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 City of Stockton
 8

9 UNITED STATES BANKRUPTCY COURT
 10 EASTERN DISTRICT OF CALIFORNIA
 11 SACRAMENTO DIVISION
 12

13 In re:
 14 CITY OF STOCKTON, CALIFORNIA,
 15 Debtor.

Case No. 2012-32118
 D.C. No. OHS-15
 Chapter 9

16
 17 WELLS FARGO BANK, NATIONAL
 18 ASSOCIATION, FRANKLIN HIGH
 19 YIELD TAX-FREE INCOME FUND,
 AND FRANKLIN CALIFORNIA
 HIGH YIELD MUNICIPAL FUND,

**DIRECT TESTIMONY
 DECLARATION OF TOM NELSON
 REBUTTING EXPERT REPORT OF
 FREDERICK E. CHIN¹**

Adv. No. 13-02315

20 Plaintiffs,

Date: May 12, 2014
 Time: 9:30 a.m.
 Dept: Courtroom 35
 Judge: Hon. Christopher M. Klein

21 v.

22 CITY OF STOCKTON, CALIFORNIA,
 23 Defendant.
 24

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 26
 27 ¹ Out of an abundance of caution, and because the evidentiary hearing on Plan confirmation and the trial in the
 28 adversary proceeding share common issues, this declaration is being filed in both the main case and the adversary proceeding.

1 I, Tom Nelson, hereby declare:

2 1. I am the General Manager of Swenson Park and Van Buskirk golf courses owned
3 by the City of Stockton (together, the “Courses”). I make this declaration in support of
4 confirmation of the City of Stockton’s (“City”) First Amended Plan For The Adjustment Of
5 Debts Of City Of Stockton, California (November 15, 2013), and in rebuttal to the Expert Report
6 of Frederick E. Chin (“Chin Report”).

7 2. I have been a golf professional for the past 30 years. For the past three years, I
8 have been employed by KemperSports, Inc. (“Kemper”) managing the Courses. Prior to joining
9 Kemper, I was the Golf Manager for the City of Stockton for five years, in which capacity I
10 managed the Courses. My other previous positions include General Manager and Director of
11 Golf at Village Country Club in Lompoc, California, for three years; General Manager of Sea
12 Ranch Golf Links on the Sonoma Coast for four years, where I received the Merchandiser of the
13 Year award from the Northern California Section of the Professional Golfers’ Association of
14 America (“PGA”); and Head Golf Professional at The Chardonnay Club in Napa for three years,
15 where I managed a “Top 100 Golf Shop” as designated by Golf Magazine. I have been a Class A
16 PGA Member since 1984.

17 3. In my role as General Manager of the Courses, I manage and oversee all
18 operational aspects of the Courses on a daily basis. In conjunction with managerial staff, I
19 develop and implement annual budgets for all departments of the Courses. I also meet regularly
20 with the City to provide updates on and assess the Courses’ financial performance.

21 4. I joined Kemper in August 2011, shortly after Kemper entered into a contract with
22 the City to manage the Courses in July 2011. Kemper provides comprehensive operations
23 management services for private golf clubs, public golf courses, resorts, and other hospitality
24 venues throughout the United States.

25 5. I have reviewed the Chin Report submitted by Franklin High Yield Tax-Free
26 Income Fund and Franklin California High Yield Municipal Fund (together, “Franklin”). Mr.
27 Chin did not contact me as part of the preparation of the Chin Report, nor to my knowledge did
28 he contact anyone else at either of the Courses or at Kemper. Mr. Chin’s report is seriously

1 flawed, and either omits or glosses over critical considerations relevant to the profitability and
2 value of the Courses. Specifically, Mr. Chin's "valuation" ignores (1) the market conditions that
3 place extreme price pressures on the Courses, (2) the continued projected shortfalls for the
4 Courses, and (3) the millions of dollars in capital improvements and deferred maintenance that
5 would have to be undertaken in order for the Courses to turn a profit.

6 *The Courses Occupy A Market Space That Creates Extreme Price Pressures*

7 6. The Chin Report suggests that revenues at the Courses could be increased by
8 simply increasing course fees. Chin Report, at 36-38. However, this conclusion ignores the
9 realities of the market in which the Courses compete.

10 7. Shortly after Kemper took over management of the Courses, there were several
11 important changes to the golf industry in the Stockton area. Elkhorn Golf Club in north Stockton,
12 which had previously declared bankruptcy and ceased operations, was purchased by former
13 members and Sierra Golf Management and re-opened as a public, heavily-discounted facility.
14 Similarly, Micke Grove Golf Links in Lodi changed management to Fore Golf Partners, a very
15 aggressive discount firm. Lockeford Springs Golf Course in Lodi also began heavily discounting
16 its fees due to local market pressure. During this period, The Reserve at Spanos in Stockton
17 began discounting its fees for the first time due to market changes. Due to these changes, the
18 ability to charge full-price, or "rack," rate has virtually been eliminated, requiring constant
19 discounts and deals in order to attract play and reasonably compete with the Stockton area golf
20 market.

21 8. As a result of this increased competitiveness, it would be difficult, if not
22 impossible, for either of the Courses to increase revenues by merely raising their fees, because
23 doing so would cause golfers to take their business elsewhere. Even with Kemper's aggressive
24 marketing, players search the local area for the best deal. By way of example, after I recently sent
25 an e-mail blast to Kemper's mailing list offering a discounted rate, one of my local competitors
26 send an e-mail blast just hours later, offering prices a dollar or two lower in order to combat my
27 offer. It is not unusual for players to bring in offers from my competitors and state they will play
28 at the Courses only if we match their offer.

1 *The Courses Have Historically Lost Money, And Will Continue To Do So Without Major*
2 *Capital Investment.*

3 9. The Chin Report briefly acknowledges that the Courses have consistently lost
4 money for nearly a decade, but appears to give this fact little to no weight in his valuation of the
5 Courses. This is a critical omission, as any legitimate valuation must consider the financial
6 realities at the Courses.

7 10. Over the past five years, each of the Courses has operated at a loss and has
8 required a subsidy from the City's General Fund. *See* Declaration of Val Toppenberg In Support
9 Of City's Supplemental Memorandum Of Law In Support Of Confirmation Of First Amended
10 Plan For The Adjustment Of Debts Of City Of Stockton, California (November 15, 2013)
11 ("Toppenberg Decl."), ¶ 2, Exs. A, B, C. In addition, while Swenson operated at a small profit
12 during fiscal years 2005-06, 2006-07, and 2007-08, these profits were insufficient to cover losses
13 at Van Buskirk. *Id.* As a result, the Courses together have lost money every year for the past
14 eight years. *Id.*

15 11. Under current conditions, the Courses are operating at a loss. Attached hereto as
16 **Exhibits A and B** are true and correct copies of Kemper's projected profits and losses for fiscal
17 year ("FY") 2013-2014 and FY 2014-2015 for Swenson and Van Buskirk, respectively. As these
18 exhibits reflect, Kemper projects that for FY 2013-2014 Swenson will post net loss of \$101,615
19 and Van Buskirk a net loss of \$186,976. *See* Exs. A and B. Further, the Courses are projected to
20 continue operating at a loss for the foreseeable future. In FY 2014-2015, Kemper projects that
21 Swenson will post a net loss of \$76,954 and Van Buskirk a net loss of \$211,824. *Id.*

22 12. Attached hereto as **Exhibits C and D** are true and correct copies of pro forma
23 summary profit and loss projections prepared by Kemper during FY 2011-2012 for Swenson and
24 Van Buskirk, respectively.² These two documents contain projections of revenues and expenses
25 for FY 2012-2013, FY 2014-2015, and FY 2015-16. The projections on page 35 of the Chin
26 Report of net income for FY 2014-2015 and FY 2015-16 rely upon the projections in Exhibits C

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28 ² All projections and actual results reflected in Exhibits A through D are before the allocation of any City expenses to the Courses.

1 and D for those years. But a comparison of the projections in Exhibits C and D for FY 2012-
2 2013 against the actual FY 2012-2013 results reflected in Exhibits A and B reveals that the
3 forecasts in Exhibits C and D are obsolete.

- 4 a. Actual total revenues for Swenson in FY 2012-2013 (\$1,170,185) were only 86%
5 of Exhibit C's projected total revenues for that year (\$1,354,343).
- 6 b. There was an actual net loss for Swenson of \$169,679 in FY 2012-2013, in
7 contrast to Exhibit C's projected net income of \$17,275.
- 8 c. Actual total revenues for Van Buskirk in FY 2012-2013 (\$538,337) were only
9 84% of Exhibit D's projected total revenues for that year (\$638,229).
- 10 d. There was an actual net loss for Van Buskirk of \$164,409 in FY 2012-2013, 5%
11 greater than Exhibit D's projected net loss of \$156,991.

12 13. Based on the historical performance of and current projections for the Courses, it
13 is extremely unlikely that the Courses could be made profitable without major capital
14 investments. By largely ignoring this fact, the Chin Report significantly overestimates the value
15 of the Courses. Further, the Chin Report uses projected revenue figures from obsolete projections
16 created before the market underwent the shift outlined in paragraph 7 above. As demonstrated in
17 paragraph 12 above, these are outdated projections based on obsolete assumptions, and further
18 undermine the conclusions of the Chin Report.

19 *The Courses Are In Need Of Millions Of Dollars Of Capital Improvements And Deferred*
20 *Maintenance*

21 14. The Chin Report makes occasional references to "certain capital improvements"
22 (*see, e.g.*, Chin Report at 36, 38) but fails to account for the actual scope of improvements and
23 maintenance needed at the Courses. Due to the City's overall financial and economic condition,
24 as well as the consistent losses experienced by the Courses, the Courses have foregone important
25 capital improvements and deferred maintenance for each of the eight years that I have been
26 employed in Stockton. While this has saved the Courses and the City money in the short term, it
27 has resulted in significant degradation of conditions at the Courses. Poor golfing conditions can
28 have negative impacts on the number of rounds played and the price that the Courses can charge,

1 both of which limit the revenue the Courses can generate and contribute to the Courses' lack of
2 profitability. Without substantial capital investment by the City, it is unclear when, if ever, the
3 Courses could be operated at a profit.

4 15. At a rough estimate, approximately \$6 million to \$8 million in capital
5 improvements and deferred maintenance would be required to make the Courses profitable again.
6 Such improvements and maintenance are not mere window dressing. Rather, they represent
7 investments in infrastructure that is critical – in fact fundamental – to golf courses, including
8 basic irrigation, landscaping, cart paths, and equipment. Just a few of these items are as follows:

- 9 a) The Courses currently have no cart paths. This is extremely unusual for golf
10 course, because carts cannot be used for several days after rain. The result is a loss
11 of cart fees, which make up 20-21% of daily fees. It would cost approximately \$1
12 million to add a cart path to each of the Courses.
- 13 b) The Courses need new irrigation systems. This will require dredging the lake
14 because the silt would otherwise ruin the system's pipes. Irrigation and dredging
15 for the Courses could cost upwards of several million dollars.
- 16 c) Both the greens and bunkers at the Courses are of original design and construction.
17 These old, "push up" style greens lack proper drainage and soil composition for
18 optimal turf health. The bunkers' drainage systems have completely collapsed,
19 preventing proper drainage and sand texture for playability. Restoring the greens
20 and bunkers at the Courses could cost several million dollars.
- 21 d) Due to the City's financial difficulties, Kemper has been unable to lease new
22 equipment for course maintenance. It has instead had to rent substandard
23 equipment, which produce substandard results and for which Kemper is
24 responsible for a majority of repair costs. The cost of replacing course
25 maintenance equipment would be approximately \$850,000.
- 26 e) The perimeter fences at the Courses are in desperate need of repair or replacement,
27 with many holes and failures allowing for easy access to the Courses and greatly
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1 increasing vandalism. Repairing or replacing the perimeter fences could cost
2 \$75,000 to \$100,000 for each of the Courses.

- 3 f) The Courses' food and beverage facilities need new kitchen equipment, including
4 grills, ovens, and fryers, as well as seating and counters. The cost of these
5 improvements could run anywhere from \$50,000 to \$80,000 per café.
- 6 g) The Courses need major landscaping work. There has been no annual tree
7 maintenance at the Courses since I joined Kemper in August 2011. As a result,
8 there have been numerous tree failures, which create safety concerns and hurt turf
9 growth. An ongoing tree maintenance program would run \$75,000 to \$100,000
10 annually.
- 11 h) The parking lots at both Courses are in great need of resurfacing. Each has large
12 pot holes, cracks, and potentially dangerous trip hazards. Kemper has not
13 estimated the costs of resurfacing the parking lots.

14 16. All of these capital improvement and deferred maintenance items directly impact
15 the product that makes you stand out in a competitive marketplace. As a result, the Courses
16 cannot be expected to turn a profit until each of these items is addressed.

17 17. Even with these improvements, however, the Chin Report seriously exaggerates
18 the potential to increase revenues at the Courses. The Chin Report projects that by increasing
19 rates and making certain improvements (which are not identified), the Courses could achieve total
20 revenues of \$1,955,000. Chin Report, at 39. This is a 14.4% increase over the combined
21 revenues for the Courses in fiscal year 2012-13. *See* Toppenberg Decl., Ex. A. To be blunt, a
22 golf course cannot just increase its revenues by more than a tenth without taking into
23 consideration all of the factors, investments and expenses outlined above. The latest projections
24 prepared by Kemper project an increase of 1.0%, which is itself considered aggressive. In the
25 current price-driven market, aggravated by the dry winters that the Stockton area has recently
26 experienced, any substantial increase in revenues is unlikely.

27 18. Yet another flaw of the Chin Report is its purported comparison of the rates at the
28 Courses with the rates of local competitors. Chin Report, at 38. The rates listed in the Chin

1 report are special discounted rates offered at the Courses during off-peak seasons, while the rates
2 listed for local competitors are the competitors' full-price rack rates. The resulting comparison is
3 essentially one of apples (the Courses' special rates) to oranges (competitors' rack rates). Such a
4 comparison is improper and inaccurate.

5 *The Chin Report Grossly Inflates The Value Of The Courses*

6 19. While the Chin Report pays lip service to the financial and physical condition of
7 the Courses, it essentially ignores these factors in developing its valuation. In particular, the Chin
8 Report fails to account for the following critical facts:

- 9 a) The Courses have lost money every year for nearly a decade.
- 10 b) The Courses cannot suddenly become profitable by simply raising prices.
- 11 c) In order to even potentially return to positive margins, the Courses will first
12 require anywhere from \$6 million to \$8 million in capital improvements and
13 deferred maintenance.
- 14 d) Even with such improvements and maintenance, the Courses can expect only
15 modest revenue increases (and probably not the more than 10% increase that Chin
16 claims)

17 20. Based on the Chin Report's refusal to properly account for these considerations
18 into its valuation, the report vastly overestimates the value of the Courses. Any reasonable
19 valuation would need to consider the price that a purchaser would pay for golf courses that have
20 perennially operated at a deficit, would require millions of dollars of investments to become

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1 profitable, and would only be able to expect limited to moderate profits years down the road. By
2 choosing to ignore these factors, I believe the Chin Report's conclusions are fatally flawed.

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Executed this 21st day of April 2014, at Stockton, California. I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.



Tom Nelson

Exhibit A

Swenson Park - Stockton
 For the Twelve Months Ending June 30, 2015

Summary Profit & Loss Statement

Description	July	August	September	October	November	December	January	February	March	April	May	June	Total	% Revenue	Projected 2014	% Change	2014 Budget	Actual 2013	Actual 2012
Revenues																			
Course & Grounds	68,558	71,994	64,763	61,687	54,654	41,906	46,500	39,034	59,818	59,599	69,458	68,457	706,428	59%	692,577	2%	694,426	694,739	709,254
Course & Grounds	28,229	31,130	25,056	22,549	19,753	14,256	11,004	15,112	16,649	24,292	26,167	27,003	261,198	22%	258,612	1%	211,734	228,321	244,611
Range	6,053	5,983	4,912	4,956	4,176	3,164	3,174	2,933	4,282	5,240	5,424	5,624	55,922	5%	55,369	1%	54,227	55,180	55,713
Food & Beverage	12,996	13,757	11,126	8,699	8,066	5,600	8,274	9,887	11,828	13,988	15,988	12,927	126,927	11%	122,205	4%	139,747	137,778	125,282
Golf Shop	5,741	6,073	4,017	3,795	4,524	3,849	3,327	3,156	3,119	4,895	4,879	4,647	52,023	4%	50,158	4%	45,199	53,890	58,485
G & A													0	0%	0	0%		277	
Total Revenues	121,578	128,938	109,874	101,685	91,173	68,976	72,252	68,508	93,755	105,854	119,916	119,989	1,202,498	100%	1,178,920	2%	1,145,334	1,170,185	1,193,345
Cost of Sales																			
Merchandise COGS	2,623	3,187	2,112	1,932	2,459	2,148	1,796	1,640	1,562	2,688	2,517	2,483	27,146	2%	25,244	8%	21,327	25,525	27,616
Food and Beverage	5,792	6,129	4,957	3,875	3,592	2,581	3,668	3,677	4,394	5,262	6,226	6,344	56,498	5%	53,361	6%	64,284	57,534	57,143
Total Cost of Sales	8,415	9,316	7,069	5,808	6,051	4,729	5,464	5,316	5,956	7,950	8,743	8,826	83,644	7%	78,605	6%	85,611	83,059	84,759
Payroll																			
Course & Grounds	26,148	26,148	25,631	26,148	24,088	24,554	24,554	23,157	24,554	25,631	26,148	25,631	302,395	25%	300,966	0%	306,825	303,296	260,007
Carts	4,291	4,291	3,664	3,786	3,176	3,282	3,282	2,964	3,282	3,664	4,291	4,153	44,126	4%	47,948	-8%	39,476	45,534	38,669
Range														0%					
Food & Beverage	4,074	4,074	3,943	4,074	3,943	3,543	3,543	3,200	3,543	3,943	4,074	3,943	45,897	4%	46,482	-1%	59,204	86,718	63,622
Golf Shop	9,485	9,219	9,070	9,219	9,070	8,688	8,688	8,292	9,219	9,070	9,219	9,327	108,565	9%	108,756	0%	97,107	95,600	106,961
G & A	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	90,600	8%	82,810	9%	87,000	88,887	77,604
Marketing														0%	10,627	-100%		19,296	17,058
Total Gross Payroll	51,549	51,283	49,858	50,778	47,827	47,616	47,616	45,163	48,148	49,858	51,283	50,604	591,584	49%	597,589	-1%	589,612	639,332	563,922
Payroll Taxes and Benefits	14,300	13,689	12,859	12,400	11,480	11,402	11,402	10,863	11,180	11,392	11,498	11,365	143,809	12%	149,107	-4%	141,998	155,908	142,419
Total Payroll Expense	65,849	64,972	62,697	63,179	59,307	59,018	59,018	56,026	59,328	61,250	62,781	61,969	735,392	61%	746,696	-2%	731,610	795,240	706,340
Other Expenses																			
Course & Grounds	31,588	24,323	26,131	25,099	21,437	16,383	14,753	17,819	21,248	22,780	16,558	17,511	255,571	21%	256,525	0%	262,949	272,012	287,694
Carts	3,940	3,706	3,481	3,518	3,517	3,472	3,625	3,431	3,608	3,659	3,626	3,678	43,261	4%	38,874	11%	41,640	42,034	37,688
Range	199							450	623		460	500	2,232	0%	5,282	-58%	2,201	1,522	3,289
Food & Beverage	427	318	660	317	374	580	388	361	457	440	301	597	5,219	0%	4,732	10%	3,836	4,357	4,047
Golf Shop	75	100	75	75	221	75	86	142	85	226	101	177	1,438	0%	1,945	-26%	1,270	1,044	8,781
G & A	7,906	7,310	11,961	8,742	7,705	8,602	5,794	8,838	7,218	9,518	9,848	8,083	101,526	8%	99,062	2%	93,728	90,429	109,859
Marketing	468	488	388	238	782	738	1,015	238	238	1,396	542	238	6,768	1%	5,684	19%	4,784	4,751	4,214
Total Other Expenses	44,603	36,245	42,695	37,930	34,037	29,849	25,661	31,278	33,478	38,019	31,437	30,783	416,016	35%	412,103	1%	410,407	416,150	455,572
Total Expenses	118,867	110,533	112,461	106,917	99,395	93,596	90,143	92,621	98,761	107,220	102,961	101,578	1,235,052	103%	1,237,404	0%	1,227,628	1,294,449	1,246,672
EBITDA	2,710	18,405	(2,588)	(5,231)	(8,222)	(24,620)	(17,890)	(24,113)	(5,006)	(1,365)	16,955	18,411	(32,554)	-3%	(58,484)	-44%	(82,294)	(124,264)	(53,327)
Management Fee	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	44,400	4%	43,131	3%	44,880	43,966	43,646
Depreciation														0%		0%		194	162
Interest Expense														0%		0%		1,255	
NET INCOME/(LOSS)	(990)	14,705	(6,288)	(8,931)	(11,922)	(28,320)	(21,590)	(27,813)	(8,706)	(5,065)	13,255	14,711	(76,954)	-6%	(101,615)	-24%	(127,174)	(169,679)	(97,135)
Average Daily Rate (ADR)	\$ 12.73	\$ 11.75	\$ 12.78	\$ 10.94	\$ 12.65	\$ 12.48	\$ 16.84	\$ 14.05	\$ 11.29	\$ 10.29	\$ 11.57	\$ 11.02	\$ 12.03	\$ 11.92	\$ 12.00	\$ 12.75	\$ 12.00	\$ 12.75	\$ 11.89
2015 Budgeted Rounds	5,384	6,128	5,069	5,638	4,320	3,359	2,760	2,777	5,298	5,795	6,004	6,210	58,742						
2014 Projected Rounds	5,590	6,112	5,180	5,447	4,273	3,316	2,890	2,896	4,861	5,569	5,783	5,991	58,107						
2014 Budgeted Rounds	6,142	5,776	4,927	4,812	3,977	2,752	3,876	3,372	4,482	5,470	6,007	6,274	57,867						
2013 Actual Rounds	5,842	5,476	4,527	4,312	3,577	1,927	2,861	4,154	5,456	5,445	5,478	5,437	54,492						
2012 Actual Rounds	5,555	7,261	6,279	4,810	3,652	3,261	4,021	4,172	4,332	4,995	5,757	5,574	59,669						

CTY258399

Exhibit B

**Van Buskirk - Stockton
For the Twelve Months Ending June 30, 2015**

Summary Profit & Loss Statement

Description	July	August	September	October	November	December	January	February	March	April	May	June	Total	% Revenue	Newspapers	Projected 2014	% Change	2014 Budget	Actual 2013	Actual 2012	2011 City Baseline
Revenues																					
Course & Grounds	27,751	25,942	23,077	22,070	20,070	15,926	18,828	25,951	34,685	29,431	32,580	29,698	306,009	55%		298,029	3%	338,597	311,635	355,382	
Carts	15,535	14,337	10,517	10,103	10,603	7,705	8,916	6,568	10,166	14,201	16,619	16,829	142,096	25%		141,096	1%	108,536	127,062	122,327	
Range	2,044	2,002	1,470	1,492	1,106	834	1,332	1,738	2,110	2,206	2,148	2,126	20,608	4%		20,608	0%	22,544	19,822	23,308	
Food & Beverage	6,491	4,071	3,358	3,026	4,339	3,660	3,637	5,036	6,664	7,402	7,338	8,256	63,278	11%		62,206	2%	63,468	60,297	57,562	
Golf Shop	1,536	2,532	2,065	2,979	2,418	2,485	721	2,158	1,997	2,010	2,318	2,829	26,049	5%		25,153	4%	14,900	19,315	17,570	
G & A	-	-	-	-	-	-	-	-	-	-	207	-	207	0%		207	0%	-	-	-	
Total Revenues	53,356	48,884	40,486	39,669	38,536	30,611	33,434	41,451	55,622	55,250	61,209	59,738	558,246	100%	1	547,297	2%	548,045	538,337	576,148	532,091
Cost of Sales																					
Merchandise COGS	975	944	857	1,254	1,546	1,591	426	1,116	1,228	1,255	1,447	1,204	13,842	2%		13,593	2%	10,109	11,688	10,862	
Food and Beverage	2,921	1,832	1,511	1,362	1,952	1,647	1,637	2,266	2,999	3,331	3,302	3,715	28,475	5%		29,366	-3%	29,195	30,564	24,426	
Total Cost of Sales	3,896	2,776	2,369	2,615	3,498	3,238	2,063	3,382	4,227	4,586	4,749	4,919	42,317	8%		42,959	-1%	39,304	42,252	35,288	
Payroll																					
Course & Grounds	9,477	9,477	9,171	9,477	8,400	8,680	8,680	7,840	8,680	9,171	9,477	9,171	107,703	19%		119,643	-10%	114,860	122,001	130,055	
Carts	4,198	4,198	3,806	3,933	3,806	3,135	3,135	2,832	3,135	4,063	4,198	4,063	44,503	8%	2	30,992	44%	39,852	26,537	28,595	
Range	-	-	-	-	-	-	-	-	-	-	-	-	-	0%		-	0%	-	-	-	
Food & Beverage	4,074	4,074	3,943	4,074	3,857	3,454	3,454	3,120	3,986	3,943	4,074	3,943	45,997	8%	2	32,191	43%	35,282	16,758	25,631	
Golf Shop	5,351	5,351	5,214	5,351	5,214	5,174	4,731	4,380	5,174	5,214	5,351	5,214	61,723	11%	2	49,747	24%	69,344	40,683	41,066	
G & A	-	-	-	-	-	-	-	-	-	-	-	-	-	0%		-	0%	-	-	-	
Marketing	935	935	935	935	935	935	935	935	935	935	935	935	11,220	2%		10,323	9%	9,648	9,648	8,529	
Gross Payroll	24,036	24,036	23,069	23,770	22,212	21,379	20,936	19,107	21,910	23,326	24,036	23,326	271,146	49%		242,897	12%	259,339	215,628	233,877	
Taxes & Benefits	6,804	6,804	6,606	6,340	6,850	5,657	5,431	4,769	5,058	5,307	5,246	5,129	69,001	12%		57,870	19%	64,696	62,286	61,175	
Total Payroll Expense	30,840	30,840	29,675	30,110	28,062	27,036	26,367	23,876	26,968	28,633	29,282	28,456	340,147	61%		300,767	13%	324,035	277,914	295,052	
Other Expenses																					
Course & Grounds	20,324	20,386	22,108	18,265	16,839	12,870	16,157	18,557	24,037	24,387	22,494	19,595	236,018	42%		240,923	-2%	234,966	228,638	245,076	
Carts	2,837	2,462	2,431	2,433	2,498	2,383	2,378	2,383	2,389	2,367	2,494	2,383	29,440	5%		30,276	-3%	27,690	29,484	30,995	
Range	(0)	-	-	-	-	-	-	-	-	-	600	-	600	0%		1,561	-62%	2,362	-	1,922	
Food & Beverage	344	216	124	158	625	1,956	2,163	1,632	1,179	617	690	475	10,179	2%		8,525	19%	21,155	9,084	14,969	
Golf Shop	100	125	100	125	100	125	150	100	125	100	158	125	1,434	0%		450	218%	2,226	450	715	
G & A	3,790	7,854	4,876	5,758	4,473	4,401	3,733	5,268	4,910	7,796	5,290	4,307	62,455	11%		61,716	1%	64,056	67,274	82,236	
Marketing	388	88	123	488	138	88	169	88	138	750	537	88	3,080	1%		3,966	-22%	3,548	3,684	4,191	
Total Other Expenses	27,783	31,130	29,762	27,227	24,673	21,823	24,749	28,028	32,776	36,017	32,263	26,974	343,206	61%		347,417	-1%	356,005	338,614	380,104	
Total Expenses	62,519	64,746	61,806	59,953	56,234	52,097	53,180	55,286	63,971	69,237	66,294	60,349	725,670	130%		691,142	5%	719,344	658,780	710,445	802,591
EBITDA	(9,163)	(15,862)	(21,320)	(20,283)	(17,698)	(21,486)	(19,746)	(13,834)	(8,349)	(13,987)	(5,085)	(6,111)	(167,424)	-30%		(143,845)	16%	(171,299)	(120,443)	(134,297)	(270,500)
Management Fee	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	44,400	8%	5	43,131	3%	43,995	43,966	40,871	
NET INCOME/(LOSS)	(12,863)	(19,362)	(25,020)	(23,983)	(21,398)	(25,186)	(23,446)	(17,534)	(12,049)	(17,687)	(8,785)	(4,311)	(211,824)	-38%		(186,976)	13%	(215,294)	(164,409)	(175,168)	(270,500)

**Van Buskirk - Stockton
For the Twelve Months Ending June 30, 2015**

Summary Profit & Loss Statement

Description	July	August	September	October	November	December	January	February	March	April	May	June	Total	% Revenue	Projected 2014	% Change	2014 Budget	Actual 2013	Actual 2012	2011 City Baseline	
Average Daily Rate (ADR) \$	11.37	11.58	11.03	10.13	11.37	10.84	13.33	13.60	12.68	11.10	11.64	11.15	11.61		11.77		14.65	12.82	13.14		
2015 Budgeted Rounds	2,441	2,241	2,092	2,178	1,765	1,469	1,413	1,908	2,736	2,652	2,799	2,663	26,357								
2014 Actual Rounds	2,318	2,169	1,873	1,859	1,698	1,454	1,369	1,839	2,709	2,626	2,772	2,637	25,323								
2014 Budgeted Rounds	2,672	2,631	2,364	1,946	1,433	910	1,016	1,376	1,572	1,962	2,546	2,679	23,107								
2013 Actual Rounds	2,572	2,331	2,164	1,846	1,433	910	1,383	1,858	2,484	2,400	2,547	2,388	24,316								
2012 Actual Rounds	2,501	3,429	2,859	2,140	1,858	1,712	1,429	1,956	2,176	2,210	2,434	2,343	27,047								

Notes:

- 1) Kemper assumes a 2% revenue increase from 13-14 revised budget
Staff is not yet confident of the 13-14 projected increase
- 2) 44%, 43% and 24% increase in cart, F&B, and golf shop payroll? When revenue increase
- 3) 2% decrease course & grounds expense not likely w/maint problems related to capital improvement needs
- 4) Cart costs will likely not decrease. Rent is higher
- 5) 3% is minimum management fee increase
- 6) Why the lower green & cart fee avg. per round? (From \$17.34 to \$17) Estimat is based on more rounds than played in 2 prior years

14-15 Based on higher rounds, lower per round fee, with an overall revenue increase

Exhibit C



**City of Stockton, CA - Swenson Golf Course
Proforma Summary Profit and Loss Statement**

	Actual 2008/09	Actual 2009/10	Actual 2010/11
REVENUES:			
GREEN FEES AND CART FEES	1,026,834 \$	933,197 \$	945,197 \$
MERCHANDISE	60,385	58,300	58,209
RANGE	58,650	53,340	53,340
LESSONS	18,696	18,665	26,965
OTHER REVENUE	-	-	-
FOOD & BEVERAGE	-	-	-
TOTAL REVENUES	1,214,115	1,106,453	1,126,374
COST OF SALES:			
GOLF SHOP MERCHANDISE	29,555	25,081	25,081
FOOD & BEVERAGE	-	-	-
TOTAL COST OF SALES	29,555	25,081	25,081
GOLF MERCHANDISE COGS%	48.9%	43.0%	43.1%
F & B COGS %	0.0%	0.0%	0.0%
GROSS PROFIT PAYROLL	1,184,560	1,081,372	1,101,293
COURSE & GROUNDS			
CARTS, RANGE, STARTERS, ETC.			
GOLF SHOP			
FOOD & BEVERAGE			
MARKETING			
GENERAL & ADMINISTRATIVE			
GROSS PAYROLL EXPENSE	249,233	240,016	240,016
TAXES AND BENEFITS	87,757	85,133	85,133
TOTAL PAYROLL EXPENSE	336,990	325,149	325,149
OTHER EXPENSES:			
COURSE & GROUNDS	739,469	711,308	711,308
CARTS, RANGE, STARTERS, ETC.			
GOLF SHOP			
FOOD & BEVERAGE			
MARKETING	1,372	1,911	1,911
GENERAL & ADMINISTRATIVE	162,430	178,365	178,365
TOTAL OPERATING EXPENSES	903,270	891,584	891,584
TOTAL EXPENSES	1,240,260	1,216,733	1,216,733
EBITDA	\$ (55,700)	\$ (135,361)	\$ (115,440)
Management Fee			
NET OPERATING INCOME	\$ (55,700)	\$ (135,361)	\$ (115,440)
Rounds	55,864	53,450	53,450
Average Green & Cart Fee	18.38 \$	17.46 \$	17.68 \$
Food & Beverage Revenue per Round	- \$	- \$	- \$
Merchandise Revenue per Round	1.08 \$	1.09 \$	1.09 \$
Range Revenue per Round	1.05 \$	1.00 \$	1.00 \$

	Forecast 2011/12	% Incr.	Budget 2012/13	% Incr.	Projected 2013/14	% Incr.	Projected 2014/15	% Incr.	Projected 2015/16	% Incr.
\$	960,353	2%	1,063,165	11%	1,092,500	3%	1,128,000	3%	1,157,275	3%
	48,430	-17%	49,860	3%	52,900	6%	56,988	8%	60,690	6%
	51,154	-4%	55,944	9%	58,650	5%	61,688	5%	64,260	4%
	138,057		185,374	34%	189,750	2%	196,813	4%	202,300	3%
	1,197,994	6%	1,354,343	13%	1,393,800	3%	1,443,488	4%	1,484,525	3%
	22,476		23,118		24,550		26,423		28,166	
	67,263		86,217		92,448		91,537		98,563	
	89,739		109,335		116,989		117,960		126,729	
	46.4%		46.4%		46.4%		46.4%		46.4%	
	48.7%		46.5%		48.7%		46.5%		48.7%	
	1,108,255		1,245,008		1,276,801		1,325,528		1,357,796	
	260,525		268,383	3%	273,751	2%	276,488	1%	279,253	1%
	44,452		45,299	2%	46,205	2%	46,667	1%	47,134	1%
	90,171		86,033	-5%	87,754	2%	88,631	1%	89,518	1%
	64,970		80,147	23%	81,750	2%	82,567	1%	83,393	1%
	77,104		87,000	13%	88,740	2%	89,627	1%	90,524	1%
	537,222	124%	566,862	6%	578,199	2%	583,981	1%	589,821	1%
	136,516	60%	157,828	16%	160,985	2%	164,204	2%	167,488	2%
	673,738	107%	724,690	8%	739,184	2%	748,185	1%	757,309	1%
	287,509	-60%	311,345	8%	317,572	2%	323,923	2%	330,402	2%
	38,943		40,416		41,224		42,049		42,890	
	9,253		1,998		2,038		2,079		2,120	
	4,965		4,493		4,583		4,675		4,768	
	5,886	208%	9,463	61%	9,652	2%	9,845	2%	10,042	2%
	99,156	-44%	92,068	-7%	93,909	2%	95,788	2%	97,703	2%
	445,712	-50%	459,783	3%	468,979	2%	478,358	2%	487,925	2%
	1,119,450	-8%	1,184,473	6%	1,208,162	2%	1,226,544	2%	1,245,235	2%
\$	(11,195)	90%	60,535	641%	68,639	13%	98,984	44%	112,561	14%
	40,871		43,260	6%	44,558	3%	45,895	3%	47,271	3%
\$	(52,066)		17,275	133%	24,081	39%	53,090	120%	65,290	23%
	53,490	0%	56,627	6%	57,500	2%	58,750	2%	59,500	1%
	\$17,95	2%	\$18,77	5%	\$19,00	1%	\$19,20	1%	\$19,45	1%
	\$2,58		\$3,27	27%	\$3,30	1%	\$3,35	2%	\$3,40	1%
	\$0,91	-17%	\$0,88	-3%	\$0,92	4%	\$0,97	5%	\$1,02	5%
	\$0,96	-4%	\$0,99	3%	\$1,02	3%	\$1,05	3%	\$1,08	3%

Exhibit D

**City of Stockton, CA - Van Buskirk Golf Course
Proforma Summary Profit and Loss Statement**



	Actual 2008/09	Actual 2009/10	Actual 2010/11	Forecast 2011/12	% Incr.	Budget 2012/13	% Incr.	Projected 2013/14	% Incr.	Projected 2014/15	% Incr.	Projected 2015/16	% Incr.
REVENUES:													
GREEN FEES AND CART FEES	\$ 572,979	\$ 522,960	\$ 501,035	\$ 486,181	-3%	\$ 519,405	7%	\$ 541,800	4%	\$ 564,050	4%	\$ 579,658	3%
MERCHANDISE	21,982	14,098	11,018	15,917	44%	16,236	2%	17,640	9%	19,140	9%	20,459	7%
RANGE	26,954	23,915	20,038	21,938	9%	23,377	7%	25,480	9%	27,550	8%	29,354	7%
LESSONS	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER REVENUE	54	-	-	63,932	-	79,211	24%	84,000	6%	89,900	7%	94,880	6%
FOOD & BEVERAGE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	621,969	560,973	532,091	587,968	11%	638,229	9%	668,920	5%	700,640	5%	724,350	3%
COST OF SALES:													
GOLF SHOP MERCHANDISE	28,128	14,098	11,018	8,836		9,081		9,792		10,705		11,357	
FOOD & BEVERAGE	-	-	-	28,286		37,219		37,165		42,241		41,979	
TOTAL COST OF SALES	28,128	15,747	11,018	37,122		46,300		46,957		52,947		53,336	
GOLF MERCHANDISE COGS%	128.0%	100.0%	100.0%	55.5%		55.9%		55.5%		55.9%		55.9%	
F & B COGS %	0.0%	0.0%	0.0%	44.2%		47.0%		44.2%		47.0%		44.2%	
GROSS PROFIT PAYROLL	593,841	545,226	521,073	550,846		591,929		621,963		647,693		671,014	
COURSE & GROUNDS				137,363		149,129	9%	152,112	2%	153,633	1%	155,169	1%
CARTS, RANGE, STARTERS, ETC.				30,568		30,502	0%	31,112	2%	31,423	1%	31,737	1%
GOLF SHOP				63,946		68,227	7%	69,592	2%	70,287	1%	70,990	1%
FOOD & BEVERAGE				27,457		29,899	9%	30,497	2%	30,802	1%	31,110	1%
MARKETING				-		-	-	-	-	-	-	-	-
GENERAL & ADMINISTRATIVE				259,334	137%	277,757	7%	283,312	2%	286,145	1%	289,007	1%
GROSS PAYROLL EXPENSE	37,648	32,850	32,850	59,585	81%	74,920	26%	76,418	2%	77,947	2%	79,506	2%
TAXES AND BENEFITS				318,919	124%	352,677	11%	359,731	2%	364,092	1%	368,512	1%
TOTAL PAYROLL EXPENSE	549,943	559,888	559,888	618,504	124%	627,604	11%	638,449	2%	648,134	2%	657,518	2%
OTHER EXPENSES:				229,241		227,084	-1%	231,626	2%	236,258	2%	240,983	2%
COURSE & GROUNDS				31,692		29,851	-1%	30,448	2%	31,057	2%	31,678	2%
CARTS, RANGE, STARTERS, ETC.				761		702	-8%	716	2%	730	2%	745	2%
GOLF SHOP				10,383		16,497	158%	16,827	2%	17,163	2%	17,507	2%
FOOD & BEVERAGE				4,757		10,785	227%	11,001	2%	11,221	2%	11,445	2%
MARKETING				77,531		68,064	-12%	69,043	1%	70,814	2%	72,230	2%
GENERAL & ADMINISTRATIVE				354,365	-47%	352,983	-0%	360,043	2%	367,244	2%	374,588	2%
TOTAL OPERATING EXPENSES	632,979	672,886	672,504	718,116	-47%	715,067	-0%	720,086	2%	731,336	2%	743,101	2%
TOTAL EXPENSES	796,508	814,981	814,599	847,084	-17%	844,691	-3%	859,571	2%	873,372	2%	882,601	1%
EBITDA	(202,667)	(269,755)	(293,526)	(260,116)	58%	(113,731)	7%	(97,811)	14%	(83,642)	14%	(72,087)	14%
Management Fee				40,871		43,260	6%	44,558	3%	45,895	3%	47,271	3%
NET OPERATING INCOME	(202,667)	(269,755)	(293,526)	(219,245)	58%	(156,991)	4%	(142,368)	9%	(129,537)	9%	(119,358)	8%
Rounds	27,095	25,500	24,300	25,788	6%	26,946	4%	28,000	4%	29,000	4%	29,650	2%
Average Green & Cart Fee	\$21.15	\$20.51	\$20.62	\$18.85	-9%	\$19.28	2%	\$19.35	0%	\$19.45	1%	\$19.55	1%
Food & Beverage Revenue per Round	\$0.00	\$0.00	\$0.00	\$2.48	36%	\$2.60	5%	\$2.63	1%	\$2.66	1%	\$2.69	1%
Merchandise Revenue per Round	\$0.81	\$0.55	\$0.45	\$0.55	36%	\$0.60	9%	\$0.63	5%	\$0.66	5%	\$0.69	5%
Range Revenue per Round	\$0.99	\$0.94	\$0.82	\$0.85	3%	\$0.87	2%	\$0.91	5%	\$0.95	4%	\$0.99	4%