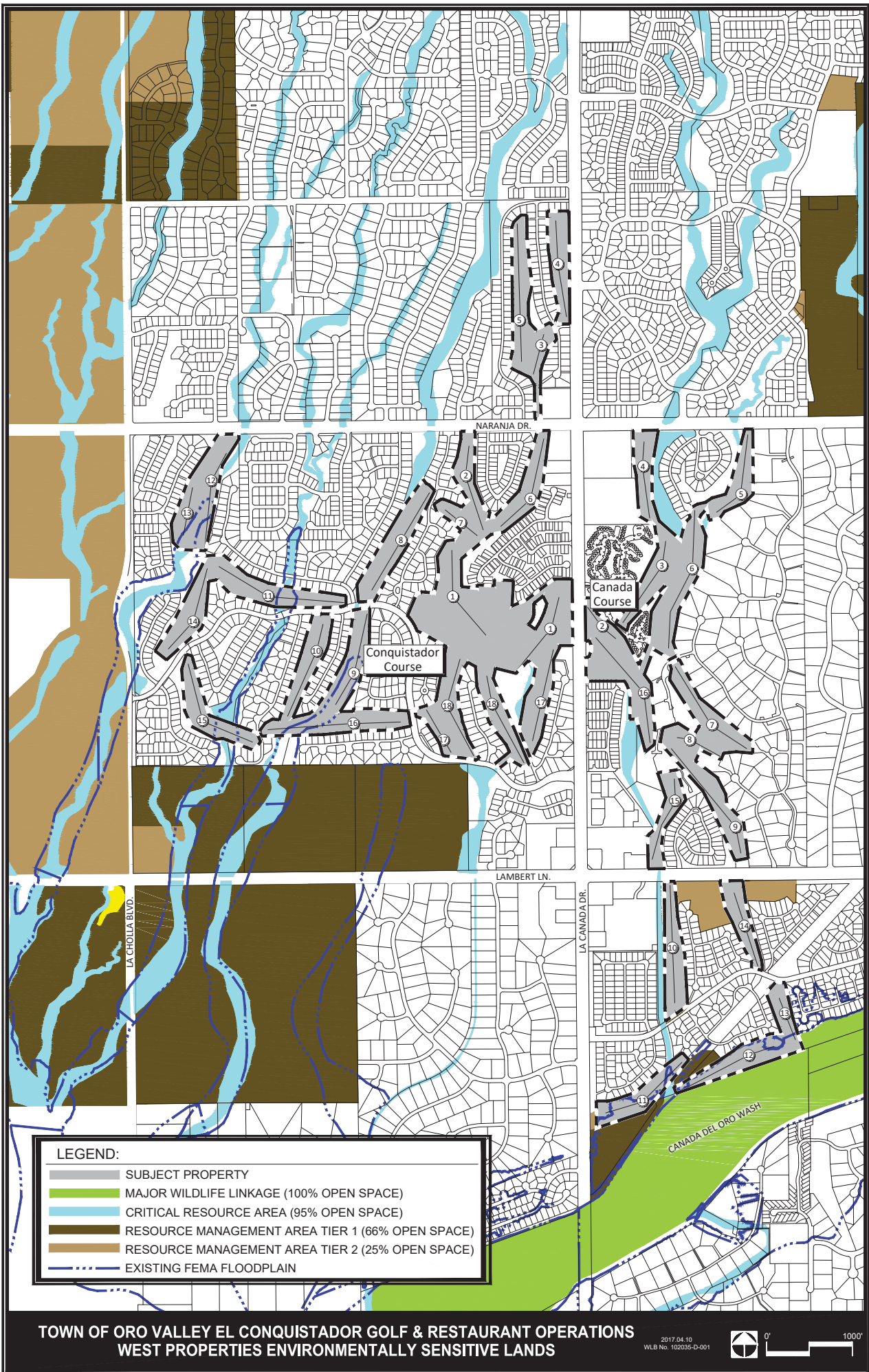
NOTES:

- TOTAL AREA OF PARCELS SHOWN = 255± AC.
- HOLES 10-14 OF THE CANADA COURSE ARE OWNED BY WESTERN SAVERS CORPORATION (ATTN: TOWN OF ORO VALLEY)
- LAND USE DESIGNATIONS PER YOUR VOICE OUR FUTURE GENERAL PLAN, APPROVED 11/8/16

**TOWN OF ORO VALLEY EL CONQUISTADOR GOLF & RESTAURANT OPERATIONS
WEST PROPERTIES - GENERAL PLAN LAND USE DESIGNATIONS**

WLB No. 102035-D-001





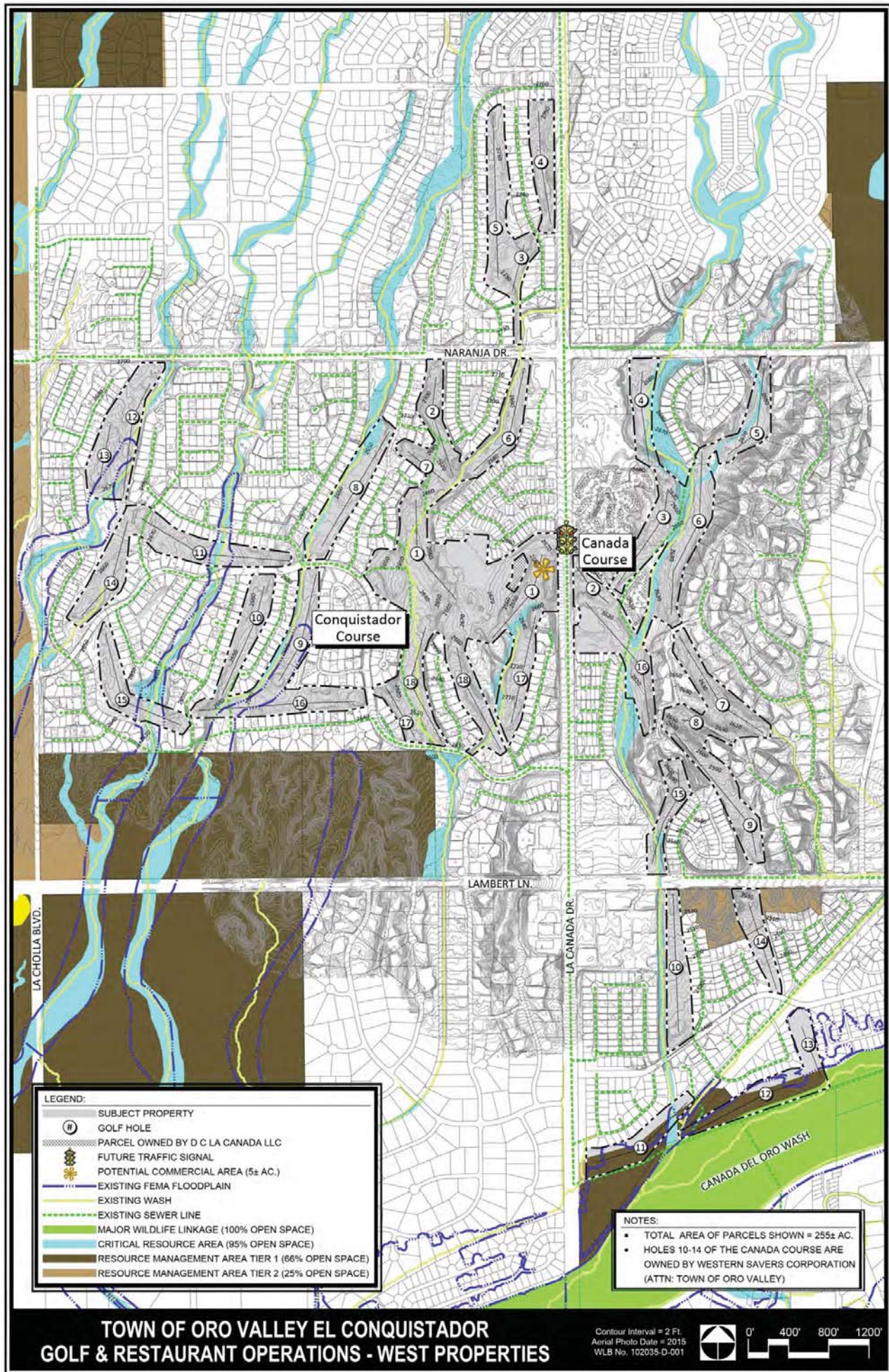
LEGEND:

- SUBJECT PROPERTY
- MAJOR WILDLIFE LINKAGE (100% OPEN SPACE)
- CRITICAL RESOURCE AREA (95% OPEN SPACE)
- RESOURCE MANAGEMENT AREA TIER 1 (66% OPEN SPACE)
- RESOURCE MANAGEMENT AREA TIER 2 (25% OPEN SPACE)
- EXISTING FEMA FLOODPLAIN

**TOWN OF ORO VALLEY EL CONQUISTADOR GOLF & RESTAURANT OPERATIONS
WEST PROPERTIES ENVIRONMENTALLY SENSITIVE LANDS**

2017.04.10
WLB No. 102035-D-001





LEGEND:

- SUBJECT PROPERTY
- GOLF HOLE
- PARCEL OWNED BY D C LA CANADA LLC
- FUTURE TRAFFIC SIGNAL
- POTENTIAL COMMERCIAL AREA (5± AC.)
- EXISTING FEMA FLOODPLAIN
- EXISTING WASH
- EXISTING SEWER LINE
- MAJOR WILDLIFE LINKAGE (100% OPEN SPACE)
- CRITICAL RESOURCE AREA (95% OPEN SPACE)
- RESOURCE MANAGEMENT AREA TIER 1 (66% OPEN SPACE)
- RESOURCE MANAGEMENT AREA TIER 2 (25% OPEN SPACE)

NOTES:

- TOTAL AREA OF PARCELS SHOWN = 255± AC.
- HOLES 10-14 OF THE CANADA COURSE ARE OWNED BY WESTERN SAVERS CORPORATION (ATTN: TOWN OF ORO VALLEY)

**TOWN OF ORO VALLEY EL CONQUISTADOR
GOLF & RESTAURANT OPERATIONS - WEST PROPERTIES**

Contour Interval = 2 Ft.
Aerial Photo Date = 2015
WLB No. 102035-D-001



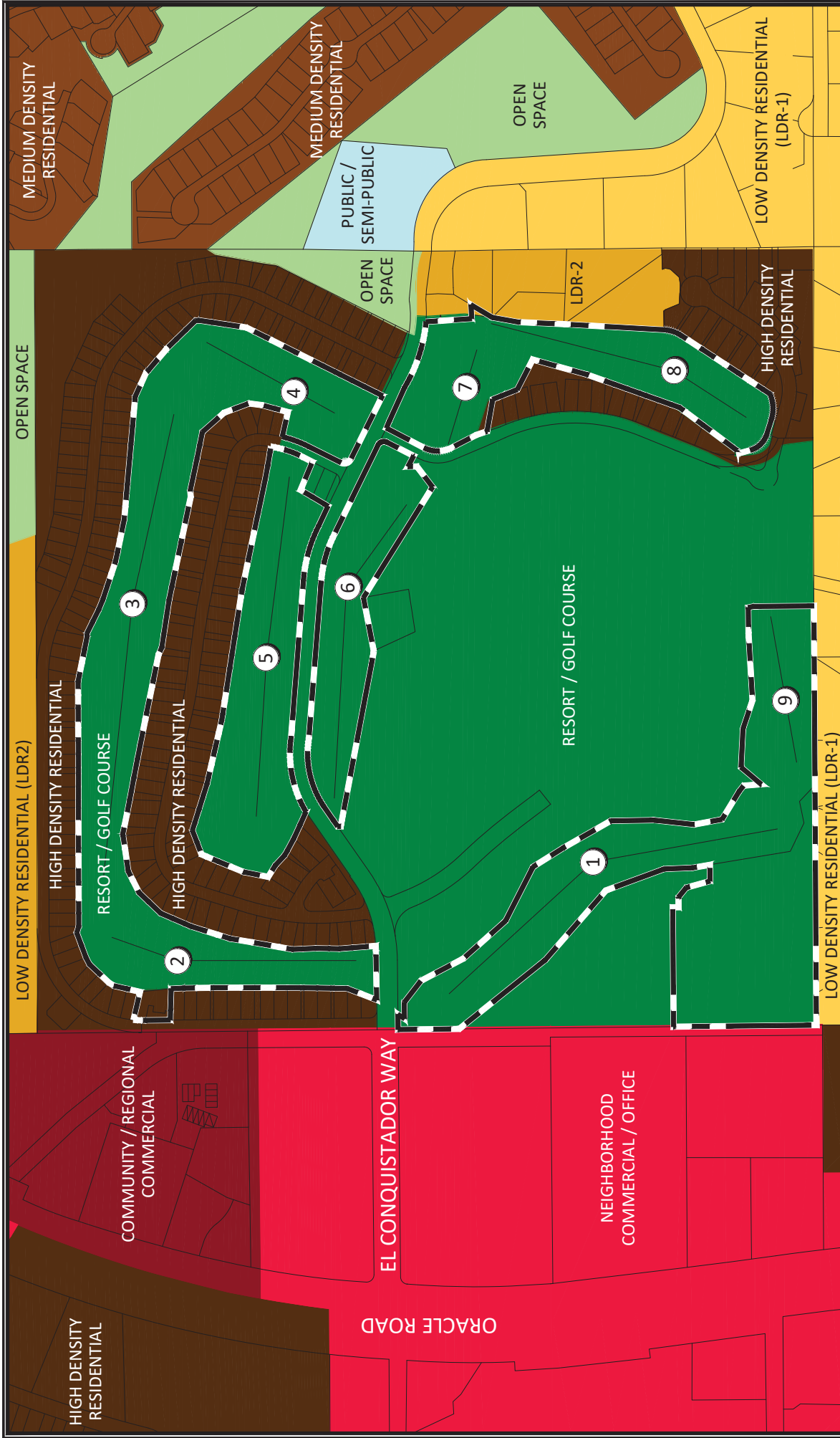
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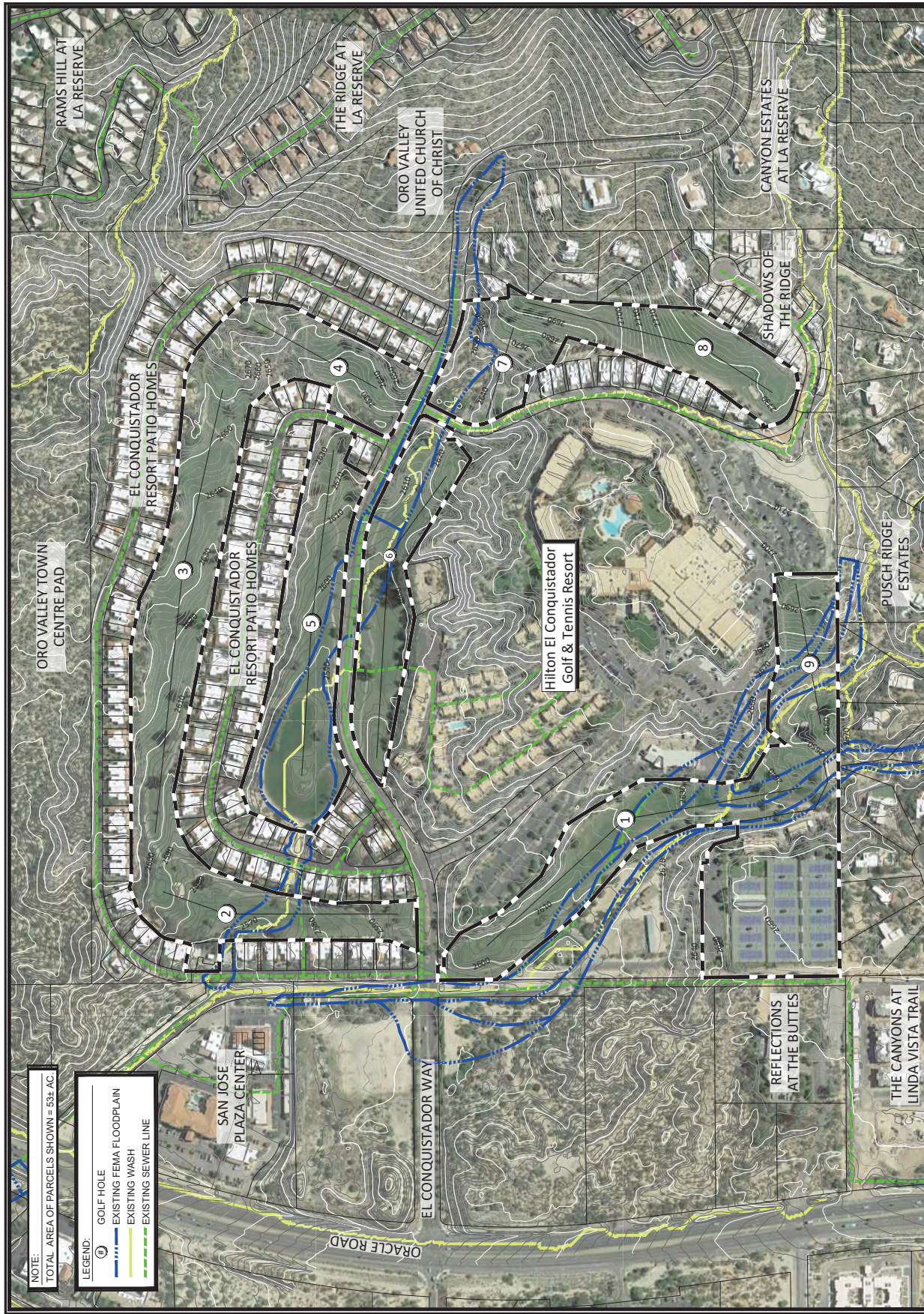
Compass Reference = 7
 Aerial Photo Date = 2015
 WBS No. 16035-5-001

NOTE:
 TOTAL AREA OF PARCELS SHOWN = 538 AC.

TOWN OF ORO VALLEY EL CONQUISTADOR GOLF & RESTAURANT OPERATIONS - PUSCH RIDGE COURSE

ORO VALLEY GOLF COURSE: COURSE DESIGN BY PUSCH RIDGE GOLF COURSE ARCHITECTS, INC. © 2015





NOTE:
TOTAL AREA OF PARCELS SHOWN = 53± AC.

LEGEND:

- ④ GOLF HOLE
- EXISTING FEMA FLOODPLAIN
- EXISTING WASH
- EXISTING SEWER LINE

**TOWN OF ORO VALLEY EL CONQUISTADOR
GOLF & RESTAURANT OPERATIONS - PUSCH RIDGE COURSE COMPOSITE MAP**

Graphic Scale: 0' 100' 200' 300'
 Contour Interval = 7'
 Aerial Photo Date = 2015
 WBS No. 16035-5-001

DATE: 08/11/2015 10:58:15 AM PROJECT: TOWN OF ORO VALLEY EL CONQUISTADOR GOLF & RESTAURANT OPERATIONS - PUSCH RIDGE COURSE COMPOSITE MAP

APPENDIX H – PARCEL REPURPOSING

Parcel Repurposing

The scope of work of the consultant team does not include specific recommendations for parcel repurposing. However, the team is providing considerations to the Town, including necessary decisions to take into account the balances associated with compatible neighborhood uses and whether options are sustainable from a financial standpoint.

Considerations Affecting Use

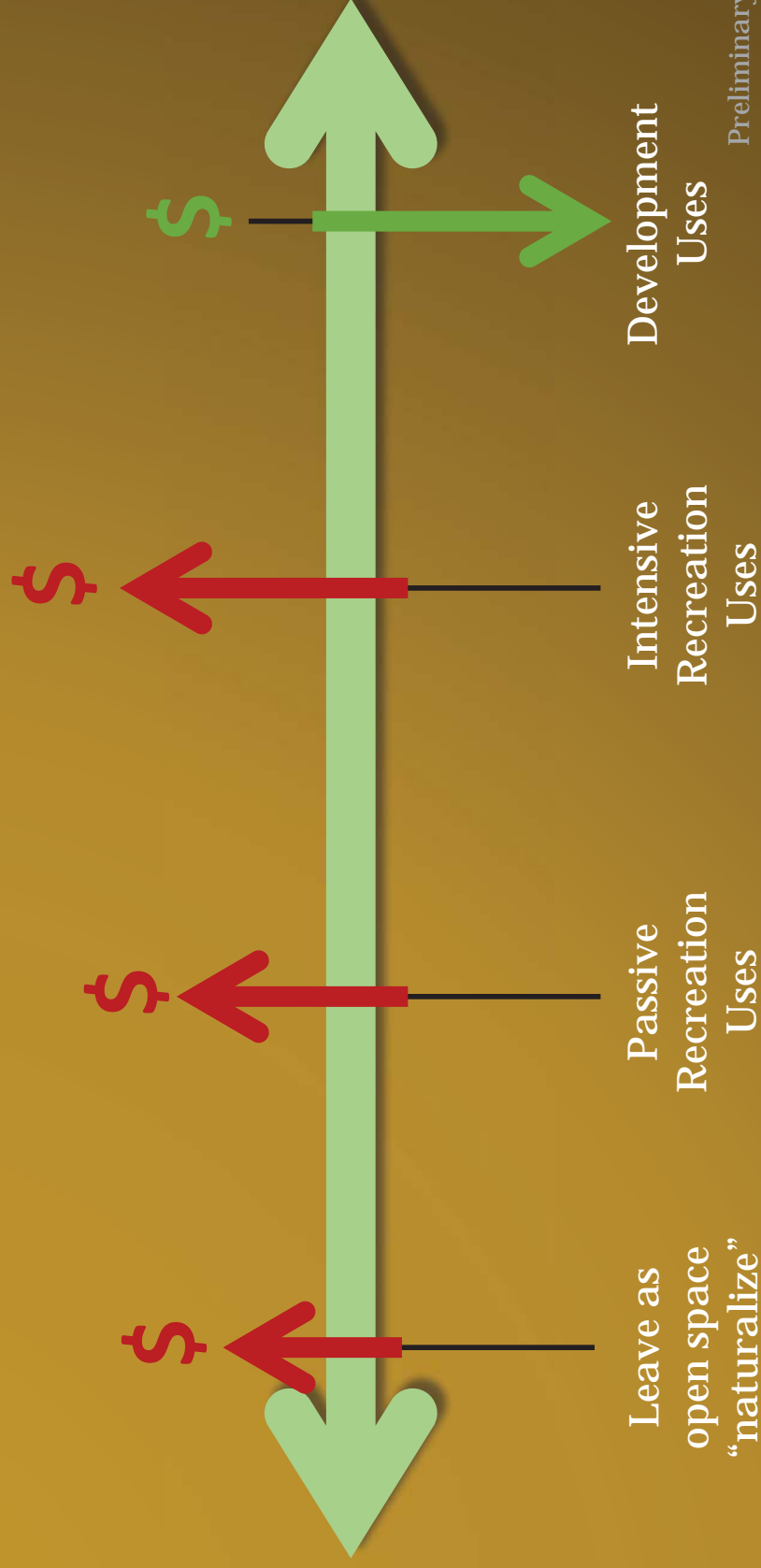
- Parcel size (width) affects the decision
- Parcel location and terrain affects the decision
- Parcel access affects the decision
- Cost to repurpose is a major factor
- Cost to maintain is a major factor
- Long term sustainability is a major factor
- Revenue generation potential needs to be a major factor

Potential Parcel Uses (for parcels removed from golf uses)

- Retention of partial golf uses — *“public putting greens”*
- Blending natural open space with responsible development
- Avoiding uses against private homes — establishing buffers
- Land banking
- Developing public recreation uses that have potential for generating revenue
- Potential partnering with individual HOAs
- Leasing land with revenues returned for public recreation use

The graphic chart on the following page shows a range of land re-purposing options. At the left naturalized Open Space is shown with relatively low cost to yield, but still with costs, including on-going maintenance costs. Passive Recreation Uses, such as small parks, dog parks, etc., involve more cost and also more on-going maintenance. Intense Recreation Uses involve inherently more initial cost as well as potentially high costs to maintain. Converting some land to Development Uses (e.g., residential and/or commercial) would likely save revegetation costs to restore land, and would produce a revenue. Under the scenario where land may be repurposed for development, the assumption is that it may be leased by the Town for development purposes with lease payments returned to the Town to be used to further recreation or other appropriate uses.

PARCEL REPURPOSING DECISIONS



APPENDIX I – COMMUNITY MEETING NOTES

5/04 Meeting Notes

Member Meeting (Afternoon)

Likes

- Having two courses (36 holes)
- Having a dedicated members' side (separation between members/non-members is important)
- Having two ends to the driving range
- Mats on the driving range
- Strong men's and women's golf associations
- Shotgun starts
- Great playing conditions under Troon's management
- T1 bentgrass on the Conquistador course
- Ease of finding a group to play with as a new member, welcoming/supportive member community
- Support for junior golfers
- Trees in the fairways (mixed reactions)
- Choice of multiple tee boxes
- Courses are challenging but reasonable in length
- Great views on the course: Cañada 2, 7, 8, 9, 16 | Conquistador 16
- Cleaned up brush/overgrown areas, leading to improved pace of play
- High value of membership relative to dues paid
- Full service country club amenities (pool, fitness center, etc.)
- Dramatically improved food/fitness/tennis under Troon
- Increasing support for pickleball
- Troon privé perks on other courses
- Spectacular views from the Overlook
- Accommodating golf club/restaurant staff
- No food minimum
- Pro shop discounts
- Central location within the town
- Peaceful environment for a golf course

Dislikes

- Awkward shots on Conquistador 4 due to slopes
- Domed tees on Conquistador 7, 17
- Conquistador 15: Difficult Par 4, too long/difficult green
- Cañada 3: massive bunker to the right of the green
- Cañada 4: dangerous and slow to retrieve balls in the wash
- Cañada 15 (steep slope, dangerous areas with rocks and pebbles)
- Cañada 16: sand traps
- Cañada 16: awkward routing, must double back around the water

- Pusch Ridge (unimportant to the members, viewed as a financial drain)
- Inconsistent yardage markers on the driving range
- Difficult to get in touch with maintenance staff (e.g. when a sprinkler runs unexpectedly)
- Curbs, overall poor cart path conditions
- Inconsistent conditions of sand traps
- Some sand traps are difficult to maintain and dangerous to enter/exit (e.g. Canada 8)
- Out-of-bounds markers typically too close to fairways, too punitive, removing a key element of a desert course
- Greens don't hold, balls roll too much
- Too many non-golfers on the property
- No walkable 18-hole layout
- No ice on course
- No course marshall
- Inability to make tee times online
- Lack of a premiere wedding venue
- F&B hours are too short, need for a snack bar or more beverage carts
- Complex organizational structure, Town Manager does not appear to be actively involved
- No patio on the Overlook
- Terrible acoustics in the Overlook
- Very rule-oriented club, changed culture after Town acquisition
- F&B asking for member number before greeting
- Difficulty making restaurant reservations, ambiguous hours
- Small pool never open or used

Concerns

- Uncertain direction for the future
- The club has historically attracted residents to the area, drastic changes could cause members to leave the town entirely
- Never want to see a fairway turn into a road with residential development
- Fear of eliminating holes, would rather move to a new course
- Uncomfortable with the language of the RFP (perceived focus on removing golf rather than improving the existing asset)
- Focusing on Pusch Ridge is a problem
- Unnecessary turf in some areas
- High water costs despite municipal operation
- Non-members play slowly and take poor care of the course

Town Meeting (Evening)

1. A citizen who was not present at the earlier afternoon member meeting. Asks the team to recapitulate some of the discussion/concerns voiced by members.
2. Residents along Pusch Ridge “feel like orphans” and believe that the importance of their course has not been represented in discussions. Asked whether Pusch Ridge had any representation at the member meeting.
3. Cited another golf course in Tucson that had closed and become a park, resulting in problems such as litter and a homeless presence. Asked whether these concerns were being addressed by the team.
4. Lives on the 18th fairway of El Conquistador. Appreciates the concern given to real estate values. Recommends the team to consider leasing out the Overlook restaurant facility to increase revenue. Also asks whether pickleball courts would be implemented as part of the community center.
5. Resident of Pusch Ridge. Describes the course as the perfect environment for a fast, challenging, and scenic game at an affordable price. Stated that a “large group of ladies” enjoys playing the course together every Tuesday.
6. Previous resident of Pusch Ridge, now living in Cañada Hills along the Conquistador course. Suggests leasing out the restaurant, citing Tucson as an up-and-coming location for restaurateurs.
7. Resident along the 8th Hole of Pusch Ridge. Curious about how the course could be reconfigured to accommodate alternative recreational uses, such as ballfields and hiking trails. Believes supervision will be necessary and retired police/military in the community could provide useful oversight. Would also like to see a snack bar and miniature golf course, making the area more family-oriented.
8. Previously a member at El Conquistador for 6 years but no longer. Asks how the group the group will attract new golfers to the course (receives applause from the audience).
9. Resident who moved to the area to live along Pusch Ridge predominantly due to the presence of the golf course. Notes that both courses are missing good driving ranges despite clear demand in the area.
10. Resident on the 4th Hole of the Conquistador course. Believes the fairways would make perfect open spaces if opened to non-golfers in the evening.
11. Hopes to see demand for pickleball addressed in the plan.
12. Resident along the 3rd fairway of Pusch Ridge. Afraid developers will build on the course. Asks for experience/reassurance from the team.
13. Resident along the 3rd hole of Pusch Ridge. Believes the course had been mis-managed by the resort. Closing for the summer hurts the community perception of its accessibility. Clear need for marketing. Could attract school golf teams by offering discounts, but may need to raise prices first to make this financially feasible. Describes the course as too much of a hidden gem – a great course but underutilized because it is under-marketed. Asked if it could be possible to drill a well to reduce water costs. Urges the team to save

the property by increasing revenue through quality improvements, not reducing the course to cut costs.

14. Concerned that reconfiguration will disrupt private streets in the communities.
15. Resident along the 8th fairway of Pusch Ridge. Wants to see more discussion regarding a possible driving range. States that the course needs a better warm-up area, particularly to cater to an older demographic (e.g. practice sand/chipping area like the course previously had). Raises the possibility of just having a practice net in lieu of a full driving range. States that the houses on Pusch Ridge were marketed as “patio homes,” which would grant residents special discounts on golf (e.g. 20% off on weekdays) – feels that this aspect has been ignored since the Hilton took over the property.
16. Urges the team to focus on the millennial segment of golf. Asks if a partnership with Topgolf could be possible.
17. Does not live along the golf course and asks if another meeting will be hosted specifically to hear from community members who do not reside along the courses. Believes this is particularly important since the purpose is a community center accessible by all.
18. Asks whether the team has considered converting the courses into an executive format.
19. Resident along the 12th fairway of the Conquistador course. Believes the Overlook occupies an amazing location but could be more successful if subleased out. States that Troon has done a great job managing the course, reflected in excellent playing conditions. Believes opening the driving range in the evening would make it more accessible and popular.
20. Believes the X-9 concept for Pusch Ridge was not successfully marketed/executed.
21. Curious about the dirt parking lot at the entrance of El Conquistador, specifically its ownership status and whether or not it will be incorporated into the plan.
22. F&B Manager at El Conquistador when it was owned by the Sheraton. Believes that although the operation is supported by golfers during the day, there is little to no evening activity due to poor marketing of the facility. The team needs to make it clear that the public is welcome at the new community center.
23. Resident of Pusch Ridge for 30 years. Concerned about the lack of ADA compliance in the facilities. Cites the use of the tennis shop to run golf as a major problem. Clear need for a dedicated golf shop on the premises.
24. Asks whether the team has considered converting Pusch Ridge into a Par 3 course.
25. Cites Mesa Verde in Southern California as a precedent for turning around a poorly run club by catering to millennials and improving F&B services.
26. Former Town Council member. Asserts that it will be troublesome if the Town attempts to act as a real estate developer, particularly because expenditures over \$500,000 require citizen approval. Asks what role discounts/pricing controls could play in capturing market demand (e.g. GolfNow).
27. Resident along the 14th fairway of the Cañada course. Concerned that closing the course over the summer will be ineffective and harmful due to high fixed costs.

28. Resident along the 8th hole of Pusch Ridge. States that although the course was closed from May through October for alleged “improvements,” none were actually seen on the course, furthering its poor public perception.
29. Resident of Pusch Ridge who is curious about the fate of the X-9 concept. Asks how the team will engage the Hilton to market the course despite no longer having an ownership stake in the property.
30. A relatively new resident who lives just north of El Conquistador. Believes the facility is crucial in attracting new residents and urges the team to develop a long-term vision for the courses. Believes it is currently an outstanding facility but still has room for improvement. Cites the core problem as marketing, leading to an identity crisis amidst the transition from private to public. Asserts that there is clear upside potential for growth at Pusch Ridge. Asks whether the character of the courses could become more distinct, offers reducing water and turning Cañada into a links-style course as an example. Another idea is to pre-sell rounds as punch-passes – this will be attractive to seasonal residents in particular.
31. Resident of the Villages of La Cañada. Believes the team will need to capture millennial interest to make the courses successful. States that the courses are currently unattractive due to their strange configuration and deferred maintenance issues (e.g. piles of sand along Cañada 11).
32. Head of a local HOA. Believes that collaboration between the golf courses and the Hilton resort will be essential to their mutual success. The course has historically been mismanaged, leading to its increasingly weak identity in the community. States that the mountain backdrop to Pusch Ridge is iconic and unique. However, the reality is that the supply of golf in the area exceeds reasonable demand. Asserts that FEMA restrictions at Pusch Ridge may make conversion into non-golf uses problematic.