

Red Wing municipal golf course is the home of the championship Winger golf teams.

D. The Red Wing municipal golf course is a factor in the decision of retired persons to move to Red Wing. The Red Wing municipal golf course is an attraction for employees to work in Red Wing. The Red Wing municipal golf course is an incentive for businesses to locate in Red Wing.

E. The Red Wing municipal golf course, as a public golf course and a beautiful green space, improves the quality of life for people of all ages in the Red Wing area. With the retirement of the baby boomer generation, the public golf course is a very important recreational facility for the increasing numbers of retirees living in the community.

V. Organizational Structure

The citizen-volunteer Board of Directors of RWMGC will be the policy makers for the non-profit corporation. Just as in any other business, RWMGC will hire employees to operate and maintain the municipal golf course.

RWMGC has a commitment from Randy Juliar to continue his quarter-century work as the groundskeeper of Red Wing's municipal golf course. Mr. Juliar has a life-time of experience in golf course maintenance and knows Red Wing's municipal course as no other person does. With Mr. Juliar, RWMGC guarantees the municipal golf course will be well taken care of. In addition, Mr. Juliar, with years' experience in golf course management, has agreed to serve as a temporary manager during the start-up of the golf course operation. Mr. Juliar will maintain the golf course for RWMGC.

RWMGC will be hiring a golf professional and a food and beverage manager. The golf professional will be in charge of the golf shop (including sales of green fees, clothing, and equipment.) The golf professional will also be giving golf lessons. The golf professional will be in charge of the driving range and youth golf. The golf professional will be in charge of employees in the golf shop. The food and beverage manager will be in charge of the food and beverage service, including the bar, kitchen, and employees working in the food and beverage area. RWMGC will hire a manager. The manager will operate the golf course in consultation with the groundskeeper, food and beverage manager, and golf professional. The manager will be involved in marketing and finance.

RWMGC has contacted Red Wing businesses for insurance services and financial services.

VI. FINANCIAL REVIEW

The following tables are derived from RWMGC's Profit and Loss *pro forma* Statement. See also Appendix for Projected P&L and Projected Cash Flow.

A. Golf Revenues

	2013	2014	2015	2016	2017
Golf Fees	\$741,400	\$756,228	\$771,353	\$786,780	\$802,815
Pro Shop Revenue	\$125,000	\$127,500	\$130,050	\$132,651	\$135,304
Total	\$866,400	\$883,728	\$901,403	\$919,431	\$937,819

Assumptions are based upon historical data. Also, in reviewing 2012 National Golf Foundation data, rounds played in Minnesota have

started increasing. Out-state Minnesota rounds played in 2012 show an increase of 7.7% over 2011. Baby boomers, improving economy, and aging population are anecdotal evidence.

B. Food and Beverage Revenue

	2013	2014	2015	2016	2017
Food	\$25,000	\$25,500	\$26,265	\$26,790	\$27,326
Beverage	\$75,000	\$76,500	\$78,030	\$79,591	\$81,182
Total	\$100,000	\$102,000	\$104,295	\$106,381	\$108,509

This is based on historical local data less "event" sales. Initially it is the intent of RWMGC to operate this segment of the business on a "scaled-down" basis until revenues from F&B can be reinvested to grow this segment.

C. Cost of Goods: Merchandise (Golf) and Food and Beverage (F&B)

	2013	2014	2015	2016	2017
Golf	\$81,250	\$82,875	\$84,533	\$86,223	\$87,948
F&B	\$32,750	\$33,274	\$33,806	\$34,347	\$34,897
Total COGS	\$114,000	\$116,149	\$118,339	\$120,570	\$122,845

These estimates are based on historical data without banquet and event costs.

D(1). Grounds, Payroll, and Other Expense

	2013	2014	2015	2016	2017
Grounds	\$370,000	\$381,100	\$392,533	\$404,309	\$416,438
Payroll	\$170,322	\$173,047	\$175,816	\$178,629	\$181,487
Other	\$115,060	\$116,901	\$118,771	\$120,672	\$122,602
Total	\$655,392	\$671,048	\$687,120	\$703,610	\$720,527

Payroll and other expenses are escalated at estimated inflationary rates but grounds expenses are increased faster to improve the course conditions to help grow revenue.

D(2). Net Profit Before & After Capital Expense

	2013	2014	2015	2016	2017
Net Profit Before Capital Expense	\$197,018	\$198,531	\$199,984	\$201,372	\$202,691
Cart Lease	\$83,325	\$83,325	\$83,325	\$83,325	\$83,325
Equipment Lease	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000
Net Profit	\$1,693	\$3,206	\$4,659	\$6,047	\$7,366

Based on historical information and our calculations, this golf course will break even and profitability will improve during the five year time frame.

E. Banquets

The golf course facility is available to members and the public as a special place for weddings, banquets, and other events. These events would be catered, and for a fee we would provide the facility. RWMGC would expect the 2013 canceled events to return in the future. RWMGC believes aggressive marketing will show an increase in tournaments, golf outings and other events. Unlike other golf courses, the 36-hole Red Wing municipal golf course has the ability to hold tournaments and events at the same time as offering public golf. Because of the two 18-hole courses, we have an advantage no other course has.

VII. Maintenance Equipment

A. Equipment quotes for new equipment were received from Jacobson, John Deere and Toro.

B. Equipment quotes for used equipment were selected from trade magazines and by contacting specific suppliers.

C. Upon the advice of Red Wing's experienced groundskeeper, RWMGC has decided to lease good used equipment. See the Appendix for Maintenance Equipment Investment Summary.

VIII. Golf Cart Equipment

Cart quotes were requested from E-Z Go, Yamaha, and Club Car. See the Appendix. RWMGC plans daily and yearly cart rentals at a level consistent with past practices.

IX. Food and Beverage

The primary emphasis of RWMGC, upon starting operation of the municipal golf course, will be—first and foremost—on operating 36 holes of public golf.

A secondary emphasis will be on providing refreshments for the golfers, participants of various events, and visitors. We will be applying for a liquor license. The bar will be operating when the 2013 golf season commences. We will be starting the food service at a reduced and modest level. We envision a grill operation of limited menu and limited hours. As we proceed with the operation of the golf course, we will expand the food service and offerings as the need increases.

RWMGC will be marketing weddings, tournaments, banquets, meetings, and other events. Our initial business plan is to have a list of preferred Red Wing caterers to handle the food service for these events.

X. Immediate Issues

A. Start-up costs and cash flow are an issue. Due to a late start and loss of business, this topic needs further discussion.

B. Timing is an issue. Because of the stripping of the municipal course of virtually all personal property by the previous lessee, RWMGC needs time to acquire provisions and property to operate the golf course in 2013. RWMGC advises the City that a start after February 15, 2013, makes a successful operation in 2013 problematic. A minimum of two months is necessary to acquire the essential equipment and supplies to provide the course with functionality.

XI. City/Non-profit Partnership

Other cities have successfully cooperated with non-profits in partnership to manage golf courses. The City of Baltimore won a national award for innovation when it put the management of its five struggling municipal golf courses in the hands of a citizen non-profit much like RWMGC.

The best thing about **public/nonprofit partnerships**, such as the arrangement that RWMGC offers, is that the bottom line is not the

profit: the bottom line is the community. That is, the Red Wing municipal golf course will be operated as a business, but the bottom line is that RWMGC will always consider what is best for the golf course and the community.

This **public/nonprofit partnership** can change the way that the City of Red Wing interacts with the community. Our innovative plan will meet the needs of Red Wing for fiscal restraint, while providing an improved public recreational facility for our citizens. The “new normal” does not mean destroying the past—but rather, creating, enhancing and preserving programs and facilities for our citizens. Just as those are the goals of the City, so too are they the goals of RWMGC.

XII. The Vision, Beyond Golf

Building community engagement and large-scale long-term projects are an important part of the business plan of RWMGC. This proposal of RWMGC and the projects we initiate will help develop the image of the city as an innovative, progressive community.

A. Audubon Sanctuary Program

RWMGC will partner with the United States Golf Association (USGA) and Audubon International in promoting ecologically-sound land management and sustainable conservation of natural resources. The program’s positive impact extends beyond the boundaries of the golf course and helps benefit the entire community. In the program, our municipal golf course will work toward certificates of recognition in six categories: Environmental Planning, Wildlife and Habitat Management, Outreach and Education, Chemical Use Reduction and Safety, Water Conservation, and Water Quality Management. Audubon International provides each golf course with one-on-one assistance in devising an appropriate environmental plan.

B. Solar Energy

For the future, we are tremendously excited about the possibility of installing a solar electrical system for the course's irrigation, golf cart charging, lighting, and heating and cooling. Estimates show that 25-50% of a course's energy is used by pumping stations for the irrigation system. Even during the off-season, we could be generating income.

A solar electrical system could significantly reduce operational costs and generate income, while at the same time help the community gain expertise in the analysis of, and contracting for, solar utility programs.

"Golf courses provide an ideal venue for solar energy, as a significant portion of their electric expenses result during daylight hour usage, enabling them to go green on the green..." said Standard Solar President Scott Wiater.

C. Multi-Use Facility

This valuable and precious space, that the people of Minnesota and the generous citizens of Red Wing have entrusted to us all, is so much more than a golf course. True, it is a place where people play golf. But it's not just a golf course; it's not just a line in a budget; and, unlike a depreciated tractor, its useful life has not ended. RWMGC will provide for activities such as the community trails for cross-country skiing and hiking, special events, and a field classroom and laboratory.

D. Special Events

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Possibilities of special events are numerous: Spring Bird Migration Seminar, Summer Solstice Concert, Fourth of July Fireworks, Romantic Dinner on the Bluffs, Harvest Moon Highland Hayrides.

Thinking "Beyond Golf", we see RWMGC creating broad community interest, support, and participation: golf lessons to children and adults, people involved in Audubon Certification, solar energy, bluebird housing, buckthorn eradication in the bluff woodlands, trail creation and maintenance, and other projects. A number of these plans can be commenced immediately and will pay dividends to the community for many years to come.

E. Red Wing Open Space Preservation Plan

Community Initiative 11 in the Comprehensive Plan is to maintain and update the Capital Improvement Plan (CIP). An emphasis in the Comprehensive Plan is capital improvements that promote green infrastructure. Focusing on green infrastructure will be a high priority in RWMGC's own CIP.

Community Initiative 12 in the City's Comprehensive Plan seeks to pursue public/private partnerships. One of the sub-areas is an environmental stewardship program. Many non-profit and private organizations can help in the management, education, design, and acquisition of open space.

F. Green Spaces: Extremely High Priority

All lands in this category hold the highest priority by the city. The City pledges to work collaboratively with property owners to preserve portions or all of these sites.

- *East End Recreation Area.* Totalling over 600 acres in the eastern gateway into the city, Memorial Park and Mississippi National Golf Links area represent two great treasures. Some of the best views of

the entire city are seen within the parks, while providing an urbanized forest. However, some thirty percent of the slopes on the north and south sides of both parks are privately owned and unprotected. Within these slopes, three natural communities exist: Oak Woodland-Brushland, Oak Forest-Mesic subtype, and Dry Prairie-Bedrock Bluff subtype. Following are action plans for the City and RWMGC in engaging in a public-private partnership.

Action 1. City of Red Wing: Acquire lands within the city which are owned that may be disposed of by other governmental agencies. *The City of Red Wing purchased the 400-acre State Training School Farm for public golf and recreational uses in the mid-1970s.*

RWMGC: The RWMGC proposal will keep the 400 acres of municipal golf course and green space in the ownership of the City and the people of Red Wing.

Action 2. City of Red Wing: Work with land trusts, foundations, developers, utility companies, private individuals, non-profits, privately-owned companies, and others from public and private sectors by encouraging land dedications, donations, and easements for open space preservation.

RWMGC: RWMGC will work with the City of Red Wing in all aspects of preserving and enhancing green spaces.

XIII. Conclusion

In response to the intent of the City to sell the Red Wing municipal golf course, a group of citizen/volunteers gathered to formulate a plan whereby the municipal golf course would remain in the ownership of the citizens of Red Wing while at the same time addressing the concerns of the City Council about taxpayer expenditures for golf course

operations. Weeks and months of study have resulted in the proposal of the non-profit corporation, Red Wing Municipal Golf Corporation, to lease the 36 hole Red Wing public golf course from the City for five years. The non-profit will pay for maintenance, operation, and capital improvements at the course. The non-profit will operate and maintain the municipal golf course on a revenue/expense neutral basis. All revenues will go back into the golf course. The City will have no obligation to pay tax dollars for the golf course. During the five year lease, the books and records of the non-profit will be open to the City.

We have an opportunity for the City to preserve and enhance the valuable public recreational facility by a five-year lease of the municipal golf course to the non-profit corporation of citizen volunteers. This is a win/win/win for the City, for the golf course, for the community. The non-profit plan is a perfect fit for the Strategic Plan of the City: partner with a non-profit to operate a City facility, use citizen participation in helping the government, use volunteers, preserve and enhance City facilities, preserve and enhance City green space, and continue to provide to Red Wing's citizens a debt-free public golf facility and green space created and financed by the citizens of Red Wing.

The golf season is less than three months away. Red Wing golfers are ready to "hit the links" at their course. Red Wing businesses are anticipating the business derived from the golf course. Red Wing Municipal Golf Corporation is ready to begin operation and maintenance of the wonderful 36 hole Red Wing municipal golf course. We need the City to partner with Red Wing Municipal Golf Corporation by approving the proposed five-year lease of the golf course.

Let us, the City and the non-profit corporation, together sign the lease. We can do this for our community, for our citizens. Let us act now.

Respectfully submitted,
Red Wing Municipal Golf Corp.
Board of Directors
January 14, 2013

XIV. Appendix

A. Projected Profit and Loss

B. Projected Cash Flow

C. Maintenance Equipment Investment Summary

D. Cart Quote Comparison

E. Proposed Lease

F. Testimonials

G. Board of Directors

Red Wing Municipal Golf Corporation

IX. Appendix.

A. Projected Profit and Loss – Basic Assumptions

Total Green Fee Rounds	16,800	93	23
Total Rounds of Golf	34,800	193	48

	<u>Quantity</u>	<u>Avg Price</u>		<u>Total Revenue</u>
Membership Revenue	200	\$500.00		\$100,000.00

<u>Green Fee Rev</u>	<u># of Rounds</u>	<u>Avg # of Rounds Per Day</u>	<u>Avg # of Rounds Per Good Golfing Days</u>	<u>Avg # of Rounds on Prime Days</u>	<u>Assumed Days</u>	<u>Rate</u>	<u>Total Revenue</u>
Out of Town Rounds 18 Holes Prime Days	6,000	33	43	100	60	\$22	\$132,000.00
Out of Town Rounds 18 Holes Non-Prime Days	4,800		40		120	\$18	\$86,400.00
City Residents 18 Holes	3,400	19	25	57		\$15	\$51,000.00
9 Hole Rate	2,600	15.00	19	43		\$15	\$39,000.00
Total Green Fee Revenue	16,800	93	122	280			\$308,400.00

Red Wing Municipal Golf Corporation

A. Projected Profit and Loss - Basic Assumptions continued.

Cart Fee Revenue	Quantity	Avg # of Rounds Per Day	Avg # of Rounds Per Good Golfing Days	Avg # of Rounds on Prime Days	Rate	Total Revenue
Season Cart Revenue	40				\$750	\$30,000.00
Daily Cart Revenue	16,176	90	117	270	\$17	\$275,000.00
Total Cart Revenue						\$305,000.00

Driving Fee Revenue	# of Tokens Sold	# of Tokens Used Per Day	# of Tokens Used Per Good Golfing Days	# of Tokens Used on Prime Days	Rate	Total Revenue
Driving Fee Revenue	5,600	31	41	93	\$5	\$28,000.00
Total Golf Revenue excluding Pro Shop Rev						\$741,400.00