Lease Management Agreement

Falmouth Country Club
2004 ACQUISITION

238 Acres of Golf and Open Space
177 Acres - Golf Related Parcels
61 Acres – Open Space & Nutrient

$15,800,000 Acquisition
Golf Bond $6.5 Million
Land Bank $3.0 Million
AFCEE Funds $3.3 Million
The 300 Committee $3.0 Million *

*Paid over Time Purchase of Permanent Conservation Restriction approved by Town Meeting and placed on entire Golf Course in 2007.

2004 Conceivable Private Alternatives
Exceed 300 Dwelling Units
Legend

- Degnan Property - 48 Acres
- Undeveloped - 12 Acres
- Golf Course - 179 Acres

Falmouth Golf Course
Commitment toward Environmental Stewardship

- Conservation Restriction placed on entire property. (*The 300 Committee*)

- Audubon Cooperative Sanctuary 2010/2012

- Audubon Certificate for Wildlife and Habitat Management
  - Deer, Coyote, Fox, Turtle, Fish, Hawks, Osprey, Blue Heron, Redwing Blackbirds, Bluebird, Swallows, Flickers, Ducks, Muskrat

- Upper Watershed – Coastal Ponds
April 2014 - Town Manager Engaged Third Party Investment Analyst

May – July 2014

- Board of Selectmen Review
- Golf Advisory Committee Community Forum - Goals Adopted
  - a. Maintain and Build Upon Unique Market Position – Advisor (BCG); Barbara Hanley
  - b. Maintain GCSA Standards
  - c. Maintain/Improve Environmental Stewardship – Audubon Certification
  - d. Leave the Property in Better Condition at the End of Lease Term
  - e. Increase Income to assure that Golf Operations Revenues meet and exceed existing debt obligation
  - f. Improve Quality, Improve Operational Efficiency
- Investment Analysis & Operational Options – Wellspeak Dugas and Kane.
- Golf Advisory Committee – Review

July 2014
Board of Selectmen - reviews option - Lease Management Agreement

August 2014 – Request for Proposals Issued
National Recruitment
Pre-Bid Conference Held
September 17, 2014 – Non-Price and Price Proposals Received

October 2014 – Town Manager’s Evaluation Committee Convened
Selectman Doug Jones
Brian Coyne, Recreation Committee
Charles Eastman, Finance Committee
Helen Kennedy, Recreation Director
Carey Murphy, The 300 Committee

October 22, 2014 – Evaluation Committee Finds BCG Non-Price Proposal Highly Advantageous

November – January
• Fee Proposal Negotiation
• Multiple Reviews with Board of Selectmen
• Golf Advisory Committee
• Stakeholders including, GAC, Finance Committee and The 300 Committee

February 2, 2015 – Board of Selectmen authorize Town Manager to Prepare Lease Agreement Consistent with the Terms of a Memorandum of Understanding.
Review of Options

Falmouth Country Club
238 Acres of Golf and Open Space – Acquired in 2004- $15 Million
Permanent Conservation Restriction placed on the entire golf course – 2007

Board Review Management Options – Review Prepared by Wellspeak Dugas and Kane (WDK) and considered by the Board of Selectmen in July 2014. The Board met with Jeffrey Dugas in executive session to review the Investment and Market Analysis and management options.

Options:

<table>
<thead>
<tr>
<th></th>
<th>Self- Managed</th>
<th>Management Agreement</th>
<th>Lease/Management Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oversight</td>
<td>High Need</td>
<td>Moderate/High</td>
<td>Moderate</td>
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<tr>
<td>Capital Imp.</td>
<td>By Town</td>
<td>By Town</td>
<td>Shared</td>
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<tr>
<td>Annual Revenue</td>
<td>+/- $500,000</td>
<td>$400k - $500k less fee</td>
<td>$400,000</td>
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<tr>
<td>Risk Level</td>
<td>High</td>
<td>Moderate/High</td>
<td>Low/Mod.</td>
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<tr>
<td>Annual Approp.</td>
<td>$1,800,000</td>
<td>$700,000</td>
<td>$600,000</td>
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</table>

(Source WDK)

Board of Selectmen directed Town Manager to seek Lease Management Agreement
In comparison to other competing municipal courses on the Cape, is appropriately priced.

FCC Supports between 40,000-44,000 rounds per year and generates between $1.45 and $1.65 million in total revenue.

Operationally the course is performing well and as good as can be expected in this tough economic climate.

“The Town of Falmouth has fared better than most because of its long term lease with Billy Casper Golf. Based on most recent revenue figures, golf revenue has remained stable for the last four years, ranging from a low of $1.43 million in 2011 to a high of $1.49 million in 2012. This is unlike many clubs that have seen declining revenue, due to fewer rounds and heavy discounting.” (page 9)
Clubhouse Improvements
The clubhouse lacks a functional kitchen and refrigeration units, therefore patrons have access to a limited menu of pre-packaged sandwiches, hot dogs, and cold drinks. The property is missing out on its ability to better serve its captive market. With modest improvements the net increase in revenue to the town could be approximately $60,000 per year (after investment by the Town).

Irrigation System
The Town should continue to make improvements to the system as funds become available. The capital investment in the irrigation system is not recoverable through the lease.
In the early part of the 2000’s the golf industry was in a ‘state of euphoria’ the number of core golfers nationally grew by 4 million golfers.

The “Tiger Woods Effect”

In 2000 a total of 399 courses opened (more than a golf course each day) This trend began in 1998 and continued through 2002

Locally in our region Plymouth’s growth in golf courses created significant competition for golfers with 6+ courses developed with good highway linkage and more land than any other in the Commonwealth.
With years of overbuilding coupled with a national recession the effects on golf have been catastrophic.

Nationally the number of rounds played dropped by 32 million from 2000-2009.

Because of decline in membership and increasing costs to operate several regional private clubs have sold at discount prices including The Ridge Club – Sandwich Willowbend – Mashpee Boston Golf – Hingham Regional Course valuations/sales activity indicate a loss in total value from 45%-70%

The Town of Falmouth has fared better than most.
# Lease Management Agreement Terms

## TERM

- 5 year initial lease term with a renewal term of up to ten years.

Renewal - food and beverage may become a separate concession if the Town and BCG cannot come to mutually agreeable terms.

## ANNUAL PAYMENT - Base Fee

<table>
<thead>
<tr>
<th>Year</th>
<th>Fee</th>
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<tbody>
<tr>
<td>2015</td>
<td>$395,000</td>
</tr>
<tr>
<td>2016</td>
<td>$395,000</td>
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<tr>
<td>2017</td>
<td>$397,500</td>
</tr>
<tr>
<td>2018</td>
<td>$397,500</td>
</tr>
<tr>
<td>2019</td>
<td>$400,000</td>
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</table>
BY BILLY CASPER GOLF

- By Billy Casper Golf
- $145,000 total
  - $75,000 Bunker Repairs in Spring 2015 by BCG
  - $70,000 for Clubhouse Roof, Electrical Repairs, Shed Roof, other to be available within 30 day of signed lease agreement.

________________________
Total 5 year value to Town $2,299,000 +revenue share

BY THE TOWN OF FALMOUTH

Equipment Total $283,642

Irrigation System –Total $800,000+ ($229,283 ‘on hand/CPC funds)

Town Agrees to propose club house design funding no later than 2017
REVENUE SHARE & FINANCIAL REPORTING

Revenue Share - 50%/50% All Golf Revenue every dollar earned over $1,415,000 *

10% of all Golf Shop and Food and Beverage Revenue over a combined total of $200,000.

Annual Revenue Statements audit the internal controls and cash management practices at Falmouth Country Club.

CONSERVATION RESTRICTION

BCG in collaboration with The 300 Committee will train all personnel on the restriction and its requirements.

BCG will prepare and submit annual reports for The 300 Committee. The Town and BCG will participate in an annual walk the property with The 300 to review the course relative to baseline conditions.
RECAP of 2014 Investment and Market Analysis - Wellspeak Dugas and Kane

Estimated Annual Lease Expectations
- $407,928 as is (with capital improvements by Town) – **24% of Gross Revenue**
- $465,535 with Food & Beverage Improvements and Capital by Town

**Capital Improvement** – Irrigation System, Equipment, Bunkers, minor repair, etc., **will not be** recovered through lease management agreement (pg 63). Improved Food and Beverage Service Area could improve revenue (pg. 61).

**Golf Course Valuation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sale Value</th>
<th>Projected Annual Revenue</th>
<th>Projected lease Revenue</th>
<th>Rounds/Year</th>
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<tr>
<td>2004</td>
<td>(WDK) $8,000,000</td>
<td>$1,645,000</td>
<td>$462,000</td>
<td>50,000</td>
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<tr>
<td>2014</td>
<td>(WDK) n/a</td>
<td>$1,675,800</td>
<td>$407,928</td>
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That the “recessionary effects on golf have been catastrophic”. In our region golf courses values have dropped from 43%-63% please see page 8 for regional sales history.

**Recent Agreements:**

- **Truro Links, Johnson Golf** – 16% of Gross Revenue, limited Capital
- **Rockland Golf Course**- $150,000 a year, 15% of Gross Revenue, no Capital
- **Strawberry Hills, GC Abington MA**, 12.8% Gross Revenue
- **Falmouth** – 5 Year Term – 23%-26% Gross Annual Revenue
## Golf Course Fund

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Balance</th>
<th>Revenue</th>
<th>Subsidy</th>
<th>Debt Service</th>
<th>Balance</th>
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<tr>
<td>2015</td>
<td>1,686,752</td>
<td>395,000</td>
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<td>598,782</td>
<td>1,482,970</td>
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<tr>
<td>2016</td>
<td>395,000</td>
<td></td>
<td></td>
<td>598,521</td>
<td>1,279,188</td>
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<tr>
<td>2017</td>
<td>397,500</td>
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<td>598,545</td>
<td>1,078,167</td>
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<td>2018</td>
<td>397,500</td>
<td></td>
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<td>598,721</td>
<td>877,122</td>
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<td>2019</td>
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<td>598,144</td>
<td></td>
<td>678,401</td>
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<td>2020</td>
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<td></td>
<td>599,237</td>
<td></td>
<td>480,257</td>
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<td>400,000</td>
<td></td>
<td>603,481</td>
<td></td>
<td>281,020</td>
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<tr>
<td>2022</td>
<td>400,000</td>
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<td>606,818</td>
<td></td>
<td>77,539</td>
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<td>2023</td>
<td>400,000</td>
<td>129,279</td>
<td>604,323</td>
<td></td>
<td>-</td>
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<tr>
<td>2024</td>
<td>400,000</td>
<td>204,323</td>
<td>605,990</td>
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Maintains a Lifelong Recreational Activity
Continues Environmental Stewardship