



UWF Business Enterprises, Inc. Scenic Hills Country Club Workshop
Scenic Hills Country Club Argonaut Ballroom
August 10, 2015

Present

Chair K. C. Clark, Secretary Suzanne Lewis, Member Judge Lacey Collier, Member Hal White, President Judy Bense, ICEO James Barnett, General Counsel Pat Lott, Interim Vice President Betsy Bowers, and Staff Support Secretary Tiffany Nisewonger.

Guests: BOT Chair Lewis Bear, Martha Saunders, Bentina Terry, Steve Cunningham, David O'Brien, Jerry Maygarden, Ed Ranelli, Rick Gorman, Jerry Huggard, Lee Droegemueller, Marty Stanovich, Wes Barnes, Chris Cleveland, Dave Cleveland, Bryan Clarke, Shane Allen, Jerry Pate, Steve Hayes, Mort O'Sullivan, Corey Hamlin, Steve Fell, Kyle Clark, Charles Friedrich, Karen Gibson, James Johnson, Megan Gonzalez, Ellen Till, Joy Ward, Richard Kelly, Tom Heffernan, Rick Harper, Dan Lucas, Angela Wallace, Tammy Ford, Anamarie Mixson, and Collin Bissett.

Suzanne Lewis opened the meeting by providing information about Scenic Hills Golf and Country Club. Scenic Hills Golf and Country Club at the University of West Florida was acquired by UWF BEI in 2012 to provide access to first-class athletic facilities and enhance educational opportunities for UWF students across multiple disciplines. It serves as a lab for UWF hospitality and management students to learn about the daily operations and management of a country club, restaurant and golf course.

Today's presenters and guests will share their knowledge and experience with the workgroup. The workgroup will present the recommendations to the BEI Board in September.

Overview of SHCC (Barnett)

1. (Bentina) How does UWF's operations affect/handle the SHCC? NO UWF monies are used, no students hired, there are 2 part-time employees.
2. (Huggard) Do the numbers include food and beverage? No
3. (Maygarden) Administrative dollars to pay for the servicing of the debt; where do they come from and what are those dollars competing for? The monies come from the clubhouse commissions and are also used to pay for repairs/upkeep.
4. (Ranelli) What business are we in? Solely in the golf course business vs. the club, and we don't get any revenue from the clubhouse revenue, right? No, we get ½ of the Argonaut Ballroom commissions. Therefore we are very interested in booking the ballroom. The \$50k guarantee, is what? We have room rental (1/2 Argonaut Ballroom and the 2.25%)
5. (Ranelli) No use of university funds, what is the source of funding current and future deficits? The administrative account of BEI.

6. (Ranelli) How big is the reserve fund? We really don't have a reserve to pay the debt.
7. (Heffernan) What is our income per round? The current income is approximately \$17 per round of golf.
8. (Heffernan) Are we paying our ground workers a competitive wage?
9. (Barnes) \$28.26/round are we operating at a % or are you losing money? The commissions are really separate from the food/beverage. No ancillary revenue on per round basis in the calculations presented.
10. (Lucas) Any seasonality to the predictions? Yes

Sell the Course (Rick Harper)

Notes: (Harper) The golf course needs to be run based on the need of and for the community; therefore, not a predetermined position on the golf course (e.g. sale). Golf courses are a bit peculiar; a number of costs that don't vary much: variable costs (cost of servicing 1 more golfer is fairly low); most costs are fairly fixed.

We could market our UWF affiliation especially alumni. 80%+ revenue is green fees. The average golf course revenue is 42% from memberships and 22% from greens fees. SHCC is very high on green fees and very low on membership revenue. Low incremental cost per user and high fixed costs... comparison of area golf course...likely situation of extreme competition. All courses finding ways to get more golfers; intense price competition. Downward pressure on price as they struggle to get that one more golfer.

Since recession, average margins by 2008 have fallen to -9% and by 2014 average margin -4%. Harper expects to see continued downward pressure on pricing and margins. 25 million golfers in USA and the number is shrinking. One million/year leaving the sport vs. 400,000 entering the sport. Most golf courses don't have alternative uses vs. residential development. Zoning-not residential and not viable for SHCC.

Per appraisals, the highest and best use is for SHCC to be a golf course. Primary drivers is number of households earning >\$100k, median age of golfer (30-39yrs highest penetration); demographics of Pensacola golf area and more mature golfers (aging more rapidly in NW Florida than the rest of the state). Amount of leisure time (positive driver) =Pensacola metro area and those that have a household income lower than national average. Faster growing segment is leisure and hospitality (which pay lower) vs. Pensacola's former manufacturing employment. We are seeing a loss in the higher paying jobs coupled with a shift toward leisure/hospitality. This is not a positive for SHCC going forward.

Decreasing 50 courses/year; 1100 golf courses in Florida. Some are being taken into public ownership.

Return on sales, income generate, --prices per hole \$120k...that would lead a valuation which SHCC would be valued at \$2.2M. \$160k/hole in south FL where land is limited.

1. (White) Did the database public/private course information (80% green revenue vs. 24%?) Not certain.
2. (O'Brien) Job forecast is strong; however, the income (Homeland security, military security jobs will be double Corry Station will be good potential clients for SHCC.

3. (Barnes) Not a lot of snowbirds and not a lot of rental properties here for them to stay; this affects the situation. Harper feels the 9 Mile Road area will have some growth. This could be favorable for SHCC.
4. (Lott) Pat wants a RV park near SHCC for snowbirds.
5. (Ranelli) Any insight regarding rounds of play and membership...% played by SHCC members? (30% membership and 70% general public)—per Gorman
6. (White) Could we partner with beach hotels and offer a round of golf? Former marketing position; Steve Hayes, Visit Pensacola will present later; Dave Cleveland—hoteliers could be approached; affinity marketing for UWF.
7. (Heffernan) If setting up a deal for snowbirds/beach visitors, what would you charge vs. what you are charging now? Per Harper, economic activity is an activity where the incremental cost (per player) is low, this is a good opportunity to pull... vs. cutthroat pricing competition. If you can limit to the people certain times of the year vs. the regular players. The profit margin for the additional player (e.g. St. Louis for week of March), the cost would probably be pennies, but the revenue could far exceed the cost. It is a conflict for a member...likes to see folks using the course vs. a member having to wait to use the course.
8. (Bentina) She travels and plays golf; it takes someone who understands how to market to golf courses and it needs ALL the area golf courses to participate.
9. (Stanovich) All area courses having financial fees. Annual fee \$480/year homeowner at Marcus Point (53 units). Neighborhood covenants do not require an annual fee, which complicates things for SHCC.
10. (Lacey) What is the zoning problem? Outdoor recreational facility (greens).
11. (Droegrue-meller) Need to partnership with area industries. There is no value in being a social member here at SHCC. Need to have Leisure Learning and don't have any UWF marketing here. Partnership with the UWF swimming pool. Need to be more intertwined—look at it from a margin perspective. THINK DIFFERENTLY!
12. (Bentina) Tried to sell Hidden Course and Marcus Point. Is SHCC sellable? Per Suzanne, not to make the decision, need to have a basis of information. Marcus Point put under a lease for a year; Hiram Cook has gone forward to homeowners association and asked for a mandatory supplement for 5 years.
13. (Ranelli) With no explicit funding for SHCC and no reserve, along with ongoing operations, where will the money come from to pay the bills? Per Suzanne, we will run out of the money in 2017.
14. (Heffernan) Municipal course, SHCC is a 'public' course; BEI totally undercapitalized to go into this business.
15. [Bear) He wanted to know how much UWF FDO staff time should have been allocated to SHCC to show the true costs. He feels our numbers are misleading.

Own-Operate (Bryan Clarke, Steve Fell)

Golf Coaches: Glad BEI bought SHCC. Practice facilities need to be upgraded. Suggestions: redo current putting green (larger/flatter); add chipping and pitching area (SHCC would be the only club in town to have chipping area, this would allow golf teams to work on their short games without going on the course (Marcus Point and Stonebrook have chipping areas, but not of great quality). Redo current

driving range (too small-make it larger); purchase new range balls and keep the range balls on yearly rotation. Driving range is "front porch" of SHCC.

1. (Huggard) How would you expand the driving range? Coaches feel it would be expensive.
2. (Stanovich) What would be UWF's utilization? Women's team members are mainly international and do not have cars; they walk to SHCC to practice. If we did a driving range near UWF (hole#2), this would change the game for them very positively and become highly utilized.
3. (Huggard) Where do you practice? Women's team uses SHCC as the primary practice course; they are here on Fridays and practice 2-3 times a week here.

Shane Allen/Spring Hill College: Prior to Spring Hill, Allen was at Univ. of South Alabama 14 years. To host a spring invitational, you need a driving range. However, this would be a way to capture the afternoon golfer to come and do some driving practice. He sees SHCC as super-valuable for UWF. Spring Hill College is fighting the same challenges.

1. (White) Give us examples Spring Hill and USA have integrated their programs into the golf course operations. At USA, the golf course was not even close to campus; course given to USA by the state. The course closed and is going to be used as the site for the new Airbus. USA operated from the Continuing Education Program. At Spring Hill College, part of the tuition goes to the golf program. Students can play the course for \$5 a round.
2. (Barnes) Is it all one pot of money? Yes
3. (Clark) Do the afternoon players hang around (driving ranges) grow into the weekend golfers? Yes. The location is great in Mobile, right off Dauphin Parkway.
4. (Ranelli) You've been trying to get faculty/staff/students to play. Free round offered the first of the semester. Spring Hill are old school---very academically focused. Students get a \$5 green fee.
5. (Lewis) Tell us about membership play. Azalea City is the competition to Spring Hill with multitude of membership rates. 50% of play is membership. Daily fee structure is \$40 and weekends \$44.
6. (Stanovich) Your practice is 50% larger than SHCC practice tees, which is dead flat at Spring Hill. Do you think a quality practice facility would draw members? Yes.
7. (O'Brien) What is your strategy for revenue growth? His focus is upon capturing the daily play. Spring Hill has Monday and Wednesday specials. Annual membership is \$600/year, so they are not a large revenue driver. They have partnered with the Spring Hill bookstore to sell Spring Hill merchandise.
8. (Bense) What type of revenue source would the driving range be for Scenic Hills golf course? Not a real revenue-generator.
9. (Fell) What are the student fees? Built into their tuition.
10. (Clark) Driving range...would you limit access or would you open it to everyone and/or members? UWF coaches and Rick Gorman need to research and answer this. Clark would want members to play. Non-members pay \$10 for a bucket of balls.

Steve Hayes, Visit Pensacola: More vacation time is left on the table than any other country in the world. He has played SHCC two times. Reasons for visits: vacation 54%(61% this year), 29% visiting family/relatives, 8%business, 5% reunion/wedding, 1% sport, and 3% other (weather, training, military,

etc.). Top 10 feeder markets can be analyzed (Mobile, Atlanta, New Orleans, Dallas, Birmingham, Nashville, Baton Rouge, Washington/Baltimore, Houston, and Gulfport. #1 Leisure-Mobile, #2 Atlanta, and #3 New Orleans. Business #1 Washington, #2 Atlanta, and #3 Dallas. Credit Card Data (for Escambia County from Florida)—#1 Norfolk-Virginia Beach, #2 Atlanta, #3 Washington DC. —Where do they spend their money? Average party spent \$1200 (leisure), \$890 (business), Avg. nights (5.5 leisure and 4.6 business), and Primary destination (Beach). How far out to book trip (42 days leisure and 27 business). % likely to return (86% leisure and 88% business). High satisfaction level with this community. Activities: beach 91%, 67% business; golf 4.9% leisure and 4.7% business. **Golf opportunities:** US Based travel companies (Golfpac, Tee Times); international based travel companies (best opportunity-Virgin Golf (affiliation with Delta Airlines), British Airlines Holidays), Consumer Direct (Play Florida Golf worked with FL Sports Association—go out Midwest and northeast to market), Public Relations (Travel Writers for golf related media, print, digital, and blog) and Promotions (Win-A-Trip).

1. (Ranelli) What about the potential for snowbirds? It's a good market but is a changing market. They are shortening their time period within a destination; an older market and value oriented; weather will impact their activities.

2. (Barnes) With all the things you mentioned, where does it start? Is there is a point person? Hayes is talking to the international marketers. He wants a point person for SHCC. General Manager more than likely and may have learning curve if they haven't done this before.

Lease Course (Kyle Clark, Charles Friedrich, Karen Gibson, James Johnson, Jerry Pate)

Kyle Clark, Corey Hamlin of Seminole Golf Course (works with Arnold Palmer firm), Karen Gibson and Charles Friedrich course overview: 18 holes, par 73, 150 acres, fully integrated, 6 types of tees, 5528 yards; fairway too rough turf grass 10 blade 419; 75 golf carts; as of July, 750 members, goal is 1,000; fully integrated grill with full service menu (11am - 3pm with full beer and liquor service; daily lunch buffet; full time food/beverage director). The Challenge is that it is hard to operate with lunch revenue. In September 2013, Texas Tech VP Finance & Admin oversaw golf course. How was golf course doing and was there an opportunity for FSU? He found out FSU golf course is a wonderful asset of FSU but also a financial risk and financial imposition to FSU. The course didn't have a positive cash flow and a few years it cost 1M to 1.5M loss/year. Sought BOT advice and got support through the process. Involved the golf course staff from the very beginning and a way to better manage the asset. Issued ITN 2 times; received numerous proposals. Ultimately after review of proposals, negotiated with Century Golf (Arnold Palmer) to partner for day-to-day management of the course on August 2014.

1. Did the bid include the dining facilities (grill) as part of the ITN? Yes, along with the pro shop.
2. (O'Brien) Was this a true lease or a management services contract? Originally started as a ground lease and some headaches; ultimately decided to go with a license agreement. Best case would have been a ground lease. Texas had a management services contract with Trune.
3. (Lucas) Did you have staff on the golf course? Yes; many have now become Arnold Palmer employees.
4. (O'Brien) Were deficits covered by the university? Yes, auxiliary covered the losses, as it was university-owned.

5. (Clark) How did we acquire the golf course? Donated and now part of the south campus. It is part of the golf management program (academic). Small amount of land donated.
6. (Till) How many proposals were received? Four and two of the financial structures did not meet what FSU was looking for.
7. (Ranelli) You mentioned that you shifted the risk to a 3rd party? It is in the contract—financial burden rests with Arnold Palmer golf.
8. (Ranelli) What do you get? FSU gets 2% of sales per year. The golf course had 25% improvement in gross profit. This year gross profit of \$100,000 for 6/30/15.
9. (Stanovich) Is it 2% gross or net? It is gross.
10. (Lewis) How are the deferred maintenance/assets being maintained? Initial term of 5 years with renewal of 5 years. Maintenance, fertilizer, turf, etc. and any capital investment over 5 years. FSU pays for and amortizes over 5 years.
11. [Lewis] If you have a serious plumbing or roofing issue, in the actual building structures, the repair cost would be borne by the university. Yes, anything over 5 years. The E&G facet is they have classes offered in the building.
12. [Lott] Is course open to the public? Yes.
13. [Stanovich] You stated there were 750 members; what classifications and how many of each classification. Corey Hamlin—a slate of membership products built; players club membership \$30/month geared toward faculty/staff/student (400 members). Then gold, silver (seniors), and national champion membership. Some other properties have some privileges; they have 70-75 golf courses (work with PGA national and Disney golf courses). Reciprocal benefits within same – Palmer Club (in year 1) and some recipricocitiy.
14. (Heffernan) How many rounds played? 39,500 rounds.
15. (White) In 2014 SHCC had a \$749k loss and 2013 \$1.4M loss; 2015—gross operating profit was \$92,734.
16. (Ranelli) What were the top 2-3 things done to turn it around? Some improvements on the cost side. Trying to get more faculty/staff/students on the course. Arnold Palmer does a much better job of marketing the course. There was a disconnect between FSU golf teams and the course. Buying consortium is available via Arnold Palmer. The 3rd party has done a great job on the course maintenance. Arnold Palmer came in and revitalized the course. Very good to try something and if hiccups, will pull back. There were some displaced individuals; however, that is something that occurs when there is a transition. Change is always hard on folks. Some may not be happy with the membership levels. FSU trying to improve the course conditions and to make the course more challenging.
17. (Ranelli) Some of the changes were cost reductions. What were some figures on pre-management contract vs. post management? Operating budget before golf course was in \$2.1M 2014 and \$1.8M in 2015. Operating expense \$468k (2015) and \$165k lower; payroll where they saw the biggest change; down about 30% from 1.2M to \$837k.
18. Do you use other golf course personnel to help out? No. Arnold Palmer has Tallahassee personnel. Regional Manager, a Marketing Manager, and a Regional Director.
19. [Huggard] Who manages the golf fleet? Arnold Palmer.
20. (Lewis) Is the fleet owned by Arnold Palmer? Leased from EasyGo (4 year lease).
21. (O'Brien) What about the turf maintenance equipment? FSU owns it.

22. (Huggard) What have you spent >\$5,000? Road and lightening detection system (no more spare parts; needing to buy a new one \$30k).
23. Going to upgrade from EasyGo to Club Cars? No.
24. What was your return on investment for expenses over \$5,000? We amortize over 10 years and
25. Who pays the insurance on the property? Self-insured as a state property.
26. [Huggard] Highest posted rack rate \$44.95 weekends and weekdays \$36.95; discounted for faculty/students/staff.
27. What is your capacity of rounds on the course? Year two in 2016 42,500 could add 5,000/rounds per year.
28. (O'Brien) FSU course is owned by FSU; therefore, no insurance. SHCC insurance cost is \$54,000/year.

Jerry Pate: Somewhere we got off track (Boo Weekly, Bubba Watson, Joe Durant, etc.) ...Why do they not come back and play golf? We need to look at the quality of what we have. Stakeholders are the Scenic Hills community and UWF. What can UWF do to help market this facility? Played golf since 5 years old; moved to Pensacola in 1967. Caddied for pro-golfers; at age 15; announcer for ABC sports. Need to take advantage of our winners! (E.g. Bubba Watson is partner with Quint Studer). Customers are seeking a high-quality recreational experience. Few stand-alone facilities ever make a taxable profit. A lot of misnomers in this business. (Went to college on golf scholarship; father also played; grandfather played in the first 8 Masters golf games.) 1,500 customers in the NW Florida territory for Jerry Pate, Inc. Toro Dealer (400 dealers in 7 states) #1 for 5 straight years. SHCC is complicated; need to know about accounting, economics, health issue, food/beverage, educational, inventory control, etc. It is hard to make money in the golf business. Involved with the Robert Trent Jones golf courses. Strongly suggest---Wells Fargo---have someone to count and deposit money. Improve the quality of the experience. People with money will spend their discretionary income where they have a great experience. Cross-market the membership with the university. Differentiate ourselves from the other golf courses. 1985 (\$60 cart & Greens fee) vs SHCC today... They had a 'hook'...find out who can help you. Get Joe Durant, Boo Weekly, and Bubba Watson here to SHCC!!! Today's golfer is different than when SHCC opened its doors in 1967; build on our networking with UWF and the membership here.

1. (Maygarden) Will the game have to change as today's people want a shorter game? Yes; need the game to make it easier to play and pricing different. It is going to take some sweat, effort, and money for SHCC. Golf is a hard business; however, it is not if you have a group of people working together for a common purpose.

All participant feedback response forms were collected from participants. The SHCC Workgroup will continue with their efforts to collect data regarding SHCC and move forward with identifying goals and recommendations to the BEI Board.

The Scenic Hills Country Club Workshop occurred from 9:30 a.m. - 3:00 p.m.

Respectfully submitted,
 Tammy Ford, Assistant Staff Support Secretary