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OFFICE OF THE CITY CLERK  
OAKLAND

**CITY OF OAKLAND**  
**AGENDA REPORT**

2010 FEB 25 PM 2: 15

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Office of Parks and Recreation  
DATE: March 9, 2010

RE: **INFORMATIONAL REPORT FROM THE OFFICE OF PARKS AND RECREATION ON THE EXPENSES AND REVENUES (BOTH CITY AND CONCESSIONAIRE'S) ASSOCIATED WITH ALL CITY GOLF COURSES**

**SUMMARY**

At the February 4, 2010 Rules & Legislation Committee meeting, Councilmember De La Fuente's Office requested that the Office of Parks and Recreation (OPR) staff provide information regarding the revenues and expenses (City and Concessionaire's) associated with all City's golf courses and the current state of the Golf Enterprise Fund 3200 (GEF). This report will provide the overall fiscal impact of golf, the background and history regarding the City of Oakland golf courses and a brief overview of each course's operations, revenues and expenses.

**FISCAL IMPACT**

A. Revenues and Expenditures by Golf Course

The three municipal golf courses vary significantly in their operations and how their agreements with the City are written. In addition, the amenities at the golf courses vary substantially. These factors impact potential revenue and expenses and the contribution to the Golf Enterprise Fund. The tables below exhibit all revenues and detailed expenses of the three citywide golf courses.

<b>Fiscal Year 2008-09 Revenue</b>							
	Green Fees	Cart Fees	Practice Range	Merchandise Sales	Food and Beverage	Lessons / Other	Total Revenue
Lake Chabot	1,174,896	350,004	36,136	99,791	209,666	10,484	1,880,977
Metropolitan	1,805,540	411,685	313,377	210,546	227,353	105,122	3,073,623
Montclair	24,415	-	247,497	245,510	409,994	55,145	982,561

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**Fiscal Year 2008-09 Expenditures**

	Cost of Food, Bev & Merchandise	Salaries and Benefits	Operating Expenses	Rent	CIP Cont	Interest Expense Loan	Capital Expense	Total Expense	Net Gain/Loss
Lake Chabot	163,609	840,881	550,111	-	-	-	135,104	1,689,705	191,272
Metropolitan	226,838	869,295	878,771	243,853	125,436	393,852	496,782	3,234,827	(161,204)
Montclair	388,609	271,461	337,229	19,395			48,315	1,065,009	(82,448)

The three courses under the Office of Parks and Recreation jurisdiction do not directly impact the General Purpose Fund although the courses may require subsidy if they experience operating losses (as two out of three courses do). Occasionally, the City’s golf courses provide funds to subsidize the GPF and other City funds (see section “B” below). The courses produce revenue from fees generated at the course and through rent collected by the City. Revenue generated is to pay for current and future improvement projects, purchasing of equipment and maintaining the courses at their current level.

**B. Transfers to City’s Funds**

In FY 2008-09, the Golf Enterprise Fund provided a one-time transfer of \$500,000 to the city’s capital improvement fund and an additional one-time transfer of \$100,000 to the General Purpose Fund (GPF). At the February 16, 2010 meeting, the City Council approved additional transfers from the GEF to the GPF of \$100,000 in FY 2009-10 and \$200,000 in FY 2010-11. The total transfers to date are \$900,000. The FY 2009-11 revenue transfers from the GEF to the GPF will come from 50 percent of Lake Chabot Golf Course net profits, and 50 percent from the rent collected at Montclair Golf Course (Montclair) and Metropolitan Golf Links (Metro) combined.

The current cash balance in the GEF (as of December 31, 2009) is \$2.54 million. The FY 2009-10 approved spending appropriation is \$2.04 million. The unallocated estimated available fund balance is roughly \$500,000, of which \$300,000 will be transferred per the amended budget approved by City Council on February 16, 2010. The remaining unallocated funding balance of \$200,000 is set aside for unexpected general maintenance, permits, irrigation and drainage, eroding pipes, equipment and unforeseen future liabilities at the three facilities. Any further reductions to the GEF may risk reducing future revenue potential, increase the City’s liability and cause a decrease in the overall golfing experience at the golf courses.

**BACKGROUND**

**a. Overview**

Concession agreements with Montclair and Metro provide the City with no financial risk. Generally concessionaires provide all improvements to the golf course and assume all risk. However, these particular golf courses have not been profitable in years past. The City’s management agreement with Touchtone Golf at Lake Chabot, does not mandate Touchtone to provide funding for major infrastructure improvements, it is the responsibility of the City; these funds come directly from the GEF. As a result, Lake Chabot Golf course is a profitable course that makes money for the city golf enterprise fund but lacks capital improvements.

Course amenities are unique; and each course has its own character and specialty. For example, Metro has a banquet room that seats 200 guests, a wedding gazebo, a practice course paid for by UC Berkley which is available to youth to develop their game. Metro is ranked a 4.5 star course which attract many non-residents to the City to play the course maintained by an individual who received the high honor of Northern California Superintendent of the year. Lake Chabot sits on 170 acres of open space, with rolling hills with a rare par six 18<sup>th</sup> hole. This course also has sweeping views of the city and Lake Chabot. Due to the improvements, the rounds of golf played at Lake Chabot increased 25 percent and the course was awarded the “Best of Oakland 2009 Public Golf Course”. Montclair is designed to be an affordable pitch and putt 9-hole course for beginner golfers. This course is also known for a festive and enjoyable clubhouse that is heavily utilized by the community. This course can be easily transformed into a training center for youth and adults and a 9-hole course for the local residents to enjoy. The graph below provides a summary of the course offerings at the three Municipal golf courses:

Course Amenities				
	18-Hole	9-Hole	Full Practice Range	Half Practice Range
Lake Chabot	√	√		√
Metropolitan	√		√	
Montclair		√	√	

**b. Metropolitan Golf Course**

The course (formerly The Lew F, Galbraith Golf Course) is an 18-hole course constructed in 1966 on Port property adjacent to the Oakland International Airport, over a clay covered landfill. The golf facility was leased to the City of Oakland and operated by the City under the jurisdiction of OPR for many years before it was subleased by a private operator. In 1994, the

Port needed to utilize the golf course property to dispose of dredged material from the deepening of Oakland shipping channels. The golf course was closed in 1994 so that the dredged material could be placed on the site, and the course remained closed for almost 10 years until the new Metro construction was complete.

As part of a Request for Proposal (RFP) process and after substantial negotiations, Oakland Golf, LLC (a Limited Liability Company formed by Northern California golf course operator Course Co, Inc.,) was selected to design, develop, construct and operate Metro pursuant to the terms and conditions of a Sublease and Operating Agreement (Concessionaire Agreement). Approximately \$14 million was invested into renovating and improving the course: \$9.5 million from Oakland Golf, and an additional \$4.5 million from the Port and City. The Sublease with Oakland Golf was negotiated from 1999-2001, and was executed in August 2001. The course opened for play in April, 2003 and the term of the Sublease is 25 years, with three five year extensions at the option of Oakland Golf Course Co, Inc.

Unfortunately, Oakland Golf, LLC overstated the number of golf rounds that would be played at the Metro. Their contract was based on the prediction that golf rounds would grow to 70,000 rounds annually within the first five years. In fact, the number of rounds played annually at Metro has only grown to 56,000 rounds, and is not expected to grow significantly in the next three years.

Per the concessionaire agreement, the City collects rent from Metropolitan Golf Course:

Annual Rent = \$539,520 for FY09-10  
City's Share (50%) = \$269,760 (Golf Fund)

If Rent Relief Period is extended by the City, Annual Rent = \$269,760  
City's Share (50%) = \$134,880 (Golf Fund)

The rent reduction will be discussed at the March 16, 2010 City Council meeting. The rent relief was effective in fiscal year 2008-09. If the rent relief is not passed by Council, Oakland Golf LLC would have make reductions in staffing of maintenance personnel at the course which would significantly reduce the current level of maintenance. As part of the negotiations for the rent relief Metro is required to aside 4 percent of total revenue for the Capital Improvement Project (CIP) fund that is held in a separate trust account. The funds that are in the trust account can only be used as approved by the Port of Oakland for Capital Improvement Projects at the golf course. In addition, the Office of Parks & Recreation has the ability to coordinate the use of Metro banquet facilities 12 times per year for events and host two (2) tournament at Metropolitan Golf Course. The intent of this usage is to generate additional revenue for the City and as an offset to the reduced rent to the GEF.

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**c. Lake Chabot Golf Course**

Lake Chabot Golf Course is an 18-hole and a 9-hole course that operated under a concession agreement for a period of 20 years prior to Touchtone Golf taking over in 2007. Prior to the new concessionaire the course was in need of major upgrades and regular maintenance. The course failed to meet the basic expectations of golfers, which resulted in a loss of rounds and revenue. Under the new management agreement the course has been profitable as discussed below.

OPR reviewed the 1999 CIP report indicating an estimated minimum investment of \$3-4 million would be needed to make the course playable. However the report noted that the planned improvement would not be adequate to justify a fee increase to become financially viable. It was recommended to the City in the report to invest \$10 million to produce a positive return on the investment; which was done for much less per the advice of the new management company.

In 2004, the prior concessionaire requested that the City invest in a phased improvement plan costing an estimated \$8-10 million. The City failed to approve the request, and the course fell to a state of neglect and disrepair. At the end of the concessionaires' agreement, OPR determined that the appropriate course of action was to close the course during the unprofitable winter season so that appropriate attention could be given to improving the golf course. Council approved an appropriation of \$5.0 million which enabled the course to undergo major repairs, which included a remodel of the clubhouse to include paint, carpet and floor replacement. The golf course was fertilized and re-seeded, piles of debris that had built up over seven years were removed, irrigation repaired, the cart barn was constructed, and as mandated by the State, the City replaced the antiquated gas golf carts with new electric carts. In addition, the most hazardous cart paths were repaved. Currently numerous other projects are in progress.

As part of a Request for Proposal (RFP) process, Touchtone Golf, LLC was selected to manage and operate Lake Chabot Golf Course pursuant to the terms and conditions of an Operating Agreement (Management Agreement). The agreement with Touchtone Golf was executed on May 1, 2007 and was completed on July 30, 2009; the City exercised the two year extension to Touchtone to manage the course until June 30, 2011.

After completing many capital improvement projects Lake Chabot Golf Course has been very successful in increasing its revenue and continues to have increases in net profit which contributes to the GEF. Lake Chabot operated FY 2008-09 with net profit of \$191,000 and is expected to increase green fees by 10 percent in FY 2009-10. With future improvement and continued growth, Lake Chabot could possible have a profit of over \$700,000 - \$1.0 million annually if the approved capital improvement projects are completed; these projects include a new practice range, upgraded irrigation and drainage systems, upgraded cart paths and other capital improvement projects.

#### **d. Montclair Golf Course**

The Montclair Golf Course is a 9-hole (pitch and putt) course. As a result of a comprehensive process, through a Request for Proposals (RFP), Montclair Golf Enterprise, Inc. was selected to manage and operate Montclair Golf Course, the terms and conditions are spelled out in a Master Concession Agreement executed in June 1997, and the term of the sublease was 25 years. As of today, the course is in need of upgrades. In 1999 the City completed a capital improvement project to repair damage to the course due to landslides.

In 2003, the original agreement at Montclair was amended and extended for an additional 5 years in exchange for modifying the monthly rent. The concessionaire was required to install new fire hydrants, parking lot retaining wall, driving range netting, range deck replacement, driving range re-grading; performed pro-shop and restaurant expansion and renovation; install signage and lighting; and provide a drainage system to comply with the increased maintenance standards in exchange for modifying the monthly rent and extending the agreement terms. Per the agreement, the first 10 years (FY 2003-2013) the rent is discounted and the City is due rent in the amount of only \$1,500 monthly or \$18,000 annually. After the 10 years the rent reverts back to the original \$60,000 minimum annual rent payment. In review of the Montclair Golf Course financials, OPR has determined that the concessionaire collected \$1 million in gross revenues for fiscal year 2008.

OPR has been in discussions with Montclair on a number of compliance issues as it relates to the living wage ordinance provision in the contract, and maintenance standards. It is OPR's recommendation that the City invests in the course upgrades and reevaluate the current agreement to comply with the City's contract and compliance regulations providing the opportunity to increase the contribution to the City's GEF.

#### **DISCUSSION**

In prior years the City had experienced hardships with the golf courses in terms of revenue, maintenance and oversight at Montclair, Metro (formerly known as Lew F. Galbraith) and Lake Chabot; as a result the GEF had a negative balance of (\$709,607) representing years 1991-1999. This deficit did not include an additional \$432,000 spent on repairing the landslide at Montclair and \$1.25 million spent on sewer and gas lines and stream mitigation at Lake Chabot Golf Course infrastructure. In 1999 the golf fund had a deficit of \$2.3 million.

In June of 1999 the city administration recognized the problem and set forth a plan to renovate Metro and Lake Chabot Golf courses. In addition, the vision included upgrading the nine (9) hole short course, practice range and clubhouse at Montclair. The plan was set to encourage residents

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to play Oakland and to maximize the golfing experience with the expectation of generating revenue for the GEF and to ensure that the public would not have to subsidize golf nor allow the courses to fall to a state of disrepair as it had in the past.

The intent of the City was to use a \$5 million compensatory payment due to the City from the Port of Oakland as part of the 1994 closure of the Galbraith Course by the Port. The City allocated \$2.5 million for the improvement of each course, Galbraith and Lake Chabot Golf. This investment was to yield \$30 million over the course of 20 years between both courses.

In 2004 the concessionaire/management at Lake Chabot Golf Course requested that the City invest in a phased plan costing an estimated \$8-10 million. However the City failed to complete the appropriate repairs and the course fell to a state of neglect and disrepair. At the end of the concessionaires' agreement OPR determined that the appropriate strategy was to close the course during the unprofitable winter season, so that necessary attention could be given to improving the golf course and facility. Council approved appropriations from the Port of Oakland, which enabled the course to undergo major repairs. The course reopened for play in April of 2005. This course was the only course that recorded a net profit for FY 2008-09.

In 2006 Metropolitan Golf Course was impacted by an unanticipated sharp downturn in the Bay Area golf market due to the expansion of golf supply in the Bay Area, a weakened economy and the unanticipated reduction in golf demand due to changing consumer recreational preferences. As a result, the financial burden of the major capital investment at Metro had undermined the economic viability of the course operators (Oakland Golf LLC) investment; thus causing a net loss for Oakland Golf and a request for rent relief for FY 2009-10.

In 2008 Council voted to amend the Sublease and Operating Agreement with Oakland Golf per resolution No. 81274 C.M.S. approving Oakland Golf LLC for a 12 month rent relief period with rent to be reduced to 50 percent of the minimum rent otherwise payable pursuant to Section 6(a) of the Sublease (the "Relief Minimum Rent"). The original rent reduction request was for five years and OPR was directed by Council to report every year for a possible cash or revenue windfall that would void the rent relief. The intent of the rent relief is to provide assistances to Oakland Golf LLC so that it can maintain the current maintenance and course standard to the level of a 4.5 star course.

In the past three years the golf industry has not experienced positive or significant increase in participants that would support the increase in new golfers. In fact, many golf courses in Northern California have closed and have been placed on the auction block. Nationally, there has been a 4.5 percent drop in sales in the golf industry; adding to this downturn is the 17 percent unemployment rate in the City of Oakland, per the Community Economic Development website. The high unemployment rate has negatively impacted the disposable income for residents.

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Montclair Golf course has experienced difficulties due to the numerous improvements that are needed. Montclair Golf course does not have a full 18-hole course which limits the users to only practicing their short game on the 9-hole (pitch and putt) and working at the driving range. These factors have affected Montclair's profitability.

### **SUSTAINABLE OPPORTUNITIES**

Economic: City Golf Courses creates sales tax revenue through green fees, cart rental, food and beverage purchases and by drawing visitors to Oakland who might also make purchases at other nearby businesses.

Environmental: Metropolitan Golf Link is a certified Audubon International fully-certified Cooperative Sanctuary. In addition the golf courses in Oakland are efficient users of water; they all use recycled water and wells. The properties sit on hundreds of acres of open space and natural habitat that provides for a wild life sanctuary.

Social Equity: The City golf courses are an important recreational resource for Oakland residents providing an affordable, accessible and available place for Oaklanders to play golf and thereby create a benefit to local residents. In addition the golf courses serve as employment opportunities for local youth and residents. The Office of Parks & Recreation intends to continue building its existing Junior Golf programs which introduces inner-city youth to the sport of golf.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

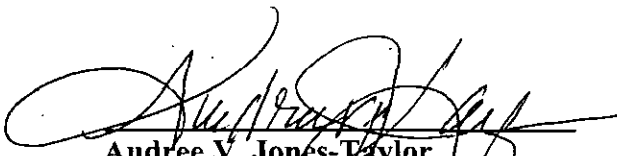
Any improvements to the golf courses would conform to the requirements of the Americans with Disabilities Act, the Older American Act, and other applicable laws.



**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council accept this informational report.

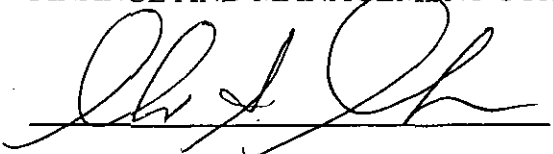
Respectfully submitted,



**Audree V. Jones-Taylor**  
Director, Office of Parks & Recreation

Prepared by:  
Jason Mitchell, Admin & Fiscal Manager

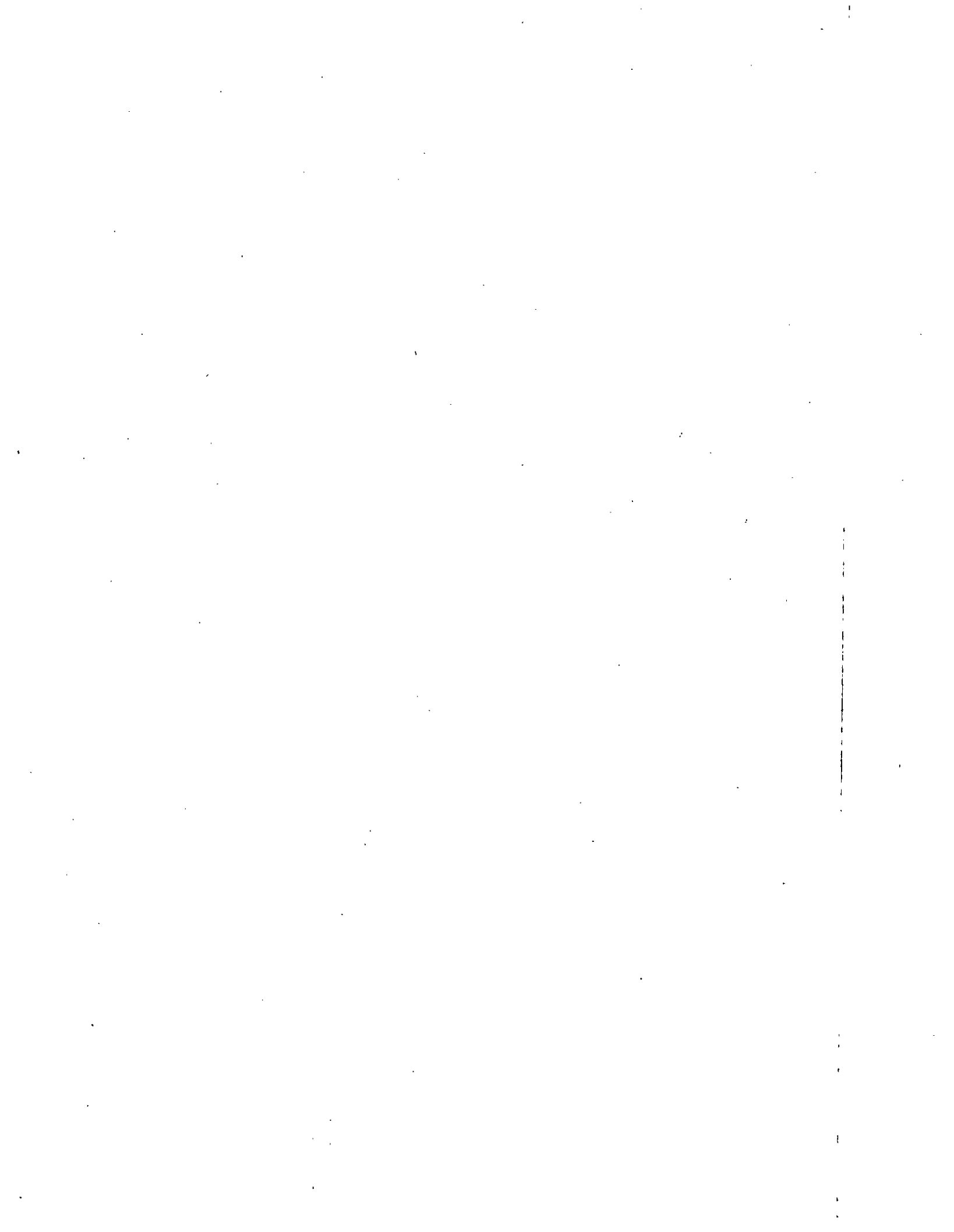
APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMMITTEE:



**OFFICE OF THE CITY ADMINISTRATOR**

Attachments:

- A. Metropolitan Golf Links Financial Summary
- B. Lake Chabot Golf Financial Summary
- C. Montclair Golf Financial Summary
- D. Golf Rate Caparison



## ATTACHMENT A

**Metropolitan Golf Links  
Financial Summary**

	2005	2006	2007	2008	2009
	Actual	Actual	Actual	Actual	Latest Estimate
Rounds	54,197	56,042	57,001	59,061	55,400
Revenue					
Green Fees	\$2,029,995	\$1,965,940	\$1,901,951	\$1,805,540	\$1,715,851
Cart Fees	\$273,147	\$381,680	\$455,714	\$411,685	\$385,648
Driving Range	\$288,301	\$282,263	\$323,884	\$313,377	\$309,202
Merchandise	\$225,903	\$230,372	\$222,992	\$210,546	\$167,136
Lessons/Other Revenue	\$113,907	\$106,207	\$104,038	\$105,122	\$102,459
Food & Beverage (Profit Contribution)	\$78,324	\$76,839	\$111,066	\$227,353	\$198,223
Total Revenue	\$3,009,577	\$3,043,301	\$3,119,645	\$3,073,623	\$2,878,519
Cost of Goods Sold	\$217,285	\$234,121	\$256,489	\$226,838	\$186,164
Net Revenue	\$2,792,292	\$2,809,180	\$2,863,156	\$2,846,785	\$2,692,355
Expenses					
Personnel Costs (Salary, Taxes, Benefits)	\$948,072	\$942,119	\$800,995	\$869,295	\$844,003
Operating Expenses	\$1,017,353	\$1,065,719	\$903,629	\$878,771	\$847,505
Rent	\$339,614	\$428,255	\$458,833	\$338,649	\$267,492
Well Water Credit/Equipment Credits	\$0	\$0	(\$186,437)	(\$94,796)	\$0
CIP Contribution	\$54,107	\$76,825	\$144,985	\$125,436	\$123,635
Interest Expense (Loan)	\$439,009	\$448,304	\$431,402	\$393,852	\$385,613
Depreciation & Amortization	\$759,155	\$638,158	\$577,962	\$508,875	\$418,708
Other Income & Expenses	(\$183)	(\$48,154)	(\$8,345)	(\$12,093)	(\$11,101)
Total Expenses	\$3,557,127	\$3,551,226	\$3,123,024	\$3,007,989	\$2,875,855
Net Operating Income (PROFIT/LOSS)	(\$764,835)	(\$742,046)	(\$259,868)	(\$161,204)	(\$183,500)

ATTACHMENT B

LAKE CHABOT GOLF COURSE  
 CONSOLIDATED  
 INCOME STATEMENT  
 June 30, 2009

DESCRIPTION	CUR MONTH ACTUAL	CUR MONTH ACTUAL %	CUR MONTH BUDGET	CUR MONTH BUDGET %	PRV MONTH ACTUAL	CUR MONTH PRV YEAR ACTUAL	YTD CUR YEAR ACTUAL	YTD CUR YEAR BUDGET	YTD PRV YEAR ACTUAL
<b>INCOME</b>									
Green Fees	\$ 119,453.50	54.02	\$ 128,937.00	54.33	\$ 109,738.45	\$ 109,875.50	\$ 1,074,491.10	\$ 1,007,792.00	\$ 945,134.85
Tournament Fees	14,834.00	6.71	20,400.00	8.60	20,424.00	5,770.00	100,405.00	108,356.00	66,996.10
Member Dues & Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cart & Trail Fees	41,221.00	18.64	45,196.00	19.04	37,529.00	38,138.00	350,004.10	341,468.00	313,923.00
Practice Range Sales	4,170.00	1.89	4,000.00	1.69	4,005.00	4,364.00	36,136.00	33,300.00	33,610.62
Merchandise Sales	11,307.28	5.11	13,500.00	5.69	13,068.22	10,968.90	99,791.11	104,000.00	80,554.63
Other Golf Revenue	1,566.00	0.71	2,100.00	0.88	1,566.00	888.00	10,217.00	12,690.00	7,267.89
Food & Beverage Sales	28,448.16	12.87	22,920.00	9.66	22,246.88	25,906.09	209,666.07	193,942.00	192,076.46
Alcohol Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tobacco Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Food & Beverage Revenue	122.93	0.06	270.00	0.11	315.04	0.00	266.64	1,719.00	0.00
Other Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL INCOME</b>	<b>221,122.87</b>	<b>100.00</b>	<b>237,323.00</b>	<b>100.00</b>	<b>208,892.59</b>	<b>195,910.49</b>	<b>1,880,977.02</b>	<b>1,803,267.00</b>	<b>1,639,563.55</b>
<b>COST OF SALES</b>									
Food & Bev Cost of Sales	12,014.13	42.23	7,564.00	33.00	9,223.32	9,796.67	94,774.61	64,000.00	70,183.36
Alcohol Cost of Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tobacco Cost of Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Merchandise Cost of Sales	6,949.63	61.46	9,215.00	68.26	9,220.98	7,937.22	68,834.59	71,032.00	51,722.77
<b>TOTAL COST OF SALES</b>	<b>18,963.76</b>	<b>8.58</b>	<b>16,779.00</b>	<b>7.07</b>	<b>18,444.30</b>	<b>17,733.89</b>	<b>163,609.20</b>	<b>135,032.00</b>	<b>121,906.13</b>
<b>GROSS PROFIT</b>	<b>202,159.11</b>	<b>91.42</b>	<b>220,544.00</b>	<b>92.93</b>	<b>190,448.29</b>	<b>178,176.60</b>	<b>1,717,367.82</b>	<b>1,668,235.00</b>	<b>1,517,657.42</b>
<b>PAYROLL</b>									
Maintenance Payroll	27,918.05	12.63	32,981.00	13.90	27,982.91	27,525.11	323,924.28	373,539.00	334,440.45
Golf Payroll	7,435.71	3.36	9,608.00	4.05	7,626.13	10,555.57	77,166.55	87,522.00	79,741.76
Learning Center Payroll	3,919.17	1.77	3,175.00	1.34	4,136.22	3,557.58	42,594.26	38,100.00	9,253.48
Cart Payroll	12,408.12	5.61	7,775.00	3.28	11,010.35	8,893.08	103,667.91	78,963.00	66,411.17
Range Payroll	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Food & Beverage Payroll	14,208.75	6.43	13,206.00	6.41	12,547.62	13,053.13	133,593.61	149,125.00	122,641.48
Clubhouse Payroll	4,455.38	2.01	4,365.00	1.84	4,632.38	6,974.45	50,829.26	44,564.00	49,145.60
Marketing Payroll	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General & Admin Payroll	9,618.13	4.35	8,286.00	3.49	8,760.51	11,201.11	109,105.30	104,923.00	112,296.27
<b>TOTAL PAYROLL</b>	<b>79,963.31</b>	<b>36.16</b>	<b>81,396.00</b>	<b>34.30</b>	<b>76,696.12</b>	<b>81,760.03</b>	<b>840,881.17</b>	<b>876,736.00</b>	<b>773,930.21</b>

ATTACHMENT B

DESCRIPTION	CUR MONTH ACTUAL	CUR MONTH ACTUAL %	CUR MONTH BUDGET	CUR MONTH BUDGET %	PRV MONTH ACTUAL	CUR MONTH PRV YEAR ACTUAL	YTD CUR YEAR ACTUAL	YTD CUR YEAR BUDGET	YTD PRV YEAR ACTUAL
<b>EXPENSES</b>									
Maintenance Expenses	15,718.47	7.11	33,179.00	13.98	32,679.16	35,687.60	229,803.05	324,396.00	312,627.00
Golf Expenses	0.00	0.00	300.00	0.13	159.74	1,990.35	11,203.84	7,625.00	3,725.91
Learning Center Expenses	0.00	0.00	400.00	0.17	0.00	0.00	210.00	1,750.00	0.00
Cart Expenses	3,522.46	1.59	1,430.00	0.60	1,144.68	3,502.27	42,108.74	58,110.00	84,804.24
Range Expenses	0.00	0.00	0.00	0.00	5,290.98	343.41	7,167.59	3,050.00	1,863.81
Food & Beverage Expenses	1,816.08	0.82	1,608.00	0.68	2,324.63	1,208.83	19,148.11	22,329.00	18,667.73
Clubhouse Expenses	5,274.68	2.39	5,225.00	2.20	5,308.50	7,529.29	57,576.20	49,296.00	49,941.57
<b>TOTAL EXPENSES</b>	<b>26,331.69</b>	<b>11.91</b>	<b>42,142.00</b>	<b>17.76</b>	<b>46,907.69</b>	<b>50,261.75</b>	<b>367,217.53</b>	<b>466,556.00</b>	<b>471,630.26</b>
<b>OTHER EXPENSES</b>									
Marketing Expenses	3,570.38	1.61	3,625.00	1.53	2,818.14	1,376.52	31,835.38	35,310.00	23,616.89
General & Administrative Expn	11,801.46	5.34	14,024.00	5.91	14,611.20	13,121.89	149,613.77	150,508.00	150,086.82
Lease Payments	0.00	0.00	0.00	0.00	0.00	0.00	1,443.90	8,160.00	6,288.14
<b>TOTAL OTHER EXPENSES</b>	<b>15,371.84</b>	<b>6.95</b>	<b>17,649.00</b>	<b>7.44</b>	<b>17,429.34</b>	<b>14,498.41</b>	<b>182,893.05</b>	<b>193,978.00</b>	<b>179,991.85</b>
<b>TOTAL ALL EXPENSES</b>	<b>121,666.84</b>	<b>55.02</b>	<b>141,187.00</b>	<b>59.49</b>	<b>141,033.15</b>	<b>146,520.19</b>	<b>1,390,991.75</b>	<b>1,537,270.00</b>	<b>1,425,552.32</b>
<b>NET EARNINGS FROM OPERATIONS (EBIT)</b>	<b>80,492.27</b>	<b>36.40</b>	<b>79,357.00</b>	<b>33.44</b>	<b>49,415.14</b>	<b>31,656.41</b>	<b>326,376.07</b>	<b>130,965.00</b>	<b>92,105.10</b>
<b>PRINCIPAL &amp; INTEREST</b>									
Principal Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-Term Cap Lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL PRINCIPAL &amp; INTEREST</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>AMORTIZATION &amp; DEPRECIATION</b>									
<b>TOTAL AMORTIZATION &amp; DEPRECIATION</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>NET EARNINGS</b>	<b>\$ 80,492.27</b>	<b>36.40</b>	<b>\$ 79,357.00</b>	<b>33.44</b>	<b>\$ 49,415.14</b>	<b>\$ 31,656.41</b>	<b>\$ 326,376.07</b>	<b>\$ 130,965.00</b>	<b>\$ 92,105.10</b>
<b>CAPITAL EXPENDITURES</b>									
Fixed Assets	10,804.73	4.89	0.00	0.00	(75.81)	2,543.62	99,025.74	82,108.00	38,131.52
Cap Improv In Progress	2,873.00	1.30	0.00	0.00	15,429.05	5,799.94	36,077.98	13,707.00	88,361.04
<b>CAPITAL EXPENDITURES TOTAL</b>	<b>13,677.73</b>	<b>6.19</b>	<b>0.00</b>	<b>0.00</b>	<b>15,353.24</b>	<b>8,343.56</b>	<b>135,103.72</b>	<b>95,815.00</b>	<b>126,492.56</b>
<b>NET EARNINGS (LESS CAPITAL EXPENDITURES)</b>	<b>\$ 66,814.54</b>	<b>30.22</b>	<b>\$ 79,357.00</b>	<b>33.44</b>	<b>\$ 34,061.90</b>	<b>\$ 23,312.85</b>	<b>\$ 191,272.35</b>	<b>\$ 35,150.00</b>	<b>(\$ 34,387.46)</b>

**MONTCLAIR GOLF ENTERPRISES, INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>REVENUE</b>		
Sales	\$ 982,561	\$ 1,075,977
<b>COST OF REVENUE</b>		
Beginning inventory	52,898	67,548
Purchases	367,686	423,818
Instructors	20,018	15,348
Ending inventory	(51,993)	(52,899)
Total cost of revenue	<u>388,609</u>	<u>453,815</u>
<b>GROSS PROFIT</b>	<u>593,952</u>	<u>622,162</u>
<b>EXPENSES</b>		
Salaries and wages	226,785	226,982
Rent	19,395	18,000
Repairs and maintenance	7,701	16,094
Shop supplies	1,602	3,155
Utilities	44,292	42,678
Taxes	26,583	27,930
Insurance	35,931	40,585
Merchant discounts	15,361	17,403
Interest	118,074	100,328
Contributions	5,000	6,700
Employee benefits	44,479	45,652
Depreciation and amortization	48,315	42,812
Advertising	6,074	(340)
Professional services	19,123	7,623
Telephone	6,913	5,303
Returned checks	713	1,591
Office supplies	3,316	1,988
Equipment rental	6,144	2,457
Bank charges	3,309	1,844
Delivery and freight	7,162	8,042
Credit card finance charges	20,004	-

*See accompanying notes and accountants' report*

MONTCLAIR GOLF ENTERPRISES, INC.  
 STATEMENT OF INCOME AND RETAINED EARNINGS (continued)  
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>EXPENSES (continued)</b>		
Security	\$ 655	\$ 600
Fines and penalties	967	154
Licenses and permits	2,274	1,975
Laundry and uniform service	951	70
Dues and subscriptions	2,617	842
Auto and truck	2,660	1,466
Total Expenses	<u>676,400</u>	<u>621,934</u>
<b>INCOME FROM OPERATIONS</b>	<u>(82,448)</u>	<u>228</u>
<b>INTEREST INCOME</b>	<u>3</u>	<u>8</u>
<b>NET (LOSS) INCOME</b>	(82,445)	236
<b>BEGINNING RETAINED EARNINGS</b>	<u>(168,327)</u>	<u>(168,563)</u>
<b>ENDING RETAINED EARNINGS</b>	<u>\$ (250,772)</u>	<u>\$ (168,327)</u>

*See accompanying notes and accountants' report*

