



MARKET
ANALYSIS – UPDATE
BASED ON 2016
SEASON

HAMILTON
MUNICIPAL GOLF
COURSES

MARCH 2017

INSIGHT | STRATEGY | SUCCESS

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OVERVIEW

In October 2015, the City of Hamilton (“the City”), which owns and operates three 18-hole golf courses (Chedoke – Beddoe, Chedoke – Martin and King’s Forest, herein referred to as “the Courses” or “the Hamilton Municipal Courses”) engaged Global Golf Advisors (“GGA”) to perform a Market Study which would analyze trends for the golfing industry from a local, regional and national perspective. The Market Study focused on the quality and service standards of competitors in the market area, as well as price points and population demographics, to better understand gaps and opportunity segments. The results of this analysis were leveraged to develop a Revenue Plan for the courses based on the recommended pricing and packaging strategy.

Now that the 2016 season has come to completion, the following analysis and report seeks to update the November 2015 Market Analysis and review the performance and revenue changes that occurred based upon the previous report recommendations. This report will also provide new recommendations for the 2017 season based on the previous results/recommendations to ensure that the pricing and packaging strategy at the City of Hamilton courses remains on track with the strategies in place to maximize golf related revenue.

Total rounds played at each course in 2015 and 2016, along with GGA’s target rounds capacity for each course, is presented below:

Course	2015 Rounds	2016 Rounds	Change	Target Rounds	% of Target Achieved (2016)
King's Forest	22,961	24,314	1,353	27,000	90%
Martin	14,677	12,232	(2,445)	45,000	67%
Beddoe	14,822	18,096	3,274		
All Courses	52,460	54,642	2,182	72,000	76%

Finally, the final section of this report will complete an impact analysis for the Chedoke operations based on the future potential of the Martin Course being taken out of play, as well as recommendations for the future use of that land.

Our analysis and related conclusions contained herein were based on the economic and industry trends prevailing and information available as at the date of report issuance. No responsibility is taken for changes in market conditions subsequent to this date.

LOCAL MARKET COMPETITOR PRICING ANALYSIS

The Hamilton golf market has seen little or no growth over the past five to seven years. Rounds played at the majority of facilities have remained relatively unchanged, or even seen a slight decline mainly due to poor weather, but overall do not exhibit a significant trend. The stagnation of growth is indicative of a mature competitive market, where price sensitivity will only increase and courses with outdated pricing schemes will lose out on market share. Table 1, below, outlines the local market competitive set for public golf market in Hamilton and the surrounding area used in the 2015 market analysis.

Table 1: Competitive Set in the Local Market

Course	Location	Drive Time (min)	Holes	Yardage	Course	Location	Drive Time (min)	Holes	Yardage
Arrowdale Golf Course	Brantford	31	18	4960	Flamborough Hills GC	Copetown	26	27	6568
Brant Valley Golf Club	St. George	36	18	5710	Hidden Lake	Burlington	27	36	6743
Caistorville Golf Club	Caistor	30	18	4817	Indian Wells	Burlington	28	18	6402
Camisle Golf Course	Burlington	25	27	5053	King's Forest Golf Course	Hamilton	-	18	7150
Carlisle Golf & CC	Carlisle	29	27	6673	Knollwood Golf Club	Ancaster	22	36	6162
Cayuga Golf Club	Cayuga	44	18	4756	Lowville Golf Club	Burlington	26	18	6323
Century Pines	Troy	27	18	6635	Millcroft Golf Club	Burlington	24	18	5735
Chedoke Golf Club - Beddoe	Hamilton	-	18	6084	Mystic Golf Club	Ancaster	22	18	7365
Chedoke Golf Club - Martin	Hamilton	-	18	5745	Oak Gables Golf Club	Jerseyville	22	27	4320
Chippewa Creek	Mount Hope	23	27	6400	Scenic Woods Golf & CC	Binbrook	24	18	6437
Copetown Woods Golf Club	Copetown	27	18	6965	Southbrook Golf & CC	Binbrook	27	18	6658
Coral Creek Golf Course	Fisherville	45	18	7030	Southern Pines Golf & CC	Mount Hope	20	18	4299
Crosswinds Golf & CC	Burlington	32	18	7240	Sundrim Golf Club	Caledonia	33	27	6105
Dragon's Fire Golf Club	Carlisle	27	18	7200	Tyandaga Golf Course	Burlington	20	18	5803
Dunnville Golf & CC	Haldimand	45	9	2850	Willow Valley Golf Course	Mount Hope	17	18	6522
Empire Springs Golf Club	York	32	18	6322					

GGA scanned the competitive set above to determine pricing and programs, with the goal of understanding the Hamilton Municipal Courses pricing-position in the local market and any opportunities or gaps that the Courses can take advantage of. Rates have been updated with 2016 pricing to reflect the new price positioning of each of the City of Hamilton courses now that the new fees are in effect. The courses are ranked in order of peak 18-hole fees including a cart (taxes included to be consistent with City of Hamilton posted rates):

Table 2: Green Fee Pricing in the Competitive Set


Course	Yardage	Weekdays		Weekends		Cart Fee 18 Holes	Peak Rate With Cart
		9-Hole	18-Hole	9-Hole	18-Hole		
Carlisle Golf & CC	6673	\$ 48.53	\$ 71.13	\$ 48.53	\$ 82.43	\$ 19.78	\$ 102.21
Dragon's Fire Golf Club*	7200		\$ 66.67		\$ 77.97	\$ 20.00	\$ 97.97
Century Pines	6635	\$ 48.53	\$ 65.48	\$ 48.53	\$ 76.78	\$ 19.78	\$ 96.56
Copetown Woods Golf Club*	6965		\$ 62.15		\$ 73.45	\$ 20.34	\$ 93.79
Crosswinds Golf & CC*	7240		\$ 68.00		\$ 78.00	\$ 15.00	\$ 93.00
Flamborough Hills Golf Club	6568	\$ 35.00	\$ 57.00	\$ 42.00	\$ 68.00	\$ 20.00	\$ 88.00
Indian Wells	6402		\$ 59.00		\$ 69.00	\$ 19.00	\$ 88.00
Millcroft Golf Club	5735		\$ 60.00		\$ 70.00	\$ 18.00	\$ 88.00
Mystic Golf Club*	7365		\$ 72.00		\$ 86.39	incl.	\$ 86.39
King's Forest Golf Course	7150	\$ 32.00	\$ 60.00	\$ 32.00	\$ 68.00	\$ 17.00	\$ 85.00
Willow Valley Golf Course	6522	\$ 44.07	\$ 61.02	\$ 44.07	\$ 66.67	\$ 17.00	\$ 83.67
Hidden Lake	6743	\$ 31.64	\$ 56.50	\$ 40.68	\$ 62.15	\$ 21.47	\$ 83.62
Lowville Golf Club	6323	\$ 39.55	\$ 56.50	\$ 50.85	\$ 62.15	\$ 19.21	\$ 81.36
Knollwood Golf Club	6162	\$ 29.00	\$ 40.00	\$ 33.00	\$ 50.00	\$ 18.00	\$ 68.00
Chedoke - Beddoe Course	6084	\$ 25.00	\$ 43.00	\$ 28.00	\$ 50.00	\$ 17.00	\$ 67.00
Chippewa Creek	6400	\$ 27.00	\$ 37.75	\$ 30.25	\$ 48.50	\$ 17.00	\$ 65.49
Southbrook Golf & CC	6658	\$ 21.00	\$ 32.00	\$ 25.00	\$ 45.00	\$ 18.00	\$ 63.00
Tyandaga Golf Course	5803		\$ 30.00		\$ 45.00	\$ 17.00	\$ 62.00
Coral Creek Golf Course	7030	\$ 25.00	\$ 39.00	\$ 32.00	\$ 46.00	\$ 14.00	\$ 60.00
Camisle Golf Course	5053	\$ 24.00	\$ 39.00	\$ 25.00	\$ 40.00	\$ 18.00	\$ 58.00

Course	Yardage	Weekdays		Weekends		Cart Fee 18 Holes	Peak Rate With Cart
		9-Hole	18-Hole	9-Hole	18-Hole		
Sundrim Golf Club*	6105		\$ 39.00		\$ 43.00	\$ 15.00	\$ 58.00
Chedoke - Martin Course	5745	\$ 19.00	\$ 33.00	\$ 21.00	\$ 38.00	\$ 17.00	\$ 55.00
Southern Pines Golf & CC	4299	\$ 26.00	\$ 37.00	\$ 26.00	\$ 37.00	\$ 16.50	\$ 53.50
Empire Springs Golf Club	6322	\$ 20.00	\$ 28.00	\$ 24.00	\$ 36.00	\$ 16.00	\$ 52.00
Oak Gables Golf Club	4320	\$ 24.00	\$ 34.00	\$ 24.00	\$ 34.00	\$ 16.00	\$ 50.00
Dunnville Golf Club	2850	\$ 19.00	\$ 27.00	\$ 22.00	\$ 32.00	\$ 15.00	\$ 47.00
Caistorville Golf Club	4817		\$ 24.00		\$ 30.00	\$ 15.00	\$ 45.00
Brant Valley Golf Club*	5710		\$ 38.00		\$ 43.66	incl.	\$ 43.66
Arrowdale Golf Course	4960	\$ 18.00	\$ 27.00	\$ 18.00	\$ 27.00		
Cayuga Golf Club	4756	\$ 17.00	\$ 24.00	\$ 17.00	\$ 27.00		
Scenic Woods Golf & CC*	6437		\$ 39.55		\$ 39.55		
Competitor Set Average	6033	\$ 28.67	\$ 46.02	\$ 31.60	\$ 53.31	\$ 17.54	\$ 71.97

*Indicates green fees have not been updated since the previous analysis.

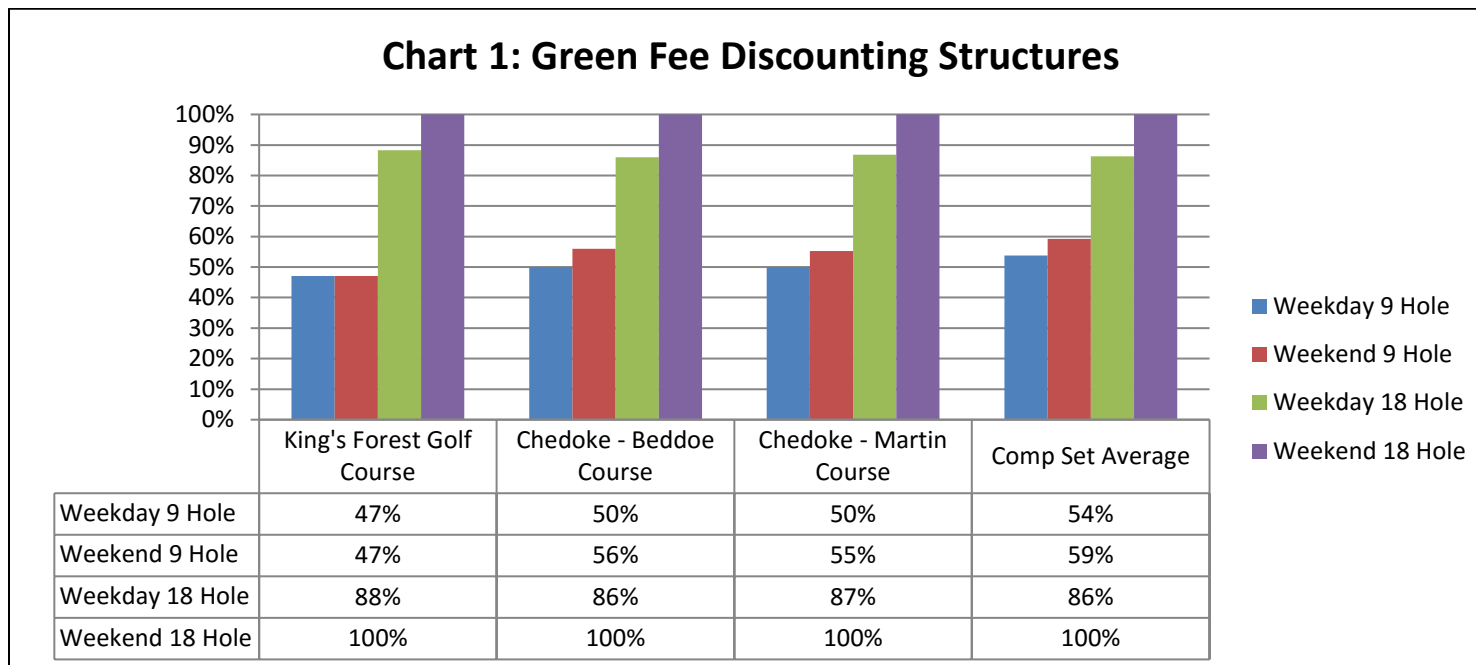
The comparison table below outlines key observations from the 2015 report compared to any changes to the observations that have occurred as a result of the updated 2016 pricing, and/or new industry and economic trends that may affect each observation:

Table 3: Green Fee Pricing Observations

<u>2015 Observation</u>	<u>2016 Update</u>
1. The peak 18-hole rate including a cart for the competitive set ranged from \$44 to \$99 with an average of \$72.32 . The price positioning for the three Hamilton Municipal Courses are spread out nicely across the competitive set.	 The peak 18-hole rate including a cart for the competitive set ranged from \$44 to \$102 with an average of \$71.97 . GGA believes all three courses provide strong value-for-money compared to the competitor clubs at each given price-point.

<u>2015 Observation</u>	<u>2016 Update</u>
<p>2. It is of GGA’s belief that King’s Forest is one of, if not the highest quality public course in the competitive set, despite a peak price that ranks below nine other competitors. The value-for-money at King’s Forest is likely the strongest on the market, which needs to be reflected in future Course promotional communications.</p>	<p>✚ The city held prices flat at King’s Forest in 2016 despite the recommendation to increase the green fees. The same recommendation holds true for 2017 as King’s Forest should be price positioned at or near the very top end of the market.</p>
<p>3. The average 18-hole cart fee at each of the Hamilton Municipal Courses is well aligned with the average for the competitive set (\$17.28).</p>	<p>✚ The average 18-hole cart fee at each of the Hamilton Municipal Courses is well aligned with the average for the competitive set (\$17.54).</p>
<p>4. The off-peak discounting structure for the competitive set average is as follows:</p> <ul style="list-style-type: none"> a. Average 18-hole weekday green fee rates are priced at 86% of the average 18-hole weekend rate. b. Average 9-hole weekday green fee rates are priced at 59% of the average 18-hole weekday rate. c. Average 9-hole weekend green fee rates are priced at 55% of the average 18-hole weekend rate. 	<p>✚ The off-peak discounting structure for the competitive set average is as follows:</p> <ul style="list-style-type: none"> a. Average 18-hole weekday green fee rates are priced at 86% of the average 18-hole weekend rate. b. Average 9-hole weekday green fee rates are priced at 62% of the average 18-hole weekday rate. c. Average 9-hole weekend green fee rates are priced at 59% of the average 18-hole weekend rate.

Chart 1, below, illustrates the relative fee structures of the three Hamilton Municipal courses in comparison to the competitive set averages:



HISTORIC RATE TRENDS

Green fee prices have also exhibit a flat trend across the local market over the past seven years. **Between 2009 and 2013, the average annual growth in peak prices across the competitive set was just 0.24%. From 2013 to current 2015 rates, prices remained almost completely stagnant (0.09% annually).** Based on the updated pricing for 2016, it appears that the market has remained price stagnant. In fact, the average annual growth from 2015 to 2016 was -0.58%. Overall, the cumulative average growth rate for peak prices within the competitive set is just 1.11% since 2009, less than the typical inflation rate for a single year.

Table 4, below, highlights the peak price growth since 2009 on a course-by-course basis for the competitive set, ranked by the cumulative price growth achieved since 2009:

Table 4: Historic Green Fee Pricing Trend in Competitive Set

Course	Cumulative Growth	Annual change 2015-2016	Annual change 2013-2015	Annual change 2009-2013	Peak Green Fee Rates			
					2016	2015	2013	2009
Century Pines	37.3%	18.2%	5.3%	1.3%	\$76.78	\$64.98	\$58.76	\$55.94
Sundrim Golf Club	26.5%		8.1%	2.2%		\$43.00	\$37.00	\$34.00
Flamborough Hills Golf Club	23.6%	1.5%	5.8%	2.3%	\$68.00	\$67.00	\$60.00	\$55.00
Carlisle Golf & CC	15.8%	8.1%	2.7%	0.4%	\$82.43	\$76.28	\$72.32	\$71.19
King's Forest Golf Course	9.7%	0.0%	0.0%	2.4%	\$68.00	\$68.00	\$68.00	\$62.00
Coral Creek Golf Course	9.5%	0.0%	0.0%	2.4%	\$46.00	\$46.00	\$46.00	\$42.00
Knollwood Golf Club	8.7%	0.0%	0.0%	2.2%	\$50.00	\$50.00	\$50.00	\$46.00
Chedoke - Martin Course	8.6%	-5.0%	0.0%	3.6%	\$38.00	\$40.00	\$40.00	\$35.00
Arrowdale Golf Course	8.0%	8.0%	2.1%	-1.0%	\$27.00	\$25.00	\$24.00	\$25.00
Millcroft Golf Club	7.7%	1.4%	0.0%	1.5%	\$70.00	\$69.00	\$69.00	\$65.00
Indian Wells	6.2%	0.0%	0.0%	1.5%	\$69.00	\$69.00	\$69.00	\$65.00
Southern Pines Golf & CC	2.8%	2.8%	0.0%	0.0%	\$37.00	\$36.00	\$36.00	\$36.00
Chedoke - Beddoe Course	2.0%	-9.1%	0.0%	3.1%	\$50.00	\$55.00	\$55.00	\$49.00
Copetown Woods Golf Club	0.0%		0.0%	0.0%		\$73.45	\$73.45	\$73.45

Course	Cumulative Growth	Annual change 2015-2016	Annual change 2013-2015	Annual change 2009-2013	Peak Green Fee Rates			
					2016	2015	2013	2009
Crosswinds Golf & CC	0.0%		0.0%	0.0%		\$78.00	\$78.00	\$78.00
Camisle Golf Course	-2.4%	0.0%	2.6%	-1.8%	\$40.00	\$40.00	\$38.00	\$41.00
Brant Valley Golf Club	-3.4%		6.8%	-3.8%		\$43.66	\$38.42	\$45.20
Chippewa Creek	-4.6%	0.0%	0.0%	-1.2%	\$48.50	\$48.50	\$48.50	\$50.85
Oak Gables Golf Club	-5.6%	0.0%	0.0%	-1.4%	\$34.00	\$34.00	\$34.00	\$36.00
Southbrook Golf & CC	-6.3%	0.0%	-4.1%	0.5%	\$45.00	\$45.00	\$49.00	\$48.00
Dragon's Fire Golf Club	-8.0%		-7.9%	2.3%		\$77.97	\$92.66	\$84.75
Lowville Golf Club	-8.3%	-8.3%	0.0%	0.0%	\$62.15	\$67.80	\$67.80	\$67.80
Mystic Golf Club	-9.1%					\$86.39		\$95.00
Tyandaga Golf Course	-15.9%	-10.0%	-0.6%	-1.4%	\$45.00	\$50.00	\$50.58	\$53.50
Hidden Lake	-23.6%	-20.3%	0.0%	-1.0%	\$62.15	\$77.97	\$77.97	\$81.36
Scenic Woods Golf & CC	-23.9%		-9.3%	-1.6%		\$39.55	\$48.59	\$51.98
Willow Valley Golf Course	-25.3%	0.0%	0.0%	-6.3%	\$66.67	\$66.67	\$66.67	\$89.27
Caistorville Golf Club		0.0%	0.0%		\$30.00	\$30.00	\$30.00	
Cayuga Golf Club		0.0%	-9.1%		\$27.00	\$27.00	\$33.00	
Competitor Set Average	1.11%	-0.58%	0.09%	0.24%	\$51.94	\$55.01	\$53.99	\$56.94

SEASON PASS/MEMBERSHIP ANALYSIS

Table 5, below, highlights the common membership offerings within the competitive set, ranked by the price of the Individual Unlimited Memberships at each course:



Table 5: Membership Offerings in the Competitive Set



Course	Unlimited			Limited		
	Individual	Couple	Spouse %	Individual	% Full	Couple
Crosswinds Golf & CC*	\$ 3,978			\$ 3,468	87%	
Hidden Lake	\$ 3,775	\$ 6,635	76%			
Dragon's Fire Golf Club	\$ 3,729	\$ 7,119	91%	\$ 2,800	75%	\$ 5,400
Millcroft Golf Club	\$ 3,700	\$ 7,085	91%	\$ 3,120	84%	\$ 5,915
Lowville Golf Club	\$ 2,938			\$ 2,034	69%	
Indian Wells	\$ 2,900	\$ 5,200	79%	\$ 2,000	69%	\$ 4,000
Carlisle Golf & CC	\$ 2,495	\$ 4,990	100%	\$ 1,995	80%	
Century Pines	\$ 2,495	\$ 4,990	100%	\$ 1,995	80%	
King's Forest Golf Course	\$ 2,134	\$ 3,847	80%	\$ 1,582	74%	
Flamborough Hills Golf Club	\$ 2,069	\$ 4,138	100%	\$ 1,730	84%	
Chedoke Golf Club - Beddoe/Martin	\$ 2,029	\$ 3,560	75%	\$ 1,531	75%	
Chippewa Creek	\$ 2,006	\$ 3,447	72%	\$ 1,497	75%	\$ 2,684
Southbrook Golf & Country Club	\$ 1,850	\$ 3,400	84%	\$ 1,250	68%	\$ 2,200
Tyandaga Golf Course	\$ 1,781	\$ 3,164	78%	\$ 1,611	90%	\$ 2,825
Knollwood Golf Club	\$ 1,639	\$ 2,656	62%	\$ 1,446	88%	\$ 1,950
Sundrim Golf Club*	\$ 1,520	\$ 2,600	71%	\$ 1,300	86%	\$ 1,740
Coral Creek Golf Course	\$ 1,500			\$ 1,200	80%	
Chedoke Golf Club - Martin	\$ 1,334	\$ 2,344	76%	\$ 1,009	76%	
Southern Pines Golf & Country Club	\$ 1,226	\$ 2,345	91%			
Mystic Golf Club	\$ 1,181					

Course	Unlimited			Limited		
	Individual	Couple	Spouse %	Individual	% Full	Couple
Scenic Woods Golf & Country Club	\$ 1,068					
Oak Gables Golf Club	\$ 1,040	\$ 1,820	75%			
Cayuga Golf Club	\$ 1,016	\$ 1,919	89%			
Empire Springs Golf Club	\$ 961	\$ 1,865	94%	\$ 760	79%	\$ 1,464
Dunnville Golf Club	\$ 887	\$ 1,113	25%			
Arrowdale Golf Course	\$ 864	\$ 1,509	75%	\$ 622	72%	\$ 1,124
Caistorville Golf Club	\$ 745	\$ 1,290	73%			
Brant Valley Golf Club	\$ 740					
Competitor Set Average	\$ 1,914	\$ 3,502	80%	\$ 1,734	78%	\$ 2,930

The comparison table below outlines key membership pricing observations from the 2015 report compared to any changes to the observations that have occurred as a result of the updated 2016 membership pricing, and/or new industry and economic trends that may affect each observation:

Table 6: Membership Pricing Observations

<u>2015 Observation</u>	<u>2016 Update</u>
<p>1. Full unlimited single memberships within the competitive set range from \$728 to \$3,978 with an average price of \$1,891. King's Forest and the Beddoe/Martin joint memberships are positioned as the 8th highest priced membership within the competitive set.</p>	<p> Full unlimited single memberships within the competitive set range from \$740 to \$3,978 with an average price of \$1,914.</p>
<p>2. Spousal discounts are quite common within the competitive set. The average cost for a spouse to join is 79% of the</p>	<p> Spousal discounts remain common within the competitive set. The average cost for a spouse to join is 80% of the primary</p>

<u>2015 Observation</u>	<u>2016 Update</u>
<p>primary member. This structure aligns well with the current practice at King’s Forest and Beddoe/Martin (80%).</p>	<p>member. This structure aligns well with the current practice at King’s Forest (80%) and Beddoe/Martin (75%).</p>
<p>3. Limited memberships are equally as common as Couples memberships, with the golf restriction almost always being a weekday only membership (occasionally afternoon weekend golf is allowed). The average ‘restricted’ membership in the competitive set is priced at 77% of the respective unlimited single membership. All three Hamilton Municipal Courses offer a slightly better discount compared to the competitive set average.</p>	<p> Limited memberships are equally as common as Couples memberships, with the golf restriction almost always being a weekday only membership (occasionally afternoon weekend golf is allowed). The average ‘restricted’ membership in the competitive set is priced at 78% of the respective unlimited single membership. All three Hamilton Municipal Courses still offer a slightly better discount compared to the competitive set average.</p>
<p>4. Flex passes are a new, versatile form of membership that is currently offered by several competitors. The low-upfront investment, ‘pay-as-you-play’ structure has gained popularity amongst an increasingly budget conscious golf audience across North America. Below are a few examples:</p> <ul style="list-style-type: none"> a. Dragon’s Fire Golf Club: \$495 down payment to receive 20% off the applicable fee at the time of the round, applies to weekdays only. b. Millcroft Golf Club: \$300 down payment to receive 20% off the peak regular priced green fee, applies to weekdays after 12pm and weekends anytime. The Club sold a limited number of these memberships in 2015. 	<p> Flex passes are a new, versatile form of membership that is currently offered by several competitors. The low-upfront investment, ‘pay-as-you-play’ structure has gained popularity amongst an increasingly budget conscious golf audience across North America. Below are a few examples:</p> <ul style="list-style-type: none"> o Dragon’s Fire Golf Club: No longer offering the flex membership, only prepaid round packages. o Millcroft Golf Club: \$305 down payment to receive 20% off the peak regular priced green fee, applies to weekdays after 12pm and weekends anytime. The Club again limited the number of flex memberships sold.

<u>2015 Observation</u>	<u>2016 Update</u>
<p>c. Lowville Golf Club: \$499 down payment to receive 50% off all green fees, includes 10 free cart rides and other member perks. Or pay \$149 down payment to receive 20% off all green fees.</p>	<p>o Lowville Golf Club: \$499 down payment to receive 50% off all green fees, includes 10 free cart rides and other member perks. Or pay \$149 down payment to receive 20% off all green fees. Limited quantities available.</p>

INTERNAL GOLF REVENUE ANALYSIS

The previous section of the report analyzed the Hamilton Municipal Courses as they compare to the competitive set in the local market area, with the goal of identifying gaps and opportunities to support recommended changes to the current fee structures and category offerings. It will be equally critical to analyze the golf revenue performance of the three city Courses to identify the change in round make-up and the profitability of each membership category.

ROUNDS PLAYED SUMMARY

The Hamilton Municipal Courses had been experiencing a declining demand since 2010 and made minimal adjustments to peak rate pricing. Based on GGA's perception of each Course, the value-for-money continues to be extremely high at King's Forest and was improved at Chedoke by lowering the rates slightly. The adjustments resulted in a net increase of more than 2,100 combined rounds, as summarized below:

Public Rounds:	+3,536
Flex Rounds:	+531
Member Rounds:	<u>(1,885)</u>
Total Rounds:	+2,182

The Hamilton Municipal Courses must continue to focus attention on aggressively increasing rounds played at each facility. The 2015 market report projected a target of 27,000 rounds played at King's Forest and 45,000 combined rounds at Chedoke. During 2016, King's Forest achieved 24,314 rounds and 30,328 rounds were played at Chedoke. GGA still believes the original projections to be attainable in the future, though it will only be achieved through dedicated focus and attention on selling rounds. A robust communications and yield management program is needed to get the word out that the Courses are moving towards dynamic pricing models, within affordability parameters in order to continue providing strong value and accessible golf to Hamilton residents while enhancing the City's ability to sustain its Courses, both from a financial and a capital perspective.

PAID ROUNDS/GREEN FEE ANALYSIS

Table 7, below, outlines the performance of paid rounds at each course in 2016 compared to past years:

Table 7: Paid Rounds at Hamilton Municipal Courses

Course	2014			2015			2016		
	Rounds	Revenue	Net Rate	Rounds	Revenue	Net Rate	Rounds	Revenue	Net Rate
King's Forest	14,813	\$ 549,561	\$ 37.10	15,620	\$ 568,993	\$ 36.43	17,237	\$ 638,595	\$ 37.05
Martin	11,376	\$ 249,068	\$ 21.89	12,604	\$ 272,501	\$ 21.62	11,117	\$ 229,642	\$ 20.66
Beddoe	9,194	\$ 293,016	\$ 31.87	10,065	\$ 293,321	\$ 29.14	14,002	\$ 387,477	\$ 27.67
All Courses	35,383	\$ 1,091,644	\$ 30.85	38,289	\$ 1,134,815	\$ 29.64	42,356	\$ 1,255,713	\$ 29.65

- Total paid rounds have increased from 35,383 in 2014 to 42,356 in 2016, a 20% increase in two years.
- Green fee revenue has increased from \$1,091,644 in 2014 to \$1,255,713 in 2016, a 15% increase in two years.
- The overall net rate per round on green fees remained stagnant from 2015 and is down slightly from 2014, which is a result of the Chedoke green fee rates being reduced in 2016.

Table 8: Net Rate per Round Comparison as a % of Peak Pricing (Green Fees)

Course	Net Rate % of Peak		
	2015	2016	Target
King's Forest	64%	65%	75%
Martin	66%	66%	75%
Beddoe	63%	67%	75%

- The public net rate per round as a percentage of the peak rate ranges from 65% to 67% at the three courses in 2016, which is up slightly from 2015 but still below the benchmark target of 75%.
- The 2016 rounds and revenue in the above two tables includes flex pass revenue and rounds, which are summarized below:
 - The Club sold 7 adult flex passes and 17 Senior flex passes.
 - 85 adult flex rounds played and 308 senior flex rounds played
 - Average of 12 rounds played for adult flex member and 18 rounds played per senior flex member.
 - Net rate per round (including the activation fee) is \$38.72 for the adult flex program and \$29.14 for the Senior flex program.
- Continued emphasis on promoting and selling flex memberships, especially adult flex memberships, will help to increase the overall net rate per paid round (\$29.65) and total green fee revenue.
- Ensure that the number of senior flex memberships are limited in the future, as these rounds do not help to increase the overall net rate per paid round.

MEMBERSHIP ANALYSIS

Overall, the City of Hamilton courses lost a combined 34 season-pass members, which resulted in 1,885 less member rounds played this year and a membership revenue decrease of \$43,457. A membership performance comparison of 2015 versus 2016 is presented below:

Table 9: Membership Performance Comparison

Course	2015				2016			
	Count	Rounds	Revenue	Net Rate	Count	Rounds	Revenue	Net Rate
King's Forest	124	7,341	\$ 175,485	\$ 23.90	96	7,077	\$ 137,999	\$ 19.50
Martin	24	1,258	\$ 17,402	\$ 13.83	25	1,115	\$ 18,335	\$ 16.44
Beddoe	84	5,572	\$ 121,003	\$ 21.72	76	4,094	\$ 112,480	\$ 27.47
City-Wide	8		\$ 17,859		9		\$ 19,478	
All Courses	240	14,171	\$ 331,749	\$ 23.41	206	12,286	\$ 288,292	\$ 23.47

- Of the 34 net members lost, 28 came from King Forest.
- The net rate per round played from members improved at both Chedoke courses. The net rate at King's Forest dropped from \$23.90 to \$19.50, due to the number of members that left while member rounds played decreased minimally.

Table 10: Net Rate per Round Comparison (Members)

Course	Net Rate % of Peak		
	2015	2016	Target
King's Forest	46%	34%	60%
Martin	47%	52%	60%
Beddoe	53%	67%	60%

- the member net rate per round ranges from 34% (King's Forest) to 67% (Beddoe), while the target benchmark for member net rate per round percentage is 60% of the peak green fee rate. The lower net rates for members at King's Forest is a result of a high number of rounds played per member:
 - **King's Forest: 74 rounds per member, up from 59 in 2015**
 - Beddoe: 54 rounds per member, down from 66 in 2015
 - Martin: 45 rounds per member, down from 52 in 2015
- The member net rate per round at King's Forest has fallen quite low in 2016. Current members are playing a very high number of rounds at a membership price that is already lower than it should be based on the market analysis of competitor membership pricing. **The season pass rates need to be increased in order to improve the member net rate per round at King's Forest and better align to the top-tier of the local market.**

GOLF RELATED REVENUE SUMMARY

While there are several revenue sources at the Municipal courses that are affected by the performance of the golf operation (i.e. food and beverage sales, merchandise sales, etc.), but the three main drivers of golf revenue and those most impacted by changes to pricing and programming are as follows:

- I. Green Fee Revenue (including flex revenue)
- II. Membership Revenue
- III. Cart (Equipment) Revenue

The 2015 analysis focused specifically on the three revenue sources above and projected the incremental gains that could be achieved through the recommended changes to pricing and programming. It does not factor in additional revenue that would occur from F&B, merchandise, etc., nor does it factor in savings from expense cuts or the potential impact from implementing a driving range on a trial basis.

Table 11: Golf Revenue Comparison

Course	Revenue Summary		
	2015	2016	Change
Green Fee Revenue			
King's Forest	\$ 568,993	\$ 638,595	\$ 69,602
Martin	\$ 272,501	\$ 229,642	-\$ 42,860
Beddoe	\$ 293,321	\$ 387,477	\$ 94,156
Total Green Fee Revenue	\$ 1,134,815	\$ 1,255,713	\$ 120,898
Membership Revenue			
King's Forest	\$ 181,438	\$ 144,491	-\$ 36,947
Martin	\$ 23,355	\$ 24,828	\$ 1,473
Beddoe	\$ 126,956	\$ 118,973	-\$ 7,983
Total Membership Revenue	\$ 331,749	\$ 288,292	-\$ 43,457
Cart Revenue			
King's Forest	\$ 205,196	\$ 205,390	\$ 194
Chedoke	\$ 258,110	\$ 244,500	-\$ 13,610
Total Cart Revenue	\$ 463,306	\$ 449,890	-\$ 13,416
Total Golf Related Revenue*	\$ 1,929,870	\$ 1,993,896	\$ 64,025

*Total Revenue figures do not include the final month of the year, and as such, may differ slightly from the 2015 analysis (~\$20,000 to \$30,000)

- GGA's original projections for incremental green fee revenue (roughly \$110,000 combined increase not including flex revenue - \$12,298 in 2016) was accurate, while the loss from membership revenue was actually less than the predicted amount of roughly \$100,000 combined.
- The major difference between the actual revenue improvement in 2016 of \$64,025 and GGA's target projection (\$655,000 at maturity of flex membership program) lies in the City's ability to sell and promote and the flex membership program. The timing of and release of the program this past year was too late into the season to attract a significant audience of potential flex members. Now that the program is

underway, 2017 needs to be a year of significant growth in the number of flex memberships sold. Aggressive promotion prior to the season starting is crucial, especially around holiday seasons and early into the Spring when golf membership decisions are made.

- As the City continues to grow the flex program, the following impacts will occur:
 - Paid net rate per round will increase across all courses and lead to continued green fee revenue growth.
 - Membership revenue will continue to decrease as season pass holders switch over to the flex program, but the gains from increased green fee revenue will far outweigh the incremental loss in membership revenue.
 - The current flex pass is modelled to capture the same amount of annual revenue as a full membership (based on average of 40 rounds per member) so as not to cannibalize traditional season passes while providing a flexible option for golfers. Members who play more than 40 rounds, in theory, will opt to remain a 'Season Pass' member, while those who play less than 40 rounds will realize greater value from the flex option.
 - The number of Senior flex passes sold in 2016 was more than double the number of adult passes sold, however the net rate per round for senior flex members was actually just slightly below the overall paid net rate per round. Accordingly, it is of utmost importance that the City limit senior flex sales to a set capacity (to be determined), so as to not decrease the overall net rate per round.

FINANCIAL IMPACT OF POTENTIAL MARTIN COURSE CLOSURE IN FUTURE

The City is currently contemplating the future best use of the land that occupies the Martin Course. Currently, the number of total rounds played at each of the Chedoke courses is significantly under capacity. If the golf course operation does not recover in the future, there may be an opportunity for significant cost savings if the Martin course were to be taken out of play and/or repurposed for different use.

The table below examines the current expense profile at Chedoke, compared to an estimated profile under the scenario of the Martin course being taken out of play. The cost savings assumptions are based on GGA's knowledge of the typical added departmental costs when moving from 18 holes to 36 holes. **Important to note, the financial statements that were analyzed did not separate key expenses (i.e. salaries and wages) by department. Further examinations of these expenses is required to determine a more accurate estimation of the true cost savings:**

Table 12: Expense savings from Martin Course Closure

EXPENSE CATEGORY	2016 Chedoke Expenses	Cost with No Martin	Additional Cost of 2nd 18 Hole Course	Savings (\$)
EMPLOYEE RELATED COST	\$778,210	\$536,697	45%	\$241,513
MATERIAL AND SUPPLY	\$256,970	\$197,669	30%	\$59,301
VEHICLE EXPENSES	\$143,280	\$106,133	35%	\$37,147
BUILDING AND GROUND	\$244,170	\$180,867	35%	\$63,303
CONTRACTUAL	\$70,470	\$64,064	10%	\$6,406
RESERVES / RECOVERIES	\$134,250	\$111,875	20%	\$22,375
COST ALLOCATIONS	\$3,600	\$3,600	0%	\$0
FINANCIAL	\$28,310	\$28,310	0%	\$0
TOTAL	\$1,659,260	\$1,229,214	35%	\$430,046

It's estimated that Chedoke could cut out \$430,046 from total facility expenses through the potential closure of the Martin Course. The main area of savings is expected come from employee related savings (less total wages, especially relating to course maintenance). The overall water/sewer expenses (\$161,000 in 2016) will also decrease significantly from the potential cut-back to 18 holes. In addition to the cost savings, several other factors contribute to the overall net impact of such a scenario. The projected impacts on revenue and related assumptions are presented below:

Table 13: Overall Impact of Potential Martin Course Closure

Savings on Operating Expenses (from previous table)	\$430,046
Less: 2016 Green Fee Revenue	(\$229,642)
Less: 2016 Membership Revenue	(\$24,828)
Less: 2016 Cart Revenue (40% of total Chedoke cart revenue)	(\$98,613)
	<u>\$76,964</u>
Less: Loss in Membership Revenue for Beddoe/Martin memberships	(\$8,071)
Add: 40% of lost Martin Rounds gained back at Beddoe Net Rate per Round	\$136,934
Annual Net Profit from Temporary Driving Range	\$75,000
	<u><u>\$280,827</u></u>
Total Impact of Potential Martin Course Closure	

- When backing out all Martin golf related revenue for 2016, it's still estimated that the cost savings would more than make up for the lost revenue (surplus of \$76,964). Additionally, a portion of these lost rounds will inevitably end up being played at Beddoe, as the course will benefit from being the only option available at Chedoke.
- The current Beddoe/Martin membership is priced just over \$2,000 based in part on the value provided by a dual course membership. The removal of the Martin course will decrease the value of the Beddoe membership as it will become a single course membership. Accordingly, GGA recommends that the membership rate be dropped to \$1,875, which is slightly below the market average. The corresponding revenue impact is shown in the table above.
- GGA has conservatively assumed that 40% of the total rounds played at Martin in 2016 can be recovered at Beddoe, driven by increased green fee traffic to Beddoe and a portion of current Martin members who will switch over or pick up flex membership rounds. The revenue impact of these rounds will be achieved at the Beddoe average net rate per round.
 - Note that GGA estimates the total capacity for rounds played at Beddoe to be 40,000 per year. When adding in 40% of Martin rounds in 2016, the total rounds at Beddoe still would have been less than 23,000 rounds. As such, GGA believes it is very

achievable for Beddoe to capture 40% of the lost Martin rounds, while still having capacity to accommodate additional increases in rounds played.

- There is also a significant opportunity to add a temporary driving range with all the open space that would be created. GGA believes that Chedoke would have no problem netting \$50,000 to \$100,000 in driving range revenue in the first year after all driving range expenses have been covered.

DRIVING RANGE PRO FORMA

A more permanent driving range at Chedoke is also a high potential long-term option for the City if golf revenue does not recover. GGA believes that based on the favorable location of Chedoke and lack of competition in the area, a full-service driving range option at Chedoke would be very profitable for the City. A pro forma analysis of a driving range at Chedoke is presented below:

Table 14: Full-Service Driving Range Pro Forma Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue:					
Driving range revenue	\$ 201,250	\$ 207,288	\$ 213,506	\$ 219,911	\$ 226,509
Food and beverage revenue	\$ 11,500	\$ 11,845	\$ 12,200	\$ 12,566	\$ 12,943
Merchandise revenue	\$ 23,000	\$ 23,690	\$ 24,401	\$ 25,133	\$ 25,887
Total Revenue	\$ 235,750	\$ 242,823	\$ 250,107	\$ 257,610	\$ 265,339
Cost of sales:					
Food and beverage	\$ 6,900	\$ 7,107	\$ 7,320	\$ 7,540	\$ 7,766
Merchandise	\$ 18,400	\$ 18,952	\$ 19,521	\$ 20,106	\$ 20,709
Total Cost of sales	\$ 25,300	\$ 26,059	\$ 26,841	\$ 27,646	\$ 28,475
Expenses:					
Bank Charges	\$ 750	\$ 773	\$ 796	\$ 820	\$ 844
Wages	\$ 39,200	\$ 40,376	\$ 41,587	\$ 42,835	\$ 44,120
Driving Range Supplies	\$ 25,933	\$ 26,710	\$ 27,512	\$ 28,337	\$ 29,187
General and Office	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251
Telephone and Utilities	\$ 7,073	\$ 7,285	\$ 7,503	\$ 7,728	\$ 7,960
Advertising expenses	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Total Expenses	\$ 79,955	\$ 82,354	\$ 84,824	\$ 87,369	\$ 89,990
Net Cash flow from operations	\$ 130,495	\$ 134,410	\$ 138,442	\$ 142,595	\$ 146,873

Key Assumptions:

- The projections assume 25 tee decks (should require roughly 60 yards across), 16 intervals per day and 190 operational days per year. **At a target of 30% overall utilization**, this equates to 23,000 buckets sold annually.
- 75% of sales will be large buckets (\$10) and 25% will be small buckets (\$5) for a weighted average revenue per bucket of \$8.75 in the first year.
- Inflationary increases to revenue and expenses is set at 3% annually.
- Food and beverage revenue generated from range activity has been estimated at \$0.50 per bucket in the first year. Similarly, merchandise revenue generated from range activity has been estimated at \$1.00 per bucket in the first year.
 - Cost of Sales (incl. labor) is projected at 60% for F&B revenue and 80% for merchandise revenue.
- Labor costs associated with the driving range are projected as follows:
 - One (1) Maintenance Staff worker - 2 hours per day, 5 days per week for 28 weeks at \$12 per hour
 - Two (2) Range staff workers at – 8 hours per day, 7 days per week for 28 weeks at \$10 per hour
 - Two (2) additional Spring/Fall staff – 4 hours per day, 7 days per week for 8 weeks at \$10 per hour

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GGA instructs that its analysis must be considered as a whole and that selecting portions of the analysis or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the process underlying the Market Analysis. The preparation of a Market Analysis is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Global Golf Advisors, Inc.

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