PHED Committee #4
March 23, 2009

MEMORANDUM

March 19, 2009

TO: Planning, Housing and Economic Development (PHED) Committee

FROM: Marlene Michaelson, MM Senior Legislative Analyst
Shondell H. Foster, Research Associate SHF

SUBJECT: Expedited Bill 8-09, Parks Department – Golf Courses – Lease with Revenue Authority – Amendment

Expedited Bill 8-09, Parks Department – Golf Courses – Lease with Revenue Authority – Amendment, sponsored by the Council President at the request of the Planning Board, was introduced on March 10, 2009. A Public Hearing was held on March 17, 2009. The Planning, Housing and Economic Development Committee worksession is scheduled for March 23, 2009 at 2:00 p.m.

Bill 8-09 would approve certain amendments to the Golf Course Lease Agreement between the Maryland-National Capital Park and Planning Commission (M-NCPPC) and the Montgomery County Revenue Authority (MCRA), related to the extraction of Sligo Golf Course from the Lease Agreement. In addition, the bill would release MCRA from making capital improvements to the Sligo Golf Course that were required under the original lease agreement, but would retain the requirement that MCRA conduct routine reoccurring maintenance of the facility. The bill is expedited to allow the Council time to review any fiscal implications that may be a result of the lease amendment prior to Council consideration of the Parks Department FY10 Operating Budget.

According to the terms of the original lease agreement, MCRA may extract a golf course from the system without Council action or approval. The purpose of this lease amendment and bill are to allow MCRA to continue to operate the golf course until October 1, 2009 and to define MCRA's responsibilities and liabilities to Sligo Golf Course, once the course is extracted from the original lease agreement. Council approval is required for any amendment to a lease originally approved by the Council. The First Amendment to Golf Course Lease Agreement is attached at ©5-9.

BACKGROUND

On March 26, 2006 the M-NCPPC and the MCRA entered into a lease agreement for MCRA to operate four of M-NCPPC's golf courses. This action was taken after concern was expressed regarding the operation of the golf courses while under M-NCPPC's management. After the operation of the golf courses was closely monitored, the results showed increasing financial losses for 12 of the 13 years studied during the same period that Revenue Authority golf courses were generally profitable. The lack of revenue kept M-NCPPC from making necessary capital improvements at the golf courses, leading to a continued decline of infrastructure. For example, there were significant problems with the irrigation systems at each golf course. M-NCPPC commissioned three separate reports to assess the decline in golf revenues and/or propose options to strengthen the system; however, revenues continued to fall.

In addition, the Council discussed the benefits and downfalls of having two public golf course systems. The conclusion of this discussion was that it was not beneficial to have two public agencies spend money on two separate marketing strategies to compete against each other. On October 31, 2008, the County Council approved the lease agreement between M-NCPPC and MCRA for MCRA to operate the four Park Golf Courses.

The terms of the original lease agreement allow MCRA to return to M-NCPPC any golf course determined to be "adverse to the entire Golf System" based upon an independent financial analysis that is conducted on the entire Golf System. An independent analysis was conducted by National Golf Foundation Consulting (NGF) which concluded the Sligo Golf Course was adverse to the entire Golf System. This analysis can be at found at © 19. Included also is the report from the Sligo Stakeholders Advisory Group, found at © 41, which recommended to MCRA alternative uses for Sligo Golf Course.

PUBLIC TESTIMONY

A public hearing was held on March 17, 2009, and the Council received testimony from several civic associations as well as concerned residents. Public comment focused on the desire for Sligo Golf Course to remain a golf course because it is a historic and unique recreational asset to the community. It also provides valuable green space in the down county area. Residents urged the Council to allow M-NCPPC to operate the golf course and work with the community on necessary improvements. Residents also believe this course, if operated as a golf course by M-NCPPC, would not be adverse to the entire system because 45% of the patrons of Sligo Golf Course also use Northwest Golf Course.

Many community organizations believe the independent financial analysis was not conducted fairly and the outcome of the analysis was flawed. For example, some residents note that the revenue for the entire Golf System has increased 13% from FY07 to FY08 and rounds of golf have increased13%, therefore they believe Sligo Golf Course cannot be adverse to the entire Golf System, particularly because it is such a small course. In addition, the public testimony commented on an anticipated 2.7% growth in operating profit from FY09 to FY13 for the Sligo Golf Course.

If the course is closed, residents have expressed the desire for it to remain parkland and be planned in such a way as to preserve the natural environment. Residents suggested that this golf course is an environmental keystone and provides refuge for wildlife, breaks the flow of development, and is a conduit to both the Sligo Park ecosystem and the Chesapeake Bay Watershed.

Keith Miller, Executive Director of the Montgomery County Revenue Authority, has provided additional responses to the public testimony on © 62.

INDEPENDENT FINANCIAL ANALYSIS

The Montgomery County Revenue Authority contracted with The National Golf Foundation Consulting (NGF) to conduct an independent analysis of the entire Golf System. NGF found that the MCRA Golf System showed positive economic performance in FY08 with revenue growth recorded at all but two courses—Poolesville and Rattlewood. The total expenses to operate the courses were in line with the national and regional averages. However, two golf courses, Sligo Creek and Little Bennett, were operating with a negative level of earnings before interest, depreciation, and amortization (EBIDA). These losses would be magnified after accounting for debt reduction schedules and capital improvements. NGF indicates that Little Bennett has seen revenue growth in the last two years, is well thought of by the golfing public, has the ancillary facilities needed to increase non-golf revenues, has an 18-hole course, and the capital upgrades for Little Bennett may improve overall performance. In comparison to the 9-hole Sligo golf course, NGF indicates that these facilities are three times more likely to close due to economic troubles than full 18-hole facilities, due to revenue limitations inherent with 9-hole facilities, coupled with expense structures that are more similar to 18-hole facilities. These factors led NGF to assume Little Bennett will be able to achieve economic gains in the future.

The independent financial analysis was conducted to determine if any of the four Park leased golf courses can be identified as adverse to the entire golf system. NGF determined that a course would be considered "adverse" to the entire golf system if: (1) it shows continued annual economic loss from basic operations; (2) could only reduce or eliminate economic annual loss with additional capital investment, and that amortization of that new capital investment will itself result in economic loss; (3) is presently operating at or above break-even, but site specific issues are likely to require large-scale capital investments, and the capital investment will itself result in economic loss; and (4) the continued economic loss resulting from items 1-3 results in a drain on economic resources from the other facilities in the system.

NGF concluded that Sligo Golf Course is adverse to the entire Golf System because the revenue needed for this facility to break even will be difficult to achieve, given its current configuration, and upgrades are needed just to maintain the present number of rounds. Growing the number of rounds is unlikely, since the market leaves little room to increase fees to increase revenue. NGF believes Sligo Golf Course will continue to need a subsidy from the rest of the system.

COMPLIANCE WITH THE ORIGINAL LEASE AGREEMENT

In accordance with Section 12.2 of the Lease Agreement, the Montgomery County Revenue Authority (MCRA) has the **right** to extract a Park Golf Course from the lease if it is found to be adverse to the entire Golf System. Before a golf course can be extracted from the Golf System, MCRA must first conduct an independent financial analysis of the entire Golf System to determine if any of the Park golf courses are adverse to the entire Golf System. MCRA complied with this lease term by contracting with NGF Consulting. Council Staff believes NGF Consulting performed a professional, independent financial analysis of the entire MCRA Golf System. Although they used data regarding usage, cost, and revenues generated by MCRA, Staff sees no alternative but to use this data. Moreover, Staff has no reason to believe that MCRA altered the data to influence the outcome of this analysis.

Next, MCRA must present the findings of the independent financial analysis to the Planning Board and the County Council to consider alternatives to closing the golf course. MCRA presented the NGF Consulting report to the Planning Board on February 26, 2009, in accordance with the lease terms. The Parks Department has included a memorandum, attached at © 10-12, which outlines the short term operating costs and the long term master plan process for this facility. The Planning Board approved the proposal to terminate the lease for the Sligo Golf Course with the Montgomery County Revenue Authority as of October 1, 2009. M-NCPPC agreed with the financial analysis report submitted by MCRA.

MCRA will present the findings of the NGF Consulting report to the Planning, Housing, and Economic Development Committee on March 23, 2009 and the County Council on March 31, 2009. This action completes the requirements of the Montgomery County Revenue Authority's obligations under the original lease prior to extracting a Park Golf Course from the original lease agreement.

COUNCIL OPTIONS

If the County Council approves this legislation, MCRA will continue to operate Sligo Golf Course until October 1, 2009. The terms of the lease amendment remove MCRA's obligation to perform capital improvements on the facility as otherwise required in the original lease. In addition, MCRA is only responsible for routine reoccurring maintenance and is not responsible for any non-reoccurring maintenance costs, as previously required in the original lease. Council staff supports this option because it will provide M-NCPPC the necessary time to prepare for the return of this facility and will require MCRA to continue to maintain the property through the majority of the 2009 golf season.

The Parks Department will conduct a park master plan study and seek input from the community on how to best plan use of this park property. M-NCPPC has no intent to sell this property or use it for any non-park purpose, but it is not yet clear what park uses would be appropriate at this site. It would not be appropriate for the Planning Board or Council to establish the use prior to a master planning effort.

If the Committee does not approve this legislation, according to the terms of the original lease, MCRA still has the right to extract Sligo Golf Course from the lease and immediately return the course to M-NCPPPC. In this case, the Revenue Authority would not operate the course through the coming golf season, nor would M-NCPPC be able to operate it as a golf course. Council staff does not support this option because M-NCPPC is not prepared to begin maintenance of this facility.

An additional option the Committee may consider is to provide MCRA a subsidy covering the annual losses to enable them to continue operation of this course. MCRA would have to take this request back to its Board of Directors before agreeing to continue operation of the facility. This clearly is contrary to prior Council decisions to have the golf system be self-supporting. Moreover, given the current difficul fiscal environment, any subsidy for this golf course would mean a further reduction to another program. (Staff notes that the Executive Recommended FY10 budget already has a $1.6 million or 5.1 percent decrease in the Department of Recreation budget as compared to FY09.) For these reasons, Staff does not support a subsidy for Sligo Golf Course.

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Expedited Bill No. 8-09
Concerning: Parks Department – Golf Courses – Lease with Revenue Authority – Amendment
Revised: 3/4/2009 Draft No. 1
Introduced: March 10, 2009
Expires: September 10, 2010
Enacted: ______
Executive: ______
Effective: ______
Sunset Date: None
Ch. ____, Laws of Mont. Co. ______

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the request of the Planning Board

AN EXPEDITED ACT to approve certain amendments to the Golf Course Lease Agreement between the Maryland-National Capital Park and Planning Commission and the Montgomery County Revenue Authority related to the extraction of Sligo Golf Course from the Lease Agreement.

By adding to
Laws of Montgomery County 2009

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets]	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets]]	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Lease Approval. As required by MD Code, Art. 28 § 5-110, the County Council hereby approves the First Amendment to the Golf Course Lease Agreement between the Maryland-National Capital Park and Planning Commission and the Montgomery County Revenue Authority, approved under Chapter 30 of the 2006 Laws of Montgomery County, to:

(a) extract Sligo Golf Course from the Golf Course Lease Agreement;

(b) designate the responsibilities of the Maryland-National Capital Park and Planning Commission and the Montgomery County Revenue Authority regarding the operation and maintenance of Sligo Golf Course; and

(c) provide for the continued operation of the Sligo Golf Course by the Montgomery County Revenue Authority until October 1, 2009, in accord with the provisions of the First Amendment to Golf Course Lease Agreement.

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date when it becomes law.

Approved:

Philip M. Andrews, President, County Council | Date

Approved:

Isiah Leggett, County Executive | Date

This is a correct copy of Council action.

____

Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 8-09, Parks Department – Golf Courses –
Lease with Revenue Authority – Amendment

DESCRIPTION:	To approve certain amendments to the Golf Course Lease Agreement between the Maryland-National Capital Park and Planning Commission and the Montgomery County Revenue Authority related to the extraction of Sligo Golf Course from the Lease Agreement.
PROBLEM:	The Montgomery County Revenue Authority (MCRA) was presented with an independent financial analysis that indicated the Sligo Golf Course was "adverse to the entire Golf System." MCRA seeks to extract the course from the original lease agreement.
GOALS AND OBJECTIVES:	To extract the course from the lease agreement and establish the responsibilities for the operation and maintenance of Sligo Golf Course.
COORDINATION:	Maryland-National Capital Park and Planning Commission and Montgomery County Revenue Authority
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Marlene Michaelson 240-777-7943 Shondell H. Foster 240-777-7937
APPLICATION WITHIN MUNICIPALITIES:	N/A
PENALTIES:	N/A

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FIRST AMENDMENT
TO
GOLF COURSE LEASE AGREEMENT

THIS FIRST AMENDMENT TO THE GOLF COURSE LEASE AGREEMENT of October 26, 2006 (the "Lease"), is entered into between the MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION ("Landlord"), located at 9500 Brunett Avenue, Silver Spring, Maryland 20901, and MONTGOMERY COUNTY REVENUE AUTHORITY ("Tenant"), located at 101 Monroe Street, Rockville, Maryland 20850, (this "First Amendment").

RECITALS:

R-1. Landlord has park jurisdiction within that part of the Maryland-Washington Metropolitan District which includes Montgomery County, Maryland (the "County") as provided in Maryland Code Ann. Art. 28.

R-2. Landlord is the owner of the fee simple title in and maintains, develops and operates, for the benefit of the public, the public golf courses known as Needwood Golf Course, Northwest Golf Course, Little Bennett Golf Course and Sligo Golf Course (individually referred to by name, and collectively, the "Park Golf Courses" or "Leased Premises"), located throughout the County.

R-3. Tenant is the owner of the fee simple title, or holds a possessory interest in and maintains, develops and operates, for the benefit of all of the citizens of the County, five golf courses (the "Tenant Golf Courses"), which are located throughout the County.

R-4. Pursuant to the policy of the Montgomery County Planning Board ("Planning Board") to seek partnerships, and to realize efficiencies from the provision of a single system of golf, Landlord entered into the Lease with Tenant providing for the Leased Premises and the Tenant Golf Courses to be operated by Tenant as a single system of public golf.

R-5. Paragraph 12.2 of the Lease reserved to the Tenant the right to extract any of the Park Golf Courses covered under the Lease from the Lease and return it to the Landlord upon a determination by Tenant, based upon an independent financial analysis of the entire Golf System, indicating that a particular Park Golf Course is adverse to the entire Golf System; and upon further presenting these findings to the Landlord and the Montgomery County Council ("County Council") to consider alternatives to closing the particular Park Golf Course.

R-6. On or about January 5, 2009, NGF Consulting, Inc. ("NGF") presented to the MCRA Board of Directors an independent financial analysis by NGF of the entire Golf System indicating that the Sligo Golf Course is adverse to the entire Golf System (a copy of the NGF independent financial analysis is attached as Exhibit 1 to this First Amendment).

R-7. By Resolution No. 290109 dated January 27, 2009 (copy attached Exhibit 2), the Board of Directors of MCRA adopted a resolution, based on the independent financial analysis of NGF, determining that the Sligo Golf Course is adverse to the entire Golf System and directing the Executive Director of MCRA to extract the Sligo Golf Course from the Lease as provided for in §12.2 of the Lease.

R-8. This First Amendment is entered into pursuant to and in accordance with MD Code, Art. 28, §5-110.

R-9. Notwithstanding its extraction from the Lease the Landlord and Tenant agreed, that Tenant will continue to operate the Sligo Golf Course in accord with the terms of the Lease as amended by this First Amendment until October 1, 2009.

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS.

For purposes of this First Amendment to the Lease, any capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Lease.

2. INCORPORATION OF RECITALS.

1. The recitals set forth above are incorporated herein as if fully set forth.

3. PRESENTATION OF FINDINGS.

Pursuant to §12.2 of the Lease, Tenant presented the findings of NGF to the Planning Board and the County Council to consider alternatives to closing the Sligo Golf Course.

4. EXTRACTION OF SLIGO CREEK GOLF COURSE.

Pursuant to §12.2 of the Lease, Tenant hereby tenders and Landlord hereby accepts the Sligo Golf Course which is extracted from the Golf System and from the terms and provisions of the Lease (except those terms of the Lease imposing limitations on the subsequent use of the Sligo Golf Course) effective upon the Ratification Date (as defined in Section 7 below). The Landlord and Tenant further agree that as of the Ratification Date. Tenant will nonetheless operate the Sligo Golf Course under the same terms and conditions as the Lease, except as provided in this Amendment until, October 1, 2009 (the "Operating Term") after which Landlord shall have all responsibility for the Sligo Golf Course.

5. NON LIABILITY OF TENANT FOR CAPITAL IMPROVEMENTS

The Landlord and Tenant both acknowledge and agree that certain capital improvements are required with respect to the Sligo Golf Course and that additional capital improvements may become necessary during the Operating Term. It is also acknowledged that Landlord has no obligation for capital improvements under the terms of the Lease. The Parties agree however, between the Landlord and Tenant that the Tenant shall have no liability for any existing or subsequently accruing capital improvements as of the Ratification Date.

6. TENANT NON LIABILITY FOR NON-REOCCURRING MAINTENANCE

The Landlord and Tenant further both agree that Tenant shall be responsible only for the routine reoccurring maintenance of the Sligo Golf Course as provided in the Lease and that Tenant shall not be responsible for the cost of any non-reoccurring maintenance costs or improvements as of the Ratification Date, including such items (without limitation), as the cutting of trees, the repair of any ponds, including their dams, or any similar repairs not constituting routine reoccurring maintenance.

7. RATIFICATION OF LEASE

All terms, covenants and conditions of the Lease not expressly modified and amended hereby, shall remain in full force and effect and are hereby ratified and affirmed in all respects, except that in the event the following does not occur, this First Amendment shall be null and void and the terms of the Original Lease shall continue in full force and effect:

1) Tenant shall present its findings to the Planning Board to consider alternatives to closing the Sligo Golf Course;
2) Tenant shall present its findings to the County Council to consider alternatives to closing the Sligo Golf Course;

The last of the above stated conditions to occur shall be deemed the Ratification Date ("Ratification Date"). Commission and MCRA will immediately initiate and diligently pursue the scheduling of presenting Tenant's findings to the Planning Board and Council to consider alternatives to closing the Sligo Golf Course and both parties shall cooperate with each other in this effort..

IN WITNESS WHEREOF, Landlord and Tenant have caused this First Amendment to the Lease to be duly executed.

MONTGOMERY COUNTY
REVENUE AUTHORITY
COMMISSION

By: ______________________
Keith Miller
Executive Director

Date: 2/18/09

MARYLAND-NATIONAL CAPITAL
PARK AND PLANNING

By: ______________________
Oscar Rodriguez
Executive Director

Date: 3-2-09

Attested: ______________________
Patricia Colihan Barney,
Secretary-Treasurer

Approved for legal sufficiency.

By: ______________________

Approved for legal sufficiency.

By: ______________________

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List of Exhibits

EXHIBIT 1	NGF Consulting, Inc. Independent Financial Analysis
EXHIBIT 2	Resolution No. 290109

MONTGOMERY COUNTY DEPARTMENT OF PARKS
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MEMORANDUM

DATE: February 19, 2008

TO: Montgomery County Council, Planning, Housing and Economic Development (PHED) Committee

VIA: Mary R. Bradford, Director of Parks *M*

FROM: Gene Giddens, Acting Deputy Director of Parks *GG*

SUBJECT: The Extraction of Sligo Golf Course from the Golf Course Lease between the Department of Parks and the Montgomery County Revenue Authority

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The Maryland-National Capital Park and Planning Commission ("Commission") entered into a Lease Agreement ("lease") with the Montgomery County Revenue Authority on October 26, 2006, to operate the Commission's four golf courses, including Sligo Creek Golf Course. At the Revenue Authority's request, the National Golf Foundation performed an independent financial analysis on the performance of the golf courses and determined that Sligo is adverse to the entire golf system. Pursuant to the terms of the Lease, the Board of Directors of the Revenue Authority passed a resolution to extract Sligo from the Lease.

On February 26, 2009, the Planning Board approved the proposal to terminate the lease for the Sligo Creek Golf Course with the Montgomery County Revenue Authority as of October 1, 2009, and agreed with the financial analysis report submitted by the Revenue Authority.

Attached to this memo is the February 13, 2009, memo from the Director of Parks to the Planning Board outlining this background information as well as providing the short term (FY10) operating costs for the interim care of the facility and grounds and the timing of the long term master plan process.

Please note that in the 3rd paragraph of the attached memo there is a typographical error in the first line which indicates that the rent under the Lease is not affected until November 1, 2009. This date should be November 1, 2012. This change was announced publicly during the Planning Board meeting.

Montgomery County Department of Parks
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MCPB
Item #5
2/26/09

February 13, 2009

MEMORANDUM

TO: Montgomery County Planning Board

FROM: Mary R. Bradford, Director of Parks MB
Gene Giddens, Acting Deputy Director of Parks GG

SUBJECT: Montgomery County Revenue Authority Recommendation on Sligo Creek Golf Course

BACKGROUND

The Commission entered into a Lease Agreement ("Lease") with the Montgomery County Revenue Authority ("MCRA") on October 26, 2006, to operate the Commission's four golf courses--Sligo, Needwood, Northwest, and Little Bennett (collectively referred to at the "Park Golf Courses")—unifying them with MCRA's five other courses into one system known as the Public Golf System (Golf System). Section 12.2 of the Lease provides that "Upon determination by the Tenant, based upon an independent financial analysis of the entire Golf System that indicates that any of the Park Golf Courses is adverse to the entire Golf System, Tenant shall have the right to extract any of the Park Golf Courses from the Lease and return it to Landlord; provided however, Tenant shall first present such findings to the Planning Board and the County Council to consider alternatives to closing the Park Golf Course."

The National Golf Foundation (NGF) performed an independent financial analysis on behalf of MCRA to determine whether any of the Park Golf Courses could be clearly identified as being adverse to the entire Golf System. NGF submitted its findings to MCRA in a report dated January 5, 2009. Pursuant to this report, NGF determined that Sligo Golf Course ("Sligo") was identified as being adverse to the entire Golf System. Subsequent to the NGF report, the MCRA Board of Directors passed a resolution dated January 27, 2009 (Resolution number 290109), directing that Sligo be extracted from the Lease. MCRA proposes to exercise its option under the Lease to extract Sligo from the entire Golf System, but continue operation of the course until October 1, 2009. Therefore, the First Amendment to the Golf Course Lease Agreement ("First Amendment") to extract Sligo from the Lease is prepared and signed subject to MCRA'S presentation to the Planning Board and the County Council.

Rent under the Lease is not affected until November 1, ~~2009~~ 2012, as the rent under the Lease was calculated in order to cover the annual debt service payments for the Little Bennett Golf Course until paid off. On November 1, 2011, the annual rent will be based on a percentage of net revenues above an agreed threshold from the Park Golf Courses remaining under MCRA operations. Other than as provided in Section 3.2.2, MCRA may not exercise its right to close the Little Bennett Golf Course until the Little Bennett debt has been paid and released in full. Also, Section 2.1 of the Lease prohibits the Commission from operating Sligo as a golf course if MCRA reasonably determines that it is in competition with MCRA's golf system.

Staff requests the Planning Board to review MCRA's findings that Sligo is adverse to MCRA's Golf System. Under the terms of the lease, the Planning Board has an opportunity to consider alternatives to closing the course. Staff is preparing for the anticipated return of Sligo to the Parks' inventory including a timeline and opportunities for the public to provide input for its future use.

STAFF RECOMMENDATIONS IF SLIGO IS RETURNED TO US FOR OPERATION

1) Short-Term Interim Care – Request the County Council provide $56,000 supplemental funding to the Department of Parks' FY10 Proposed Budget for interim care, security, and maintenance of the Sligo Creek Park property as outlined in the Short-Term Cost Estimates (October 1, 2009 – June 30, 2010) (Attachment 1).

2) Long-Term – Conduct a Park master plan study. The park planning process for countywide parks typically takes one year from start to finish. However, if work commences in March, staff will deliver a draft master plan to the Planning Board by the beginning of October with consideration for adoption by December. This draft will provide for a clear understanding of what the Commission intends to do with the site (Attachment 2).

MONTGOMERY COUNTY REVENUE AUTHORITY STAFF PRESENTATION

Keith Miller, Executive Director, MCRA, will discuss extracting Sligo from the Lease Agreement, the Sligo Creek Stakeholders Report and recommendations, findings of the National Golf Foundation Consulting study, alternatives to closing Sligo Creek Golf Course, the Montgomery County Revenue Authority Board of Directors Resolution No. 290109, and conclusions (Attachment 3).

Following Mr. Miller's presentation, the Planning Board will accept public testimony.

MRB:GG:dlf

MONTGOMERY COUNTY REVENUE AUTHORITY

MEMORANDUM

TO: Members, Montgomery County Council

FROM: Keith Miller, Executive Director
Montgomery County Revenue Authority

DATE: March 4, 2009

SUBJECT: Extraction of Sligo Creek Golf Course from Lease Agreement

As per section 12.2 of the Lease Agreement between the Maryland-National Capital Park and Planning Commission (M-NCPPC) and the Montgomery County Revenue Authority (MCRA) dated October 2006, the MCRA has determined, based on independent financial analysis, that Sligo Creek Golf Course (SCGC) is adverse to the entire golf course system (see attached MCRA Board Resolution No. 290109). Therefore, the MCRA desires to exercise its right to extract Sligo Creek Golf Course from the Lease Agreement and return it to M-NCPPC.

As required in section 12.2 of the Lease Agreement, the MCRA is also including all of the alternatives it has reviewed to returning the M-NCPPC golf course. In response to M-NCPPC's request for additional time to review their future potential uses of the property, the MCRA has agreed to operate Sligo Creek Golf Course until October 1, 2009 as outlined in the staff recommended amendment.

Background:
Sligo Creek Golf Course (SCGC) is situated in Sligo Creek Park, bounded by the inner loop of the Beltway, Dallas Avenue, and Sligo Creek Parkway. The 65 acres of the 9-hole course constitute about ten percent of the open space set along Sligo Creek.

On October 26, 2006, the Montgomery County Revenue Authority (MCRA) entered into a 30- year lease of SCGC and three other larger courses from M-NCPPC. This Lease Agreement unified the five courses operated by the MCRA and the four operated by M-NCPPC Parks into one golf system in the County. As indicated in paragraph 6.1 of the Lease Agreement, the MCRA was to prepare a draft Golf Master Plan no later than March 2007. Therefore, in the fall of 2006, the MCRA began developing proposed improvements for SCGC, Northwest, Needwood, and Little Bennett, the four M-NCPPC golf courses. Considering the scope of changes that were developed for SCGC, the MCRA reached out to several community groups to present their concept prior to the March meeting with M-NCPPC. The MCRA was able to meet with North Hills of Sligo Creek Civic Association in late February and presented the SCGC concept plan. The plan proposed reconfiguring the SCGC, adding a lighted driving range, and one or two miniature golf courses.

Over the next nine months, MCRA met with golfers, community leaders, and County Officials to present the MCRA concept for the course and to receive their reaction. The community expressed concerns regarding lighting, traffic, and environmental impact. In the late summer of 2007, the MCRA hired consultants to review the plans and determine what, if any, would be the impact in these areas. The consultants concluded that there would not be any significant impacts that could not be mitigated. On January 9, 2008, the MCRA hosted a public meeting at which the concept plan was aired and consultants presented their preliminary opinions on the potential impacts. The meeting was attended by approximately 200 local residents who spiritedly expressed their continued concerns and disagreement with the proposed concept.

As a consequence of the wide-spread public opposition to the plans for the SCGC and an unfavorable recommendation from the County Executive, MCRA withdrew it from its submitted Capital Improvement Plan for FY09-14 for the SCGC, Northwest, and Needwood courses. Instead, MCRA requested that the project remain part of the Capital Improvement Plan with funding of up to $100,000 for SCGC planning. The MCRA also decided to develop an advisory group representative of those affected by the potential changes.

The Sligo Creek Stakeholders Advisory Group (SCSAG) began meeting in April of 2008 and presented their recommendations and advice to the MCRA Board on September 23.

Sligo Creek Stakeholders Advisory Group Report (Attached)
The Sligo Creek Stakeholders Advisory Group presented their final report with individual attachments to the MCRA Board on September 23. The MCRA Board reviewed the report prior to the presentation. The MCRA Board was concerned that the group did not offer any significant revenue generating ideas to offset the current financial losses from the property. Additionally, the MCRA Board stated that the recommendations were good based on a *profitable* facility, but they did not address the issues and financial challenges of the struggling SCGC. The MCRA Board also informed the group that one of the options in the lease agreement that would be considered is the return of the SCGC to M-NCPPC, and the group acknowledged its awareness.

Independent Financial Analysis (Attached)
The MCRA, after receiving the SCSAG Report and reviewing its options, hired National Golf Foundation Consulting (NGF) to perform an independent financial analysis of the entire golf system to determine if any of the M-NCPPC golf courses is adverse to the entire golf system. The attached report details the findings and determines, "...it is clear to the NGF Consulting team that Sligo Creek is the most 'adverse' facility in the overall system..." (NGF Consulting Report, Page 21).

Alternatives to Closing the Park Golf Course

In the fall of 2008, the MCRA again reviewed all alternatives to closing SCGC. The following section will outline the alternatives the MCRA reviewed and its response to each alternative.

1. **Modify the Course** - The MCRA's original plan outlined modifying the course to introduce new revenue outlets. The NGF study concluded, "it is the NGF team's opinion that this facility may not be economically viable under its current configuration and given the likely high cost of a remake, it is hard for the NGF team to see how this facility can expect anything other than continued subsidy from the rest of the system" (NGF Consulting Report, page 6). In the fall of 2008, the MCRA reviewed its original concept, as well as other variations, and was not able to find a solution that was financially feasible. The following is a summary of the original concept and the alternatives that were explored:

    a. **Original Concept** – The original concept presented by the MCRA included a complete rebuild of the golf course with the addition of a 72 station lighted driving range, modification of the clubhouse, and one or two miniature golf courses. This project has an estimated cost of ≈$6m dollars. The MCRA does not view this as a viable option because of the following factors:

        i. **Community Opposition** – The community is opposed to this concept because of the impact it will have on the traffic, environment, and local neighborhood.
        ii. **Financing** – The MCRA does not believe it would be prudent to pursue financing this project at this time. To secure the financing at this time would require the MCRA to pledge some, if not all of the positive financial performance of Needwood and Northwest, which would adversely affect the funding for the capital needs of those facilities.
        iii. **Economy** - Given the recent change in economic conditions, the MCRA believes the funds for this project would be better spent at Northwest Golf Course. Northwest is less than 8 miles away from SCGC and has 27 holes with a nine-hole course that is significantly similar to SCGC. Additionally, it has a Championship 18-hole course and a full driving range with heated and covered stalls. This property is successful, is in need of capital investment, and could be transformed into the learning center that was intended to be at Sligo Creek.

    b. **Modification Alternative 1** – Based on the original concept, the MCRA reviewed several alternatives such as no driving range, a 36-station driving range with miniature golf, miniature golf and no driving range, etc. Out of these alternatives, the best financial performing alternative was a 72-station driving range, no miniature golf, improvements to only the holes needed, and no improvements to the clubhouse. The project has an estimated cost of

≈\$3.6m. The MCRA does not view this as a viable option because of the following factors:

i. **Financial performance** – According to projections, this option will return a mere \$10,000 positive cash flow, which would not cover the debt service requirements of a bond issuance.
ii. **Infrastructure Needs** – The modified alternative does not address all of the infrastructure needs of the facility, such as the clubhouse and other items, and therefore would still need further capital investment.
iii. **Economy** - Given the recent change in economic conditions, the MCRA believes the funds for this project would be better spent at Northwest Golf Course as stated above.

c. **New Concept Modification** – Based on the concerns of the community and the challenging economic conditions, the MCRA again reviewed the property to see if there was another less costly alternative that might result in positive performance. The new concept is based on installing a 30-station practice range (double-decker), miniature golf, and improvements to only the holes affected by the change. Additionally, the MCRA looked at multiple variations of the above, but this combination provided the best financial result. The project has an estimated coast of ≈\$2.9m. The MCRA does not view this as a viable option because of the following factors:

i. **Financial performance** – According to projections, this option will return a \$170,000 negative cash flow.
ii. **Infrastructure Needs** – The new concept alternative does not address all of the infrastructure needs of the facility, such as the clubhouse and other items, and therefore would still need further capital investment.
iii. **Economy** – Considering the recent change in economic conditions, the MCRA believes the funds for this project would be better spent at Northwest Golf Course as stated above.

d. **Sligo Creek Stakeholders Advisory Group (SCSAG) Recommendations** – The SCSAG met for six months during the summer of 2008 and included representatives of the local community, golfers, environmental groups, Montgomery County Public Schools, The 1st Tee of Montgomery County, and the Recreational Advisory Group. The group presented their ideas in September of 2008 (attached). The MCRA does not view the group's findings as a viable option because of the following factors:

i. **Financial performance** – The recommendations made by the group do not address the financial needs of the facility. Additionally, although the suggestions are meant to result in long term savings, the investment will require greater short term expense and it is not determined how long it would take and if it would result in any significant savings. Additionally, any ultimate savings are not estimated to produce a net positive income for the facility.

ii. **Infrastructure Needs** – The recommendations made by the group do not address the infrastructure needs of the facility.

2. **Subsidize Sligo Creek** - Considering that all of the above alternatives have a continued adverse effect on the golf course system, another option would be for MCRA to receive a subsidy for the operational losses and the capital needs of the facility. The MCRA does not view this as a viable option because of the following factors:

   a. At the time of the signing of the Lease Agreement between MCRA and M-NCPPC the intent was that the taxpayers should not subsidize the operations of the public golf facilities in the County.
   b. According to research data, there are only 2,647 unique golfers at SCGC as compared to an average of 5,380 unique golfers at the other eight facilities. A unique golfer is equivalent to a unique individual.
   c. NGF Data has shown that the number of golf course closings has outnumbered the number of golf course openings for the past three years, and the closings are disproportionately stand-alone 9-hole facilities.
   d. Proximity to Northwest Golf Course – As outlined above Northwest is 7.9 miles from SCGC and in addition to a full 18-hole course, Northwest has a 9-hole course that is very similar to SCGC. According to survey information, over 45% of the golfers at SCGC indicated that they play Northwest as well.

3. **Third Party Operator** – The MCRA reviewed the concept of a 3rd party management group. The MCRA does not view this as a viable option because of the following factors:

   a. The net operating loss of the facility would have to be absorbed by the management company, which would result in no interest.
   b. The MCRA has significantly outperformed local, regional, and national rounds growth since assuming operations of the facility and there are no other operational efficiencies that would result in positive operation of the facility.
   c. As outlined in the NGF Consulting study, "NGF research has shown that 9-hole facilities of this type are three times more likely to close due to economic troubles than full 18-hole facilities due to revenue limitation inherent with 9-hole facilities, coupled with expense structures that are similar to 18-hole facilities (high fixed costs)"(NGF Consulting Report, page 21).

Conclusion

The MCRA has spent the past two years and numerous resources to save SCGC and make it a viable facility in the golf course system. However, given the challenges of the economy and the continued adverse impact that SCGC is having on the golf course system, we must finalize a decision. The MCRA is sympathetic to the history of the facility and the concerns surrounding returning this course, but we were charged with maintaining a self-sustaining golf course system. We see no alternative to extracting SCGC from the Lease Agreement and returning it to M-NCPPC. In order to assist M-NCPPC in transition, the MCRA has agreed to keep SCGC open until October 1, 2009. Accordingly, we request that the M-NCPPC Planning Board approve the staff proposed Amendment to the Lease Agreement.

NGF CONSULTING
NATIONAL GOLF FOUNDATION

Tel: 301-762-9080
Email: kmiller@MCRA-MD.com

January 5, 2009

Mr. Keith Miller
Executive Director
Montgomery County Revenue Authority
101 Monroe St., Suite 410
Rockville, MD 20850

Re: NGF Consulting Project #128022

Dear Keith:

Attached to this letter is a summary of NGF Consulting's financial analysis of the Montgomery County Revenue Authority (MCRA) 9-course golf system. As agreed, the NGF Consulting team has reviewed the basic financial condition of each individual facility, as well as the system as a whole, to aid in determining the overall impact of each facility on overall operations. This is especially important in regards to the four facilities that are presently leased by MCRA from Maryland-National Capital Park and Planning Commission (M-NCPPC). Specifically, we have been engaged to help the MCRA determine if any one of the four leased golf facilities can be clearly identified as being 'adverse' to the system as a whole, based on historic and projected financial performance and needed improvements.

The NGF consulting team has completed a review of financial and activity records for each of the nine golf courses with special focus on rounds activity, revenue performance and expenses incurred at each location. Our review has identified which facilities are meeting basic expectations given its overall quality and in light of recent enhancements. We have identified what impact capital improvements have had on selected facilities, and what impact future capital enhancements are likely to have on selected facilities.

Keith, we appreciate your utilizing the expertise of the National Golf Foundation and our consulting practice to assist the MCRA with this project. We look forward to your comments and engaging in a comprehensive discussion about our findings. The summary report and financial tables are in the attached report.

Sincerely,

Richard B. Singer
Director of Consulting Services

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RBS/jsc

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INTRODUCTION AND EXECUTIVE SUMMARY

Purpose

NGF Consulting, a subsidiary of the National Golf Foundation, was retained by the Montgomery County Revenue Authority (MCRA) of Montgomery County, Maryland to assist in completing a financial analysis of the 9-facility golf system. We understand that the MCRA golf system consists of five facilities that are fully owned by MCRA, plus another four facilities that are owned by M-NCPPC and leased to MCRA for operation. Terms of the lease agreement for the four County facilities specify that MCRA can 'extract and return' of any one (or more) of the four if it is determined that any facility of the four is 'adverse' to the entire golf system.

In analyzing the financial situation of the MCRA golf system, the NGF Consulting team has paid special attention to the four County golf courses under this lease agreement. For the purposes of our evaluation, the NGF team has established that a facility would be considered 'adverse' to the system as a whole if the facility: (1) shows continued annual economic loss from basic operations; (2) could only reduce (or eliminate) economic annual loss with additional capital investment, and that amortization of that new capital investment will itself result in economic loss; (3) is presently operating at or above break-even, but site specific issues (location, infrastructure, market, etc.) are likely to require large-scale capital investment, and that capital investment will itself result in economic loss; and (4) the continued economic loss resulting from items 1-3 result in a drain on economic resources from the other facilities in the system. The findings in this financial analysis will be used to help determine the appropriate course of action for the MCRA.

National Golf Foundation Background

National Golf Foundation Consulting, Inc is a wholly owned subsidiary of the National Golf Foundation, Inc. (NGF). The NGF is a not-for-profit 501(c)(6) organization, incorporated in 1936 and located in Jupiter, Florida with a staff of approximately 25 professionals and an operating budget of approximately $4.5 million. The mission of the NGF is *To Help Golf Businesses Succeed* by providing research, consulting, marketing, customer targeting and other consulting services. The NGF is trusted by the game's leading stakeholders as the experts on all issues related to the business of golf, from both an industry and facility standpoint.

The NGF's work today is supported by a base of approximately 4,000 members representing every facet of the industry: private and public golf facilities; golf course architects; developers and builders; golf equipment and accessory manufacturers/ distributors/retailers, companies offering specialized services to the golf industry; national, regional, state, and local golf associations; instructors; schools and individuals. The NGF's board of directors includes senior executives from the leading companies in each major segment in the golf industry including officers from TaylorMade-adidas, Callaway Golf Company, FootJoy, TORO, Textron Financial, Eaton Golf Pride, GOLF MAGAZINE and Golf Channel.

There is no greater authority than NGF on the business of golf. The NGF's database of U.S. golf facilities is the industry's gold standard and is licensed by the USGA, PGA of America, Club Managers Association of America and the Golf Course Superintendents Association of America as well as private enterprise such as Weather.com and NAVTEQ. The NGF's annual surveys are designed to ascertain golfing habits and trends of golfers, golf facilities and golf manufacturers nationwide. From this research, the NGF publishes upwards of 60 research documents that provide dependable information on the number, nature, and habits of golfers in each state, as well as golf facility operational issues, golf travel issues, alternative golf facility operations, and an annual directory of golf.

Our most important research is published and distributed to NGF members and non-members and is widely quoted in local, national and international press and are used by numerous other golf-oriented consulting and information firms. NGF publications include: *Golf Industry Report* – published quarterly; *A Strategic Perspective on the Future of Golf* – 1999, 2007; *Golf Facilities in the U.S.* – 2007; *Operating & Financial Performance Profiles of 18-hole Golf Facilities in the U.S.* – 2006; *Golf Participation in the U.S.* – 2005; *Development and Operation Manual: How to Plan Build and Operate a Successful Golf Range* – 2003; *Marketing Your Golf Course* – 2003; *Women Welcome Here! A Guide to Growing Women's Golf* – 2003; *The Spending Report: Sizing the Golf Consumer Marketplace* – 2003; *U.S. Golf Travel Market* – 2003; and *Careers in Golf: An Insider's Guide to Careers in the Golf Industry* – 2001.

Project Background

The Montgomery County Revenue Authority was created in 1957 as an instrumentality of Montgomery County, Maryland and is a public corporation governed by a six-member board (five members appointed by the County Executive and County Council and a sixth member who is ex-officio / non-voting member). The Authority was established to "*construct, improve, equip, furnish, maintain, acquire, operate, and finance projects devoted wholly or partially for public use, good, or general welfare.*"

The two primary activities of the MCRA are to operate self-supporting facilities and to finance public facilities. On the operations side, the MCRA manages a golf course system that is comprised of nine golf courses, and the Montgomery County Airpark. The operated facilities generate various forms of revenue, which are used to fund the operations and to provide for improvements. A portion of the operating revenues is used to retire any debt associated with operated facilities.

Vision Statement

The vision statement for the MCRA is as follows:

Montgomery County Revenue Authority is committed to growing a sustainable network that is nationally, regionally and locally recognized for its offerings and performance; is dedicated to achieving higher environmental standards; and continues to offer new and innovative programs and services for the benefit of the community and our team.

MCRA Golf

The Montgomery County Revenue Authority's golf course system is operated under the flag of Montgomery County Golf (MCG). The golf course system is comprised of nine golf facilities, five of which are owned by MCRA and four that are owned by the Maryland-National Capital Park and Planning Commission (M-NCPPC) and operated under lease by MCRA. These four leased facilities were added to the MCRA system in April of 2006. The Revenue Authority has completed a master plan concept for these courses and has successfully integrated the four new courses into the golf course system. The total nine-facility system hosted just under 390,000 rounds of golf in FY2008 and generated over $16.5 million in total revenue.

The golf courses included in the MCRA system are listed below:

MCRA Golf Courses (FY2008)						
	Number of Holes	Total Rounds	Total Facility Revenue (Millions)	Total Operating Expense (Millions)***	Avg. Total Rev. (FY08)**	Avg. Green Fee Rev. (FY08)**
Falls Road GC	18	49,559	$3.00m	$1.64m	$60.64	$31.62
Hampshire Greens GC	18	32,048	$1.79m	$1.25m	$55.82	$30.57
Laytonsville GC	18	44,959	$1.74m	$1.02m	$38.75	$24.24
Poolesville GC	18	34,739	$1.37m	$0.99m	$39.46	$21.93
Rattlewood GC	18	32,934	$1.42m	$0.87m	$43.15	$22.63
Little Bennett GC	18	30,328	$1.60m	$1.36m	$52.71	$28.45
Northwest GC	27*	63,988	$2.48m	$1.56m	$38.82	$24.46
Needwood GC	27*	71,238	$2.46m	$1.28m	$34.58	$23.37
Sligo Creek GC	9	29,906	$0.64m	$0.57m	$21.29	$15.61

*Includes an additional 9-hole executive course. **Average revenue per round of golf. ***Operating expense excludes management fee

Throughout the 1990s and into the early 2000s, the Revenue Authority has continued to reinvest the necessary capital to keep the golf course system up to date and sustainable. This has resulted in upgrades to buildings, golf courses, equipment and customer service. Projects have included bunker renovation at Laytonsville and Poolesville Golf Courses; drainage issues were addressed at several properties; a partial tee renovation at Poolesville; and two complete facility renovations. During the period of 2001-2004 the Revenue Authority completed renovations to Laytonsville and Falls Road, which included new clubhouses, a golf cart storage facility at Laytonsville, and complete golf course renovations to both properties.

Montgomery County Golf courses received several awards in 2007 including the following from the readers of *Pros and Hackers*:

- Most Playable – Falls Road, Hampshire Greens, and Needwood
- Best Pro Shop – Little Bennett
- Best Finishing Hole – Little Bennett
- Best Value – Falls Road
- Best Practice Facility – Little Bennett

Summary of Findings

The NGF review of the MCRA golf system shows generally positive economic performance with revenue growth recorded at all but two facilities (Poolesville and Rattlewood) in FY2008, despite a general downturn in the overall U.S. golf economy. The nine facilities appear to be well-located throughout Montgomery County with very little overlap of immediate markets. Total revenues at three of the facilities (Falls Road, Northwest and Needwood) were in excess of $2.4 million in FY2008 (top 25% of all public golf courses nationwide), and Falls Road revenue exceeded $3.0 million in FY2008 (top 10% nationwide).

Total expenses required to operate the MCRA facilities are in line with national and regional averages. The U.S. average for total operating expenses is approximately $1.07 million for 18-hole facilities, while only 25% of public golf courses have operating expenses in excess of $1.48

million. Thus, Falls Road is the only MCRA facility with expenses beyond the norm, but this is clearly off-set by higher revenue.

It appears to the NGF team that the recent renovations at Laytonsville and Falls Road have had a positive effect on revenues, although Poolesville still has the lowest total revenue of any 18-hole facility in the system. It may be some time before the full impact of these changes is felt, but revenue growth and performance does seem to be moving at a better pace than facility expenses.

Overall, all but two of the nine MCRA golf facilities are operating with a positive level of earnings before interest, depreciation and amortization (EBIDA), with only Sligo Creek and Little Bennett operating in the red on this measure. When interest and amortization are included in the measure, Poolesville, Rattlewood and Hampshire Greens also show red figures due to large debt reduction schedules for recent capital enhancements.

Two of the MCRA facilities leased from M-NCPPC (Northwest and Needwood) are among the strongest economic performers in the system, but capital investments scheduled for these facilities (over $4.0 million by FY2011) may affect the bottom line at these facilities. Still, the continued high rounds totals and golfer-rich locations make the longer term earnings potential of these two facilities among the best in the system and clearly worth the new investment in upgrades.

Statement of 'Adverse' Facilities
On the negative side, the NGF Consulting team is of the opinion that both Sligo Creek and Little Bennett are the strongest candidates for achieving the 'adverse' classification among the four leased facilities. The summary is as follows:

- **Sligo Creek** appears to be the most 'adverse' facility in the overall system due to its poor economic performance and its general type of facility (9-hole with limited ancillaries). Based on our review of the economic performance data and a general working knowledge of the Sligo Creek facility, **it is the NGF team's opinion that this facility may not be economically viable under its current configuration and given the likely high cost of a remake, it is hard for the NGF team to see how this facility can expect anything other than continued subsidy from the rest of the system.** Among the reasons for this belief include:
  - The revenue needed for a break-even level of EBIDA is likely not achievable at this facility given its present configuration.
  - 9-hole layout and rounds capacity limitations.
  - Limited ancillary facilities does not allow for non-golf revenue growth.
  - Upgrades at the facility are likely needed just to keep present rounds activity and rounds growth is unlikely.
  - Market leaves no room for raising fees as a means to increase revenue

  As such, it is likely that a whole new concept may be required for this facility. Alternate configurations such as driving range only, learning center, par-3 course, or some combination thereof, will have to be considered as a separate line of feasibility analysis for the future of this property. The NGF can state with confidence that the Sligo Creek Golf Course, as presently configured, can be classified as 'adverse' to the MCRA system as a whole. This is due to its own economic performance and how this performance may affect the other facilities in the system.

- Although Little Bennett is presently struggling to meet its expense obligations, there does seem to be better potential with this facility as Little Bennett has seen revenue growth in the last two years. In addition, Little Bennett is well thought of by the golfing public (three awards noted above plus 'most improved customer loyalty award from NGF survey), and it has the ancillary facilities needed to improve its non-golf (F & B + merchandise) revenues. These factors lead NGF to believe that although Little Bennett has a negative EBIDA in FY2008, the facility has a better chance to operate in the black than does Sligo Creek.

ECONOMIC REVIEW OF GOLF FACILITIES

In completing this analysis of the MCRA golf system, the NGF Consulting team has completed a careful review of the financial performance of the facilities. Included in this review is an analysis of the last three full fiscal years (FY2006-2008), and is derived from data submitted to NGF Consulting by MCRA staff. The review of historical performance data has been divided into two sections - the five MCRA-owned facilities and the four leased golf facilities.

MCRA Facilities

MCRA owns and operates five golf courses in Montgomery County, Maryland in the Washington, DC metropolitan area through a division called Montgomery County Golf (MCG). MCG is a division of the MCRA, and also includes four other facilities leased by MCRA from Montgomery County. The five MCRA-owned facilities include:

- **Falls Road Golf Course** - completed in 1961 on 158 acres of farmland east of the Village of Potomac. It appears from the data that this may have been the most active (rounds played) facility in the MCRA system at one time, but rounds have been steady at around 50,000± for the last three years. It is clear that Falls Road is one of Montgomery County's most popular golf courses and includes the most active driving range in the MCRA system. Falls Road has the highest green fee revenue-per-round of golf in the system in FY2008 and had the highest net earnings on operations. The facility is planned to undergo roughly $1.4 million in upgrades over the next five years.
- **Hampshire Greens Golf Course** - one of the newest facilities in the MCRA system, having opened to the public in June of 1999 along with a housing development of the same name. Hampshire Greens is located in Silver Spring, convenient to the Washington beltway. This is an ideal location for a higher end daily fee course and is accessible to golfers throughout the Washington and Baltimore areas. Hampshire Greens features the most modern design in the system with bentgrass from tee to green and a fair and challenging golf layout with four sets of tees. The facility also boasts a high green fee revenue-per-round, but has played only 30,000 to 32,000 rounds annually in the last three years. Hampshire Greens is budgeted for $1.0 million in improvements over the next five years, including $745,000 in FY2009.
- **Laytonsville Golf Course** - This facility has a new, full-service clubhouse and newly renovated golf course. Laytonsville includes one of the premier learning centers for youth and offers clinics and specialized summer golf camps and programs. This facility has also seen rounds played at approximately 50,000 in each of the last three years. Having undergone recent renovations, Laytonsville is not expected to require much more than $130,000 in capital upgrades over the next five years.

- **Poolesville Golf Course** – includes over 380 acres in the Potomac Valley of Southwest Montgomery County, less than an hour from the Capitol and 35 minutes from Northern VA and Rockville. The golf course features two scenic lakes and a high-quality practice facility with a 2-acre short game area and both grass and artificial tees on the driving range. Despite the high quality facilities, Poolesville is hosting only about 34,000 rounds annually and also has the lowest average green fee revenue-per-round of the five MCRA-owned facilities. The MCRA has planned roughly $1.8 million in upgrades for this facility in the next five years.
- **Rattlewood Golf Course** – This facility represents an acquisition by the MCRA in 1995 from a private developer, located eight miles north of Damascus on Penn Shop Road off Maryland Route 27. The club includes an 18,000 square-foot clubhouse and a par-72 golf course of average length with some challenges. Among golfers, Rattlewood has a reputation for being open during wet conditions because it drains very effectively, leading to enhanced revenue. It appears that league play is a very important part of the overall Rattlewood operation. Still, the facility is hosting under 35,000 rounds annually and also has a low average green fee revenue-per-round. Rattlewood is planned to receive about $865,000 in capital upgrades in the next five years, $600,000 of which will be completed before FY2011.

Revenue Analysis

The following table summarizes the revenues earned by the five MCRA-owned courses listed above for each of the last three fiscal years. We note a clear pattern with increases in green fee, range and lesson revenue, and a corresponding decrease in shop sales and cart revenue.

MCRA Five Owned Golf Courses
Total Golf Revenue

	FY2006	FY2007	FY2008
Total Rounds	**186,829**	**195,229**	**194,239**
Revenue			
Greens Fees	$4,733,313	$4,864,908	$5,144,204
Tournament GF	$0	$19	$199,665
Golf Car Fees	$1,559,828	$1,642,860	$1,348,768
Driving Range	$532,348	$592,092	$615,162
Club Repair	$14,457	$0	$0
Golf Lessons	$216,733	$258,860	$269,052
Handicap Fees	$24,315	$0	$0
Pro Shop Sales	$845,109	$880,971	$688,608
Food & Beverage Sales	$822,260	$950,706	$883,580
Tournament F & B	$5,062	$0	$76,742
Rental Income	$30,415	$0	$0
Misc. Income	$9,749	$110,728	$102,434
Reservation Fees	$12,928	$0	$0
Total Facility Revenue	**$8,806,517**	**$9,301,144**	**$9,328,217**

Source: MCRA

Expense Analysis

The following table summarizes the expense incurred by the MCRA in maintaining the five owned courses listed above for each of the last three fiscal years. We note a decline in total expense in FY2008 with a concerted effort to control expenses after a roughly nine percent (9%) increase from FY06 to FY07. Overall the expenses at the MCRA-owned facilities are in line with national and regional averages compiled by the NGF, and generally consistent with the other four leased facilities.

MCRA Five Owned Golf Courses
Personnel and Maintenance Expenses

	FY2006	FY2007	FY2008
Payroll Expense	$3,077,344	$3,302,896	$3,351,988
Operating Expense	$2,266,818	$2,519,312	$2,431,639
Total Base Expense	**$5,344,161**	**$5,822,208**	**$5,783,627**

Source: MCRA

Net Income

The net from operations on the five MCRA-owned golf facilities has exceeded approximately $1.8 million in each of the last three full fiscal years, even exceeding $1.9 million in FY2007. However, when other 'below the line' items like interest (net), capital expenses and depreciation are considered, the results tell a different story. The net interest expense, mostly from previous renovations and capital expenditures, has been close to $1.0 million in each of the last three years, leaving a net income after debt of under $1.0 million in every year but FY2007. Depreciation on these facilities is roughly $1.0 million per year leading to an overall loss for the facility in each year but FY2007.

MCRA Five Owned Golf Courses
Net Income

	FY2006	FY2007	FY2008
Earnings Before Int., Deprec. + Amort. (EBIDA)	$1,798,184	$1,975,485	$1,851,628
Less:			
Other (Net Interest)	($1,029,819)	($916,685)	($969,570)
Capital Expenditures	$0	$0	($127,576)
Net Income after Interest + Capital Needs, Before Deprec.	**$768,365**	**$1,058,800**	**$754,481**
Less:			
Depreciation	($981,695)	($1,024,648)	($1,120,784)
Net Income after Capital Needs and Depreciation	**($213,330)**	**$34,152**	**($366,302)**

Source: MCRA

Leased County Facilities

As noted, the MCRA operates four other golf facilities owned by the M-NCPPC via lease agreement. These four facilities include:

- **Little Bennett Golf Course** – located at the north end of Little Bennett Regional Park with scenic views of Sugarloaf Mountain. The Little Bennett golf course is rather hilly and includes a grass driving range and three practice greens, plus s full pro shop. The facility also boasts a relatively high green fee revenue-per-round, but has played only 29,000 to 30,000 rounds annually in the last three years. With total facility revenues of only $1.6 million, Little Bennett has shown a negative EBIDA the last two years, although there is only a modest $12,000 net interest expense. Little Bennett is scheduled for approximately $773,000 in improvements over the next five years, including $534,000 for FY2009-10.
- **Needwood Golf Course** – located at the north end of Rock Creek Regional Park. The facility offers a driving range, pro shop, practice putting green, and snack bar. The facility also includes an executive nine-hole course that is good for golfers of all levels, especially beginners. With over 71,000 rounds reported in FY2008, Needwood is now the most active facility in the MCRA system. The facility is planned to undergo roughly $2.4 million in upgrades over the next five years, including a large $1.5 million project planned for FY2011.
- **Northwest Golf Course** – Located in north of the Washington, D.C. Beltway in Northwest Branch Park, and in proximity to the Needwood Golf Course in golfer-rich section of Montgomery County. This 27-hole has a beautiful layout and is popular with golfers of all abilities. The course has four sets of tees, large greens and is the longest golf course in Montgomery County. Northwest's driving range is large and heated and thus earns the second highest range revenue in the system (behind only Falls Rd.). The 63,000 rounds in FY2008 is second highest in the system, meaning that the two highest rounds totals (Needwood and Northwest) are among the leased facilities in the system. The facility is planned to undergo roughly $2.5 million in upgrades over the next five years, including a large $2.1 million project planned for FY2010.
- **Sligo Creek Golf Course** – this facility is a challenging 9-hole course located near downtown Washington, DC, just off the Capital Beltway. Although the course features hilly terrain, many golfers still choose to walk this course resulting in low cart fees. As a 9-hole course, this facility has struggled with revenues. The facility had one of its best years in FY2008, producing only 29,000 rounds and just over $636,000 in total facility revenue. This facility has major needs for upgrading and possibly even a complete reconstruction to a slightly different type of facility. As such, no capital expenses are budgeted for Sligo Creek at this time. With a loss of $143,000 in FY2008, Sligo Creek is clearly the least profitable facility in the MCRA system.

Expense Analysis

The following table summarizes the expense incurred by the MCRA in maintaining the four leased golf courses in the system. We note an 11 percent increase in expenses at the facilities between FY07 and FY08, slightly less than the corresponding increase in revenues over that period. Overall the expenses at the leased facilities are in line with national and regional averages compiled by the NGF, and generally consistent with the other five facilities owned by MCRA.

MCRA Four Leased Golf Courses Personnel and Maintenance Expenses			
	FY2006*	FY2007	FY2008
Payroll Expense	$450,548	$2,193,020	$2,511,649
Operating Expense	$318,411	$2,111,982	$2,266,924
Total Base Expense	$768,959	$4,305,002	$4,778,573
Source: MCRA. *FY2006 reflects partial year.			

Revenue Analysis

The following table summarizes the revenues earned by the four leased courses listed above for each of the last three fiscal years. We note that rounds played and all revenue categories except cart fees increased by about 12 to 15 percent from FY2007 to FY2008, mostly a reflection of enhancements made by MCRA to these facilities. Food and beverage revenue has been a very strong area of growth since the addition of these leased facilities. Total F & B revenue is up by 30 percent in FY2008 over FY2007.

MCRA Four Leased Golf Courses Total Golf Revenue			
	FY2006*	**FY2007**	**FY2008**
Total Rounds	**46,415**	**172,538**	**195,460**
Revenue			
Greens Fees	$1,360,015	$3,904,928	$4,560,130
Tournament GF	$0	$3,290	$68,999
Golf Car Fees	$301,778	$910,712	$876,185
Driving Range	$127,630	$411,072	$435,755
Club Repair	$35	$0	$0
Golf Lessons	$44,424	$115,334	$111,475
Handicap Fees	$2,005	$0	$0
Pro Shop Sales	$121,639	$398,419	$423,458
Food & Beverage Sales	$156,880	$483,836	$608,626
Tournament F & B	$0	$0	$19,673
Rental Income	$3,034	$0	$0
Misc. Income	$0	$64,737	$78,636
Reservation Fees	$0	$0	$0
Total Facility Revenue	**$2,117,440**	**$6,292,329**	**$7,182,938**
Source: MCRA. *FY2006 reflects partial year.			

Leased Facilities Net Income

In reviewing the net income of the leased facilities and comparing these figures to those of the five owned facilities presented previous, it is clear that the comparison is not 'apples to apples' as the owned facilities have a substantial debt service requirement, not present with the leased facilities. To summarize the economic status of the leased facilities we find it important to complete the net income review on an individual facility basis. A summary of net income by Facility:

Needwood Golf Course
The MCRA operation has increased the EBIDA at Needwood Golf Course to over $858,000 in FY2008, demonstrating the strong profit potential of this well-located facility. This level of EBIDA is the second highest in the total system (only Falls Road is higher) and the highest of the four leased facilities. As noted Needwood is generating the highest rounds total in the system and setting the stage for the $2.2 million in upgrades planned for this facility in the next three years.

Needwood Golf Course Net Income			
	FY2006	**FY2007**	**FY2008**
Earnings Before Int., Deprec. + Amort. (EBIDA)	$409,310	$646,810	$858,163
Less:			
Other (Net Interest)	$0	$0	($7,687)
Capital Expenditures	$0	$0	($30,000)
Net Income after Interest + Capital Needs, Before Deprec.	**$409,310**	**$646,810**	**$820,476**
Less:			
Depreciation	$0	($51,049)	($74,295)
Net Income after Capital Needs and Depreciation	**$409,310**	**$595,761**	**$746,181**
Source: MCRA			

Northwest Golf Course
The net from operations at Northwest is the third highest in the system showing that two of the top three earners for MCRA are among the leased facilities. Although the performance of Northwest is relatively strong, it seems to have even greater potential given the 27-hole layout and the location. Given this, the MCRA has allotted over $2.2 million in upgrades for the next two years.

Northwest Golf Course Net Income			
	FY2006	**FY2007**	**FY2008**
Earnings Before Interest + Deprec. (EBIDA)	$472,355	$688,808	$608,378
Less:			
Other (Net Interest)	$0	$0	($8,259)
Capital Expenditures	$0	$0	($5,000)
Net Income after Interest + Capital Needs, Before Deprec.	**$472,355**	**$688,808**	**$595,119**
Less:			
Depreciation	$0	($53,056)	($83,264)
Net Income after Capital Needs and Depreciation	**$409,310**	**$635,752**	**$511,855**
Source: MCRA			

Little Bennett Golf Course
Little Bennett has shown negative EBIDA for each of the last two years, due largely to low activity. The facility has a relatively high average revenue per green fee round but low rounds keep revenue down. It would appear that Little Bennett would have to increase rounds to well over 40,000 to post a positive EBIDA, and even that level will likely not cover the capital requirements of this facility that are needed to maintain current activity, let alone any growth. It

seems probable that this facility will continue to struggle economically as needed upgrades will not likely result in revenue growth.

Little Bennett Golf Course Net Income			
	FY2006	FY2007	FY2008
Earnings Before Interest + Deprec. (EBIDA)	$244,001	($263,211)	($120,064)
Less:			
Other (Net Interest)	$0	$0	($12,362)
Capital Expenditures	$0	$0	($99,000)
Net Income after Interest + Capital Needs, Before Deprec.	**$244,001**	**($263,211)**	**($231,426)**
Less:			
Depreciation	$0	($45,860)	($95,036)
Net Income after Capital Needs and Depreciation	**$244,001**	**($309,071)**	**($326,462)**
Source: MCRA.			

Sligo Creek Golf Course
Sligo Creek is the worst overall facility in terms of EBIDA as both rounds and average rate are low, and there are clear overall limitations with this facility as it is presently configured. It is likely that the level of rounds that would be required to sustain this facility, and its needed upgrades, is far in excess of what is reasonable for the market and/or beyond the carrying capacity of the facility. Given this, it is likely that an entirely new facility concept may be required for this facility to become economically viable. However, given the likely high cost of such a remake, it is hard for the NGF team to see how this facility can expect anything other than continued subsidy from the rest of the system.

Sligo Creek Golf Course Net Income			
	FY2006	FY2007	FY2008
Earnings Before Interest + Deprec. (EBIDA)	$38,427	($83,993)	($143,746)
Less:			
Other (Net Interest)	$0	$0	($2,794)
Capital Expenditures	$0	$0	$0
Net Income after Interest + Capital Needs, Before Deprec.	**$38,427**	**($83,993)**	**($146,540)**
Less:			
Depreciation	$0	($16,704)	($21,818)
Net Income after Capital Needs and Depreciation	**$38,427**	**($100,697)**	**($168,358)**
Source: MCRA			

Summary of Leased Facilities

It is clear that Northwest and Needwood are among the strongest economic performers in the overall system, but the $4.0+ million in capital investments scheduled for these facilities in the next three years may affect the bottom line at these facilities in the short term. However, over the longer term (beyond five years) the continued high rounds totals and golfer-rich locations should produce revenue totals to justify the investments.

On the negative side, Sligo Creek and Little Bennett are clearly struggling to make ends meet, although Little Bennett has shown more improvement than Sligo Creek. We note that no capital expenses have been budgeted for Sligo Creek for the FY08 through FY13 period, making the poor economic performance appear slightly better than it may actually be. The NGF Consulting projections for the next five years (presented next) will reflect expected capital enhancements at all facilities except Sligo Creek.

PRELIMINARY FINANCIAL PROJECTIONS – FY2009 – FY2013

In an effort to help identify which (if any) of the leased golf facilities within the MCRA may be 'adverse' to the system as a whole, the NGF Consulting team has prepared a schedule of economic projections for each facility over the next five years of operation (through FY2013). These projections are based on the overriding assumption that all nine facilities will continue to be managed under the same basic operational structure that exists today, and that all capital improvements planned for the facilities as of December 2008 will be completed. Other assumptions utilized in completion of these projections include:

Basic Assumptions

- Projected rounds performance at each facility is estimated at approximately the same level as FY08 for all five years.
- Average revenues are also held at approximate FY08 levels for the first year, with slight variations at each facility to reflect clear trends observed by NGF Consulting.
- All revenue categories are projected to grow at approximately 3.5% annually through FY2013, based on actual performance from last two years.
- Direct labor expenses are projected to increase at a rate of 5% per year through FY2013. Non-labor expenses increase at a rate of 2% per year through FY2013, based on actual performance from the last two years.
- The management fee is fixed at $160,000 per year for each facility through FY2013.

Complete Nine-Facility Operation

The first estimate of performance is based on the assumption that the MCRA continues on an 'as-is' basis with all nine facilities operating under the basic assumptions identified above. The summary results are displayed in the following table:

MCRA Complete Nine-Facility Operation
Projected Economic Performance (FY09-FY13)

	FY09	FY10	FY11	FY12	FY13
Total Rounds	383,500	383,500	383,500	383,500	383,500
Revenues					
Greens Fees	$9,630,345	$9,967,407	$10,316,266	$10,677,336	$11,051,042
Tournament GF	266,345	275,667	285,315	295,301	305,637
Golf Car Fees	2,248,200	2,326,887	2,408,328	2,492,620	2,579,861
Driving Range	1,034,725	1,070,940	1,108,423	1,147,218	1,187,371
Golf Lessons	375,760	388,912	402,524	416,612	431,193
Pro Shop Sales	1,111,500	1,150,403	1,190,667	1,232,340	1,275,472
Food & Beverage Sales	1,493,050	1,545,307	1,599,392	1,655,371	1,713,309
Tournament F & B	94,035	97,326	100,733	104,258	107,907
Misc. Income	179,030	185,296	191,781	198,494	205,441
Total Revenues	**$16,432,990**	**$17,008,145**	**$17,603,430**	**$18,219,550**	**$18,857,234**
Total Cost of Sales	$1,457,592	$1,508,608	$1,561,409	$1,616,058	$1,672,620
Gross Profit	**$14,975,398**	**$15,499,537**	**$16,042,021**	**$16,603,491**	**$17,184,614**
Operating Expense	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Total Payroll Expense	$6,156,819	$6,464,660	$6,787,893	$7,127,288	$7,483,652
Total Operating Expense	$4,796,815	$4,897,247	$4,999,913	$5,104,867	$5,212,169
Total Expenses	**$10,953,635**	**$11,361,907**	**$11,787,806**	**$12,232,155**	**$12,695,821**
Operating Profit (loss)	**$4,021,763**	**$4,137,629**	**$4,254,215**	**$4,371,337**	**$4,488,793**
Management fees	$1,440,000	$1,440,000	$1,440,000	$1,440,000	$1,440,000
EBIDA	**$2,581,763**	**$2,697,629**	**$2,814,215**	**$2,931,337**	**$3,048,793**
Other Income and Expenses					
Interest Income	$91,000	$92,820	$94,676	$96,570	$98,501
Interest Expense	(1,090,365)	(1,112,172)	(1,134,415)	(1,157,104)	(1,180,246)
Depreciation	(1,395,196)	(1,423,100)	(1,451,562)	(1,480,593)	(1,510,205)
Net Other Income (Expense)	($2,394,561)	($2,442,452)	($2,491,301)	($2,541,127)	($2,591,949)
Net Income (Loss)	**$187,203**	**$255,178**	**$322,914**	**$390,210**	**$456,843**
Capital Needs	$2,240,245	$3,662,013	$2,651,256	$1,206,000	$595,000
Net (after Capital Needs)	**($2,053,042)**	**($3,406,835)**	**($2,328,342)**	**($815,790)**	**($138,157)**

Operations Without Needwood Golf Course

In an effort to identify 'adverse' facilities among the leased courses in the system, NGF has prepared the same projection as shown above with each of the individual four leased facilities removed from the operation. The table below shows the MCRA golf operation as an eight-facility system, without Needwood Golf Course:

MCRA Projected Economic Performance (FY09-FY13)
Eight-Facility System (w/o Needwood GC)

	FY09	FY10	FY11	FY12	FY13
Total Rounds	313,500	313,500	313,500	313,500	313,500
Revenues					
Greens Fees	$7,950,345	$8,228,607	$8,516,608	$8,814,690	$9,123,204
Tournament GF	260,745	269,871	279,317	289,093	299,211
Golf Car Fees	1,968,200	2,037,087	2,108,385	2,182,179	2,258,555
Driving Range	940,225	973,133	1,007,193	1,042,444	1,078,930
Golf Lessons	326,760	338,197	350,033	362,285	374,965
Pro Shop Sales	981,300	1,015,646	1,051,193	1,087,985	1,126,064
Food & Beverage Sales	1,290,050	1,335,202	1,381,934	1,430,301	1,480,362
Tournament F & B	94,035	97,326	100,733	104,258	107,907
Misc. Income	148,930	154,143	159,538	165,121	170,901
Total Revenues	**$13,960,590**	**$14,449,211**	**$14,954,933**	**$15,478,356**	**$16,020,098**
Total Cost of Sales	$1,292,798	$1,338,046	$1,384,878	$1,433,348	$1,483,515
Gross Profit	**$12,667,792**	**$13,111,165**	**$13,570,055**	**$14,045,007**	**$14,536,583**
Operating Expense	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Total Payroll Expense	$5,387,124.90	$5,656,481.14	$5,939,305.20	$6,236,270.46	$6,548,083.98
Total Operating Expense	$4,234,762	$4,323,425	$4,414,061	$4,506,717	$4,601,445
Total Expenses	**$9,621,887**	**$9,979,906**	**$10,353,366**	**$10,742,988**	**$11,149,529**
Operating Profit (loss)	**$3,045,905**	**$3,131,258**	**$3,216,690**	**$3,302,020**	**$3,387,053**
Management fees	$1,280,000	$1,280,000	$1,280,000	$1,280,000	$1,280,000
EBIDA	**$1,765,905**	**$1,851,258**	**$1,936,690**	**$2,022,020**	**$2,107,053**
Other Income and Expenses					
Interest Income	$91,000	$92,820	$94,676	$96,570	$98,501
Interest Expense	(1,082,677)	(1,104,331)	(1,126,417)	(1,148,946)	(1,171,924)
Depreciation	(1,320,902)	(1,347,320)	(1,374,266)	(1,401,751)	(1,429,786)
Net Other Income (Expense)	($2,312,579)	($2,358,830)	($2,406,007)	($2,454,127)	($2,503,210)
Net Income (Loss)	**($546,673)**	**($507,572)**	**($469,317)**	**($432,107)**	**($396,156)**
Capital Needs	$1,897,745	$3,370,338	$1,078,000	$1,006,000	$595,000
Net (after Capital Needs)	**($2,444,418)**	**($3,877,910)**	**($1,547,317)**	**($1,438,107)**	**($991,156)**

Operations without Northwest Golf Course

The table below shows the MCRA golf operation as an eight-facility system, without Northwest Golf Course:

MCRA Projected Economic Performance (FY09-FY13)
Eight-Facility System (w/o Northwest GC)

	FY09	FY10	FY11	FY12	FY13
Total Rounds	321,500	321,500	321,500	321,500	321,500
Revenues					
Greens Fees	$8,080,345	$8,363,157	$8,655,868	$8,958,823	$9,272,382
Tournament GF	252,705	261,550	270,704	280,179	289,985
Golf Car Fees	1,984,700	2,054,165	2,126,060	2,200,472	2,277,489
Driving Range	786,725	814,260	842,759	872,256	902,785
Golf Lessons	335,460	347,201	359,353	371,930	384,948
Pro Shop Sales	990,600	1,025,271	1,061,155	1,098,296	1,136,736
Food & Beverage Sales	1,322,550	1,368,839	1,416,749	1,466,335	1,517,657
Tournament F & B	88,455	91,551	94,755	98,072	101,504
Misc. Income	157,950	163,478	169,200	175,122	181,251
Total Revenues	**$13,999,490**	**$14,489,472**	**$14,996,604**	**$15,521,485**	**$16,064,737**
Total Cost of Sales	$1,299,647	$1,345,135	$1,392,214	$1,440,942	$1,491,375
Gross Profit	**$12,699,843**	**$13,144,338**	**$13,604,389**	**$14,080,543**	**$14,573,362**
Operating Expense	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Total Payroll Expense	$5,345,540	$5,612,817	$5,893,458	$6,188,131	$6,497,537
Total Operating Expense	$3,992,382	$4,076,073	$4,161,630	$4,249,099	$4,338,530
Total Expenses	**$9,337,922**	**$9,688,890**	**$10,055,087**	**$10,437,230**	**$10,836,067**
Operating Profit (loss)	$3,361,921	$3,455,448	$3,549,302	$3,643,313	$3,737,295
Management fees	$1,280,000	$1,280,000	$1,280,000	$1,280,000	$1,280,000
EBIDA	**$2,081,921**	**$2,175,448**	**$2,269,302**	**$2,363,313**	**$2,457,295**
Other Income and Expenses					
Interest Income	$91,000	$92,820	$94,676	$96,570	$98,501
Interest Expense	(1,082,106)	(1,103,748)	(1,125,823)	(1,148,340)	(1,171,306)
Depreciation	(1,311,933)	(1,338,171)	(1,364,935)	(1,392,233)	(1,420,078)
Net Other Income (Expense)	($2,303,039)	($2,349,099)	($2,396,081)	($2,444,003)	($2,492,883)
Net Income (Loss)	**($221,117)**	**($173,652)**	**($126,779)**	**($80,690)**	**($35,589)**
Capital Needs	$2,119,500	$1,519,675	$2,611,256	$1,106,000	$595,000
Net (after Capital Needs)	**($2,340,617)**	**($1,693,327)**	**($2,738,035)**	**($1,186,690)**	**($630,589)**

Operations without Sligo Creek Golf Course

The table below shows the MCRA golf operation as an eight-facility system, without Sligo Creek Golf Course:

MCRA Projected Economic Performance (FY09-FY13)
Eight-Facility System (w/o Sligo Creek GC)

	FY09	FY10	FY11	FY12	FY13
Total Rounds	355,500	355,500	355,500	355,500	355,500
Revenues					
Greens Fees	$9,193,545	$9,515,319	$9,848,355	$10,193,048	$10,549,804
Tournament GF	266,345	275,667	285,315	295,301	305,637
Golf Car Fees	2,195,000	2,271,825	2,351,339	2,433,636	2,518,813
Driving Range	1,034,725	1,070,940	1,108,423	1,147,218	1,187,371
Golf Lessons	375,760	388,912	402,524	416,612	431,193
Pro Shop Sales	1,076,500	1,114,178	1,153,174	1,193,535	1,235,309
Food & Beverage Sales	1,437,050	1,487,347	1,539,404	1,593,283	1,649,048
Tournament F & B	94,035	97,326	100,733	104,258	107,907
Misc. Income	165,030	170,806	176,784	182,972	189,376
Total Revenues	**$15,837,990**	**$16,392,320**	**$16,966,051**	**$17,559,863**	**$18,174,458**
Total Cost of Sales	$1,411,952	$1,461,370	$1,512,518	$1,565,456	$1,620,247
Gross Profit	**$14,426,038**	**$14,930,949**	**$15,453,533**	**$15,994,406**	**$16,554,210**
Operating Expense	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Total Payroll Expense	$5,842,408	$6,134,528	$6,441,254	$6,763,317	$7,101,483
Total Operating Expense	$4,519,835	$4,614,504	$4,711,279	$4,810,214	$4,911,363
Total Expenses	**$10,362,243**	**$10,749,032**	**$11,152,533**	**$11,573,531**	**$12,012,846**
Operating Profit (loss)	**$4,063,795**	**$4,181,918**	**$4,300,999**	**$4,420,875**	**$4,541,365**
Management fees	$1,280,000	$1,280,000	$1,280,000	$1,280,000	$1,280,000
EBIDA	**$2,783,795**	**$2,901,918**	**$3,020,999**	**$3,140,875**	**$3,261,365**
Other Income and Expenses					
Interest Income	$91,000	$92,820	$94,676	$96,570	$98,501
Interest Expense	(1,087,571)	(1,109,322)	(1,131,508)	(1,154,139)	(1,177,221)
Depreciation	(1,373,378)	(1,400,846)	(1,428,862)	(1,457,440)	(1,486,589)
Net Other Income (Expense)	($2,369,949)	($2,417,348)	($2,465,695)	($2,515,008)	($2,565,309)
Net Income (Loss)	**$413,846**	**$484,570**	**$555,305**	**$625,867**	**$696,056**
Capital Needs	$2,240,245	$3,662,013	$2,651,256	$1,206,000	$595,000
Net (after Capital Needs)	**($1,826,399)**	**($3,177,443)**	**($2,095,951)**	**($580,133)**	**$101,056**

Operations without Little Bennett Golf Course

The table below shows the MCRA golf operation as an eight-facility system, without Little Bennett Golf Course:

MCRA Projected Economic Performance (FY09-FY13)
Eight-Facility System (w/o Little Bennett GC)

	FY09	FY10	FY11	FY12	FY13
Total Rounds	354,500	354,500	354,500	354,500	354,500
Revenues					
Greens Fees	$8,789,345	$9,096,972	$9,415,366	$9,744,904	$10,085,976
Tournament GF	219,945	227,643	235,611	243,857	252,392
Golf Car Fees	1,987,200	2,056,752	2,128,738	2,203,244	2,280,358
Driving Range	962,225	995,903	1,030,759	1,066,836	1,104,175
Golf Lessons	358,360	370,903	383,884	397,320	411,226
Pro Shop Sales	986,800	1,021,338	1,057,085	1,094,083	1,132,376
Food & Beverage Sales	1,327,750	1,374,221	1,422,319	1,472,100	1,523,624
Tournament F & B	80,985	83,819	86,753	89,790	92,932
Misc. Income	168,010	173,890	179,977	186,276	192,795
Total Revenues	**$14,880,620**	**$15,401,442**	**$15,940,492**	**$16,498,409**	**$17,075,854**
Total Cost of Sales	$1,272,688	$1,317,232	$1,363,335	$1,411,052	$1,460,439
Gross Profit	**$13,607,932**	**$14,084,210**	**$14,577,157**	**$15,087,357**	**$15,615,415**
Operating Expense	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Total Payroll Expense	$5,414,973	$5,685,721	$5,970,007	$6,268,507	$6,581,933
Total Operating Expense	$4,126,215	$4,212,743	$4,301,201	$4,391,639	$4,484,106
Total Expenses	**$9,541,188**	**$9,898,464**	**$10,271,208**	**$10,660,146**	**$11,066,039**
Operating Profit (loss)	$4,066,744	$4,185,746	$4,305,949	$4,427,211	$4,549,376
Management fees	$1,280,000	$1,280,000	$1,280,000	$1,280,000	$1,280,000
EBIDA	**$2,786,744**	**$2,905,746**	**$3,025,949**	**$3,147,211**	**$3,269,376**
Other Income and Expenses					
Interest Income	$91,000	$92,820	$94,676	$96,570	$98,501
Interest Expense	(1,078,002)	(1,099,562)	(1,121,553)	(1,143,984)	(1,166,864)
Depreciation	(1,300,160)	(1,326,164)	(1,352,687)	(1,379,741)	(1,407,335)
Net Other Income (Expense)	($2,287,162)	($2,332,906)	($2,379,564)	($2,427,155)	($2,475,698)
Net Income (Loss)	**$499,582**	**$572,840**	**$646,385**	**$720,056**	**$793,678**
Capital Needs	$1,916,245	$3,452,013	$2,571,256	$1,161,000	$580,000
Net (after Capital Needs)	**($1,416,663)**	**($2,879,173)**	**($1,924,871)**	**($440,944)**	**$213,678**

ANALYSIS OF FACILITIES 'ADVERSE' TO THE SYSTEM

The income estimates presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the subject facility and the intended segment of the golf market toward which each facility is oriented. Particular focus was paid to the reality of actual performance by each of the four leased facilities and the potential to grow rounds and/or revenues in its particular market location. A brief summary of the conclusions drawn by this analysis include:

- Northwest GC and Needwood GC have roughly the same impact. These two facilities are performing very well economically and if either is removed from the system as whole, the economic condition of the MCRA golf system would deteriorate considerably. These two facilities are among the most profitable in the entire nine-course system.
- Eliminating Little Bennett results in highest net income performance after capital needs. However, this includes $773,000 in upgrades to Little Bennett, and these upgrades have the chance of improving overall performance. Still, as presently configured, Little Bennett does provide the most direct economic loss of any facility in the system.
- If the MCRA were to eliminate Sligo Creek, the result would be the highest net income before capital needs. We note that no specific capital expense has been budgeted to this facility as of December 2008. However, it is clear that this facility needs substantial capital investment. Thus, Sligo Creek economic performance is having the greatest negative impact on the system as a whole of any leased facility before capital investment, plus Sligo is in clear need of a large capital investment.

Net Income (Before Capital Needs)

Below is a summary of the EBIDA performance of the full MCRA golf system by facility. The struggles at Little Bennett and Sligo Creek are clearly shown in this exhibit, along with planned capital needs at each facility. We note no capital expenses planned for Sligo Creek as a new master plan for that property will be required.

MCRA Golf System Projected Economic Performance (FY09-FY13) Summary of Net Income and Capital Needs					
	FY09	**FY10**	**FY11**	**FY12**	**FY13**
Earnings Before Interest, Depreciation and Amortization (EBIDA)					
Falls Road	$847,471	$876,519	$905,981	$935,838	$966,063
Laytonsville	$394,591	$410,007	$425,584	$441,304	$457,149
Poolesville	$23,986	$27,527	$30,858	$33,954	$36,784
Rattlewood	$260,703	$271,509	$282,352	$293,213	$304,071
Hampshire Greens	$146,325	$155,920	$165,519	$175,102	$184,643
Sligo Creek	($202,032)	($204,288)	($206,784)	($209,539)	($212,572)
Northwest	$499,842	$522,182	$544,913	$568,023	$591,498
Needwood	$815,858	$846,371	$877,525	$909,317	$941,740
Little Bennett	($204,981)	($208,116)	($211,734)	($215,875)	($220,583)
Total EBIDA	**$2,581,763**	**$2,697,629**	**$2,814,215**	**$2,931,337**	**$3,048,793**
Capital Needs					
Falls Road	$258,000	$175,000	$560,000	$300,000	$45,000
Laytonsville	$0	$5,000	$21,000	$30,000	$45,000
Poolesville	$55,000	$539,000	$305,000	$249,000	$445,000
Rattlewood	$395,000	$200,000	$67,000	$113,000	$15,000
Hampshire Greens	$745,000	$99,000	$5,000	$169,000	$30,000
Sligo Creek	***$0***	***$0***	***$0***	***$0***	***$0***
Northwest	$120,745	$2,142,338	$40,000	$100,000	$0
Needwood	$342,500	$291,675	$1,573,256	$200,000	$0
Little Bennett	$324,000	$210,000	$80,000	$45,000	$15,000
Total Capital Needs	**$2,240,245**	**$3,662,013**	**$2,651,256**	**$1,206,000**	**$595,000**

Most 'Adverse' Facility – Sligo Creek

Based on the above analysis of expected future performance, coupled with the previous analysis of actual performance, it is clear to the NGF Consulting team that Sligo Creek is the most 'adverse' facility in the overall system due to its poor economic performance and its general type of facility (9-hole with limited ancillaries). NGF research has shown that 9-hole facilities of this type are three times more likely to close due to economic troubles than full 18-hole facilities due to revenue limitations inherent with 9-hole facilities coupled with expense structures that are more similar to 18-hole facilities (high fixed costs). We also note that eliminating or modifying the $160,000 management fee at this facility will not be enough to eliminate the economic loss and still leaves the problem of appropriate management for the facility.

Based on our review of the economic performance data and a general working knowledge of the Sligo Creek facility, **it is the NGF team's opinion that this facility may not be economically viable under its current configuration due to** limitations in capacity, ancillary facilities and lack of ability to raise fees. As such, it is likely that a whole new concept may be required for this facility. Alternate configurations such as driving range only, learning center, par-3 course, or some combination thereof, will have to be considered as a separate feasibility analysis for the future of this property. **The NGF can state with confidence that the Sligo Creek Golf Course, as presently configured, can be classified as 'adverse' to the MCRA system as a**

whole. This is due to its economic performance and how this performance may affect the other facilities in the system.

Although Little Bennett is presently struggling to meet its expense obligations, there does seem to be better potential with this facility as Little Bennett has seen revenue growth in the last two years. In addition, Little Bennett is well thought of by the golfing public (three awards noted above plus 'most improved customer loyalty award from NGF survey), and it has the ancillary facilities needed to improve its non-golf (F & B + merchandise) revenues. These factors lead NGF to believe that although Little Bennett has a negative EBIDA in FY2008, the facility has a better chance to operate in the black than does Sligo Creek.

Limiting Conditions

The income and expense projections presented by NGF Consulting have been prepared based on all previously noted assumptions. NGF Consulting is confident that the stated financial projections can be achieved at the subject facilities based on present facility and market conditions. From a practical standpoint, those managing these facilities will need to respond to variable market conditions as well as unforeseen maintenance needs. Due to the fact that these conditions are more likely to change as the next five years unfold, NGF Consulting has limited its projections to a five-year period. Nevertheless, we are confident that the MCRA facilities will be able to continue to achieve similar results beyond the next five years of operation.

Our estimates of performance for the nine-facility MCRA golf system could change should the following conditions occur:

Stronger Performance	Weaker Performance
Future course closings	New course openings
Faster population growth than projected	Incorrect price levels
Positive regional/ national publicity	Poor customer service
Lack of loyalty to existing courses	Low quality facility
Unforeseen surge in golf interest	Poor yearly weather conditions
Excellent yearly weather conditions	Regional economic recession

It is important to measure the future performance of golf facilities in such a way as to help the Authority make financial decisions based on realistic expectations. It is obviously possible that either more or fewer rounds will be realized at any of the MCRA courses. We note that our projections for future performance of the nine-course system do anticipate increases in activity that may not occur, potentially leading to MCRA subsidies.

Report from the

Sligo Creek Stakeholder Advisory Group

to the Board of Directors of the

Montgomery County Revenue Authority

September 11, 2008

I. Background

The Sligo Creek Golf Course (SCGC) is situated in about the middle of Sligo Creek Park. The 65 acres of the 9-hole course constitutes about ten percent of the open space set along Sligo Creek. The park and course serve the most diverse and densely populated area of the County. The course dates back to before World War II and is the oldest public course in the County.

On October 26th, 2006, the Montgomery County Revenue Authority (MCRA) entered into a 30-year lease of the Sligo course and three other larger courses from Maryland-National Capital Park and Planning Commission (M-NCPPC). MCRA had already operated five other public courses for some time, and this increased their golf properties to nine. In early March, the MCRA met with North Hills of Sligo Civic Association (the neighborhood closest to the course) and presented their proposed major changes to the course. As required in the 2006 lease agreement, the MCRA presented (March 17, 2007) a preliminary Master Plan to the M-NCPPC Montgomery County Planning Board, covering proposed renovations of the four newly leased courses. The plan proposed reconfiguring the Sligo Creek course and adding a large, lighted driving range and one to two miniature golf courses.

Over the next nine months, MCRA met with golfers, community leaders, and County officials to present the MCRA concept for the course and to receive reaction. On January 9, 2008, the MCRA hosted a public meeting at which the concept was aired and consultants presented their preliminary opinions on the potential impact on traffic, light pollution, and the local environment. As noted in a letter (February 4, 2008) from the MCRA Board to Michael Knapp, President of the County Council, this "meeting was attended by about 200 residents who spiritedly expressed their continued concerns and disagreement with the proposed concept."

As a consequence of the wide-spread public concerns about the plans for the Sligo course, and an unfavorable recommendation from the County Executive, MCRA withdrew its submitted Capital Improvement Plan for FY09-14 for the Sligo Creek, Northwest, and Needwood courses. Instead it requested that the project remain part of the Capital Improvement Plan with funding of up to $100,000 for Sligo Creek planning. The MCRA also decided to "develop an advisory group representative of those affected by the potential changes."

II. Proceedings of the Sligo Creek Stakeholder Advisory Group

During April 2008, Keith Miller, Executive Director of MCRA, invited selected individuals to participate as stakeholders in the advisory group. On April 22nd, the stakeholders met with Mr. Miller at the Executive Office Building to go over goals, schedule, and related matters in launching the committee. The initial group was to consist of two local residents (Heather

Phipps and Michael Welsh), one representative from the Countywide Recreation Advisory Board (Donna Bartko), one from the Silver Spring Recreation Advisory Board (Robin Bradshaw), one from the Silver Spring Citizens Advisory Board, two "Sligo Creek golfers" (Joe Liberta and Byrne Peake), one representative of *Friends of Sligo Creek* (Bruce Sidwell; alternate, Laura Mol), one from Montgomery County Public Schools, one from M-NCPPC staff (Linda Komes; alternate, Doug Redmond), and one from the First Tee of Montgomery County (Laura Sildon). Bruce Sidwell was chosen by the group to be the chair, Laura Sildon was chosen as vice-chair, and Tara Jacob of MCRA agreed to act as recording secretary. The Stakeholders agreed to meet every other Tuesday evening and accepted the MCRA charge:

> *to become familiar with the current conditions at Sligo Creek Golf Course and to make recommendations to the MCRA that the Group feels will be acceptable to the community at large while making the facility environmentally and economically sustainable and a positive contribution to the golf course system.*

The next meeting was held on May 6th at the Park & Planning building at 9500 Brunnett Avenue (Parkside Headquarters). The bulk of the meeting focused on a presentation by Keith Miller on background information about MCRA and the courses it manages, the MCRA lease, information about the financial performance of Sligo and other leased courses, and the facility needs of the Sligo course. Mr. Miller emphasized the need to enhance revenue to meet long-term infrastructure goals for the course. The group also considered adding additional stakeholders from neighborhood associations that had expressed an interest in the proceedings but were not represented, plus a related question presented by Heather Phipps no longer being the sole and official representative from the North Hills of Sligo Creek Civic Association. To resolve these issues, a motion was passed (5 for; 2 opposed; 1 abstaining) making Phipps an at-large representative, and expanding the Stakeholders to include two more civic associations. The motion also removed the vacant Silver Spring Citizens Association from the group in order to make room for a possible additional civic association.

At the May 20th meeting, Adam Pagnucco joined the Stakeholders Advisory Group as a neighborhood representative (Forest Estates Community Association). Duke Beattie joined, representing the Montgomery County Public Schools. Most of the meeting was spent assembling ideas on possible improvements to the course, many of which came from those previously assembled by North Hills of Sligo Creek Civic Association.

At the June 3rd meeting, Karen Howland joined the Stakeholders as a neighborhood representative (Woodside Forest Association). Several more ideas were suggested, including some from the First Tee of Montgomery County.

The next two meetings (June 17th and July 1st) centered on consideration of a driving range for the Sligo Creek course site. The discussion covered where the driving range might go, implications for the golf course, the potential as a profit center, as well as impacts on the park and neighborhood. At the meeting on July 1st, a motion was carried (5 for; 1 opposed; 2 abstaining) to recommend to the MCRA Board that no driving range be added to the Sligo Creek course. As her term was up on the Silver Spring Recreation Advisory Board, the representative from that organization left the group; no replacement was found.

On July 15th, the meeting began with more discussion of the pros and cons of a driving range. A motion was made but defeated (3 for; 4 opposed; 2 abstaining) to recommend no changes be made to the golf course. Most of the meeting focused on reviewing the rest of the ideas for the course. The majority of ideas were left on the list of recommendations since no member of the Stakeholders objected to them.

At the July 29th meeting, the Stakeholders discussed whether a miniature golf course should be recommended. A motion to not recommend was passed (6 for; 2 opposed). In addition, a motion to rescind the previous vote to not recommend a driving range was defeated (2 for; 6 opposed to rescinding). Carole Barth joined the group as a neighborhood representative from Northwood-Four Corners Civic Association.

On August 12th, a quorum was not achieved for the scheduled meeting and thus no official business was conducted.

The last face-to-face meeting was held on August 26th. The Stakeholders discussed and approved a proposal (6 for; 0 opposed; 2 abstaining) to recommend that MCRA strengthen the environmental planning and management of the course and promote Sligo's "green" identity (detailed in section III.C., below)

The Stakeholders also considered the possibility of a "chip and putt" fee area. The group noted that, to make room for this, the current course would likely need to be somewhat shortened and/or re-configured. It was also unclear to the group if this option would generate significant revenue over expenses.

The Stakeholders also discussed adding one or more indoor virtual golf stations to the site. Most information for the discussion had been obtained from the experience of the Paint Branch Golf Complex, where there is a single virtual station; it cost approximately $40,000 and was purchased with grant funds. It is used primarily for training and fitting of clubs. It is not considered a "profit center." However, since at Paint Branch it competes with a 40-stall lighted driving range, and its use as a "virtual" range is not promoted, some members of the group thought it might generate revenue at Sligo in the absence of a driving range. It was also noted that a significant amount of space would need to be created to house any devices obtained. It is thought by some members that, if a grant could be found to pay for this amenity, it would be a useful addition to the Sligo course. Both the concept of "chip and putt" and "virtual golf," with notes about their limitations, were added to the list of Section IV, *Ideas Recommended for Further Consideration,* below.

The draft report to the MCRA Board was reviewed section by section and Stakeholders voted unanimously to authorize the chair to incorporate decisions and discussion of the present meeting into the first draft and to circulate the revision for final approval by e-mail.

III. Chief Findings of the Stakeholders Advisory Group

A. Driving Range

Much more time and energy was spent looking at this possible recommendation than any other. Since a driving range was the idea thought to have the most potential to generate revenue, the group examined closely the financial information provided by MCRA, and the analysis done by Kennady Consulting for MCRA in January 2007. There was disagreement among the Stakeholders about how firmly to accept the projections made available. This disagreement also carried over into how best to interpret the lease language that allows MCRA to return a course to Park and Planning if it is "adverse to the entire Golf System."

The Stakeholders recognize that several factors bring a more acute attention to changes to Sligo compared to most other MCRA courses. The course is very local in nature: users live nearby; and any changes to the course, either positive or negative, will impact local residents and users of the park much more than residents living at more distant points in the County. Further, the course site is small and there is essentially no buffer between it and adjacent houses and the park. The course has been essentially unchanged in character since the adjacent Beltway was built in the early 60s. Lastly, being so old, the trees around and throughout the course are larger than found in younger courses.

Off-setting the benefits of a driving range, many Stakeholders felt, were a range of problems. Major objections included: 1) Many current users might dislike the unavoidable shortening and re-arrangement of the course to accommodate a driving range. 2) The extension of business hours until late in the evening would bring light and noise pollution, as well as add to already very congested traffic associated with nearby Georgia Avenue and Colesville Road. 3) A driving range would degrade the local environment in a variety of ways.

The quantitative uncertainties about both the benefits and problems of a driving range helped prolong the group's discussion on this issue. Ultimately, the majority of the group seemed satisfied that there was enough qualitative information to go forward with a vote. The motion to <u>not</u> recommend this option was voted on two occasions a month apart. Each time that decision was strongly supported

B. Miniature Golf

The group spent much less time debating this idea than the driving range. This was due to the sense that both the benefits and risks to Sligo were less than those from a driving range. Plus, since this idea was taken up after the driving range, the group benefited from the debate that had occurred about it since most of the issues were similar. The decision to <u>not</u> recommend a miniature golf course at Sligo was also strongly supported.

C. Sligo as a "Green" Course

At the last meeting, on August 26th, the attending members unanimously approved a proposal to the MCRA Board to develop and promote Sligo as an environmentally-supportive course:

> Recognizing that the Sligo Creek Golf Course is an important part of the open space, woods, and fields of the Sligo Creek watershed, and has a tributary that flows into the creek, plus many large, mature trees;
>
> that the Revenue Authority management has already taken steps to reduce the use of fertilizers and other chemicals that may run into Sligo Creek, and that the Maryland-National Capitol Park and Planning Commission has invested significantly in improvements to the storm water pond and in stream restoration on the golf course; and
>
> that the "greening" of the Sligo golf course site can build interest and support for the course among golfers and non-golfers, young and old, and can contribute to educating the wider community about the contribution of the game to the local environment;

the Stakeholder Advisory Group recommends to the Board of Directors of the Montgomery County Revenue Authority:

1. That the Sligo Golf Course be developed and promoted as an eco-friendly course, showcasing ecologically sound practices;
2. That an environmental management plan be developed, applying both national "best practices" for older golf courses and locally developed standards from the ecology of Sligo Creek watershed;
3. That the Revenue Authority constitute an ongoing advisory group for the purpose of contributing local expertise to the environmental and outreach efforts needed to support a "green" Sligo Golf Course.

In addition, the Stakeholders' sense was that promoting this goal for all the public courses should be undertaken by the MCRA.

IV. Ideas Recommended for Further Consideration by MCRA

Itemized below are ideas reviewed by the Stakeholders, who agreed to include all ideas to which no member objected. The group recognized that often the recommended idea was fairly obvious, or some were already being instituted by the course manager (these are marked with an asterisk*) or, in some cases, investigation of detail was beyond the scope of the group's work (e.g., changes to the clubhouse).

A. Increase Revenue

1. Increase fee to play (e.g., $1-2) *
2. Market merchandise on website
3. Offer lessons *
4. Partner with Montgomery County Recreation Department to have classes at Sligo Creek
5. Explore special discounts or packages, e.g., annual "memberships", weekday senior rates, community golf days with lower rates for neighborhood residents, volume discounts, memberships of youth with reduced round fees, leagues, "golf by the slice", i.e., for less than 9 holes, promote non-peak hours. *
6. Market to local businesses for group outings
7. Expand advertising: e.g., yellow pages, expanded web page, signs on Beltway and key intersections
8. Promote unique features of Sligo Creek Golf Course in advertising, e.g., oldest municipal course in Montgomery County, quick nine-holes available inside the Beltway, unique conservation-minded course
9. Renovations of clubhouse could include rental space for parties and other events, "virtual golf", snack bar with more appeal to non-golf customers (e.g., cyclists).
10. Investigate "virtual golf" products for their educational, recreational, and revenue-generating potential; bearing in mind facility issues such as fit with renovated clubhouse or other buildings, as well as the availability for funding from grants or other outside sources.
11. Poll golfers on possible tweaks to current holes to make them more attractive to children, women, and seniors

12. Investigate the potential costs and revenue as well as design issues, including changes to the present course and environmental problems, associated with adding a "chip and putt" area to the course site

B. Decrease Costs

13. Decrease fairways to save on mowing, fertilizer, pesticides, and irrigation
14. Install solar/PV collectors and feed excess power back into power grid
15. Use drought-resistant turf grasses in fairways; increase plantings of hardy native drought-resistant trees and other plants
16. Adopt best-management practices to reduce pesticides, fertilizers, mowing
17. Improve water collection capacity of site and buildings to keep water on site to reduce irrigation costs (e.g., rain barrels, cisterns, retention ponds, rain gardens); replace impermeable with permeable surfaces to mitigate water runoff and keep water on site
18. As clubhouse or other buildings are renovated, use energy and water conserving technologies such as active and passive solar features, efficient heating, cooling, and lighting

C. Develop Positive Relationship with Broader Community

19. Expand as possible support of First Tee of Montgomery County and local schools in their efforts to use the course for instruction *; find office space for The First Tee and indoor room that would accommodate teaching when weather is bad
20. Add signs, photos, and other interpretive outreach explaining local human and natural history, and emphasizing protection of the local environment
21. Encourage local community groups to work on beautifying or naturalizing the grounds, e.g., putting up and maintaining birdhouses
22. Find community and business partners to help make Sligo a demonstration place for green golf course management practices, clubhouse design, etc. [c.f., Discovery Channel's new Planet Green Channel (*Washington Post* Business section, 2/25/08)]
23. Explore possibilities for holding community events on SCGC site
24. Consider redesigning space near the clubhouse/outdoor snack bar to enable 'Arts in the Park' activities, such as outdoor art or musical performances; allow cross-country skiing on site.

This report was approved by the Sligo Creek Stakeholder Advisory Group for submission to the Montgomery County Revenue Authority at the MCRA meeting scheduled for September 23, 2008. Final approval was electronic—9 supporting, 2 opposing, and 1 abstaining—in a process agreed at the final face-to-face meeting of the Stakeholders.

/ s /

Bruce Sidwell, Chair
Sligo Creek Stakeholder Advisory Group

Environmental Implications of Adding a Driving Range to the Sligo Creek Golf Course

An Individual Report to the Board of Directors of the Montgomery County Revenue Authority

Dear Directors: Below for your consideration is a summary of environmental problems that the Board of the Friends of Sligo Creek sees as associated with a driving range at the Sligo Creek Golf Course. This summary was originally submitted to the Sligo Creek Golf Course Stakeholders Group on June 17 as support for that group's deliberations. Thank you for your attention.

Bruce Sidwell, President, Board of Directors, Friends of Sligo Creek; September 2008

By and large, the current golf course is not a significant drawback to the local environment. It does not cause obviously excessive light, air, noise, or water pollution. It has a small stream—whose stormwater features have recently been improved at great expense—many large trees, and some areas of understory shrubs. Since the property thus has many of the basic elements for wildlife habitat (shelter, sources of food, water, and some places for birds and other wildlife to raise young) it integrates fairly well with the surrounding natural parkland; there is, however, a lack of connectivity of the natural patches.

The golf course's chief natural drawbacks at this time are probably the deleterious effects of fertilizers and of the pesticides used for control of insects, weeds, and fungi. It would also benefit the local environment if less of the course were closely mowed, since short non-native turf offers almost no benefit to wildlife and is much less effective than woodland at absorbing and cleansing rainwater.

<u>Adding a driving range to the 70-acre site would detract from the natural benefits of the area</u>:

1) because it would be a large area of nothing but closely-mowed grass, it would further reduce the area available to wildlife;

2) having no trees or shrubs would severely limit the site's ability to retain stormwater, cool the area, reduce C02, and buffer traffic noises;

3) having nets and fences would impede and drive away wildlife;

4) over time, the soil of the driving range would become further impacted by use of ball-gathering equipment and possibly by the millions of hits by the balls-- this will further degrade the ability of the turf to retain rainwater;

5) noise from the range would drive away birds and other wildlife and, for some, can disrupt communications crucial for mating and reproduction;

6) if used, lights would harass and confuse birds, bats, and other wildlife; in addition to being unattractive, the light towers may be lethal impediments to migrating birds;

7) making room for the driving range would mean that numerous mature trees would be cut down and the roots of other trees would be damaged by construction traffic;

8) increased traffic to the course would mean more air pollution, harassment of wildlife and, ultimately, more pavement for parking and for turning lanes

9) increased use of the site would invariably mean more trash generated, contaminating both the golf course and adjacent parkland;

10) the energy costs of a driving range, especially if lighted, would increase.

Addendum 2
Heather Phipps, with Various Community and
Civic Association Leaders

The Community's Perspective of Radical Changes to Sligo Creek Golf Course

A group report to the Board of Directors of the Montgomery County Revenue Authority

To the Board of Directors of the MCRA: The following is an addendum to the official report from the Sligo Creek Golf Course (SCGC) Stakeholder Advisory Group to the MCRA. Prepared and submitted by the following SCGC Stakeholder Advisory Group representatives: Heather Phipps (At-large/i-petition representative), Adam Pagnucco (President, Forest Estates Community Association), Carole Barth (President, Northwood Four Corners Civic Association), Karen Howland (Woodside Forest Civic Association), and Michael Welsh (President, North Hills of Sligo Creek Civic Association). This document summarizes the main reasons the community continues to oppose spending unnecessary capital in an economic downturn to make radical changes (e.g., driving range) to SCGC. These include the historical nature of the course, acting with fiscal responsibility, and the negative impact on the environment, local neighborhoods, and current SCGC users.

<u>A Long History as a Learning Center:</u>
The Sligo Creek Golf Course (SCGC) is a historically significant property and has served as a learning center for decades. SCGC was formerly the Argyle Country club, with records showing that it has been a golf course since at least 1927. In 1946, the Montgomery County Parks and Planning acquired the course and made it the first public golf course in the county with the initial aim of serving veterans of World War II. It has remained a learning course. Sligo's 9-hole configuration is appropriate for beginners and walkable for seniors. Generations of Montgomery County residents have learned to play golf at the SCGC. First Tee Montgomery, Inc., and MCPS golf teams benefit from significant donations of time and resources at SCGC and other MCRA properties. With its history and connection to the Park and County and with its success as a learning facility, drastically altering the facility is a mistake.

<u>Financial Questions:</u>
The residential communities remain unconvinced that the financial information and forecasts provided to the public have been clear and complete. At the beginning of the July 1 meeting, Mr. Miller explained that he thought the Stakeholder Group was becoming too bogged down with the details of SCGC's financial information and the information contained in the marketing report conducted by Kennady Consulting. Some members of the Stakeholder Group agreed that it would be incredibly difficult to determine a break-even scenario for SCGC without an extensive investigation of the course's financial picture. Mr. Miller made it clear that he only expected the Stakeholder Group to determine if they would recommend a driving range and where it should be located on the course. He explained that the scale, site and features of the driving range would be decided by MCRA. Hence, the Stakeholder Group was presented with an either/or scenario: driving range or no driving range. As a result of this discussion, a motion was passed by a majority vote to not recommend a driving range.

Some additional concerns regarding the information available include the following:

1. The Kennady report presented only one option -- a lighted driving range, with a specific slant to the largest size (70 tee stalls) to maximize revenues. Other

revenue generating solutions were generally dismissed as inadequate and cost-saving solutions were not a part of the Kennady report.

2. MCRA financial analysis used a baseline from 2006 but records show that the course had been profitable as recently as 2002.
3. A substantial management fee is now charged to SCGC, which is not prorated or proportional to the size and volume at Sligo. This fee exacerbates the appearance that the course's financial performance is poor.
4. The audited FY 2007 financial statements show that the County golf course system as a whole was profitable (over $600K in profit). It is certain that SCGC does not make the entire golf system unprofitable, thus MCRA should not be able to turn back SCGC to MNCPPC under the terms of the lease.
5. In June 2008 MCRA increased the greens fees at SCGC. Mr. Miller acknowledged that this change was not included when preparing the financial projections he presented to the Stakeholder Group.
6. A renovation plan, prepared by a contractor with which MCRA has experience, estimated roughly $2.5M in improvements to the course. Alternative plans were not explored. For example, improving the course in phases – correcting simple problems first and re-evaluating the projected value of subsequent items was discussed by the Stakeholders Advisory Group, but this suggestion was dismissed as inadequate by Mr. Miller.
7. A suggestion was offered by an observer at the end of one meeting that the MCRA implement less expensive improvements at other leased courses. Additional revenues generated by these improvements could then be used to gradually improve conditions at SCGC without requiring the major capital investments posed by installing a driving range. This suggestion would reduce the immediate requirement for additional revenue at Sligo because any financial burden would continue to be spread across all MCRA managed properties. The Stakeholder Advisory Group did not revisit this sensible suggestion.
8. Kennady put in a disclaimer at the end of their report about projections not being accurate in times of recession or economic downturn. MCRA acknowledged that the local economy is in a period of recession or economic downturn.

Impacts to Sligo Park and the Neighborhoods:

Significant concerns still remain about the impact of the proposed radical changes under MCRA's Master Plan for SCGC. Traffic, lighting, environmental and public safety issues resulting from any nighttime activities remain unaddressed.

At its January 2008 Town Hall meeting, MCRA's consultants presented their findings with respect to lighting, traffic and environmental impacts. The traffic and environmental reports focused on minimum, legally-required mitigation actions that would be required to obtain permits for proposed modifications. Instead of an actual study to determine the amount of light pollution that would be created in the currently dark parkland area, a lighting vendor's sales representative made a presentation. Issues concerning public safety and the costs to Montgomery County taxpayers associated with changes in traffic, environmental degradation of Sligo Creek, and loss of trees that would ultimately occur due to the proposed modifications were not addressed by the Stakeholder Group.

Conclusion

There continues to be strong opposition to radical changes to SCGC in order to accommodate a driving range and mini-golf courses. This conclusion was supported by three separate votes documented throughout the Stakeholder Group process. Stakeholder Group representatives for four local civic associations, FOSC, and the i-petition/paper petition signers favor more robust marketing efforts emphasizing the unique aspects of SCGC in combination with a more staggered maintenance schedule. By doing so, MCRA will be preserving this historic course and protecting the watershed, park wildlife, and the quality of life of the broad communities who use SCGC and Sligo Creek Park.

Resources

For a more in-depth understanding of community members concerns and comments, we encourage every member of the Board of Directors of the MCRA to visit the following website: http://www.ipetitions.com/petition/Green_SligoGolf/signatures.html

In addition, please review the attached Google map which presents the six community/civic association that have officially documented their opposition of installing a driving range and mini-golf courses at SCGC.

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11 September 2008

TO: Board of Directors, Montgomery County Revenue Authority

FR: Laura Mol
Alternate representative from *Friends of Sligo Creek*
to the *Sligo Creek Stakeholder Advisory Group*

The possible return of the Sligo Creek Golf Course to M-NCPPC was a question of intermittent concern to the Stakeholders. Because I was present to give testimony to the Planning Board when Mr Miller gave the MCRA's Annual Report, I heard firsthand the Planning Board's very interesting and useful discussion of the terms of the lease relevant to the possible return.

While this discussion is part of the public record, it is only available from M-NCPPC in audio form. Attached you will find a transcription, which makes the discussion more conveniently available. The final page contains the material most pertinent to the issue.

A Transcription of Portions of the April 3, 2008, Meeting of the Montgomery County Planning Board in reference to the Sligo Creek Golf Course

From "Part 5" of http://www.montgomeryplanningboard.org/agenda/2008/agenda20080403e.html

Planning Board members present:

- *Mr Royce Hanson:, Planning Board Chairman and Vice-Chairman of the Maryland-National Capital Park and Planning Commission*
- *Mr John M Robinson, Planning Board Vice-Chairman and Commissioner*
- *Dr Allison Bryant, Planning Board member and Commissioner*

GIDDENS (00:03) Good afternoon. For the record, my name is Gene Giddens, Acting Deputy Director for the Montgomery County Parks Department. This agenda item pertains to the Golf Course Lease Agreement between the Commission and the Montgomery County Revenue Authority, entered into October 31st, 2006. The lease agreement requires the Revenue Authority to make an annual presentation to the Planning Board regarding the operation of the Commission's four golf courses. At this time, I'm going to turn this program over to Keith Miller, the Revenue Authority's Executive Director.

A presentation with visuals is made, highlighting points of a written report, which is available at http://www.montgomeryplanningboard.org/agenda/2008/documents/20080403_MCRevenueAuthority_print.pdf On page 7 of the written report:

> **Golf Master Plan Update**
> **In March of 2007, the Revenue Authority presented the Planning Board its initial concept for a golf master plan. The plan included phase 1 changes to Needwood, Sligo Creek, and Northwest Golf courses. During the past year, we have remained focused on the project at Sligo Creek. We have spent time reaching out to the community and trying to address their concerns. On January 9, 2008, the Revenue Authority conducted a public meeting to discuss the findings of consultant reports regarding the potential impacts of our concept. Over 200 residents were present and expressed their concerns regarding the potential changes to the property. Since that meeting the Revenue Authority has withdrawn, from its FY09-14 CIP, its request to expend their funds for the Sligo Creek Project with the exception of expending up to $100,000 for additional studies and/or plans if it deems them necessary Additionally, we are in the process of forming a Stakeholders Advisory Group made up of representatives of the affected parties. We are hopeful that this group will provide the advice and recommendations necessary to make Sligo Creek environmentally and economically sustainable with a positive impact on the golf system.**

From the verbal presentation (numeric notations indicate time markers from the audio URL, above):

MR KEITH MILLER (12:51): We have been trying to work with the community throughout this past year, as originally presented last year in our overall Master Plan's Concept. The community has resisted our initial Concept, and we are at this point establishing an advisory group; the advisory group will consist of different members of the community and different people associated with Sligo Creek. The goal is for the group to present recommendations to the Revenue Authority Board in September 2008.

A preliminary meeting for this group has been established as April 22. We hope that during this summer we can get the community's involvement again: they have reach out to us and they have expressed their concerns, and we wanted to go back and clear the slate and basically work with them from the ground up and see if we can come up with a mutually agreeable solution to this property. Additionally, Needwood, Northwest and Little Bennett--and we did agree with the County Executive's recommendation for the FY09 Capital Improvement Plan--as to not to fund these projects based on the outcome of Sligo. Again, as we continue to evaluate the golf course system as a whole, we need to first understand what is going to happen at Sligo Creek and what the outcome of that property is before we can established what is going to happen with the other three properties, according to what was outlined last year as our Master Plan goals for these properties. It just may be a matter of timing of funding and so forth, and so we need to understand how we will be able to accomplish that as we move forward.

CHAIRMAN ROYCE HANSON (14:40): Why is it, just remind me, why is it that you have to have Sligo settled before you can proceed with the others?

MILLER (14:49): Basically, as you are aware, the Revenue Authority is a completely self-supporting entity, and therefore we need to be able to understand what the impacts are from Sligo Creek, for example, if Sligo Creek was to remain as is and we need to continue to support those annual losses, it may affect the timing of how we can move forward with the other projects. So, according to how that [?], we need to again look at everything from a system-wide basis in order to make sure that we have the timing for our funding and so forth in order to move forward with the other projects. So we just felt that we needed to have a better understand of how that project is going to go and in what direction that project will go before we proceed with the other projects.

HANSON: (15:30): You had a 14% increase in rounds at Sligo Creek; how did that affect the revenue cost?

MILLER: The revenues went up substantially over the year as well, but the cost to operate at that level were extremely above budget so, even though we were ahead on our revenues budgets and projections, we were behind on our bottom line projections and our net income projections were actually lower than what we had budgeted, so basically what we were finding when we went through the year, Mr Chairman, was that even though we were able to increase the revenue significantly, the cost of being able to sustain those increases outweighed the benefits.

HANSON: Are you making money on Little Bennett?

MILLER: No, sir.

HANSON: Not making money on Little Bennett either?

MILLER: No.

HANSON: Are you losing more at Little Bennett than you are losing at Sligo?

MILLER: According to the budgets, we are projected to lose more at Little Bennett that we are at Sligo. As you are aware, the Little Bennett Golf Course is outlined specifically in our lease agreement that we cannot do anything with Little Bennett for 5 years. So we have to do our best to maintain that property. Hopefully, as we see the growth in that local marketplace, within 5 years we'll see a change in that property as well.

HANSON (16:50): Yes, because Little Bennett and Sligo had your greatest growth, so you must be doing something right.

MILLER: Yes.

HANSON: At both of these courses too.

HANSON: At that rate of growth... [*simultaneous voices in this section*]

MILLER: Yes, we were very happy to see the response at both of those.

HANSON: ...they exceed Needwood and Northwest, where you have an actual decline...

MILLER: Yes

HANSON: [unclear]

MILLER: That is correct and Northwest, for example, Needwood's rounds total at even over 10%, according to the national and local data, I mean, any of these growth rates that we're showing at these properties is substantial according to what the industry is showing nationwide, even regionally and locally, to be able to see these type of growth rate. Needwood, even at 10.5%, is significant growth and Northwest remaining flat; we did make a change this year in the management team at Northwest, we [... *some changes described*]

HANSON (18:04) What sort of growth potential do you see for Sligo and for Little Bennett?

MILLER: I don't think we're going to be able to maintain this type of growth rate in the upcoming season: I definitely see the system stabilizing more this year that what these numbers show. We were able to realize a significant amount of growth last year with the introduction of new programs and so forth. I think we have another year of growth out of both of these properties, but I think its probably more in line with the growth rates that you're seeing in relation to the total golf system or maybe an additional 3 or 4 or 5% at those properties.

MR JOHN ROBINSON (18:50): It's clear that you're making progress, and we have another role here: we're invested pretty heavily in your operations. You may want to give it to us in a confidential basis but anything that I'm invested in, I'd like to see the financials—profit and loss and balance.

MILLER: Yes. According to the lease, we do submit those reports on a quarterly basis.

ROBINSON: Thank you for reminding me of that. We will ask staff about it.

[*Section on capitol improvement expenditures in the golf system. Mr Miller's report concludes.*]

Prepared testimony (21:20):

- Laura Mol for the Board of Directors of *Friends of Sligo Creek*
- Don Collins, Montgomery County resident

Question and answer period

ROBINSON (27:50): For the community, it's not to see where the merits will go, but if it turns out that, even with your helpful suggestions and a fair trial period, if the golf course can't be made to generate a positive cash flow, it'll probably go away, because the Council is not prepare to subsidize these facilities--it made that very clear.

COLLINS (28:19): I think that the community's understanding--and certainly my understanding (I really can't speak for everyone in all the diverse communities around Sligo)-- I think our understanding is that the system is supposed not to lose money, that Sligo by itself can lose money. And we've seen an increase in the rounds played there; if the cost per round has gone down, but the revenues have gone up, we are still making more money and there are long-term suggestions for reducing costs that also have been suggested.

ROBINSON (28:56): I think you better reach an understanding with the Revenue Authority what the policy is, because my understanding is that the expectations, when the lease was signed, is that in the long run all the facilities, each facility, had to stand on its own feet--and that was a policy decision of the Board and the County when the lease agreement was executed.

COLLINS: I can't speak for anyone else; my interpretation...

ROBINSON: That's just a caution... *[simultaneous voices in this section]*

COLLINS: Thank you.

ROBINSON: *[unclear]* You might get 70 acres of woods, but that's not such a bad thing.

ROBINSON : ...but you should be aware that that's out there.

DR ALLISON BRYANT to [Mr Robinson]: But just be cautious, because you might be just speaking from recall *[general laughter]*.

ROBINSON: I think I'm painfully aware of what led up to the negotiations with the Revenue Authority. I'd rather forget about it.

BRYANT *[addressing staff]*: I thought, Ms Rueben *[spelling?]*, that this is one of the reasons that the Revenue Authority has it, that the question is individually looking at the sustainability of one, independently, but you're looking at the ability as an enterprise to carry the enterprise itself as a whole, and it was understanding that some would be subsidizing others from that standpoint in terms of play because of the different character, demographics, and the location. Again, I'm talking off the top of my head too, so I just didn't want to have this gentleman [*i.e., Mr Collins*] walk away from here thinking one thing and then, when he finds out that that was not what is really being observed, thinking that he might have been misled.

ROBINSON (30:50): I know the Revenue Authority can speak for itself, but I know that we were very concerned that we get Sligo back because it couldn't be turned around and generate sufficient cash flow.

[unclear exchanges]

MS RUEBEN (31:00): I'm simply going to read from the lease; it's a lot easier. It is a public document. Section 12.2 says that [*reads aloud*]:

> **Upon a determination by Tenant, based upon an independent financial analysis of the entire Golf System that indicates that any of the park Golf Courses is adverse to the entire Golf System, Tenant shall have the right to extract any of the Park Golf Courses from the Lease and return it to Landlord; provided, however, Tenant shall first present such findings to the Planning Board and the County Council to consider alternatives to closing the Golf Course.**

ROBINSON (31:40): I stand corrected.

HANSON: So it depends ultimately on what's "adverse."

RUEBEN: That's correct. So it could be determined that if the course itself is losing money and then it's adverse to the system—in fact, that could justify it. But a financial analysis would need to be done, and a presentation would need to be made to both the Planning Board and the County Council.

HANSON: (32:12): And which could include the concept of whether it's a loss leader in terms of getting people interested in golf who then move on into the rest of the system, so there are alternative approaches to that. Mr Miller, any comment on any of this?

MILLER: No, Mr Chairman, not really. The point of the system is that the Revenue Authority is a self-supporting entity and the gist of it all is that we have to manage to balance our system as a total.

HANSON (32:44): I'm pleased that you're setting up the advisory committee and working with the community on this because it's always, we find in almost all our individual park situations, that that's usually a good idea. We don't always reach 100% agreement with what's done, but usually we're able to find a solution that resolves the big issues that people will have and come to a satisfactory outcome. In general, people like the parks: the recent survey done by the County indicates a higher satisfaction with the parks than any other public facility in the county and a very high rate of use so, as far as that's concerned, we're very pleased about that.

I don't think we need to act on this, do we, Mr Giddens?

GIDDENS (33:50): No, sir, that's right. I just want to add for the record, though, that the department is very happy working with the Revenue Authority. We found Mr Miller and his staff very, very responsive. And we are also very sensitive to the needs of the citizens of Sligo.

[*concluding exchanges*]

Transcription by J.D. Royal & Laura Mol

Addendum 4
William "Duke" Beattie, MCPS

From: Beattie, William [William_Beattie@mcpsmd.org]

Sent: Friday, September 05, 2008 11:19 AM

To: Bruce A Sidwell

Cc: Keith Miller

Subject: RE: Last call for approval of SCSAG rept & minutes

Bruce - I do not approve of the report, and I do not agree with the recommendations. Please understand that I represent the interests of Montgomery County Public Schools (MCPS) and its students. The recommended changes will have little or no positive effect on MCPS students, in particular, the students that attend schools in the proximity of Sligo Golf Course. Constructing a driving range would have had a great positive effect. A driving range would have provided students a viable practice facility relatively near their homes and schools. The lack of a driving range facility requires that these students drive appreciable distances and share practice time and space with other schools at other courses in other communities, thus reducing the practice time for teams throughout the county. The students that would have benefitted by the inclusion of a driving range are at a distinct competitive disadvantage compared to their peers in other communities. In this respect, I believe that the committee, collectively, adopted a narrow interpretation of "community" and I do not agree that the best interests of the "community" have been accurately reflected or represented......At least that is my opinion, and I am obviously in the minority......Have a good day.......Duke

From: Bruce A Sidwell [mailto:basidwell@msn.com]
Sent: Friday, September 05, 2008 8:45 AM
To: acp1629; Carole Barth; heathbleau; howlandk; Joe & Diane Liberta; laura; Mike Welsh; Christine.Brett; bowpeake@aol.com; doug.redmond@montgomeryparks.org; Beattie, William; msdonna@comcast.net
Cc: kmiller; Laura Mol
Subject: Last call for approval of SCSAG rept & minutes

Good morning Sligo Creek Stakeholders members,

I've heard from many of you on approving the report as well as the draft minutes for the Aug 26 meeting. But, there are still a number of you who I've not heard from. Today (Sep 5) is the target date for your votes on the report, and your desire to add a separate individual piece to be sent to the MCRA Board with it. While it would be nice to close the books today, there is no practical reason why the date to hear from you can't be extended until Monday (assuming we aren't recovering from Hannah). So the drop dead date is Monday 9pm (Sep 8) on getting your vote in on the report. At that time please also indicate whether you will submit to me and Keith an individual message for the Board. Any individual piece needs to be sent to Keith by Sep 12th so it can be copied and sent on to the MCRA Board.

The date for approval of the Aug 26 minutes is also Sep 8.

Per Donna's request Laura Mol made pdf versions of both documents. They are attached. Except for tiny changes they are exactly the same as what you received from me on Aug 29th. The minutes were corrected to show that Christine works for Parks, not the school system. The report includes a clarifying sentence in the **Sligo as a "Green Course"** paragraph saying "At the last meeting, on August 26, the attending members unanimously approved a proposal to the MCRA Board to develop and promote Sligo as an environmentally-supportive course. In addition, the Stakeholders' sense was that promoting this goal for all the public courses should be undertaken by MCRA."

Thanks,
Bruce

Addendum to the
Sligo Creek Renovation Stakeholder
Advisory Group Report
September 23, 2008

Prepared by:
Donna W. Bartko,
Member & Chair of the County Wide
Recreation & Parks Advisory Board

Members of the Montgomery County Revenue Authority:

Thank you for the opportunity to submit my comments and concerns regarding the future of Sligo Creek Golf Course.

PREFACE

I'd like to share with you my and our board's familiarity with the MCRA and the golf course system. Several years ago, during the transfer of the golf courses from MNCPPC to MCRA, I was vice chair of the County-wide Advisory Board for Parks and Recreation. Our advisory board was active in following the transfer of the four Parks' golf courses to RA from inception. Very early on in the process, Bill Mooney, former director of Enterprise attended one of our board meetings and outlined the reasons, the process and an overview of the lease terms with us. We were kept up to date on this item by Mr. Terry Brooks after Mr. Mooney left MNCPP employ.

Our Countywide board was very concerned and vocal about future use and potential non-parks development of any or all of the four Parks' golf course properties and what the ultimate disposition of those courses could be if a golf course was deemed detrimental to the golf course system. Original draft language in the lease allowed for golf course land to have the potential to be transferred to private parties, who were prohibited from running any type of golf course activity but would have no other limitations except for zoning and permitting. We were extremely concerned that transfer of public land to private ownership could result in dense housing projects or other non-open space use with a significant lessening of green space.

The Countywide Board has members from each of the five local boards (Silver Spring, Eastern, Western, Mid-County and Up-County) and these boards were also kept involved and apprised of the ongoing situation and golf course negotiations. We voiced our concerns loudly and often -- not only to the Planning Board, but to Council members as well. Certainly, our board was not the only concerned party, but we were clearly an influence in assuring that the lease language required the return of any golf course from RA directly back to Parks in lieu of open market possibilities. Before and after the lease was executed, Keith Miller attended several of our meetings to answer questions, review the ideas for the golf course master plan and to solicit our perspectives. Our board was frank and strongly expressed qualms relative to the golf courses master plan, fee structures, programs and essential requisites to meeting the needs of county residents – young, elderly and challenged. We have also indicated our strong desire to resolve the Sligo course problems with minimal discomfort to the adjacent neighborhoods.

Mr. Miller also met with the Silver Spring Parks & Recreation Advisory Board on several occasions taking them on more than one tour of Sligo Golf Course and the adjacent neighborhoods to assure the SS was informed and in a position to give feedback. Steven Earll of the SS advisory board and a member of the county wide advisory board has been a liaison to Mr. Miller over the last year sharing with him questions and concerns while also keeping the county wide board informed and up to date on the SS board's discussions and activities regarding Sligo Golf course.

We also established an ad hoc group of golfers from each of the regional boards and me to meet periodically with Mr. Miller to make sure that he received feedback and kept our groups in an information loop on many golf issues, but specifically the Sligo golf course because of the citizen concerns.

Last Fall during one of our ad hoc meetings Mr. Miller briefed us on a recent meeting he had with the neighborhood groups and the requests that he had received: follow up on Audubon affiliation, obtain lighting information and traffic studies. He advised us that he was doing so and that he anticipated a public meeting to present that information in December 2007; he asked me to moderate the meeting, keeping the tone of the meeting objective and to try to keep the tone of the meeting less emotional and more businesslike.

The video tape of the entire meeting will demonstrate that I met those goals 100%. The video tape of that meeting will also demonstrate that at that time I suggested that a task force be put together to try to work together with the MCRA to mediate a win-win solution for both the communities, for the county, for the MCRA and most importantly for the golfers. During that meeting, I also spoke briefly with Councilmember Marc Elrich about a task force to work with the community and he indicated his concurrence to me that it would be a good idea to try to get the two entities to work together.

Later this spring I was contacted by Mr. Miller to join the Stakeholder group to represent the county-wide perspective. It was my understanding at that time the group was more of a stakeholders group rather than a task force, but that the county executive's office, more than several of the county council members and the MCRA board wanted this group to come together to try to work out acceptable solutions to the problems.

I was please to find that the group's objective: To become familiar with the current conditions at Sligo Creek Golf Course and to make recommendations to the Montgomery County Revenue Authority Board (MRRA) that the Group fees will be acceptable to the community at large while making the facility environmentally and economically sustainable and a positive contribution to the golf course system. The goal of the Stakeholder Advisory Group is to conduct meetings and business as necessary to provide its written recommendation and advice to the MCRA Board in September 2008.

COMMENTS & CONCERNS

Having missed only one meeting during the entire tenure of the group, I fully participated in the process and came away quite disappointed and saddened by the lack of work product and the failure of the group to meet even a modicum of the group's goal.

This group, as demonstrated by the report, was never able to or willing to work to identify or work towards identifying any sources of income producing amenities that could generate revenue to offset the obvious need for repairs to deferred maintenance let alone any additional improvements.

The neighborhood groups merely reiterated their perspectives on not just being against any kind of driving range, but to actually becoming hostile when non-neighborhood group members wanted to discuss different, smaller levels of driving ranges or alternative sites for a driving range with the understanding that income generation was and is key to keeping this golf course viable.

The group did not spend any significant time or energy on environmental issues, the group did not address traffic issues nor did the group discuss at any length the Audubon Society concerns the neighborhoods had raised as their most meaningful concerns over and over to their Council members and to the County Executive. The group did spend significant time discussing video arcade virtual driving range golf as an alternative to a true driving range, much to my and other's chagrin.

As you read the report and as you read the addendum, it will become very clear that there is no consensus from this group other than that espoused by the neighborhoods in proximity to Sligo that they want no changes, but that they want the deferred maintenance repairs made at the expense of others.

I have reviewed and briefed the County-wide Board and the Area Board Representatives about this group's dynamics and the final product and lack of significant positive recommendations to the MCRA board. Our County-wide Board has empowered me to let you know that we support keeping Sligo Creek Golf Course functioning as part of the MCRA golf course system.

Towards that end, we have formed an ad-hoc advisory group to aid Mr. Miller and yourselves in obtaining a more global perspective from the Montgomery County community to augment the limited perspective from the small neighboring communities who may have more exclusive concerns rather than more inclusive concerns of the majority of the citizens of Montgomery County.

I will be more than happy to meet with you to discuss this addendum or to answer any questions you may have. Again, thank you for the opportunity to serve the MCRA, the citizens of Montgomery County and the current and future golfers of Montgomery County.

Respectfully submitted.

Donna W. Bartko

Montgomery County Revenue Authority
Board of Directors Resolution
January 27, 2009

Resolution No. 290109

RESOLVED that the Montgomery County Revenue Authority (MCRA) Board of Directors, having received and reviewed the independent financial analysis provided by NGF Consulting of the entire Golf System indicating that the Sligo Creek Golf Course is adverse to the entire Golf System, does hereby so determine that the Sligo Creek Golf Course is adverse to the entire Golf System, and hereby directs that the Executive Director extract the Sligo Creek Golf Course from the lease between MCRA and the Maryland-National Capital Park and Planning Commission dated 26 October 2006 (hereinafter referred to as the "Lease").

IT IS THEREFORE the resolution of the MCRA Board of Directors that the Executive Director is hereby authorized and directed to proceed with the immediate extraction of the Sligo Creek Golf Course from the Lease as provided in Section 12.2 of the Lease;

IT IS FURTHER resolved that the MCRA Board of Directors authorizes the Executive Director to enter into an amendment to the Lease or separate Agreement (as the Executive Director may deem appropriate) by no later than April 15, 2009 providing for, notwithstanding its extraction from the Lease, the continued operation of the Sligo Creek Golf Course by MCRA substantially in accordance with the provisions of the Lease and/or on such other or different terms as the Executive Director may deem appropriate for a period of time no longer than October 1, 2009.

Approved by the MCRA Board of Directors the 27th day of January, 2009.

Stephen H. Edwards
Chairman

MONTGOMERY COUNTY REVENUE AUTHORITY

MEMORANDUM

TO: County Council

FROM: Keith Miller, Executive Director
Montgomery County Revenue Authority

DATE: March 19, 2009

SUBJECT: Expedited Bill 8-09, Park Department – Golf Courses – Lease with Revenue Authority – Amendment

After attending the public hearing on expedited bill 8-09 and receiving a copy of the written testimony submitted, I submit the following to hopefully clarify some of the statements made.

Determination of Adverse – Several of the testimonies question the determination that Sligo is Adverse. This pertains to the language in section 12.2 of the lease agreement which states, "Upon determination by tenant, based upon an independent financial analysis of the entire Golf System that indicates that any of the Park Golf Courses is adverse to the entire Golf System..." The MCRA submitted a copy of the National Golf Foundation (NGF) Consulting report which clearly states, "Based on the above analysis of expected future performance, coupled with the previous analysis of actual performance, it is clear to the NGF Consulting team that Sligo Creek is the most 'adverse' facility in the overall system due to its poor economic performance and its general type of facility (9-hole with limited ancillaries)." (NGF Consulting, Inc - Montgomery County Revenue Authority- Letter report – 21). Considering the conclusion of the NGF Consulting report and the MCRA's determination, we believe we have satisfied the requirements of the lease agreement.

Management Fee – The written and verbal testimony submitted to Council includes several references to the distribution of the management fee and its impact on the financial performance of Sligo Creek. The NGF Consulting report addresses this by stating, "We also note that eliminating or modifying the $160,000 management fee at this facility will not be enough to eliminate the economic loss and still leaves the problem of appropriate management for the facility." (NGF Consulting, Inc - Montgomery County Revenue Authority- Letter report – 21).

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Sligo Creek Stakeholders Advisory Group – There were several references made to the openness of the MCRA during the meetings with the advisory group that should be clarified. The MCRA attended all of the meetings with the group but did not have a vote in the group and we served as a resource of information. The biggest discussion point of the group was what to do about a driving range. The group discussed this over several meetings and seemed to be stuck. At the July 1st meeting, I expressed my observations regarding the group's progress and stressed the need for the group to remain on task. I suggested that the group needed to first determine if they would support a driving range. I clarified that if the group determined they would accept a driving range then the discussions could include size, hours of operation, and location. The group voted in the affirmative on a motion to not approve a driving range in the recommendations to the MCRA Board. The group again discussed this motion at the July 15th meeting and stated that I had given an ultimatum, which I again clarified that it was my suggestion for the group to first vote if they were agreeable to a driving range and, if they were, then they could discuss the particulars. At the July 29th meeting, the group again revisited the discussion of the driving range and I again clarified my statements. A motion was introduced to rescind the passed vote to not approve the driving range that was approved on July 1st and the motion was defeated. The MCRA's focus from the beginning of the lease agreement with Parks was to find a solution for losses at Sligo Creek. We have spent two years reviewing the property and working with the community to find a solution, which ultimately led us to the decision of extracting it from the system and returning it to Park and Planning.

Sligo Creek Stakeholders Advisory Group Recommendations – The MCRA has stated its appreciation for the time dedicated by each member of the group as well as the recommendations provided by the group. The MCRA has implemented several of the group's recommendations; however, the MCRA does not believe that the recommendations address the financial needs of the facility. The most significant recommendation to increase revenues was to increase the price by $1 or $2, which the MCRA did in 2008. Additionally, it was suggested during public testimony to the Council, that the golfers would be willing to subsidize the operations of Sligo Creek by a small increase. The result of the MCRA's increase at Sligo was a 9% decrease in rounds played versus 2007. This is in contrast to the other 3 park golf courses which all grew rounds in 2008 versus 2007.

In conclusion, we are sympathetic to the users of the facility and members of the local community. As stated above, the MCRA has been working on a solution for Sligo Creek for two years and although the decision to extract Sligo and return it to Park and Planning is difficult, it is one that the MCRA has to make. Although many people cannot understand the decision, if you review the data available this is not a problem that is limited to Sligo Creek but a challenge that is facing this type of facility, stand alone nine-hole courses, throughout the Country. As indicated in the NGF report Sligo is the most adverse course to the system, and we believe the future sustainability of the system will be secure when the property is no longer operated as a golf course.