The Pellucid Perspective

Vol. 11, No. 2

February 2020

Woke Ambition Meets Joke Financing: Belmont GC (VA) Transaction

By Jim Koppenhaver

In another instance of our most interesting and thought-provoking ideas coming from our followers and readers, I received a "does this make any sense?" email back in October last year regarding the RFP, bidding process and pending transaction of Belmont GC in Richmond, VA. While we've been doing research on the financial history and performance of the golf course in the ensuing months, Club Resort & Business recently reported that "the deed is done" and The First Tee is the winner. Now it gets really interesting. Let's first however fill in the backstory on how we arrived at Henrico County (owner of the course and land) awarding a contract to The First Tee of Greater Richmond to take this financial and operational headache off their hands.

As reported in Richmond BizSense, sometime in 2019 the decision was made by the county to repurpose Belmont GC with the following goals:

- Maintaining Belmont as a golf course
- Making it less of a liability to taxpayers
- Serving a broader spectrum of the local golf market (we're going to assume this relates to ethnicity, age, gender; not sure it includes economic strata because it was pretty darn affordable as is (arguably, part of the problem))

Not dissimilar to some number of municipal golf operations in the US currently, the financials were deteriorating annually due to the intersection of fewer rounds, lack of pricing power (within the "municipal mandate" of remaining affordable and accessible for all), rising expenses and unbudgeted/unplanned capital expenses. Other than that, everything was fine at Belmont. Our enterprising source for this story went a step further and retrieved the Comprehensive Annual Financial Report (CAFR, this is a standard form required to be submitted and available in the public domain by the Governmental Accounting Standard Board or GASB). Below is the timeseries table from that report for Belmont GC that outlines the "train wreck" which the county supervisors were observing (presiding over?):

1985-2018 CAFR History for Belmont Golf Course

FY	Revenues	Expenses		Revenues	Expenses	Earnings	Earnings		
1985	$385,266	$247,192	$138,074	$0	$0	$138,074	$138,074	no data	
1986	$401,138	$280,376	$120,762	$6,898	$16,000	$111,660	$249,734	no data	
1987	$460,221	$300,849	$159,372	$4,245	$12,800	$150,817	$400,551	no data	
1988	$556,427	$351,564	$204,863	($1,399)	$9,600	$193,864	$594,415	50,600	
1989	$601,300	$380,524	$220,776	$7,492	$5,472	$222,796	$817,211	46,500	
1990	$1,298,451	$426,530	$871,921	$62,484	$29,618	$904,787	$1,721,998	51,200	
1991	$745,581	$465,663	$279,918	$28,146	$0	$308,064	$2,030,062	51,682	
1992	$790,009	$570,416	$219,593	$1,230	$0	$220,823	$2,250,885	55,261	
1993	$746,476	$573,701	$172,775	$1,882	$0	$174,657	$2,425,542	48,789	
1994	$797,927	$728,686	$69,241	$505	$232,044	($162,298)	$2,263,244	47,922	
1995	$840,392	$766,089	$74,303	$605	$0	$74,908	$2,338,152	42,484	
1996	$795,768	$809,343	($13,575)	$0	$0	($13,575)	$2,324,577	41,019	
1997	$888,201	$838,533	$49,668	$0	$0	$49,668	$2,374,245	46,042	
1998	$977,408	$861,567	$115,841	$900	$0	$116,741	$2,490,986	48,345	
1999	$998,975	$918,013	$80,962	$0	$0	$80,962	$2,571,948	48,965	
2000	$954,206	$1,108,754	($154,548)	$0	$0	($154,548)	$2,417,400	42,372	
2001	$996,825	$1,221,237	($224,412)	$0	$0	($224,412)	$2,192,988	41,545	
2002	$996,135	$1,053,750	($57,615)	$646,870	$3,857	$585,398	$2,778,386	42,179	accumulated depreciation
2003	$775,987	$1,074,606	($298,619)	$354	$0	($298,265)	$2,480,121	30,501	
2004	$817,474	$1,322,027	($504,553)	$338,173	$0	($166,380)	$2,313,741	34,344	Isabel damage repairs
2005	$774,030	$1,642,068	($868,038)	$510,000	$0	($358,038)	$1,955,703	31,279	Gaston damage repairs
2006	$1,045,690	$1,129,273	($83,583)	$0	$11,061	($94,644)	$1,861,059	40,081	
2007	$1,007,122	$1,122,100	($114,978)	$0	$0	($114,978)	$1,746,081	38,039	
2008	$1,111,556	$1,106,127	$5,429	$0	$4,038	$1,391	$1,747,472	39,053	
2009	$1,028,500	$1,200,193	($171,693)	$0	$4,481	($176,174)	$1,571,298	36,003	
2010	$935,726	$1,236,973	($301,247)	$0	$0	($301,247)	$1,270,051	32,552	
2011	$945,214	$1,227,058	($281,844)	$11,125	$0	($270,719)	$999,332	32,256	
2012	$1,058,297	$1,241,345	($183,048)	$55,644	$10,264	($137,668)	$861,664	36,499	
2013	$907,498	$1,166,347	($258,849)	$9,900	$0	($248,949)	$612,715	33,567	
2014	$852,934	$1,150,053	($297,119)	$0	$360,703	($657,822)	($45,107)	28,591	GASB 68 pension expense
2015	$904,204	$965,403	($61,199)	$157	$0	($61,042)	($106,149)	28,916	
2016	$867,134	$1,082,148	($215,014)	$40,000	$0	($175,014)	($228,175)	28,285	$53,000 pension adjustment in 2017 CAFR
2017	$737,519	$993,294	($255,775)	$0	$7,689	($263,464)	($552,656)	24,071	GASB 75 adjustment
2018	$1,087,575	$925,543	$162,032	$0	$0	$162,032	($390,624)	23,235	$390,734 unspent from FY2017 bunker renovatio
								26,058	
AVERAGE	$855,505	$896,687	($41,182)	$50,742	$20,813	($11,253)		39,007	

JOIN THESE INDUSTRY LEADERS

The Pellucid Perspective sincerely thanks and recognizes our current sponsors – Troon Golf and KemperSports – for both their financial support and their shared commitment to elevate the discussion of key industry issues among thoughtful stakeholders, to grow their business and perpetuate the industry at large.

Other companies who would like a unique opportunity to convey their marketing message to roughly 30,000 industry recipients are invited to join the companies above as Pellucid Perspective sponsors. Contact Jim Koppenhaver at 847-808-7651, jimk@pellucidcorp.com regarding sponsorship benefits and cost.

The Pellucid Perspective

PUBLISHER
Jim Koppenhaver

CONTRIBUTING EDITOR
Stuart Lindsay

ASSISTANT EDITOR
Spring Green

CONTRIBUTING WRITER
Harvey Silverman

ART DIRECTOR
Richard Steadham

Published by Pellucid Corp., 680 Mayfair Lane
Buffalo Grove, IL 60089

For subscription, editorial or sponsorship info, contact Jim Koppenhaver at (847) 808-7651, or email at jimk@pellucidcorp.com

Published electronically, 12 times a year.

henrico.us/rec/places/belmont/

To clean up and clarify the above form a little more (how can you possibly submit an accounting document with two columns, both titled "Earnings"?), let me attempt to fill in the blanks:

- The left-hand Revenues/Expenses columns align with the annual separate Financial Statements documents for June of each year (which appears is their fiscal year), the blank column is the year's profit/loss
- I have no clue what the 2nd set of Revenue and Expenses columns represent. It they may be one-time vs. recurring events but I can't figure out how, in '04 for example, Isabel damage repairs represented a $338K revenue event. The math however gets carried over into the Earnings column so it appears it's "added money" somehow
- The first Earnings column appears to be for that particular year and the sum of the (non-labeled) Profit/Loss + (2nd column) Revenues - (2nd column) Expenses. Interesting to note that in '18 they magically produced a $162K profit with no one-time revenue entry but the footnote calls out that $390K in unspent money (from where?) was included in the Revenue line to come up with that result in the black. In other words, without that one-time adjustment, they lost $228K which would be consistent with the preceding years
- The second Earnings column appears to be the cumulative golf fund balance which is creeping down from a peak surplus in '02 of $2.8M to a cume deficit in '18 of $390.6K (and that's factoring in the creative accounting for revenue outlined above)
- The next-to-last unmarked column represents annual rounds (because the range of numbers makes sense and, more importantly, because it ties out to the annual Financial Statements). Of note here is the precipitous drop from a high of 50.6K in '88 to 23.2K in '18. That's a decline of 54% over 20 years or roughly 3% annually (compared to the industry's ~1% annual decline over that period at the national level). This is at the heart of the problem but we don't know if it's due to new competition, a decline in interest locally or deterioration of the facility and consumer experience

So, from what I can gather in reading the various local media reporting on the problem and the process initiated by Henrico County, staring into the above abyss they decided they needed to "reduce their exposure" to golf as it relates to Belmont. The chosen white knight, after due process, was The First Tee whose offer consisted of the following elements (credit for below details to Joe Barks of C&RB via his 12/11/19 article):

- Convert the 103 year old, 18-hole A.W. Tillinghast course into a 6-hole short course and separate 12 hole (regulation length) course through a $4M renovation by Love Golf Design
- This will be funded by $3.25M privately raised capital and $750K contributed by Henrico County (from their golf fund which is currently $391K in the red???)
- The contract awards The First Tee a lease to operate Belmont GC for at least 20 years, effective 1/1/20 with First Tee planning to close the course until the '21 season to make the conversion and renovations (meaning a no-revenue Yr 1 in the 20-yr lease, that's an interesting start to recouping one's investment and any revshare arrangement)

As reported by Richmond BizSense, the Henrico County's Director of Recreation and Parks summarized the "win" here with the following statement, "[First Tee's] bid stood out above the rest for going beyond what was asked for in the RFP. First Tee is basically saying we'll come in right now with $3.2 million in privately raised capital up front, leveraged with our $750,000. No operator could touch that. No other private entity could make economic sense out of putting $4M into that course up front." I think he pretty much nailed it, except that he makes the exact point that no other financially-responsible entity, tapping into market-based financing could get any sane lender to take that bet. Let me hazard a professional, wild-a** guess that this "bet" will take less than 5 years to play out and it's not going to end well either for First Tee or Henrico County.

One of our local informants cites the fact that Virginia State Golf Association attempted a similar "lift" 20 years ago raising private money to build a Fazio course with a learning center with altruistic intent and it failed miserably in less than 10 years. We have knowledge of and have worked with multiple of the CA Golf Associations who didn't have the benefit of donor-financing for the build and they've remained afloat but struggled in making that economic model work in a much more "target-rich" environment. Suffice it to say that this isn't a unique model and none of the previous 1.0 versions have had any success or even longevity (i.e. avoid losing money over a 5+ year horizon). Colleague Stuart Lindsay has been involved in this ongoing conversation and watching the various Facebook posts of locals and writers and other interested parties (i.e. the owner/operators of competing courses who will be impacted as this plays out). As always, he kind of cuts to the chase in one of his latest emails to me about the heart of this matter: "The First Tee is a feel good rathole that has devolved into a money raising business that had to deemphasize the golf orientation in order to broaden their horizons for possible grant money. And we wonder why the First Tee has done nothing to boost Junior participation."

In summary, as I outlined in the State of the Industry presentation in Orlando, the solution to golf's supply-demand imbalance is more plows, fewer transactions. For those not in-the-know, the challenge with transactions to "save golf, save greenspace, save history, save [insert your own euphemism here]" is that, in doing so, people make unreasonable assumptions and bets about saving something that is, in the vast majority of cases, beyond redemption by any entity requiring any type of return on their investment. By pursuing transactions and financial structures that are as thin and low-odds as what we're observing here, it's the equivalent of a local market Hail Mary for both parties involved (operator and the municipality). In doing so, it forces the capable, competent local operators to have to continue for multiple years to content with an "aberrant competitor" in order to stay afloat. What often happens is a double-drowning (i.e. the Franken-financial course goes under and takes the previously profitable operator with them). We'll get to watch this play out over the next couple years and, unfortunately, the competitive local owner/operators will have a front-row seat to the madness while they figure out how to compete against this "shiny new object" and the siphoning of rounds and golfers from what appears to be a declining market of interest in the sport. The Facebook posts around this subject are, per usual, as informative and often more entertaining that the factual reporting that entities such as Pellucid provide. My favorite in the string of locals weighing in on the topic? "Without other people's money - the woke would be broke." Mic drop... ■

USGA Distance Insight Report

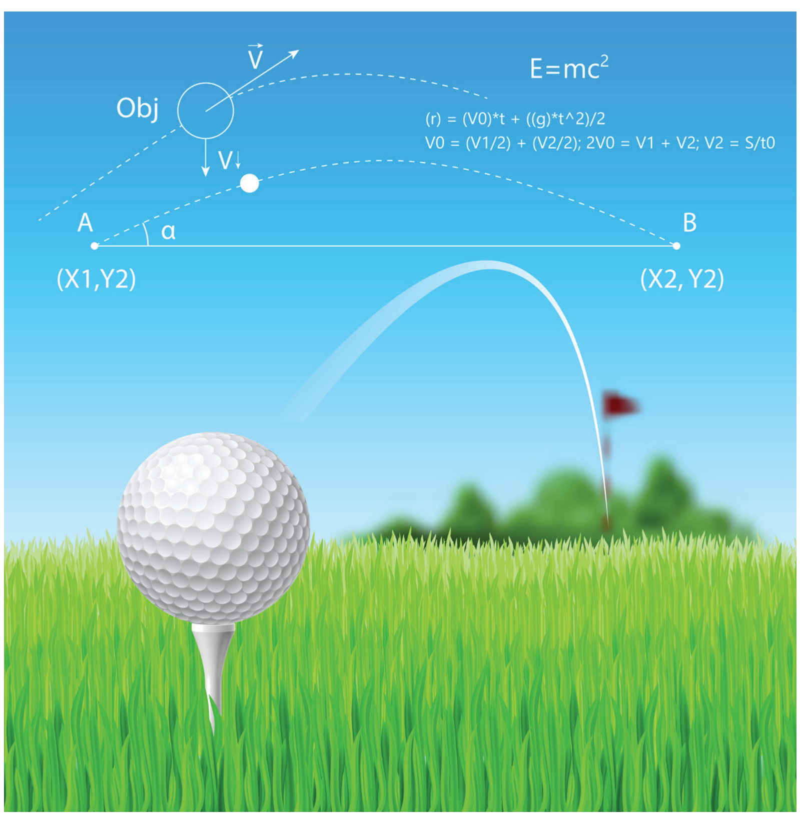
By Stuart Lindsay

USGA Distance Insight Report
"Everybody's restless and they've got no place to go
Someone's always trying to tell them
Something they already know
So their anger and resentment flow"
Mohammed's Radio, Warren Zevon, 1976

Many of you know I love history and I've spent all my working life perversely enjoying the beauty of numbers. So you will understand that I was in 7th Heaven with the release of the USGA's Distance Insight Report last week. Maybe even better was I got to read the full 102 page compilation while watching my second favorite tournament, the Pebble Beach Pro-AM; where many of the issues relating to the difference between the game the pros play and the one we amateurs attempt to play are on full and often humorous display.

Before I had time to read the whole report; I must confess that I had already seen some of the initial pundit reactions at Golfweek.com, Golf.com and other newsletter feeds I get every day. They made a big deal out of ever-quotable and sometimes USGA critic, Phil Mickelson's comments about improved golfer fitness; but the reality of the week was his respect for the US Open qualifying process and that he would refuse a special exemption if offered. And then, of course, his demonstration of short game wizardry on Saturday served to remind us mere mortals of how good these guys really are.

Those who read the USGA report will find a dizzying array of historical data on course length, ball evolution, club design, course maintenance costs and even some comments from a Darwin (critic Bernard), although scientist Charles might have been more appropriate. It also presents a "unified front" for the USGA and R&A – important to note because they left out some details such as the 7 year gap related to steel shaft acceptance and a longer gap regarding ball size that one could argue represent evidence that rule bifurcation has already been part of golf's historical competitive landscape.



ART BY DUDA VASILII / SHUTTERSTOCK

In the end, the Distance Report simply makes a case that "distance" is a problem. I could impeach their numbers – the maintenance values of 37 obviously "high end" courses are hardly representative. The "average driving distances" table for amateurs is based on USGA Handicap participants who represent fewer than 15% of golfers in the US and are most likely to be avid, Private Club Members playing more than 20 rounds per year (the US median is 8 per year).

Further, the issue of "penal, pristine and premium" was detailed by Jim Koppenhaver in 2008. A Pellucid/Edgehill State of the Industry presentation over a decade ago illustrated that over 70% of the 3,500 courses built after 1990 had Slope Ratings over 130, while fewer than 30% of the courses built prior to 1990 were that difficult (the ultimate disappearance of Slope Ratings is a subject for a different day). And the above findings were based on the total of more than 12,000 18 hole+ courses in the US; not the 4,400 cited in the Distance Report.

"In an exclusive interview with Golf Digest on Monday, USGA CEO Mike Davis and current USGA president Mark Newell said the game had reached what amounts to a tipping point with regard to distance. Davis cited how "almost all golf courses" have been affected by distance over the past 100 years." Golf Digest.com, 02/04/2020

This is one of the first generalities that jumps out. Are we talking about the comparatively few golf courses to either do, or hope to host

What bothers me the most is that the Distance dilemma appears to simply be another platform for addressing the ''sustainability issues'' that the USGA and R&A have chosen as a major area of emphasis.

a tournament for "elite" amateurs and/or professionals? "The USGA found that many amateurs play from a set of tees that is too long for them" (Dylan Dethier, Golf.com, 20/04/2020); so are we talking about them or the elite amateurs/professionals? Fortunately, the Report rightly concludes there are no easy answers.

The golfer survey results, as un-balanced as they may be, also are rightfully confusing. The same audience of older viewers (20+ years of watching tournaments) that like to watch birdies and prodigious drives also enjoy seeing the elite players screw up. Even elite amateur Tony Romo was laughing at himself when he went from a greenside beach onto the real beach last Saturday. These ironies also underscore the fact that there are no easy answers.

What bothers me the most is that the Distance dilemma appears to simply be another platform for addressing the "sustainability issues" that the USGA and R&A have chosen as a major area of emphasis. There are some generalizations in the Report, most notably regarding water usage and costs and the relative cost of maintaining greens, tees, fairways and bunkers that are misleading at best. They continue to imply that the golf industry has been environmentally irresponsible in its past and that part of their mission is to re-educate golfers as to what constitutes "good" golf course conditions.

While I have met a few superintendents who were spending more than they had to and a few owners (and/or Boards) that pursued "pristine" to the extreme; the vast majority of both owners and superintendents are dedicated to the efficient use of water, chemicals, mechanical inputs and manpower. Not only is it a matter of economic practicality; but as Wayne Otto (the Wee One of GCSAA lore and charity) once taught me – sound agronomic practices greatly reduce the need for chemical inputs and environmental responsibility is a great and natural byproduct.

There are a few other inherent contradictions regarding the sustainability issue. What will be the impact of reduced water usage on "faster and firmer" fairways? It will be great for older golfers trying to maintain distance; but add to the distances for elite golfers at the same time. What happens when financially strapped governments use water costs as a disproportionate source of new revenue as the inclusion of water costs in California in the Report show? What should happen when a golf course chooses to use public municipal water as opposed to the cost of a permitted private well?

Maybe the most instructive example of all these issues can be found at Oakmont, the host course of the most US Opens. The 1927 yardage was 6,929 and 7,216 in 2016 (+4.1%) and the average scores were 78.6 and 73.6 (-6.4%). If I used 2007, those percentages would be +4.3% and -3.7%. These stats confirm Mike Davis' contention that golf course evolution represents a Darwinian reaction to Distance that has been going on for the last 100 years, or at least 89 in the case of Oakmont. It also indicates that golf course conditions other than length can make a golf course difficult.

The more important issue is that the Oakmont greens "stimped" at 13 in 1973 and again in 2016 (Golf Digest) and why the cost of producing that same result escalated at 3X the rate of inflation. We assume that Oakmont was one of the 37 courses used in their chart in the Distance Report; and if it wasn't we'll rest our case about some of the data presented as fact. Absent that, we also have similar first hand data for another venue hosting significant USGA events over a 40 year span where costs did increase at the high rate exhibited in the USGA chart.

Ultimately, we end up with far more questions than answers. The sustainability that gives the vast majority of non-elite golfers increased distance on fast and firm fairways exacerbates the Distance problem for elite players. Increasing fairway heights and providing moist fairways would alleviate some distance issues (see the chart on "wet conditions") at elite tournaments; but that runs counter to the pursuit of sustainability.

We apparently once knew how to produce fast greens at a much lower cost in "real" dollar terms. Where is the USGA Greens Section of the early 1980's that was focused on the efficient, practical and environmentally responsible delivery of good playing conditions? Quietly disbanded after a 30 year detour into the development of well-intended but costly and environmentally irresponsible greens specifications.

At least this dazzling compilation of data points out all the contradictions inherent in the Distance issue. In spite of being unbalanced and insular; and some might say sexist in light of the date discrepancies of the female data; it's going to be virtually impossible to please everybody no matter what solutions they eventually propose. Tougher playing conditions with fewer birdies and shorter drives for the TV audience? Additional equipment limits or bifurcation? Maybe we'll get a hint when we see how lush the roughs and how fast the greens will be at Winged Foot. ■

"You've been up all night listening for his drum
Hoping that the righteous might just come
I heard the General whisper to his aide-de-camp
"Be watchful for Mohammed's lamp"

The View From 36,000 Feet

When will Orlando become one, long interconnected strip mall?

By Harvey Silverman

I've made the annual cross-country trip to Orlando since 1997, maybe missing just one or two years along the way. I remember flying with a whole row to myself and enough legroom in coach to at least not have my knees jammed into the seat in front of me. I learned early on never to connect through cities like Denver or Chicago, where delays in January are as common as the flu in winter. I'll spend a bit more for a non-stop.

It seems nothing in Orlando has changed. Likely my perception is warped by the isolation of I-Drive and the repetitive motions of rising in the morning, get to the convention center, have dinner, back to the hotel, and repeat three, four, or five times. Sure, Disney has welcomed me a couple of times, and I've had the good fortune of playing golf three times – all before the airlines decided to tax my golf bag with unreasonable fees. But I've never been to downtown Orlando. Is there a downtown Orlando?

One thing hasn't changed and likely won't – the multi-lane security queue at MCO. It's panic in slow motion as people creeping through a 60 to 90-minute process realize they'll miss their flight. And there are the screaming kids pushed by parents in thousand-dollar buggies who play bumper car with the backs of my legs. Inevitably, there is the kid who absolutely needs a diaper change NOW. The stroller takes on a Transformer-like process in becoming a changing table, but it can't mask the aroma, one that lingers with you on a six-hour flight.

There is a solution, folks. It will cost you some bucks, but it's well worth it. I got CLEAR a few years ago because it's available at the two airports I regularly frequent, SFO and MCO, among others. CLEAR uses your eyes and fingerprints to confirm your identity – the kiosks are right there by the security queue. It scans two fingers and my boarding pass, and a CLEAR employee escorts me to the very front of the TSA Pre-Check line, which I also purchased, so I don't have to strip to my shorts and unload my bag to get through security. In five minutes, I'm on my way to the gate, relaxed, on time, and without bruised calves nor malingering child aromas. Like the old Western Airlines tagline, "it's the only way to fly."

Okay, enough Trip Advisor commentary.

I took a side trip this year to Brevard County to visit my new friend Mike Yurigan and the two courses he runs, Spessard Holland and The Habitat. Golf Brevard, Inc. contributed a salient case study to "Beware of Barter," and I wanted to see for myself why they've succeeded with a considerable increase in rounds and revenue after discarding their barter relationship with GolfNow.

I observed two busy, different golf facilities – an executive course and a championship course – with one similarity: Nothing fancy, just good, fun golf populated mostly by our most prodigious demographic – older white men. The clubhouses are a step up from connected portables – comfortable with limited menu grills and small but tidy golf shops. Conditions were better than expected and the layouts looked fun to play. And there is the key. Golfers I spoke with talked about the improved conditions, the friendly service, and the excellent value at both facilities. For some time, I've said there is a golf course for everyone, be it price, layout, conditions, location, or where friends gather to play. Golf Brevard figured this out, and the results speak for themselves.

I love having the NGCOA Golf Business Conference tied to the PGA Merchandise Show – kudos to Jay Karen, the PGA, and Reed Expositions making this happen.

I moderated a panel discussion at the business conference about NGCOA's recently published "Beware of Barter" document, which I authored. The response has been terrific, from course operators who share a belief that bartering tee times are not suitable for them or the industry. Silent, however, is the barter believers. Frankly, I hoped that someone from an OTTA would rise and state, "You're wrong." What a fantastic debate it would be.

Lindsay (right) and Koppenhaver (wrong) at this year's State of Industry presentation

I had the distinct honor and privilege to attend Jeff Hoag's "Masterminds of Golf" during the business conference. Jeff owns the successful Scott Lake Golf and Practice Center in Michigan. Masterminds began years ago, with five owners hanging out at a bar sharing problems and solutions. This year, over 50 attendees congregated (with a cash bar) to share their challenges and solutions. I was the first "outsider" to sit in and listen. And learn. I've been around long to know how complex running a golf course business can be. My takeaway from "Masterminds" is that the complexities are compounding, and owner/operators are finding unique and creative ways to make a profit, let alone keep their business alive. I don't expect any of the courses represented will end up on our “Comings and Goings” list any time soon. And if they’re lucky, some of their competitors will.

The PGA show was packed on Wednesday, half-packed on Thursday, and nearly empty on Friday. I don’t wander around much anymore, focusing mostly on technologies. Teesnap announced some time ago that its parent, Allegiant Airlines, will divest of it in 2020. Word must have gotten out – every time I walked by the Teesnap booth, I saw far more employees than prospects. The employees were dressed in black, giving the space a morgue-like feel and a sad-sack look.

No trip to Orlando is complete without an annual dinner rendezvous with my friends Alan Fisher and Tom Abts. Alan is pretty much retired now, having fought the golf technology wars for years. But for Tom, the dinner is a chance to let down what little hair he has left and riff on everything that’s wrong with golf, from how it’s taught to how it’s run.

Tom owns and runs the most successful daily fee course in the Minneapolis metro market, Deer Run. Customers laud him for his commitment

I love having the NGCOA Golf Business Conference tied to the PGA Merchandise Show – kudos to Jay Karen, the PGA, and Reed Expositions making this happen.

to service, pace of play, excellent conditions, and a fair price. See a theme here? Best is when Tom goes off ranting about his local problems. This year it was about neighbors who border his course and choose to practice on it during summer evenings. Without paying. Like it’s their backyard. Tom confronts and admonishes them and hears, “What’s the difference? No one is out here.” Tom’s response is classic: “No one is in your pool either. Is it okay if I jump in for a swim?”

Tom is a golf philosopher. I suggest going [HERE] and signing up for his weekly Friday emails. Nary a solicitation, Tom makes us think.

Last, golf is a game of honor. Wagering makes golf fun. So it seemed right that I posed a PGA Show wager to my colleague Stuart Lindsay on the NFC Championship game between the San Francisco 49ers and his Green Bay Packers. Pretty simple, just straight up win or lose. If the Packers win, I will wear a Packer hat at my NGCOA presentation. If the 49ers win, Stuart wears an appropriate hat at the Pellucid State of the Industry event. I relented to Stuart’s Miss Manners sensibilities that hats not be worn indoors, and agreed to let him display the hat on the dais. And so he did, honorably but not happily. ■

JANUARY

The Winter of our Content

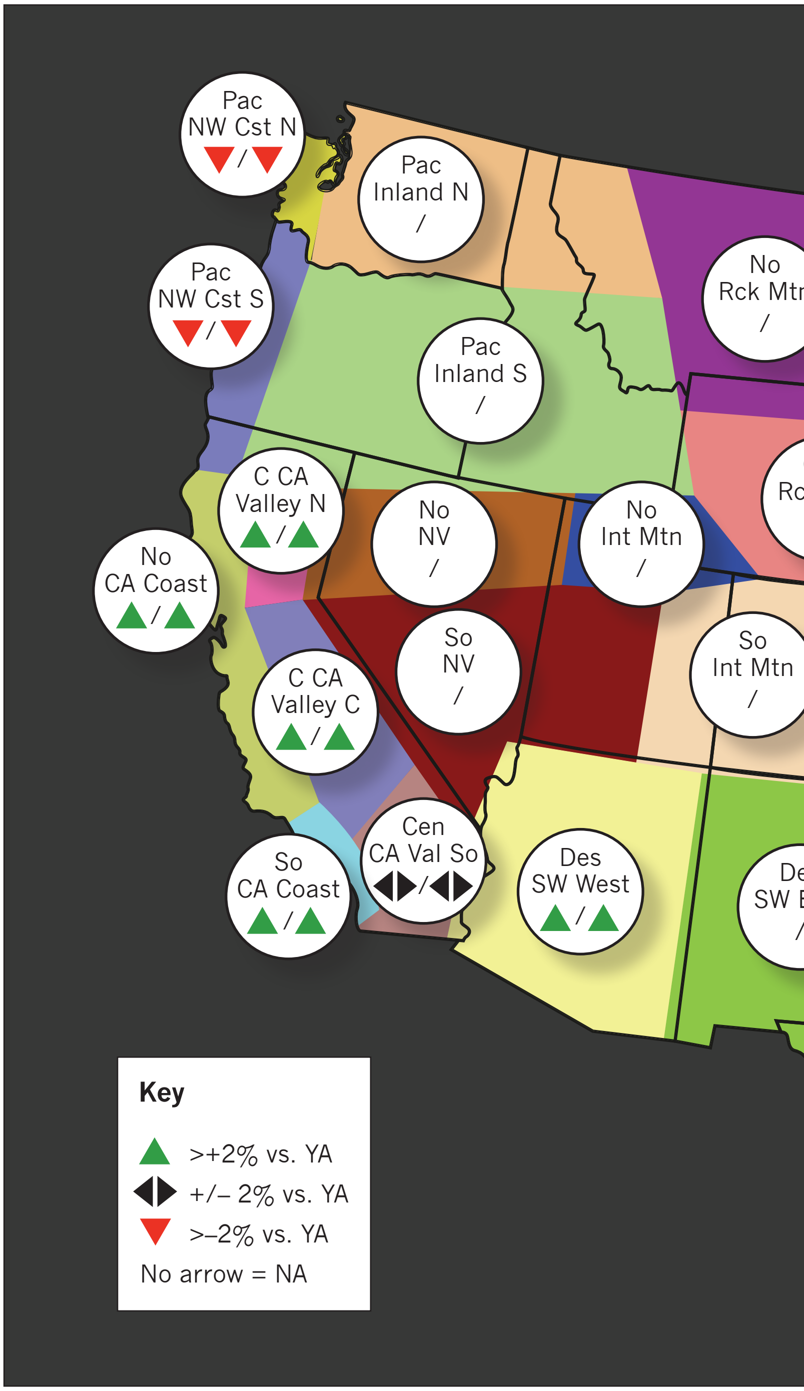
January's weather impact turned in a 3rd consecutive month of gains as Golf Playable Hours (GPH) were up 21% (wow!). With only one month reporting, that also represents the Year-to-Date (YtD) result. YtD regional GPH breadth starts the year at 5:1 with 14 favorable regions well outnumbering the 3 unfavorable regions (with none in the neutral zone of +/- 2% and the remaining 28 regions out-of-season). Looking at weather impact performance by day-of-week for the YtD period, both weekparts (weekday vs. weekend) showed gains but with expected variance across the individual days (Mon-Sun). The Year-End (YE) forecast is currently calling for +9% vs. Year-Ago (YA) and, were we to achieve that, it would represent a +5% comparison to the 10-year average normal (encouraging but don't bet the farm yet).

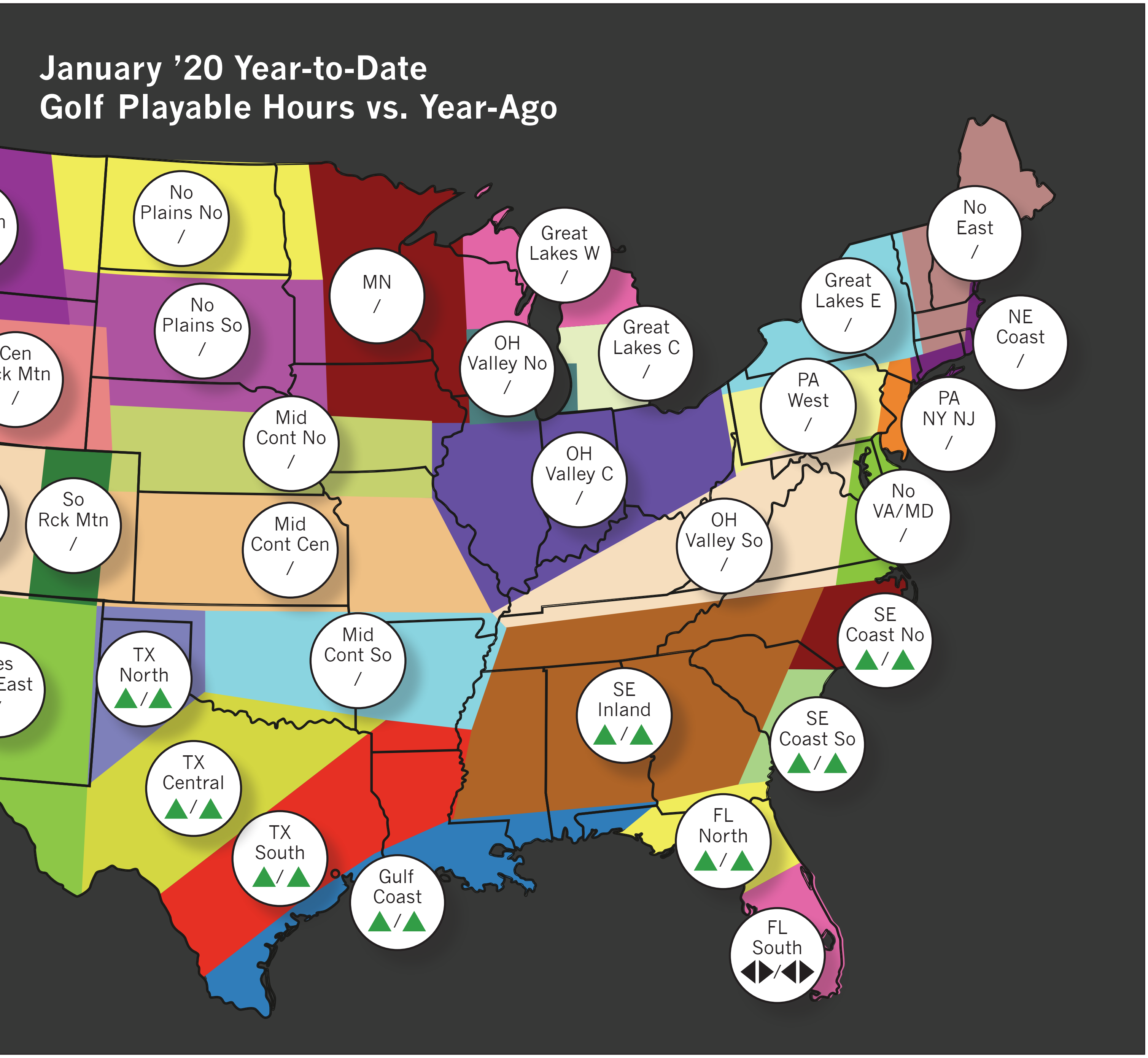
Played Rounds for December published by Golf Datatech showed a healthy 8% gain which matched the positive GPH results, producing flat Utilization. For the YtD period, rounds finished the year modestly up (+1.5%) which resulted in a fractional gain in Utilization (not a great weather year vs. the 10-yr norm, we'll take it). As always, beneath this national picture, there are winners and losers in both Played Rounds and Utilization Rates among the 61 key Markets (including Pellucid's designated Top 25 markets) as outlined in your monthly Excel report.

Played Rounds for December published by Golf Datatech showed a healthy 8% gain which matched the positive GPH results, producing flat Utilization.

Jim Koppenhaver comments, "January's weather gains were healthy and widespread as evidenced in the 5:1 favorable breadth spread noted above. Looking back at December, the rounds gains reported at the 61 market level by Golf Datatech showed similar widespread gains as further encouragement. For the year, we registered our 2nd consecutive Utilization gain (fractional, but positive) with the modest rounds gain beating the basically flat weather "comp." Beneath that, at the market level, we saw positive breadth in Utilization of 6:1 (18 up vs. 3 down) but with the majority of markets (40) in the neutral zone of +/- 2 points. Speaking of market performance, among Pellucid's Top 25 US Golf Markets, Minneapolis and Washington DC ended up as the leading Utilization gainers for the year while only Orange County CA finished the year in the red (due to a 7% decline in rounds). This represents a solid, if unspectacular, finish to '19 and the strong January '20 GPH results should bode well for a positive January for rounds."

Again, if you want to know which of our Top 25 Golf Markets posted Utilization gains, how much and what the dynamics are behind those gains, just go to our website and get on the Monthly Weather Impact subscription or sign up for Cognilogic (facility-level access via the web)." [Click here.]



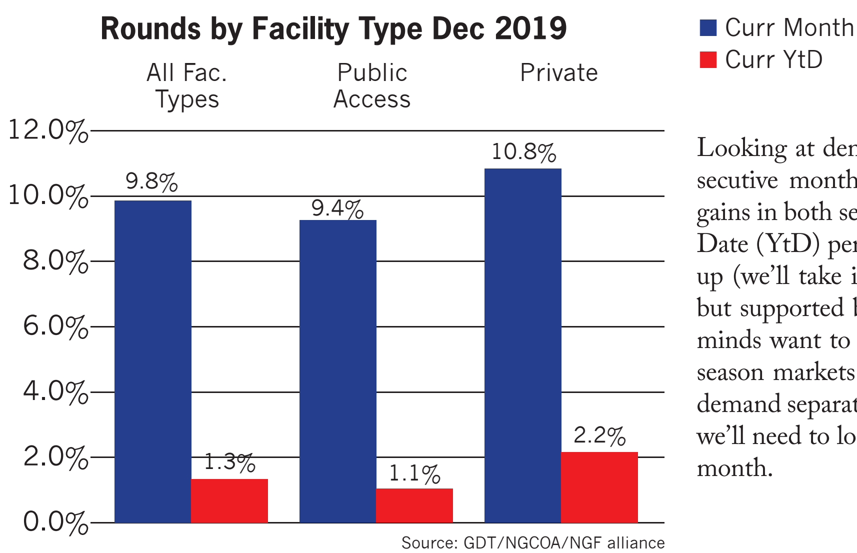


January YtD 2020

Month Capacity Rds, % Change vs. YA .... **+21%**
YtD Capacity Rds, % Chng vs. YA.................................... **+21%**
YtD Up/Down Breadth Ratio.. **5:1**
  # of Regions Up **14**
  # of Regions Down **3**
YtD % Utilization Rate (Dec '19).. **53%**
YtD % Utilization Rate Pt. Chng vs. YA (Dec '19)............. **+1 pts**

Dec Utilization delivers; Weather up, Rounds up

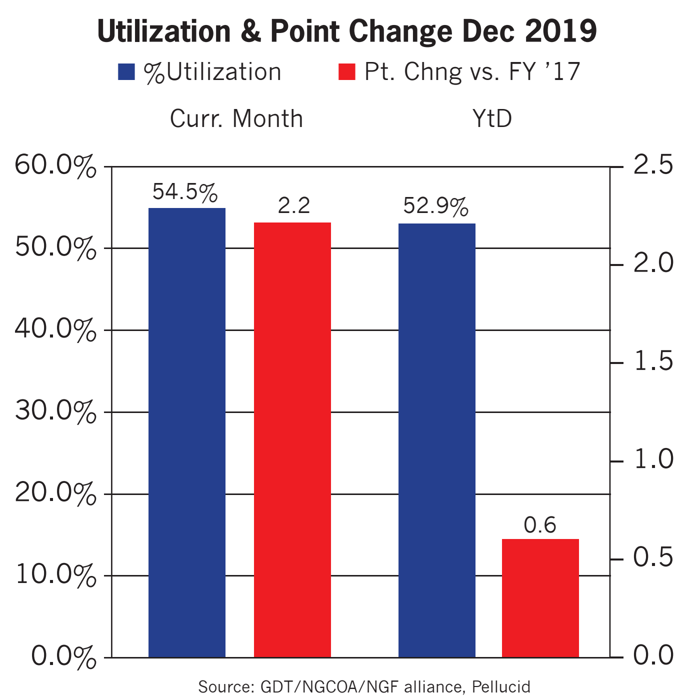
Industry Key Performance Indicators at-a-glance



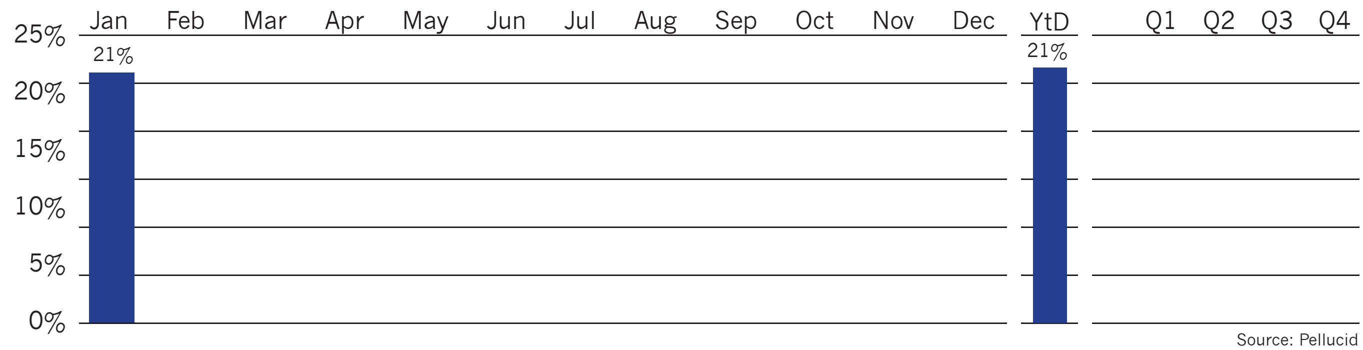
Looking at demand for December, rounds turned in a 5th consecutive month of gains vs. Year Ago (YA) at +8%, driven by gains in both sectors but led by Private up 13%. For the Year-to-Date (YtD) period, the All Facility numbers finished marginally up (we'll take it!) driven predominately by the Private segment but supported by a modest gain in the Public sector. Inquiring minds want to know, "Was the gain due to weather in our full-season markets or did we control our destiny and generate that demand separate from weather?" For the answer to that question, we'll need to look at Pellucid's unique view of Utilization for the month.

For reference, Utilization and Point Change vs. Year Ago (YA) tracks rounds demand after factoring for weather. The comparative benchmark is the Year End (YE) '18 value of 52%. For those not familiar with Pellucid's Weather Impact tracking, the underlying concept is relatively simple. In a theoretical world where rounds follow weather, a 5% increase in Available Rounds would produce a 5% gain in Played Rounds. By comparing Played Rounds to Available Rounds, we can determine the Utilization of the average facility and how it's changing during the year vs. the benchmark.

The great news for the month is that we continued our streak of 8 months where Utilization was either flat or up with the 0.2 point gain in Utilization for the month vs. the '18 YE benchmark figure. The second set of bars show the Year-to-Date (YtD) result which, based on the positive December month results, finished up marginally for the year (0.6 points). We've managed now to break the streak of monthly Utilization deficits, let's see if we can't take that momentum into '20 and drive rounds gains higher, independent of weather.



Golf Playable Hours 2020 Monthy % Chng vs. Year Ago



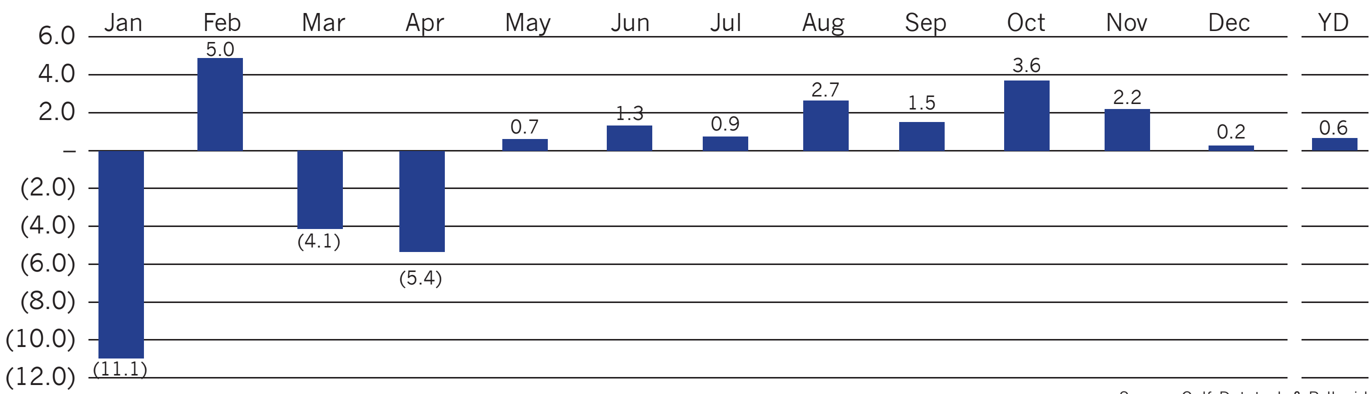
Source: Pellucid

In the above, we track the monthly and quarterly timeseries view of weather impact (measured by Golf Playable Hours or GPH) so our readers can see how the year is playing out at the national level. Again, if you want the 45 regional, the 61 markets or individual facility-specific figures, you can get those by subscribing either to the Pellucid Publications Membership program, the Geographical Weather Impact reports or Cognilogic (individual facility down to daily level) at the [Pellucid website.]

The above chart shows us the very favorable "comp" in January weather which represents a 3rd consecutive month of 5%+ gains (not shown). While it is only for half the country operating, the strong winter weather performance (comparatively to the same months last year) has to be providing a boost to the revenue lines of the full season markets and courses. That begs the obvious question early in the year of whether we'll see a continuation of this and, if so, how much of a tailwind could weather provide in '20? If you want a look into our weather forecasting "crystal ball" for the year-end figure, you can get that at facility level or for the 45 regions and national level by subscribing at the button links below:

Reports **US/Regions/Markets Weather Impact Tracking** **Cognilogic Weather Impact Analysis**

Utilization Rate 2019 Monthly Point Chng vs. Prior Full Year



Source: Golf Datatech & Pellucid

The above chart represents a timeseries by month of Utilization change which we're sure that by now you all know is the resultant of Played Rounds (demand) divided by Available Rounds (capacity). We compare each month back to the static prior Year End figure (52%) to determine if we improved or lost utilization in the current month.

As illustrated, December represented an 8th consecutive month of flat-or-up Utilization via the combination of increased rounds which exceeded the previously-reported favorable weather. The December rounds results fulfilled my prediction that we'd see lift based on the December weather favorability (what I didn't know or try to predict was whether Utilization would be positive or not). That closes out the year in (fractional) positive territory and a 2nd consecutive year of Utilization gains as momentum into '20. The final storyline for '20 was "Rounds up slightly beating basically flat weather impact."

San Francisco holds its own, strong golfer base is underleveraged

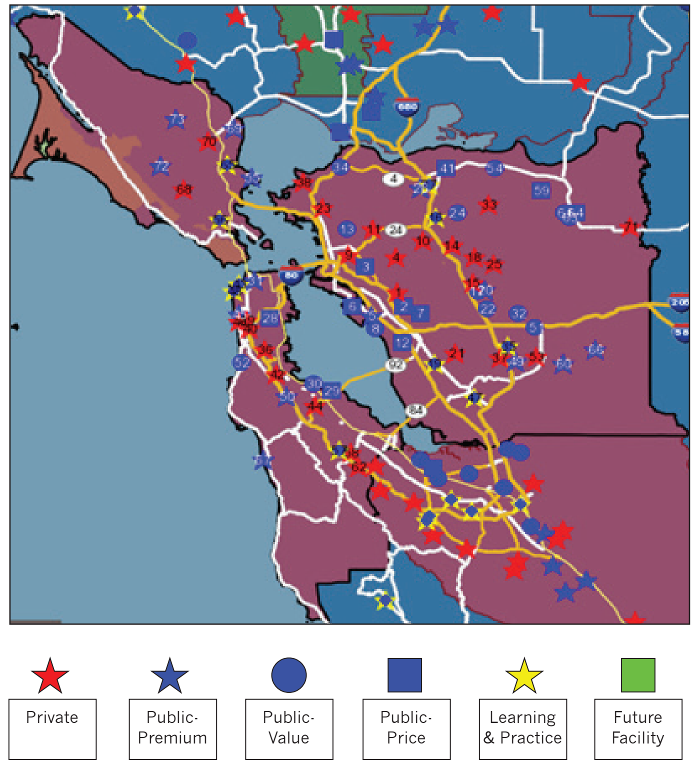
San Francisco-Oakland, CA Core Business Statistical Area (CBSA)

In this monthly section we profile one of the Top 25 US Golf Markets based on a Pellucid composite score of the golfer base, the supply level and rounds demand. Within that Top 25 universe, we then rank them based on relative health using a Pellucid weighted scoring system of 7 variables ranging from Population Growth to Avg. Facility Utilization. In this issue, we'll profile the 10th-ranked market, the San Francisco-Oakland Metro CBSA. As most know, the Bay City came within 2 quarters of being the Super Bowl Champions this year and it was an amazing run but, no doubt, disappointing that they weren't able to "grab the ring."

By rounds demand (one of our 3 selection criteria for initial inclusion in the Top 25 list), San Francisco punches below its composite ranking weight coming in 24th among US markets with facility-reported annual demand of just over 3M rounds (that's facility-reported, through-the-turnstiles tally counts both local and (limited) tourist play; they're somewhat supply-constrained as an additional mitigating factor). Looking at the golf consumer base, we see that San Francisco is home to a healthy local golfer base of just under 400K golfers (this is local, resident population only, doesn't count any of the golf tourist crowd). That golfer base is served by a meager supply base of 86 18-hole equivalent (EHE) facilities producing an average ratio of just over 4,000 local resident golfers per EHE, a very healthy level at nearly 3x the national average.

The supply mix vs. the national distribution across Pellucid's five access/value/usage segments shows a meaningful bias to the Private segment at 40% of holes (a 142 index vs. the national contribution). The split between Private/Public is 40%/60% which is significantly more skewed to Private than the national average of 28%/72%. The balance between Value-added golf supply (Private & Public Premium) vs. Value golf (Public Value, Price and Learning & Practice) is 61%/39% skewing significantly to Value-added vs. the national average of 47%/53%. Remember also that we establish the Premium/Value/Price segments by individual market so that's factoring in differences in cost of living/cost of golf as we cross markets (unlike NGF where New York City has the same price segmentation as Kansas City, go figure). Within Public-Regulation golf, the distribution between Premium/Value/Price is 40%/35%/25% which meaningfully "tilts" the direction of Public-Premium vs. the national picture of 31%/47%/23% (at the expense of Public-Value).

Using our new methodology for calculating Supply/Demand equilibrium and how the picture has changed from '00-'17 based on rounds demand change vs. supply change, you can see



	San Francisco-Oakland, CBSA	Tot US	Index vs. US
Golfer Base			
– Est. # of Golfers (Ks)	363.2	25,500	
– # of 18 Hole Equivalent Facilities	86	16,749	
– Golfers per 18-Hole Equiv.	4,224	1,535	275
Supply Mix			
– Private	40%	28%	142
– Pub-Prem	21%	19%	112
– Pub-Val	19%	29%	64
– Pub-Price	13%	14%	95
– Learn & Prac	7%	9%	81
Supply/Demand Balance			
– '00-'17 Cume Supply Growth/Decline	14%	11%	
– '00-'17 Cume Rds Demand Growth/Decline+	–9%	–7%	
– '00-'17 Cume Mkt Supply Dilution (-)/Absorption (+) Level*+	–18%	–17%	
Av. Facility Throughput & Efficiency			
– Avg. Ann Rds Velocity (Ks, per EHE)	33.0	26.5	124
– %Utilization Rate	40%	42%	96

* Period % Chng in Rds vs. Period % Chng in Supply

Above average level vs. US (Index >105)

Average level vs. US (Index 95-104)

Below average level vs. US (Index <95)

In summary, the primary contributors to San Fran's Top 10 standing are golfers-per-EHE, Play Rate and strong Revenue-per-Available Round. The primary mitigating factor is sub-par population growth and slight under-indexing on Supply Dilution and Utilization.

in the table above that Supply expanded 14% over that period compared to the national average of 11% (a Compound Annual Change Rate (CACR) of roughly 0.6%). On the facility-reported rounds demand side of the equilibrium equation the supply expansion during that period was exacerbated by a rounds demand decline of 9% over the '00-'17 period which is similar to the 7% national rate of decline. The confluence of these two factors results in the cumulative supply dilution resting at -18% comparable to the national benchmark of -17%.

The average EHE has throughput of roughly 33K rds/yr which is well above the national average. Factoring in weather and daylight, the more accurate measure is the market's 40% Utilization Rate which is comparable the national average (42%). This means that, after neutralizing the weather impact of a moderate-length season, the market's average golf "factory" runs at roughly the same throughput as the average US course (consistent with the average oversupply position as well).

In summary, the primary contributors to San Fran's Top 10 standing are golfers-per-EHE, Play Rate and strong Revenue-per-Available Round. The primary mitigating factor is sub-par population growth and slight under-indexing on Supply Dilution and Utilization. Given the multiple constraints in the Bay Area market (land, pricing power, environmentalists etc.) it would seem that the key to success would be figuring out how to unlock increasing rounds from the current, very healthy in size, golfer base. It also wouldn't hurt the existing operators if the current supply drawdown rate (~4% per annum) continues. Of course, that presumes you're not one of the casualties along the way but, if you could find a reasonable offer for any reasonable (and government/citizen) acceptable alternative use, being one of "the plows" wouldn't be so bad.

If you'd like to order the full scorecard with over 50 measures for each market and the composite ranking scores, you can do so at Pellucid's website by clicking here. You can also get facility draw area-based analysis quickly and affordably by ordering the GLMA Market Workbook; click here for more information. ■

Transactions edge out closures fueled by KSL/Heritage deal

This month sees a real mixed bag of openings, closings, transactions, foreclosures, and a Chapter 7. It kind of looks like the club array in my golf bag.

Ferndale Country Club in Rushford, MN, is now owned by a guy who was assisting the previous owner…find a new owner. Ferndale will see improvements sure to bring back golfers ten on a mule, including LED lighting, new carpet, and aluminum doors. Oh, and food. Guess the course must be perfect, and the old lighting and bad carpet are what drove golfers away.

The Granby Ski Ranch and Golf Resort in Granby, CO, succumbed to $62 million in debt and was foreclosed. There is sure to be more to this story.

Some courses just won't die. They are the cockroaches of the industry. Fighting off D-Con this month includes Willow Creek in Rochester, MN, and Del Norte in Crescent City, CA. The former's bank found two local guys to lease it for three years, and the latter, closed for two years, was purchased by a local father and son.

Tiger Woods makes the list this month, kind of. His first Hawaii course design was to be at the Makaha Valley Resort on Oahu. Not now – owner Pacific Links pulled the plug citing financial pressures from the homeland, China.

Last, it's rather sad when a military base course shuts down. Designed as a recreational amenity for those who serve our country, the F.E. Warren AFB course in Wyoming lost money for six consecutive years and saw airmen play just 10% of the rounds which was not enough to keep it aloft.

Golf's landscape changes

Event	Course	DMA	Type/Holes	Summary
Open/Re-open	Del Norte	Eureka CA	Pub/9	Closed two years ago, purchased by local father and son.
	Willow Creek	Rochester MN-Mason Cityla-Austin MN	Pub/27	Bank found two guys to lease the course for three years, will reopen in the spring. To be renamed "Cockroach Hills" - you just can't kill it.
Closed	Baypointe GC	Tampa-St.Petersburg (Sarasota) FL	Pub/18	Purchased by Pinellas County for $1.2M, to remain as 42 acre green space.
	Granby Ski Ranch and Golf Resort	Denver CO	Pub/18	Foreclosure
	F.E. Warren AFB GC	Cheyenne WY-Scottsbluff NE	Mil/18	Losing money for six years. Airmen accounted for less than 10% of play
	The Woods GC	Tulsa OK	Pub/18	OOOOOklahoma where the courses closing left and right…
	Shadow Creek CC	Ft. Smith-Fayetteville-Springdale-Rogers AR	Pub/18	
	Joliet GC	Chicago IL	Pub/18	Formerly the private Joliet Country Club
	Modesto Municipal	Sacramento-Stockton-Modesto CA	Pub/9	Will be put up for sale by the city. One of three city courses.
Transact	Willowbend GC	Wichita-Hutchinson KS	Priv/18	Purchased by Great Life and Fitness
	Ferndale CC	La Crosse-Eau Claire WI	Pub/9	Purchased by local guy who was assisting finding a buyer for a year
	Oakwood GC	Houston TX	Pub/9	Purchased by City of Houston for $291,500 plus 7 acres of city land.

Event	Course	DMA	Type/Holes	Summary
Transact	Minneopa GC	Mankato MN	Pub/9	Sold to owners of another local course, Terrace View
	Pinelands GC	Philadelphia PA	Pub/18	
	Jennings Mill CC	Atlanta GA	Pub/18	Purchased in 2015 for $1.7M, sold for undisclosed amt to L&J Acquisitions
	Stonehenge GC	South Bend-Elkhart IN	Priv/18	
	Port Royal GC	Hilton Head, SC	Pub/36	Former Heritage, purchased by KSL Capital
	Oyster Reef GC	Hilton Head, SC	Pub/18	Former Heritage, purchased by KSL Capital
	Shipyard GC	Hilton Head, SC	Pub/27	Former Heritage, purchased by KSL Capital
	TPC Prestancia	Sarasota, FL	Pub/36	Former Heritage, purchased by KSL Capital
	TPC Tampa Bay	Tampa, FL	Pub/18	Former Heritage, purchased by KSL Capital
	The Dominion Club	Richmond, VA	Pub/18	Former Heritage, purchased by KSL Capital
	Eagle Ridge Resort and Spa	Champaign & Springfield-Decatur IL	Pub/63	Sold in May 2019 for $13M
Redevelopment	Makaha Valley Resort		Pub/18	Where Tiger's first Hawaii golf course design was to be, Pacific Links Int'l. sold the 644 acres, citing financial pressure from China.
Status Change				
Distress/ For Sale	The Bull GC	Milwaukee WI	Pub/18	Defaulted on $4.2M. Hoped to have shirttailed off of people coming to nearby Kohler to play golf. Now it's down the toilet.