



Operation Feasibility Analysis For El Dorado Hills Golf Course

in

El Dorado Hills, California

Prepared For:

El Dorado Hills Community Services District

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Introduction and Executive Summary

PURPOSE

NGF Consulting was retained by the El Dorado Hills Community Services District (“District” or “CSD”) to take an analytical approach to projecting the capital investment needed to re-open El Dorado Hills GC in a way that would make it competitive in the local golf market. The second component of the study was to project the net cash flows that the CSD could expect should it spend this money and operate the golf course as a municipal golf facility. NGF Consulting understands that there is a lot of passion in the local community for this golf course. However, it is not within the scope of this study to weigh anything other than the financial viability of the golf course. We will present the District with the best possible analysis so that they will know what to expect in terms of the economic impact of leasing and operating the golf course. Armed with this knowledge, the CSD can then weigh other factors, such as the history of the facility, quality of life issues, and the potential benefit to the community of having a municipal golf course.

BACKGROUND

The El Dorado Hills Golf Course is a daily fee golf facility that includes an 18-hole executive-length golf course, driving range and a clubhouse (with a snack bar/grill and pro shop), all of which are presently closed. The facility is now owned by Parker Development, the original developer of the Serrano development that surrounds the El Dorado Hills GC. The El Dorado Hills Golf Course is being considered for re-development by the owners due to the desire to leave the golf business.

Under consideration for this report are the present condition of the El Dorado Hills Golf Course, and the status of the El Dorado Hills/east Sacramento area public golf market. If leased from the owner by the District, the El Dorado Hills Golf Course facility will be operated as a pay-for-play golf facility through the Community Services Department. The purpose of this market and facility analysis is to provide the District with an evaluation of the local golf market and an estimate of the overall economic potential of the El Dorado Hills Golf Course as a municipal golf course.

The key issues to be evaluated in this report include:

- Status of the local golf market and performance of other area golf facilities
- Expense required to re-open the El Dorado Hills Golf Course
- Economic potential of the facility after District takes over management and operation

Activities conducted in completion of this consultant’s report included meetings with El Dorado Hills Community Services personnel, representatives of Parker Development, an inspection of the El Dorado Hills GC facility, meetings with key principals involved in the present El Dorado Hills operation, collection of materials to aid in understanding of the El Dorado Hills area golf market, and visits to several of the area’s competing public golf facility operations.

SUMMARY OF FINDINGS

NGF Consulting has studied the golf market in the El Dorado Hills/east Sacramento, California area, with special focus on utilization and pricing of the existing golf courses. In summary, NGF research indicates that many golf operators in the area continue to struggle with flat or even declining activity levels, particularly in the public golf course segment of the market. Most market operators reported a significant drop-off in rounds played between the middle and late 1990s and about 2005. For instance, Sacramento County's Ancil Hoffman and Mather are down to about 70,000 from respective peaks of 110,000 and 90,000+. The City of Rancho Cordova's 18-hole executive length Cordova GC, which is probably the Sacramento area course that has benefited the most from EDH GC's closure, reports that they are down nearly 50% from peak activity levels of about 120,000 in the 1990s.

The drop-off in per-course activity levels in the Sacramento market is consistent with a nationwide trend caused primarily by an oversupply of public golf courses fighting for shares of stagnant markets – often in uneven economic conditions. NGF research revealed a golf course building boom in the late 1990s in the Sacramento market, and every operator that reported a decrease in activity cited this phenomenon as the primary contributing factor. The result has been predictable - a golf market driven by numerous public golf courses trying to maintain market share through aggressive discounting of fees. When open, it does not appear that the subject El Dorado Hills Golf Course was successful with its discounting program, and the course had experienced a rapid decline in rounds activity in the 2000 to 2006 period.

Our review of this market indicates that the immediate permanent resident population around the subject El Dorado Hills Golf Course appears sufficient to provide a high level of activity to the golf course, but it is unlikely that this level of activity will provide enough income to cover all facility expenses, reduce any capital investment made to improve the golf course (plus interest), and provide a lease (or other) payment to the property owner. This was found to be the case even in a scenario with a new clubhouse and significantly enhanced banquet revenues.

Another scenario that NGF Consulting considered for the continued operation of El Dorado Hills Golf Course involved the CSD making the lowest possible capital investment necessary to re-open the facility (e.g., address safety issues, kitchen upgrades, simple repairs and maintenance items). Under this scenario, the annual debt service would be greatly reduced and, in the short run, the expense to run the facility would be much more manageable. However, activity levels would almost certainly be less than under our base scenario, as the quality of the facility without improvements to the cart paths, irrigation system, and clubhouse would be likely be lower. Additionally, the lease payment would still have to be paid, and the facility would still have to be subsidized by some other source of funds. Finally, the aforementioned improvements would ultimately have to be funded (“pay me now or pay me later”), and would likely be much costlier years down the road.

The financial pro forma prepared for the golf course under CSD operation shows stabilized activity figures that are nearly 20,000 rounds higher than the club realized in its last full year of operation. However, the low-fee nature of the facility, driven by a customer base that NGFC was told was very price sensitive, effectively constrains revenues. **The financial analysis prepared by NGF Consulting shows that even if the El Dorado Hills GC were to add these additional 20,000 rounds of golf by 2012, the facility is still not likely to make a profit high enough to cover debt service and a property lease payment.**

The key NGF Consulting findings from this Feasibility Study are shown below.

Subject Facility

- The El Dorado Hills Golf Course was a good quality golf course that seemed to be an appropriate fit for the surrounding El Dorado Hills community and the Serrano development in particular. The golf facility includes the shorter-length 18-hole golf course, with driving range and other support amenities that will all require considerable investment to re-open as a District golf course. The generally shorter-length golf course and ease of walking the course makes this facility particularly well suited to becoming a municipal golf course. The facility is also extremely well located in the heart of El Dorado Hills and is well positioned to take advantage of current and projected future growth patterns.
- Despite being well positioned, NGF Consulting notes that we observed several physical items that would have to be addressed should the facility be re-opened under any operational scenario. Among the most significant of these areas are improving irrigation and drainage, cart paths and the clubhouse facility. These needed improvements (totaling at least \$3.0 million in any scenario) must be considered in addition to any lease arrangement the District may make with the present owners of the property. Perhaps most important, the District will not own the improvement under any lease arrangement with the land owner.

Market Area Overview

- The immediate El Dorado Hills market area exhibits age and income demographics that generally coincide with strong demand for golf. The roadway and traffic infrastructure tends to support the subject El Dorado Hills Golf Course as a good location for ease of access from all parts of the community. Further, the local economic trends, particularly the expected growth in new jobs, also support the expectation of higher-than-average participation in golf.
- The national trends in golf facility operations show increasing expense to operate golf facilities, particularly in the public sector. Further, while our research notes a general stabilization in the growth of golf rounds demanded, there are considerably more golf facilities present to divide up the total volume of play. The result is a generally lower average rounds per golf course across all facilities in both the U.S. overall, and in this local market.
- Locally, the NGF Consulting estimates for golf participation and frequency in the El Dorado Hills market mirror the positive demographic profile we noted earlier. However, we also note a significant increase in the total number of golf facilities in this defined market area, along with a corresponding decline in the number of rounds being generated on a per facility basis. The overall market area shows a generally favorable household/supply ratio, but El Dorado County has an estimated 25% **fewer** households available to support each golf course in the market. This finding is generally considered to represent an “over-supply” situation.
- As a result, most golf facility operators in this market reported a significant drop-off in rounds played between the late 1990s and about 2005. The drop-off in activity levels is consistent with a nationwide trend caused primarily by an oversupply of public golf courses fighting for shares of stagnant markets. Accounting for extreme weather variations, per-course rounds played seem to have bottomed out and begun

recovering slightly over the last couple of years. Still, activity levels are well below capacity for a year-round climate.

Competitive Overview

- Virtually all of the Sacramento and Roseville golf courses are potential competitors to El Dorado Hills GC in terms of fighting for market share for golfers who live in those areas. Nearly every Sacramento golf operator we spoke to mentioned that El Dorado Hills GC would have to rely on a very local market to draw the majority of its play, as the Sacramento/Roseville golfer simply has too many choices to be enticed to travel 20 miles to El Dorado Hills. Conversely, the golfer who lives in El Dorado Hills or Folsom is much more likely to be enticed to travel to Sacramento to play any number of high quality municipal or daily fee golf courses.
- Two direct competitors in immediate market – Empire Ranch, Bass Lake (new owner improving, will compete directly with El Dorado Hills GC for affordable golf).
- Some of the courses on the east end of Sacramento that would compete for market share are high quality, well-maintained tracks such as Ancil Hoffman, Haggin Oaks, and Mather Golf Course. Though rack rates at most of these courses are considerably above what El Dorado Hills GC was charging, various forms of discounting, including senior rates and programs such as the Capital City Golf Card, make them more affordable. Additionally, most municipal golf courses also offer walking rates.

Subject Facility – Recent Operational Performance

The El Dorado Hills Golf Course operated as a daily fee golf club with six primary sources of revenue: green fees, carts, driving range, merchandise, food and beverage. In total, these revenue drivers have generated as much as \$1.39 million in revenue in the early part of this decade, declining to \$940,000± in the last full year of operation.

Total expenses to operate the facility were provided by El Dorado Hills GC management and while these actual costs are useful in establishing benchmarks for the facility, it is expected that the District will have a vastly different expense structure at El Dorado Hills GC if it were to take over the operation. Overall, it is expected that the operational expense structure for the El Dorado Hills Community Services District will be significantly higher than that currently being experienced by the private operator should the District lease and operate the facility. This will be addressed, and El Dorado Hills Community Services District expense estimates provided, in the following section on financial projections.

Financial Overview – Base Scenario

NGF Consulting has created a cash flow model for the continued operation of the El Dorado Hills Golf Course under the assumption of District operation beginning in 2008, as well as the other assumptions outlined below. The primary assumption that drives the NGF Consulting financial projections is that the El Dorado Hills Golf Course will be operated to a standard of quality comparable to what exists at the facility today, and that the El Dorado Hills Community Services District will self-operate the facility. While we recognize that the District may look to a

private operator to manage the facility for the District, this estimate will help to establish parameters under which the District can reasonably determine an appropriate management fee and/or lease arrangement.

The results of NGF Consulting's preliminary cash flow projection shows that the El Dorado Hills Golf Course can expect to generate approximately \$1.25 million in gross operational revenue in the first full year of CSD operation (2008), growing to \$1.99 million by the fifth year of operation reflecting expected boosts from population growth, improved player-development programs and enhanced marketing. Considering all preliminary expense estimates prepared by NGF Consulting for this study, the annual profit available for capital investment reduction and lease payment will grow to a stabilized range of \$390,000 to \$450,000 per year if all activity assumptions can be realized.

Based on a preliminary capital cost reduction schedule prepared by NGF Consulting for this study, the newly acquired El Dorado Hills Golf Course would not be able to earn enough in net income to cover a \$5.5 million debt for the required improvements to the facility until the fourth or fifth year after take-over by the District. If the activity levels are not achieved it is likely that the facility will operate with continued losses and require subsidies from the District. Of course, we note that this estimated performance does not include any payment in the form of a lease or other compensation to the property owner. Those expenses would be in addition to the losses already defined in this analysis.

Financial Overview – Enhanced Clubhouse Option

NGF Consulting has created a cash flow model for the continued operation of the El Dorado Hills Golf Course under the assumption of District operation beginning in 2008, along with an enhanced clubhouse operation. Under this scenario the District will replace the existing El Dorado Hills GC clubhouse with a new, and larger, structure capable of hosting events of up to 300 persons. The new facility would ultimately have approximately 10,000 to 12,000 sf of space and cost between \$2.5 and \$3.5 million. The facility would then be used to attract banquets and other parties, events, etc., as well as be used to attract additional tournament business in golf. The total income earned from clubhouse-related items such as food, beverage and merchandise sales would also likely increase.

The results of NGF Consulting's preliminary cash flow projection shows that while the enhanced El Dorado Hills GC could increase revenue to upwards of \$3.0 million per year (1/3 from non-golf food/beverage revenue), the expenses to operate the facility and retire any capital investment made to the property and cover a required lease payment it is likely that the newly acquired El Dorado Hills Golf Course would not be able to earn enough in net income to cover a \$8.0 million debt for the required improvements to the facility after take-over by the District. In this case, even if the activity levels projected by NGF Consulting are achieved it is likely that the facility will operate with continued losses and require subsidies from the District.

Additional Alternative Use Analysis

Should the District not wish to operate the golf course under the above noted circumstances, it could consider alternate Open Space/Recreational uses for the site. Uses such as passive park land, soccer/ball fields, or a multi-use community park (soccer, pool, softball, etc.) would be considered.

However, the CSD would run into the same fundamental problem that exists with the golf course. Virtually any use would require substantial capital investment and, because the land would be leased, the *District would not own the improvements*. With this in mind, it would seem that nothing but passive park land *might* be feasible (even this would have associated capital and maintenance costs). A second possibility would be some type of activity that provided positive net cash flows, with a long-term land lease type arrangement where improvements revert back to owner after 99 years. This is not likely given the return on investment goals of the land owner.

Ultimately, an assessment of alternate uses is a futile exercise unless some land is *given* to the District in return for development rights on the rest of the land. If that were to happen, it would be logical to do a feasibility study for uses such as a stand-alone range (the small range at Empire Ranch is reportedly always crowded) or a community banquet center.

As we have noted in this report, the CSD would have to spend about \$33,750 per acre even to develop open space on the former golf course property. Assuming even 30 acres were devoted to this purpose, the capital cost would be more than \$1 million. Additionally, annual maintenance costs would result in a yearly negative net cash flow. *This illustrates that no alternate use of the land is feasible if the CSD and the owner do not come to some type of agreement whereby part of the land is ceded to the CSD.*

Subject Facility – The El Dorado Hills Golf Course

The subject property is the El Dorado Hills Golf Course, an 18-hole golf facility located along the heavily traveled Highway 50 in the Heart of east Sacramento suburbs, 24 miles east of downtown Sacramento, California. The golf facility includes one executive-length (par 61) 18-hole golf course (opened 1964), as well as a driving range, pro shop, and snack bar.

The El Dorado Hills Golf Course was the starting point for the Serrano community that now includes some 2,500± homes with approximately 1,000± more to be completed. The El Dorado Hills Golf Course is the only public golf course in the City of El Dorado Hills (Serrano CC is private). As of May 2007, the El Dorado Hills Golf Course is not operating due to closure by its owner, Parker Development, in January of 2007. When open, El Dorado Hills GC was operating as a daily fee golf course with most all activity at the facility on a 'pay-for-play' basis.

As noted, the recent closing of the golf course was a business decision based on continuing operating losses. In response to public demand for government intervention in re-opening the golf course, the CSD and County agreed to explore the feasibility of leasing and operating the facility. The lease is being considered in an effort to preserve the golf course as an open space recreational use and convert the facility into a municipal golf course.

SITE OVERVIEW

The El Dorado Hills Golf Course is located 24 miles east of downtown Sacramento. Access to the course is provided by via Highway 50 and the El Dorado Hills Boulevard interchange. It is generally easy for customers to locate the course.

The subject property location and vicinity layout maps are displayed below:

Location – Regional Context



INVENTORY OF FACILITIES

The existing facility consists of an 18-hole, executive-length golf course with returning nines. A practice range (driving range) is of limited length and width, but is proximal to the clubhouse. The clubhouse is two levels. The maintenance area is generous in size.

The facility sits in a sloping valley bordered by hills, a freeway and collector streets. A major arterial street serving residential areas bisects the course adjacent to the clubhouse. Residential and retail uses surround the course, although proximity to these uses is distant given the steep hillsides and dense vegetation along the golf course.

Golf Course

The El Dorado Hills Golf Course opened in 1964 and features an 18-hole golf executive-length course designed by Robert Trent Jones, Sr. According to Robert Trent Jones, Jr., there had been a trend toward executive-length courses, especially across California at this time. Mr. Jones (Sr.) had been especially active in designing these shorter courses during the mid 1960s and into the 1970s.

The late golf course architect William Mitchell coined the term “Executive Golf Course” in the 1950s, reasoning that “such courses could be quickly and enjoyably played by business executives at the tail end of a hectic workday.” An executive-length course is defined as one with an 18-hole par between 55 and 68 and one in which yardage is typically less than 5,000 yards.

El Dorado Hills is a par-61 layout playing to a length range from 3,500-yards to 4,000-yards. By definition it is an ideal example of an executive length layout. The scorecard for El Dorado Hills Golf Course is as follows:

El Dorado Hills Golf Course				
Tee	Par	Yards	Slope	Rating
Blue	61	4,012	104	61.1
White	61	3,860	103	60.7
Red	61	3,530	91	59.2

The above scorecard shows the relative ease of the golf course, even from its back tees where the USGA slope rating is only 104, or about 16 percent “easier” than the standard USGA Slope Rating of 120. At only 3,530 yards, the forward (Red) tee provides a more manageable round of golf for all sorts of lower-skilled golfing patrons.

Original plans studies for the golf course show that the routing has remained mostly intact. The original plan’s longevity is a testament to the solid planning and design of Robert Trent Jones, Sr., by many accounts one of the most prolific and successful golf course architects of modern times. Mr. Jones believed in “hard pars and easy bogies,” a phrase he was often quoted as saying. There has been a recent interest in restoring and preserving courses designed by Mr. Jones (Sr.) Even at courses not thought to be “famous” in the broader view of golf courses, the work of Robert Trent Jones, Sr. is being given serious looks by golf course owners and operators. One example is the recent restoration/renovation of The Wigwam Golf Resort’s Gold Course, also built in the early 1960s. The Wigwam was recently awarded as the “Renovation of the Year” by Golf Inc. Magazine’s annual awards honoring golf course development. This award was bestowed in 2006.

Accounts indicate that the course was built as a temporary amenity for the surrounding community, perhaps to form a gateway until sales escalated and a full-length course could be realized, this could not be confirmed. However, according to Robert Trent Jones, Jr., it is more likely that his father had suggested the executive-length course initially to conserve spending until the full-length course was ready to be built. Several community plans that Mr. Jones contributed to with golf designs sported both a full-length and executive-length course. Mr. Jones (Jr.) goes on to say, in a recent interview about El Dorado Hills, that work out west during the early 1960s was generally done with just a few site visits by his father. At the time, Robert Trent Jones, Sr. was based in the East and had only so much time and resources to travel west that often. Further detail on the physical condition of the property is presented later in this section.

Design Overview

El Dorado Hills is a pleasant golf course, but one with no outstanding or highly memorable features. The setting is among its best assets. While there are some interesting holes, they are often repeated in similar form. Holes along the hillside are the most interesting. These are closely followed by the lower holes where water and trees interact to make for challenging and interesting golf.

Golf Magazine’s website describes the course as follows:

“This is an executive course built on rolling terrain. There are twelve par 3s that measure more than 200 yards. The fairways are narrow and tree lined. The course is predominantly flat on the back nine and hilly on the front nine. Water hazards come into play on six holes, and sand bunkers come into play on almost every hole throughout the course. The greens are fairly small, sloped and generally fast.”

That assessment is more than fair. The fact that there are several par-3 holes that play long (longer than 175-yards) is interesting. One of the current thoughts on shorter (executive-length) courses is that they are ideal for beginning golfers, older golfers and kids. Having so many holes of this length thwarts the notion of the course being conducive to the categories of golfers noted.

Yardage is not broad enough in range. As previously noted, forward tee yardage should be nearer to 3,500-yards or less. While hole variation is good, it could be better, especially in terms of lengths and tee flexibility.

Driving Range/Practice Area

The El Dorado Hills Golf Course includes a small 15-station driving range that is netted to protect golfers on the adjacent hole. There is also a practice green and a short-game practice area. These facilities are available for use by golfers who can pay for range balls on a per-use basis. The driving range and practice areas are included in this NGF Consulting valuation.

Clubhouse

The clubhouse is small and compact. Management working at the course prior to closure reports that it is in need of several improvements. These include mitigating mold, rot, outdated grease traps, and aging kitchen equipment. The building is primarily wood construction.

Of note is the lack of space to handle group events, banquets or even night events.

Maintenance Facility and Other Structures

The maintenance area is adequate in size with grounds ample for storage, staging and materials. Fuel and other essential components are old and may need replacement. The wash area does not have any filtration mechanism and this may be inconsistent with regulations governing such facilities.

The primary maintenance shop is a metal constructed building that has significant signs of rusting. While intact and mostly large enough, the building is in need of repairs and upgrades to adequately store chemicals and materials. Roof leaks are reported. Root intrusion from a large tree has caused upheaval of the concrete flooring.

The cart barn is a wooden structure that, according to staff, leaks and has no ventilation other than to keep doors open. With storage of electric carts and gas equipment this building needs a formal ventilation system. Leaks are especially troublesome when they occur in buildings that house electric equipment and charging equipment. While no in depth appraisal was conducted, it can safely be stated that this building is in need of replacement.

Maintenance equipment is generally old with some equipment at the end of its life cycle. Depending on the duration of closure, equipment may become even more outdated, out of

repair or inoperable due to sitting without running. A conservative estimate to minimally upgrade the existing equipment is \$200,000 to \$350,000 at present.

PHYSICAL REVIEW

This evaluation comprises a physical assessment of the existing El Dorado Hills golf facility owned by Parker Development. Forrest Richardson & Associates was engaged to conduct the evaluation by the National Golf Foundation. Forrest Richardson, ASGCA, a golf course architect, led the physical evaluation by visiting the subject facility during April 2007. A photographic review of the physical inspection appears in **Appendix A** to this report.

The method for evaluating the facilities involved a physical site visit to the facility and interviews with staff charged with caring the facilities. Additional data was sought from professionals familiar with the golf course, its operations and from available plan and aerial data.

The evaluation covers the base facility (i.e., the golf course, golf amenities and maintenance operations.) The evaluation does not provide in-depth evaluation of infrastructure, systems or analysis of such. More in-depth study, evaluation and analysis may be required to act upon conclusions presented within this report, acquisitions or implementation of any improvements regardless of whether they are based on information presented here or in future, follow-up studies.

Current Situation

At the time of the NGF Consulting evaluation the golf course had been closed indefinitely beginning on January 15 2007. Turf areas were being watered, lightly fertilized and mowed infrequently, but regularly. Parker Development, which had taken over operations in 1989, continues to maintain the course in this limited scope as a way to appease the community by not allowing the course to die out entirely and become an eyesore.

Several dispositions have been discussed by the public, reported by newspapers and considered by both the owner and community leaders. These range from rendering the land as a passive, open space area (no golf) to complete restoration and renovation of the golf course. In between have been ideas to close portion of the course and create a smaller, and perhaps, more viable golf facility that may focus on practice.

The land occupied by the golf course is zoned as “Recreational Facilities (RF) Zone” by the County (See Chapter 17.48 of the County Zoning Ordinance contained in **Appendix B**). The County of El Dorado is the regulatory agency charged with land use in this part of California. In the General Plan adopted by the County the golf course area is depicted as “Open Space.”

Land surrounding the golf course consists of primarily open space parcels, although there are parcels (Lots D, F and G) that have zoning to allow one dwelling unit per each 8,000 s.f. (approximately). The open space parcels are interconnected to development agreements that require a certain acreage of open space be maintained as part of the community

The existing golf course occupies roughly 80 acres of improved turf and area in addition to maintenance and clubhouse areas. The parcel data from El Dorado County lists the total golf course parcel as 98.371 acres. The difference between the two figures is perimeter areas that have been largely left in their original, undisturbed state.

Site Overview

The setting of the course is quintessentially northern California. The golf course lies in a linear configuration below hills and along a drainage creek. The land is very suitable for golf with gentle slopes, occasional ridges and rising (steeper) slopes where tees and interest was sought to make some holes more interesting.

Several ponds and connecting ditches add interest—and difficulty. Many of these ponds are methods of collecting drainage. A few ponds were added over the years for the same reason, to serve as drainage areas for naturally seeping water that reaches the surface.

The golf course has very good views with some territorial views across the greater area of El Dorado Hills and the community.

The course is typical of 1960s shaping and features. Most features have been artificially shaped via earthwork. A few green sites and tees are more naturally set into the terrain. These tend to be the most interesting holes. The shaping work is not overdone and seems to fit well to the landscape and terrain.

Of note is that the existing golf course has a significant acreage devoted to maintained turf. Of the total golf course parcel, roughly 80% is covered by areas that require maintenance and continual care: turf, rough areas, and ponds/waterways. In a contemporary development of the same general type and configuration it would be likely that only 60-70% of the total land area would be covered in turf – perhaps just 60 acres.

Arrival

The arrival experience is pleasant and works well with streets, traffic and views. Long views are afforded of the golf course areas. The course can be seen from Highway 50, a major east/west freeway. While signage and the clubhouse look and feel dated, the setting is very agreeable and has a very pleasant appearance. The parking lot and drop off areas are well positioned and accessible.

Golf Course Conditions

Prior to closure the course appears to have been kept in decent condition. Accounts were that the greens were always regarded as being above average, especially for a public access course that once attracted significant play and use. The following outlines observations of specific areas and features.

Turfgrass: The golf course tees, fairways and roughs are predominantly ryegrass with some areas of renegade turf (bermudagrass) and weeds. Prior to closure weeds were not an issue in most play areas. Fescues appear in some rough areas. Greens are bentgrass with significant infestation of poa annua. Poa is neither uncommon nor necessarily undesirable, especially in this region. However, poa annua does not withstand heavy use, especially when greens are small in size.

Tees: The tees are mostly small and inadequate in size. Many holes are very difficult and it would be likely that a course of this type built today would not only have much more surface area, but also add variation of yardage length. Yardage should be in the 3,200 to 3,500 yard range from forward tees. Orientation is mostly good, aligning golfers along preferred lines of

play. Tee surfaces are not all level and turfgrass appears to have some drainage issues that may make rejuvenation of turf a challenge.

Fairways & Roughs: Fairways and roughs appear in decent condition even considering the new mowing schedule that allows and promotes weeds.

Greens: Greens have become small compared to original sizes due to mowing practices. Greens tend to shrink over time, especially when maintenance costs are attempted to be lowered in order to curtail budget increases. It simply takes less time to mow smaller greens. Reductions in staff and time allotments for maintenance can also contribute to greens shrinking over time. Greens are about 40 to 60% poa annua with some areas predominantly poa annua. Bentgrass survives but will continue to die out as maintenance during closure is curtailed. Maintenance staff reports no unusual problems with greens other than drainage during especially wet times.

The greens have adequate surface drainage but no below grade drainage system beyond a gravel layer and, very likely, some sumps filled with rock and gravel. Original green construction appears to have been by push-up methods in which native soils were “pushed-up” to form desired grades and shapes. A shallow sand layer may have been installed over these areas. Re-built greens (reported to be 6-8) appear to have been constructed using a sand-base mix that may have included organic materials such as peat moss.

*Note: A sample was collected from the lower front of Hole No. 18 green. This sample was collected using general guidelines for harvesting a sample of the growth medium for the turfgrass on the green area. This sample was sent to Thomas Turf Labs for analysis of particle size and fertility. The lab reports by Thomas are displayed in **Appendix C**. Nothing significant was noted that would prevent management of the subsurface area of the green(s) should the golf course be re-opened using all or portions of the existing green(s). Of course, it must be pointed out that the test of Hole No. 18 green only quantifies this single green and does not identify potential problems that may be associated with other greens. Also, it is noted that the No. 18 green was reportedly re-built in the 1990s. However, inspections of the current turf growth at other greens, and opinions of maintenance staff, suggest that the greens are all behaving in much the same way and there is little different in turf conditions of greens across the course.*

Staff reports that greens were being aerified and topdressed two times per year with USGA sand purchased from a local supplier. No organics were blended with sand. Now that the course is closed no aerification is being performed and no topdressing is being applied. Staff notes that they may schedule an aerification and light fertilization. Also of note is that greens are now being mowed at heights significantly higher than desired for good turf growth habits and conditions.

Staff reports that no out-of-the-ordinary pests were noted at greens during past 10 to 20 years in which some staff have been at the course or have known previous management.

Bunkers: Sand bunkers have become raised over the years. The floors of the bunkers are, in several instances, well above the original elevations. This condition occurs due to adding sand and the continual removal of sand by players. It also appears that mechanical raking by Sand-Pro type equipment (ride on equipment) has resulted in several areas where debris and sand

has been dragged out as equipment is ridden in and out of bunkers for raking. This intensifies the raised edges and higher floor elevations.

Many bunkers do not appear to have adequate drainage. Some bunkers may have original sumps and drain lines, or may drain naturally to soils below. Bunkers are greens are well away from green edges due to the reducing (shrinking) green sizes.

In general, bunkers are well past their life cycle (see ASGCA document within Appendix D for the recommended life cycle ranges for various golf course features.)

Ponds: Ponds are present for strategy and for the purpose of collecting drainage from naturally seeping water that daylight to the surface. Ponds are very small in some areas and pose a maintenance issue due to very shallow depths and no oxygenation (aeration or re-circulation.) It was noted by staff that during summer months, water is often added to ponds to fill them and keep them looking good instead of as muddy low areas. Ponds are not used for irrigation storage purposes; they are decorative, strategic and/or for drainage only.

Trees: Arbor conditions are good, not excellent. Random and occasional care is given to trees. Staff reports that voles appear in great numbers ever few years (3-4) and will undermine roots by burrowing and eating root fiber. Some trees are ending their lifespan. This is not all bad as there are well too many trees on the site. An exception is areas between fairways where trees may assist in separating play. The arbor asset deserves much better care and attention.

Cart Paths: Cart paths are not continuous. Some areas have paths with asphalt coatings, but most of these areas are significantly in disrepair. Only a few areas are in concrete, most notably the paths leading to and from the underpass. In recent years gravel paths have been added to some areas. Following closure many of these paths have washed out and are no longer viable without re-applying gravel and appropriate compaction.

Irrigation System: The irrigation system is well past its prime. Replacement has been spotty and infrequent. Main lines are still of galvanized and/or transite pipe type. Transite pipe is pipe impregnated with asbestos fiber and has not been in commercial use for more than 35 years.

The current irrigation system has outdated clock controls and only individual irrigation sprinkler heads have been replaced along with a few lateral lines. There have been some areas where multiple lines have been replaced, but this was several years ago and it amounted to retrofitting to the original system, now approaching its 50th year in service. Rough areas are still watered by quick-coupler type irrigation heads. These heads are moved by hand. While effective to deliver water, they require manual labor and do not allow much detailed control. They are roughly 60% as efficient as modern irrigation heads in terms of water conservation.

Drainage: Drainage is handled by good surface drainage and through the occasional pipe that crosses a fairway or leads from an area that is flatter and prone to ponding. No formal drainage system is installed, nor does one appear to have been installed originally. As noted, ponds take care of many areas by collecting water and assisting to dewater natural seeps from hillsides. Tees and greens are largely drained by simple surface gradients. Bunkers have some isolated drains and/or sumps.

Maintenance: Care of the course prior to closure appears adequate considering the age of the course and its infrastructure. The staff interviewed cares about the course and seems to do their best with equipment and resources available. This seems true even after closure and under

difficult circumstances of seeing a once-thriving golf course closed with no plan to reopen in the offering at the present time.

According to staff interviewed the number of personnel before closure was adequate except when problems were encountered that required extra time. As with most golf maintenance operations, these situations cause routine maintenance to slip while emergency repairs and work is carried out. Irrigation repairs are one such example. With a very old system such as that at El Dorado Hills, problems will be commonplace and they will never diminish until a new system is installed to replace the aging system.

Site & Logistic Issues

Site and logistic issues include a cursory review of conditions and obstacles that might impair re-opening, re-development, or re-configuration.

Geotechnical

Review was made of the Geotechnical Report prepared June 1989 by Wallace – Kuhl & Associates. Although not specifically addressing the golf course areas, the report includes the golf course areas and identifies general soils conditions and concerns. None of the findings seem to preclude golf development. The most notable finding is the predominance of the hillsides to show occasional, and even continual, seepage of water in specific areas. As the golf course currently deals with these issues, and has coexisted with this condition since the 1960s, this is not considered a major obstacle to continued golf uses. It is, however, a significant obstacle that would need to be addressed if the course were to be significantly reconfigured along with earthwork, or if greens and play areas were to be relocated.

Water Availability & Quality

Water is delivered by the El Dorado Irrigation District. According to the owners, water is available at current quantities and would not be under provided unless there was a significant drought that would affect the area.

Water quality was not studied. Management, however, related that water has been of above average quality with no ill affects on turfgrass. The water district adjusts the blend of water during certain months to deliver more or less potable water along with reclaimed water. This varies seasonally and does not seem to affect the turfgrass. Good communication exists between the water district and the owners with calls made by the district alerting that the change-over is taking place. This has historically allowed the maintenance staff to regulate their protocols to counter any increase in salts or nitrogens.

Regulatory Permits or Requirements

The course does not appear to operate under any special permits or requirements other than customary permits for zoning, and the application of pesticides and herbicides. There is no reporting of endangered species, archeological sites or other environmentally sensitive areas beyond wetlands that may occur through or bordering the course.

Based on our site review, wetlands are likely present along the western boundary of the course and through feeder areas to the south and east. While ponds and ditches on the golf course may be classified as wetlands under a formal delineation, nationwide permits afforded by the

Army Corps of Engineers, together with mitigation and replacement, are likely courses of action should significant changes be considered to ponds or ditches. Additionally, deferred maintenance of manmade ponds within golf courses that are isolated will not be regulated by federal oversight. State oversight may be at play for areas bordering the course, however no information was provided that indicates state oversight in previous years.

Security

Prior management indicates that vandalism was prevalent even when the course was opened for play. Measures need to be taken to prevent unauthorized access and damage to the course if it is to be preserved and studied for potential re-opening or re-development.

Deficiencies

The following deficiencies are observations made during the evaluation and review of data, plans and from interviews with staff and former management.

Programming

Notes here are based on the current configuration of an executive-length course and associated amenities and facilities that would ordinarily be a part of this type of facility.

In terms of facilities it is obvious that the practice range is grossly undersized. Patrons are confined to a small hitting width and narrow area to practice shots. Both the width and length of this area is undersized, and potentially dangerous to those on the course and off-course areas.

There is no facility for large groups or event staging.

There is a small, mostly unimproved area, for short game practice. This should be much better configured and well thought out.

Safety

An in-depth analysis of existing conditions was not performed. Fairways and holes appear adequately separated in most areas except the area of the practice range, Hole No. 1 and Hole No. 2 tees. A golf practice area at a public facility should be adequate in area to accommodate normal use and not unduly endanger others, either on or off, the premises. It is noted that staff reports that no claims have been made arising from errant balls, at least within the past several years. Staff did, however, note that near misses were a problem at Hole No. 2 tee and No. 4 green; No. 1 tee and No. 6 green; No. 7 green and No. 9 fairway; No. 10 green and No. 9 fairway; and No. 18 tee and No. 9 green.

Infrastructure:

Cart paths are needed if carts are to be used. Staff reported that approximately 90% of 18-hole rounds involved cart rentals while about 50% of 9-hole rounds used carts. If carts are used this frequently then cart paths need to be better surfaced and configured. In wet seasons cart paths will help maintenance staff reach areas of the course without causing ruts and damage.

The irrigation system should be re-built in its entirety. It may be possible to preserve main lines, but this cannot be determined without more study and inspection.

Drainage should be upgraded in areas. Some older drain pipes are likely to be at the end of their life cycle and are also destined to be replaced.

As noted, tees are undersized and do not provide yardage flexibility. Greens are significantly reduced in size and need to be larger for quality, interest and sustainability to heavy play days.

Conditions

Conditions are well outlined in the foregoing sections and will need to be addressed by any entity considering re-opening, redevelopment and/or reconfiguration.

Structures

Both the maintenance buildings (shop and cart storage) and the clubhouse are in need of significant repairs or outright replacement. In studying any plan for such it will be advantageous to look at consolidation of cart storage at the clubhouse area as opposed to across the road in a separate facility.

OPTIONS FOR FACILITY RE-OPENING

The study, based on evaluation of the golf course and analysis of market conditions and trends in the region, offers the following options for disposition of the now closed golf facility:

Restoration / Renovation of the Existing 18-hole Executive Golf Course

This approach takes the original plan of Robert Trent Jones, Sr. and faithfully restores the design, but with needed adjustments to meet market trends and customer needs. Enhanced clubhouse options could be included as part of this option.

Probable Cost

NGF Consulting estimates a total cost of **\$5.5 to \$6.5 million** to restore and renovate the existing golf course to a condition and design that is faithfully akin to Robert Trent Jones, Sr. and his original plans and philosophy. We estimate that 35% of this amount would go toward structure and equipment upgrades and/or replacements; turf areas would be reduced as part of the restored/renovated design. If a new enlarged and enhanced clubhouse is considered with this option an **additional \$2.5 to \$3.5 million** should be budgeted.

Pros

Positives include the ability to market and promote the course using the Robert Trent Jones name and legacy. Under this approach the course is preserved and the community gets back what it has come to know. As with other alternative courses (non regulation length), the modern golfer who feels a time urgency is able to have a facility that take less time than a full-length course.

Cons

Executive-length courses are not always considered viable because they are sometimes viewed with skepticism as being second rate to full-length 18-hole courses. However, as we will note in

the 9-hole option, this may be a changing influence as time-constrained golfers seek alternative facilities and shorter participation times.

Action

This option could be acted upon with only limited further study.

Convert to 9-Hole + Enhanced Practice Facility

Convert the existing golf course to a 9-hole facility with a re-routed 9-hole course and appropriate practice facilities that would include a range, short game area and teaching amenities.

Probable Cost

NGF Consulting estimates a total cost of **\$5.0 to \$5.5 million** (reconfiguration of the majority of the parcel (approximately 75% percent) to a 9-hole layout of regulation length with a large practice range and player development area; 40% of this amount would go toward structure and equipment upgrades and/or replacements).

Pros

Positives include the ability to render significant portions of the existing course into passive or other uses. For example, development potential may be realized on large portions of the existing course if support and approvals were to be attained. Or, passive recreational uses (hiking, picnic, etc.) may be installed on some areas. It may also be possible to plan for an eventual second nine holes at a later phase. This future plan may require additional open space land converted to golf open space, but could prove positive in reducing investment at the beginning. A 9-hole course may also meet the demands of the growing baby boomer market who cannot always find time for a full 18-hole round.

Cons

As is the case with executive length layouts, nine-hole courses are not always considered viable because they are sometimes viewed with skepticism as being second rate to full-length 18-hole courses. As with other options, if land was set aside for potential development it would likely be met with opposition by some factions, and the CSD would not own the improvements under a lease arrangement.

Action

This scenario requires study to find the most appropriate areas to configure a new 9 holes, ideally using existing features and minimizing the need for complete reconstruction of golf holes.

Convert to Passive Open Space

Convert the existing golf course to passive open space - In this scenario the golf course is closed and the land is rendered to natural open space with trails and amenities that would be consistent with natural areas (picnic areas, trails, etc.). Disposition and/or augmentation of the structures (clubhouse) would require significant planning and phasing.

Probable Cost

Not determined.

Pros

Positives include the ability to phase in improvements and determine the fate of the existing facilities over time. It may also be possible to set aside appropriate land for development uses and still set aside land for passive, open space uses. This may have a positive effect in developing a mechanism to offset development costs of open space “park” land.

Cons

Development of site amenities may not be affordable and are likely not to be financially sustainable over the long term. The community is likely to take a negative position against losing “green” open space in favor of passive open space that will blend into the color and landscape of the hillsides. Entitlement of the existing golf course is an asset that, under this scenario, may be lost entirely once the land is rendered away from golf uses. If land was set aside for potential development it would likely be met with opposition by some factions.

Action

Significant study is required if this option is to be considered further.

Other Considerations

In addition to the above noted primary options for re-opening the El Dorado Hills Golf Course, the NGF Consulting team has highlighted several other options for the future of this facility. We note that these are considered to be “secondary” options for the District and no detailed analysis has been conducted. These options have been presented as alternative golf uses to be considered for discussion. Additionally, as with all scenarios under a lease arrangement, the improvements would ultimately revert back to the land owner.

1. **Convert to a practice-only facility.** Under this option the golf course is closed and a percentage of land is re-configured as a practice range and small areas for short game practice, player development and teaching. Residual areas may take the form of natural open space.
 - Probable Cost: \$3.0 million to \$4.0 million.
 - Pros: Positives include the ability to render significant portions of the existing course into passive or other uses. This may be a mechanism to help offset redevelopment costs of the golf facilities. Alternatively, passive recreational uses (hiking, picnic, etc.) may be installed on residual land not used for golf facilities.
 - Cons: A destination practice facility will compete with public access golf facilities in the area that have practice amenities. For any “practice-only” facility to outperform a full golf course and practice facility it would need to be ideally and highly amenitized.
2. Reconfiguration of the existing course area into a **new 18-hole executive-length course**. This amounts to redevelopment into a different facility, but one of similar size

and scope. In our limited study we have defined this as three loops of 6-holes, creating a highly flexible executive-length course with associated practice facilities.

- Probable Cost: \$5.5 to \$6.5 million.
 - Pros: Positives include the ability to reconfigure the routing so there may be three separate loops of 6-holes each. This would have the potential of offering flexibility to manage and operate the course, to meet the demands of the new golf consumer and to allow use and set-up of the course to meet seasonal and weekly demands.
 - Cons: Again, executive-length courses are sometimes viewed as being second rate to full-length 18-hole courses.
3. Expansion of the existing golf course into a **new 18-hole regulation-length golf course** using adjoining areas. This scenario *assumes* that the community, upon full build-out, will support a full-length 18-hole golf course that is open to the public. By using open space areas adjoining the course, acreage is added to the existing parcel to create a facility of this scope.
- Probable Cost: \$7.5 to \$8.5 million.
 - Pros: Development of a “new” 18-hole course of regulation-length would bring about the ability to offer memberships and potentially meet the demands of the community at full population build-out.
 - Cons: Use of adjacent open space land may be seen as a negative by the community. However, if turf acreage is kept equal to what is there currently, approval and public support may be attainable. CSD will almost certainly face many years of operating losses, even before debt service, with the *hope* that the population base will ultimately be able to support the golf course.
4. **Abandonment of the existing course** in favor of developing a new golf facility elsewhere in the vicinity. Disposition of the existing course is secondary to establishing a new golf course upon land yet to be identified, but within the same general area.
- Probable Cost: \$10.0 to 12.0 million (site dependent)
 - Pros: Allow the existing land to become any number of non-golf uses dependent on factors such as public approval, private participation in any new golf development and further study of appropriate land uses at the existing course areas. The option retains a public (non private) golf facility for the community, and the CSD would own the golf course.
 - Cons: This option would require significant investments, but may be warranted based on population growth.

Factors and Discussion

There are several trends and approaches that should be further evaluated in review of the above options. These include:

- **Time Urgency** - Contemporary society is time urgent. This brings appropriateness to alternative golf facilities such as shorter courses (executive-length courses) and/or practice facilities, etc.
- **Sustainability** - While open space is a needed amenity, it is most precious in communities where it is limited. In the El Dorado Hills area open space abounds. Most important is that open space, even passive, may not be sustainable in terms of paying for itself.
- **Site Appropriateness** - The site was evaluated for other park uses such as soccer, ball fields, etc. More in depth study is required if this is to be considered in lieu (or in addition) to golf. Site logistics such as soils, drainage and gradients may pose obstacles that cannot be easily overcome if this use is deemed worthwhile.
- **Development Value** - Golf courses facing significant costs to rehabilitate will often turn to capitalization of unused assets, chiefly undeveloped property within or surrounding the course. Land values in the immediate area are reported at approximately \$1 million or more per acre for commercial or residential uses. While it may require significant hurdles to attain approval, the potential to reconfigure the course to allow for development opportunity is an approach that deserves consideration. Under such a plan the golf course would need to be funded out of revenues gained from land development. It might also be added that a golf course could potentially increase commercial and/or residential land values for new development.
- **Existing Entitlements** - Golf courses are becoming increasingly difficult to entitle. Environmental requirements, water use and other factors make existing courses extremely valuable and ripe for redevelopment in cases where a golf operation is deemed viable within a market/region. Loss of golf at this site needs to be weighed against the cost of replacement of a like facility upon a new, previously undeveloped and un-entitled site.
- **New Customer Base** - Any golf use to be considered needs to identify a new customer base. This is a matter of contrasting the existing facility that became out of favor to a new design (reconfiguration) and what improved customer base it will yield. Factors that may be beneficial to study in addition to an improved and more viable golf course are health and fitness amenities, private club membership revenues, and banquet and group facilities.
- **Viable Salvage of Course** - There are few areas of the existing course worth preserving or attempting to re-use in their exact form. While routing corridors of holes and the flow of the land can be used effectively, all features and infrastructure (tees, bunkers, greens, irrigation, ponds, etc.) are in need of re-building in their entirety. In weighing options it must be considered that the existing course is an asset only in terms of these positive attributes (site and grading) and not the full complement of features, amenities and infrastructure one typically thinks of a golf course as comprising.

SUMMARY – THE EL DORADO HILLS GOLF COURSE

The El Dorado Hills Golf Course was a good quality golf course that seemed to be an appropriate fit for the surrounding El Dorado Hills community and the Serrano development in particular. The golf facility includes the shorter-length 18-hole golf course, with driving range and other support amenities that will all require considerable investment to re-open as a District golf course. The generally shorter-length golf course and ease of walking the course makes this facility particularly well suited to becoming a municipal golf course. The facility is also extremely well located in the heart of El Dorado Hills and is well positioned to take advantage of current and projected future growth patterns.

However, NGF Consulting notes with caution that we observed several areas that would have to be addressed should the facility be re-opened under any operational scenario. Among the most significant of these areas are improving irrigation and drainage, cart paths and the clubhouse facility. These needed improvements (totaling at least \$3.0 million in any scenario) must be considered in addition to any lease arrangement the District may make with the present owners of the property. ***Perhaps most important, the CSD will not own the improvement under any lease arrangement with the land owner.***

Market Overview

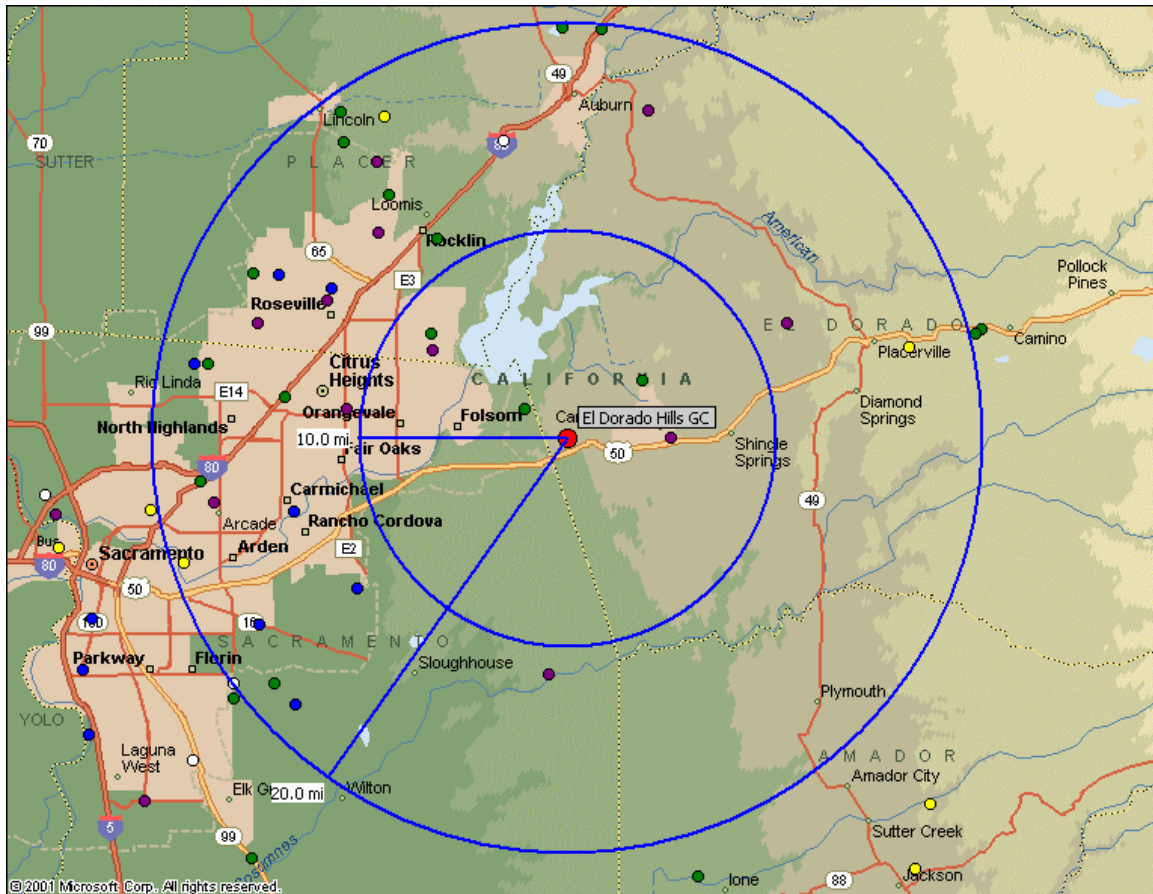
To appropriately assess the potential viability of El Dorado Hills Golf Course as a municipal golf course, the environment in which the golf facility would operate must be fully understood. Therefore, it is helpful to examine local economic and demographic trends and their potential impact on the long-term success of El Dorado Hills GC. This overview will include an investigation of the area's demographics, as well as a brief discussion of the local economy. In the second part of this section we provide an analysis of key golf market demand and supply indicators, and a review of the competitive public golf market in the El Dorado Hills/ east Sacramento County area.

MARKET DEFINITION

The Golf Consumer Profile, a research document developed by the National Golf Foundation (NGF) in cooperation with Market Facts, Inc., determined that “on the average nationally, golfers travel about 12 miles one way to play their most frequently played golf course. That translates into a 19-minute trip to the average golfer’s most often played course.” The survey also determined that golfers travel a considerable distance farther to regularly play a good course. (Average golfers report a willingness to travel just over 26 miles, estimated to be a trip of 36 minutes). And further, it was determined in the national survey that golfers are willing to travel as far as 48 miles or 60 minutes to occasionally play a good quality golf course.

Interviews with Parker Development indicate that the vast majority of play at the former golf course came from permanent residents living within the El Dorado Hills / Folsom / Cameron area, with some play from areas further east and west. This type of scenario holds especially true for a municipal facility, as residents of the host municipality and contiguous areas generally account for 75% or more of total rounds played. Based on price point, expected quality, type of facility, and other market factors, NGF has determined that an area comprising a 10-mile radius around El Dorado Hills GC is the primary market area for this facility. A secondary geographic market, from which some supplemental play will be drawn, comprises an area between ten and twenty miles from the site, and includes surrounding communities such as Placerville, Roseville, Rocklin, Lincoln, and east Sacramento.

El Dorado Hills Golf Course Primary Market Area



DEMOGRAPHIC OVERVIEW

Utilizing research materials provided by the National Golf Foundation, Tactician Corporation, and Applied Geographic Solutions, Inc. (a supplier of demographic research based on U.S. Census results), NGF Consulting has examined relevant characteristics of the local population. In the following table, NGF Consulting indicates the population, median age, and median household income trends for the 10-mile and 20-mile market areas around El Dorado Hills GC, El Dorado County, the Sacramento Designated Market Area (DMA), the state of California, and the United States. More detailed demographics are provided in the tables of **Appendix E**.

SITE	10 mi	20 mi	El Dorado County	Sacramento DMA	California	U.S.
Summary Demographics						
Population 1990	133,901	768,901	125,994	2,857,380	29,759,153	248,709,429
Population 2000	188,086	924,924	156,299	3,425,623	33,871,640	281,421,211
CAGR 1990-2000	3.46%	1.86%	2.18%	1.83%	1.30%	1.24%
Population 2006 Estimate	232,175	1,095,554	186,073	4,031,674	36,861,522	299,086,923
CAGR 2000-2006	4.30%	3.44%	3.55%	3.31%	1.71%	1.23%
Population 2011 Projected	268,207	1,235,927	210,266	4,518,343	39,243,835	313,516,904
CAGR 2006-2011	2.93%	2.44%	2.47%	2.31%	1.26%	0.95%
Median HH Inc	\$83,903	\$57,397	\$59,488	\$51,429	\$54,444	\$48,443
Median Age	38.3	36.9	40.2	34.5	34.6	36.5
CAGR = Compound Annual Growth Rate						

From the data presented above, NGF Consulting has made the following observations regarding market area demographics:

- There were more than 235,000 people living within ten miles of El Dorado Hills GC in 2006, about 1.1 million within 10 miles, and more than 4 million in the Sacramento DMA. El Dorado County is home to about 186,000 permanent residents. During the 1990s, the annual population growth rate in the primary market area of the club was about 2.8 times the national rate of growth during that time; since 2000, the local growth rate has been about 3.5 times the national rate. Growth rates are projected to moderate somewhat, but the 10-mile market around El Dorado Hills GC is projected to add about 36,000 net residents by 2011.
- The Median Household Income of the primary market area is about 73% higher than the corresponding national figure of \$48,443. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income golfers.
- The Median Ages in the primary market area and, especially, El Dorado County are higher than the national median. In general, golf participation rates and frequency of play increase with age (though both decline among the elderly), making relatively older markets more attractive to golf facility operators, all other factors being equal.

KEY ECONOMIC FACTORS

In addition to identifying demographic trends and characteristics of the area, we have examined certain economic indicators that have the potential to affect the performance of golf courses.

- The community of El Dorado Hills is located in the lower Sierra Nevada foothills in western El Dorado County, about 25 miles east of Sacramento. U.S. Highway 50 is the primary route through the community and is a major barrier that divides the CSD into north and south segments.

- El Dorado Hills is an unincorporated part of El Dorado County. Most of the government services and agencies are run by the County and this includes the El Dorado County Office of Economic Development.
- The west boundary of the El Dorado Hills community and the CSD is the same as that of El Dorado County. North of Highway 50, the city of Folsom in Sacramento County neighbors the CSD to the west. To the east and north of Highway 50, the CSD borders the Cameron Park community. South of Highway 50 the CSD abuts Springfield Meadows CSD to the west and Marble Valley CSD, Cameron Park Estates CSD, and Cameron Park CSD to the east along a portion of their boundaries. Folsom Lake and the Auburn-Folsom State Park border the District to the north.
- The area within the current El Dorado Hills Community Services District and its Sphere of Influence is about 18,037 acres or about 28.2 square miles. The Sphere of Influence includes areas that may be considered for annexation to the District. The Sphere of Influence may be amended from time to time by the El Dorado County Local Agency Formation Commission (LAFCO).
- The population of the CSD has grown rapidly over the past 15 years increasing by 191% in the last 15 years. In January 2006 the State Department of Finance certified the population in El Dorado Hills CSD at 35,276 persons. The population of the CSD is projected to double by the year 2015 to an estimated high of 58,000 persons.
- A vital part of this community's future is the 885-acre El Dorado Hills Business Park where many of California's progressive firms have relocated. The Business Park is home to many businesses that are major employers in El Dorado Hills and El Dorado County. The park currently has over 4,000+ employees. Located near the Business Park is Blue Shield of California, which also has over 1000 employees and is a major business in El Dorado Hills.
- High per capita income, a relatively low cost of living, and low crime rates have attracted many new families to the El Dorado area, including many transplants from the San Francisco Bay area.
- According to the El Dorado County Department of Economic Development, 2004 statistics indicate that the labor force in El Dorado Hills was 10,600; for El Dorado County it was 92,400.
- El Dorado Hills has seen steady population growth and the 2004 population reported at 32,000. Over 15,000 building permits were issued in El Dorado Hills between the year 2000 and 2005. Median family income is over \$97,700.
- The El Dorado Hills area is served by Sacramento International Airport, Mather Airport (air cargo and general aviation facility), Executive Airport (general aviation facility used by private and corporate aircraft, and several local community airports, including South Lake Tahoe Airport, Georgetown Airport, Placerville Airport, and Cameron Park Airport.

- Employment in the county is heavily weighted to the service industry, with 62% of businesses in the services or retail trade industries. Manufacturing businesses comprise only 6% of the total.
- The local housing market appears to be on the rebound after about 1.5 years of a slowdown. The North State Building Industry Association reported the highest number of new home sales in January 2007 since June 2005. There were 702 sales in January in the 186 new home communities the BIA tracks, up from 379 in December 2006, and up from 486 in January 2006. The Folsom, El Dorado Hills, Rancho Murieta area accounted for 11.5% of these sales.
- The University of the Pacific's Business Forecasting Center has predicted a 7.8% increase in housing starts in the Sacramento region, which would make it the second fastest area in California. The positive outlook is due largely to the steadying effect of state government jobs and a highly diversified economy.
- The forecasting center also predicted that the Central Valley economies would outpace the state, experiencing annual job growth ranging from 1.8% in the Modesto MSA and 2.1% in the Sacramento MSA from 2006 to 2008.

GOLF MARKET DEMAND AND SUPPLY INDICATORS

The basic measures of golf demand and supply that may affect the performance of El Dorado Hills Golf Course are outlined below. The methodology for determining the relative strength of the subject market is based on ongoing NGF research of American golf participation habits. The NGF Golf Demand Model includes the critical combination of age and income, regional seasonality, and available golf course supply, as well as existing and emerging demographic trends in a particular market area. This model can be used as a benchmark for estimating potential market strength in a particular area.

National Trends in Golf

Participation

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 12.6% of the population today. NGF estimates that 36 million golfers reside in the U.S., with growth slowed to about 1.0% per year. Other surveys completed outside the golf industry show the number of people who "identify themselves as golfers" is as high as 45 million, indicating a large potential "latent" demand from very inactive golfers.

As rapidly as the demand for golf has grown, the supply has grown even faster, with an average increase of about 2.1% per year. With the increase in supply, we are seeing a marked increase in competition, and the supply is greater than the demand in some markets.

In addition to increased competition, four other factors have contributed to a decline in the number of rounds per course nationally during the 2002 to 2006 period. These include: 1) an uneven national economy; 2) the aftereffects of 9-11, which greatly reduced the traveling golfer market; 3) the increasing time pressure on individuals and families; and 4) abnormally poor weather conditions over the past few years in much of the U.S. The combination of these factors has caused many golf facilities to become distressed, particularly those that have a high debt load because of higher construction costs and the perceived need to build high-end courses.

The level of golf course closings has quadrupled from an annual average of 24 courses per year in 1993 – 2001 to 48 courses in 2002-03, 63 courses in 2004 and more than 100 courses in 2005. ***In 2006, there was negative net growth in golf facilities for the first time in six decades, with 146 18-hole equivalents closing and 119.5 opening.***

In terms of the total number of rounds produced, NGF estimates that rounds fell about 1.5% in 2003, after a 3% drop in 2002. NGF research indicated a rebound of about 0.7 percent in 2004, a very slight decline of 0.1% in 2005, and an increase of 0.8% in 2006. **The Central/ South California Region, which includes El Dorado Hills, saw a 1.2 percent increase in rounds from 2003 to 2004, a decrease of 0.3 percent in 2005, and an increase of 3.4 percent in 2006.**

On the positive side, the growth in golf course development has slowed considerably nationally and in the majority of local markets, a trend that should help ease some of the competitive pressure. Another positive trend is the aging of America. Baby boomers are rapidly approaching retirement age when golf activity flourishes. The baby boomers represent not only the largest single demographic in the US, but they also approach retirement age with more disposable income than any previous generation.

Municipal Golf

Municipalities were largely responsible for helping bring golf to the masses by creating affordable golf courses for their citizens. The role of municipal golf has changed dramatically over the past 30 years, with fewer municipalities viewing golf in the same vein as other recreational opportunities offered – simply an amenity for its citizens. Still, many municipalities remain that are willing to subsidize municipal golf. Though these municipalities certainly prefer to earn a profit, they recognize the value of offering affordable golf to their residents with respect to quality of life and even longevity, due to health benefits.

Several factors have changed over the last few decades that have, at least temporarily, altered the golf course market and the role of the municipally owned golf course. The main factor has been increased competition. As noted, in the last two decades the supply of public golf courses has increased dramatically, thus eliminating the near-monopoly that municipalities used to have on public golf. Now municipal courses are finding themselves competing head-to-head for market share with private enterprise. Unfortunately, few municipalities find they are equipped to handle this type of competitive environment.

There are several factors that typically inhibit municipalities in their ability to compete successfully with private enterprise. These include:

1. **Slow response:** By nature of the bureaucracy that is typically involved in making decisions, government-owned business are typically very slow to respond to market conditions – such as rates, promotions, etc.
2. **Budget Constraints:** Often budgetary problems in other departments can have an adverse affect on golf operations.
3. **Personnel Policies:** One of the most glaring areas separating municipal governments from private enterprise is in relation to personnel policies and costs. This is particularly true with regards to:

Benefits: Municipalities typically offer very rich benefit packages – far superior to what is normally the case within the golf industry. This results in the municipality paying far more for labor than competing private facilities.

Termination: With most private enterprises, if an employee is not productive, they are terminated – and often quickly. With governments, however, it can be extremely difficult to get unproductive employees terminated.

Marketing: Most municipalities lack marketing expertise that is critical to succeeding in a competitive business.

Procurement: When large items, especially capital improvements, are needed, municipalities are often constrained with lengthy procedures and mandated policies that slow the process down and can lead to situations where the best product or contractor is not selected. Another issue regarding procurement is getting funding, which can often take months longer than in private industry.

Incentive: With most municipal golf operations where all the employees are employees of the municipality, there are little or no incentives given to the managers for superior performance. As a result, municipal golf managers often earn the same secure income regardless of how successful the facility may be.

In summary, municipal golf facilities face considerable challenges to survive in the modern golf industry, and the El Dorado Hills CSD is likely to face some of these same issues if it gets into the golf business.

Local Golf Demand

El Dorado Hills GC lies within Sacramento-Stockton-Modesto Designated Market Area (DMA). The table below illustrates how this DMA ranks in relation to the other 209 DMA's nationwide on some key golf demand and supply measures. The Sacramento-Stockton-Modesto market overall is ranked a relatively low 108th among all DMA's for golf participation rate but, due to the large population base, it is the 17th most active DMA in the nation with regards to total predicted rounds demanded, and 21st for predicted golfing households. The DMA is ranked in the top 16% nationally for the number of total, public, and private golf facilities.

DMA Rankings

Sacramento-Stockton-Modesto DMA	
Characteristic	Rank (of 210 DMAs)
Total Number of Facilities	35
Public Facilities	T34
Private Facilities	33
Premium Facilities	T29
Standard Facilities	23
Value Facilities	T70
Predicted Household Participation Rate	18%
<i>Rank (of 210 DMAs)</i>	108
Predicted Number of Golfing Households	240,081
<i>Rank (of 210 DMAs)</i>	21
Predicted Number of Rounds Demanded - 2006	7,047,140
<i>Rank (of 210 DMAs)</i>	17
T' indicates tied with at least one other DMA for this rank	

Predicted Local Golf Demand

The **Golfing Household Index** is based on Predicted Number of Golfing Households, and compares golfing household participation in a particular geography to the national base index of 100. The **Rounds Index** is based on Predicted Number of Rounds, and compares the propensity of rounds played per household in a particular geography to the national average rounds index of 100.

The predictive indices for golfing households and rounds demanded were developed in order to determine the relative strength of a particular golf market area in comparison to other golf markets and the nation as a whole. These predictive demand indices help identify where golfing households and rounds activity are concentrated by comparing various geographies with one another and the national average, which is 100. For example, if a DMA has a Golfing Household Index of 120, that area is estimated to have 20 percent higher golf participation rate as compared to the U.S. average. And, if a DMA has a Rounds Index of 120, that area is estimated to have 20 percent higher average rounds per household as compared to the U.S. average.

Although both the *golfing household index* and the *rounds index* help to predict golf demand in a particular market, each index is derived independently and does not necessarily relate to the other. ***It is possible for an area with a low golfing household demand index to have a high rounds demand index and vice versa. In other words, some markets may have fewer golfing households, but those households play more rounds of golf; other markets may contain a large number of golfing households but the households play less frequently.*** A market area with a higher than average golfing household index in conjunction with a higher than average rounds index would be considered a prime area in terms of overall predicted golf demand.

Local Golf Demand Indices

	10 mi	20 mi	El Dorado County	Sacramento DMA	California	U.S.
Golf Demand Indicators						
# of Golfing Households	15,940	69,153	12,310	240,081	2,231,961	21,249,204
Number of Rounds Played	517,209	2,104,805	380,995	7,047,140	65,676,096	499,088,704
Golfing Household Index	108	90	122	94	96	100
Rounds Played Index	148	116	161	117	121	100

The golf demand indices for the local markets indicate a golf participation rate for the primary market area that is modestly higher than that of the U.S. overall. The rounds index indicates that predicted rounds activity per household is about 48% higher than the U.S. benchmark, an indication of the abundance of golf courses in the area and the year-round climate.

Current Golf Course Supply

There are eight total golf facilities, totaling 135 holes, in the defined primary market area. Of these, four facilities are public access, totaling 63 holes. The 20-mile market is home to a much more robust 34 facilities (21 public), totaling 612 holes (378 public). The Sacramento DMA has 133 golf facilities, 95 of which are public. The ratio analysis that follows puts these numbers in context, compared to national benchmarks.

	10 mi	20 mi	El Dorado County	Sacramento DMA	California	U.S.
Golf Supply Summary						
Total Golf Facilities	8	34	11	133	919	15,995
Public Golf Facilities	4	21	7	95	619	11,616
Private Golf Facilities	4	13	4	38	300	4,379
Total Golf Holes	135	612	171	2,205	16,227	269,235
Public Golf Holes	63	378	108	1,521	10,530	190,431
Private Golf Holes	72	234	63	684	5,697	78,804

Household/Supply Ratios and Indices

The Household/Supply Ratios are derived by dividing the total number of households by the number of 18-hole equivalent golf courses. This measure is used as a benchmark to establish the level of support (households) that is available for each 18 holes of golf in the market area. A Household/Supply index is derived from these ratios and compared with the base national figure of 100.

As the table indicates, the 10-mile market has about 39% more homes per 18-hole golf course than the national average. However, El Dorado County has 25% fewer households per course than does the U.S. overall. (These ratios would go down with the re-opening of El Dorado Hills GC). The growth in households and population expected in the next five to ten years means that these ratios, from the standpoint of existing operators or prospective developers, will become more favorable in the next few years, depending on the rate of new course construction.

Household/Supply Ratios

	10 mi	20 mi	El Dorado County	Sacramento DMA	California	U.S.
Household/Golf Supply Indicators						
Households per 18 Holes: Total	10,403	11,890	5,574	10,991	13,525	7,476
Households per 18 Holes: Public	22,292	19,250	8,826	15,934	20,843	10,570
Households per 18 Holes: Private	19,506	31,097	15,130	35,433	38,524	25,542
Households Supply Index: Total	139	159	75	147	181	100
Households Supply Index: Public	211	182	84	151	197	100
Households Supply Index: Private	76	122	59	139	151	100

Recent Construction Activity

The rate of new golf course construction has been very slow in El Dorado County (9 holes of golf were added between 1997 and 2006), but very brisk in the Sacramento DMA overall and in the 20-mile market area, where 24.3% and 33.3%, respectively, of all existing public holes were added to these markets in the last decade. This compares to the national figure of 18.8% over that same time period. The Sacramento DMA saw 279 new holes of public golf built between 1997 and 2001.

	10 mi	20 mi	El Dorado County	Sacramento DMA	California	U.S.
Golf Course Construction Activity						
1997-2006						
Total holes added past 10 years	27	144	9	450	2,763	44,766
Public holes added past 10 years	27	126	9	369	2,178	35,874
Private holes added past 10 years	0	18	0	81	585	8,892
Percent Total Holes Added	20.00%	23.50%	5.30%	20.40%	17.00%	16.60%
Percent Public Holes Added	42.90%	33.30%	8.30%	24.30%	20.70%	18.80%
Percent Private Holes Added	0.00%	7.70%	0.00%	11.80%	10.30%	11.30%
2002-2006						
Total holes added past 5 years	18	54	0	126	864	14,139
Public holes added past 5 years	18	36	0	90	630	9,999
Private holes added past 5 years	0	18	0	36	234	4,140
Percent Total Holes Added	13.30%	8.80%	0.00%	5.70%	5.30%	5.30%
Percent Public Holes Added	28.60%	9.50%	0.00%	5.90%	6.00%	5.30%
Percent Private Holes Added	0.00%	7.70%	0.00%	5.30%	4.10%	5.30%
1997-2001						
Total holes added previous 5 years	9	90	9	324	1,899	30,627
Public holes added previous 5 years	9	90	9	279	1,548	25,875
Private holes added previous 5 years	0	0	0	45	351	4,752
Percent Total Holes Added	6.70%	14.70%	5.30%	14.70%	11.70%	11.40%
Percent Public Holes Added	14.30%	23.80%	8.30%	18.30%	14.70%	13.60%
Percent Private Holes Added	0.00%	0.00%	0.00%	6.60%	6.20%	6.00%

Facilities in Planning or Under Construction

The NGF database indicates three public golf courses either in planning or under construction within 20 miles of the subject site. Campus Commons is a 9-hole public executive golf course being reconstructed in Sacramento, and the 9-hole public executive golf course Sierra Golf Course in Placerville will be potentially re-opening as part of a real estate development. Finally, Heritage at Bickford Ranch is an 18-hole public regulation course proposed as part of a mixed-use development in Lincoln. The development is expected to include the golf course and a 15,000 square-foot clubhouse, in addition to single-family homes, commercial buildings, assisted living units, public parks, fire station, sheriff's substation, a new elementary school, a trail system and 750 acres of open space.

Supply / Demand Interaction

Using the most basic measures of golf demand and supply, the overall El Dorado and Sacramento golf markets would appear to be healthy, with relatively high number of golfing households to support each existing facility and relatively high golf demand per household. However, this type of ratio analysis can overstate the potential opportunity for new golf course development in areas where the demographic profile is not consistent with high golf participation rates.

Though the predictive demand model and supply ratio analysis is very useful in evaluating the relative strength of golf markets, it cannot stand on its own in determining the status or health of a golf market. Rather, these analyses must be considered in the context of what is actually happening “on the ground” in the market, in terms of price point and activity level trends at existing golf courses. In the next section we will analyze rounds played trends and other dynamics that are shaping the local and regional public golf market.

COMPETITIVE ANALYSIS

NGF Consulting has analyzed the primary public access golf market, with particular emphasis on El Dorado Hills GC's primary competition in the lower to middle pricing tier of the municipal/daily fee market.

Competitive Assessment Review – Public Access Golf Facilities

Below we list the public access golf facilities located within ten miles of El Dorado Hills GC, as well as some key competitors in the secondary market, followed by a map showing course locations. We do not profile the 9-hole par 3 Rolling Greens Golf Course, as we do not consider this a potential competitor to El Dorado Hills GC. Following the map we present basic operating information about these facilities. At the end of this section, we provide our significant findings regarding the competitive market.

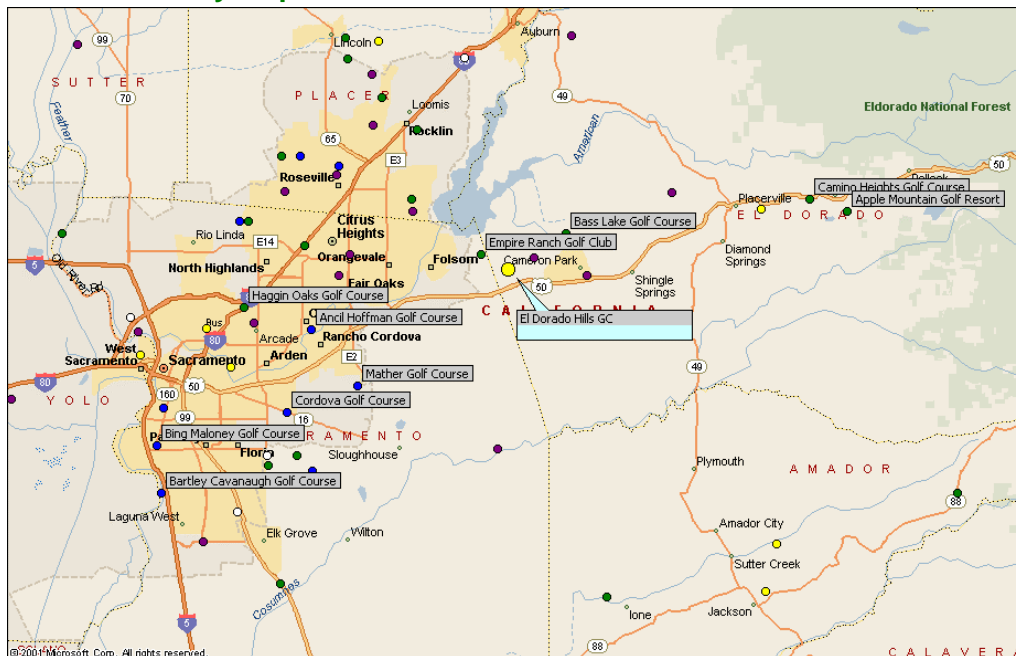
Primary Geographic Market Competitive Public Golf Courses	Key Secondary Market Public Golf Courses
1. Bass Lake Golf Course 2. Empire Ranch Golf Club 3. Rolling Greens Golf Course	4. Ancil Hoffman Golf Course 5. Apple Mountain Golf Resort 6. Bartley Cavanaugh Golf Course 7. Bing Maloney Golf Course 8. Camino Heights Golf Course 9. Cordova Golf Course 10. Haggin Oaks Golf Course 11. Mather Golf Course

Summary Golf Course Information - Key Potential Competitors

Key Competitive Public Golf Courses				
Primary Competitors	Location	Type	Year Open	Location Relative to El Dorado Hills GC*
Ancil Hoffman Golf Course	Carmichael	MU/18/R	1965	13.5 miles W/SW
Apple Mountain Golf Resort	Camino	DF/18/R	1997	23 miles E/NE
Bartley Cavanaugh Golf Course	Sacramento	MU/18/R	1995	27 miles southwest
Bass Lake Golf Course	Rescue	DF/18/R	1996	4.5 miles E/NE
Bing Maloney Golf Course	Sacramento	MU/18/R	1953	26 miles southwest
Camino Heights Golf Course	Camino	DF/9/E	1993	20 miles E/NE
Cordova Golf Course	Sacramento	MU/18/E	1960	17 miles southwest
Empire Ranch Golf Club	Folsom	DF/18/R	2002	2 miles W/NW
Haggin Oaks Golf Course	Sacramento	DF/18/R	1957	17.5 miles W/SW
Mather Golf Course	Mather	MU/18/R	1957	12.5 miles southwest

*Air Miles from subject site, rounded to half-mile; actual driving distances will likely be greater
 KEY: MU – Municipal DF – Daily Fee
 Type: R = regulation; E = executive

Area Public Golf Facility Map



Summary Operating Data - Key Potential Competitors

Golf Course	Par / Slope	Back Tee / Forward Tee	Total 2006 Rounds	Recent Rounds Trend	WD/WE 18-Hole Green Fee w/ Half Cart	WD/WE 18-Hole Twilight Green Fee w/ Half Cart	Annual Membership Cost
Key Potential Competitive Golf Facilities							
Ancil Hoffman Golf Course	72 / 129	6,794 / 5,954	70,509	Level	\$43/\$46/\$50	\$35/\$37	DNA
Apple Mountain Golf Resort	70 / 130	6,176 / 4,508	30,000	Up	\$48/\$58/\$68	\$35/\$40	\$2,000
Bartley Cavanaugh Golf Course	71 / 116	6,158 / 4,714	48,000	Level	\$37/\$47	\$31/\$31	DNA
Bass Lake Golf Course	72 / 124	5,938 / 4,585	30,725	N/A	\$40/\$49	\$32/\$38	\$1,250
Bing Maloney Golf Course	72 / 120	6,588 / 5,912	48,000	Level	\$37/\$47	\$31/\$31	DNA
Camino Heights Golf Course	31 N/A	1,862 / 1,684	N/A	N/A	\$30/\$30	\$20/\$20	\$70 / month
Cordova Golf Course	63 / 95	4,832 / 4,760	60,000	Down	\$24/\$27/\$30	\$23/\$23	DNA
Empire Ranch Golf Club	71 / 127	6,668 / 5,036	53,000	Level	\$46/\$56/\$66	\$35/\$45/\$47	DNA
Haggin Oaks Golf Complex ¹	72 / 125	6,991 / 5,452	130,000	Down	\$42/\$52	\$36/\$36	DNA
Mather Golf Course	72 / 125	6,734 / 5,732	67,308	Level	\$41/\$44/\$49	\$34/\$36	DNA
KEY 1 Statistics are for Mackenzie Course			*NGF Consulting Estimate N/A – Not Available DNA – Does not apply Note: Where three rates indicated, middle rate is for Friday				

Significant Findings – Public Access Golf Market

NGF Consulting research indicates the following significant findings for the public access golf market in which the El Dorado Hills GC would operate:

- Were the CSD to re-open El Dorado Hills Golf Course, its primary competitors would be the two local golf courses – Bass Lake and Empire Ranch. However, El Dorado Hills GC averaged less than \$19 total green and cart fee per round in its last year of operation – an indication of a low fee operator catering to a price sensitive market (contrast Empire Ranch’s \$53 per round in 2006).
- As such, Bass Lake probably represents more of a competitive threat to El Dorado Hills GC than the higher priced Empire Ranch.
- Empire Ranch is a high 18-hole regulation high quality daily fee course with top flight amenities. Known for excellent course conditions and playability, Empire Ranch quickly enjoyed market success when it opened in 2002. Empire Ranch has a very active men’s club, and most of the members live in Folsom or El Dorado Hills. However, as one of the top daily fee courses in the area, it also draws from further away, particularly the Sacramento and Roseville areas. The facility’s Director of Golf reports very robust business on Empire’s small driving range, and often times there is a waiting list to hit balls.
- Bass Lake is a relatively short 18-hole golf course that re-opened in 2002. The current owners have put some money into the facility, especially the clubhouse. It is in better condition than it has been in years, though it is certainly a couple of tiers lower than Empire Ranch. Bass Lake has a full bar and restaurant with banquet capabilities, convenient grass tee driving range, putting green, chipping green, and practice bunkers. The facility reportedly has gained some play from some golfers who were El Dorado Hills GC customers, though price points at Bass Lake are higher.
- Secondary competitors to the east include the 9-hole executive length Camino Heights and the 18-hole regulation length Apple Mountain Resort. The low-end Camino Heights is now the cheapest option in the market, and though 20 miles away from El Dorado Hills, it has picked up some play from El Dorado Hills GC. Apple Mountain is a nicely maintained, scenically beautiful golf course that can be considered a “destination” facility because of the secluded natural feel. The operator reports drawing a fairly high percentage of play from Sacramento and Roseville, as well as from the El Dorado Hills / Folsom area.
- Virtually all of the Sacramento and Roseville golf courses are potential competitors to El Dorado Hills GC in terms of fighting for market share *for golfers who live in those areas*. Nearly every Sacramento golf operator we spoke to mentioned that El Dorado Hills GC would have to rely on a very local market to draw the majority of its play, as the Sacramento/Roseville golfer simply has too many choices to be enticed to travel 20 miles to El Dorado Hills. Conversely, the golfer who lives in El Dorado Hills or Folsom is much more likely to be enticed to travel to Sacramento to play any number of high quality municipal or daily fee golf courses.

- Some of the courses on the east end of Sacramento that would compete for market share are high quality, well-maintained tracks such as Ancil Hoffman, Haggin Oaks, and Mather Golf Course. Though rack rates at most of these courses are considerably above what El Dorado Hills GC was charging, various forms of discounting, including senior rates and programs such as the Capital City Golf Card, make them more affordable. Additionally, most municipal golf courses also offer walking rates.
- Most market operators reported a significant drop-off in rounds played between the middle and late 1990s and about 2005. For instance, Sacramento County's Ancil Hoffman and Mather are down to about 70,000 from respective peaks of 110,000 and 90,000+. The City of Rancho Cordova's 18-hole executive length Cordova GC, which is probably the Sacramento area course that has benefited the most from El Dorado Hills GC's closure, reports that they are down nearly 50% from peak activity levels of about 120,000 in the 1990s.
- The drop-off in per-course activity levels in the Sacramento market is consistent with a nationwide trend caused primarily by an oversupply of public golf courses fighting for shares of stagnant markets – often in uneven economic conditions. We have previously noted the golf course building boom in the late 1990s in the Sacramento market. In many areas nationally, this trend was exacerbated by the hit that the tourism industry took after September 11
- Accounting for extreme weather variations (very rainy spring in 2006), per-course rounds played seem to have bottomed out and begun recovering slightly over the last couple of years. Most operators are reporting a very strong winter and spring in 2007.
- The NGF lists at least two golf course closures, other than El Dorado Hills GC, in the Sacramento market over recent years – Lighthouse Golf Course, an 18-hole executive golf course located in West Sacramento, and the 9-hole regulation length Lawrence Links in Antelope.
- All of the competitive public golf facilities in this market are offering some form of green fee discount off published rates to try to stimulate play during off-peak periods. The most typical scenario is for the peak morning rate to apply until roughly noon, a middle rate until about mid-afternoon (which differs by season), and then a twilight rate for the balance of the afternoon and early evening.
- As would be expected in California, golf course maintenance expense is not cheap in the Sacramento market. For instance, the total maintenance (not including any general & administrative expenses) budget for the City of Sacramento's Haggin Oaks (36 holes), Bartley Cavanaugh, and Bing Maloney Golf Course (27 holes) is \$4.5 million.
- In addition to local public courses, there are two private clubs in the market that compete for the local golfer – Serrano Country Club and Cameron Park Country Club. Between them and Cold Springs G & CC, located northwest of Placerville, these facilities have about 1,200 members. Though the private and low-end public golfer rarely overlap, these facilities present more options for golfers in the market.

TRENDS IN MUNICIPAL GOLF FACILITY OPERATIONS

Coupled with the declining rounds activity, many municipal golf facilities in the U.S. have been experiencing declines in total revenue. As golf facilities are often valued like other commercial real estate, the total revenues and bottom line net incomes become important measures for establishing value.

National Norms – Municipal Golf Operations

As part of NGF Consulting’s review of the proposed lease of the El Dorado Hills Golf Course by the El Dorado Hills Community Services District, we have compared the actual performance of the subject golf facility to our national research into municipal golf performance. A basic comparison with municipal golf courses nationally, as derived from 2004 actual results contained in the National Golf Foundation’s publication, *Operating & Financial Performance Profiles of 18-hole Golf Facilities in the U.S.*, shows the following. For comparison purposes, NGF Consulting uses the industry-established definition of a golf round as “one player teeing off in an authorized start.”

U.S. Averages Rounds Played per 18-holes 2004					
	U.S.	If the Season is		If Total Revenue is	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	27,500	26,860	27,500	24,020	34,510
Median	35,390	39,830	33,720	29,220	40,930
Top 25 Percent	44,730	58,170	40,680	36,400	53,240
<i>El Dorado Hills Golf Course</i>		36,400			
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2004 Edition, National Golf Foundation.					

U.S. Averages Total Revenue 2004					
	U.S.	If the Season is		When Total Revenue is	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	625,690	671,360	616,870	500,000	1,170,000
Median	983,580	1,030,470	980,000	643,030	1,457,820
Top 25 Percent	1,433,280	1,683,530	1,349,520	857,510	1,889,750
<i>El Dorado Hills Golf Course</i>		\$980,000±			
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2004 Edition, National Golf Foundation.					

U.S. Averages Total Expenses 2004					
	U.S.	If the Season is		When Total Revenue is	
		10-12 mos.	<10 mos.	Below \$1.0 mm	Above \$1.0 mm
Bottom 25 Percent	578,780	657,540	577,530	461,250	960,520
Median	851,350	1,051,620	778,090	586,950	1,224,090
Top 25 Percent	1,233,930	1,385,310	1,113,400	718,370	1,670,060
<i>El Dorado Hills Golf Course</i>		\$1,061,000			
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2004 Edition, National Golf Foundation.					

MARKET AREA OVERVIEW SUMMARY

There are more than 1.09 million people residing within 20 miles of El Dorado Hills Golf Course, indicating dense urban/suburban neighborhoods. Overall, the basic demographic profile of this population is generally favorable in regards to golf participation and frequency, particularly in the observation of significantly higher incomes and slightly older ages. Both age and incomes in the market tend to coincide with higher-than-average participation in golf. Further, the local economic trends, particularly the expected growth in new jobs, also support the expectation of higher-than-average participation in golf.

The national trends in golf facility operations show increasing expense to operate golf facilities, particularly in the public sector. Further, while our research notes a general stabilization in the growth of golf rounds demanded, there are considerably more golf facilities present to divide up the total volume of play. The result is a generally lower average rounds per golf course across all facilities in both the U.S. overall, and in this local market.

Locally, the NGF Consulting estimates for golf participation and frequency in the El Dorado Hills market mirror the positive demographic profile we noted earlier. However, we also note a significant increase in the total number of golf facilities in this defined market area, along with a corresponding decline in the number of rounds being generated on a per facility basis. The overall market area shows a generally favorable household/supply ratio, but the local El Dorado County has an estimated 25% **fewer** households available to support each golf course in the market. This finding is generally considered to represent an “over-supply” situation.

As a result, most golf facility operators in this market reported a significant drop-off in rounds played between the late 1990s and about 2005. The drop-off in activity levels is consistent with a nationwide trend caused primarily by an oversupply of public golf courses fighting for shares of stagnant markets. Accounting for extreme weather variations, per-course rounds played seem to have bottomed out and begun recovering slightly over the last couple of years. Still, activity levels are well below capacity for a year-round climate.

El Dorado Hills Golf Course Basic Operations and Preliminary Financial Projections

The El Dorado Hills Golf Course was operated as a daily fee golf club for non-exclusive use by daily fee players and some pass-holders. Complete operating data for the last few years at the subject facility has not been provided in this NGF Consulting report. Although this information is helpful in a full understanding of the subject golf property, the fact that the facility is being run as part of a larger private business makes the actual operating data of this golf course somewhat irrelevant to this analysis, especially as it applies to operating expenses.

The El Dorado Hills Golf Course owner/operator did provide NGF Consulting with basic rounds and gross revenue data that NGF Consulting will use for this analysis. It is the experience of NGF Consulting that an existing golf facility will tend to retain its basic activity and revenue characteristics for the first few years of operation by a municipality. It is on the expense side that we recognize that no valid comparison can be made between a municipality and a large private business.

REVENUE SOURCES

As El Dorado Hills Golf Course was primarily a daily fee golf course, the predominance of revenues generated by the facility were derived from daily green and cart fee revenue, as well as some fees from the driving range, merchandise, food and beverage operations. In all, revenues at El Dorado Hills Golf Course will come from green fees, cart fees, driving range fees, member dues, and concessions such as merchandise and food and beverage sales. The following paragraphs summarize each of these revenue sources.

Most Recent Golf Fees

Below is the most recent green fee structure for El Dorado Hills GC as provided by the facility owners. Other discounts for juniors, seniors and twilight were available.

El Dorado Hills GC Green and Cart Fees – 2006		
	9 Holes	18 Holes
Regular		
Monday-Friday	\$11.00	\$17.00
Saturday-Sunday	\$14.00	\$22.00
Carts		
Monday-Sunday	\$14.00	\$20.00

Activity Levels

At the time of its closing, the El Dorado Hills Golf Course has a relatively low level of rounds activity, especially when compared to previous years' reported activity. The facility experienced its most significant declines in the 1997-98 period (18% drop) and then in the 2001-02 period (24% decline). The annual rounds played history is shown below:

El Dorado Hills GC Annual Rounds Played		
Year	Total Rounds	% Change
1986	79,905	
1987	85,876	7.5%
1988	91,184	6.2%
1989	86,603	-5.0%
1990	82,162	-5.1%
1991	70,547	-14.1%
1992	77,579	10.0%
1994	74,960	-3.4%
1995	61,488	-18.0%
1996	59,602	-3.1%
1997	68,360	14.7%
1998	55,911	-18.2%
1999	54,867	-1.9%
2000	47,938	-12.6%
2001	51,265	6.9%
2002	38,844	-24.2%
2003	33,742	-13.1%
2004	36,404	7.9%
2005	36,494	0.2%
2006*	35,420	-2.9%

Source: El Dorado Hills Golf Course and NGF Consulting. *NGF Consulting Estimate
 *2006 through November 30, with estimate for December.
 No record for 1993

Capacity Issues

A golf course's *theoretical capacity* can be determined mathematically by multiplying the number of available tee times (utilizing only the first tee as the starting hole) in an hour by the number of hours of daylight, minus two hours, multiplied by the maximum number of players in a group, usually a foursome. A more realistic measure, a golf course's *actual capacity* takes into account the loss of tee times for weather, unplayable conditions, cancellations, no-shows, groups of less than four players, and other reasons a golf course would never actually play the *theoretical capacity* such as a desire to maintain conditions. In estimating capacity, NGF Consulting has defined a "round" as one person teeing off in an authorized start, so 9-hole and 18-hole rounds are counted equally.

The *actual capacity* for a given course is difficult, if not impossible, to calculate because most courses differ in physical characteristics and management procedures. For example, a course that has paved cart paths and good drainage can quickly resume play after a heavy rain, whereas a course that does not have paved cart paths and/or has poor drainage may have to

suspend play for several hours or the entire day. In Sacramento, California some lower-fee 18-hole municipal golf courses have demonstrated activity as high as 90,000+ on 18 holes in past years, but none achieve more than 70,000 per 18 holes today. As such, the El Dorado Hills golf operation should not expect to host total rounds played levels much beyond 60,000 rounds per year.

Revenue Analysis

NGF Consulting's review of the historical revenue performance shows a general decline in revenue commensurate with the decline in rounds noted above. The range of revenues earned in each of the revenue categories is shown in the table below. While not absolute, most of the higher revenue totals are from the earlier part of the decade and the lower estimates more recent.

El Dorado Hills GC Range of Reported Revenues (2000-2006)		
Revenue	Low	High
Golf Shop	\$85,000	\$119,000
Green Fees	\$483,000	\$715,000
Passes	\$10,000	\$51,000
Golf Cart Fees	\$150,000	\$177,000
Club Repair/Rental	\$1,200	\$13,000
Driving Range	\$79,000	\$148,000
Food Sales	\$40,000	\$92,000
Beverage Sales	\$45,000	\$84,000
Total Revenue	\$942,000	\$1,390,000
Source: El Dorado Hills GC. High low estimates for total revenue do not sum.		

Revenue Ratios

El Dorado Hills Golf Course revenue is derived from six primary sources: green fees, cart fees, range revenue, retail sales, food sales and beverage sales. As can be seen in the table that follows, average revenue per round has been holding within a range that shows the low-fee segment this facility caters to. Overall, the District should not expect to generate revenue in excess of \$30 per round of golf at this facility if it re-opens under a similar operating structure to what existed at this facility just prior to its closing in January 2007. Average revenue per round estimates are displayed below:

El Dorado Hills GC Range of Average Revenue per Round (2000-2006)		
	Low	High
Revenue		
Golf Shop	\$2.12	\$3.28
Green Fees	\$13.45	\$14.39
Golf Cart Fees	\$3.15	\$4.96
Driving Range	\$2.34	\$3.30
Food Sales	\$1.13	\$1.84
Beverage Sales	\$1.26	\$1.76
Total Revenue	\$25.82	\$28.64
Source: El Dorado Hills GC. High low estimates for total revenue do not sum.		

El Dorado Hills Golf Course Operations Summary

The El Dorado Hills Golf Course operated as a daily fee golf club with six primary sources of revenue: green fees, carts, driving range, merchandise, food and beverage. In total, these revenue drivers have generated as much as \$1.39 million in revenue in the early part of this decade, declining to \$940,000± in the last full year of operation.

Total expenses to operate the facility were provided by El Dorado Hills GC management and while these actual costs are useful in establishing benchmarks for the facility, it is expected that the District will have a vastly different expense structure at El Dorado Hills GC if it were to take over the operation. Overall, it is expected that the operational expense structure for the El Dorado Hills Community Services District will be significantly higher than that currently being experienced by the private operator should the District lease and operate the facility. This will be addressed, and El Dorado Hills Community Services District expense estimates provided, in the following section on financial projections.

PRELIMINARY FINANCIAL ANALYSIS

NGF Consulting has created a cash flow model for the continued operation of the El Dorado Hills Golf Course under the assumption of District operation beginning in 2008, as well as the other assumptions outlined below. The primary assumption that drives the NGF Consulting financial projections is that the El Dorado Hills Golf Course will be operated to a standard of quality comparable to what exists at the facility today, and that the El Dorado Hills Community Services District will self-operate the facility. While we recognize that the District may look to a private operator to manage the facility for the District, this estimate will help to establish parameters under which the District can reasonably determine an appropriate management fee and/or lease arrangement.

Market Share Conclusions

When considering the total market share of the subject facility, it is important to realize that the total number of rounds to be played at the course during the first few years of operation may be lower than the full operating potential after years of operation. It is typical for an existing public

access golf facility to achieve only a portion of its total potential in the initial years after lease or acquisition by a municipality. Our estimates of performance for the El Dorado Hills Golf Course 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 a newly acquired course's likely performance in such a way as to help the District make financial decisions based on realistic expectations. It is obviously possible that either more or fewer rounds will be realized. We note that our projections for future performance of the El Dorado Hills Golf Course do anticipate increases in activity that may not occur, potentially leading to District subsidies.

Green Fee/Activity Assumptions

- There will be several categories of rounds activity expected at the El Dorado Hills Golf Course upon re-opening: 9- and 18-hole prime time rounds (weekends/holidays), 9- and 18-hole discount rounds (weekdays/twilight, etc.) and other discount rounds, including juniors, seniors and other groups defined by the El Dorado Hills Community Services District. Discounted categories also include fees during twilight hours and winter (off-season) discounts.
- NGF Consulting has assumed all membership and or season pass programs will be eliminated in favor of a straight pay-for-play golf operation with appropriate discounts for certain tee times. Eighty percent of all prime and 18-hole discount rounds are assumed to rent carts. The remainder are walking rounds.
- Total rounds projection has been estimated based on the actual performance of the subject facility in recent years and the assumption of growth due to expected population changes, competing course closures, enhanced marketing and new categories of discounted rounds. Rounds of play are expected to be heavily weighted toward discounted fee categories, as much as 75 percent of total play as discounts by the fifth year of operation.
- The green and cart fee schedule has been estimated based on the actual fees charged at El Dorado Hills Golf Course in 2006, with some categories modified to reflect peak demand periods and discounts. This means peak weekend/holiday green and cart fee in the \$32 range, with discounts all the way down to \$4.50 for some 9-hole and/or discounted walking rounds.

- NGF Consulting has assumed the El Dorado Hills Community Services District will take full advantage of the driving range that is present, and increases over actual activity are projected. Patrons are assumed to spend \$2.00 per round of golf on the driving range in 2008, growing to per \$5.00 per round after five years of District operation. This increase reflects enhanced programming, lessons and marketing for range activity and business.
- Spending on ancillary items such as merchandise and food/beverage items has been estimated at levels comparable to when the facility was in operation - \$3.00 per round for food and beverage and \$2.00 per round for merchandise.

El Dorado Hills Golf Course Expense Projections

NGF Consulting has prepared estimates of expenses for the 18-hole El Dorado Hills Golf Course under the assumption of self-operation by the El Dorado Hills Community Services District, and with an on-site golf facility manager reporting to the District.

Fixed Expenses

Golf course maintenance expenses (includes practice facility) have been estimated to be \$573,000 in the first full year of CSD operation (2008), growing at four percent per year to just over \$670,000 by 2012. These expenses are intended to include all costs associated with the maintenance of the golf playing area and driving range, including a lease of maintenance equipment. Overall, golf course maintenance expenses are expected to conform to the following general schedule prepared by NGF Consulting.

Estimated Golf Course Maintenance Expense Under District Self-Operation El Dorado Hills Golf Course– 2008	
Salaries & Wages	
<i>Full-Time Employees</i>	
Course Superintendent	\$70,000
1 Asst. Superintendent @ \$40,000	40,000
4 Crew Members @ \$25,000 each	100,000
Benefits & Taxes @ 36%	75,000
<i>Part-Time Labor</i>	
8,000 hours @ \$11.00/hr.	88,000
Total Salaries & Wages	\$373,000
Utilities	20,000
Equipment Lease	50,000
Seed, Sod & Sand (incl. Top-Dress program)	50,000
Supplies (Chemicals & Fertilizer)	40,000
Repairs & Maintenance	15,000
Fuel & Oil	15,000
Maintenance Administration	10,000
Total Course Maintenance Expense	\$573,000
Source: NGF Consulting estimate 2007	

General and administrative expenses have been estimated to be \$325,000 in 2008, growing at four percent per year to just over \$380,000 by 2012. The general and administrative expenses have been estimated based on the operation of a median quality golf course and are expected to conform to the following general schedule prepared by NGF Consulting.

Administrative & General Expense	
Salaries & Wages	
<i>Full-Time Employees</i>	
Director of Golf/Head Golf Professional	\$ 75,000
2 Assistant Golf Professionals @ \$35,000	70,000
Benefits & Taxes @ 36%	54,000
<i>Part-Time Labor</i>	
Shop Clerks, starters, rangers, etc. (6,000 hours @ \$11.00/hr.)	66,000
Advertising & Promotion	25,000
Insurance	10,000
Supplies	15,000
Miscellaneous	10,000
Total Administrative & General Expense	\$325,000
Source: NGF Consulting Estimate 2007	

Other Expenses

Expenses associated directly with revenue centers, such as merchandise and food and beverage, have been assumed based on historical patterns established at U.S. golf facilities of this type.

- Shop merchandise expenses (cost of goods sold) are assumed at 75% of total merchandise sales revenue. An estimate of 50% is used for direct costs for food and beverage sales in the snack bar.
- Expenses associated with operating a fleet of 50± golf carts has been estimated based on an accepted industry estimate of roughly \$800 per cart per year. This estimate was intended to include all maintenance and operational expenses, and applies regardless of whether carts are purchased or leased by the golf course. The estimate increases by four percent each year.
- In addition to cost of goods sold, an additional \$100,000 in fixed expenses is assumed for the clubhouse/ food and beverage operation. This figure is increased at four percent per year.
- Maintenance and repair expenses in addition to the aforementioned normal maintenance may be necessary during the course of operating a quality golf facility, especially with the amount of netting used in the operation. NGF Consulting has included a schedule for capital improvements for an 18-hole facility of \$50,000 per year. This money can be spent each year, or saved as a reserve for major repairs in the future. This amount is consistent with expectations at golf courses nationwide.

- In keeping with the conservative posture taken for this feasibility study, NGF Consulting has assumed an operations reserve contingency expense to account for any possible unforeseen expenses, and/or cover any annual revenue shortfall. This contingency has been estimated to be five percent of all expenses, excluding cost of goods sold and the capital expense reserve.

Cash Flow Statement

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements in the following exhibits. Each category of revenue has been listed separately, and an estimate of the total facility average revenue per round has been provided.

Projected Cash Flow Analysis El Dorado Hills Golf Course 18-Hole Executive Layout					
	ACTIVITY LEVELS				
Rounds of Golf	2008	2009	2010	2011	2012
18-H Prime WE & Hol.	8,000	8,000	8,000	8,100	8,400
9-H Prime WE & Hol.	4,000	4,800	5,200	5,400	5,600
18-H Discount WD	14,000	14,400	15,600	16,200	16,800
9-H Discount WD	6,000	9,200	10,400	10,800	11,200
Specials (jun, sen, etc.)	7,000	10,400	11,500	12,150	12,600
Comps/Promos	1,000	1,200	1,300	1,350	1,400
Total Rounds	40,000	48,000	52,000	54,000	56,000
Cart Rounds	20,800	21,760	23,040	23,760	24,640
	SCHEDULE OF FEES AND CHARGES				
	2008	2009	2010	2011	2012
Green Fees					
18-H Prime WE & Hol.	\$27.00	\$27.81	\$28.64	\$29.50	\$30.39
9-H Prime WE & Hol.	\$16.00	\$16.48	\$16.97	\$17.48	\$18.01
18-H Discount WD	\$21.50	\$22.15	\$22.81	\$23.49	\$24.20
9-H Discount WD	\$12.00	\$12.36	\$12.73	\$13.11	\$13.51
Specials (jun, sen, etc.)	\$9.00	\$9.27	\$9.55	\$9.83	\$10.13
Comps/Promos	\$4.50	\$4.64	\$4.77	\$4.92	\$5.06
Average Cart Fee	\$11.00	\$11.33	\$11.67	\$12.02	\$12.38
Other Revenues (per Round)					
Shop Merchandise	\$2.50	\$2.58	\$2.65	\$2.73	\$2.81
Food/Beverage	\$3.00	\$3.09	\$3.18	\$3.28	\$3.38
Driving Range	\$2.00	\$3.50	\$5.00	\$5.15	\$5.30

**Projected Cash Flow Analysis
El Dorado Hills Golf Course
18-Hole Executive Layout**

	2008	2009	2010	2011	2012
REVENUES:					
Total Green Fees	\$720,500	\$836,200	\$921,700	\$981,700	\$1,048,600
Total Cart Fees	\$228,800	\$246,500	\$268,900	\$285,600	\$305,100
Dr. Range (incl. lessons)	\$80,000	\$168,000	\$260,000	\$278,100	\$297,100
Shop Merchandise	\$100,000	\$123,600	\$137,900	\$147,500	\$157,600
Food & Beverage	\$120,000	\$148,300	\$165,500	\$177,000	\$189,100
TOTAL REVENUE	\$1,249,300	\$1,522,600	\$1,754,000	\$1,869,900	\$1,997,500
Total Revenue/Round	\$31.23	\$31.72	\$33.73	\$34.63	\$35.67
Total Golf Rev./Round	\$25.73	\$26.06	\$27.90	\$28.62	\$29.48
Less: Direct Costs					
Merchandise (75%)	\$75,000	\$92,700	\$103,400	\$110,600	\$118,200
Food & Beverage (50%)	\$60,000	\$74,150	\$82,750	\$88,500	\$94,550
Total Direct Costs	\$135,000	\$166,850	\$186,150	\$199,100	\$212,750
TOTAL NET REVENUES	\$1,114,300	\$1,355,750	\$1,567,850	\$1,670,800	\$1,784,750
EXPENSES:					
Golf Course Maintenance	\$573,000	\$595,920	\$619,757	\$644,547	\$670,329
Golf Administration	\$325,000	\$338,000	\$351,520	\$365,581	\$380,204
Fixed Clubhouse & F&B	\$100,000	\$104,000	\$108,160	\$112,486	\$116,986
Cart Expense	\$40,000	\$41,600	\$43,264	\$44,995	\$46,794
Other	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Capital Exp./Reserve	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Operations Reserve (5%)	\$52,150	\$54,236	\$56,405	\$58,662	\$61,008
TOTAL EXPENSES	\$1,145,150	\$1,188,956	\$1,234,514	\$1,281,895	\$1,331,171
NOI (Before Debt)	(\$30,850)	\$166,794	\$333,336	\$388,905	\$453,579
Debt Service on Improvements 5.5 mm @ 6.5% for 30 years	\$421,176	\$421,176	\$421,176	\$421,176	\$421,176
Income Available for Parker Lease	(\$452,026)	(\$254,382)	(\$87,840)	(\$32,271)	\$32,403
Cumulative Shortfall	(\$452,026)	(\$706,408)	(\$794,248)	(\$826,519)	(\$794,115)

Cash Flow Results

The results of NGF Consulting's preliminary cash flow projection shows that the El Dorado Hills Golf Course can expect to generate approximately \$1.25 million in gross operational revenue in the first full year of CSD operation (2008), growing to \$1.99 million by the fifth year of operation reflecting expected boosts from population growth, improved player-development programs and

enhanced marketing. Considering all preliminary expense estimates prepared by NGF Consulting for this study, the annual profit available for capital investment reduction and lease payment will grow to a stabilized range of \$390,000 to \$450,000 per year if all activity assumptions can be realized.

Based on a preliminary capital cost reduction schedule prepared by NGF Consulting for this study, the newly acquired El Dorado Hills Golf Course would not be able to earn enough in net income to cover a \$5.5 million debt for the required improvements to the facility until the fourth or fifth year after take-over by the District. If the activity levels are not achieved it is likely that the facility will operate with continued losses and require subsidies from the District. Of course, we note that this estimated performance does not include any payment in the form of a lease or other compensation to the property owner. Those expenses would be in addition to the losses already defined in this analysis.

ANALYSIS OF ENHANCED CLUBHOUSE OPERATION

NGF Consulting has created a cash flow model for the continued operation of the El Dorado Hills Golf Course under the assumption of District operation beginning in 2008, along with an enhanced clubhouse operation. Under this scenario the District will replace the existing El Dorado Hills GC clubhouse with a new, and larger, structure capable of hosting events of up to 300 persons. The new facility would ultimately have approximately 10,000 to 12,000 sf of space and cost between \$2.5 and \$3.5 million. The facility would then be used to attract banquets and other parties, events, etc., as well as be used to attract additional tournament business in golf. The total income earned from clubhouse-related items such as food, beverage and merchandise sales would also likely increase.

Cash Flow Assumptions

All assumptions outlined in the estimate shown above is included in the enhanced clubhouse scenario with the following exceptions:

- Existing clubhouse is demolished at the end of 2007 and replaced with a temporary (modular) structure for two years. New clubhouse opens in 2010. Minimal clubhouse revenue and expense is assumed for 2008-09.
- Green fee and rounds activity is held constant from the base scenario. A total of 1,500 to 2,500 tournament rounds are added to the golf activity.
- Direct non-golf banquet revenue is estimated at \$1.0 million, with four percent annual increases over the period shown. After the new clubhouse opens in 2010, merchandise sales are estimated at \$3.00 per round, food and beverage sales at \$4.50 per round, increasing at four percent per year.
- Direct cost of goods sold for food and beverage is increased to 60% in 2010 to reflect a broader offering of menu items in the new clubhouse. Merchandise COGS remains constant.

- Golf administration is increased in 2010 to reflect the larger scale of the operation. The general and administrative expenses beginning in 2010 are expected to conform to the following general schedule prepared by NGF Consulting:

Administrative & General Expense - 2010	
Salaries & Wages	
<i>Full-Time Employees</i>	
Director of Golf/Head Golf Professional	85,000
2 Assistant Golf Professionals @ \$35,000	70,000
1 Tournament Coordinator	55,000
1 Banquets Mgr.	55,000
Benefits & Taxes @ 36%	95,000
<i>Part-Time Labor</i>	
Shop Clerks, starters, rangers, etc. (6,000 hours @ \$11.00/hr.)	65,000
Advertising & Promotion	40,000
Insurance	10,000
Supplies	15,000
Miscellaneous	10,000
Total Administrative & General Expense	\$500,000
Source: NGF Consulting Estimate 2007	

- Fixed clubhouse expenses increase to \$200,000 beginning in 2010.

Enhanced Clubhouse Scenario - Cash Flow Pro-Forma

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements in the following exhibits. Each category of revenue has been listed separately, and an estimate of the total facility average revenue per round has been provided.

Cash Flow Results

The results of NGF Consulting's preliminary cash flow projection shows that the El Dorado Hills Golf Course can expect to generate approximately \$1.14 million in gross operational revenue in the first full year of CSD operation (2008). This amount is lower than the estimate in the base scenario as the NGF team anticipates only a small, temporary clubhouse operation for the first two years as a new clubhouse is being constructed. After the new clubhouse comes on line in 2010, the top-line gross income will rise considerably, stabilizing at about \$3.1 million per year, almost a third of which would come from non-golf food/beverage (banquet) revenue.

Considering all preliminary expense estimates prepared by NGF Consulting for this study, the annual profit available for capital investment reduction and lease payment will grow to a stabilized range of \$515,000 to \$580,000 per year if all activity assumptions can be realized.

Based on a preliminary capital cost reduction schedule prepared by NGF Consulting for this study, the newly acquired El Dorado Hills Golf Course would not be able to earn enough in net income to cover a \$8.0 million debt for the required improvements to the facility after take-over by the District. In this case, even if the activity levels projected by NGF Consulting are achieved it is likely that the facility will operate with continued losses and require subsidies from the District. Of course, we note that this estimated performance does not include any payment in the form of a lease or other compensation to the property owner. Those expenses would be in addition to the losses already defined in this analysis.

Projected Cash Flow Analysis El Dorado Hills Golf Course 18-Hole Layout + New Clubhouse In 2010					
ACTIVITY LEVELS					
Rounds of Golf	2008	2009	2010	2011	2012
18-H Prime WE & Hol.	8,000	8,000	8,000	8,100	8,400
9-H Prime WE & Hol.	4,000	4,800	5,200	5,400	5,600
18-H Discount WD	14,000	14,400	15,600	16,200	16,800
9-H Discount WD	6,000	9,200	10,400	10,800	11,200
Specials (jun, sen, etc.)	7,000	10,400	11,500	12,150	12,600
Comps/Promos	1,000	1,200	1,300	1,350	1,400
Total Rounds	40,000	48,000	52,000	54,000	56,000
Cart Rounds	20,800	21,760	24,540	25,760	27,140
Addl. Tournament Rounds			1,500	2,000	2,500
SCHEDULE OF FEES AND CHARGES					
	2008	2009	2010	2011	2012
Green Fees					
18-H Prime WE & Hol.	\$27.00	\$27.81	\$28.64	\$29.50	\$30.39
9-H Prime WE & Hol.	\$16.00	\$16.48	\$16.97	\$17.48	\$18.01
18-H Discount WD	\$21.50	\$22.15	\$22.81	\$23.49	\$24.20
9-H Discount WD	\$12.00	\$12.36	\$12.73	\$13.11	\$13.51
Specials (jun, sen, etc.)	\$9.00	\$9.27	\$9.55	\$9.83	\$10.13
Comps/Promos	\$4.50	\$4.64	\$4.77	\$4.92	\$5.06
Tournament	\$27.00	\$27.81	\$28.64	\$29.50	\$30.39
 Average Cart Fee	 \$11.00	 \$11.33	 \$11.67	 \$12.02	 \$12.38
Other Revenues (per Round)					
Shop Merchandise	\$1.00	\$1.00	\$3.00	\$3.09	\$3.18
Golf Food/Beverage	\$1.00	\$1.00	\$4.50	\$4.64	\$4.77
Driving Range	\$3.00	\$3.09	\$3.18	\$3.28	\$3.38
Non-Golf F & B			\$1,000,000	\$1,040,000	\$1,081,600

**Projected Cash Flow Analysis
El Dorado Hills Golf Course
18-Hole Layout + New Clubhouse In 2010**

	2008	2009	2010	2011	2012
REVENUES:					
Total Green Fees	\$720,500	\$836,200	\$964,600	\$1,040,700	\$1,124,600
Total Cart Fees	\$228,800	\$246,500	\$286,400	\$309,600	\$336,000
Dr. Range (incl. lessons)	\$120,000	\$148,300	\$165,500	\$177,000	\$189,100
Shop Merchandise	\$40,000	\$48,000	\$156,000	\$166,900	\$178,200
Food & Beverage	\$40,000	\$48,000	\$1,234,000	\$1,290,300	\$1,348,900
TOTAL REVENUE	\$1,149,300	\$1,327,000	\$2,806,500	\$2,984,500	\$3,176,800
Total Revenue/Round	\$28.73	\$27.65	\$53.97	\$55.27	\$56.73
Total Golf Rev./Round	\$26.73	\$25.65	\$27.24	\$28.28	\$29.46
Less: Direct Costs					
Merchandise (75%)	\$30,000	\$36,000	\$117,000	\$125,200	\$133,700
Food & Beverage (50-60%)	\$20,000	\$24,000	\$740,400	\$774,180	\$809,340
Total Direct Costs	\$50,000	\$60,000	\$857,400	\$899,380	\$943,040
TOTAL NET REVENUES	\$1,099,300	\$1,267,000	\$1,949,100	\$2,085,120	\$2,233,760
EXPENSES:					
Golf Course Maintenance	\$573,000	\$595,920	\$619,757	\$644,547	\$670,329
Golf Administration	\$325,000	\$275,000	\$500,000	\$520,000	\$540,800
Fixed Clubhouse & F&B	\$10,000	\$10,000	\$200,000	\$208,000	\$216,320
Cart Expense	\$40,000	\$41,600	\$43,264	\$44,995	\$46,794
Other	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Capital Exp./Reserve	\$50,000	\$0	\$50,000	\$75,000	\$100,000
Operations Reserve (5%)	\$47,650	\$46,386	\$68,421	\$71,158	\$74,005
TOTAL EXPENSES	\$1,050,650	\$974,106	\$1,486,850	\$1,569,324	\$1,654,097
NOI (Before Debt)	\$48,650	\$292,894	\$462,250	\$515,796	\$579,663
Debt Service on Improvements 8.0 mm @ 6.5% for 30 years	\$612,620	\$612,620	\$612,620	\$612,620	\$612,620
Income Available for Parker Lease	(\$563,970)	(\$319,726)	(\$150,370)	(\$96,824)	(\$32,957)
Cumulative Shortfall	(\$563,970)	(\$883,695)	(\$1,034,065)	(\$1,130,889)	(\$1,163,845)

Limiting Conditions

The income estimates and warranted investment analysis 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 it is oriented. Particular focus was paid to the reality of golf supply in the immediate local market where several golf facilities have been struggling to generate enough golf rounds to meet their obligations. Proper uses of these estimates include but are not limited to:

- Establishing reasonable parameters for value of the subject facility
- Determining an appropriate level of debt and/or lease obligation that the facility can support under El Dorado Hills Community Services District operation
- Establishing the basis for financing determinations
- Providing guidelines for lease/acquisition cost determinations

NGF Consulting is confident that the stated financial projections and value estimates can be achieved at the subject facility. From a practical standpoint, those managing the facility 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 course continues to mature, NGF Consulting has limited its projections to a five-year period. Nevertheless, we are confident that the facility will be able to continue to achieve similar results beyond the next five years of operation.

Alternative Use Discussion

Based on NGF Consulting's financial projections, the El Dorado Hills Golf Course will require a capital investment of at least \$5.5 million to bring the facility back to the appropriate playing condition and to justify a slight increase in playing fees. We note again that even if this type of renovation is completed, the District will still not own these improvements if the property is transferred in the form of a lease arrangement.

As part of our report to the District in the possibilities of this El Dorado Hills Golf Course property, NGF Consulting has provided a brief review of the other possible uses that might be considered for this property. Among the alternatives considered include both golf (or golf-related) uses and non-golf uses.

9-HOLE / RANGE OPTION

NGF Consulting has considered the possibility of the District acquiring (or leasing) the El Dorado Hills property and then re-configuring the property to include a 9-hole golf course plus expanded driving range / golf learning center. This consideration would also require an upfront investment from the District in the amount of \$5.5 to \$6.5 million, comparable to the options just analyzed. We also expect that this option, like others, would require a strong, hands-on operator with dedication to growing golf and developing new players through programming, camps, schools, lessons, etc. Assuming this can be done, NGF Consulting has prepared an analysis of the economic implications of such a scenario.

Market Summary

The conversion of El Dorado Hills GC into a state-of-the-art learning center would create a new and unique golf learning center for the Sacramento area.

Basic Components

The newly renovated facility would include a 9-hole regulation golf course, 350-yard driving range (170 yards wide) with some artificial turf stations, 3-hole "practice" course, short game academy, along with the existing clubhouse.

Green Fee/Activity Assumptions

- NGF Consulting assumed 28,000 to 36,000 total 9-hole rounds. Green fees range from \$5.00 to \$17.50. A total of 60% of 9-hole rounds are assumed as cart rounds.
- New revenue for lessons, schools, camps, programs, etc. has been estimated based on comparable data both locally and nationally. A direct commission of 60% of all revenue in this category is assumed.

9-Hole / Range Expense Projections

Direct expenses for maintenance and operations have been adjusted to reflect the reduced scale of the operation.

Fixed Expenses

Golf course maintenance and General / Administrative expenses are expected to conform to the following general schedules prepared by NGF Consulting.

Estimated Golf Course Maintenance Expense Under District Self-Operation El Dorado Hills Golf Course– 9-Hole/Range	
Salaries & Wages	
<i>Full-Time Employees</i>	
Facility Superintendent	\$70,000
4 Crew Members @ \$25,000 each	100,000
Benefits & Taxes @ 36%	60,000
<i>Part-Time Labor</i>	
8,000 hours @ \$11.00/hr.	88,000
Total Salaries & Wages	\$318,000
Utilities	15,000
Equipment Lease	20,000
Seed, Sod & Sand (incl. Top-Dress program)	20,000
Supplies (Chemicals & Fertilizer)	20,000
Repairs & Maintenance	5,000
Fuel & Oil	10,000
Maintenance Administration	10,000
Total Course Maintenance Expense	\$418,000
Source: NGF Consulting estimate 2007	

Administrative & General Expense	
Salaries & Wages	
<i>Full-Time Employees</i>	
Director of Golf/Head Golf Professional	75,000
1 Assistant Golf Professional @ \$35,000	35,000
Benefits & Taxes @ 36%	40,000
<i>Part-Time Labor</i>	
Shop Clerks, starters, rangers, etc. (6,000 hours @ \$11.00/hr.)	66,000
Advertising & Promotion	25,000
Insurance	10,000
Supplies	10,000
Miscellaneous	4,000
Total Administrative & General Expense	\$265,000
Source: NGF Consulting Estimate 2007	

Other Expenses

Expenses associated directly with revenue centers, such as merchandise and food and beverage, have been assumed based on historical patterns established at U.S. golf facilities of this type.

- Shop merchandise expenses (cost of goods sold) are assumed at 75% of total merchandise sales revenue. An estimate of 50% is used for direct costs for food and beverage sales in the snack bar and 60% for lessons commissions.
- Expenses associated with operating a fleet of 25± golf carts has been estimated based on an accepted industry estimate of roughly \$800 per cart per year. This estimate was intended to include all maintenance and operational expenses, and applies regardless of whether carts are purchased or leased by the golf course. The estimate increases by four percent each year.
- In addition to cost of goods sold, an additional \$50,000 in fixed expenses is assumed for the clubhouse/ food and beverage operation. This figure is lower than in the base scenario to reflect the snack bar / vending orientation of the clubhouse under this scenario.
- Maintenance and repair expenses in addition to the aforementioned normal maintenance may be necessary during the course of operating a quality golf facility, especially with the amount of netting used in the operation. NGF Consulting has included a schedule for capital improvements for an 18-hole facility of \$20,000 to \$40,000 per year. This money can be spent each year, or saved as a reserve for major repairs in the future. This amount is consistent with expectations at golf courses nationwide.
- In keeping with the conservative posture taken for this feasibility study, NGF Consulting has assumed an operations reserve contingency expense to account for any possible unforeseen expenses, and/or cover any annual revenue shortfall. This contingency has been estimated to be five percent of all expenses, excluding cost of goods sold and the capital expense reserve.

Cash Flow Estimate – 9-Hole / Range

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements in the following exhibits. Each category of revenue has been listed separately, and an estimate of the total facility average revenue per round has been provided.

Projected Cash Flow Analysis EI Dorado Hills Golf Course 9-Hole Layout + Expanded Range					
ANNUAL PASS/ACTIVITY LEVELS					
Rounds of Golf	2008	2009	2010	2011	2012
9-H Prime WE & Hol.	12,800	14,400	15,200	15,600	16,000
9-H Discount WD	8,000	9,000	9,500	9,750	10,000
Specials (jun, sen, etc.)	6,400	7,200	7,600	7,800	8,000
Camps/Promos	4,800	5,400	5,700	5,850	6,000
Total Rounds	32,000	36,000	38,000	39,000	40,000
Cart Rounds	12,480	14,040	14,820	15,210	15,600

EI Dorado Hills Golf Course Schedule Of Fees And Charges					
	2008	2009	2010	2011	2012
Green Fees					
9-H Prime WE & Hol.	\$17.50	\$18.03	\$18.57	\$19.12	\$19.70
9-H Discount WD	\$12.00	\$12.36	\$12.73	\$13.11	\$13.51
Specials (jun, sen, etc.)	\$10.00	\$10.30	\$10.61	\$10.93	\$11.26
Camps/Promos/schls	\$5.00	\$5.15	\$5.30	\$5.46	\$5.63
 Average Cart Fee	 \$8.00	 \$8.24	 \$8.49	 \$8.74	 \$9.00
Other Revenues (per Round)					
Shop Merchandise	\$2.50	\$2.58	\$2.65	\$2.73	\$2.81
Food/Beverage	\$3.00	\$3.09	\$3.18	\$3.28	\$3.38
Driving Range	\$4.50	\$4.64	\$4.77	\$4.92	\$5.06
Lessons/schools/camps	\$5.50	\$5.67	\$5.83	\$6.01	\$6.19

**Projected Cash Flow Analysis
El Dorado Hills Golf Course
9-Hole Layout + Expanded Range**

	2008	2009	2010	2011	2012
REVENUES:					
Total Green Fees	\$408,000	\$472,800	\$514,000	\$543,400	\$574,000
Total Cart Fees	99,800	115,700	125,800	133,000	140,500
Dr. Range	144,000	166,900	181,400	191,800	202,600
Lessons/schools/camps	176,000	203,900	221,700	234,400	247,600
Shop Merchandise	80,000	92,700	100,800	106,500	112,600
Food & Beverage	96,000	111,200	120,900	127,800	135,100
TOTAL REVENUE	\$1,003,800	\$1,163,200	\$1,264,600	\$1,336,900	\$1,412,400
Total Revenue/Round	\$31.37	\$32.31	\$33.28	\$34.28	\$35.31
Total Golf Rev./Round	\$20.37	\$20.98	\$21.61	\$22.26	\$22.93
Less: Direct Costs					
Merchandise (75%)	\$60,000	\$69,500	\$75,600	\$79,900	\$84,500
Lesson Commission (60%)	\$105,600	\$122,300	\$133,000	\$140,600	\$148,600
Food & Beverage (50%)	48,000	55,600	60,450	63,900	67,550
Total Direct Costs	\$213,600	\$247,400	\$269,050	\$284,400	\$300,650
TOTAL NET REVENUES	\$790,200	\$915,800	\$995,550	\$1,052,500	\$1,111,750
EXPENSES:					
Course/Range Maint.	\$418,000	\$434,720	\$452,109	\$470,193	\$489,001
Golf Administration	265,000	275,600	286,624	298,089	310,013
Fixed Clubhouse & F&B	50,000	52,000	54,080	56,243	58,493
Cart Expense	20,000	20,800	21,632	22,497	23,397
Other	5,000	5,200	5,408	5,624	5,849
Capital Exp./Reserve	20,000	20,000	30,000	30,000	40,000
Operations Reserve (5%)	37,900	39,416	40,993	42,632	44,338
TOTAL EXPENSES	\$815,900	\$847,736	\$890,845	\$925,279	\$971,090
NOI (Before Debt)	(\$25,700)	\$68,064	\$104,705	\$127,221	\$140,660
Debt Service on Improvements 6 mm @ 6.5% for 30 years	\$459,465	\$459,465	\$459,465	\$459,465	\$459,465
Income Available for Property Lease	(\$485,165)	(\$391,401)	(\$354,760)	(\$332,244)	(\$318,805)
Cumulative Shortfall	(\$485,165)	(\$876,565)	(\$1,231,325)	(\$1,563,569)	(\$1,882,374)

Cash Flow Results

The results of NGF Consulting's preliminary cash flow projection for a 9-hole facility with enhanced driving range show that the El Dorado Hills facility would earn \$1.0 to \$1.4 million in total gross revenue, reflecting expected boosts from population growth, competitive course closures, improved player-development programs and enhanced marketing. Considering all preliminary expense estimates prepared by NGF Consulting for this study, the annual profit available for capital investment reduction would remain well below any reasonable debt service payment schedule on the \$5.5 to \$6.5 million for the improvements. It is not likely under this scenario that the facility would be able to earn enough to provide for any meaningful lease payment to the property owners.

ADDITIONAL ALTERNATIVE USE ANALYSIS

Should the District not wish to operate the golf course under these circumstances, they would consider alternate Open Space/Recreational uses for the site. Uses such as passive park land, soccer/ball fields, or a multi-use community park (soccer, pool, softball, etc.) would be considered.

However, the CSD would run into the same fundamental problem that exists with the golf course. Virtually any use would require substantial capital investment and, because the land would be leased from Parker Development, the *District would not own the improvements*. With this in mind, it would seem that nothing but passive park land *might* be feasible (even this would have associated capital and maintenance costs). A second possibility would be some type of activity that provided positive net cash flows, with a long-term land lease type arrangement where improvements revert back to owner after 99 years.

Ultimately, an assessment of alternate uses is a futile exercise unless some land is *given* to the District in return for development rights, which would have to be granted by the County, on the rest of the land. Given the collaborative nature of the relationship between the current owner, the CSD, and the County, a solution may lie in a compromise that benefits all parties. If that were to happen, it would be logical to do a feasibility study for uses such as a stand-alone range (the small range at Empire Ranch is reportedly always crowded) or a community banquet center. As we will see below, the capital costs involved in alternate recreational uses will be prohibitive.

Note: Much of the following information was gathered from the "Park Impact Fee Nexus Study Update May 24, 2007".

On May 21, 1962 the County Board of Supervisors adopted Resolution No. 98-62 that created the El Dorado Hills CSD. This resolution authorized the CSD the function of providing park and recreation services to residents in the area.

In 2000, the County adopted the 2000 El Dorado Hills CSD Park and Recreation Facilities Plan and Nexus Study Update and the associated impact fee of \$2,747 per single-family dwelling unit. The Nexus Study was updated again in 2002 with a fee of \$4,417 per single-family unit. (The Serrano development developed its own park system and, therefore, is not subject to the park facilities component of the CSD Park Impact Fee). The CSD Park Impact Fee is being updated to reflect the changes to, and assumptions in, the 2006 CSD Park Master Plan. At present, the current CSD Park Impact Fee is not generating the resources necessary to provide adequate park development to meet the needs of new residents. Construction costs have

escalated dramatically in recent years, and the physical terrain of the CSD presents challenges (and increased costs) to park and recreation facilities development.

Land Use	2006 Current CSD Park Impact Fee per Unit	2006 Proposed CSD Park Impact Fee per Unit
Residential (per unit)		
Single-Family	\$7,073	\$15,399
Serrano ¹	\$2,822	\$5,355
Age-Restricted	\$4,417	\$9,008
Multifamily	\$7,073	\$12,724
Mobile Home	\$4,780	\$11,281
1 Current fee varies. Source: Park Impact Fee Nexus Study Update May 24, 2007		

The following table illustrates the estimated total of \$76.1 million in park development costs, based on 2006 CSD Park Master Plan cost estimates for all types of parks, except the Valley View and Promontory parks. These park development cost estimates include, but are not limited to, the following types of park development improvements: grading, asbestos mitigation, turf, irrigation, shrubs and trees, playground apparatus, sidewalks, benches, parking facilities, sports fields, hard courts, picnic shelters, and permanent restrooms.

Item	Acres/Facilities Funded by New Development	Cost Per Unit	Total Cost
Parks	90.4 acres	\$482,699	\$45,421,938
Recreational and Special Use Facilities			
Aquatics Facilities	0.77	\$8,190,000	\$6,339,263
Community Centers (incl. gym, teen, senior)	28,478 sq. ft.	\$294 per sq. ft.	\$8,372,532
Operating Facilities			
Administration Office	6,479 sq. ft.	\$294 per sq. ft.	\$1,904,826
Maintenance Building/Yard	7,791 sq. ft.	\$217 per sq. ft.	\$1,688,050
Total			\$63,726,609
Source: Park Impact Fee Nexus Study Update May 24, 2007			

According to the CSD's 2006 *Park and Recreation Master Plan*, the CSD would have to spend about \$33,750 per acre even to develop open space on the former golf course property. Assuming even 30 acres were devoted to this purpose, the capital cost would be more than \$1 million. Additionally, annual maintenance costs would result in a yearly negative net cash flow. *This illustrates that no alternate use of the land is feasible if the CSD and the owner do not come to some type of agreement whereby part of the land is ceded to the CSD.*

Summary Statement

In summary, NGF Consulting believes that there is demonstrated demand for lower-fee public golf in the El Dorado Hills/east Sacramento market. However, there are many good quality existing golf facilities available to serve this demand, including some well-maintained and well-operated City and County of Sacramento municipal golf courses. As a result, this is a highly competitive business environment for public golf courses, particularly for those at El Dorado Hills Golf Course's price point. Finally, NGF research indicates that the greater Sacramento area is a relatively "over-supplied" golf market, exacerbating the fight for market share.

Our review of this market indicates that the immediate permanent resident population around the subject El Dorado Hills Golf Course appears sufficient to provide a high level of activity to the golf course, but it is unlikely that this level of activity will provide enough income to cover all facility expenses, reduce any capital investment made to improve the golf course (plus interest), and provide a lease (or other) payment to the property owner. This was found to be the case even in a scenario with a new clubhouse and significantly enhanced banquet revenues.

Another scenario that NGF Consulting considered for the continued operation of El Dorado Hills Golf Course involved the CSD making the lowest possible capital investment necessary to re-open the facility (e.g., address safety issues, kitchen upgrades, simple repairs and maintenance items). Under this scenario, the annual debt service would be greatly reduced and, in the short run, the expense to run the facility would be much more manageable. However, activity levels would almost certainly be less than under our base scenario, as the quality of the facility without improvements to the cart paths, irrigation system, and clubhouse would be likely be lower. Additionally, the lease payment would still have to be paid, and the facility would still have to be subsidized by some other source of funds. Finally, the aforementioned improvements would ultimately have to be funded ("pay me now or pay me later"), and would likely be much costlier years down the road.

The financial pro forma prepared for the golf course under CSD operation shows stabilized activity figures that are nearly 20,000 rounds higher than the club realized in its last full year of operation. However, the low-fee nature of the facility, driven by a customer base that NGFC was told was very price sensitive, effectively constrains revenues. **The financial analysis prepared by NGF Consulting shows that even if the El Dorado Hills GC were to add these additional 20,000 rounds of golf by 2012, the facility is still not likely to make a profit high enough to cover debt service and a property lease payment.**

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