



DEVELOPMENT AND DELIVERY OF RECREATIONAL GOLF  
OPPORTUNITIES AT HURON HILLS GOLF COURSE

MILES OF GOLF  
FINANCIAL PROPOSAL

October 29, 2010

RFP NO. 762

Miles of Golf  
3113 Carpenter Road  
Ypsilanti, MI 48197

**8. Proposal Financing.** *This section should include a development budget and a 10 year pro forma (operating budget) analysis and other financial information for the proposal. The financial proposal must be submitted in a separate, sealed envelope. Included the anticipated time schedule to assemble needed financial commitments, types of financing expected, and letters of interest from banks or other sources if construction/renovation of existing recreational facilities is part of the proposal.*

Phase I Financing – approximately \$40,000. This would be funded from Miles of Golf operating funds. There would be no financing.

Phase II Financing – approximately \$250,000. It is anticipated that this would be funded from either a bank term loan, from Miles of Golf investors, or both. It is anticipated this funding would take 90 days.

See Appendix I. Capital Expenditures.

See Appendix J. Financials

**11. Financial Return to The City.** *The proposal must demonstrate a financial benefit to The City taking into consideration golf operations, pro-shop operations, food and drink concessions, sale of merchandise, instructional programs, and off-season recreational activities. Preferences will be given to proposals that recognize and balance the financial and operational risks and rewards between The City and Respondent. The City desires a long-term sustainable operation. Preferences will be given to realistic assumptions toward achieving this end. Financial proposal must be submitted in a separate sealed envelope.*

**Phase I.** *Huron Hills continues to operate as an 18 hole golf course. The current maintenance building and clubhouse receive landscaping and upgrades to improve appearance and cart paths are improved. This phase would begin as soon as practically possible.*

Our analysis indicates that Miles of Golf can operate Huron Hills at roughly a breakeven, which is a \$250,000-\$300,000 improvement over the current operation. This assumes the equipment currently at Huron Hills remains with the golf course and assumes the buildings and irrigation systems do not require significant maintenance or upgrades.

The City has indicated that the “living wage” does not apply to summer part-time staff which is usually comprised of students. The current part-time summer staff at both city golf courses are exempt from the “living wage” provision. If summer part-time staff is not exempt for Miles of Golf, the “roughly breakeven” becomes a \$30,000 deficit.

Our analysis indicates to us that over the long term, the current format for Huron Hills is not sustainable without some subsidy or without changing the format. Phase II implements a



format change which should make the Huron Hills golf center self-sustaining and generate a return for The City. During Phase I, Miles of Golf will operate Huron Hills at its own risk with this exception: If summer staff is not exempt from the living wage provision, there needs to be discussions on handling the deficit.

If the golf course is more successful than anticipated, Miles of Golf would share that success with The City. With an agreed COLA adjustment, ten percent of revenues in excess of \$575,000 would be paid to The City. If, after a good faith effort, the golf course jeopardizes the success of The City and Miles of Golf partnership, there needs to be a mechanism to deal with this outcome.

Capital Improvement Estimates. These improvements to be paid for and completed by Miles of Golf:

	estimates	
1. Cart paths	\$5,000	
2. Landscaping and building improvements	\$35,000	
Total	\$40,000	\

*Phase II. Miles of Golf moves its golf center to the first 7 holes of Huron Hills and operates the golf course as a 9 hole course. The maintenance building and clubhouse remain. It is anticipated that this phase will be completed in a 3-5 year time period.*

With a 20 year agreement, the capital to build the golf center at Huron Hills most likely needs to be funded by The City with taxable bonds. Outside funding generally requires a 30-40 year agreement. Alternative financing would continue to be pursued, but our proposal would commit The City to funding the golf center. The payments to The City would cover the cost of the improvements plus additional monies paid to The City. The additional amount paid by Miles of Golf is a function of The City's net interest rate with the lower the net interest rate the larger the spread between the bond payments and the amount received from Miles of Golf. Miles of Golf will limit The City's commitment to the project to \$3,250,000 with an upward annual COLA adjustment from the date of the agreement until construction is complete. To minimize The City's risk, Miles of Golf will pay The City \$250,000 at the start of Phase II to be amortized over the life of the project. Appendix I. is a line item list of capital expenditures.

The formula for computing the spread between Miles of Golf payments to The City and The City's cost of borrowing follows. Once the bond rate is set, The City would know the 20 year payout from Miles of Golf.

Miles of Golf Payments to The City: \*



City Bond Rate	3.0%	4.0%	5.0%	6.0%	7.0%**
20 year amortization					

Miles Payment to The City  
20 year amortization

yrs 1-5	5.0%	5.5%	6.0%	6.5%	7.0%
yrs 6-10	6.0%	6.5%	7.0%	7.5%	7.5%
yrs 11-15	7.0%	7.5%	8.0%	8.0%	8.0%
yrs 16-20	8.0%	8.5%	9.0%	9.0%	9.0%

\*\* At an interest rate above 7%, the project becomes questionable and would require further discussions between The City and Miles of Golf on the feasibility of the project.

\*There are formulas for each 5 year increment that will compute Miles payments for bond rates that are fractions of percents.

For illustrative purposes, here is an outcome if Phase II were funded today. It appears that the City could issue taxable Build America Bonds for the Huron Hills expansion. Interest rates for these bonds are currently in the 4-5% range. Assuming the bond was for \$3,000,000 (\$3,250,000 project cost minus \$250,000 Miles payment), the City would receive the following returns:

	City Return @ 4% int. on bond	City Return @5% int. on bond
Years 1-5	147,433	101,656
Years 6-10	251,267	207,618
Years 11-15	359,303	317,672
Years 16-20	471,317	431,586
Total	1,229,320	1,058,532

Issues to be discussed are the funding costs during construction and the un-amortized balance of the \$250,000 Miles of Golf paid the City at the termination of the agreement.

3/10/2010

*Phase III. The maintenance building and clubhouse are removed. A new maintenance building is built north and west of the golf shop. A new golf course clubhouse is built on the golf course. Expanded food and beverage options are explored.*

Phase III is optional and would be subject to future negotiations between The City and Miles of Golf.

Appendix I. Capital Expenditures

Phase I

Phase II

**Golf Center**

**Construction Costs**

Golf Shop		945,000
Teaching Academy Studios (5)		183,750
Club Testing Studios (3)		110,250
Parking, driveways, lighting w/o curbs		250,000
Practice Area		177,500
Tees Shelters		407,000
Range Ball Processing Building		65,000
Detention Pond		50,000
Site work, landscaping		35,000
Signage		30,000
Utility hook up		
water		69,315
sanitary sewer		27,530
storm sewer		25,000
gas		4,520
electric, phone, and TV		16,272
	<i>Utilities Total</i>	<i>142,637</i>

**Construction Cost Sub-Total** **2,396,137**

**Plan/Design/Test/Proj.Mgmt (20%)** **479,227**

**Miscellaneous**

Move from Carpenter Road to Huron Hills		30,000
Contingency (10%)		287,536
Capitalized Interest on loan fees		50,000
Capitalized Construction Loan		6,094
<b>Miscellaneous Sub-Total</b>		<b>373,630</b>

**TOTAL GOLF CENTER COST** **3,248,995**

**Golf Course**

cart paths	5,000	
landscaping and bldg improvements	35,000	
	<i>Project cost Sub-total</i>	-
Contingency (10%)	4,000	-
<b>Total Golf Course Cost</b>	<b>44,000</b>	

⑤

## 20. Appendix J. Financials\*

### Miles of Golf Financial Data 2008-2010

	2008	2009	2010
Sales	3,628,711	3,561,549	3,731,076
Expenses	3,591,068	3,507,665	3,698,524
Earnings	37,643	53,884	32,552
Current Assets	1,253,861	1,076,497	918,057
Fixed Assets	716,832	712,021	688,126
Other Assets	129,943	136,531	228,744
Current Liabilities	982,445	868,086	732,363
Long Term Liabilities	450,214	335,102	294,151
Shareholder Equity	667,977	721,861	808,413

\*Miles of Golf financials are reviewed by Rogow & Loney, CPAs.



Appendix J. Financial Statements  
Miles of Golf Forecast

	2011f	2012f	2013f	2014f	2015f MOG to HH	2016f	2017f	2018f	2019f	2020f
<b>PROFIT &amp; LOSS</b>										
<b>GROSS SALES</b>										
Shop	3,193,268	3,320,999	3,453,839	3,591,992	2,735,672	3,885,099	4,021,077	4,161,815	4,307,478	4,458,240
Range	575,022	598,023	621,944	646,822	672,695	699,603	724,089	749,432	775,662	802,813
Kendall Academy	109,574	113,957	118,516	123,256	128,187	133,314	137,980	142,809	147,808	152,981
Huron Hills	392,228	454,354	472,528	491,429	345,722	359,551	373,933	388,890	404,446	420,623
Other	3,996	4,156	4,322	4,495	4,675	4,862	5,032	5,208	5,390	5,575
<b>TOTAL SALES</b>	<b>4,274,089</b>	<b>4,491,489</b>	<b>4,671,148</b>	<b>4,857,994</b>	<b>4,886,950</b>	<b>5,082,428</b>	<b>5,262,111</b>	<b>5,448,154</b>	<b>5,640,784</b>	<b>5,840,234</b>
<b>COST OF GOODS</b>										
Merchandise Purchases	2,123,523	2,208,464	2,296,803	2,388,675	2,484,222	2,583,591	2,674,016	2,767,607	2,864,473	2,964,730
Range Purchases	18,000	18,720	19,469	20,248	21,057	21,900	22,666	23,460	24,281	25,140
<b>TOTAL COST OF GOODS</b>	<b>2,141,523</b>	<b>2,227,184</b>	<b>2,316,272</b>	<b>2,408,922</b>	<b>2,505,279</b>	<b>2,605,490</b>	<b>2,696,683</b>	<b>2,791,066</b>	<b>2,888,754</b>	<b>2,989,870</b>
<b>OPERATING EXPENSES</b>										
G&A	888,618	930,512	955,471	1,000,006	1,026,971	1,054,514	1,091,422	1,129,622	1,169,158	1,210,679
Range	222,857	234,841	240,959	247,261	253,752	265,494	274,787	284,404	294,358	304,661
Shop	507,871	533,948	549,035	564,584	580,594	608,679	629,983	652,032	674,853	698,473
Huron Hills	427,636	447,935	461,491	475,519	356,544	367,662	379,189	391,141	403,537	429,034
<b>TOTAL OP. EXPENSES</b>	<b>2,046,983</b>	<b>2,147,236</b>	<b>2,206,961</b>	<b>2,287,370</b>	<b>2,217,861</b>	<b>2,296,349</b>	<b>2,375,380</b>	<b>2,457,199</b>	<b>2,541,908</b>	<b>2,642,246</b>
<b>OPERATING INCOME</b>	<b>85,583</b>	<b>117,069</b>	<b>147,916</b>	<b>161,702</b>	<b>163,810</b>	<b>180,588</b>	<b>190,048</b>	<b>199,889</b>	<b>210,124</b>	<b>208,137</b>
<b>OTHER</b>										
Interest - Line of Cr	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Interest - Term Loan	(10,000)	(10,000)	(10,000)	(10,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Misc										
<b>OTHER TOTAL</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>
<b>NET INCOME BEFORE TAX</b>	<b>74,583</b>	<b>106,069</b>	<b>136,916</b>	<b>150,702</b>	<b>127,810</b>	<b>144,588</b>	<b>154,048</b>	<b>163,889</b>	<b>174,124</b>	<b>172,137</b>

7



Huron Hills Golf Course Forecast  
10/28/2010

	2009	2010	Miles Rev/Cost										2019	2020
			18 holes	18 holes	18 holes	18 holes	18 holes	18 holes	9 holes	9 holes	9 holes	9 holes	9 holes	9 holes
revenue														
rounds	17,304													
sales/rounds	14													
passes	6,632	8,801	0.15	11,639	12,105	12,589	12,589	12,589	8,135	8,772	9,123	9,488	9,867	10,202
concessions	10,602	12,763	34.2%	16,879	17,554	18,256	18,256	18,256	12,232	12,721	13,230	13,759	14,309	14,882
cart rental	8,172	35,371	10.1%	74,826	77,819	80,932	80,932	80,932	54,224	56,393	58,649	60,985	63,435	65,972
merchandise	10,260	10,305	290.2%	11,851	13,628	14,173	14,740	14,740	9,876	10,271	10,682	11,109	11,554	12,016
golf fees	192,551	217,515	18.7%	287,664	295,170	311,137	311,137	311,137	208,462	216,800	225,472	234,491	243,871	253,876
tournaments	6,259	6,485	14.3%	8,576	8,919	9,276	9,276	9,276	6,215	6,464	6,722	6,991	7,271	7,562
lessons	15,629	21,942	12.7%	32,913	41,141	42,787	44,498	46,278	48,129	50,055	52,057	54,139	56,305	58,505
total sales	250,298	308,412	9.3%	392,228	454,354	472,528	491,429	345,722	359,551	373,933	388,890	404,446	420,623	436,840
op. exp.	526,462	562,982	17.1%	627,636	647,935	661,491	675,519	686,662	704,704	720,866	737,028	753,190	769,352	785,514
net	(276,164)	(254,570)	16.2%	(235,408)	(205,581)	(188,963)	(184,090)	(140,932)	(145,153)	(146,934)	(143,095)	(138,744)	(134,207)	(129,674)
cum net	(718,645)	(973,215)												
cum net														
op. exp.	117,753	116,325		94,958	97,806	100,741	103,676	106,611	109,546	112,481	115,416	118,351	121,286	124,221
permanent staff		81		65,016	66,966	68,916	70,866	72,816	74,766	76,716	78,666	80,616	82,566	84,516
other pd time off		4,590		22,110	23,456	24,802	26,148	27,494	28,840	30,186	31,532	32,878	34,224	35,570
vacation	8,322	1,529		3,870	3,986	4,102	4,218	4,334	4,450	4,566	4,682	4,798	4,914	5,030
personal leave	1,877	1,387		3,870	3,986	4,102	4,218	4,334	4,450	4,566	4,682	4,798	4,914	5,030
sick time	100	6,318		3,870	3,986	4,102	4,218	4,334	4,450	4,566	4,682	4,798	4,914	5,030
holiday	6,568	107,923		3,870	3,986	4,102	4,218	4,334	4,450	4,566	4,682	4,798	4,914	5,030
temporary staff		66												
temp overtime		2,185												
permanent overtime		583												
sick leave/def comp		1,200												
longevity pay		32												
benefit waiver		210												
life insurance		17,777												
medical insurance		6												
disability insur		6,408												
veba		20,640												
retiree med. insur.		2,748												
workers comp		18,433												
social security		10,044												
retirement		2,064												
dental		385												
optical		1,721												
unemployment		2,357												
total staff		360,945												
natural gas		884												
cable tv		5,867												
electricity		1,541												
water		1,221												
telecommunication		7,889												
bidg maint		23,302												
equip maint														



Huron Hills Golf Course Forecast  
10/28/2010

	2009	2010	Miles Rev/Cost	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
The City's Rev/Cost													
radio maint	900	864	radio	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305
radio service	1,503	885	contracted services	6,000	6,180	6,365	6,556	6,742	6,928	7,114	7,300	7,486	7,672
rent city vehicle	768	60	landscaping (\$35,000)	3,487	3,487	3,487	3,487	3,487	3,487	3,487	3,487	3,487	3,487
fleet maint	6,963	245	5,000 cart paths (\$5,000)	498	498	498	498	498	498	498	498	498	498
contracted services	535	18	advertising	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267
printing			Kendall Academy Contract	26,330	32,913	34,230	35,599	37,023	38,504	40,044	41,645	43,311	45,044
rent			fertilizer/chemicals	25,000	25,750	26,523	27,318	28,131	28,953	29,785	30,627	31,478	32,338
training			tree maintenance	10,000	10,300	10,609	10,927	6,556	6,753	6,956	7,164	7,379	7,601
conferences	4,974	230	seed/plant/soil	15,000	15,450	15,914	16,391	9,835	10,130	10,433	10,746	11,069	11,401
advertising	43	1,097	cost of inventory	17,774	20,440	21,258	22,108	14,812	15,405	16,021	16,662	17,328	18,011
background checks			maint equip leases	11,208	11,208	11,208	11,208	11,208	11,208	11,208	11,208	11,208	11,208
employee recognition			cart leases	18,000	18,000	18,000	18,000	12,060	12,060	12,060	12,060	12,060	12,060
bad debts			insurance premiums	9,000	9,270	9,548	9,835	10,130	10,433	10,746	11,069	11,401	11,743
postage			accounting/legal	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610
chemicals	10,086	11,057	IT	5,000	5,180	5,365	5,556	5,753	5,956	6,164	6,379	6,601	6,828
uniforms	1,213	829	personal property taxes	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305
materials & supplies	16,637	19,812	gas	16,000	16,480	16,974	17,484	10,490	10,805	11,129	11,463	11,807	12,161
cost of inventory	15,705	10,256	small tools	2,000	2,060	2,122	2,185	1,311	1,351	1,391	1,433	1,476	1,520
depreciation			total exp.	427,636	447,935	461,491	475,519	356,544	367,662	379,189	391,141	403,537	419,024
bank fees			total maint	196,589	202,151	207,879	213,779	135,284	139,027	142,840	146,789	150,857	157,075
interest	1,188	2,172		1,03	1,03	1,03	1,03	0,63	1,03	1,03	1,03	1,03	1,11
insurance premiums	812	320											
dues & licenses	58,092	87,468											
municipal services	21,096	24,894											
transfer to IT fund	1,181	1,093											
taxes	5,466	9,111											
gas	92	171											
tires	4,132	4,166											
repair parts	773	2,530											
repair parts outside	522,740	562,982											
total exp.													

