

Save the Fred Association

Golf Operations Proposal

Presented to Edina City Council on 3/4/2104 by Save The Fred



Overview:

The Save The Fred Association has come together to research additional ideas for Edina golf operations, with a focus on maximizing the possibilities and opportunities to develop world-class golf operations for the Edina community. We explored alternatives to the current proposal, which we believe underleverages what could be achieved if a thoughtful and carefully crafted master plan for Edina golf is developed. A thoughtful, well researched, and fiscally sound master plan is needed to develop a vision that will sustain the City's golf operations for the next 50 years. The current proposal from City of Edina staff falls significantly short of this objective.

Save the Fred is asking the City to detach the closing of Fred Richards from the Staff's recommendations to improve Braemar Golf Operations. Our group is committed to not only saving Fred Richards, but also supporting the long past due and necessary capital improvements to the Braemar Golf Course. These two goals are not mutually exclusive of one another, notwithstanding city staff's position to the contrary.

Our respective goals are similar, i.e. providing the absolute best golfing opportunities in Edina for the entire golfing community at large, including but not limited to, beginners, our youth and their leagues, impaired players and their leagues, ladies, men, seniors, work leagues, etcetera.

Our group has spent countless hours over the past few weeks attempting to understand the position taken by staff recommending the closing of Fred Richards to the Park Board and City Council. There is clear and convincing evidence that Fred Richard has been profitable and will be profitable in the future. It is our position that the closing of Fred Richards would be a serious mistake to the detriment of the current and future golfing community of Edina.

We respectfully request the City Council on March 4th to do three things:

1. Vote to TABLE city staff's recommendation to close Fred Richards Golf Course indefinitely to allow for further study before making an unreasonably quick decision about a long-time treasured community asset.
2. Vote to approve staff's recommended improvements to Braemar with the exception of converting Braemar Exec to Par 3.
3. Direct City staff to work with appropriate resources and residents to produce a master plan for the future of Edina Golf Operations. We believe there are options that should be explored that better serve Edina golf and that are more fiscally responsible than the current list of proposals by City Staff.

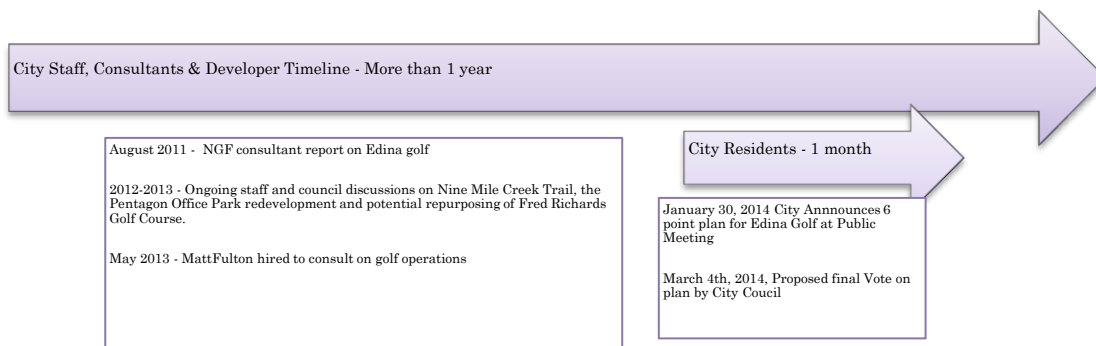
The following pages share information and ideas that were generated by our group in the short time provided by City Staff. As you read through this document, we ask you to imagine the possibilities to maximize the future of Edina Golf if Council were to pause and ask for a responsible timeline that includes thorough analysis of the facts, extensive public input, and careful consideration so the best decision can be reached.

We hope that at the end of this proposal that you will determine, as we did, that the City Staff's current proposal should at the very least be supplemented with other ideas to achieve the best outcome for Edina Golf. VOTE for more time, a better process, and a better outcome!

City of Edina Fred Richards Closure Decision Timeline

City Staff has been thinking about, studying and developing its current proposal for Edina golf for well over a year. City residents had ZERO involvement and, even worse, ZERO communication from City Staff during the recommendation development process. This is an important decision that deserves a better process that will ensure a better result for all Edina residents. **ONE** month between Staff communication of its proposal and recommended final vote by City Council on March 4th is offensive and not in the best interests of anyone involved.

The timeline is depicted as follows:



Fred Richards Closure Decision Timeline

August 2011 – National Golf Foundation consultant report on Edina Golf Operations

2012 – 2013 – Ongoing discussions by council and staff on Nine Mile Creek Trail, the Pentagon Office Park redevelopment project and the potential to repurpose Fred Richards Golf Course.

May 2013 - City hires Matt Fulton to review Edina golf operations

May 7th, 2013 – City Council Meeting Notes

- “There was discussion on the Nine Mile Creek Trail maps and the potential for a change in use at Fred Richards Golf Course in the near future”.

August 7th, 2013 – Edina Sun Current Article – “Edina council has not decided future of Fred Richards course”

Mayor Hovland Quoted:

“If the consultant should recommend consolidation of all of the city’s golf operations at Braemar, that will only be one opinion to consider in a thorough evaluation, with extensive public input, of whether to follow such a recommendation.”

He concluded, “In summary, the council has made no determination with regard to the future of Fred Richards Golf Course and no such decision would be made without extensive public input.”

October 7th, 2013 – Hillcrest Public Open House on Pentagon Park Redevelopment

- **When asked, Scott Tankenoff states that he had been meeting with City Staff and Council (in ones and twos) for approximately a year.**
- Tankenoff states to those present that City staff had communicated to Hillcrest a decision on the Fred was coming soon. Decision needed because it directly impacts developer plans.
- Several mock-ups show development with parkland (Fred closed) and integrated storm water.

November 5th, 2013 – At request of residents, Mayor Hovland meets with small group

- Concerns expressed, specifically focused on lack of communication or public involvement in process.
- ***Mayor commits to an open, participative and extended process to ensure that all viewpoints are heard and that neighborhood involvement is maximized.***

November 6th, 2013 - Star Tribune article **pledging public conversations with residents** (Ann Kattreh)

December 6th, 2013 – In a Minneapolis/St. Paul Business Journal article, Hillcrest developer Scott Tankenoff publically states his preference for an integrated approach with city which would result in closure and repurposing of Fred Richards Golf Course. Tankenoff quote: “There comes a time when we can’t wait, are we integrating our land or not?”

December 11th, 2013 – City Planning Commission Meeting with Hillcrest

- Two plans presented by Hillcrest, one with Fred one without
- Developer states preference for integrated approach

January 30th, 2014 – WITH ZERO PUBLIC CONVERVERSATION OR INPUT PRIOR TO RECOMMENDATION, CITY ANNOUNCES 6 POINT PLAN FOR EDINA GOLF WHICH INCLUDES CLOSING FRED RICHARDS GOLF COURSE.

March 4th, 2014 – Proposed final City Council Vote

**CITY STAFF, CONSULTANTS & DEVELOPER = 1 YEAR PLUS
CITY RESIDENTS = 1 MONTH**

City of Edina Golf Operations: Alternative Models

On February 11, 2014, the City of Edina Park board approved a recommendation to close the Fred Richards golf course and invest in the remaining golf course facilities at Braemar. Estimated savings for this proposal was **\$2,334,400** by 2020.

This was the only recommendation provided and the only savings proposal analyzed in depth by staff. As with any critical business decision, several scenarios should have been considered and discussed; unfortunately, this has not taken place. Over the last few weeks, our group of concerned citizens with business finance backgrounds worked to develop additional options to deliver savings at or above the current proposal. The objectives are to meet both the City's goal of improving the City of Edina's golf enterprise and contribute positively to the City of Edina's overall budget.

The chart below shows cumulative operating profit for both the Fred Richards golf course and the entire golf operations for the following time periods: 1) 2007 thru 2014 (Fred closure date) and 2) 2015-2020 (baseline forecast provided by staff assuming no actions are taken). Despite rumors to the contrary, the Fred Richards course has not been a historical driver of the operating profit/loss for the golf operation, and closing the course does not eliminate an unprofitable asset.

Baseline Scenario	2007- 20014 est	2015 – 2020 (6 year)
Fred Richards*	+\$35,823	+\$110,7870
Total Braemar Golf Operation	-\$655,815	-\$3,245,000
*Includes \$50,000 annual allocation from Braemar; forecast basis staff assumptions in Braemar baseline scenario		

Below are analysis of the current staff proposal and two additional proposals for council's consideration.

Please refer to financial exhibits following the options summaries

Option 1: Close Fred Richards

The current proposal estimates that closing Fred at the end of 2014 will save \$734,000 over the next 6 years. This figure assumes almost half of current players transfer over to the Braemar Par 3 (post conversion) starting in 2015. Concerns with this option include the timing of the closure, the exclusion of additional funds necessary to repurpose the land, and the removal of an executive course option (Par 29) for Edina golfers.

Despite what the current proposal states, closing Fred Richards after in the 2014 season does not generate any funds for the driving range expansion, and results in both executive courses being closed in 2015 while the driving range is expanded and the Braemar Executive is converted into a Par 3. By keeping Fred open through 2015, lost revenue at Braemar Executive (closed) could be recovered during construction and we can ensure current players stay within the City of Edina golf enterprise and not look to other city courses to meet their needs.

This option also does not factor in additional capital required to repurpose the existing Fred course (42 acres) into a park and maintain it. These additional costs will far outweigh the operating expense savings from closing Fred and will ***pull down*** the total estimated savings significantly to **\$1,034,400** by 2020.

Option 2: Maintain Existing Facilities

By keeping Fred open, the golf enterprise can increase the impact of the proposed rate hike and drive additional rounds through increased marketing and new customers from the Pentagon Park development and expansion of Youth Leagues.

Fred's additional **profit contribution of \$646,000** (2015-2020) will be comparable to the operating expense savings from closing Fred (\$734,000) **and** will not require additional city funds to convert Fred to a park. This option will also ensure an executive length course remains in the Edina golf system.

Total savings for this proposal is **\$2,089,200** by 2020, **2X** the estimated net savings under Option 1.

Option 3: Keep Fred Richards Open, Close Braemar Executive Course

Of the two executive courses our golf operations have today, Fred Richards is played more often, +28,676 more rounds over the last 10 years. In addition, Fred has a landscape better suited for these types of players, and is easier to maintain according to the NGF golf study.

Keeping the Fred Richards course open and closing the Braemar Executive course will generate similar levels of operating expense savings and significantly reduces the level of investments necessary for both the proposed driving range/Par 3 renovation and the irrigation replacement scheduled for 2016 at Braemar. It also provides additional space next to the existing driving range, which opens up additional possibilities to create a "best in class" practice facility area.

Total savings for this proposal is **\$2,522,600** by 2020, **2.5X** the estimated net savings under Option 1.

Summary:

We agree it is critical to invest in our current golf operation, get it back to being one of the top operations in the Twin Cities area, and be good stewards of the City's overall budget. We believe the current proposal (Option 1) does not deliver on these objectives, with the operating expense savings generated from the Fred closure more than offset by future spending to repurpose the space into a park.

Options 2 & 3 provide similar direct benefits, reduce the need for significant future capital investments, ensures an executive style course remains in Edina, and accomplishes the goal of funding improvements to the overall golf operation while contributing positively to the City of Edina's overall budget.

These are just two additional options to consider. We believe there are others as well that could be generated if time is spent developing a master plan for a world-class golf operations in Edina, which has not taken place. We ask that you explore additional these and additional options to ensure we are making the best long-term decision for the citizens of Edina and the golf operation.

Fred Richards/Braemar Income Statement

Fred Richards		2007	2008	2009	2010	2011	2012	2013	2014 Est	2015 Est	2016 Est	2017 Est	2018 Est	2019 Est	2020 Est	2007-2014	2015-2020
Rounds		26,499	25,875	25,965	21,965	19,073	19,361	15,934	20,000	20,300	20,605	20,914	21,227	21,546	21,869	174,672	126,460
Total Revenue		\$ 258,013	\$ 260,787	\$ 258,393	\$ 240,329	\$ 212,017	\$ 227,543	\$ 201,935	\$ 253,464	\$ 257,266	\$ 261,125	\$ 265,042	\$ 269,018	\$ 273,053	\$ 277,149	\$ 1,912,481	\$ 1,602,653
Total Expenses		\$ (181,318)	\$ (194,343)	\$ (187,239)	\$ (180,462)	\$ (187,489)	\$ (192,912)	\$ (173,860)	\$ (179,035)	\$ (184,365)	\$ (189,854)	\$ (195,506)	\$ (201,327)	\$ (207,321)	\$ (213,494)	\$ (1,476,658)	\$ (1,191,866)
Operating Profit		\$ 76,695	\$ 66,444	\$ 71,154	\$ 59,867	\$ 24,528	\$ 34,631	\$ 28,075	\$ 74,429	\$ 72,901	\$ 71,271	\$ 69,536	\$ 67,691	\$ 65,732	\$ 63,655	\$ 435,823	\$ 410,787
W/ Braemar Allocation		\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (400,000)	\$ (300,000)
Op Profit w/ alloc		\$ 26,695	\$ 16,444	\$ 21,154	\$ 9,867	\$ (25,472)	\$ (15,369)	\$ (21,925)	\$ 24,429	\$ 22,901	\$ 21,271	\$ 19,536	\$ 17,691	\$ 15,732	\$ 13,655	\$ 35,823	\$ 110,787
\$2 rate increase								\$ 40,000	\$ 40,600	\$ 41,200	\$ 41,800	\$ 42,500	\$ 43,100	\$ 43,700			\$ 252,900
Incr Rounds thru marketing									\$ 51,700	\$ 52,400	\$ 53,200	\$ 54,000	\$ 54,800	\$ 55,700			\$ 321,800
Recovery of Braemar Excess lost revenue during construction								\$ 17,100	\$ 71,300								\$ 71,300
Revised Op Profit w/ alloc		\$ 26,695	\$ 16,444	\$ 21,154	\$ 9,867	\$ (25,472)	\$ (15,369)	\$ (21,925)	\$ 81,529	\$ 186,501	\$ 114,871	\$ 114,536	\$ 114,191	\$ 113,632	\$ 113,055		\$ 756,787
																+/- baseline	\$ 646,000

Golf Operations Options & Analysis

Option 1: Close Fred	Option 2: Keep all courses	Option 3: Close Braemar Exec
Fred revenue lost (assumes initial lost of 69% of revenue migrating to 50% by 2020)	Fred \$2 rate increase	Braemar Exec revenue lost (same modeling)
\$ (878,200)	\$ 252,900	\$ (821,200)
Fred operating expense savings (assumes 50K per year allocation)	Fred increased rounds due to marketing (18% increase consistent with plan assumption)	Braemar Exec operating expense savings
\$ 1,432,200	\$ 321,800	\$ 1,163,400
Fred equipment savings (\$30K per year)	Fred recovery of lost revenue during Exec course construction (assume 50%)	Braemar Exec equipment savings (\$30K per year)
\$ 180,000	\$ 71,300	\$ 180,000
Subtotal	\$ 646,000	Subtotal
\$ 734,000	\$ (592,500)	\$ 522,200
Driving range expansion	Driving range Expansion	Driving range expansion
\$ (592,500)	\$ (592,500)	No capital improvements to exec course
Increased Rates and Marketing (includes rounds transferred to Braemar from FR)	Increased Rates and marketing Less ants assumed due to transfer to Braemar	Increased Rates and Marketing (Includes rounds transferred to FR from Braemar Exec.)
\$ 1,307,900	\$ 1,307,900	\$ 1,307,900
Staff reductions	Staff reductions	Staff reductions
\$ 362,800	\$ 362,800	\$ 362,800
Outsourcing grill operations	Outsourcing grill operations	Outsourcing grill operations
\$ 522,200	\$ 522,200	\$ 522,200
<i>Golf operations total</i>	<i>Golf operations total</i>	<i>Golf operations total</i>
\$ 2,334,400	\$ 2,089,200	\$ 2,722,600
Cost to repurpose the park		Cost to repurpose Braemar Exec. to open space
\$ (1,000,000)		\$ (500,000)
Cost to maintain park (50K per year)		No irrigation replacement for Braemar Exec land in 2016
\$ (300,000)		\$ 300,000
Total Impact to the City	Total Impact to the City	Total Impact to the City
\$ 1,034,400	\$ 2,089,200	\$ 2,522,600

Key Assumptions

- Cost to repurpose park: current course is approximately 40 acres. When the old Normandale course was redesigned and became Fred, the cost was over \$3,000,000 and this was 20 years ago. Similar price tag to build Clunie-9 20 years ago. We realize this is too high, but the current estimate to expand the driving range and redo 2 Braemar Exec holes is estimated at \$1,200,000 (much smaller space). We also asked Scott Neale at the Jan 30th meeting and he agreed that \$1,000,000 was a strong possibility. This would just be to redo the landscape, fill sandtraps and level out any green humps. Going beyond that would likely cost much more.
 - For annual maintenance costs, we looked at the current park maintenance budget (ex-facilities) of \$2.9MM and divided by our current # of parks (40). This gave us \$72,500 annually which we discounted to be conservative. It should be pointed out that this park would be significantly larger than a standard park. In addition, a per acre comparison of managing natural grass annually vs. "wild grass", which is much more cost effective, indicates a range of \$24,000 for "wild" grass and \$200,000 for natural grass (see additional "grass option comparison" tab)
 - We used a lower estimate to repurpose the Braemar Exec to open space. Our rationale was that the majority of the course is across the road and as a result, less spending needs to take place to make it a usable space, although we think there are a lot of great possibilities with this space and the parking capacity at Braemar (ex: sports fields).
- Additional Commentary**
- Additional PGA Grant money worth exploring for Fred under their "Play 9" marketing program
 - Closing Fred and converting Braemar Exec to a Par 3 eliminates an executive length course option; both golf studies suggest having an executive length course is ideal
 - Closing Braemar Exec can enable the removal of existing check-in building and automation of driving range (ball dispensers), addl savings possible
 - Basis current design, Braemar Exec closure creates 30-40 acres of open space, with 20+ acres located north-east of Braemar Blvd. and west of Gleason
 - Current marketing spend levels are inadequate at <1% of total budget; a reasonable increase in marketing could have a material impact

City of Edina Survey: Summary of Key Findings

Two surveys have been completed in the last few years that have been talking points during the golf course operation discussion. In order to provide open transparency, we encourage reading the full results of both reports and take all responses into account. Results worth highlighting:

Quality of Life Survey

- 1) These facilities had a high % of responders who have not used them within the last year:
 - a. The Aquatic Center – 62%, usually profitable in +\$100,000 range
 - b. The Senior Center – 67%, no revenue generation
 - c. Braemar Ice Arena – 68%, **loses** roughly -\$450,000 annually
 - d. Braemar Golf Course – 58% (play on any of the 3 courses), unprofitable currently
 - e. **Fred Richards Course – 76%, slightly profitable**
 - f. Edinborough Park – 53%, **loses** roughly -\$100,000 annually
 - g. The Art Center – 55%, **loses** roughly -\$175,000 annually
- 2) A question was posed (#45) if people felt we had the right level of Parks & Open Space currently = **91% said about right.**
- 3) People ranked Park and Facilities (#82) as either **excellent (47%) or Good (52%)** and indicate **they are satisfied** with what they have and how it's run.
- 4) **97% feel existing facilities offered meet their needs** (#107). Nothing indicates that people feel current golf or park facilities need changing.
- 5) Similar to above, **99%** indicated that the current mix of city park and rec programming **meets their needs** (#133)
- 6) People were willing to pay increased property taxes to fund any improvements (#129)
- 7) **52% never bike in the city of Edina and 15% rarely** (#151); but almost all felt that it was currently fairly easy to bike around in Edina (#152).
- 8) **70% of the responders do not have school age children** or preschoolers in the household (#186).
How can we accurately comment on Fred's lack of participation given we didn't get a heavy response from families with kids who might be using the course?

Consultant's Survey Monkey

- 1) **86%** of those surveyed **don't think there are too many holes of public golf** in Edina (#10)
- 2) **40%** of responders are willing to pay **\$2 more** per round, 30% would pay \$5 or more (#8)
- 3) When asked which services or improvements to facility would make you more likely to frequent Braemar, 48% asked for "well maintained target greens on driving range"; **only 11% suggested "the conversion of executive course to a shorter par 3 course"**
- 4) **Less than 3%** of the responders of this survey were under 18. Makes it difficult to get an accurate picture of the youth golf picture
- 5) **Only half of the responders live in Edina.**

There are inherent strengths in surveys to capture data at a point in time. In addition surveys when interpreted can be manipulated to support any position with the right spin. Our point is simply that City Staff has chosen survey results that support their position and ignore other findings. We present the above for your further consideration.

City of Edina Bonds: Points of Interest

EDINA'S MUNICIPAL BOND RATINGS (as of March 4, 2014):

Moody's: Aaa- “an obligator has EXTREMELY STRONG capacity to meet its financial commitments”.

Standard & Poor's: AAA

Edina's current Aaa/AAA bond ratings are the highest possible ratings. The city should be extremely proud of this.

Outlooks:

If Edina were in danger of a downgrade the rating agencies would signal that downgrade. The current outlook is as follows

Moody's: NOO (No Outlook). This is very common with Moody's- no outlook given.

Standard and Poor's: STABLE.

According to S&P's most recent report, they state “the stable outlook reflects Standard & Poor's expectation that Edina will continue its strong financial performance with good fund balances given its robust tax base and good management policies. Given these very strong credit quality characteristics, including access to the Minneapolis- St Paul metropolitan area, we do not anticipate changing the rating within the two-year outlook horizon.”

If Standard & Poor's anticipates that a credit rating may change in the coming 6 to 24 months, it may issue an updated ratings outlook indicating whether the possible change is likely to be “positive”, “negative”, “stable”, or “developing” (meaning it's uncertain whether a rating might go up or down). Or, if events or circumstances occur that may affect a rating in the near term, usually within 90 days, Standard & Poor's may place the rating on CreditWatch. Typically, an updated outlook on CreditWatch from Standard & Poor's includes a rationale for the potential change and the extent of the change, up or down, which may occur. However, updating a ratings outlook or placing a rating on CreditWatch does not mean a ratings change is inevitable.

No “negative outlook” has been issued on Edina's bond ratings.

Moody's and Standard and Poor's discussion of Edina Golf operations:

Moody's:

“While both the Golf and the Arena Fund have challenged operations, risk to the city is mitigated by strong revenues from the Municipal Liquor Fund and ample liquidity in the General Fund and alternate funds.”

Standard & Poor's:

The S&P report does not mention anything about the golf operations in their analysis other than a possible upcoming General Obligation bond issue for various purposes “including improvements to an existing driving range”.

While the city must continue to act fiscally responsible to maintain its Aaa/AAA bond rating, we do not believe that the Fred Richards Golf Course should in anyway adversely affect Edina's future bond ratings. The 2013 operating losses for the golf enterprises of \$450,000, in 2013 is 3% of the fiscal 2012 City's General Fund and 1.3% of revenues.

Sources: Wikipedia, Moody's Investors Service (City of Edina's ratings report dated September 13, 2013) and Standard and Poor's Rating Services (City of Edina's rating report dated September 13, 2013).

Summary and Request

City Staff has worked for over a year to develop the one recommendation they are asking you to vote on tonight with only ONE MONTH of council review and public discussion. This rush to a final judgment serves no interests well. Not the interests of concerned and impacted residents, not the interests of the Edina Golf enterprise or its patrons, not the interests of those tasked with managing the city's assets wisely and responsibly, and not the interests of Mayor Hovland and the City Council. The proposal on the table by City Staff is flawed, not well considered, does not maximize the future potential of Edina golf, and has been developed with ZERO public input.

We presented just TWO alternative options that result in a better outcome for all involved. We believe our proposals are based on sound financial data and assumptions and deserve further evaluation and consideration that only time can provide. Certainly, there are other proposals that also deserve time and consideration by City Staff and Council before a final decision is made. The Braemar Golf enterprise including Fred Richards Golf Course has served residents and patrons well for 50 years. Surely charting a path for the next 50 years deserves a carefully crafted Master Plan and more than ONE MONTH of review and debate.

We formally request the City Council on March 4th to do three things:

1. Vote to indefinitely TABLE city staff's recommendation to close Fred Richards Golf Course to allow for further study before making an unreasonably quick decision about a long-time treasured community asset.
2. Vote to approve staff's recommended improvements to Braemar with the exception of converting Braemar Exec to Par 3. The rationale for this is explained in our discussion above.
3. Direct City staff to work with appropriate resources and residents to produce a master plan for the future of Edina Golf Operations. We believe there are options that should be explored that better serve Edina golf and that are more fiscally responsible than the current list of proposals by City Staff.

The result should be a master plan that maximizes the potential for Edina Golf for the next 50 years that we call all be proud of!

Thank you very much for your consideration.