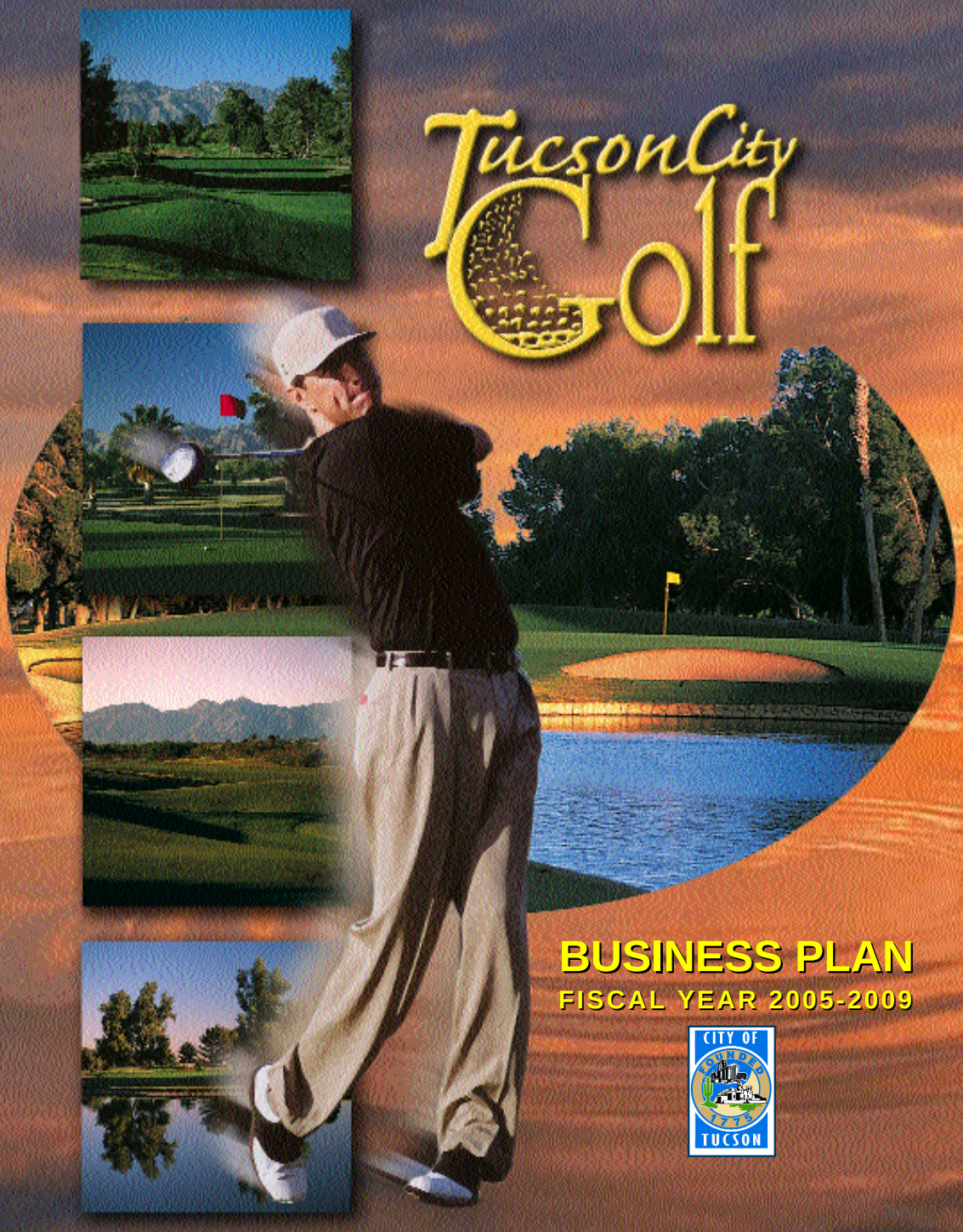

Tucson City Golf

BUSINESS PLAN

FISCAL YEAR 2005-2009

CITY OF TUCSON

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Executive Summary

When the Tucson City Golf Enterprise System developed its first Business Plan in 1999, the City's financial consultant at the time, U.S. Bancorp Piper Jaffray Inc., analyzed the proposal and stated that the two most significant factors affecting the financial integrity of the System were a continuing loss in total rounds being played on the City's golf courses and operating expenses, which had not adjusted to the drop in rounds played. In its final summary, the consultant said that "the restoration will inevitably be controversial and will not please everyone, but should be done in order to stop the financial drain on other City revenues and programs."

While the road was bumpy, Tucson City Golf (TCG) was able to deal with the reactions to policy and management changes in the 1999 Business Plan. TCG overcame a decrease in the number of paid rounds, monitored and controlled expenditures, and finished with positive cash flow in Fiscal Years 2001–2004, the last four years of the 1999 Plan.

The 2004 Business Plan projects rounds to be played and revenues earned over the next five years based on historical performance and research on the future of golf in the southwest and the Tucson metropolitan area. The most important thing to note regarding this Business Plan is that TCG is projected to finish in "the black" operationally, pay principal and interest on the long-term debt, and fund capital improvements. The 1999 Plan did not pay principal on the long-term debt. Funding capital improvements is vital to the continued success of the System.

TCG believes much of the success of this new Business Plan will be from the proposed stair-stepped increases in green fees, over the five year period, as opposed to the much larger one-time increases which were implemented in the 1999 Business Plan.

Over the life of this recommended Business Plan, TCG will continue to grow while making these operational changes:

- Create additional revenue streams. A couple of examples are advertising revenues from yardage books on carts and information display boards near the Pro Shops and on the Driving Ranges.

- Become part of the Professional Golfers' Association's "Play Golf America" program. This program is designed to build the game of golf through clinics and events intended to introduce golf to new adult players and create family-oriented golfing opportunities.

- Increase club and group play through discounts for qualified clubs in the peak demand season (January through March), and with additional discounts for clubs and groups the remainder of the year, based on participation.

- From April through December, increase the number of golf tournaments booked and the size of these events with special pricing based on participation levels.

- Introduce an Affinity Program to encourage customer loyalty through repeat business. Tucson City Golf's Point-of-Sale system, used in the Pro Shops, will track each transaction through a golfer's Resident Rewards Card (Resident or Senior Resident Card) or Non-Resident Rewards Card. Golfers will be entitled to discounts based on their level of Pro Shop spending and/or number of rounds played.

- Improve marketing through mass e-mails to all registered golfers, offering discounts and specials for tee times not sold two to three days in advance.

- Continue to encourage and fund as much education and training opportunities as possible for all staff.

Mission Statement

The goal of TCG is to provide Tucsonans, residents of the metropolitan area, and visitors the best golfing value in southern Arizona through well-maintained golf courses and outstanding customer service at reasonable prices. TCG also aims to promote both the growth and etiquette of the game of golf through youth, adult, and senior programming. This will be accomplished through developing staff to ensure the highest level of golf course maintenance and customer service. TCG will continue a positive economic investment in all aspects of its operations.

History

The City of Tucson's (City) first golf course was the City Municipal Golf Course opened in 1925 with sand greens and alfalfa tee boxes and fairways. The course was re-designed in 1930. In 1936, the course was grassed. In the mid 1950s, the wife of Dell Urich, who was the long-time golf pro at the "City Muni" led a movement to re-name the course Randolph for the family who deeded the property to the City.

Randolph South was constructed and opened in 1961. Then in 1968, the City purchased El Rio Country Club. It was determined that the loan for this purchase would be repaid through revenues generated at El Rio, thus establishing the City's Golf Division as a utility, subject to Enterprise Fund accounting methods. This act deemed that golf was to support itself, without subsidy from the general fund. In 1979, the City opened Silverbell Golf Course, which was a landfill reclamation project. The City added a fifth course to the system with the construction and opening of Fred Enke Golf Course in the southeast part of the City in 1983.

The City has maintained full managerial control of its golf operations throughout the life of the five courses. The City has always staffed the golf course maintenance and clubhouse operations. Until the summer of 2000, the operation of the Pro Shops was contracted out to Golf Professionals. This combination seemed to work well until 1992, when TCG began to lose money. This loss primarily was attributed to 20 golf courses being built in the metropolitan area from 1982 to1992. TCG continued losing money in Fiscal Years 1993 to 1999.

In early 1999, the City Manager requested that the Parks and Recreation Department establish a methodology, which would allow TCG to continue operating without losing money. After reviewing the assignment, three primary issues were identified:

1. Stop losing money
2. Control costs
3. Implement an entrepreneurial style of management, which is necessary to succeed in today's golf market

In December 1999, the Mayor and Council adopted a five-year business plan with some major changes in the operation, including:

- In an effort to more effectively manage day-to-day course operations and to greatly improve customer service, TCG canceled the contracts of the Golf Professionals and established classifications within the City's Compensation Plan for Golf Professional and Assistant Golf Professional. The City also hired an Assistant Director to oversee the Golf Division;

- Adopted private sector business practices by Increasing the number of staff hours, controlling labor expenses, improving golf course conditions and customer service; keeping full-time management, supervisory, and technical staff, and converting the majority of the golf labor force to part-time status;

- Limiting additional debt through restricted funding of capital improvements over the life of the 1999 Plan;

- Allowing market-based pricing for green fees, and approving increased maximum green fees, which had not been raised in more than five years.

Success of the 1999 Plan is demonstrated by TCG finishing in the black, on an operating income basis for the last four fiscal years. The loss in Fiscal Year 2000, the first year of the Plan, was primarily due to the fact that it was not put into effect until January 15, more than halfway through the fiscal year. Also, implementation of critical components such as converting Maintenance Section permanent full-time

staff to part-time non-permanent staff and establishing job descriptions for recruiting and hiring of Golf Professionals and Assistant Golf Professionals took additional planning and were not completed until November 2000. Despite TCG's financial success over the life of the Business Plan, only in Fiscal Year 2001 did TCG meet rounds and revenue projections established in the Business Plan. The success of the 1999 Plan and of the Tucson City Golf Enterprise System has been based on TCG's ability to monitor and control its expenses.

Over the life of the 1999 Business Plan, several major operational changes have taken effect and improvements made:

- Establishment of Golf Professional positions and the hiring of Golf Professionals.
- Golf Professionals developing Pro Shop and Outside Services staff to improve customer service, supervision of play on the course, and staff efficiency.
- Conversion of the majority of Maintenance Section staff from permanent full-time to part-time non-permanent status.
- Also, in the Maintenance Section, more money than was budgeted was spent on labor and parts for repairing equipment an golf carts. These additional expenses came at the cost of grounds maintenance supplies and procedures.
- In the area of capital equipment, TCG expended approximately $1.1 million of the slightly more then $2.0 million which was budget
- Replacement of comfort stations a Silverbell, replacement of the pump station at Fred Enke, and re-carpeting of the Pro Shops and Clubhouses.
- Upgrade of the automated tee time reservation system to increase marketing and golfer access to tee times through the Internet.
- Continued staff development through education and certification for golf professional staff through the Professional Golfers' Association of America classes, specialized manufacturers' seminars, and other training opportunities.
- Maintenance staff is afforded educational opportunities through classes in agronomy from both the University of Arizona and the Golf Course Superintendents Association of America; with additional training provided by vendors.
- Uniforms to ensure both a consistent appearance and easy identification of staff.
- Developed Policy and Procedure Manuals for both the Pro Shop and Maintenance Sections to assist in staff training, consistency and employee performance.
- Formulated weekly Revenue, Play and Labor Reports for both Pro Shop and Concessions Sections, and weekly Maintenance Section Labor Reports as a key to monitoring the System's financial position.
- Developed a written Reservation Policy that clearly defines Club, Group, and Tournament qualifications, rates, and booking procedures.
- Creation of new revenue sources through avenues such as advertising and exclusivity agreements.
- Controlling of the local golf market with increased local advertising and promotion, with the ability to offer rate discounts from the Mayor and Council approved maximum golf rates as needed to ensure the Systems courses achieve as many rounds as possible.
- With the help of the Tucson Greens Committee, established a volunteer work force known as DIVOTS (Directly Involved Volunteers Offering Touch-up Services), who provide assistance in filling divots, painting tee markers and yardage indicators, picking up litter, and other tasks. This group's efforts have proven to be of great benefit to TCG.
- $2.6 million in capital improvements toward the renovation of the Trini Alvarez - El Rio Golf Course in developing it as a First Tee Facility, through a partnership with the Tucson Conquistadores. TCG's cost for these improvements will be approximately $1.2 million.

TCG's share was raised through the sale of a small portion of excess land at Silverbell Golf Course. This partnership also includes future discounts on equipment and supplies for the operation of the Trini Alvarez - El Rio Golf Course, as well as providing $100,000 annually, in funding for local youth programming through a partnership with the Tucson Conquistadores.

The overall success of the 1999 Business Plan was brought about by the ability and willingness of the Golf Division's management team to reduce expenses by periodically reducing labor hours, not purchasing budgeted equipment, and by limiting the purchases of other supplies. At the same time, TCG improved golf course conditions and customer service and implemented pricing strategies that make the City's five golf courses southern Arizona's best golfing value.

Scope of Operations

For management purposes, TCG is divided in to four sections: Administration, Golf Course Maintenance, Pro Shops, and Concessions. Within this structure, TCG operates and manages five golf courses, four retail pro shops, four driving ranges, and four food and beverage facilities. TCG operations are self-supporting through the revenues generated by users. TCG promotes and assists local youth, adult, and senior golf programs to provide golfing and training opportunities while improving golf etiquette. TCG's proactive marketing plan educates the customer base about pricing values year around.

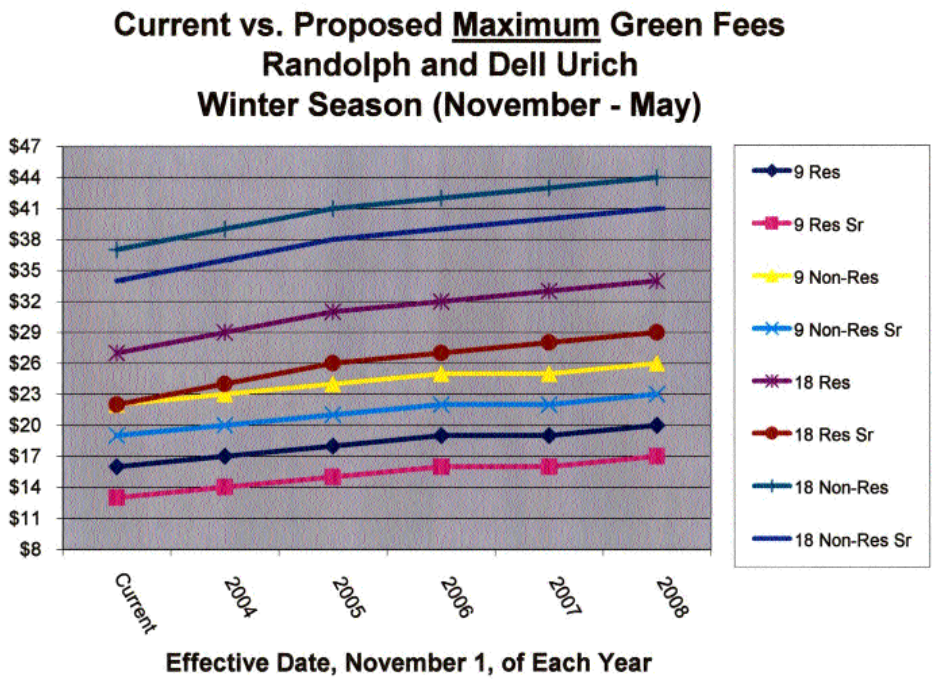
TCG is striving to establish a strong communication system with local golfers, charity groups, and golf clubs. TCG has developed a dedicated and trained workforce that continues to improve customer service and is skilled in golf course maintenance and etiquette that will increase the enjoyment and frequency of play at all TCG courses.

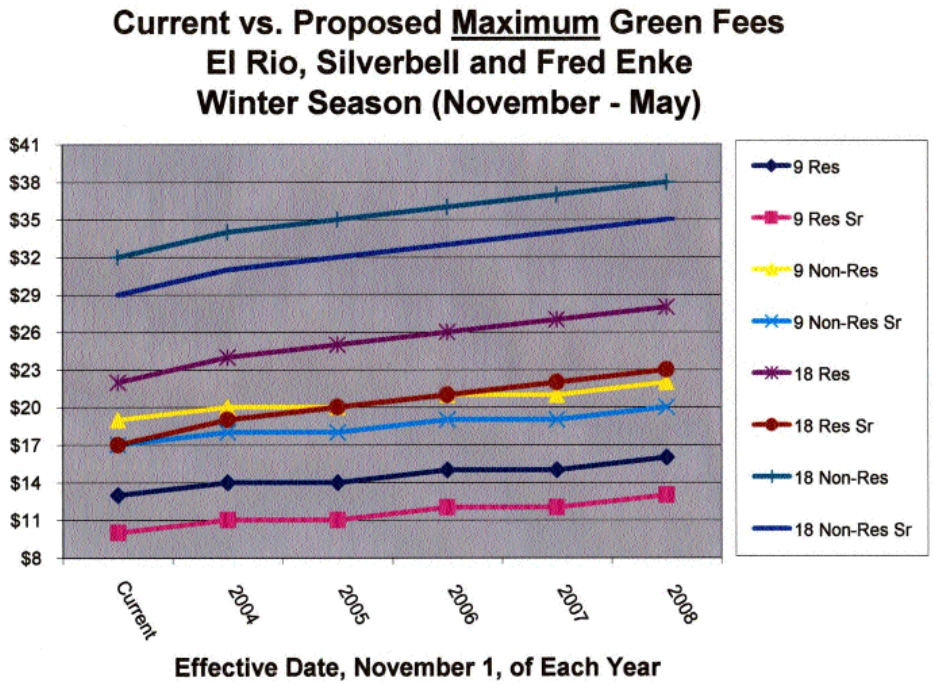
In addition to the paid staff, TCG has recently worked with the Tucson Greens Committee in establishing a corps of volunteers known as DIVOTS (Directly Involved Volunteers Offering Touch-up Services). This group has provided hundreds of hours of assistance in filling divots, painting tee markers and yardage indicators, picking up litter, and other tasks. This group's efforts have proven to be a great benefit to TCG.

Under this Business Plan, TCG plans to make few changes to its primary operating practices. There will be increased efforts to market the golf courses through an Affinity Program, which will reward golfers for their level of spending and/or frequency of play at TCG pro shops and golf courses. The Internet also will be used more aggressively to notify golfers of available tee times and discounted rates.

Another change to note will be in the Concessions Section where the facilities at Silverbell and Fred Enke will be operated as Snack Bars. This modification is due to continued losses through keeping the kitchen open, paying a cook, and having a full-service menu. The Snack Bar concept offers a more limited menu of hot and cold sandwiches and a variety of breakfast options, which do not require the expertise of a cook or the costly operation of commercial kitchen equipment. As a service to the golfer, Snack Bar hours of operation will actually be longer than kitchen hours in prior years.

As illustrated in the following charts, a moderate stair-step, across-the-board increase in the maximum green fees is proposed in this Plan. Maximum green fees will increase each year of the Plan. At Randolph and Dell Urich, the maximum 18-hole green fees will increase by $2 annually in Fiscal Years 2005 through 2007, and by $1 per year in Fiscal Years 2008 and 2009. At El Rio, Fred Enke, and Silverbell, the maximum 18-hole green fees will increase by $2 in Fiscal Year 2005, and will increase by $1 annually in Fiscal Years 2006 through 2009. It should be noted that the total of green fee rate increases over the proposed life of this Plan are still much less than the one-time increases that were put into effect January 15, 2000, as part of the 1999 Business Plan. Graphs depicting the current and the five-year proposed maximum green fees, for the most frequently used categories follow on pages 6 and 7. A table with all the proposed fees for this Plan is contained on page 26. It is also proposed that fees for carts increase from $9 per person for 18 holes to $10 per person. The cart fee for 9 holes, currently $6 per person, would go to $7 per person. Cart fees at City golf courses have not been increased in more than 10 years.


Current vs. Proposed Maximum Green Fees
Randolph and Dell Urich
Winter Season (November - May)
$47
$44
$41
$38
$35
$32
$29
$26
$23
$20
$17
$14
$11
$8
Current
2004
2005
2006
2007
2008
Effective Date, November 1, of Each Year
9 Res
9 Res Sr
9 Non-Res
9 Non-Res Sr
18 Res
18 Res Sr
18 Non-Res
18 Non-Res Sr


Current vs. Proposed Maximum Green Fees
El Rio, Silverbell and Fred Enke
Winter Season (November - May)
$41
$38
$35
$32
$29
$26
$23
$20
$17
$14
$11
$8
Current
2004
2005
2006
2007
2008
Effective Date, November 1, of Each Year
9 Res
9 Res Sr
9 Non-Res
9 Non-Res Sr
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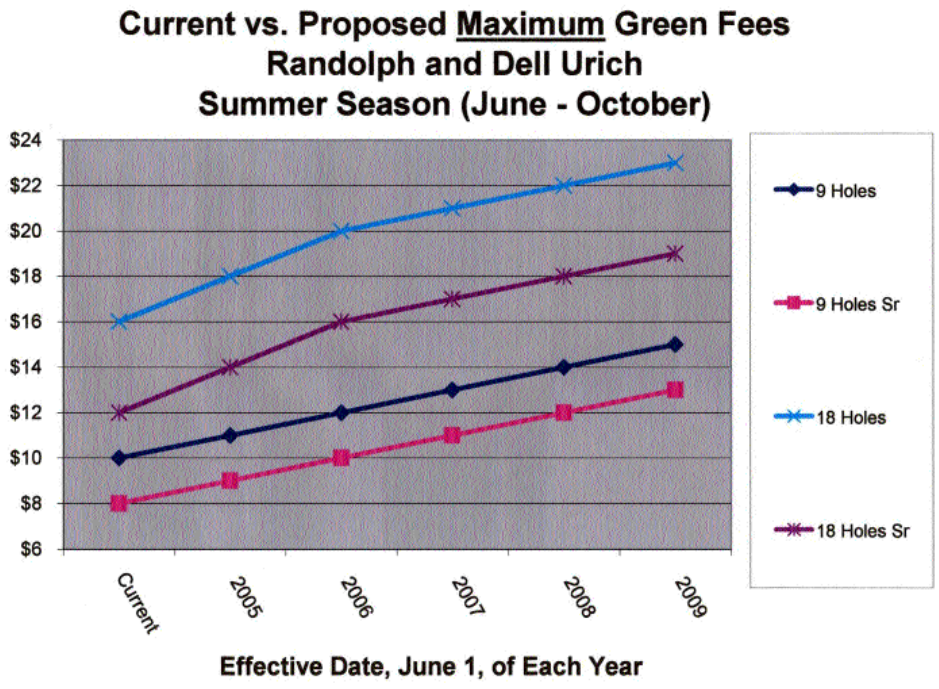
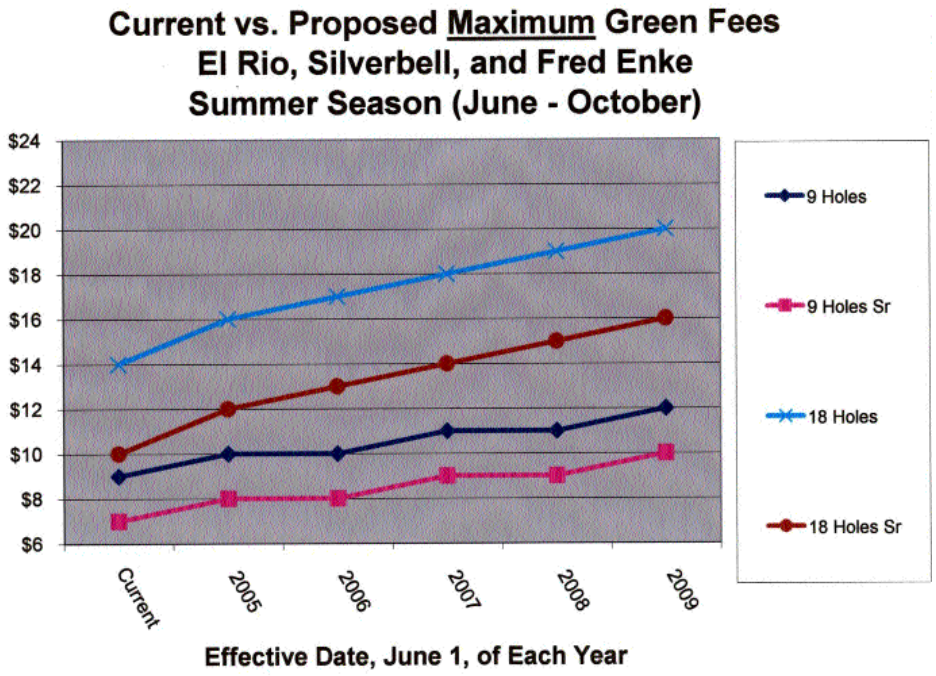
18 Res Sr
18 Non-Res
18 Non-Res Sr


Current vs. Proposed Maximum Green Fees
Randolph and Dell Urich
Summer Season (June - October)
$24
$22
$20
$18
$16
$14
$12
$10
$8
$6
Current
2005
2006
2007
2008
2009
9 Holes
9 Holes Sr
18 Holes
18 Holes Sr
Effective Date, June 1, of Each Year


Current vs. Proposed Maximum Green Fees
El Rio, Silverbell, and Fred Enke
Summer Season (June - October)
$24
$22
$20
$18
$16
$14
$12
$10
$8
$6
Current
2005
2006
2007
2008
2009
9 Holes
9 Holes Sr
18 Holes
18 Holes Sr
Effective Date, June 1, of Each Year

It should be noted that "Other Fees" which are recommended to increase include the Resident or Senior Non-Resident Rewards Card. While the annual renewal fee will remain at $10, the fee for a new Card will increase from $10 to $20. The $10 fee was established some years ago. Due to increased production and labor expenses, and consideration by many that the card was under-valued, TCG believes the fee increase is justified. The de-valuation of the Resident Card has occurred due primarily to the aggressive discounting of TCG golf rates. In earlier years, discounts were not available as often and the Resident Card was worth a $10 discount for each round played. Now, TCG offers discounted rates available to all players, most of the year.

Additionally, students who otherwise do not qualify for a Resident or Senior Resident Rewards Card, but who have a valid Student Identification Card from Pima Community College or the University of Arizona, will be eligible to purchase a Resident Rewards card. Without a Resident or Senior Resident Rewards Card, these students will not qualify for the Resident or Senior Resident Rates. The preceding explanation is also relevant to the Junior Card, which is suggested to increase in price from $3 to $5. Junior cards are not subject to annual renewal.

A new fee item is the Non-Resident Rewards Card. For $75, a Non-Resident golfer may purchase this card and will receive the appropriate discounted Resident Rate as well as earn credit toward TCG's Affinity Program, which rewards golfers with discounted purchases when certain levels of spending and/or rounds played have been achieved in a given calendar year. The annual renewal fee for this card will be $50.

This Business Plan also proposes an increase in the cost of range balls, although golfers would receive more balls in both the large and small buckets. A small bucket would increase from $2 for 25 to 30 balls, to $3 for 31 to 36 balls. A large bucket, now $4 for 49 to 60 balls, would increase to $5 for 61 to 72 balls.

Distinguish from Competitors

TCG sets itself apart from the competition through the opportunity for golfers to play a variety of golf courses, and accessibility to a large number of available tee times. Opportunity is also demonstrated by enabling children ages 17 and under to play on any of the five golf properties at scheduled times for only $1. The partnership with The First Tee provides opportunity for 2,000 youths a year, for the next 25 years, to be introduced to the game of golf. Another opportunity is TCG's Senior Rate which allows Seniors to play golf at a reduced rate on a reservation from April through December, and on a "Walk – On" basis January through March. Another distinction is that the golf purist has the opportunity to walk when playing a TCG course. Additional opportunity is offered to local charities to book fund-raising golf tournaments as much as two years in advance. However, the opportunity for all golfers to play golf on well-maintained golf courses at reasonable prices remains as one of TCG's primary tenets.

Accessibility begins by TCG hosting more than 20 boys' and girls' high school golf teams for practices and matches after school for approximately 11 weeks each fall. This type of access continues through an agreement with Pima Community College designating a TCG property as the team's "home course." The Tucson Parks Foundation, a non-profit organization that raises money for the Tucson Parks and Recreation Department, hosts at Randolph Golf Complex the only LPGA Tournament held at a municipal facility. Even though TCG pre-books tee times up to seven months in advance for more than 70 men's and women's golf clubs and groups, more than half of TCG's tee times are accessible to the individual golfer who is the very foundation of this enterprise.

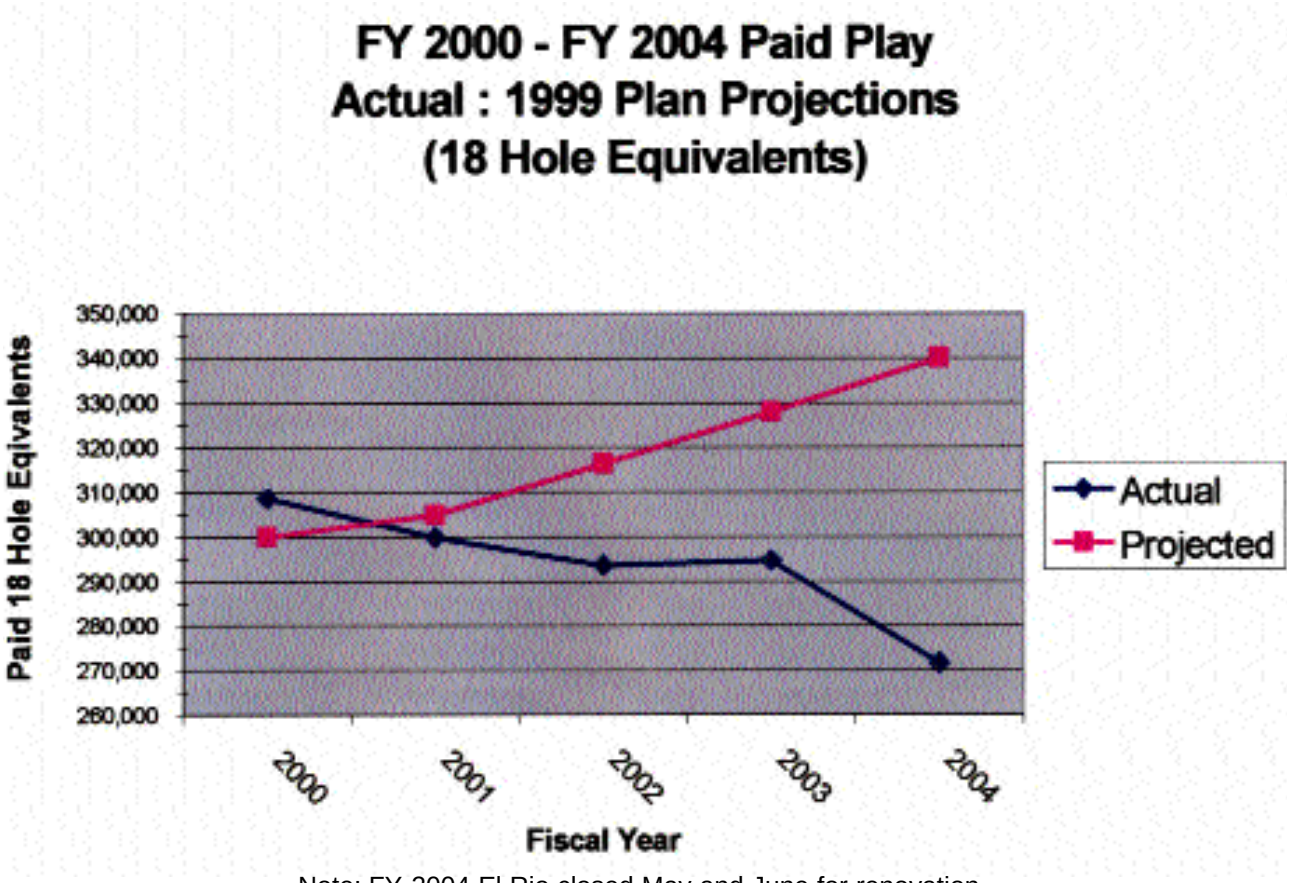
Cost Control

Mayor and Council approved Tucson City Golf's original Business Plan in December 1999. This document was a master plan for the operation and development of five golf courses and related facilities that are wholly owned by the City of Tucson. The 1999 Business Plan included assumptions for revenue that were very optimistic in nature, such as 340,000 predicted rounds in FY 2004. Achieving those projections would allow TCG to successfully fund its operational and capital budgets.

The following illustration and historical financial statements in this document demonstrate that TCG was only able to achieve those lofty play goals in the first year of the Plan, thereby resulting in revenue shortfalls from projections throughout the life of the Plan.

It became readily apparent early on in the second year of the plan that TCG would have to become very active in cost control measures in order not to operate at a loss. Play and revenue numbers were and continue to be evaluated on a weekly basis to keep timely and accurate track of current economic conditions. From those reports, decisions were and continue to be made as to purchasing, staffing, and capital outlay.

For example, every year TCG budgets for two applications of pre-emergent herbicide on each course, a total of 600 acres at $107 per acre, for a total of $64,200 per application, or $128,400 annually. One of these applications is set for October during overseeding and the other is scheduled for late February. Due to revenue shortfalls, TCG has only been able to fund this procedure once during the five year Business Plan. Another example is the night maintenance schedule that TCG has adopted during the winter months which allows more available time



Note: FY 2004 El Rio closed May and June for renovation

in the morning to book tee times. TCG regularly evaluates weather, agronomic conditions, and number of players, and adjusts work hours accordingly. TCG schedules fertilization and herbicide applications according to a regular calendar, but constantly monitors turf growth and development. When conditions warrant, TCG eliminates a scheduled application that is deemed unnecessary. TCG has improved the golf cart and maintenance equipment repair and preventive maintenance schedules prolonging the effective life of that equipment, thus saving money over the long run.

TCG has, with cooperation from the General Services Department, taken responsibility for much of its own vehicle maintenance, which has been a tremendous saving to the Golf Division. In dire circumstances, TCG has reduced staffing until such times as the play numbers improve and revenues justify greater expenses. TCG is committed to monitoring financial operations and responding to the prevailing economic conditions, while at the same time remaining committed to providing the very best product, as a self-sustaining enterprise.

Market Share / Standing

The Golf Industry Association (GIA) is a body of member golf courses throughout the state of Arizona. Recently, the GIA asked the School of Business at Arizona State University to compile data regarding rounds (18-hole equivalents) played, green fee and cart revenues, and pro shop retail sales from member courses, and from this information produce monthly reports. The GIA defines TCG's courses as public sector members. Its definition of a public course is any course where non-members may make reservations. Therefore, the GIA reports compare TCG courses not only to other Arizona municipal courses, but also to area courses like Santa Rita, Del Lago, Vistoso, and La Paloma, for example. Since the definition of public sector is so broad, it must be remembered that many of the courses in the public category charge much higher green fees and have much lower rounds played projections. However, this research appears to be relevant to TCG in that it is timely, geographically specific, and relates some of the state's economic factors such as jobs and personal spending, to golf play.

Several important facts can be derived from the GIA data displayed for the twelve-month period ending January 31, 2004.

- Each of TCG's five courses had more rounds than the average public golf course in Arizona. Play exceeded the state average at Randolph and Dell Urich by 42%, at El Rio by 19%, at Silverbell by 33%, and at Fred Enke by 9%. Overall, play on TCG courses was 28.7% higher than the statewide average.

- Pro Shop retail sales statewide were down 7.3%, but at the same time TCG Pro Shop retail sales were up 14%.

- Compared to the same 12-month period, one year earlier, statewide play was down 9%. Each of TCG's five courses lost less play, and system-wide was down only 3.3%, while in fact play increased nearly 3% at Fred Enke.

- The average public golf course in Arizona received an average of $41.33 a round for green fee and cart while TCG averages considerably less. The average at $27.33 at Randolph and Dell Urich, $20.95 at El Rio, $21.43 at Silverbell, and $21.41 at Fred Enke. Overall in this category, TCG's five courses averaged $23.94.

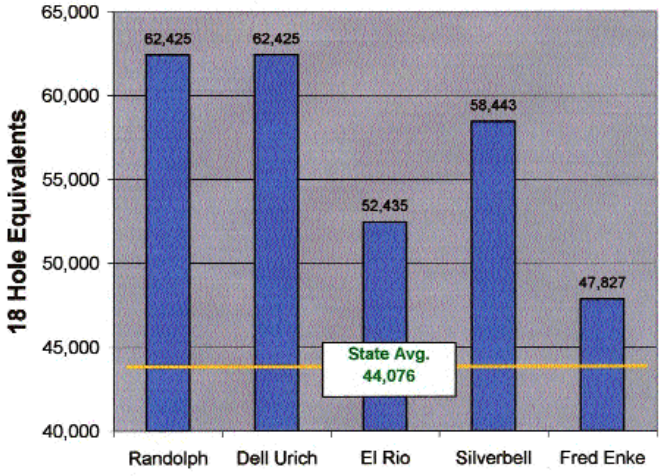
- TCG <u>averages more rounds</u>, and <u>charges considerably less</u> then the average public golf course in Arizona.

Golf Industry Association & ASU School of Business
Key Performance Measures
For 12 Month Period Ending January 31, 2004

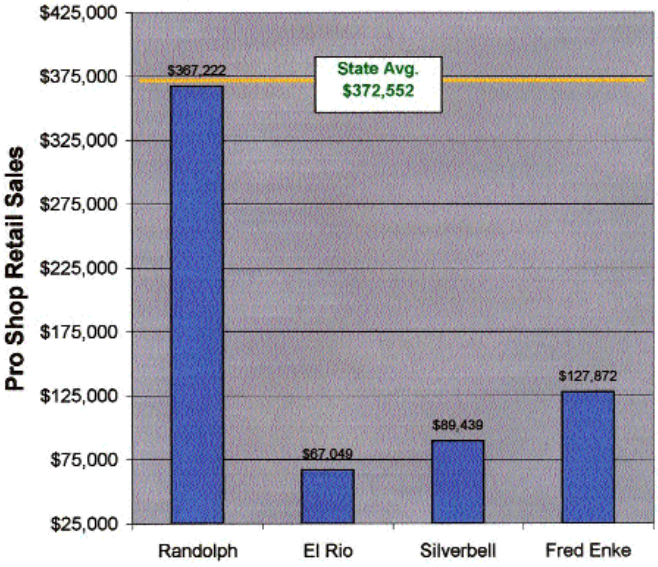
Category	Description	Statewide 18-Hole Public Golf Course Averages	Randolph and Dell Urich	El Rio	Silverbell	Fred Enke	TCG System Wide
18 Hole Equiv-alents	2003	48,456	128,127	55,898	62,705	46,505	293,235
	2004	44,076	124,850	52,435	58,443	47,827	283,555
	Difference 2004:2003	(4,380)	(3,277)	(3,463)	(4,262)	1,322	(9,680)
		(9.00%)	(2.60%)	(6.20%)	(6.80%)	2.80%	(3.30%)
	Difference from 2003 Statewide Average	n/a	156,081	7,442	14,249	(1,951)	101,912
		n/a	32.2%[1]	15.40%	29.40%	(4.00%)	(21.0%)[2]
	Difference from 2004 Statewide Average	n/a	183,491	8,359	14,367	3,751	126,352
		n/a	41.6%[1]	19.00%	32.60%	8.50%	28.7%[2]
Green Fee and Cart Revenue	2003	$2,138,616	$3,439,615	$1,162,289	$1,283,005	$1,002,275	$6,887,184
	2004	$1,822,008	$3,413,281	$1,099,036	$1,252,634	$1,024,559	$6,789,510
	Difference 2004:2003	($316,608)	($26,334)[1]	($63,253)	($30,371)	$22,284	($97,674)
		(14.80%)	(0.8%)[1]	(5.40%)	(2.40%)	2.20%	(1.40%)
	Difference from 2003 Statewide Average	n/a	($418,809)[1]	($976,327)	($855,611)	($1,136,341)	($761,179)[2]
		n/a	(19.6%)[1]	(45.70%)	(40.00%)	(53.10%)	(35.6%)[2]
	Difference from 2004 Statewide Average	n/a	($115,368)[1]	($722,972)	($569,374)	($797,449)	($464,106)[2]
		n/a	(6.3%)[1]	(39.70%)	(31.20%)	(43.80%)	(25.5%)[2]
Average Green Fee and Cart Revenue	2003	$44.14	$26.85	$20.79	$20.46	$21.55	$23.49
	2004	$41.34	$27.34	$20.96	$21.43	$21.42	$23.94
	Difference 2004:2003	($2.80)	$0.49	$0.17	$0.97	($0.13)	$0.46
		(6.30%)	1.80%	0.80%	4.80%	(0.60%)	1.90%
	Difference from 2003 Statewide Average	n/a	($17.29)[1]	($23.34)	($23.67)	($22.58)	($20.65)[2]
		n/a	(39.2%)[1]	(52.90%)	(53.60%)	(51.20%)	(46.8%)[2]
	Difference from 2004 Statewide Average	n/a	($14.00)[1]	($20.38)	($19.90)	($19.92)	($17.40)[2]
		n/a	(33.9%)[1]	(49.30%)	(48.20%)	(48.20%)	(42.1%)[2]
Pro Shop Retail Sales	2003	$402,036	$307,779	$73,958	$83,508	$106,476	$571,721
	2004	$372,552	$367,222	$67,049	$89,439	$127,872	$651,582
	Difference 2004:2003	($29,484)	$59,443	($6,909)	$5,931	$21,396	$79,861
		(7.30%)	19.30%	(9.30%)	7.10%	20.10%	14.00%
	Difference from 2003 Statewide Average	n/a	($248,147)[1]	($328,078)	($318,528)	($295,560)	($259,106)[2]
		n/a	(61.7%)[1]	(81.60%)	(79.20%)	(73.50%)	(64.4%)[2]
	Difference from 2004 Statewide Average	n/a	($188,941)[1]	($305,503)	($283,113)	($244,680)	($209,657)[2]
		n/a	(50.7%)[1]	(82.00%)	(76.00%)	(65.70%)	(56.3%)[2]

NOTES: [1] Randolph & Dell Urich numbers are halved for comparison to Statewide Averages.
[2] TCG totals are divided by five for comparison to Statewide Averages.

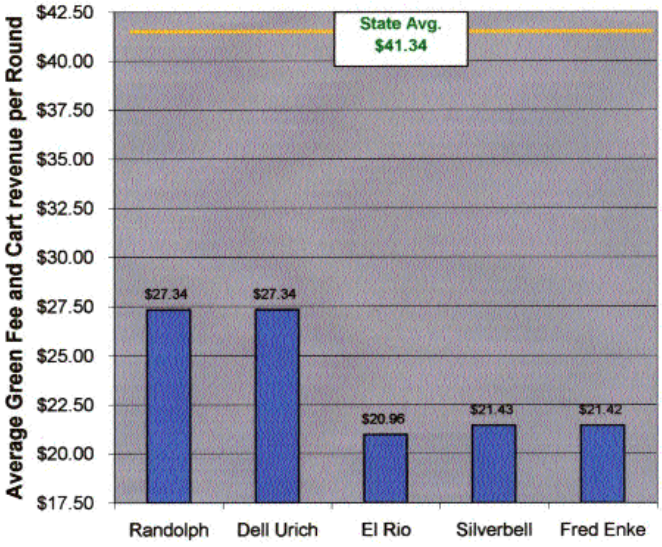
GOLF INDUSTRY ASSOCIATION and ASU SCHOOL of BUSINESS Public Courses - Rounds Played State Average : TCG Courses February 2003 - January 2004



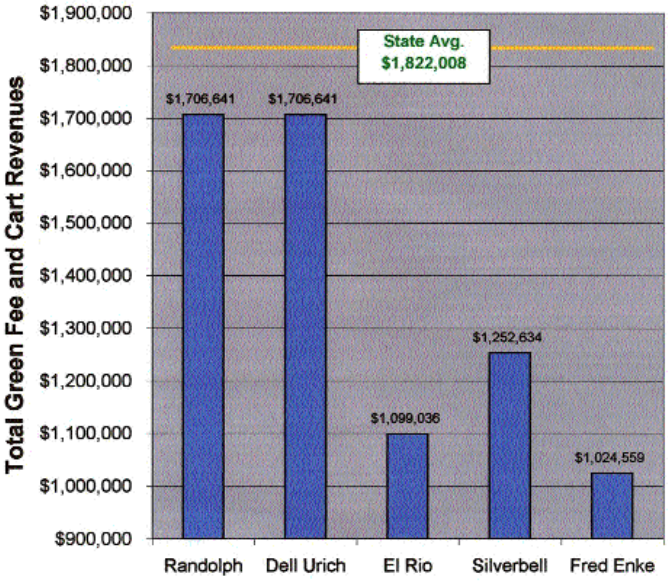
GOLF INDUSTRY ASSOCIATION and ASU SCHOOL of BUSINESS Public Courses - Pro Shop Retail Sales State Average : TCG Pro Shops February 2003 - January 2004



GOLF INDUSTRY ASSOCIATION and ASU SCHOOL of BUSINESS
Public Courses - Average Green Fee and Cart Revenue per Round
State Average : TCG Courses
February 2003 - January 2004



GOLF INDUSTRY ASSOCIATION and ASU SCHOOL of BUSINESS
Public Courses - Green Fee and Cart Revenue
State Average : TCG Courses
February 2003 - January 2004



Increase or Create New Revenue Streams

In such an overbuilt golf course market as the Tucson metropolitan area, TCG believes the best way to increase its revenue stream is through retention of its customers. With the development of this Business Plan, TCG plans to introduce its Affinity Rewards Program. Resident and Senior Resident cardholders will receive discounts based on their spending and/or frequency of play. Rewards cards also will be available to Non-Residents. TCG also proposes new discounts for golf tournaments, as well as men's and women's clubs based on the number of players. TCG will also become part of the Professional Golfers Association's "Play Golf America" program. This program is intended to build the game of golf through clinics and golf events in order to introduce the game of golf to new adult golfers and create more family-friendly golf opportunities.

Catering of non-golf events such as weddings and retirement parties is something TCG's Concessions Section will work very hard to continue to develop and expand.

TCG has created and will to continue to create new revenue streams. In FY 2001 TCG bid its soft drink contract and now receives an exclusivity fee, plus an allowance for the purchase of Concession employee uniforms. In the past, neither of these sources of revenue existed. TCG went to bid for scorecards in FY 2003 and now receives $2,000 a year in addition to receiving scorecards for all of its courses, at no charge. Previously, scorecards cost the City approximately $10,000 per year. In late FY 2004, yardage books will be mounted to each golf cart, which will include some national advertising, and TCG will receive $7,500 per golf course annually. Also in the future, display boards will be installed near each pro shop and driving range entrance. These boards will be used to post upcoming events or information about fees and specials. These boards will also have some space for local advertising. TCG will receive up to $500 a year per board.

Recent upgrades to the Pro Shops' Point of Sale and to the tee time reservation system, TCG will be able to readily distribute direct e-mail marketing, which will enable TCG to offer more tee sheet yield management type specials.

The most important thing for TCG staff to remember is that golfers have many choices available to them and only through well-maintained golf courses, good customer service practices, and competitive rates can TCG expect to retain and grow the existing customer base.

Community Commitment

TCG's commitment to the community begins with the youth of southern Arizona. By providing year-round golf clinics and tournaments through the Ricki Rarick Junior Golf Program, the Southern Arizona Junior Golf Association, and the Tucson Conquistadores program, all juniors who attend an etiquette clinic can play golf for $1 on any of TCG's five golf properties at scheduled times.

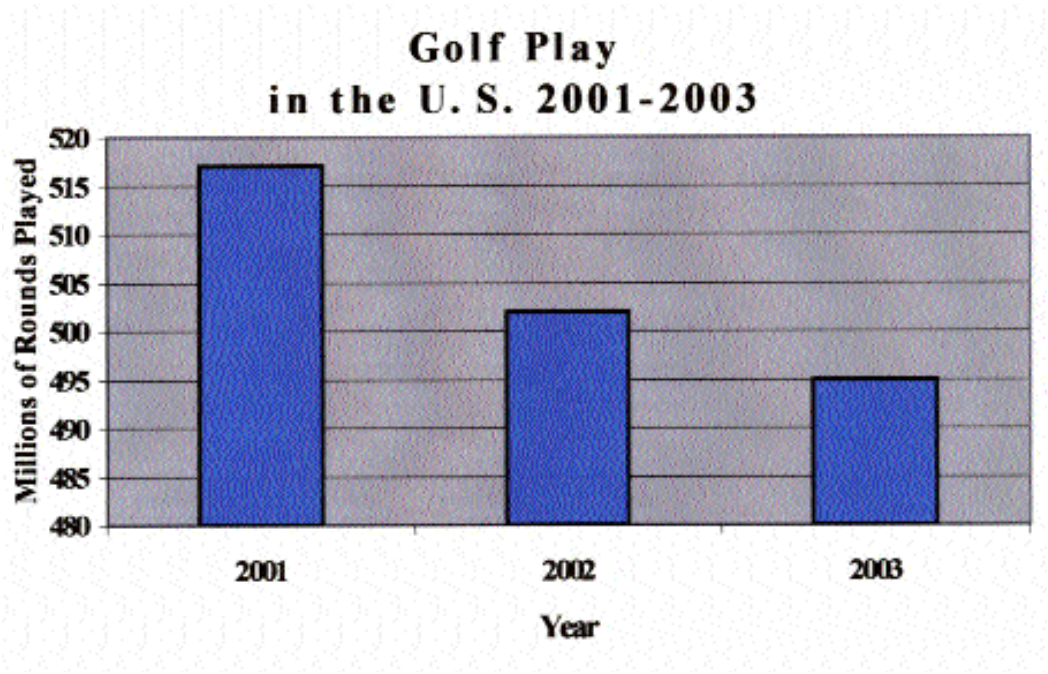
TCG also has a new partnership with the Tucson Conquistadores and The First Tee program at the Trini Alvarez El Rio Golf Course. Through this partnership, El Rio will receive a $2.6 million facelift, and TCG will receive $100,000 a year for youth programming for the next 25 years. In 2003 and 2004, TCG partnered with the Multi-Cultural Golf Association of America in providing a five-week series of clinics to approximately 300 children per year. The Professional Golfers Association of America (PGA) and USA Networks sponsor these clinics which are scheduled around Tucson's annual PGA Tournament.

TCG also hosts more than 20 boys' and girls' high school golf teams' practices and matches after school for approximately 11 weeks each fall. This type of commitment extends to Pima Community College through an agreement designating a TCG property as the home course for Pima's golf teams. Additionally, TCG properties facilitate a number of golf classes for Pima Community College and the University of Arizona. TCG also has assisted many local charities in southern Arizona by hosting approximately 100 charity fund raising events each year. TCG also donates rounds of golf to approximately 150 other fund raising events in southern Arizona. Free practice areas are available to golfers at each TCG facility. TCG remains committed to being southern Arizona's best golfing value by providing well-maintained golf courses and outstanding customer service, at reasonable rates

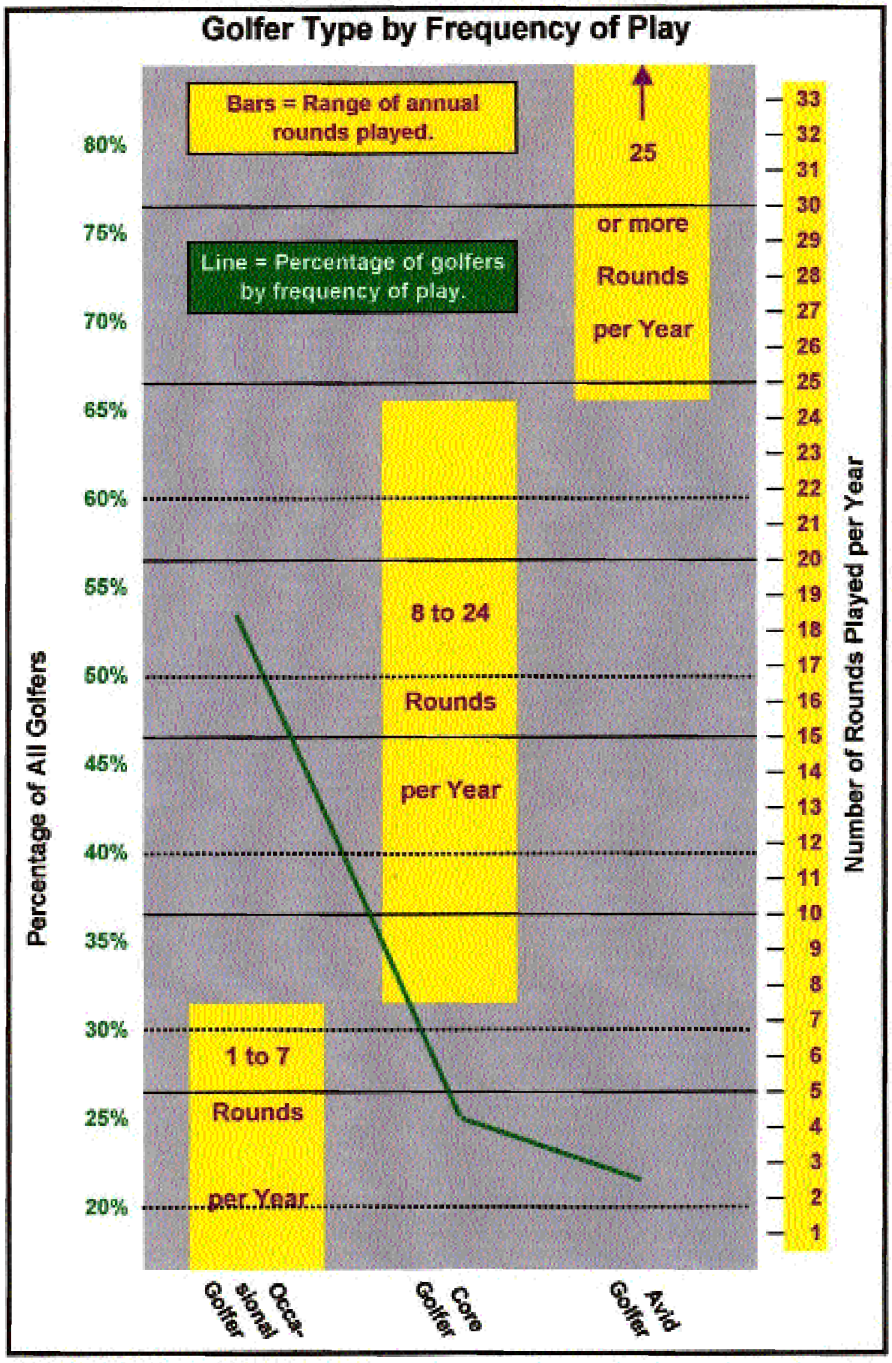
Overall Golf Industry

There are many different organizations with different methods of analyzing the golf marketplace. TCG has chosen to use data gathered by the National Golf Foundation. The information below is from its publications.

ROUNDS PLAYED - 495 million rounds of golf were played in the United States in 2003, a 1.5% decrease, down from 502 million rounds played in 2002. When added to the 3.0% decrease in rounds from 2001 to 2002, there has been a cumulative decrease of 4.5% in rounds played in this country since 2001. According to a survey of the nation's golf facilities, the three reasons given most often for a decrease in play at an individual golf facility were the weather, the economy, and the increased competition. (Rounds Played in the U.S. 2004 edition, NGF)

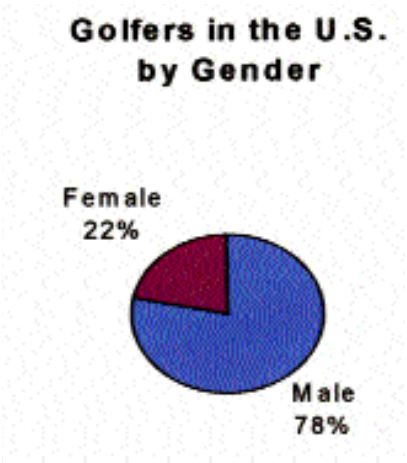


FREQUENCY of PLAY - The "occasional golfer", who plays one - seven rounds a year, represents 52% of all golfers. While the "core golfer" who plays eight - 24 rounds a year, represents 26% of all golfers. And the "avid golfer" plays more than 25 rounds a year, and represents 22% of all golfers.



GOLF COURSE INVENTORY - While the number of total rounds played has decreased in recent years, the number of new golf courses being opened continues to grow. In 2003, 171 new courses opened. 222 opened in 2002, for a total of 393 new golf courses in the past two years. During that same time period, 90 golf courses were closed 47 in 2002, and 43 in 2003. Overall, this creates an addition of 302 golf courses in the past two years.

GOLFER DEMOGRAPHICS - There were 36.7 million golfers in the United States in 2002, down 1.1% from 2001. Male players make up 78% of the golfing population, and 33% of them are over the age of 50.



FUTURE TRENDS - Junior participation continues to grow, as 2.1 million more kids ages 5 to 17 played golf in 2002, compared to 2000, an increase of 52%. This may be due to a number of factors such as The First Tee program, Play Golf America, and other such opportunities for junior golfers.

Tucson Metropolitan Area – Demographics

While identical data to the previous section is not available for the Tucson Metropolitan Area, Tucson City Golf has gathered data from a number of sources.

POPULATION (Metropolitan area) - 897,843

TOURISTS - 3.2 million in 2003

HOTEL OCCUPANCY - Up 4.9% in the first quarter of 2004.

GOLF COURSE INVENTORY - 40 18-hole golf courses in Southern Arizona in 2001; 46 in 2004.

RESIDENT CARDHOLDERS - Approximately 20,500

REGISTERED CLUBS and GROUPS - TCG pre-books approximately 80,000 rounds annually for golf events for more than 70 men's and women's clubs and groups.

JUNIOR GOLF - More than 18,000 rounds in 2003

Competitive Factors

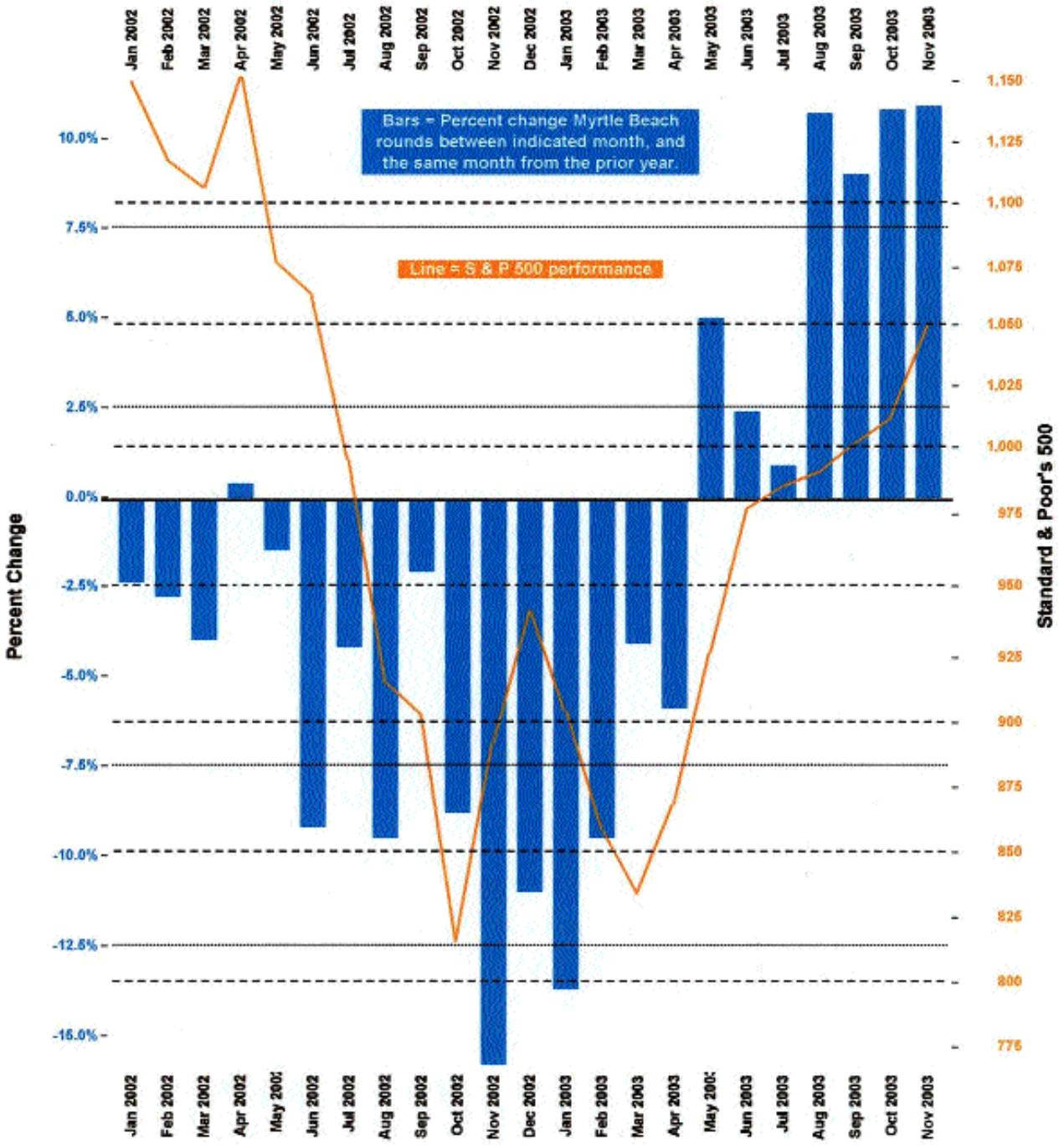
With such a short peak season, (January though the middle of April), TCG has to vigorously compete the other 8 1/2 months for the local golfer with 41 other area 18-hole golf courses, (29 of which are open to the public). In the summer months, (May through September) pricing has been very competitive for that local golfer. Courses have had to become very creative to attract golfers, giving away dinners, lunches, drinks, golf balls, and even golf shirts. Until the demand catches back up with the supply, this trend will likely continue.

Availability of personal time has become a constraining factor for the growth of golf. There are more homes with both parents working and more opportunities for other family activities. Many adults cannot afford to give up the 4 to 5 hours it takes to play an 18-hole round of golf. In addition, many of today's young adults are looking for leisure pursuits, which require less time and provide instant gratification. This is evidenced through increasing numbers of young adults taking up activities such as bowling.

Other Market Influences

ECONOMY - The decline of the stock market beginning in the late 1990s was exacerbated by the tragedy of September 11, 2001. A more prominent decline in the stock market followed. Retired or semi-retired golfers on fixed incomes were affected most. Information from the National Golf Foundation indicate that approximately 30% of all golfers are retired or semi-retired. Some studies show that rounds played closely resemble the stock market.

Myrtle Beach, SC and the U.S. Economy - Out of the Woods?



Sources: Myrtle Beach Golf Holiday and Standard & Poor's.
Recreated from the National Golf Foundation's *Golf Facility Report*, First Quarter 2004.

TOURISM - Southern Arizona is home to many winter visitors and is a place where people from the Midwest and the North come to vacation in late fall and winter. But tourism was down in 2002 and 2003, about 12% combined. During the first quarter of 2004 hotel and resort stays were up 4.9%.

NATIONAL DISASTER - The tragedy of September 11, 2001, affected the nation like nothing since December 7, 1941. The country was forever changed that day. The travel and spending habits of the populace was impacted so negatively that many businesses in the hospitality and leisure industry had to reduce services, lay off employees, or even close their doors. Tucson City Golf was not immune to this downward trend. A crisis of this proportion, foreseeable or unforeseeable, still places great strain on the economy of the nation and its people.

In the 1999 Business Plan, TCG allocated a portion of its budget for marketing with the goal of educating its customer base about TCG pricing values year-round.

Working Agreements with Hotels

Over the past five years, TCG has worked with many local hotels in booking tee times for their guests. A prime example is the partnership with the Doubletree Hotel at Reid Park to advertise both the hotel and TCG courses in a stay and play package. The Doubletree also put a computer in its lobby to allow guests to make golf reservations online. An account also was set up so guests will just have a guest pass and TCG will bill the Doubletree direct. TCG will look to build other similar partnerships with other hotels in the near future.

Print Media

TCG will continue to use the local newspapers to advertise market sensitive and seasonal specials to the local customer base.

TCG will also continue to advertise in several different magazine publications such as the Metropolitan Tucson Convention and Visitors Bureau Official Visitors Guide, Golf Southwest, Arizona the Golf State, the Tucson Golf Guide, and Official Arizona Golf Guide. These publications are distributed in local, regional, and national markets. TCG also advertises in other magazines like Tucson Lifestyle, and Enjoy Guidebooks of Arizona, which are available in many of the hotel rooms in the Tucson area.

Broadcast Media

TCG will continue to advertise with the broadcast media. Television and radio campaigns have been used to promote TCG properties as southern Arizona's best golf value.

Direct Mail

TCG will continue to send request forms for both men's and women's clubs and groups, which allows the scheduling of events up to seven months in advance.

TCG will continue to meet most requests for donations of rounds of golf for local charity events. Those donations include a letter that offers the requesting charity the opportunity to schedule its future events on a TCG property. In the future, TCG plans to utilize direct mail marketing in conjunction with its Affinity program to reward individual golfers of promotions, rewards levels, and other possible personal recognition for special events such as birthdays and holidays.

Course Utilization / Yield Management

With its new Affinity Program, TCG will encourage repeat golfers. Rewards Cards will entitle the bearer to the resident discount pricing for golf throughout the year, and may earn discounts based on the level of spending and/or rounds played at all TCG Pro Shops and golf courses.

TCG's improved website will enable the use of as-needed mass e-mails to all registered golfers, which will allow it to send out time-specific discounts on days and times that may not be filling. The Internet will be used more aggressively to notify golfers of available tee times and discounted rates.

SPECIAL CLUB AND GROUP PRICING - Qualified men's and women's clubs will receive a $2 discount from the posted Rack Rate at Fred Enke, Silverbell, and El Rio, and an $11 discount from the $47 Premium Resident Rate (Winter 2004-2005) at Randolph and Dell Urich, during the months of January, February, and March. During these same three months, registered 18-hole groups will be charged the $47 Premium Resident Rate (Winter 2004-2005) at Randolph and Dell Urich, and the Rack Rate, plus cart fee for one person at El Rio, Silverbell, and Fred Enke.

During the remaining nine months of the year, all clubs and registered 18-hole groups will receive a discount on their green fees from the appropriate Prevailing Rate based on its participation as follows:

- 20 or more players - $1 discount per player
- 32 or more players - $2 discount per player
- 44 or more players - $3 discount per player

TCG will also add 10% to all club and group Pro Shop gift certificate purchases.

TOURNAMENT PRICING - From April through December, all one-day tournaments will receive discounts based on participation as follows:

- 72 - 119 players - 10% discount per player from the Tournament Rate
- 120 - 179 players - 15% discount per player from the Tournament Rate
- 180 or more players - 20% discount per player from the Tournament Rate

Tucson City Golf will also grant a 10% discount to any in-stock Pro Shop purchase, including gift certificates.

Key Measures

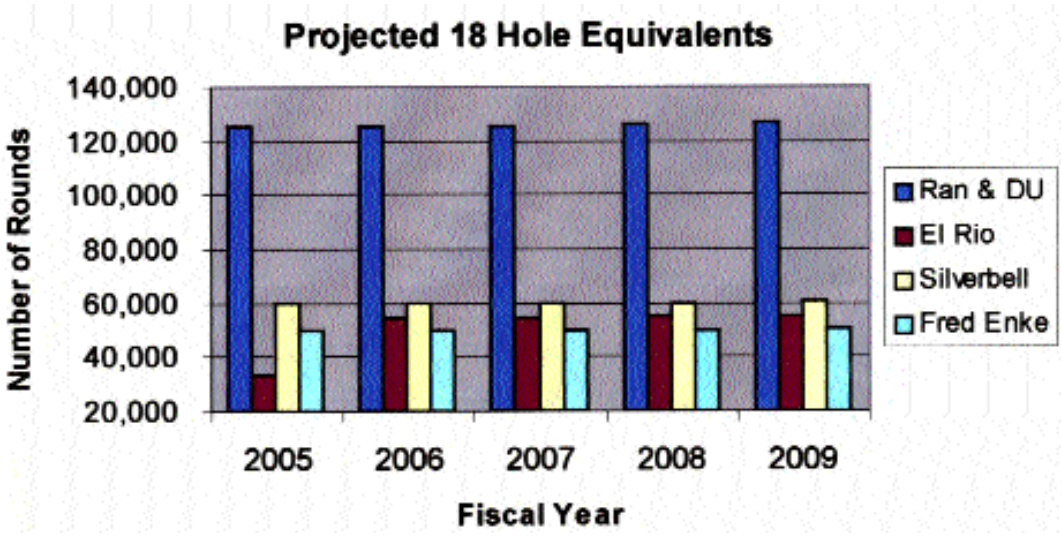
ROUNDS - TCG has analyzed data from the National Golf Foundation, the United States Golf Association, the Golf Industry Association, professional journals, economic forecasts, and its own history to determine projections for this new Business Plan. From this analysis, and from what TCG believes will happen to the golf business in the Tucson metropolitan area over the next five years, the following goals for paid, 18-hole equivalents have been established. TCG predicts little change in the number of rounds played at its facilities during the life of this proposal.

Fiscal Year	Rate of Growth
2005	(1.0%)
2006	0.0%
2007	0.0%
2008	0.5%
2009	0.5%
Cumulative Growth	**(0.008%)**

Based on averages from Fiscal Years 2001 to 2003 and the Rates of Growth indicated above, the following are the number of 18-hole equivalents projected for the next five years, by course, by year.

FISCAL YEAR

COURSE	2005	2006	2007	2008	2009	AVG
Ran & DU	125,460	125,460	125,460	126,088	126,718	125,837
El Rio	33,119	54,600	54,600	54,873	55,147	50,468
Silverbell	59,626	59,626	59,626	59,924	60,223	59,805
Fred Enke	49,629	49,629	49,629	49,877	50,126	49,778
TOTAL	**267,834**	**289,315**	**289,315**	**290,761**	**292,215**	**285,888**

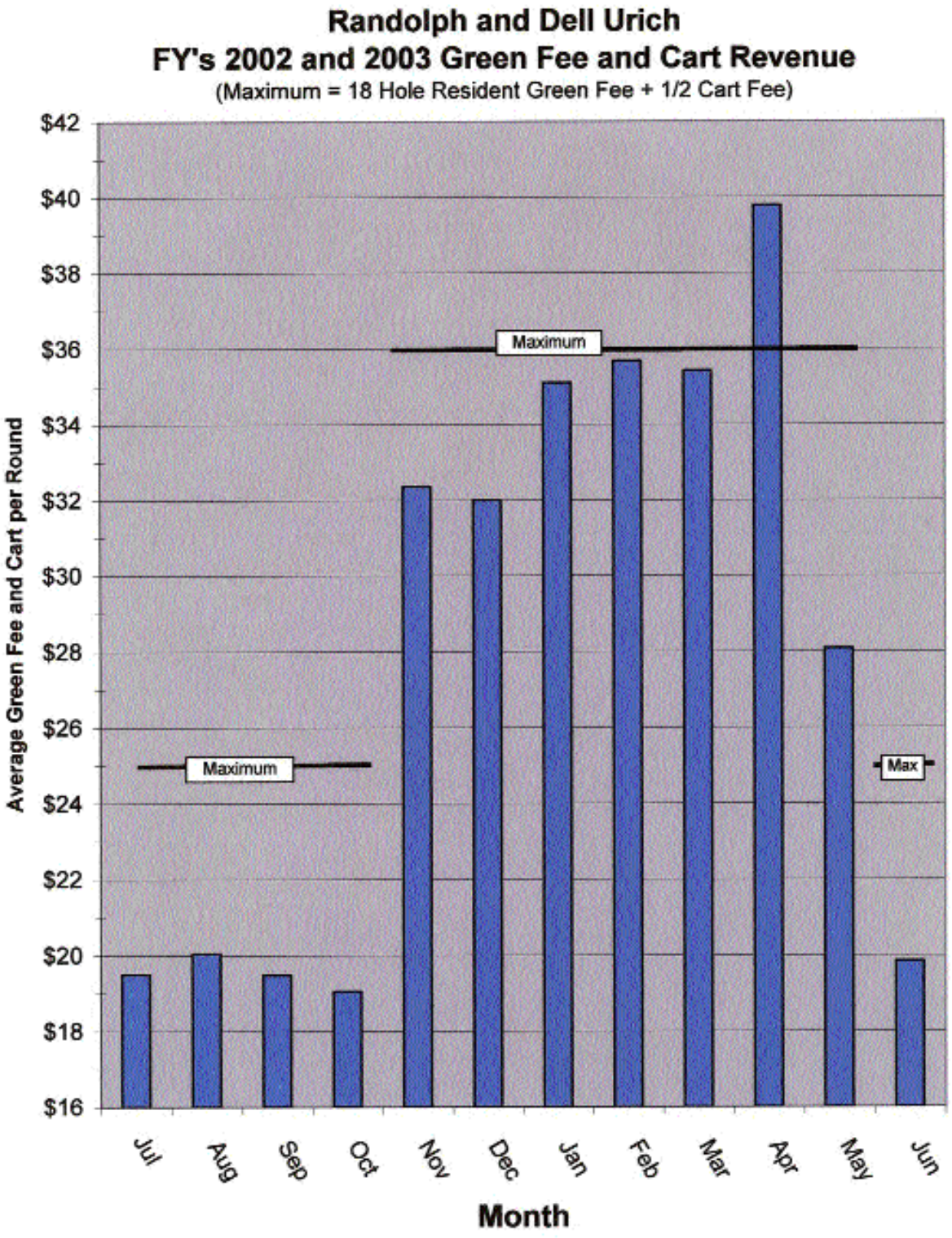


REVENUE PER ROUND - Revenue per Round is a measurement used in the golf industry to forecast future, monitor on-going, and to review past golf course revenues. TCG utilizes green fees plus cart fees to determine its Revenue per Round. Green fees and cart fees make up the largest portion of TCG revenue stream. In FY 2002 and 2003, green fees and cart fees made up nearly 75% of TCG's total revenue. The 1999 Plan substantially raised the maximum green fees across the board. It is important to note that earlier in 1999, the Mayor and Council granted the Director of Parks and Recreation, with approval from the City Manager, the authority to discount from these maximum green fees "when market conditions warrant." In order to remain competitive in the golf marketplace, TCG has found that discounts are necessary most of the year. Discounts have been afforded golfers based on the day of play, the time of play, and the season. Other promotions that have proven successful include a free hot dog or sandwich with golf, Ladies' Day, and Seniors' Day discounts.

The following tables and charts demonstrate just how many tee times TCG sells at a discount. The data in the tables and charts represent the per round maximum green fee plus cart fee (Max) that can be charged each month at each of TCG's courses. The actual amount of the green fee plus cart fee per round is shown, and the percentage of Actual compared to the "Max." This table shows that in FYs 2002 and 2003 at Fred Enke, El Rio, and Silverbell, the average revenue per round collected ranges from 61.1% to 92.3 % of the maximum cart fee and green fee. At Randolph and Dell Urich, these percentages varied from 76.2% to 99.1%. The Randolph and Dell Urich figures for April are somewhat skewed by much higher revenues for green fees attributable to sales of the Unlimited Summer Pass.

FY's 2002 and 2003 Green Fee and Cart Revenue
Actual as a Percentage of the Maximum
(Maximum = 18 Hole Resident Green Fee plus 1/2 cart fee)

	Randolph & Dell Urich			El Rio			Silverbell			Fred Enke		
	Max	Actual	Act'l %	Max	Actual	Act'l %	Max	Actual	Act'l %	Max	Actual	Act'l %
Jul	$25.00	$19.50	78.0%	$23.00	$15.69	68.2%	$23.00	$15.18	65.9%	$23.00	$15.34	66.7%
Aug	$25.00	$20.05	80.2%	$23.00	$15.64	68.0%	$23.00	$15.20	66.1%	$23.00	$16.20	66.1%
Sep	$25.00	$19.48	77.9%	$23.00	$15.30	66.5%	$23.00	$15.46	67.2%	$23.00	$14.93	64.9%
Oct	$25.00	$19.05	76.2%	$23.00	$14.06	61.1%	$23.00	$14.17	61.6%	$23.00	$14.19	61.7%
Nov	$36.00	$32.36	89.9%	$31.00	$23.93	77.2%	$31.00	$23.10	74.5%	$31.00	$23.16	74.7%
Dec	$36.00	$32.00	88.9%	$31.00	$22.32	72.0%	$31.00	$22.51	72.6%	$31.00	$22.86	73.7%
Jan	$36.00	$35.10	97.5%	$31.00	$25.67	82.8%	$31.00	$26.29	84.8%	$31.00	$26.76	86.3%
Feb	$36.00	$35.68	99.1%	$31.00	$27.69	89.0%	$31.00	$27.96	90.2%	$31.00	$28.55	92.1%
Mar	$36.00	$35.42	98.4%	$31.00	$27.69	89.0%	$31.00	$28.06	90.5%	$31.00	$28.61	92.3%
Apr	$36.00	$39.78	110.5%	$31.00	$23.16	74.7%	$31.00	$25.54	82.4%	$31.00	$25.14	81.1%
May	$36.00	$28.08	78.0%	$31.00	$19.10	61.6%	$31.00	$21.82	70.4%	$31.00	$25.54	82.4%
Jun	$25.00	$19.85	79.4%	$23.00	$16.74	72.8%	$23.00	$17.73	77.1%	$23.00	$15.80	68.7%


Randolph and Dell Urich
FY's 2002 and 2003 Green Fee and Cart Revenue
(Maximum = 18 Hole Resident Green Fee + 1/2 Cart Fee)
Average Green Fee and Cart per Round
$42
$40
$38
$36
$34
$32
$30
$28
$26
$24
$22
$20
$18
$16
Maximum
Maximum
Max
Jul
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Apr
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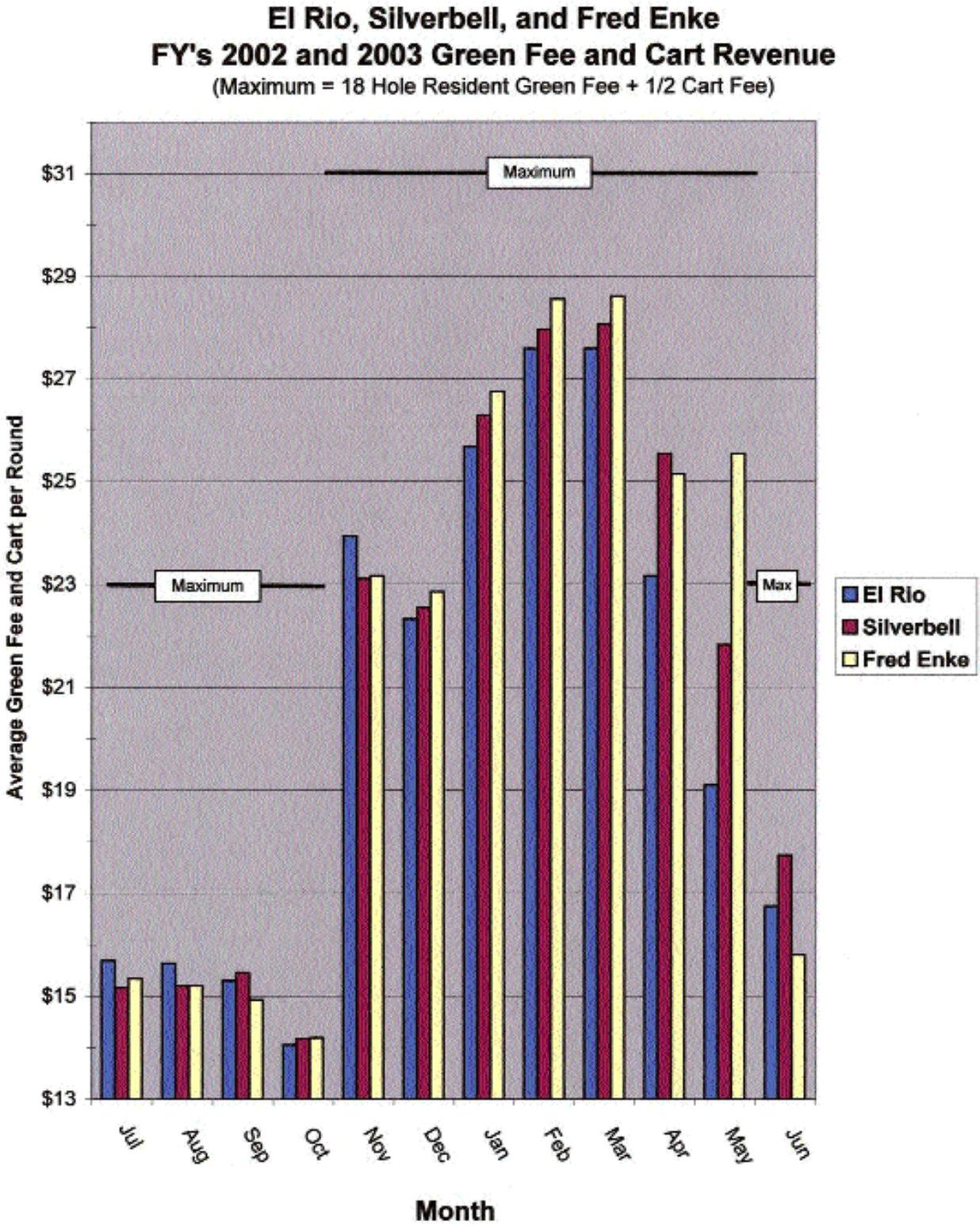

El Rio, Silverbell, and Fred Enke
FY's 2002 and 2003 Green Fee and Cart Revenue
(Maximum = 18 Hole Resident Green Fee + 1/2 Cart Fee)
Average Green Fee and Cart per Round
$31
$29
$27
$25
$23
$21
$19
$17
$15
$13
Maximum
Maximum
Max
El Rio
Silverbell
Fred Enke
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Month

In the 1999 Business Plan, some green fee categories were increased by as much as 57%. For example, the Winter Season, Senior Resident Rate for 18 holes at Randolph and Dell Urich went from $14 to $22. The Winter Season Resident Rate for 18 holes at Randolph and Dell Urich went from $18.50 to $27, a 46% increase. These increases were all effective January 15, 2000, in the first year of the Plan. As illustrated in the graphs on pages 11 to 14, this proposal includes much more moderate green fee increases, and the increases are spread over the five-year life of the proposal. For instance, rates for the Winter Season Senior Resident Rate for 18 holes at Randolph and Dell Urich are suggested to go from $22 to $30, a 36% increase. The Winter Season Resident Rate for 18 holes at Randolph and Dell Urich is recommended to go from $27 to $35 in FY 2009, which is a 30% increase.

It is also proposed that fees for carts increase from $9 per person for 18 holes, to $10 per person. The cart fee for nine holes, currently $6 per person would go to $7 per person. Cart fees at City golf courses have not been increased in more than 10 years.

Nobody likes fee or rate increases, but it is incumbent on organizations such as Tucson City Golf to forecast the inevitable. Failure to implement pricing strategies that account for inflation, necessary improvements, and other increases in expenses is not sound fiscal management. On the following page are the current rates for each category of maximum green fees and the proposed changes for each of the next five years.

PROPOSED RATE SCHEDULE

These are the MAXIMUM rates that can be charged. Discount rate specials will be established when market conditions warrant or unused golf course capacity exists.

Course	Months	9 Resident	9 Resident Senior [1]	9 Non-Resident	9 Non-Res. Senior	9 Suntan [2]	18 Resident	18 Resident Senior [1]	18 Non-Resident	18 Non-Resident Sr.	18 Suntan [2]	18 Resident Premium [3]	18 Non-Res. Premium [3]	Sundown [4]	TCG Employees [5]	Retired City Employees [6]	Pre-Booked Resident [7]	Pre-Booked Non-Res [7]
Randolph & Dell Urich	Jun-Oct '04	$10	$8	-	-	$7	$16	$12	-	-	$10	-	-	$11	$10	$10	-	-
	Jun-Oct '05	$11	$9	-	-	$8	$18	$14	-	-	$12	-	-	$13	$10	$10	$31	$31
	Jun-Oct '06	$12	$10	-	-	$9	$20	$16	-	-	$14	-	-	$15	$10	$10	$33	$33
	Jun-Oct '07	$13	$11	-	-	$10	$21	$17	-	-	$15	-	-	$16	$10	$10	$34	$34
	Jun-Oct '08	$14	$12	-	-	$10	$22	$18	-	-	$16	-	-	$17	$10	$10	$35	$35
	Jun-Oct '09	$15	$13	-	-	$11	$23	$19	-	-	$17	-	-	$18	$10	$10	$36	$36
	Nov '03-May '04	$16	$13	$22	$19	-	$27	$22	$37	$34	-	$45	$65	$16	$10	$18	-	-
	Nov '04-May '05	$17	$14	$23	$20	-	$29	$24	$39	$36	-	$47	$67	$18	$10	$18	$43	$53
	Nov '05-May '06	$18	$15	$24	$21	-	$31	$26	$41	$38	-	$49	$69	$20	$10	$18	$45	$55
	Nov '06-May '07	$19	$16	$25	$22	-	$32	$27	$42	$39	-	$50	$70	$21	$10	$18	$46	$56
	Nov '07-May '08	$19	$16	$25	$22	-	$33	$28	$43	$40	-	$51	$71	$22	$10	$18	$47	$57
	Nov '08-May '09	$20	$17	$26	$23	-	$34	$29	$44	$41	-	$52	$72	$23	$10	$18	$48	$58
El Rio, Silverbell & Fred Enke	Jun-Oct '04	$9	$7	-	-	$7	$14	$10	-	-	$10	-	-	$9	$10	$10	-	-
	Jun-Oct '05	$10	$8	-	-	$8	$16	$12	-	-	$12	-	-	$11	$10	$10	$29	$29
	Jun-Oct '06	$10	$8	-	-	$8	$17	$13	-	-	$13	-	-	$12	$10	$10	$30	$30
	Jun-Oct '07	$11	$9	-	-	$9	$18	$14	-	-	$14	-	-	$13	$10	$10	$31	$31
	Jun-Oct '08	$11	$9	-	-	$9	$19	$15	-	-	$15	-	-	$14	$10	$10	$32	$32
	Jun-Oct '09	$12	$10	-	-	$10	$20	$16	-	-	$16	-	-	$15	$10	$10	$32	$32
	Nov '03-May '04	$13	$10	$19	$17	-	$22	$17	$32	$29	-	-	-	$13	$10	$15	-	-
	Nov '04-May '05	$14	$11	$20	$18	-	$24	$19	$34	$31	-	-	-	$15	$10	$15	$38	$48
	Nov '05-May '06	$14	$11	$20	$18	-	$25	$20	$35	$32	-	-	-	$16	$10	$15	$39	$49
	Nov '06-May '07	$15	$12	$21	$19	-	$26	$21	$36	$33	-	-	-	$17	$10	$15	$40	$50
	Nov '07-May '08	$15	$12	$21	$19	-	$27	$22	$37	$34	-	-	-	$18	$10	$15	$41	$51
	Nov '08-May '09	$16	$13	$22	$20	-	$28	$23	$38	$35	-	-	-	$19	$10	$15	$42	$52

[1] **Sr. Res. Rate** is available **Mon. – Fri.** (except holidays), **on a reservation Apr. – Dec.**; and **only as a "Walk-On" Jan. – Mar.**

[2] **NO RESERVATIONS. Suntan Rate** effective **Noon – 4 p.m., Monday – Friday** (except holidays), **June – September.**

[3] **Premium Rate** includes cart rental, and applies to **reservations made 8 to 120 days in advance, for play January - March.**

[4] **NO RESERVATIONS. Sundown Rate** effective daily, **at 4 p.m. February - October**; and **at 3 p.m. November – January.**

[5] **NO RESERVATIONS. Tucson City Golf Employee Rate** is only available when there is no other golfer on the Walk-On List.

[6] **Retired City Employee Rate is available Monday - Friday (except holidays).**

[7] **Pre-Booked Rate** includes cart, for **reservations made 8 to 120 days in advance, when the Premium Rate does not apply.**

OTHER FEES – ALL COURSES		
FEE DESCRIPTION	Current	Propose
9-Hole Cart, per person	$6	$7
18-Hole Cart, per person	$9	$10
9-Hole Private Cart Use	$7	$9
18-Hole Private Cart Use	$9	$13
Resident or Senior Resident Rewards Card	$10	$20
Resident or Senior Resident Renewal	$10	$10
Non-Resident Rewards Card	N/A	$75
Non-Resident Rewards Renewal	N/A	$50
9-Hole Youth (Under age 18)	$3	$5
18-Hole Youth (Under age 18)	$6	$9
Junior Card	$3	$5
Range Balls, Small Bucket	$2	$3
Range Balls, Large Bucket	$4	$5

"10 + 1" Passes		
Resident	November 2004 through May 2005	$240
Senior Resident		$190
Non-Resident		$340
Sr. Non-Resident		$310
Rand & D.U. Surcharge		$5
Resident	June 2005 through October 2005	$160
Senior Resident		$120
Non-Resident		$160
Sr. Non-Resident		$120
Rand & D.U. Surcharge		$2

Financial Statements

This section contains several documents covering both the actual performance during 1999 Plan and the FY 2005 through FY 2009 forecasts.

INCOME STATEMENT
FY 2000 - FY 2004

	2000*	2001	2002	2003	2004**	FY '00 - FY '04 Cumulative Amount	FY '01 - FY '04 Cumulative Amount
COURSE OPERATIONS:							
Operating Revenues:							
Green Fees and Carts	$6,033,000	$6,866,000	$6,928,000	$7,045,000	$6,682,122		
Pro Shop	$19,000	$502,000	$543,000	$586,000	$602,255		
Driving Range	$443,000	$537,000	$525,000	$518,000	$532,837		
Other	$307,000	$288,000	$340,000	$340,000	$316,162		
Total Operating Revenues	**$6,802,000**	**$8,193,000**	**$8,336,000**	**$8,489,000**	**$8,133,376**	**$39,953,376**	**$33,151,376**
Operating Expenses:							
Salaries	$2,830,000	$3,708,000	$4,070,000	$3,876,000	$3,599,952		
Other Services	$2,251,000	$1,481,000	$1,868,000	$1,783,000	$1,808,766		
Supplies	$1,258,000	$1,379,000	$1,297,000	$1,152,000	$1,314,202		
Cost of Goods Sold - Pro Shop	$0	$322,000	$327,000	$359,000	$438,757		
Total Operating Expenses	**$6,339,000**	**$6,890,000**	**$7,562,000**	**$7,170,000**	**$7,161,677**	**$35,122,677**	**$28,783,677**
Net Operating Income (Loss) - Course Operations	**$463,000**	**$1,303,000**	**$774,000**	**$1,319,000**	**$971,699**	**$4,830,699**	**$4,367,699**
CLUBHOUSE OPERATIONS:							
Operating Revenues:							
Gross Sales	**$1,335,000**	**$1,279,000**	**$1,285,000**	**$1,280,000**	**$1,375,318**	**$6,554,318**	**$5,219,318**
Operating Expenses:							
Cost of Goods Sold	$480,000	$475,000	$461,000	$479,000	$461,858		
Salaries	$719,000	$666,000	$626,000	$616,000	$647,718		
Other Services	$168,000	$167,000	$191,000	$200,000	$257,758		
Total Expenses	**$1,367,000**	**$1,308,000**	**$1,278,000**	**$1,295,000**	**$1,367,334**	**$6,615,334**	**$5,248,334**
Net Operating Income (Loss) - Clubhouse Operations	**($32,000)**	**($29,000)**	**$7,000**	**($15,000)**	**$7,984**	**($61,016)**	**($29,016)**
DIVISION-WIDE OPERATING EXPENSES:							
Depreciation	$798,000	$820,000	$814,000	$814,000	$705,809		
Amortization of Goodwill	$2,000	$2,000	$2,000	$1,000	$0		
Total Division-Wide Operating Expenses	**$800,000**	**$822,000**	**$816,000**	**$815,000**	**$705,809**	**$3,958,809**	**$3,158,809**
Net Operating Income (Loss)	**($369,000)**	**$452,000**	**($35,000)**	**$489,000**	**$273,874**	**$810,874**	**$1,179,874**
Non-Operating Revenues (Expenses)							
Interest Earnings	$0	$0	$0	$0	$225		
Gain (Loss) on Sale of Property/Equipment	($500,000)	$4,000	($1,000)	$3,000	$0		
Investment Income	$25,000	$23,000	$10,000	$10,000	$0		
Debt Service Interest Expense	($305,000)	($329,000)	($313,000)	($280,000)	($285,504)		
Amortization of Discount / Cost of Issuance	($14,000)	$0	($5,000)	($5,000)	$0		
Other	($10,000)	($41,000)	$0	($8,000)	$5,330		
Total Non-Operating Revenues (Expenses)	**($804,000)**	**($343,000)**	**($309,000)**	**($280,000)**	**($279,949)**	**($2,015,949)**	**($1,211,949)**
Net Income (Loss)	**($1,173,000)**	**$109,000**	**($344,000)**	**$209,000**	**($6,075)**	**($1,205,075)**	**($32,075)**

* The 1999 Business Plan was approved by Mayor and Council on December 13,1999; however the Plan was not fully implemented until FY 2001.

** FY 2004 figures are unaudited.

PRO FORMA INCOME STATEMENT
FY 2005 - FY 2009

	FISCAL YEAR 2005	2006	2007	2008	2009	Cumulative Amount
COURSE OPERATIONS:						
Operating Revenues:						
Green Fees and Carts	$7,090,030	$7,832,924	$8,175,621	$8,450,599	$8,728,122	
Pro Shop	$617,945	$685,837	$737,275	$792,570	$852,013	
Driving Range	$638,768	$662,600	$675,611	$688,881	$702,416	
Other	$349,762	$353,524	$353,524	$354,664	$354,664	
Total Operating Revenues	**$8,696,525**	**$9,534,885**	**$9,942,031**	**$10,286,714**	**$10,637,215**	
Operating Expenses:						
Salaries	$4,066,058	$4,565,388	$4,856,450	$5,200,061	$5,598,147	
Other Services	$1,815,710	$1,754,117	$1,796,668	$1,865,343	$1,908,421	
Supplies	$1,362,176	$1,483,085	$1,543,099	$1,552,112	$1,555,512	
Cost of Goods Sold - Pro Shop	$411,099	$393,774	$405,050	$415,912	$502,610	
Depreciation	$804,620	$856,150	$848,825	$883,055	$900,161	
Total Operating Expenses	**$8,459,662**	**$9,052,513**	**$9,450,091**	**$9,916,483**	**$10,464,851**	
Net Operating Income (Loss) - Course Operations	**$236,863**	**$482,372**	**$491,940**	**$370,231**	**$172,364**	**$1,753,770**
CLUBHOUSE OPERATIONS:						
Operating Revenues:						
Gross Sales	**$1,280,376**	**$1,435,858**	**$1,472,236**	**$1,509,534**	**$1,547,774**	
Operating Expenses:						
Cost of Goods Sold	$400,453	$426,484	$437,568	$443,915	$472,299	
Salaries	$567,918	$616,420	$661,666	$697,289	$556,868	
Depreciation	$2,865	$4,865	$6,000	$8,000	$10,000	
Other	$201,772	$222,094	$226,696	$230,605	$307,813	
Total Expenses	**$1,173,007**	**$1,269,863**	**$1,331,930**	**$1,379,809**	**$1,346,980**	
Net Operating Income (Loss) - Clubhouse Operations	**$107,369**	**$165,995**	**$140,306**	**$129,725**	**$200,794**	**$744,189**
Net Operating Income (Loss)	**$344,232**	**$648,367**	**$632,246**	**$499,956**	**$373,158**	**$2,497,959**
Non-Operating Revenues (Expenses)						
Debt Service Interest Expense	($244,015)	($228,765)	($212,765)	($195,680)	($177,830)	
Total Non-Operating Revenues (Expenses)	**($244,015)**	**($228,765)**	**($212,765)**	**($195,680)**	**($177,830)**	
Net Income (Loss)	**$100,217**	**$419,602**	**$419,481**	**$304,276**	**$195,328**	**$1,438,904**
Net Income (Loss) Without Debt Service	$344,232	$648,367	$632,246	$499,956	$373,158	$2,497,959

CASH FLOW STATEMENTS
FY 2000 - FY 2004

	FISCAL YEAR 2000	2001	2002	2003	2004*
Cash Flow from Operations:					
Cash Received from Customers	$8,186,000	$9,475,000	$9,538,000	$9,840,000	
Cash Payments to Suppliers	($6,317,000)	($4,168,000)	($4,058,000)	($4,289,000)	
Cash Payments to Employees	($3,561,000)	($4,458,000)	($4,632,000)	($4,634,000)	
Miscellaneous Receipts	$4,000	$0	$1,000	$3,000	
Net Cash from Operations	**($1,688,000)**	**$849,000**	**$849,000**	**$920,000**	
Cash Flows from Noncapital Financing Activies:					
Interest Paid on Investment Borrowings	($75,000)	($71,000)	($23,000)	($6,000)	
Operating Transfer Out	$0	$0	$0	$0	
Non-Capital Contribution - General Fund	$2,713,000	$0	$0	$0	
Net Cash Provided (Used) by Noncapital Financing Activities	**$2,638,000**	**($71,000)**	**($23,000)**	**($6,000)**	
Cash Flows Provided (Used) by Capital Improvements:					
Equipment and Capital Improvements	($321,000)	($409,000)	($378,000)	($10,000)	
Principal Paid on Leases and Capital Debt	($437,000)	($226,000)	($248,000)	$0	
Interest Paid on Leases and Capital Debt	($239,000)	($265,000)	($253,000)	($243,000)	
COPS Issuance Costs	($293,000)	($1,000)	$0	$0	
Proceeds from Sale of Property/Equipment	$0	$4,000	$6,000	$3,000	
Proceeds from Sale of COPS	$314,000	$94,000	$37,000	$2,000	
Net Cash Provided (Used) by Capital Improvements	**($976,000)**	**($803,000)**	**($836,000)**	**($248,000)**	
Cash Flows from Investing Activities:					
Interest on Investments	$26,000	$25,000	$10,000	$5,000	
Cash and Cash Equivalents - June 30	**$0**	**$0**	**$0**	**$671,000**	

* FY 2004 Cash Flow figures not available at time of printing. Estimated "Cash and Cash Equivalents - June 30" is expected to be approximately $685,700.

CASH FLOW PROJECTIONS
FY 2005 - FY 2009

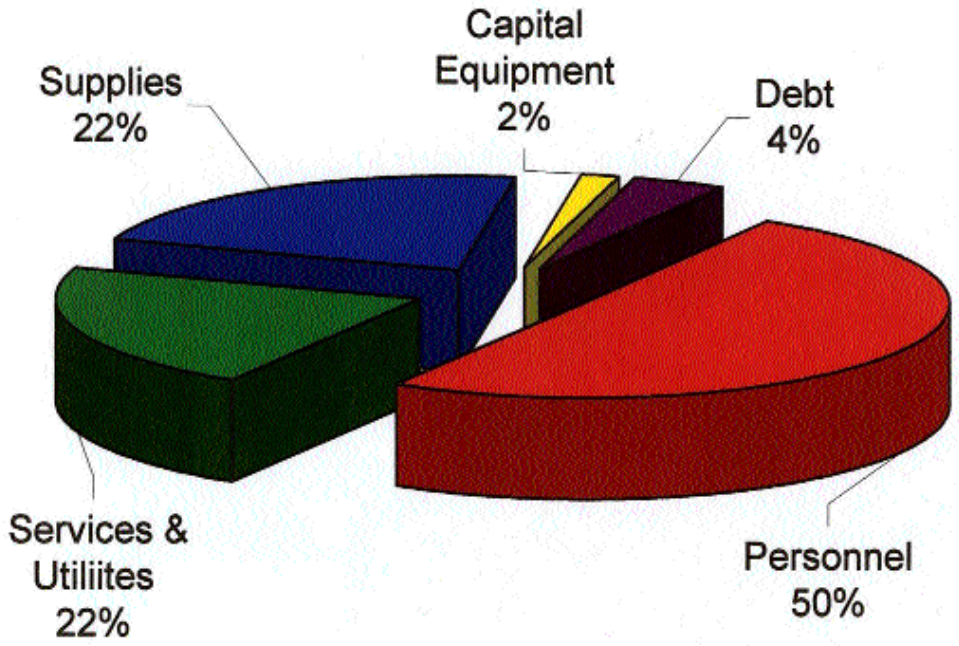
	FISCAL YEAR 2005	2006	2007	2008	2009
COURSE OPERATIONS:					
Total Operating Revenues	**$9,976,901**	**$10,970,743**	**$11,414,267**	**$11,796,248**	**$12,184,989**
Operating Expenses:					
Personnel	$4,633,976	$5,181,807	$5,518,115	$5,897,349	$6,230,377
Other Services (2xx Obj)	$2,007,588	$1,956,597	$2,004,265	$2,078,201	$2,163,918
Supplies (3xx Obj)	$1,409,165	$1,539,537	$1,579,201	$1,609,509	$1,659,429
Cost of Goods Sold	$774,456	$783,419	$825,615	$820,177	$847,946
Depreciation	$807,485	$861,015	$854,825	$891,055	$910,161
Lease - Purchase: Interest	$244,015	$228,765	$212,765	$195,680	$177,830
Total Operating Expenses	**$9,876,685**	**$10,551,140**	**$10,994,786**	**$11,491,971**	**$11,989,661**
Net Operating Income (Loss)	**$100,216**	**$419,603**	**$419,481**	**$304,277**	**$195,328**
CASH FLOW:					
Operating -					
Depreciation - Equipment	$775,710	$828,285	$821,112	$856,334	$874,399
Depreciation - Vehicles (Obj. 290 on Pro-Forma)	$31,775	$32,730	$33,713	$34,721	$35,762
Sub Total: Operating Cash Flow	$807,485	$861,015	$854,825	$891,055	$910,161
Investing -					
Capital Improvements	($200,000)	($200,000)	($200,000)	($200,000)	($200,000)
Purchase of New Maint. Equipment	($376,621)	($374,392)	($372,100)	($369,736)	($367,301)
Sub Total: Investing Cash Flow	($576,621)	($574,392)	($572,100)	($569,736)	($567,301)
Debt Service -					
Lease - Purchase: Principal	($305,000)	($320,000)	($335,000)	($350,000)	($370,000)
Sub Total: Debt Service	($305,000)	($320,000)	($335,000)	($350,000)	($370,000)
Total Cash Flow:	**($74,136)**	**($33,377)**	**($52,275)**	**($28,681)**	**($27,140)**
Change In Cash Balance:	**$26,080**	**$386,226**	**$367,206**	**$275,596**	**$168,188**
Cumulative Cash Flow:		$412,306	$779,512	$1,055,108	$1,223,296
Change in Cash Balance Without Int & Prin. Exp.:	$575,095	$934,991	$914,971	$821,276	$716,018
Change in Cumulative Cash Balance:		$1,510,086	$2,425,057	$3,246,333	$3,962,351

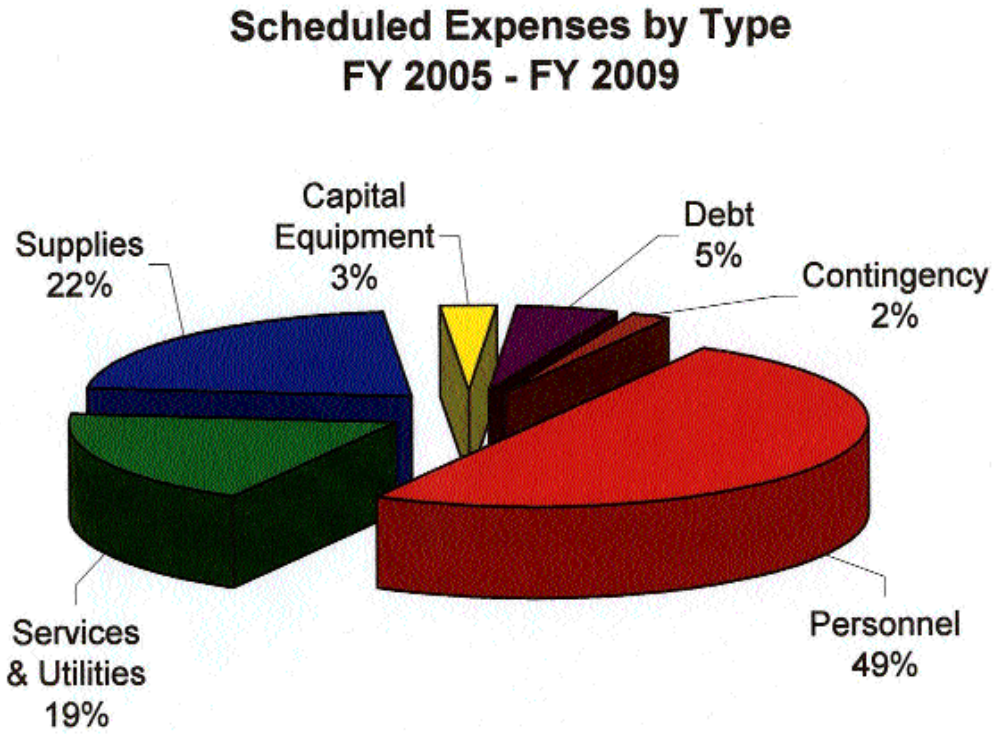
Expenses

As previously stated, in early 1999, the City Manager requested that the Parks and Recreation Department establish a methodology, which would allow TCG to continue operating without losing money. One of the three primary issues to overcome in developing the 1999 Business Plan was "to control costs." U.S. Bancorp Piper Jaffray Inc., the City's financial consultant in 1999, cited two significant factors affecting the financial integrity of TCG. The first was a continuing loss in total rounds being played on the City's golf courses. The second was that operating expenses had not adjusted to the drop in rounds played. The success of the 1999 Plan and the TCG System has been based on Tucson City Golf's ability to monitor and control its expenses.

The following illustrations are indicative of the amount and categories for actual expenses incurred during the 1999 Plan and include projected expenses for this proposal.

Expenses by Type
Average FY's 2001-2003

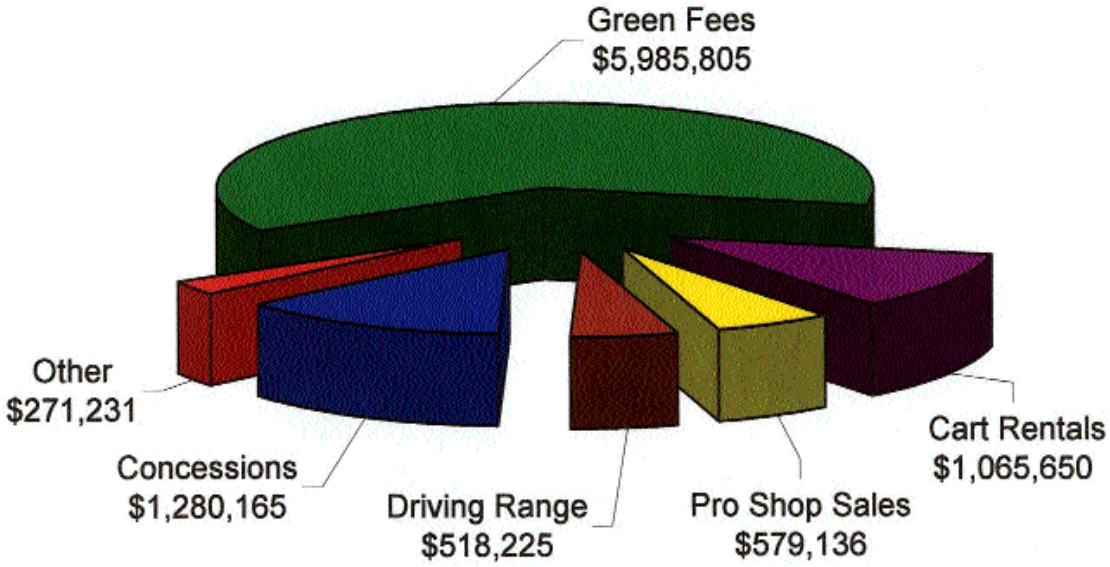




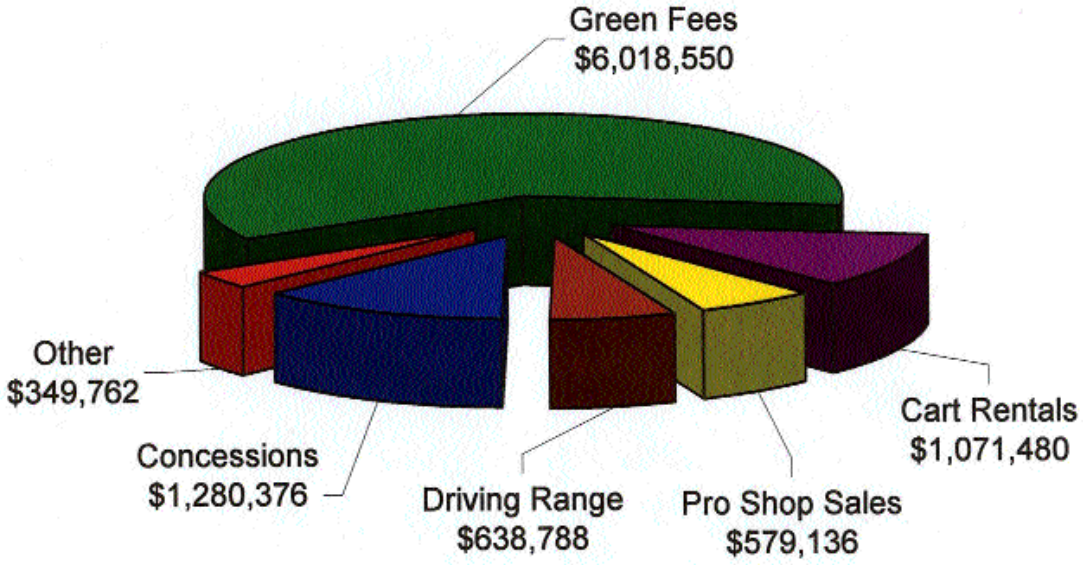
Revenues

The following pages contain illustrations of revenues by source. The first is the actual receipts for FY 2003 and the second is the projected categorized forecasts for FY 2005.

Revenues by Source
FY 2003
Total Revenue = $9,700,212



Projected Revenues by Source
FY 2005
Total Projected Revenue = $9,976,901



Debt Schedule 'A'

$12,250,000
Certificates of Participation, Series 2000

$516,000 Golf New Money Portion

Date	Principal Amount	Interest Rate	Interest	Lease Payments
7/1/2000			$7,218.75	$7,218.75
1/1/2001			$14,437.50	$14,437.50
7/1/2001			$14,437.50	$14,437.50
1/1/2002			$14,437.50	$14,437.50
7/1/2002			$14,437.50	$14,437.50
1/1/2003			$14,437.50	$14,437.50
7/1/2003			$14,437.50	$14,437.50
1/1/2004			$14,437.50	$14,437.50
7/1/2004			$14,437.50	$14,437.50
1/1/2005			$14,437.50	$14,437.50
7/1/2005			$14,437.50	$14,437.50
1/1/2006			$14,437.50	$14,437.50
7/1/2006			$14,437.50	$14,437.50
1/1/2007			$14,437.50	$14,437.50
7/1/2007			$14,437.50	$14,437.50
1/1/2008			$14,437.50	$14,437.50
7/1/2008			$14,437.50	$14,437.50
1/1/2009			$14,437.50	$14,437.50
7/1/2009			$14,437.50	$14,437.50
1/1/2010			$14,437.50	$14,437.50
7/1/2010			$14,437.50	$14,437.50
1/1/2011			$14,437.50	$14,437.50
7/1/2011			$14,437.50	$14,437.50
1/1/2012			$14,437.50	$14,437.50
7/1/2012			$14,437.50	$14,437.50
1/1/2013			$14,437.50	$14,437.50
7/1/2013			$14,437.50	$14,437.50
1/1/2014			$14,437.50	$14,437.50
7/1/2014			$14,437.50	$14,437.50
1/1/2015			$14,437.50	$14,437.50
7/1/2015	$240,000.00	$0.08	$14,437.50	$254,437.50
1/1/2016			$7,837.50	$7,837.50
7/1/2016	$275,000.00	5.70%	$7,837.50	$282,837.50
Totals	**$516,000.00**		**$456,018.75**	**$971,018.75**

Debt Schedule 'B'

$12,250,000
Certificates of Participation, Series 2000

$4,110,000 Series 1994 Golf Course Refunding

Date	Principal Amount	Interest Rate	Interest	Lease Payments
7/1/2000			$53,785.00	$53,785.00
1/1/2001			$107,570.00	$107,570.00
7/1/2001			$107,570.00	$107,570.00
1/1/2002			$107,570.00	$107,570.00
7/1/2002			$107,570.00	$107,570.00
1/1/2003			$107,570.00	$107,570.00
7/1/2003			$107,570.00	$107,570.00
1/1/2004			$107,570.00	$107,570.00
7/1/2004			$107,570.00	$107,570.00
1/1/2005			$107,570.00	$107,570.00
7/1/2005	$305,000.00	$0.05	$107,570.00	$412,570.00
1/1/2006			$99,945.00	$99,945.00
7/1/2006	$320,000.00	$0.05	$99,945.00	$419,945.00
1/1/2007			$91,945.00	$91,945.00
7/1/2007	$335,000.00	$0.05	$91,945.00	$426,945.00
1/1/2008			$83,402.50	$83,402.50
7/1/2008	$350,000.00	$0.05	$83,402.50	$433,402.50
1/1/2009			$74,477.50	$74,477.50
7/1/2009	$370,000.00	$0.05	$74,477.50	$444,477.50
1/1/2010			$64,950.00	$64,950.00
7/1/2010	$390,000.00	$0.05	$64,950.00	$454,950.00
1/1/2011			$54,810.00	$54,810.00
7/1/2011	$410,000.00	$0.05	$54,810.00	$464,810.00
1/1/2012			$44,047.50	$44,047.50
7/1/2012	$430,000.00	$0.05	$44,047.50	$474,047.50
1/1/2013			$32,652.50	$32,652.50
7/1/2013	$455,000.00	$0.05	$32,652.50	$487,652.50
1/1/2014			$20,387.50	$20,387.50
7/1/2014	$480,000.00	$0.05	$20,387.50	$500,387.50
1/1/2015			$7,287.50	$7,287.50
7/1/2015	$265,000.00	5.50%	$7,287.50	$272,287.50
Totals	**$4,110,000.00**		**$2,277,255.00**	**$6,387,255.00**

Capital Improvement Plan

As mentioned in the Executive Summary, one of the greatest attributes of this Business Plan is that it addresses capital improvements. Funding capital improvements is vital to the continued success of TCG. Below is a list of developments for each Tucson City Golf property, which would enhance the golf experience and allow for more effective management and/or marketing. The following page lists both capital and operating budget funded equipment, its expected life, unit cost, and the annual number of units required to maintain necessary fleet and inventory levels.

CAPITAL IMPROVEMENT PROJECTS
Fiscal Years 2005-2009

PROJECT #1

Fred Enke Golf Course — Estimated Cost: $1,650,000

These enhancements will give Fred Enke a more broad-based appeal.

- Incorporate concrete cart paths throughout
- Improve control of the irrigation system
- Address design deficiencies

PROJECT #2

Silverbell Golf Course — Estimated Cost: $2,750,000

Improvements at Silverbell will include:

- Sustainable turf conditions by moving off of the landfill
- Incorporate concrete cart paths throughout
- Straighten most of the dog-legs

PROJECT #3

Randolph Golf Course — Estimated Cost: $ 520,000

Improvements at Randolph will include:

- Replace current turf with 419 Tif
- Bunker renovation
- Tee development

PROJECT #4

Dell Urich Golf Course — Estimated Cost: $ 100,000

Improvements at Dell Urich will include:

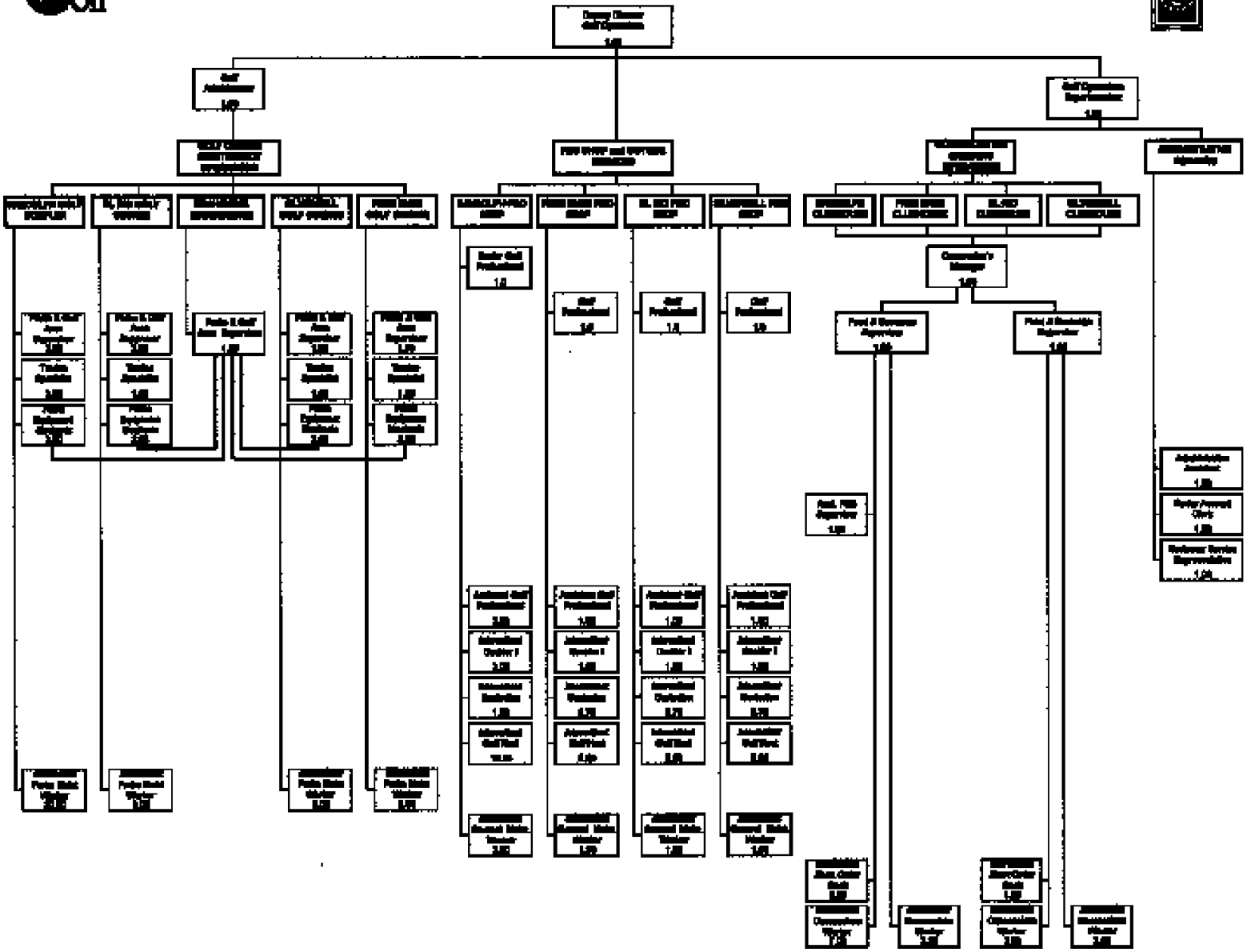
- Bunker renovation
- Tee development
- Improve access to #4 green

TOTAL ESTIMATED COST: $5,020,000

EQUIPMENT PURCHASE PLAN
Fiscal Years 2005-2009

Type	Life Expectancy (Yrs.)	5-COURSE ANNUAL PURCHASES Units	Unit Cost	Total Cost
Fairway & Large Rough Mowers	6	1.83	$45,000	$82,350
Grinder, Reel	8	0.60	$25,000	$12,500
Backhoe / Loader, 35 hp.	10	0.25	$24,000	$6,000
Sprayer, Self Propelled, 140 gal.	6	0.50	$23,000	$11,500
Greens Mowers	6	4.00	$20,000	$80,000
Utility Vehicle, Heavy Duty	6	1.25	$20,000	$25,000
Small Rough Mowers	6	1.83	$15,000	$27,450
Aerifier, GA-30	8	0.33	$13,000	$4,290
Tractor, Range	5	0.80	$13,000	$10,400
Turf Vacuum	10	0.50	$13,000	$6,500
Sprayer, 400 gallon	6	0.50	$12,000	$6,000
Misc. Shop Tools	10	0.2793	$10,000	$2,793
Aerifier, Fairway	8	0.50	$10,000	$5,000
Grinder, Bed Knife	8	0.50	$10,000	$5,000
Bunker Rake, Power	6	1.33	$9,000	$11,970
Concessions Cart	5	0.80	$8,000	$6,400
Drop Spreader, Large	8	0.50	$8,000	$4,000
Trailer, Utility	10	0.33	$8,000	$2,640
Utility Vehicle, Medium Duty	6	4.00	$8,000	$32,000
Bunker Accessories	6	0.50	$7,000	$3,500
Top Dresser	8	0.50	$5,000	$2,500
Utility Vehicle, Light Duty	6	2.00	$4,100	$8,200
Lely Spreader, Wheel Driven	8	1.00	$4,000	$4,000
Golf Carts	5	68.00	$3,500	$203,000
Sod Cutter	6	0.50	$3,050	$1,525
Spring Rakes	6	1.33	$3,000	$3,990
Misc. Hand Tools	1	4.00	$2,000	$8,000
Misc. Power Tools	1	4.00	$2,000	$8,000
Verti-Cut Reels, Fairway	6	0.50	$2,000	$1,000
Ball Washer	5	1.00	$1,300	$1,300
Ball Picker	5	1.00	$1,200	$1,200
Compressor, Air	10	1.00	$1,000	$1,000
Parts Washer	6	0.50	$1,000	$500
Power Washer	6	0.83	$1,000	$830
Reels, Roller, Greens	6	0.83	$1,000	$830
Verti-Cut Reels, Greens	6	0.50	$1,000	$500

5 Course Total: $592,882
20% of 5 Course Total: $118,538


TUCSON CITY GOLF

For management purposes TCG is divided in to four sections: Administration, Golf Course Maintenance, Concessions, and Pro Shops. Within this structure, TCG operates and manages five golf courses, four retail pro shops, four driving ranges, and four clubhouses.

Staff Training and Development

One of the basic tenets of TCG's mission statement is the ongoing commitment to staff development. In the five years since the implementation of the 1999 Business Plan, TCG has been true to that commitment. TCG pays for both the local and national dues for the supervisors' respective organizations, such as the Professional Golfers Association, Golf Course Superintendents Association of America, etc. Those same supervisors are encouraged to participate in local and national events hosted by those organizations such as annual conferences and trade shows. All of these are valuable resources to TCG on a number of different levels, such as educational and professional networking.

TCG also has paid for local participation in the respective educational programs and monthly meetings held by these professional organizations. TCG is actively encouraging and participating in its employees' ongoing development in the way of achieving certification or career ladder development such as becoming a Class 'A' Golf Professional, a Certified Golf Course Superintendent, or a State of Arizona Certified Pesticide Applicator.

In addition, TCG has taken a major role in the educational development of staff. TCG provides funding for tuition and registration fees, in some cases while the employee is on City time. TCG provides funding for golf professionals who are pursuing advancement in their field by paying tuition and other expenses upon successful completion of the particular curriculum.

In the Maintenance Section, TCG has paid for enrollment of six supervisory staff in the Turf Management Program offered by Dr. David Kopec, a Greens Committee member and faculty member at the University of Arizona School of Agriculture. This class has been of particular value to TCG in both course content and proximity. It is relatively inexpensive to fund, yet provides information and details that are specific to the local situation. TCG plans to continue this relationship on a bi-annual basis. Every other year, TCG will send members of the mechanical staff to factory-sponsored service training schools such as the one offered in 2003 sponsored by Jacobsen Equipment in Lincoln, NE. TCG also sends mechanical staff to many local service training opportunities such as reel grinding seminars and small-engine troubleshooting sponsored by the local Toro Equipment distributor. TCG is actively researching new opportunities arising from the Internet in regard to online turf degrees and certifications for mechanics. Yet another commitment to education is demonstrated through staff becoming certified as Applicator by the Structural Pest Control Commission. TCG is committed to the pesticide certification process established by the State of Arizona. It includes a rigorous examination for initial certification and annual Continuing Education Units to maintain certified status. Currently, nine employees are certified and five others are studying for the exam. TCG pays for the exam upon successful completion and covers the time and registration for the annual one-day CEU class for each of the employees.

TCG has approximately 250 staff members, with the vast majority being classified as part-time non-permanent. TCG wages overall are competitive with other golf courses in the metropolitan area. When combined with the aforementioned opportunities for career development, it is easy to see that TCG is a good place to work and learn a golf trade or the golf business. These are all reasons that TCG has a relatively stable labor force and the rate of employee turnover is less than could be expected for an organization of this size and diversity.

Uncontrollable

WEATHER - TCG forecasts 13 days of play lost every year due to weather, based on an average from the last seven years. Weather is the single biggest threat to TCG each year. With five golf courses, depending on the day of the week and time of year, TCG has the potential to lose as many as 900 to 1,200 rounds per day, equating to $25,000 to $40,000 in revenue per day. Weather can also have a significant effect on supplies, labor cost, and revenues. For example, if the weather turns exceptionally cold soon after overseeding, the rye grass will not establish itself well. The appearance of dormant bermuda grass without a good stand of rye grass will present less aesthetically pleasing golf courses. Reseeding could cause additional expenditures on seed, fertilizer, and other soil supplements required in getting a good stand of rye grass. This could adversely impact revenue if the number of golfers playing in the peak season decreases or if TCG has to lower its rate during the peak season to attract golfers to its courses.

The monsoon season can affect labor hours and dollars expended due to clean up of storm damage and debris removal. Play and revenue can also be adversely impacted by rain, lightning, and other storm-related phenomena. Conversely, when the weather is extremely dry, as it has been for the past five years with average rainfall lagging by more than 20%, additional costs are incurred due to the required supplemental irrigation. However, the other side is that the weather here is good for golf rounds played and revenue, albeit at the time of year when rates are lowest and for the most part fewer golfers are playing fewer rounds.

New courses - Since the City of Tucson built Fred Enke Golf Course in 1983, the number of courses in this area has doubled. Currently there are 46 18-hole golf courses in southern Arizona. Since 1999 there have been six new courses open in Southern Arizona. Another two or three courses are scheduled for construction within the next year or so.

With the population of Tucson and the number of golf courses in southern Arizona, the National Golf Foundation says that with each new golf course built, public or private, all other golf courses in the area could lose as many as 1,000 rounds a year. This points out that supply of golf courses may continue to exceed demand of the number of golfers and rounds played for several years. That stated, predicting rounds and revenue and administering effective yield management strategies is an ongoing battle. This is a further indication of the importance of TCG's ability and willingness to control expenses, which was so vital to the success of the business plan.

Cyclical Functions

One of the more difficult situations with southern Arizona's peak golf season is how short it is. When TCG's supply of tee times is low, demand is high; when tee time supply is high, demand is low. Daylight in January and February limits 18-hole tee times to a six to seven-hour window. Frost or extreme cold may also further impede those early morning hours. By March, it is slightly better, averaging just over eight hours of 18-hole tee times. This is a lot different than most parts of the country where peak season is in the summer with 11 to 12 hours of 18-hole tee times a day during their peak season. With TCG's short window of opportunity, any lost days due to weather is magnified.

There are clearly several different operational models, which the City could consider. The difficulty in doing so is that comparisons are not always "apples to apples" when comparing the financial statements. Because not all golf courses are the same, each course is unique in its clientele, weather, soil, fiscal resources, human resources, etc.

In a lease agreement of the golf course to a Management Company or Independent Contractor, capital improvement would only be funded to the stipulated amount in the agreement. Any additional capital improvements that may be needed would have to be paid for by the municipality.

Below are a few of the different ways that it is fair to compare.

ALTERNATIVE MANAGEMENT STYLES

	BALTIMORE COUNTY, MD REVENUE AUTHORITY	COOK COUNTY, IL	PIMA COUNTY, AZ
Method	Privatized to a Municipal Corporation	Contract	Contract
# of Courses	5	10	1
Authority to Set Green Fees	The Authority sets the green fees	The County sets the green fees	The County sets the green fees
Compensation to the Municipality	In 1995, entered into a 99-year lease at a rate of $1 per year.	Receives $350,000, plus a percentage of gross revenue beyond $8,500,000.	Receives a percentage of the gross, which has averaged $90,000 - $100,000 per year.
Capital Improvements	Authority is required to invest 75% of the net revenues of the Golf System after payment of debt service, operating and maintenance expenses, Golf System general and administrative overhead and expenses of capital improvements and expansion.	Contractor provides $3,000,000 over the life of the 10-year contract.	Contractor is responsible. Currently there are no minimum requirements.

In each of the different operational models being compared, the municipality loses some control of the operation. With the Baltimore County Revenue Authority, an appointed Board of Directors has complete authority over the operation, as well as controlling the price structure. However, all the revenue stays in the Revenue Authority and capital improvements could be funded each year the Authority is successful.

With both the Privatization model and the Independent Contractor, model the municipality retains control over the price structure but would have very little control over the management and operation of the golf course, including golf course conditions.

In comparison, some benefits of the City retaining control of its golf operation compared to the preceding page include:

n Employing locally experienced golf professionals and golf course maintenance staff

n Continued easy access for high school and junior golf programs

n Maintain a positive cash flow and balance in the golfer's best interest

n Continue to provide a high level of customer service to clubs and groups to build their loyalty

In accordance with the 1999 Business Plan TCG has maintained and operated its facilities since FY 2001. This is demonstrated by TCG finishing in the black, on an operating income basis for the last four fiscal years.

The most important thing to note regarding this new Business Plan is that TCG is projected to finish in "the black" operationally, pay principal and interest on the long-term debt, and fund capital improvements. The 1999 Plan did not pay principal on the long-term debt. Funding capital improvements is vital to the continued success of the System. Much of the success of this new Business Plan will be from the proposed stair-stepped increases in green fees, over the five year period, as opposed to the much larger one-time increases which were implemented in the 1999 Business Plan.

Over the life of this recommended Business Plan, TCG will continue to grow through operational changes. Some of the highlighted changes will be:

n Increase club and group play through discounts for qualified clubs in the peak demand season (January through March), and with additional discounts for clubs and groups the remainder of the year, based on participation.

n From April through December, increase the number of golf tournaments booked and the size of these events with special pricing based on participation levels.

n Introduce the Affinity Program to encourage customer loyalty through repeat business. Tucson City Golf's Point-of-Sale system, used in the Pro Shops, will track each transaction through a golfer's Rewards Card.

n Continue to encourage and fund as much education and training opportunities as possible for all staff.

n Make annual purchases of the budgeted capital equipment. This will assist the Maintenance Section in continuing to improve golf course conditions.

n Make scheduled interest and principal payments toward the long-term debt.

n Continue commitment to the community through additional programming for children, and donating tee times to charitable events.

Tucson City Golf's management team believes the adoption of this proposal will allow for the continued improvement and successful operation the City's golf facilities.