

Dean Hove, Lisa Bayley
Members Red Wing City Council Second Ward

Dean & Lisa,

I reside at 1467 Hillside Drive, 2nd Ward. I have voted for each of you in the past and I'm uncertain which or if both of you are my Council person, so you both get this letter and yes, we have all met previously. I watched the televised council meeting and read the Republican Eagle article concerning the Council/MNGL and finding a solution.

I echo the sentiments expressed by Mayor Egan, you have an opportunity to get it right this time. As an avid golfer, Red Wing resident and property taxpayer I suggest the list below be your guide toward a solution, understanding my conviction that NO taxpayer money should be utilized to operate or maintain MNGL as a golf facility.

- 1) City Council should suspend the operation of MNGL for the 2013 season based on unresolved legal issues. Utilize 2013 to research the City's options for the properties best usage (golf course or something else).
- 2) RW City Council should contract with Minnesota Golf Association or one of its affiliates to do a comprehensive feasibility study on the long term needs for golf in the Red Wing market before any decisions on the future of MNGL as a golf facility are made (research).
- 3) RW City Council should take a deep breath realizing time is an asset, there is no rush, Golf is abundant in the RW area, no consumer will be denied access to golf for 2013, other facilities are available and golf tourism will not be negatively affected (MNGL did not operate in a vacuum, it was not the only golf facility recruiting golfers to the Red Wing/Lake City market).
- 4) No RW taxpayer money should be spent on MNGL in 2013. The asset will exist in 2014, there will be restart costs but that will not be as costly as maintaining it during the 2013 season. Historically, the Red Wing City Budget has been reported to have a total of approx. \$200,000 for MNGL Capital Improvements and other necessary upkeep. This money can be utilized more responsibly for the Library, infrastructure projects & public works personnel to do that work, improvements to Law Enforcement, Emergency Services, Fire Dep't or improved lighting of streets & thoroughfares. Cost for restarting the operation of MNGL for the 2014 season (if that is the decision of the Council) should be the responsibility of the new operator.
- 5) Any new contract to operate MNGL as a golf facility should be based on a 4% triple net lease based on gross revenues. Thus the City can start recuperating past investments made in MNGL.
- 6) What are other potential (golf or non-golf) options exist for this property/asset.

Sincerely,

Donald J. Voth

ps: In the spirit of full disclosure, I am a member in good standing at the Red Wing Golf Club. My golf credentials include:

Captain Red Wing High School golf Team 1968 & 1969; Team was Big 9 champion both seasons;

1969 Region 1 golf tournament medalist, Big 9 top ten player 1967, 68, 69

Recipient of Western Golf Association Evan Scholarship 1969-1974 Univ. of Minnesota

Univ. of Minnesota Golf team 1969-70, lettered,

Golf industry manufactures sales representative 1974-2009 (35 years)

Northeast Wisconsin Golf Association (NEWGA) Board of Director 1982-85

Fox Valley Golf Club Board of Director 1984-85 (Kaukauna, WI)

Red Wing Golf Club Board of Director: 1992-94, 2008-current

Minnesota Golf Association Board of Directors 2002-2008, current Status-Alumni Director &

SE Minnesota MGA ambassador

Future of Golf in Red Wing, MN

As a former Board member of the MGA and MGA ambassador in SE Minnesota, I am committed to the mission statement of the MGA: to uphold and promote the game of golf and its values for all golfers in Minnesota.

This is my perspective on the state of golf in Red Wing, MN.

Questions to be answered:

How many golf facilities are necessary in the Red Wing market? (20 mile radius)

What is the projected future of golf participation in the RW area?

What are the real/actual costs to City for continued support of MNGL, as a golf facility?

Is it the City's responsibility to provide a golf facility for the recreational golf community?

Is MNGL as a golf facility necessary?

Is MNGL financially viable as a golf facility? 36 holes, 27 holes, 18 holes (can it cash flow)

Does MNGL actually have a positive economic impact on RW? Yes, No, Uncertain

Market Analysis:

Red Wing Golf Club 18 holes: 501c7 corp. member owned, est. 1915, appraised Value \$1.4 Million (2011) total membership approx.. 300

Mississippi National Golf Links: City owned land, lease operator, est. 1985, appraised Value \$2.8 million, 36 Holes (2010) golf membership (as reported in Norby appraisal) 230

Red Wing City Population 16, 459 (2010 census)

Population needed to support an 18 hole golf facility: NGF 40,000; MGA 35,000

Primary Red Wing golf market (20 mile radius): MNGL 36holes, RWGC 18 holes, Mt.

Frontenac GC 18 holes, Gopher Hills GC 27 holes, Bellwood Oaks GC 18 holes, Lake City GC 18 holes, Jewel GC 18 holes, Hidden Greens GC 18 holes, Zumbrota GC 18 holes, Cannon GC 18 holes, Lake Pepin GC 18 holes, Summit GC 27 holes, Ellsworth GC 9 holes
14.5 18 holes golf courses, population to support primary RW market 507,000 people using the MGA criteria (without MNGL 437,00 people)

Since 1990 many golf course have been opened or expanded in the southern Metro area thus diluting the number of players travel to the Red Wing area for golf (Gopher Hills 18 holes, Emerald Greens 36 holes, Cannon GC 9 holes, St. Croix National 18 holes, White Eagle 18 holes, Stone Ridge 18 holes, Oak Marsh 18 holes, Mississippi Dunes 18 holes, River Oaks GC 18 holes,....)

Participation Trends: sources MGA, NGF, WGA, PGA Performance Trak, Golf 20/20

2011 Players trend continues down -2% vs 2010 down every year since 2000 nationally
4 million fewer players than in 2008

Rounds played 2011, nationally -3% vs 2010, down 5 consecutive years

Course closing up 47% in 2011 vs 2010, over 400 courses closed nationally

10 in Minnesota over past 4 years, per Tom Ryan, MGA

Population required to support and 18 holes golf course(NGF):

2000 25,000 people per 18 hole facility

2012 40,000 people per 18 hole facility

MGA uses 35,000 due to shorter playing season (John Valliere, MGA)

2011 Minnesota rounds down 9.9% vs. 2010

Ave. Rounds played per 18 hole course 22,400 per year (source: PGA Performance Trak)

Local Golf Business Climate:

Red Wing Golf Club: member owned operates in the red \$25,000-\$30,000 annually since 2008
Golfing membership number 230 in 2012 (down), rounds played est. 20,000
Budgeted 2012 revenues at \$652,950(+85% from local membership sources)

MNGL: rumored to have operating losses of over \$100,000 annually (source W. Pittenger)
Reported membership 230 golf members (source Gerald Wendell, Norby Appraisal)
Rounds played (Norby appraisal 29,810 for 36 holes)
MNGL membership is less than 2% of RW population
Tax payer subsidized

Since no financials are available from WPGO, the best source of information is the Norby Appraisal. Though portions were redacted, enough information was available to estimate MNGL 2010 golf revenues at approximately \$780,000 and total revenues at approximately \$1.24 million. Estimated membership golf revenue $230 \times \$650 = \$149,500$. As noted in the appraisal by Mr. Wendell, MNGL is a destination golf course with a large % of revenue from greens fees. MNGL is not truly supported by local consumers (230 members = 1.4% of RW population, 300 members would equal 1.8% of RW Population

Summary: Red Wing market has an overabundance of golf available compared to population. Participation trends in golf industry continue to be weak & declining (2012 numbers are not finalized yet, although they should show an increase since the golf season was more than a month longer than in 2011, if rounds are not up by approx. 12% participation lost grounds due to the length of available playing season).

Neither local golf facilities (MNGL, RWGC) have been financially healthy over the past several years, due to overabundant supply and limited demand.

Overall, local golf market is depressed.

Potential outcome: Red Wing could continue to have 3 18 hole courses (status quo) within its City Limits or all 3 could cease operations.

Economic Impact of local golf courses:

RWGC:

96 acres greens space and watershed for city storm sewer system, with virtually no infrastructure cost to the City.

RWGC pays approx. \$26,000 in County RE taxes

Surrounding home owner of RWGC and RWGC contribute over \$220,000 in City RE taxes

Employs approximately 40 local RW residents

RWGC is one of 10 oldest operating golf courses in Minnesota, historic value

Service to the Community: +85% of all revenues derived from local resident members of RWGC, \$'s stay in Red Wing

MNGL:

+400 acres, RE taxes to County approximately \$51,000

Economic impact of MNGL to RW tourism, restaurants, lodging has been overstated since MNGL is a 'day trip' golf trip to the Twin Cities, most players commute same day, stay & plays are rare compared to the 29,810 rounds played s reported in the Norby Appraisal. If golf tourism were as important as some contend restaurants such as Sarah's, Staghead, and some of the local bars which have closed should still be in operation. Golf tourism to the Red Wing area will (most likely) not be negatively impacted due to abundance of other Golf facilities in our primary Market area which are all open to public play.

It is probable that MNGL actually is as much as a \$300,000 drain on the local economy; (\$100,000 Mr. Pittenger's annual loss plus \$200,000 in City of RW budget contribution)

RWMGC:

This is a noble, well intended effort by MNGL enthusiasts to document and provide reasoning for this facility to continue operations. The goals are admirable, however I find the pro forma and financial calculations to be unrealistic with operating revenues overstated, operating costs understated and initial start-up cost exceptionally low. Realistic start-up costs for MNGL as a 36 hole golf operation plus banquet facilities could be an estimated \$2.5 million which would include first year necessary operating expenses since there would be little or no banquet or golf outing event revenue the first year. This would mean that interest would be approximately 10% of total (historic) revenues Thus creating an operation which again could not cash flow due to debt and lack of Revenue.

Conclusions:

Golf is expensive, operating costs have risen dramatically.

If the City Council truly thinks MNGL is valuable community asset and should stay operating, The City Council must accept the responsibility to continue to generously subsidize its operation.

If City Council determines that MNGL is not an asset as a golf course and should close, the other area golf courses (RWGC, Mt. Frontenac, Gopher Hills, Lake City GC, Bellwood Oaks, Jewel, etc.) would be able to assimilate MNGL play. There are plenty of quality golf options for golf consumers in the RW area and all golfers have adequate playing opportunities.

Negative economic impact to local business would be minimal since the remaining golf operations would continue their efforts to promote golf business from within & outside the RW market, MNGL did/does not operate in a vacuum. Also, local food/beverage and banquet operations have the capacity to assimilate the approximate \$470,000 worth of that business which was done by MNGL, thus strengthening existing local F & B businesses.

Most likely, Mr. Pittenger's primary reason for breaking his lease obligations is that MNGL can no longer successfully cash flow either as a 36 or 18 hole operation. After all, he is a quality, respected and successful golf businessman and WPGO one of the very best golf management firms in Minnesota.

My conclusions:

MNGL is potentially as much as a \$300,000 annual financial liability

Past investments in MNGL are not a reason to for its continued existence as a golf facility

Red Wing market has 12.5 18 hole courses(excluding MNGL), enough to service a population of 437,500

No golf consumer will suffer from the closure of MNGL, nor will the local RW economy

Sustainability: MNGL is no longer economically sustainable

I see no reason for the use of Red Wing Taxpayer dollars to be utilized to support MNGL operation, free market golf opportunities are abundant in the Red Wing market, capacity is not a problem.

Personally, I do not think MNGL, in any form, can cash flow and is no longer a viable standalone golf facility, due to competition and need for Capital Improvements. It is a potential 'money pit'. I see no scenario in which MNGL stays open without tax payer assistance, short or long term. If MNGL were to close other area golf facilities have the capacity to service the needs formerly provided by MNGL.

Since RWGC require no public funding and is financially more solid than MNGL, RWGC is the operation with the best opportunity for long term success and survival. Also, the elimination or closure of RWGC would have a large negative impact on those residential properties adjoining RWGC thus resulting in a substantial reduction in real estate tax revenue for the City(this is not true of the MNGL area).

Don Voth, Alumni Director MGA, SE Minnesota MGA Ambassador