

NGF

Assessment and Recommendations for Jekyll Island Authority Golf Program

Prepared for
Jekyll Island Authority



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I. Introduction

Introduction

- National Golf Foundation
 - Municipal golf facility consulting
 - NGF Staff – Richard Singer
 - **Not advocate for any position other than Jekyll Island Golf Club success**
- Why we're here:
 - Evaluate operational and economic performance of golf
 - Strategic review of the golf club and McCormick's Grill
 - Document the market environment, and identify implications for future Jekyll Island Golf Club operations.
 - Present recommendation for maximizing the economic potential of JI golf moving forward.

I. Introduction

NGF Activities

- On-site facility inspection w/NGF staff, including our maintenance Superintendent / Agronomist
- Review and analysis of all golf / grill operating data
- Meetings with golf and JIA staff, covering many positions
- Meeting with Jekyll Island hotel operators/managers
- Meeting with key stakeholders / active golfers
- Golfer survey
- Extensive NGF market analysis

I. Introduction

Key Components of the Study

- Condition of property report
- Review of operating efficiency
- Compare / benchmark to golf industry standards
- Status of broader Jekyll Island / SE Georgia market
- Document JIGC capital needs, w/ cost estimate
- Specific NGF recommendations on structure, physical plant and improving operations
- Financial analysis of future JIGC performance

II. Summary of Findings - Jekyll Island Golf Club

Basic Findings

- JIGC includes aspects that are consistent with success in public golf:
 - Location on Island w/ beach, convention center & hotels
 - Relatively convenient access (I-95, Hwy 17)
 - Four courses for variety
 - Clubhouse/grill operation
- However, current condition of all amenities not ideal – mostly due to extended period of deferred maintenance
- Last major upgrade was 2001 (Pine Lakes)

II. Summary of Findings - Jekyll Island Golf Club

Subject Facility – Jekyll Island GC

- Club condition does not match other amenities and services available on Jekyll Island. Of particular concern to NGF:
 - Oleander Course is prone to flooding, has antiquated infrastructure and is least played course despite strong local following
 - Great Dunes is a historic treasure that is in decline and has antiquated infrastructure
 - Pine Lakes & Indian Mound courses have classic Dick Wilson/Joe Lee designs
 - The total of 63 holes is a lot of golf to maintain and manage effectively

II. Summary of Findings - Jekyll Island Golf Club

Subject Facility – Great Dunes Course

- Beachside 9-hole course with ocean views and unique, classic Walter Travis design.
- There is a lot of interest in preserving the design and history of Great Dunes.
- There is growing demand for historic golf courses and societies that support and promote golf history.
- Great Dunes can provide JIA with an opportunity to create a unique “branding” for Great Dunes, playing off history and Travis name.
- Repairs to Great Dunes are a priority in the NGF recommended enhancement sequencing.

II. Summary of Findings - Jekyll Island Golf Club

Subject Facility – Clubhouse

- The clubhouse is in poor condition with deficiencies noted in restrooms, fixtures, flooring, windows, furniture and overall presentation.
- The size and program is not adequate for a 63-hole golf operation.
- Recent renovation of the pro shop has led directly to increased merchandise sales.
- Banquet room capacity is 125, with service challenges and poor acoustics.

II. Summary of Findings - Jekyll Island Golf Club

Key Operational Findings

- The NGF finds JIGC to be well-run, with competent management and staff. The NGF does not believe that JIGC is being mismanaged in any way.
- JIGC would benefit from improvements to marketing and promotion, but not in current condition.
- Fees are appropriate for this market, and only minor adjustments to match demand are suggested by NGF (time of day, season, day of week, etc.).
- Earned \$/round is a small % of fees, indicating a large share of discounting. JIGC is at 38% of peak fee compared to industry target of 65%.

II. Summary of Findings - Jekyll Island Golf Club

Performance and Financial Findings

- The total on-site operating loss was **(\$623,725)** in 2016, before depreciation or capital improvements.
- Thus, other JIA revenue is supporting the golf and grill operation on Jekyll Island – **not sustainable**.
- Current financial condition generally worse than most public sector golf operations in the U.S, where 67% can cover on-site expenses.
- Key operating metrics (rounds, revenue, maint.) for JIGC are lower than industry norms.
- Some ancillary (F&B, shop) revenue is higher than norms.

II. Summary of Findings - Jekyll Island Golf Club

Performance and Financial Findings

- JIGC performance has declined in recent years for a number of reasons, some of which are not controllable by JIA or JIGC:
 - Weather
 - Recent recession
 - Declining golf market
 - Growth in the number of competing golf courses
 - JIGC conditions and size of facility (63 holes)

II. Summary of Findings - Jekyll Island Golf Club

Golfer Survey 2016-17

- The NGF completed a survey of 437 golfers at JIGC in the winter of 2016-17.
- The survey showed two distinct user groups with very different opinions about JIGC:
 - **Regular-play locals** who see JIGC as a local “muni,”
 - **Visiting tourists** who play only 1 or 2 times, and would like to see significant upgrade
 - Both segments are concerned with golf and clubhouse conditions
- JIGC has international impact, with golfers from CA, NY, MA, NV, PA and Canada.

II. Summary of Findings - Jekyll Island Golf Club

Physical Improvement Needs

- NGF estimated a total of \$1.4 to \$1.7 MM in required repairs, possibly increasing to \$14 MM if a full renovation and new clubhouse is considered.
- NGF also identified \$170k in annual recurring items.
- NGF priority sequence of improvements:
 1. Clubhouse repairs (urgent)
 2. Oleander Course Improvement
 3. Then **decision** on Indian Mound / Pine Lakes
 4. Clubhouse renovation or replacement

III. External Factors

Key Issues Affecting JI Golf Demand

- Trends in the golf industry are not favorable for facility operators – golfers declining while number of golf courses has expanded.
- The demand / supply balance in SE Georgia very unfavorable for golf facilities
- Permanent population in and around Jekyll Island is not large enough to sustain 63 holes at JIGC.
- The 2.0 MM tourists - 20-30k conventioners - must contribute golf activity to sustain operations.
- Hotel facilities are important for feeding golfers, but our review shows peak seasons do not match.

III. External Factors

Competitive Golf Facilities

- JIGC has a variety of golf facility competitors, in multiple price segments
- While priced (GF and member) within the norms of this market, the overall JIGC product is unfavorable
- Several recent and pending golf facility upgrades:
 - Fernandina Beach GC
 - Heritage Oaks
 - Sanctuary Cove
 - Brunswick CC
- JIGC clearly falling behind its competitors in quality

IV. NGF Recommendations

Basic Oversight and Structure

- NGF reviewed privatization options. None would clearly put JIGC in better economic position than at present.
- Change in advance of, or during, renovations would be unwise.
- NGF found that the present form of self-operation is the best option for the short and intermediate future as facility enhancements are contemplated and then enacted.

IV. NGF Recommendations

Physical Plant

1. Complete basic improvements / repairs for \$1.4 to \$1.7 MM.
2. Undertake a more comprehensive renovation of the JIGC at \$13.6 million and will take several years to implement in phases (Years not necessarily consecutive):
 - a. **Phase I (Year 1)** – clubhouse fixes, range improvement, course upgrade design and planning
 - b. **Phase II (Year 2)** – renovate Oleander and operate w/two 18-H courses
 - c. **Phase III - Decision Tree:**
 - i. **Phase III (Year 3)** - continue with 63 holes or reduce to 45 holes – either enhance IM or combine with PL into one course
 - d. **Phase IV-V (Year 4-5)** – Renovate clubhouse and operate with 45 or 63 holes of high quality golf and a new clubhouse.

IV. NGF Recommendations

Physical Plant - Summary of Phases

**Jekyll Island GC
Projected Timeline of Improvements**

Schedule of Action Step Phases	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Phase I: Fix CH & GD; new range tee; design planning						
Phase II: Renovate Oleander; operate on IM & PL; evaluate capacities						
Phase III: Re-open Oleander and:						
Option A – Renovate Indian Mound						
OR						
Option B – Combine IM + PL into one 18-hole course						
Phase IV: close clubhouse for renovation or replacement						
Phase V: Operate on a 45- or 63-hole course w/new clubhouse						

IV. NGF Recommendations

Basic Operational Recommendations

- **Enhancing Technology** - JIA must continue to maximize use of technology - POS, email, databases, financial reporting and, of course, its website.
- **Enhancing Marketing** - covers many items, but should be postponed until a physical improvement plan is undertaken.
- **Attracting Less-Traditional Segments** – bring new segments into golf, focusing on younger adults (18-35), minorities and women.

V. Financial Analysis

NGF Projections – 3 Options

- **Continue “As-Is”** - with no major changes but only repairs and minor improvements.
- **Retain 63 Holes** - completion of a full course and clubhouse renovation over several years resulting in 63 holes of golf and a renovated (or new) clubhouse.
- **Reduce to 45 Holes** – completion of a full course and clubhouse renovation over five years resulting in 45 holes of golf:
 - Oleander 18
 - Indian Mound – Pine Lakes Combo 18
 - Great Dunes 9

V. Financial Analysis

Summary of NGF Projections

- “As-Is” projection shows continued and increasing annual losses on operations - possibly as large as **(\$850k)** within five years - **unacceptable for JIA.**
- 63-hole option shows improvement through increased play and the ability to sell “premium” golf. However, the expense required to maintain “premium” conditions on 63 holes will off-set new revenue, leading to continued economic loss.
- The 45-hole option shows the best economic performance, but there is still a loss on operations. Income will improve through increased play and premium golf, but total maintenance expense is more manageable.

V. Financial Analysis

Summary of NGF Projections

Jekyll Island Golf Club Review of Scenarios – Year 5			
Summary in Year 5	Base	Upgrade 63H	Upgrade 45h
Total Golf Revenue	2,276,000	2,810,000	2,730,000
McCormick's Revenue	637,000	761,000	680,000
Combined Facility Revenue	2,913,000	3,571,000	3,410,000
Total COS	\$496,600	\$567,200	\$506,600
Combined Facility Gross Margin	\$2,416,400	\$3,003,800	\$2,903,400
Total Expenses	\$3,267,000	\$3,519,000	\$3,077,000
Facility Net (EBITDA)	(\$850,600)	(\$515,200)	(\$173,600)

VI. Overall Summary

Final NGF Summary

- The amenity mix is marketable, but upgrade is needed to match other Island services
- The competitive market environment presents a challenge – demand is declining and competitors are upgrading
- The maintenance expense profile at JIGC is not sufficient for 63 holes - better suited for 36 or 45 hole operation.
- JIGC must provide a mechanism to raise average revenue per round through reduction in discounts and comp rounds (already underway)

VI. Overall Summary

Action Steps

In priority order JIA should:

1. Improve the physical condition of JIGC
2. Fix up the clubhouse (basic repairs) – to be completed immediately regardless of long-term clubhouse plan
3. Renovate Oleander and improve Great Dunes
4. Renovate or combine Indian Mound and Pine Lakes
5. Renovate or replace the clubhouse
6. Commit to maintaining premium conditions through appropriate maintenance budget.

VI. Overall Summary

Other Action Steps

- Work to maintain strong rate integrity, and reduce excessive discounting.
- Enhance marketing (upon undertaking renovations) to focus on tourists and visitors.
- Embrace and implement new activities that appeal to less traditional golfer segments, especially female golfers.
- Adjust facility pricing to add summer and weekday discounts, and add new classes of premium fees after renovations.

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