

RECREATION DEPARTMENT

Facilities

The Village of Glen Ellyn Recreation Department operates 4 facilities on 280 acres.

27-Hole Golf Course		
Village Links of Glen Ellyn		240 acres
Passive Use Parks		
Panfish Park		18 acres
Lambert Lake Nature Preserve		22 acres
Co-Op Park		1 acre

These facilities are incorporated into a sophisticated storm water detention system that detains approximately 30% of the stormwater that falls in Glen Ellyn and is a primary reason that the Village developed and operates these properties.

Village Green park (35 acres of athletic fields) is owned by the Village of Glen Ellyn and is operated by the Glen Ellyn Park District under a rolling 25 year lease that began in 2003. As such, the Village Green does not impact this budget.

Budget Organization

The Recreation Department has 3 operating divisions: Grounds, Golf, and Food Service. The budget is divided into 9 accounting sections. By segregating expenditures by revenue center and by managerial responsibility, we can monitor the financial performance of each revenue center, while maintaining managerial accountability for each line item.

Grounds Division	
Division Head: Golf Course Superintendent	
<u>Responsible for Budget Sections:</u>	
55 710 -	Golf Course Grounds
55 740 -	Parks Maintenance
55 7x5 -	Mechanical Maintenance for equipment and buildings in all Divisions
Golf Division	
Division Head: Director of Golf	
<u>Responsible for Budget Sections:</u>	
55 720 -	Golf Services
55 750 -	Pro Shop Merchandise
55 780 -	Motorized Carts
Food Service Division	
Division Head: Food Service Manager	
<u>Responsible for Budget Sections:</u>	
55 730 -	Food Service

Administration, 55 700, includes line items not specific to an individual operating division, along with all capital expenditures and debt service.

Funding

No tax dollars are used to maintain or operate Recreation Department facilities. The Recreation Department operates solely on golf course fees. Residents pay golf green fees at roughly a 40% discount off market prices.

Resident use of the golf course and parks is subsidized by profits generated from non-resident golf sales. These profits are also used to maintain and operate the storm water detention system.

Financial Overview

On average, the Recreation Fund operates on a break even basis.

Our financial goal is to generate enough revenue to cover operating expenses, \$340,000 a year in debt service and \$250,000 a year in capital replacement. We generally accomplish that goal, although weather and business conditions cause financial results to vary from year to year.

Five years have passed since the golf course was renovated in 2004. That five years has been one of the most profitable periods in the history of the Village Links. We used those profits to make \$1.7-million in debt service payments, pay off a \$143,000 expense stemming from the 2006 Early Retirement Incentive Program, reinvest over \$600,000 in capital equipment replacement, and increase cash reserves by \$500,000.

Demand for golf remains weakened, continuing a nationwide decline that followed September 11, 2001. Golfers have supported most of our new programming efforts, but open play continues to decline. The number of golf rounds played has dropped from 98,000 in 2000 to 72,000 in 2009. Revenues have followed suit, dropping from \$3,700,000 in 2000 to \$3,200,000 in 2009. A significant portion of the revenue decline came in 2009 as part of the world wide economic downturn.

Cost containment efforts started in 2002 have helped lower operating expenses from \$3,100,000 in 2000 to \$2,800,000 in 2009.

Future revenues are uncertain. While interest in golf continues to decline, the drop off in 2009 was clearly tied to the economy. For that reason, it is possible that an economic recovery will create the opportunity for increased income.

Costs continue to rise, making it unlikely that we will be able to keep operating expenses lower than they were ten years ago.

The Village Links is well positioned. The course is popular and has an active clientele. The physical plant and equipment is in generally solid condition. Still, the future financial viability of the Village Links should not be taken for granted.

Storm Water Detention System

The Village Links is both a golf course and a storm water detention system. The storm water detention system was built in 1966 and expanded in 1973. It consists of twenty-four interconnected ponds: one pond at Lambert Lake, two at Panfish Park and twenty-one on the golf course.

Rain water entering the system at the northwest portion of the system flows from pond to pond for more than a mile via a series of underground storm drain pipes before leaving the golf course for the DuPage River.

The storm water is slowed as it moves from pond to pond. Silt debris washed from streets and sidewalks settles in the ponds before it can pollute downstream rivers. The water stored in the detention ponds is used to irrigate the golf course. The golf course turf filters the mildly polluted storm run off water, cleaning it before it replenishes the aquifers below.

Village Links revenues have paid for all maintenance and operating expenses of the storm water detention system since the system was constructed in 1966. During the 2003 golf course renovation, \$350,000 was spent on the storm water detention system, including pond expansion, silt removal, pipe replacement, and shoreline stabilization.

Silt Removal - Silt removal is likely to be the biggest expense incurred over the next 20 years. Some ponds will likely require silt removal during the 2020's. Disposal of detention pond silt is expensive because concentrations of metals and fuels dropped onto roads by vehicles require that it be treated as a hazardous material.

Shoreline Stabilization - The storm water detention system has 6.4 miles of shoreline. Wave erosion causes the

lake banks to fall into the water, increasing the water surface and reducing the water depth. Shoreline stabilization efforts initiated in the 1970's have proved to be effective.

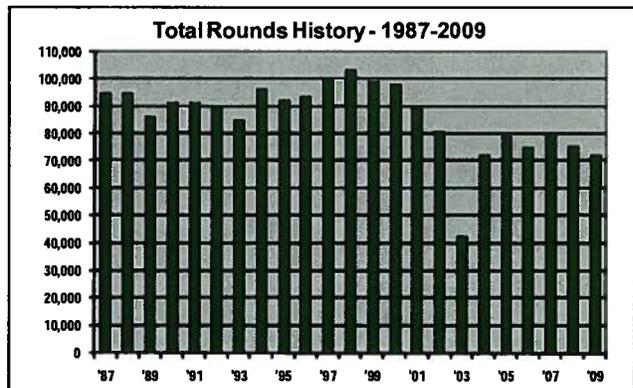
Shoreline - Village Links Ponds - 4.9 miles
 Shoreline - Panfish Park Ponds - 1.0 miles
Shoreline - Lambert Lake - .5 mile
 Total Shoreline 6.4 miles

Drain Pipe Replacement - Many of the original corrugated metal pipes that connect the golf course ponds were replaced in 2003. The new drain pipes (concrete or composite plastic) should last indefinitely.

Control Structure Replacement - Three concrete control structures are in fair condition for their age and will not be prohibitively expensive to replace in another 25-35 years.

2009 REVIEW

2009 was a successful year for the Village Links as the business remained profitable. Rounds fell to 72,000 from 75,000 in 2008 and income dropped accordingly. This decline was mostly due to the economic recession.



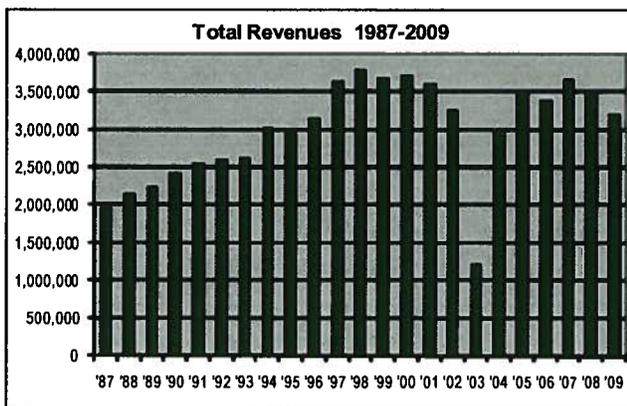
Rounds played dropped sharply following the September 2001 terrorist attacks.

Normally, the results from 2009 would not be viewed as a success. But given that the economy faced its most serious challenges in a generation, survival was success. Golf courses around the country saw demand drop. In the context of the overall economy, 2009 was a very good year at the Village Links.

Operating expenses (before debt service) remain lower than for any full season since 1995, as we continue to look for ways to constrain expenses.

Increases in the minimum wage continue to impact operating costs, especially in Food Service. The increase in commodity costs has slowed along with the economy. Higher energy costs continue to impact expenses in several areas including fuel, utilities, fertilizer and product delivery surcharges.

Profits generated over the last five years are being used to replace worn capital equipment. The Village Links is structurally stronger now that the most worn capital items are being replaced. We need to spend about \$250,000 a year on capital replacement to keep the facility and equipment up to date.



Historically, a steady increase in revenue allowed us to cover the cost of inflation. Over the past decade, revenues have flattened or declined slightly. The recession hurt revenues in 2009.

Grounds (Golf Course Maintenance)

The golf course continues to be in improved condition. The turf planted in the 2004 renovation is maturing and maintenance practices have been upgraded. The bentgrass tees, greens and fairways are noticeably healthier, producing the best course conditions in our history.

We have employed a number of new technologies to improve conditions and/or lower operating expenses. Vibratory rollers improve putting speeds while reducing stress on putting green turf. Plant growth regulators allow us to reduce mowing frequencies. This not only saves labor and fuel but it reduces plant stress and helps our equipment last longer. New mowers produce a better quality of cut. Improved equipment maintenance practices has produced healthier turf.

The widespread contamination of the weed grass *Poa Annua* appears to have been contained. Efforts are underway to reduce the amount of *poa annua* on the course.

Greens were topdressed regularly for the entire season - the first time that we have accomplished this since the 2003 course renovation.

Increased greens topdressing the past two seasons has produced firmer, smoother surfaces, faster putting conditions and improved ball mark recovery.

In 2009 our grounds staff repaired 150,000 ballmarks and top dressed them with green sand. This improved recovery and improved the appearance of the greens.

We continue to operate with only three full-time grounds staff members, down from eight full-time staff prior to 2007. Long term, five full-time staff is the optimum size for our grounds operation. We have deferred adding the two additional staff members until the golf business and the economy stabilize.

Golf

The golf staff continues to offer expanded golf event and golf instruction programs. In-house leagues are popular. In 2009, the number of All Day Junior Golf Camps was increased and a similar program of Adult One Day Golf Schools was added. The Village Links is the most heavily programmed golf course in Illinois, offering golfers an array of options not available elsewhere.

For the second season we sent bi-weekly email blasts to subscribing customers.

We published our fall aeration schedule in advance and offered green fee discounts for one week during and following aeration.

The cost of credit card processing more than doubled in ten years, peaking at \$78,000 in 2006-07. We changed processors in 2008, lowering our costs by 20%.

Pro Shop

Pro Shop sales decreased 20% in 2009. The Pro Shop has little impact on our bottom line. It covers some fixed costs, but each sale carries a high variable cost of goods.

There is little long term improvement to be expected in Pro Shop sales. Big-box off course retailers will continue to grab a larger share of the market. These large retailers can offer more selection and lower prices than an independent store with a single location.

Food Service

Food Service sales decreased 8% in 2009, closely mirroring the decline in golf activity. Operating expenses decreased slightly, resulting in a continued decline in profitability.

Our analysis of Food Service Profit/Loss includes the impact of providing \$66,000 in complimentary beverages that the golf business gives to customers. These beverages were given to golfers who "KEEP PACE" with the group ahead. From a business perspective, these beverages are being "sold" by Food Service and "purchased" by Golf. We do not track these as formal revenues, to avoid inflating overall income. Instead, we factor these transactions into any year-end analysis of financial performance, as shown below.

FOOD SERVICE PROFIT/LOSS including credit for sale of Keep Pace beverages			
	Actual 2008-09	Estimated 2009-10	Budget 2010-11
Keep Pace Beverages	66,000	66,000	70,000
Sales	540,155	500,000	550,000
Gross Sales	606,155	566,000	620,000
Expenses	565,795	570,800	600,300
Net	40,360	-4,800	19,700

While neither the Pro Shop nor Food Service make significant direct contributions to our financial success, both areas play an important role in providing customer services that are key elements of our marketing efforts. The complimentary beverages and the 10% Pro Shop discount program for multi-play, permanent time and VIP customers are examples where we use these complementary operations to increase customer loyalty.

Customer Satisfaction Survey

For the last two seasons, we surveyed customers to determine their satisfaction with the Village Links. The survey results showed that the Village Links has a very loyal clientele that prefers the Village Links over other area golf courses by a wide margin. Customers felt that the Village Links does a good to excellent job in almost every important area. The way we handle slow play was the one important area that received low marks. There were virtually no changes in the survey results from 2008 to 2009.

Debt Service

In 2002, the Recreation Fund borrowed \$4,500,000 through a 20 year general obligation bond issue to help finance the golf course renovation. Interest rates began at 2.95% and increase over the life of the bond issue to 4.45%. Debt service is \$340,000 per year. The final payment is scheduled for January 1, 2023.

Golf Course Renovation Bond Payment - Recap	
Prior Payments	2,114,798
Latest Payment - December 2009	263,630
Total Payment to date	2,378,428
Unpaid Principal & Interest	4,450,973

The Reduced Capacity of a Golf Course

Improved golf ball and club technology has effectively reduced the capacity of golf courses. For years, we scheduled 8 groups (32 golfers) per hour. In the mid-1990's, we began spreading mid-day tee times on the 18-hole course. Since 2005 we have spread play out even further, routinely only teeing off 6 or 7 groups per hour. This effectively reduces our capacity by 15%.

At some point, the reduced capacity of the golf course will force us to consider restructuring the 18-hole Weekend Permanent Time program and cut back the number of tee times scheduled. This could result in a reduction of up to 25% of the tee times and would be disappointing to the resident golfers who occupy the weekend morning times.

PREVIEW 2010-11

Golf course industry hopes to rebound in 2010, hoping that the Great Recession comes to an end and golfers find the time and money to play more golf.

The Village Links is likely to face a diverse range of competition in 2010. Stung by steep losses, many courses will be desperate to attract more play. Cheap green fees will be the focus at courses that will cut services that they can no longer afford to offer, at the same time that they drop prices to new lows to attract more customers.

Less drastic changes are expected from courses owned by local governments, many of whom subsidize golf like they do swimming pools and skating rinks. Low priced tax

payer subsidized golf could be difficult competition for the Village Links.

Some governments are getting out of the golf business, bringing in management companies that will invariably lower costs and service levels. Management companies tend to produce golf as a low cost commodity.

At the reverse end of the spectrum are private clubs dropping guest fees, member dues and outing fees to compete with high end public courses.

This could all be quite confusing for the golfing public. Discounting will effectively lower green fee prices, but course conditions and services will also drop at some facilities.

The Village Links will remain competitive, offering green fee specials outside of prime time. Costs will be cut in ways that many golfers might not notice, but the Village Links will remain a superior value.

The Village Links continue to employ programming strategies that have proved to be successful with more lessons. The number of programmed golf events will expand. Course conditions will improve. Expenses will be constrained.

Primary Objectives for 2010

Grounds needs to maintain superior overall course conditions.

Golf needs to fill the reservation tee sheets, get golfers teed off on time, and get golfers around the course comfortably. This includes an emphasis on pace of play and tight management of the number of tee times scheduled each hour.

Food Service needs to provide the golf customer hospitality without a financial subsidy from golf.

Grounds

Costs will be lowered by using technology to mimic conditions that previously could only be attained through mowing. The crew size will be reduced and work flows will be revised to lower costs.

Aeration will be the focus of several experiments as we look at new equipment and aeration methods.

Greens will continue to benefit from properly maintained mowers, more effective irrigation, a balanced fertility program, and frequent light topdressing. The greens will continue to be smoother and more consistent due to upgraded mowers and rollers. The staff will repair another 150,000 ballmark on greens.

Fairways will improve from another season of sharp mowers, more fertilization, and a more intense aeration program.

Full-time Staff - We think that the optimum full-time staff configuration is a Golf Course Superintendent and four other full-time staff members with overlapping capabilities and shared responsibilities in all areas (Turf Management, Irrigation and Drainage, Horticulture and Mechanical Maintenance). All five staff members would be developed with the eventual goal of being capable of becoming a golf course superintendent. Until the economy and the golf market stabilize, we will continue to operate with only three full-time staff in this division.

Golf

Programmed Golf - We will continue to increase the amount of programmed golf at the Village Links in 2010, including leagues, tournaments and instructional schools and classes.

Customer Satisfaction Survey - We will continue to survey customers on their satisfaction level with the Village Links. Survey results will be used to improve our offering and provide a measurement of overall success.

Course Maximization - We will continue to try to squeeze more golfers onto the course. The Golf Division has the job of scheduling the proper number of tee times, filling the tee times, getting the customers in those tee times started on time, and helping them move around the course in a reasonable amount of time. That sounds basic, but few courses do a superior job managing this aspect of the business. Our ability to generate additional revenue depends on our success in this area.

Golf Outings - The declining demand for golf requires that we seek more golf outing business. This will not be popular with golfers who will find "their course" closed to the public from time to time. We will do our best to minimize conflicts with our customers, at the same time that we develop a golf outing clientele.

Back Nine Combo - We will continue to offer a Combo Option for weekend 18-Hole Permanent Times, using

the Back 9 of the 18-hole course and the 9-hole course. This has not been well patronized since we first offered it in 2007. We will give it another year or two to see if we can develop a clientele for this product.

Keep Pace Program - We will modify the Keep Pace Program that helps keep play moving throughout the course. Customer satisfaction survey results show that golfers agree that the Keep Pace program should be improved, but they do not agree on what would constitute an "improvement".

Direct Mail Coupons - We will continue to use a scaled back direct mail coupon program promoting the driving range, 9-hole course and Village Links Grill. This program generates \$80,000 in coupon sales

Email Communication - We will continue to expand email to communicate with customers by collecting more email addresses and providing information and specials that appeal to more customers.

Website - We continue to provide expanded content on our website, which has seen significant increases in visitor traffic. Unfortunately, website traffic seems to have little impact on revenues.

Point-of-Sale System - We are in the process of researching a new Point-of-Sale (POS) System. We hope to significantly upgrade customer service in several areas, including allowing customers to schedule tee time via the internet.

Keep Pace Beverages - We will again give a complimentary beverage to golfers who KEEP PACE. In 2010, we expect to give away \$70,000 (at retail) of these beverages.

Food Service

The decrease in rounds of golf over the past several years has hurt Food Service financially. Food Service sales are closely tied to rounds played. When rounds and food sales drop, it is impossible to reduce expenses by a comparable amount, without reducing the level of hospitality being offered to golf customers. The only way that we can continue to offer the current level of hospitality in the face of lower rounds played is to reduce Food Service's reliance on golf sales. We will continue to use promotional coupons mailed to the general public, try to improve breakfast sales on weekend mornings, build a year-round lunch business and increase the number of private parties held during the off-season. We will continue to operate the beverage cart more hours on busy days. Even though this extra service does not pay for itself in beverage sales,

customer satisfaction surveys show that this is important to some golfers.

IMRF - Retirement Fund Contributions

The employer portion of retirement fund contributions has grown from \$8,000 in 2003 to \$124,000 this year. \$45,000 of this cost is for seasonal staff mandated for coverage by the state.

Capital Projects

Our goal is to earmark \$250,000 annually for capital expenditures. While we have extended some equipment beyond its useful life, our equipment and physical plant is in acceptable condition. It will take most of the coming decade to get our equipment replacement program back on schedule.

Emerald Ash Borer

If left unchecked, the Emerald Ash Borer would kill all of the 450 ash trees on the Village Links over the next several years. In 2008 we began injecting ash trees with the insecticide Pointer®. Pointer® contains the active ingredient imidacloprid, which is proven to protect an ash tree for at least two years. Our goal was to protect the 200 most valuable ash trees and evaluate the program. We were prepared to spend \$6,000 annually on insecticide and labor on this project. We were disappointed with the amount of labor required for this treatment. We are studying alternate treatment systems using the same active ingredient.

2010 GOALS

We have six Major Goals for the 2010 season.

1 - Pace of Play - Have play move at a faster pace at the Village Links than at any comparable public golf course in the Chicago market. Improve customer awareness of their pace of play and our efforts to assist them on both the 18 and 9 hole courses.

2 - Course Conditions - Maintain the 18-hole course in superior condition. Maintain greens that are smoother and faster than those at most public golf courses.

3 - Revenue Growth - Rebuild golf revenues.

4 - Expand Food Service Revenues - Increase sales from non-golf customers to avoid the need for a financial subsidy from golf while continuing to meet the hospitality needs of our golf customers.

5. - Constrain Expenditures - Constrain expenditures to match revenues, without customers noticing the cut-backs.

6. - Generate Profit - Generate a profit to fund \$250,000 in capital replacement.

Key Performance Indicators - We track the following Key Performance Indicators. Target performance levels are identified.

Total Revenue - \$3,600,000

Rounds Played - 75,000 to 80,000

Golf Revenue (Green Fees, Motor Carts, & Driving Range) - \$2,700,000

Food Service - \$550,000

Controllable Food Service Expenses - Wages for seasonal / part time employees is 32% of revenue. The cost of products for resale, including dry goods, beer / wine, food, and beverages, is no more than 45% of revenue.

Keep Pace - 80% of golfers Keep Pace

On Time - Be on time (within 7 minutes) for 90% of all rounds.

Stimpmeter (weekly) - Average 10.0, minimum 9.0 feet April 15 - November (9-hole course 1.0 foot slower).

Customer Satisfaction - We will continue to survey customers on their satisfaction with their round of golf at the Village Links. The results will help establish baselines for customer satisfaction in key areas.

Meet Target Maintenance Interval Frequencies (MIF)

Maintenance Interval Frequencies

Maintenance is programmed at the following frequencies, stated in number of days between maintenance occurrences. These Maintenance Interval Frequencies (MIF) define the base standards of condition for our facilities.

Maintenance Interval Frequencies stated in # of days between task performance		
	Spring / Fall	Summer
Greens		
Mow Greens	1	1
Groom	7	14
Lightly Topdress	10	10
Mow Surrounds	3-4	2-3
Mow Long Collars	2-3	2
Tees		
Mow Tees	3-4	2-3
Mow Tee Surrounds	3-4	3-4
Seed Divots	7	7
Fairways		
Mow Fairways	2	2
Mow Par 3 Fairways	2-3	2-3
Seed Divots	21	14
Roughs		
Mow Intermediate Roughs	3-4	3-4
Mow Roughs	7	7
Trim Roughs	7	7
Trim Clubhouse Lawns	7	7
Bunkers		
Rake - mechanical	1	1
Rake - manual		
Trim Edge	21	21
Edge	45	45
Miscellaneous		
Change Cups	1	1
Pick Up Litter	1	1
Seed Driving Range Tee	1-2	1-2
Mow Driving Range Tee	3-4	2-3
Mark Water Hazards	10	10
Trim around Trees	30	30
Trim Lake Banks	30	30
Trim Willow Trees	42	42
Sweep Cart paths	30	21
Edge Yardage Plates	21	21
Mow Parks (Spring)	7	7
Mow Parks	7	7