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METRO

Agenda

MEETING:	METRO COUNCIL WORK SESSION
DATE:	May 5, 2009
DAY:	Tuesday
TIME:	1:00 p.m.
PLACE:	Metro Council Chamber

CALL TO ORDER AND ROLL CALL

1:00 PM	**1.**	**DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, MAY 7, 2009/ADMINISTRATIVE/CHIEF OPERATING OFFICER COMMUNICATIONS**	
1:15 PM	**2.**	**BLUE LAKE NATURE AND GOLF LEARNING CENTER**	Neill
2:15 PM	**3.**	**EXECUTIVE SESSION**	
3:20 PM	**4.**	**COUNCIL BRIEFINGS/COMMUNICATION**	

ADJOURN

METRO COUNCIL

Work Session Worksheet

Presentation Date: 5/4/09 Time: 2:00 Length: 60 min.

Presentation Title: Blue Lake Nature and Golf Learning Center Project

Department: Parks and Environmental Services

Presenters: Teri Dresler, Jeff Tucker, Lydia Neill

ISSUE & BACKGROUND

Blue Lake was acquired from Multnomah County in 1994 and currently operates at over $350,000 annual deficit. A master plan and Economic Feasibility Study were conducted in 2001 to determine which type of improvements to the park would provide the best revenue potential while maintaining the nature of the park. This study indicated that golf was the most suitable for the site. As a result conceptual designs for a nine-hole golf leaning center, a golf/operation center and a new Lake House event center have been completed based on "Integrating Habitats" design objectives.

Based on these objectives in July 2008 Council authorized staff to proceed with the project and complete the design and engineering for the structures, golf course and park improvements but to return with a formal financing package to complete construction. These design concepts were incorporated into a request for proposals to contract for professional services to prepare the project for permit submittal and a public bid. Staff has completed the selection process and is prepared to award the project to Waterleaf Architects. They have assembled a full service team of architects, engineers, landscape architects and specialty consultants to address all of the project design elements.

Since the time that the Council had authorized staff to proceed with this development project the economic climate has changed considerably. The anticipated cost of this project is approximately $11.5 million. Financing for the project would come from debt financing, general fund contributions, grants/sponsors and a reserve fund provided to Metro by Multnomah County. Staff has assessed the local and national market conditions for golf and event type business and has explored options that allow the Council to proceed at a measured pace through the project. Council will have the ability to halt or delay the project up to the point where construction begins.

OPTIONS AVAILABLE

1. Instruct staff to move forward with legislation to authorize the finance plan, external fund raising efforts and begin the design and engineering for the original project scope (9 hole golf course, Lake House, driving range, pitch–n-putt, golf/operations building).
2. Move forward with a defined portion of the project or proceed to a designated stopping point in the design and engineering.
3. Terminate the project and continue current operations at Blue Lake Park.

IMPLICATIONS AND SUGGESTIONS

1. Current market conditions have presented both opportunities and increased risks to this project.

   Short term risks include:
   - Decreased revenue projections which may delay break even for the project,
   - Opportunity costs of committing Metro funds to design and engineering costs,
   - Further general fund obligations if the project revenues do not support the debt service and
   - Uncertain bond market.

   Opportunities include:
   - Ability to demonstrate integrating habitat principals and sustainable building practices,
   - Ability to take advantage of favorable bidding market,
   - Opportunity to address operating shortfalls at Blue Lake Park, and
   - Ability to upgrade an older facility that is in need of maintenance.

QUESTION(S) PRESENTED FOR CONSIDERATION

1. Does the Council support commitment to a short-term internal/long-term financing plan and risk its general fund resources for future debt service payments for this project?
2. Should staff enter into a contract with Waterleaf Architects for the design and engineering for this project?

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION _X_Yes __No
DRAFT IS ATTACHED ___Yes _X__No

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Metro | Memo

Date: April 27, 2009

To: David Bragdon, Council President

From: Teri Dresler, Parks and Environmental Services Program Director

Re: Financing of the Blue Lake Nature and Golf Learning Center Project

Project Background:

The Blue Lake Nature and Golf Learning Center project is an exciting project that combines park upgrades for an older park, nature and neighborhood, leading edge sustainability concepts and development of enterprise opportunity. The three guiding principles of the project have not changed since Council authorized staff to proceed with design and engineering for the project; these principals are environmental stewardship, financial stability and community enhancement.

A number of financial and feasibility studies assessing the viability of the golf course concept and Lake House replacement have been completed. A schematic design for the golf course, concepts and cost estimates for the Lake House and the golf operations structures have been completed. An archeological assessment of the potential disturbance area will be underway shortly. The pro forma assumptions for the golf course and Lake house operations have been re-evaluated based on current economic conditions. Metro's financial advisor has reviewed potential financing options for the project as well.

Discussion Items:

- Economic conditions have changed markedly since Council authorized staff to proceed with design and engineering in July of 2008 – Rise in unemployment, very competitive bidding climate, material price fluctuations etc.
- Staff has completed the request for proposals selection process for design and engineering and costs are slightly higher than originally estimated – scope of services is currently $1.6 million. $750,000 is available to begin this work.
- Financing the project initially by borrowing internally and later through the issue of bonds does present some general fund risk.

Information attached for review and discussion:

- Discussion Summary- Financial review
- Financial *Pro Forma* Addendum: Likely Worst Case
- Draft Pro Forma Review and Analysis, prepared by HVS Golf Services
- Debt Service Analysis, prepared by Carol Samuels and Javier Fernandez
- Financial *Pro Forma* Summary Information, June 26, 2008

<u>Discussion Summary for Council Work Session – May 5, 2009</u>

Summary of Documents

- **Financial Pro Forma Addendum: "Likely Worst Case Scenario"**
  This document was developed by Metro staff to evaluate what the impacts of the current financial market could have on the Pro Forma completed and presented to Metro Council in June 2008. The Addendum assumed a 40% reduction in golf and event-related revenues. The Addendum also includes a Risk Evaluation, identifying the Maximum Downside Risk, the Likely Downside Risk, and the Status Quo Risk. The Addendum also included a description of the proposed Financing Plan.

- **Pro Forma Review and Analysis (Draft) – completed by HVS Golf Services**
  This document is a technical review of the Financial Pro Forma Addendum, to determine whether the assumptions used are within the current market conditions experienced nationwide and are within an expected range. The report determined that some of the assumptions were too conservative, while others were too aggressive, and suggested changes to assumptions.

- **Debt Service Analysis – completed by Seattle Northwest**
  This document is a technical report from Metro's financial advisors, evaluating the financing plan as presented in the Financial Pro Forma Addendum. The report looks at the opportunity costs of internal versus external financing, the possibilities of arbitrage and reverse arbitrage, and whether the eventual debt should be structured as a 15-year or 20-year financing. The report also provides a number of debt service schedules based on different assumptions for the term and structure of the eventual long-term debt.

- **Synthesis – May 5, 2009 (follows this document summary)**
  The following page includes a synthesis of the financial conclusions reached in the Financial Pro Forma, the Financial Pro Forma Addendum: "Likely Worst Case Scenario", the Pro Forma Review and Analysis (Draft), and the Debt Service Analysis.

Synthesis
May 5, 2009

The Financial Pro Forma in June 2008 presented a conservative projection of revenues and expenses for the proposed Nature and Golf Learning Center at Blue Lake Park. All of the revenue assumptions used in the Pro Forma were on the conservative side for all of the professional sources and evaluations conducted for this project. The Pro Forma made a significant assumption, that Metro's General Fund would be able to make an up-front contribution of $2.5 million toward this project, with $1.6 million obtained from partners, sponsors and grant sources.

The Financial Pro Forma Addendum: "Likely Worst Case Scenario", prepared in March 2009, assumed that on top of the already conservative assumptions, there was an additional 40% drop in revenues, both for golf and for the event center. Additionally, it assumed that there would be no up-front contribution from Metro's General Fund, and that partners, sponsors and grant revenue would generate only $625,000. The rest of the project, $10,650,000, would come from the issuance of debt.

The Pro Forma Review and Analysis (Draft), conducted by HVS Golf Services, evaluated the assumptions in the "Likely Worst Case Scenario." While that report is not yet complete, the draft version provided here does make suggestions for changing the assumptions. This report concludes that the assumptions for initial and stabilization usage are too low, while assumptions for initial pricing are too high. The assumptions for event center profits were considered aggressive. And the assumptions for the costs of golf operations and for the management fee were too much.

This Synthesis Document attempts to bring these three bodies of work together to provide a comparison, both of anticipated revenues and expenses as well as the range of risk to Metro's General Fund.

Projected General Fund Impacts

	Pro Forma *June 2008*	**Addendum "Likely Worst"** *March 2009*	**Revised "Likely Worst"** *May 2009*
Year 1 (2011)	($142,344)	($90,543)	$32,956
Year 2 (2012)	$123,317	($581,607)	($107,238)
Year 3 (2013)	$313,017	$74,681	$90,431
Year 4 (2014)	$371,499	$134,063	$45,801
Year 5 (2015)	$439,995	$192,092	$114,061
Year 6 (2016)	$457,461	$257,456	$190,837
Year 7 (2017)	$418,955	$186,491	$155,685
Year 8 (2018)	$372,533	$151,141	$81,339
GF Contribution	$2,500,000	$0	$0
Existing Reserves	$900,000	$900,000	$900,000
External Sources	$1,600,000	$650,000	$650,000
Amount Financed	$6,500,000	$10,650,000	$10,650,000

Financing Plan

Finance internally during construction, seek long-term financing in 3 years
Interim financing allows the project to get built and begin operations before long-term financing is secured. Because the term is short (expected to be 3 years), the interest rates paid during this period are lower than long-term financing. An additional advantage is that it allows long-term financing to be secured after operations have begun, which should result in lower long-term interest rates because the facility will then have a track record of revenue generation. It also allows more flexibility in timing when to issue the long-term debt. The down side is that this option ties up the internal funds and limits the use of this money for other purposes.

Step 1 – Internal financing for first 3 years
State law allows loans to be issued from one fund to another for capital purposes. The duration of those loans cannot exceed 5 years. Interest payments must be made to the loaning fund so that it is not negatively impact as a result of making the loan.

- Borrow up to $10,650,000 from internal Metro sources (Solid Waste Fund) over a 15-month period, between July 2009 and September 2010.
- Timing of loan distributions to coincide with project expenditures.
- There are up-front no contributions from the General Fund.
- Interest payments would be made on the amounts borrowed beginning the first month of borrowing.
- Interest rate on loan will equal the amount that the fund would have received had it remained invested, calculated monthly.
- The loan would be refinanced after the first full year of golf course operation. Financial projections assume the refinancing will take place in January 2012. This date could be moved earlier or later depending on market conditions at the time. By state budget law, the interfund loan would have to be repaid before June 2014.

Step 2 – Refinance the short-term borrowing into long-term debt issues
External financing sources for golf course development has dried up in the current capital markets. Metro's financial advisors believe that the only option available to Metro for long-term financing is to dedicated its General Fund to repayment of the debt, in addition to pledging the revenues from the facility operations.

Under the financing plan, Metro would issue Full Faith and Credit Obligation bonds, meaning that they would be backed by the General Fund, to refinance the internal loan. This means that Metro's General Fund is ultimately responsible for the debt service if the revenues for the project are not sufficient to meet the debt service requirements.

Metro's financial advisor believe that a 20 year term is a reasonable assumption for this project.

Risk Evaluation

Financing Assumption
The financial model now assumes that there is no initial contribution from Metro's General Fund and that the project will be entirely financed through grants, contributions and borrowing.

Upside Potential
The project's baseline projections show that the facility is capable of generating sufficient cash flow to cover its operating costs and debt service, and make small positive contributions to Metro's General Fund ranging from $32,000 the first full year operation to $190,000 in the sixth full year of operation. After the defeasance of the bonds, there is considerable upside as the facility continues to generate over a million dollars in profits annually to the General Fund.

Downside Risk
Maximum Downside Risk
As it is unlikely that Metro would operate the new golf facility at a loss (shutting the facility completely is an available zero-loss option), the maximum downside risk that the facility does not operate at a profit. In this case, the General Fund would be responsible to make debt service payments for 20 years, starting at about $600,000 per year and gradually increasing to $1.25 million in the 20th year.

Likely Downside Risk
A more probably scenario is that the Learning Center would operate with a positive net income, but a smaller net income than the baseline scenario assumes.

In this scenario, the Learning Center would meet its operating expenses and create additional revenue toward debt service. In the second year of operation, which would also be the first year of debt service payments, the net income after paying operating expenses would be positive but insufficient to cover all the debt service payment. A General Fund contribution of approximately $107,000 would be necessary in the second year of operation.

Year 3 of operation shows a return to financial stability, with net revenue after operating expenses sufficient to cover debt service payments and still provide a return to the General Fund.

Because of compounding assumptions in the financial model, out years appear to have additional risk to the General Fund. This risk can be mitigated through management decisions regarding operational expenses.

Status Quo Risk
The proposed FY 2009-10 budget shows enterprise revenue at Blue Lake Park of $595,000, and direct operating expenses of $1,120,000, for a net operating deficit of $525,000. Blue Lake Park is managed

Risk Evaluation *(continued)*

collectively with Oxbow Regional Park, Gleason Boat Ramp and Chinook Landing Marine Park. When combined with Blue Lake Park, the overall operating deficit for operating all of these facilities is $208,000.

FY 2009-10 Budget (Proposed)

Facility	Total Revenue	Personal Services	Materials & Services	Net Income
Blue Lake Park	595,413	748,373	372,375	(525,335)
Oxbow Park	682,783	370,522	122,035	190,226
Boat Ramps	395,319	216,267	52,006	127,046
Total	1,673,515	1,335,162	546,416	(208,063)

The status quo risk is that the agency will continue to lose $208,000 annually on these facilities.

Metro | *People places. Open spaces.*

Nature and Golf Learning Center at Blue Lake Park

Financial *Pro Forma* Addendum: "Likely Worst Case"

Jeff Tucker
Finance Manager
Metro
Parks & Environmental Services
and Sustainability Center

March 2009

Purpose of this Addendum

In June 2008, the project team completed a *Financial Pro Forma* for the Nature and Golf learning Center at Blue Lake Park, based on the best information available at the time regarding the local golf market, local banquet and events business, and current financing options.

With the current uncertainties in the broader economic market and the tightening of the credit markets, it was deemed prudent to run an additional scenario to determine the financial risks and possible negative impacts to Metro General Fund this project poses.

This addendum should **not** be viewed as the "likely scenario" for this project. The "likely scenario" is described in the *pro forma* produced in June 2008. All of the currently available evidence of golf play and event business in the Portland metropolitan area still supports the assumptions built into that *pro forma*.

This addendum provides two pieces of information not in the original pro forma. First, includes an analysis of the potential upside of the project, absolute worst case financial risk to Metro, likely worst case financial risk, and status quo comparison. This can be found in the section called "Risk Evaluation".

The second new piece of information is a summary of the financing plan for the project. It provides the assumptions being used for the use of internal borrowing, external borrowing, and the timing of each.

Summary of Addendum Assumptions

This addendum should be viewed as a "likely **worst case** scenario". In this scenario, we have assumed the following:

- 40% reduction in golf-related revenues in the first 2 years of operations
- 40% reduction in events-related revenue in the first 2 years of operations
- The third year of operations sees a return of activity comparable to the first year projections in the original pro forma.
- Marginal expenses/activity-based expenses decrease only 20%, not the full 40%, to account for some possible inefficiency.
- Fixed costs remain the same, without any decreases.

Financing Assumption
The financial model now assumes that there is no initial contribution from Metro's General Fund and that the project will be entirely financed through grants, contributions and borrowing.

Upside Potential
The project's baseline projections show that the facility is capable of generating sufficient cash flow to cover its operating costs and debt service, and make small positive contributions to Metro's General Fund ranging from $12,000 the second full year operation (and first year of debt service) to $267,000 in the sixth full year of operation. After the defeasance of the bonds, there is considerable upside as the facility continues to generate over a million dollars in profits annually to the General Fund.

Downside Risk

Maximum Downside Risk
As it is unlikely that Metro would operate the new golf facility at a loss (shutting the facility completely is an available zero-loss option), the maximum downside risk is that the facility does not operate at a profit. In this case, the General Fund would be responsible to make debt service payments for 20 years, **starting at about $600,000 per year** and gradually increasing to $1.2 million in the 20th year.

Likely Downside Risk
A more probably scenario is that the Learning Center would operate with a positive net income, but a smaller net income than the baseline scenario assumes.

Under this scenario, we have assumed a 40% reduction in event center revenues and a 40% reduction in golf course revenues for the first two years of operation (2011 and 2012), with recovery to the first year of baseline levels in Year 3 (2013). Marginal costs linked to revenue would also decrease (but at a lower percentage-20%), while fixed costs and basic maintenance/operational costs remain the same.

In this scenario, the Learning Center would meet its operating expenses and create additional revenue toward debt service. In the first year of operation, net income after paying operating expenses is about $90,000 short to cover the interest payments on the internal loans, but this is managed through a planned cash carry forward to cover these expenses. In the second year of operation, which would also be the first year of debt service payments, the net income after paying operating expenses would be about break even, meaning that there would be insufficient profit to cover the debt service payments. This scenario is comparable to the maximum downside risk for this year. This risk can be managed and mitigated somewhat by structuring the debt service payments to have a first long coupon, having the effect of decreasing the amount of the first debt service payment. However, in this scenario the General Fund would still be responsible for covering most of the debt service in the second year of operation.

Year 3 of operation shows a return to financial stability, with net revenue after operating expenses sufficient to cover debt service payments and still provide a return to the General Fund.

	Scenario GF Impact	
Year 1 (2011)	($90,543)	(covered through cash flow carry forward)
Year 2 (2012)	($581,607)	
Year 3 (2013)	$74,681	
Year 4 (2014)	$134,063	
Year 5 (2015)	$192,092	
Year 6 (2016)	$257,456	
Year 7 (2017)	$186,491	
Year 8 (2018)	$151,141	

Because of compounding assumptions in the financial model, out years beyond 2018 appear to have additional risk to the General Fund. This risk can be mitigated through management decisions regarding operational expenses.

Status Quo Risk

The proposed FY 2009-10 budget shows enterprise revenue at Blue Lake Park of $595,000, and direct operating expenses of $1,120,000, for a net operating deficit of $525,000. Blue Lake Park is managed collectively with Oxbow Regional Park, Gleason Boat Ramp and Chinook Landing Marine Park. When combined with Blue Lake Park, the overall operating deficit for operating all of these facilities is $208,000.

FY 2009-10 Budget (Proposed)

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The status quo risk is that the agency will continue to lose $208,000 annually on these facilities.

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- Timing of loan distributions to coincide with project expenditures.
- There are no contributions from the General Fund necessary.
- Interest payments would be made on the amounts borrowed beginning the first month of borrowing.
- Interest rate on loan will equal the State of Oregon Local Government Investment Pool (LGIP) rate for that month.
- The loan would be refinanced after the first full year of golf course operation. Financial projections assume the refinancing will take place in January 2012. This date could be moved earlier or later depending on market conditions at the time. By state budget law, the interfund loan would have to be repaid before June 2014.

Step 2 – Refinance the short-term borrowing into long-term debt issues

External financing sources for golf course development has dried up in the current capital markets. Metro's financial advisors believe that the only option available to Metro for long-term financing is to dedicated its General Fund to repayment of the debt, in addition to pledging the revenues from the facility operations.

Under the financing plan, Metro would issue bonds, backed by the General Fund, to refinance the internal loan. This means that Metro's General Fund is ultimately responsible for the debt service if the revenues for the project are not sufficient to meet the debt service requirements.

Metro's financial advisor believe that a 20 year term is a reasonable assumption for this project.

Nature and Golf Learning Center	2008		2009				2010				2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash Flow Projections	Jul-Sept	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Beginning Cash	0	758,288	755,288	575,288	176,788	1,267,288	377,038	169,038	162,538	82,088	80,638	(9,905)	(591,512)	(516,831)	(382,768)	(190,676)	66,780	253,272	368,412	403,275
Resources																				
M.C. Natural Area Reserve	761,288																			
Gen Fund Contribution											**0**									
Internal Loan Proceeds					1,500,000		2,500,000	4,250,000	2,100,000		300,000	(10,650,000)								
External Loan Proceeds												10,650,000								
Grant - OWEB					25,000															
Grant - NRCS-Comm Dev						175,000														
Grant - USGA - P-n-P / 1st Tee							250,000													
Grant - State Trails								100,000												
Grant - State Parks								75,000												
First Tee - Sponsorship																				
Corporate Sponsors																				
Interest Earnings (2%) - on proceeds																				
Golf Course Ops											617,346	677,331	904,538	962,735	1,023,884	1,086,920	1,116,755	1,148,540	1,178,462	1,209,710
Golf Retail Shop											49,536	51,033	59,299	61,449	63,682	65,951	67,286	68,662	70,078	71,538
Food & Beverage											104,328	107,562	133,712	139,596	145,824	152,238	155,283	158,389	161,556	164,788
Event / Banquet										146,000	302,608	354,145	719,103	748,658	779,438	811,401	835,420	860,196	885,652	911,821
Requirements																				
Financing																				
Costs of Issuance-External												45,000								
Internal Loan Interest Payment						8,250	24,000	49,500	72,450	72,450	276,900		0	0						
External Loan Debt Service												567,268	566,118	564,280	567,159	564,695	651,780	740,680	836,004	862,004
Construction-Golf Course																				
D/E: golf			75,000	150,000	100,000	130,000	120,000	100,000	40,000											
land use permiting				3,500	1,500	1,000														
construction permitting						15,000														
construction-golf course							1,100,000	800,000	150,000											
Grow-in								25,000	30,000	10,000										
1% for Art								22,000												
Contingency								500,000												
Construction-Driving Range, Ops Bldg, Lake House																				
D/E: structures and site work			75,000	200,000	150,000	125,000	130,000	90,000	60,000	0										
construction permitting						15,000	20,000													
pre-engineered structure purchase					20,000		330,000	350,000												
pre-engineered structure install								75,000	50,000											
construction- Lake House & site work						500,000	1,000,000	1,275,000	1,550,000											
construction-Driving Range					150,000	250,000	227,000													
Sign fabrication and installation								40,000	85,000											
1% for Art									38,000											
Fixtures/miscelaneous								100,000	100,000											
Contingency								1,000,000												
Construction-Wetland Restoration																				
environmental permitting			5,000	20,000	13,000	21,000	7,000													
Wetland restoration	3,000	3,000	25,000	25,000																
Operations																				
Golf Course operator contract-prior to opening								5,000	5,000	10,000										
General & Administrative											289,349	295,136	304,458	314,075	323,999	334,237	344,801	355,700	366,946	378,548
Golf Course Operations											607,808	568,164	565,172	583,334	602,075	621,427	641,404	662,027	683,319	705,296
Golf Retail Shop											35,287	35,993	37,253	38,557	39,906	41,303	42,748	44,245	45,793	47,396
Golf Food & Beverage											90,030	91,831	94,970	98,216	101,573	105,046	108,638	112,353	116,195	120,169
Event / Banquet										55,000	164,986	168,286	174,002	179,912	186,025	192,345	198,881	205,640	212,629	219,856
Ending Cash	**758,288**	**755,288**	**575,288**	**176,788**	**1,267,288**	**377,038**	**169,038**	**162,538**	**82,088**	**80,638**	**(9,905)**	**(591,512)**	**(516,831)**	**(382,768)**	**(190,676)**	**66,780**	**253,272**	**368,412**	**403,275**	**427,862**
Annual impact											(90,543)	(581,607)	74,681	134,063	192,092	257,456	186,491	115,141	34,862	24,588

Nature and Golf Learning Center at Blue Lake Park
Net Operating Profit/Loss by Profit Center

Net Operating Cash Flows	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
General and Administrative	(289,349)	(295,136)	(304,458)	(314,075)	(323,999)	(334,237)	(344,801)	(355,700)	(366,946)	(378,550)
Golf Course Operations	9,538	109,167	339,367	379,401	421,810	465,492	475,350	486,513	495,143	504,407
Golf Retail Shop	14,249	15,040	22,046	22,892	23,776	24,648	24,538	24,417	24,285	24,142
Food & Beverage	14,298	15,731	38,743	41,380	44,251	47,192	46,645	46,036	45,361	44,618
Event / Banquet	137,622	185,859	545,101	568,746	593,414	619,056	636,539	654,556	673,023	691,964
Net Cash Flow-all profit centers	(113,643)	30,661	640,799	698,343	759,251	822,151	838,271	855,821	870,866	886,582
Debt Service & related costs	(276,900)	(612,268)	(566,118)	(564,280)	(567,159)	(564,695)	(651,780)	(740,680)	(836,004)	(862,004)
Profit (Loss) Impact to Metro's General Fund	**(390,543)**	**(581,607)**	**74,681**	**134,063**	**192,092**	**257,456**	**186,491**	**115,141**	**34,862**	**24,578**

Nature and Golf Learning Center at Blue Lake Park
Debt Service Calculations

Amount Financed	10,650,000	
Term (15 or 20)	20	Years
Stepped or Level (S or L)	S	Stepped

Estimated Annual Debt Service

Year 1	567,268
Year 2	566,118
Year 3	564,280
Year 4	567,159
Year 5	564,695
Year 6	651,780
Year 7	740,680
Year 8	836,004
Year 9	862,004
Year 10	890,636
Year 11	916,673
Year 12	944,837
Year 13	970,187
Year 14	1,002,467
Year 15	1,031,141
Year 16	1,061,116
Year 17	1,091,751
Year 18	1,127,767
Year 19	1,158,841
Year 20	1,194,815

Nature and Golf Learning Center at Blue Lake Park
Revenue and Expenditure Summary

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Revenues										
Golf Course Operations	617,346	677,331	904,538	962,735	1,023,884	1,086,920	1,116,755	1,148,540	1,178,462	1,209,710
Golf Retail Shop	49,536	51,033	59,299	61,449	63,682	65,951	67,286	68,662	70,078	71,538
Food & Beverage	104,328	107,562	133,712	139,596	145,824	152,238	155,283	158,389	161,556	164,788
Event / Banquet	302,608	354,145	719,103	748,658	779,438	811,401	835,420	860,196	885,652	911,821
Chinook Retail Shop	0	0	0	0	0	0	0	0	0	0
Concert Series	0	0	0	0	0	0	0	0	0	0
Maintenance Savings	0	0	0	0	0	0	0	0	0	0
Total - Gross Revenues	1,073,818	1,190,071	1,816,652	1,912,438	2,012,829	2,116,510	2,174,744	2,235,786	2,295,749	2,357,856
Expenses										
General and Administrative	289,349	295,136	304,458	314,075	323,999	334,237	344,801	355,700	366,946	378,550
Golf Course Operations	607,808	568,164	565,172	583,334	602,075	621,427	641,404	662,027	683,319	705,302
Golf Retail Shop	35,287	35,993	37,253	38,557	39,906	41,303	42,748	44,245	45,793	47,396
Golf Food & Beverage	90,030	91,831	94,970	98,216	101,573	105,046	108,638	112,353	116,195	120,169
Event / Banquet	164,986	168,286	174,002	179,912	186,025	192,345	198,881	205,640	212,629	219,857
Chinook Retail Shop	0	0	0	0	0	0	0	0	0	0
Concert Series	0	0	0	0	0	0	0	0	0	0
Total - Expenses	1,187,461	1,159,410	1,175,854	1,214,095	1,253,578	1,294,359	1,336,472	1,379,965	1,424,883	1,471,274
Net Cash Flow-all profit centers	-113,643	30,661	640,799	698,343	759,251	822,151	838,271	855,821	870,866	886,582

Nature and Golf Learning Center at Blue Lake Park
General and Administrative

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Management (General Manager)											
average FTE's	1.00										
total hours	2,088										
average annual salary		$60,000	$61,200	$63,342	$65,559	$67,854	$70,228	$72,686	$75,230	$77,863	$80,589
Accounting											
average FTE's	0.50										
total hours	1,044										
average annual hour	**$12.00**	$12,528	$12,779	$13,226	$13,689	$14,168	$14,664	$15,177	$15,708	$16,258	$16,827
Year-end Bonuses	3.00%	$2,176	$2,219	$2,297	$2,377	$2,461	$2,547	$2,636	$2,728	$2,824	$2,922
Total Salary and Wages		$74,704	$76,198	$78,865	$81,625	$84,482	$87,439	$90,499	$93,667	$96,945	$100,338
Payroll Overhead											
Payroll Taxes	9.00%	$6,723	$6,858	$7,098	$7,346	$7,603	$7,869	$8,145	$8,430	$8,725	$9,030
Workers Compensat	2.50%	$1,868	$1,905	$1,972	$2,041	$2,112	$2,186	$2,262	$2,342	$2,424	$2,508
Health Insurance	8.00%	$5,976	$6,096	$6,309	$6,530	$6,759	$6,995	$7,240	$7,493	$7,756	$8,027
401k Contribution	3.00%	$2,241	$2,286	$2,366	$2,449	$2,534	$2,623	$2,715	$2,810	$2,908	$3,010
Other Employee Ber	0.25%	$187	$190	$197	$204	$211	$219	$226	$234	$242	$251
Total Payroll Burden		**91,699**	**93,533**	**96,807**	**100,195**	**103,702**	**107,331**	**111,088**	**114,976**	**119,000**	**123,165**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Expenses										
Advertising	0	0	0	0	0	0	0	0	0	0
Promotion	0	0	0	0	0	0	0	0	0	0
Uniforms	600	612	630	649	669	689	709	731	753	775
Employee Meals	0	0	0	0	0	0	0	0	0	0
Payroll Administration	0	0	0	0	0	0	0	0	0	0
Laundry and Cleaning	1,800	1,836	1,891	1,948	2,006	2,066	2,128	2,192	2,258	2,326
Postage and Shipping	600	612	630	649	669	689	709	731	753	775
Bank Charges	200	204	210	216	223	230	236	244	251	258
Credit Card Discounts	4,800	4,896	5,043	5,194	5,350	5,510	5,676	5,846	6,021	6,202
Bad Debts	0	0	0	0	0	0	0	0	0	0
Casualty and Theft Losses	0	0	0	0	0	0	0	0	0	0
Printing	600	612	630	649	669	689	709	731	753	775
Office Supplies	500	510	525	541	557	574	591	609	627	646
Janitorial Supplies	500	510	525	541	557	574	591	609	627	646
Equipment Rental	0	0	0	0	0	0	0	0	0	0
Equipment Lease	0	0	0	0	0	0	0	0	0	0
Small Tools & Equipment	250	255	263	271	279	287	296	304	314	323
Management Fees	100,000	102,000	105,060	108,212	111,458	114,802	118,246	121,793	125,447	129,211
Legal Fees	0	0	0	0	0	0	0	0	0	0
Accounting Fees	0	0	0	0	0	0	0	0	0	0
Consulting Fees	0	0	0	0	0	0	0	0	0	0
Hardware and Software	2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Internet Expense	1,200	1,224	1,261	1,299	1,337	1,378	1,419	1,462	1,505	1,551
Computer Consulting	0	0	0	0	0	0	0	0	0	0
Water	1,500	1,530	1,576	1,623	1,672	1,722	1,774	1,827	1,882	1,938
Electricity	15,000	15,300	15,759	16,232	16,719	17,220	17,737	18,269	18,817	19,382
Natural Gas	0	0	0	0	0	0	0	0	0	0
Refuse	0	0	0	0	0	0	0	0	0	0
Telephone - Local	3,600	3,672	3,782	3,896	4,012	4,133	4,257	4,385	4,516	4,652
Telephone - Long Distance	1,800	1,836	1,891	1,948	2,006	2,066	2,128	2,192	2,258	2,326
Telephone - Cellular	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0
Meals and Entertainment	500	510	525	541	557	574	591	609	627	646
Auto Expense	0	0	0	0	0	0	0	0	0	0
Property Taxes	30,000	30,600	31,518	32,464	33,437	34,441	35,474	36,538	37,634	38,763
Business Taxes	2,000	2,040	2,101	2,164	2,229	2,296	2,365	2,436	2,509	2,584

Nature and Golf Learning Center at Blue Lake Park
General and Administrative

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business Licenses	500	510	525	541	557	574	591	609	627	646
Sales & Use Taxes	0	0	0	0	0	0	0	0	0	0
Insurance	24,000	24,480	25,214	25,971	26,750	27,552	28,379	29,230	30,107	31,011
Contract Services	1,000	1,020	1,051	1,082	1,115	1,148	1,182	1,218	1,254	1,292
Dues and Education	300	306	315	325	334	344	355	365	376	388
Recruiting	500	510	525	541	557	574	591	609	627	646
Miscellaneous	0	0	0	0	0	0	0	0	0	0
Rent -- Temp. Facilities	0	0	0	0	0	0	0	0	0	0
Security	1,500	1,530	1,576	1,623	1,672	1,722	1,774	1,827	1,882	1,938
Donations	0	0	0	0	0	0	0	0	0	0
R&M - Clubhouse	1,500	1,530	1,576	1,623	1,672	1,722	1,774	1,827	1,882	1,938
R&M - Equipment	500	510	525	541	557	574	591	609	627	646
Interest Expense - Capital Leases	0	0	0	0	0	0	0	0	0	0
Tax Expense - Capital Leases	0	0	0	0	0	0	0	0	0	0
Depreciation / Amortization	0	0	0	0	0	0	0	0	0	0
Interest Expense	0	0	0	0	0	0	0	0	0	0
Finance Charges	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	197,650	201,603	207,651	213,881	220,297	226,906	233,713	240,725	247,946	255,385
Total Payroll and Operating	289,349	295,136	304,458	314,075	323,999	334,237	344,801	355,700	366,946	378,550

Nature and Golf Learning Center at Blue Lake Park
Golf Course Operations - Revenues

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
9-hole Greens Fees	240,960	280,099	464,640	500,640	539,431	579,840	594,992	610,513	626,404	642,665
6-Hole Greens Fees	-	-	-	-	-	-	-	-	-	-
Pitch-n-Putt	16,065	18,129	19,516	21,041	22,669	24,411	26,323	28,361	29,086	29,866
Cart Rental	5,760	5,939	9,600	10,920	11,466	12,011	12,011	12,935	12,935	12,935
Driving Range	332,736	343,330	366,210	378,793	392,082	405,467	417,583	430,223	442,863	456,397
Lessons	7,680	7,918	13,120	14,112	15,170	16,261	16,630	17,000	17,369	17,739
Membership	7,425	14,850	19,800	24,750	29,700	34,650	34,650	34,650	34,650	34,650
Rentals/Misc.	6,720	7,067	11,652	12,480	13,366	14,281	14,566	14,858	15,155	15,458
Total Revenue	617,346	677,331	904,538	962,735	1,023,884	1,086,920	1,116,755	1,148,540	1,178,462	1,209,710

Nature and Golf Learning Center at Blue Lake Park

Golf Course Ops & Maintenance - Expenses

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Superintendent											
average FTE's	1.00										
total hours	2,088										
average annual salary		$48,000	$48,960	$50,674	$52,448	$54,284	$56,184	$58,150	$60,185	$62,291	$64,471
Foreman											
average FTE's	1.00										
total hours	2,088										
average wage	**$12.00**	$25,056	$25,557	$26,451	$27,377	$28,335	$29,327	$30,353	$31,415	$32,515	$33,653
Groundskeepers											
average FTE's	2.00										
total hours	2,088										
average wage	**$9.00**	$37,584	$38,336	$39,678	$41,067	$42,504	$43,992	$45,532	$47,126	$48,775	$50,482
Mechanics											
average FTE's	1.00										
total hours	2,088										
average wage	**$17.00**	$35,496	$36,206	$37,473	$38,785	$40,142	$41,547	$43,001	$44,506	$46,064	$47,676
Player Services											
average FTE's	1.00										
total hours	2,088										
average wage	**$8.20**	$17,122	$17,464	$18,075	$18,708	$19,363	$20,040	$20,742	$21,468	$22,219	$22,997
Marshals and Starters											
average FTE's	1.00										
total hours	2,088										
average wage	**$8.20**	$17,122	$17,464	$18,075	$18,708	$19,363	$20,040	$20,742	$21,468	$22,219	$22,997
Year-end Bonuses	3.00%	$5,411	$5,520	$5,713	$5,913	$6,120	$6,334	$6,556	$6,785	$7,022	$7,268
Total Salary and Wages		$185,791	$189,507	$196,139	$203,005	$210,110	$217,465	$225,075	$232,953	$241,106	$249,544
Payroll Overhead											
Payroll Taxes	9.00%	$16,721	$17,056	$17,653	$18,270	$18,910	$19,572	$20,257	$20,966	$21,700	$22,459
Workers Compensation	2.50%	$4,645	$4,738	$4,903	$5,075	$5,253	$5,437	$5,627	$5,824	$6,028	$6,239
Health Insurance	8.00%	$14,863	$15,161	$15,691	$16,240	$16,809	$17,397	$18,006	$18,636	$19,288	$19,964
401k Contribution	3.00%	$5,574	$5,685	$5,884	$6,090	$6,303	$6,524	$6,752	$6,989	$7,233	$7,486
Other Employee Benefits	0.25%	$464	$474	$490	$508	$525	$544	$563	$582	$603	$624
Total Payroll Burden		**228,058**	**232,619**	**240,761**	**249,189**	**257,910**	**266,938**	**276,280**	**285,950**	**295,957**	**306,315**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Expenses										
Advertising	90,000	40,000	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597
Promotion	5,000	5,100	5,253	5,411	5,573	5,740	5,912	6,090	6,272	6,461
Uniforms	1,000	1,020	1,051	1,082	1,115	1,148	1,182	1,218	1,254	1,292
Laundry and Cleaning	1,200	1,224	1,261	1,299	1,337	1,378	1,419	1,462	1,505	1,551
Cardholder Expense	1,000	1,020	1,051	1,082	1,115	1,148	1,182	1,218	1,254	1,292
Operating Supplies	3,000	3,060	3,152	3,246	3,344	3,444	3,547	3,654	3,763	3,876
Course Supplies	2,000	2,040	2,101	2,164	2,229	2,296	2,365	2,436	2,509	2,584
Shop Supplies	500	510	525	541	557	574	591	609	627	646
Instruction Supplies	500	510	525	541	557	574	591	609	627	646
Range Balls and Mats	6,000	6,120	6,304	6,493	6,687	6,888	7,095	7,308	7,527	7,753
Scorecards and Pencils	1,800	1,836	1,891	1,948	2,006	2,066	2,128	2,192	2,258	2,326
Tees and Bag Tags	1,000	1,020	1,051	1,082	1,115	1,148	1,182	1,218	1,254	1,292
Water Coolers and Cups	1,200	1,224	1,261	1,299	1,337	1,378	1,419	1,462	1,505	1,551
Rental Clubs and Shoes	1,000	1,020	1,051	1,082	1,115	1,148	1,182	1,218	1,254	1,292
Group / Tournament Expenses	800	816	840	866	892	918	946	974	1,004	1,034
Equipment Lease -- Carts	14,400	14,688	15,129	15,582	16,050	16,531	17,027	17,538	18,064	18,606
Small Tools / Equip.	500	510	525	541	557	574	591	609	627	646

Nature and Golf Learning Center at Blue Lake Park

Golf Course Ops & Maintenance - Expenses

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hardware and Software	1,000	1,020	1,051	1,082	1,115	1,148	1,182	1,218	1,254	1,292
Internet Expense	1,800	1,836	1,891	1,948	2,006	2,066	2,128	2,192	2,258	2,326
Computer Consulting	1,800	1,836	1,891	1,948	2,006	2,066	2,128	2,192	2,258	2,326
Electricity includes tee line	36,000	36,720	37,822	38,956	40,125	41,329	42,569	43,846	45,161	46,516
Travel	500	510	525	541	557	574	591	609	627	646
Meals and Entertainment	400	408	420	433	446	459	473	487	502	517
Dues and Education	500	510	525	541	557	574	591	609	627	646
Miscellaneous	500	510	525	541	557	574	591	609	627	646
R&M -- Equipment	6,000	6,120	6,304	6,493	6,687	6,888	7,095	7,308	7,527	7,753
Total Operating Expenses	**179,400**	**131,188**	**113,924**	**117,341**	**120,862**	**124,487**	**128,222**	**132,069**	**136,031**	**140,112**
Maintenance Expenses										
Uniforms	1,200	1,224	1,261	1,299	1,338	1,378	1,419	1,462	1,506	1,551
Safety Supplies	250	255	263	271	279	287	296	305	314	323
Office Supplies	200	204	210	216	222	229	236	243	250	258
Course Supplies	1,200	1,224	1,261	1,299	1,338	1,378	1,419	1,462	1,506	1,551
Shop Supplies	1,000	1,020	1,051	1,083	1,115	1,148	1,182	1,217	1,254	1,292
Janitorial Supplies	500	510	525	541	557	574	591	609	627	646
Equipment Rental	2,000	2,040	2,101	2,164	2,229	2,296	2,365	2,436	2,509	2,584
Equipment Lease	72,000	73,440	75,643	77,912	80,249	82,656	85,136	87,690	90,321	93,031
Small Tools & Equipment - Shop	1,500	1,530	1,576	1,623	1,672	1,722	1,774	1,827	1,882	1,938
Water /Sewer	4,000	4,080	4,202	4,328	4,458	4,592	4,730	4,872	5,018	5,169
Electricity	20,000	20,400	21,012	21,642	22,291	22,960	23,649	24,358	25,089	25,842
Refuse	2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Travel	1,200	1,224	1,261	1,299	1,338	1,378	1,419	1,462	1,506	1,551
Meals and Entertainment	500	510	525	541	557	574	591	609	627	646
Auto Expense	6,000	6,120	6,304	6,493	6,688	6,889	7,096	7,309	7,528	7,754
Business Licenses	1,000	1,020	1,051	1,083	1,115	1,148	1,182	1,217	1,254	1,292
Dues and Education	500	510	525	541	557	574	591	609	627	646
Recruiting	200	204	210	216	222	229	236	243	250	258
Water Quality Maintenace & Testing	18,000	18,360	18,911	19,478	20,062	20,664	21,284	21,923	22,581	23,258
R&M - Equipment	12,000	12,240	12,607	12,985	13,375	13,776	14,189	14,615	15,053	15,505
R&M - Vehicles	600	612	630	649	668	688	709	730	752	775
R&M - Irrigation	2,000	2,040	2,101	2,164	2,229	2,296	2,365	2,436	2,509	2,584
R&M - Pump Stations	600	612	630	649	668	688	709	730	752	775
Gasoline	6,000	6,120	6,304	6,493	6,688	6,889	7,096	7,309	7,528	7,754
Diesel	5,000	5,100	5,253	5,411	5,573	5,740	5,912	6,089	6,272	6,460
Lubricants	500	510	525	541	557	574	591	609	627	646
Fertilizer	15,000	15,300	15,759	16,232	16,719	17,221	17,738	18,270	18,818	19,383
Chemicals and Amendments	14,000	14,280	14,708	15,149	15,603	16,071	16,553	17,050	17,562	18,089
Top Dressing Sand	4,000	4,080	4,202	4,328	4,458	4,592	4,730	4,872	5,018	5,169
Bunker Sand	1,000	1,020	1,051	1,083	1,115	1,148	1,182	1,217	1,254	1,292
Rock and Gravel	1,000	1,020	1,051	1,083	1,115	1,148	1,182	1,217	1,254	1,292
Seed and Sod	3,000	3,060	3,152	3,247	3,344	3,444	3,547	3,653	3,763	3,876
Landscaping - Clubhouse	2,000	2,040	2,101	2,164	2,229	2,296	2,365	2,436	2,509	2,584
Total Maint Expesnes	**200,350**	**204,357**	**210,487**	**216,804**	**223,303**	**230,002**	**236,902**	**244,009**	**251,331**	**258,875**
Total Payroll, Ops & Maint	607,808	568,164	565,172	583,334	602,075	621,427	641,404	662,027	683,319	705,302

Nature and Golf Learning Center at Blue Lake Park
Retail

	per round	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue											
Golfers											
Soft Goods	0.75	14,400	14,846	24,000	25,200	26,460	27,717	27,717	27,717	27,717	27,717
Hard Goods	1.00	19,200	19,795	32,000	33,600	35,280	36,956	36,956	36,956	36,956	36,956
Accessories	0.25	4,800	4,949	8,000	8,400	8,820	9,239	9,239	9,239	9,239	9,239
Discounts	3%	(1,152)	(1,188)	(1,920)	(2,016)	(2,117)	(2,217)	(2,217)	(2,217)	(2,217)	(2,217)
Cost of Goods	68%	(26,112)	(26,921)	(43,520)	(45,696)	(47,981)	(50,260)	(50,260)	(50,260)	(50,260)	(50,260)
Gross Revenue		11,136	11,481	18,560	19,488	20,462	21,434	21,434	21,434	21,434	21,434
Park Users											
Park Traffic/Volume	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Percent Visit	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Revenue per Visit	2.00	2.00	2.06	2.12	2.19	2.25	2.32	2.39	2.46	2.53	2.61
Percent Increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Cost of Goods	68%	(81,600)	(84,048)	(86,569)	(89,167)	(91,842)	(94,597)	(97,435)	(100,358)	(103,368)	(106,469)
Gross Revenue		38,400	39,552	40,739	41,961	43,220	44,516	45,852	47,227	48,644	50,103
Expenses											
Payroll Burden											
Retail Services											
average FTE's	2.0										
total hours	2,088										
average wage	8.45	35,287	35,993	37,253	38,557	39,906	41,303	42,748	44,245	45,793	47,396
Net Revenue		14,249	15,040	22,046	22,892	23,776	24,648	24,538	24,417	24,285	24,142

Nature and Golf Learning Center at Blue Lake Park
Food & Beverage

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assumptions											
Snack Bar - Golf											
Revenue per round		1.80	1.84	1.87	1.91	1.95	1.99	2.03	2.07	2.11	2.15
Annual increase			2%	2%	2%	2%	2%	2%	2%	2%	2%
Snack Bar - BLP											
Park Visitors		300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Snack Bar Visits		20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Revenue per visit		1.80	1.84	1.87	1.91	1.95	1.99	2.03	2.07	2.11	2.15
Annual increase			2%	2%	2%	2%	2%	2%	2%	2%	2%
On-Course Beverages											
Revenue per round		1.20	1.22	1.25	1.27	1.30	1.32	1.35	1.38	1.41	1.43
Annual increase			2%	2%	2%	2%	2%	2%	2%	2%	2%
Revenue											
Snack Bar - Golf		34,560	36,344	59,927	64,182	68,739	73,444	74,913	76,411	77,940	79,499
Snack Bar - BLP		108,000	110,160	112,363	114,610	116,903	119,241	121,626	124,058	126,539	129,070
On-Course Beverages		23,040	24,229	39,951	42,788	45,826	48,963	49,942	50,941	51,960	52,999
Discounts		(4,968)	(5,122)	(6,367)	(6,647)	(6,944)	(7,249)	(7,394)	(7,542)	(7,693)	(7,847)
Cost of Goods Sold	34%	(56,304)	(58,049)	(72,162)	(75,337)	(78,699)	(82,160)	(83,804)	(85,480)	(87,189)	(88,933)
Gross Revenues		104,328	107,562	133,712	139,596	145,824	152,238	155,283	158,389	161,556	164,788
Expenses											
Payroll											
F&B Supervisor											
average FTE's	1.00										
total hours	2,088										
average wage	12.00	25,056	25,557	26,452	27,377	28,336	29,327	30,354	31,416	32,516	33,654
Snack Bar											
average FTE's	2.00										
total hours	2,088										
average wage	8.50	35,496	36,206	37,473	38,785	40,142	41,547	43,001	44,506	46,064	47,676
Year End Bonuses	3.0%	752	767	794	821	850	880	911	942	975	1,010
Total Salary & Wages		61,304	62,530	64,718	66,983	69,328	71,754	74,266	76,865	79,555	82,340
Payroll Overhead											
Payroll Taxes	9.0%	5,517	5,628	5,825	6,029	6,240	6,458	6,684	6,918	7,160	7,411
Workers Compensation	2.5%	1,533	1,563	1,618	1,675	1,733	1,794	1,857	1,922	1,989	2,058
Health Insurance	8.0%	4,904	5,002	5,177	5,359	5,546	5,740	5,941	6,149	6,364	6,587
401k Contribution	3.0%	1,839	1,876	1,942	2,010	2,080	2,153	2,228	2,306	2,387	2,470
Other Employee Benefits	0.3%	153	156	162	167	173	179	186	192	199	206
Total Payroll Expense		75,250	76,755	79,442	82,222	85,100	88,078	91,161	94,352	97,654	101,072
Operating Expenses											
Promotion		2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Uniforms		720	734	756	779	802	827	851	877	903	930
Operating Supplies - F&B		1,200	1,224	1,261	1,299	1,337	1,378	1,419	1,462	1,505	1,551
Kitchen & Dining Room Supplies		1,500	1,530	1,576	1,623	1,672	1,722	1,774	1,827	1,882	1,938
On Course Supplies		720	734	756	779	802	827	851	877	903	930
Janitorial Supplies		300	306	315	325	334	344	355	365	376	388
Equipment Rental		480	490	504	519	535	551	568	585	602	620
Small Tools / Equip.		720	734	756	779	802	827	851	877	903	930
Refuse		1,440	1,469	1,513	1,558	1,605	1,653	1,703	1,754	1,806	1,861
Business Licenses		2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Miscellaneous		500	510	525	541	557	574	591	609	627	646
R&M -- Equipment		2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Total Ops Expenses		14,780	15,076	15,528	15,994	16,474	16,968	17,477	18,001	18,541	19,097
Net Revenue		14,298	15,731	38,743	41,380	44,251	47,192	46,645	46,036	45,361	44,618

Nature and Golf Learning Center at Blue Lake Park

Event and Banquet Center

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assumptions											
Small Groups											
# of Meetings		18	19	36	40	44	48	48	48	48	48
Avg Size		40	40	40	40	40	40	40	40	40	40
F&B Rev. per person		35.00	36.05	37.13	38.25	39.39	40.57	41.79	43.05	44.34	45.67
F&B annual increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Facility Fee		400	412	424	437	450	464	478	492	507	522
Facility Fee increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Large Groups											
# of Meetings		31	34	64	64	64	64	64	64	64	64
Avg Size		225	225	225	225	225	225	225	225	225	225
F&B Rev. per person		45.00	46.35	47.74	49.17	50.65	52.17	53.73	55.34	57.00	58.71
F&B annual increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Facility Fee		1,600	2,100	2,800	2,884	2,971	3,060	3,152	3,247	3,344	3,444
Facility Fee increase				3%	3%	3%	3%	3%	3%	3%	3%
Golf-Related											
Tourny Rounds		960	990	1,600	1,680	1,764	1,848	1,848	1,848	1,848	1,848
Tourny Events		38	40	64	67	71	74	74	74	74	74
Revenue per round		25.00	25.50	26.01	26.53	27.06	27.60	28.15	28.72	29.29	29.88
Annual Increase			2%	2%	2%	2%	2%	2%	2%	2%	2%
Facility Fee		350	361	372	383	394	406	418	431	444	457
Facility Fee increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Revenues											
Small Groups											
Food & Beverage		25,200	27,398	53,469	61,193	69,331	77,903	80,240	82,648	85,127	87,681
Facility Fees		7,200	7,828	15,264	17,480	19,800	22,272	22,944	23,616	24,336	25,056
Large Groups											
Food & Beverage		313,875	354,578	687,463	708,087	729,330	751,210	773,746	796,958	820,867	845,493
Facility Fees		49,600	71,400	179,200	184,576	190,144	195,840	201,728	207,808	214,016	220,416
Golf-Related											
Food & Beverage		24,000	25,245	41,616	44,571	47,735	51,009	52,029	53,069	54,131	55,213
Facility Fees		13,440	14,296	23,808	25,738	27,801	30,012	30,899	31,860	32,820	33,781
Cost of Goods	34%	(130,707)	(146,599)	(281,717)	(292,986)	(304,703)	(316,844)	(326,165)	(335,763)	(345,645)	(355,819)
Gross Revenues		302,608	354,145	719,103	748,658	779,438	811,401	835,420	860,196	885,652	911,821
Expenses											
Payroll											
Event Sales Coordinator											
average FTE's	1.00										
total hours											
average annual salary	$40,000	40,000	40,800	42,228	43,706	45,236	46,819	48,458	50,154	51,909	53,726
Service Staff											
average FTE's	1.20										
total hours	2,088										
average annual hourly	$10.00	25,056	25,557	26,452	27,377	28,336	29,327	30,354	31,416	32,516	33,654
Lead Chef											
average FTE's	0.50										
total hours	2,088										
average annual hourly	$20.00	20,880	21,298	22,043	22,815	23,613	24,439	25,295	26,180	27,096	28,045
Line Cooks											
average FTE's	0.60										
total hours	2,088										
average annual hourly	$14.00	17,539	17,890	18,516	19,164	19,835	20,529	21,248	21,991	22,761	23,558

Nature and Golf Learning Center at Blue Lake Park
Event and Banquet Center

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year-end Bonuses	3.00%	$3,104	$3,166	$3,277	$3,392	$3,511	$3,633	$3,761	$3,892	$4,028	$4,169
Total Salary and Wages		$106,579	$108,711	$112,516	$116,454	$120,530	$124,748	$129,115	$133,634	$138,311	$143,152
Payroll Overhead											
Payroll Taxes	9.00%	$9,592	$9,784	$10,126	$10,481	$10,848	$11,227	$11,620	$12,027	$12,448	$12,884
Workers Compensation	2.50%	$2,664	$2,718	$2,813	$2,911	$3,013	$3,119	$3,228	$3,341	$3,458	$3,579
Health Insurance	8.00%	$8,526	$8,697	$9,001	$9,316	$9,642	$9,980	$10,329	$10,691	$11,065	$11,452
401k Contribution	3.00%	$3,197	$3,261	$3,375	$3,494	$3,616	$3,742	$3,873	$4,009	$4,149	$4,295
Other Employee Benefits	0.25%	$266	$272	$281	$291	$301	$312	$323	$334	$346	$358
Total Payroll Burden		**130,826**	**133,443**	**138,113**	**142,947**	**147,950**	**153,129**	**158,488**	**164,035**	**169,777**	**175,719**
Operating Expenses											
Uniforms		2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Laundry and Cleaning		3,600	3,672	3,782	3,896	4,012	4,133	4,257	4,385	4,516	4,652
Equipment Rental		3,600	3,672	3,782	3,896	4,012	4,133	4,257	4,385	4,516	4,652
Electricity		12,000	12,240	12,607	12,985	13,375	13,776	14,190	14,615	15,054	15,505
Natural Gas		8,000	8,160	8,405	8,657	8,917	9,184	9,460	9,743	10,036	10,337
Refuse		2,160	2,203	2,269	2,337	2,407	2,480	2,554	2,631	2,710	2,791
R&M -- Equipment		2,400	2,448	2,521	2,597	2,675	2,755	2,838	2,923	3,011	3,101
Total Operating Expenses		34,160	34,843	35,888	36,965	38,074	39,216	40,393	41,605	42,853	44,138
Total Payroll and Ops Expenses		164,986	168,286	174,002	179,912	186,025	192,345	198,881	205,640	212,629	219,857
Net Revenue		137,622	185,859	545,101	568,746	593,414	619,056	636,539	654,556	673,023	691,964

Nature and Golf Learning Center at Blue Lake Park

Golf Assumptions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Global Assumptions										
Salary Inflation		2.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Op Ex Inflation		2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Bonus	3.00%									
Payroll Taxes	9.00%									
Workers Compensation	2.50%									
Health Insurance	8.00%									
401k Contribution	3.00%									
Other Employee Benefits	0.25%									
Golf Course Operations-Revenue										
9-hole Operation										
Rounds Played	19,200	19,795	32,000	33,600	35,280	36,956	36,956	36,956	36,956	36,956
Percent increase rounds played		3.1%	5.0%	5.0%	5.0%	4.8%	0.0%	0.0%	0.0%	0.0%
Average 9-hole Green Fee	12.55	14.15	14.52	14.9	15.29	15.69	16.1	16.52	16.95	17.39
Annual 9-hole gree fee increase			2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Golf Cart Percent Utilization	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Golf Cart Fee per person	6.00	6.00	6.00	6.50	6.50	6.50	6.50	7.00	7.00	7.00
Golf Cart Fee annual increase		0.0%	0.0%	8.3%	0.0%	0.0%	0.0%	7.7%	0.0%	0.0%
Group Rounds Played	960	990	1,600	1,680	1,764	1,848	1,848	1,848	1,848	1,848
6-hole Operation										
Rounds Played	0	0	0	0	0	0	0	0	0	0
Percent increase rounds played		10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	0.0%	0.0%
Average 6-hole Green Fee	0.00	0	0	0	0	0	0	0	0	0
Annual 6-hole gree fee increase		2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Pitch-n-Putt Operation										
Pitch-n-Putt Rounds	3,780	4,158	4,366	4,584	4,813	5,054	5,307	5,572	5,572	5,572
P-n-P percent increase		10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	0.0%	0.0%
Average P-n-P Green Fee	4.25	4.36	4.47	4.59	4.71	4.83	4.96	5.09	5.22	5.36
Annual P-n-P gree fee increase		2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Membership/Cardholder	75	150	200	250	300	350	350	350	350	350
Annual Cost	$99	$99	$99	$99	$99	$99	$99	$99	$99	$99
Driving Range										
Driving range revenue per round	0.95	0.98	1.01	1.04	1.07	1.10	1.13	1.16	1.19	1.23
Annual increase revenue per round		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Number of Rounds	19,200	19,795	32,000	33,600	35,280	36,956	36,956	36,956	36,956	36,956
Non-Golf, Range Use										
# of Hitting Stations	40	40	40	40	40	40	40	40	40	40
Daily Capacity-Hours per Day	14	14	14	14	14	14	14	14	14	14
100% Utilization Calculation	201,600	201,600	201,600	201,600	201,600	201,600	201,600	201,600	201,600	201,600
% Utilization	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Avg Fee Per User	6.00	6.18	6.37	6.56	6.76	6.96	7.17	7.39	7.61	7.84
Annual fee increase		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Lessons										
Instruction revenue per round	0.40	0.40	0.41	0.42	0.43	0.44	0.45	0.46	0.47	0.48
Annual increase		0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Number of Rounds	19,200	19,795	32,000	33,600	35,280	36,956	36,956	36,956	36,956	36,956
Club Rental / Miscellaneous										
Rental/Misc fee per round	0.35	0.36	0.36	0.37	0.38	0.39	0.39	0.40	0.41	0.42
Annual increase		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Pro Forma Review and Analysis

Nature and Golf Learning Center at Blue Lake Park

Portland, Oregon

Prepared by:

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Submitted to:

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April 14, 2009

Jeff Tucker, Finance Manager
Oregon Metro
600 NE Grand Avenue
Portland, OR 97232
(503)797-1913
GLOBAL Client Fax (234) 567-8901 FAX

Re: Nature and Golf Learning Center at Blue Lake Park
Portland, Oregon
HVS Reference: #1367

Dear Mr. Tucker:

Pursuant to your request, we herewith submit our review set forth in a restricted report pertaining to the above-captioned property. We have inspected the site and facilities and analyzed the market conditions in the Portland area for golf operations.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. The restricted report is made part hereof and must remain attached in order for the opinions set forth to be considered valid.

This report is being prepared for use by Oregon Metro in connection with the financial pro forma developed for the subject. This report may not be distributed or relied upon by other persons or entities without our written permission. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Very truly yours,
HVS International
Division of Golf Catalyst, Inc.
DBA HVS Golf Services

Mr. Darius Hatami, President
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Colorado Certified General Appraiser
CG40005158

DH:dtq

Blue Lake Park Pro Forma Review

Subject of the Study

The subject of the review is a 3,702,600-square-foot (85.00-acre) parcel known as Blue Lake Regional Park. The property is proposed to be improved with a variety of golf and banquet related facilities. The property is located Northeast 223rd & Marine Drive in the city of Fairview, the county of Multnomah, and the state of Oregon. If built, the proposed subject property is anticipated to be complete and operational on or about 2011.

The golf facility is expected to include a 9 hole golf course. The clubhouse will likely include a snack bar, grill, pro shop, offices, and back-of-the-house facilities typically found at a clubhouse facility for a golf course. The maintenance facility will be housed in the existing park maintenance facility and there will be storage for a few carts on site. Additional golf related features may include a practice range, a golf school, and pitch-n-putt course. Additionally, a banquet and events center is planned with capacity to hold large events of 225 guests.

Use of the Study

This Pro Forma Review is being prepared for use by Metro Regional Parks & Greenspaces Department in connection with the development and operation of the eastern portion of the Blue Lake Regional Park property. Potential uses of the report include (a) basis for establishing the market and financial feasibility of the development, (b) provide an understanding of the historic and future market conditions for the development, (c) assist in physical and financial planning decisions relating to golf course and site development, (d) determine the financial opportunities and constraints related to development, (e) provide detailed information to assist potential investors and lenders in their due diligence and evaluation of this opportunity. The information presented in this report should not be disseminated to the public or third parties (with the exception of potential investors and lenders) without the express written consent of HVS Golf Services or Metro Regional Parks & Greenspaces.

Scope of the Study

Metro has prepared a financial pro forma for the Nature and Golf Learning Center at Blue Lake Park, and a “likely worst case scenario” addendum to the pro forma. HVS Golf Services reviewed and analyzed this pro forma and has discussed our professional opinion regarding the appropriateness of the assumptions used.

HVS Golf Services has completed and discussed the following:

- Gather and analyze the number of golf rounds at municipal courses in the Portland metropolitan market to determine the current trends in the market.
- Review the assumptions used for the number of 9-hole rounds in both the financial pro forma and the “likely worst case scenario” pro forma addendum, and analyze whether they are within an acceptable range of likely outcomes.
- Gather and analyze relevant data that is comparable to the proposed facility at Blue Lake Park as it relates to food & beverage sales, retail sales, and event center business.
- Review the assumptions used for the food & beverage sales, retail sales and event center business in the pro forma and addendum, and analyze whether they are within an acceptable range of likely outcomes.
- Provide analysis of the price points assumed within the pro forma and provide professional opinion whether they are within an acceptable range given the current state of the economy.

Analysis and Opinions

The following section addresses all of issues discussed in the scope of the study section.

Golf Rounds Trends

The table that follows shows the 18-hole equivalent rounds for the public facilities in the market. As shown, the market peaked at 313,100 rounds in 2004. In 2005 and again in 2006, the market decreased to a low of 288,871 in 2006. The last two years, however, the market has grown and last year there were 291,434 rounds played in the market. We expect the public golf market to continue to increase slowly in future years. These increases will mostly be due to the increases in population that are projected for the area.

Historical 18-Hole Equivalent Rounds

		Holes				18 Hole Equivalent Rounds				
Public Courses	Type	Regulation	Executive	Par-3	Total	2004	2005	2006	2007	2008
Rose City Golf Course	Municipal	18	0	0	18	38,760	36,642	35,967	36,679	37,823
Glendoveer	Municipal	36	0	0	36	78,488	75,823	74,037	73,974	71,318
Eastmoreland	Municipal	18	0	0	18	47,710	42,173	42,796	40,034	42,587
Heron Lakes-Great Blue	Municipal	18	0	0	18	32,460	29,008	29,952	31,988	33,544
Heron Lakes-Greenback	Municipal	18	0	0	18	46,722	42,610	40,263	41,274	41,092
RedTail	Municipal	18	0	0	18	38,780	38,824	37,299	36,200	36,275
Stone Creek Golf Club	Municipal	18	0	0	18	30,182	29,704	28,559	30,578	28,797
Total Public		144	0	0	144	313,100	294,782	288,871	290,725	291,434
Course Equivalent		8.0	0.0	0.0	8.0	39,138	36,848	36,109	36,341	36,429

Source: HVS Golf Services

Golf Rounds Projections

In the latest pro forma, worst case scenario, the Blue Lake Park golf facility is projected to have 19,200 9-hole rounds or 9,600 18-hole equivalent rounds in 2011. The number of rounds increases to 16,000 18-hole equivalent rounds in 2013 and then slowly begin to stabilize at 18,478 by 2016. We would anticipate that the level of play would be much closer to the 15,000 rounds number when the course opens, even given the current economic conditions. This stabilized figure represents 5% of the projected total market in that year. For a nine-hole course the fair share would be 22,500 18-hole equivalent rounds. In our previous study, we assumed a stabilized usage rate of 24,000 rounds. It is our opinion that these golf round projections are fairly conservative, and are very unlikely to be as low as projected under this scenario. We expect the number of rounds will stabilize right around the fair share for the market. Also, we expect the play in the first few years to be much closer to the stabilized play than in the pro forma but with lower rates.

Food & Beverage and Events Market

Food & Beverage and Events and Banquet facilities can vary widely in terms of revenues based on the facilities themselves. Recently, HVS Golf Services has completed consulting assignments analyzing these types of facilities in association with HVS Food & Beverage Services. Two of these facilities are detailed below.

One such project, at the high end of the spectrum was an exclusive private golf club that is building a banquet facility for its members that includes a 6,125 square-foot ballroom, and two meeting rooms of 1,780 square-feet and 925 square-feet. We projected 214 events the first year in the ballroom and 146 events in the two meeting rooms. The typical check in the ballroom was estimated to be $26 per guest but also included $105 per guest for weddings. The meeting rooms used average checks of $15 up to $45 per guest. In total, we projected $3.0 million in revenues the first year and $450,000 or 15% in net income. The revenue per event was over $8,000 in the first year.

Another recent project, much more similar to the subject, is building a new 10,500 square-foot events center for the public including 4,500 square-foot banquet room, 1,000 square-foot meeting room, and 1,000 square foot restaurant. We projected revenues of $1.3 million for over one thousand events in the first year of operation. The average checks ranged from $10 to $40. These numbers were based on their historical levels. The net income the first year was projected at $150,000 or 12% growing to 15% upon stabilization. The revenue per event was just under $900 per event in year one.

Food & Beverage and Events Projections

Food & Beverage facilities can generate a lot of revenue but must be very well run in order to generate profits. For a well run facility we typically use profit margins of 15%-20%. The pro forma shows a profit for the Event and Banquet Center of 32% in the first year, growing to 55% upon stabilization. We believe a 20% profit margin is more appropriate for this facility. The operating expenses for the events center seem to be the issue as we would expect much greater operating expenses for this type of facility, especially given the project pricing.

The revenue per event in the worst case pro forma is nearly $5,000 in the first year and grows to over $6,000 upon stabilization. We believe this pricing is relatively aggressive for a public facility of this type. We expect it to be more in the range of $3,500 to $4,000 per event. It appear to us that the projections of the profitability of the food and beverage operations as well as the pricing are aggressive for a worst case scenario.

Pricing and the Current Economy

The current state of the economy will undeniably have a negative effect on the profitability of the subject. However, we do not expect usage to be affected as much as pricing. Throughout the pro forma, pricing is consistent with nominal increases of 2-3%, while usage is well below stabilized numbers. We believe the pricing in the early years of the pro forma is aggressive in the current state of the economy, however, the usage for each facility is much lower than is expected.

Other Opinions of Projections

The driving range revenues seem high for a conservative or worst case pro forma. In the first year, these revenues are $333,000 moving to $405,000 upon stabilization. In this case, we feel the pricing is fine but the usage may be a little high. In particular, the number of non-golf range users is very high. This is due to the 40 hitting stations. A 26% utilization rate would be fine for 10-15 hitting stations but for 40 we would expect a much lower rate. We believe that the driving can expect revenues at about 85-90% of these numbers upon stabilization.

The retail revenues also seem high due to usage and not pricing. In particular, getting 20% of park guests to buy merchandise seems aggressive, but it may be contemplated that additional merchandise that would be appropriate for the non users would be sold. The pro forma has $157,000 in retail revenues in the first year of the projections and grows to $210,000 by stabilization. We would expect more modest revenues of around 70-80% of these numbers, unless alternative products and goods are anticipated for sale.

In contrast, we feel the golf related expenses are very conservative and too high. The golf wages are much too high for an 9 hole golf course with a pitch and putt facility. It should not take as much staff to run the operation as projected. The total golf payroll is $228,000 in the first year of the pro forma.

Conclusions

Overall, we feel the golf operations and food & beverage pro forma projections are conservative. Golf expenses are high and projected play is well below the market especially in the early years. The food & beverage revenue projections seem reasonable as well as the profit margin. We believe pricing in the early years to be high, but usage is likely low. The most risk in the pro forma projections lies in the Event and Banquet Center and somewhat in the driving range. As discussed, the pricing of the events is aggressive and the profit margin is much too large. The concern with the driving range revenues is due to an aggressive usage rate for park guests.

The golf course as proposed includes a significant management fee for the operation of the facility. The management should be in the best position to forecast the income and expenses of the facility, and it appears that their projections are far more aggressive than those in the worst case scenario. The management has resources that they can bring to bear on this project, and as this analysis assumes that the project is professionally managed, we believe there are opportunities to substantially increase the levels of play and usage at the golf course. In addition, there is a substantial marketing budget in place that should help the facility to be well received in the local environment.

Blue Lake Golf & Recreation Center

Debt Service Analysis

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March 27, 2009

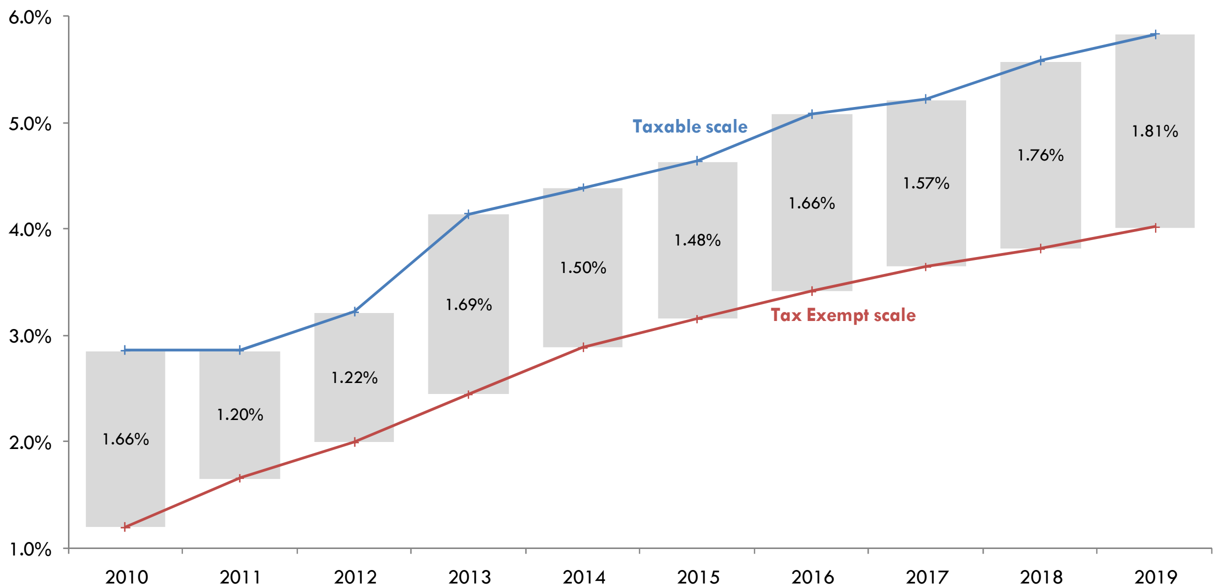
INTERNAL VS. EXTERNAL FINANCING

A decision on whether the best financing option is for Metro to internally finance the Golf course during the construction period or to borrow directly from the market may be affected by the following factors:

a) **Opportunity Cost.** We were informed that Metro would internally borrow the funds from one of the solid waste reserves and that the opportunity cost for those funds would be very limited. If Metro had discretionary ability to temporarily spend those funds in projects other than the Blue Lake Golf & Recreation Center (the "Blue Lake Project"), the following points should be used to compare the Blue Lake Project with the other potential projects and determine the best use of Metro's existing funds versus debt issuance:

   a. Taxable vs. Tax exempt interest rates. For example, if Metro could use those funds to internally finance another project that, if financed in the market required issuance of taxable debt, then Metro would be better off financing the Blue Lake Project in the market with tax exempt debt and financing the taxable project internally (assuming that taxable interest rates are higher than tax exempt rates).

GRAPH 1. TAXABLE VS. TAX EXEMPT MUNICIPAL BOND RATES (MARCH 18, 2009)



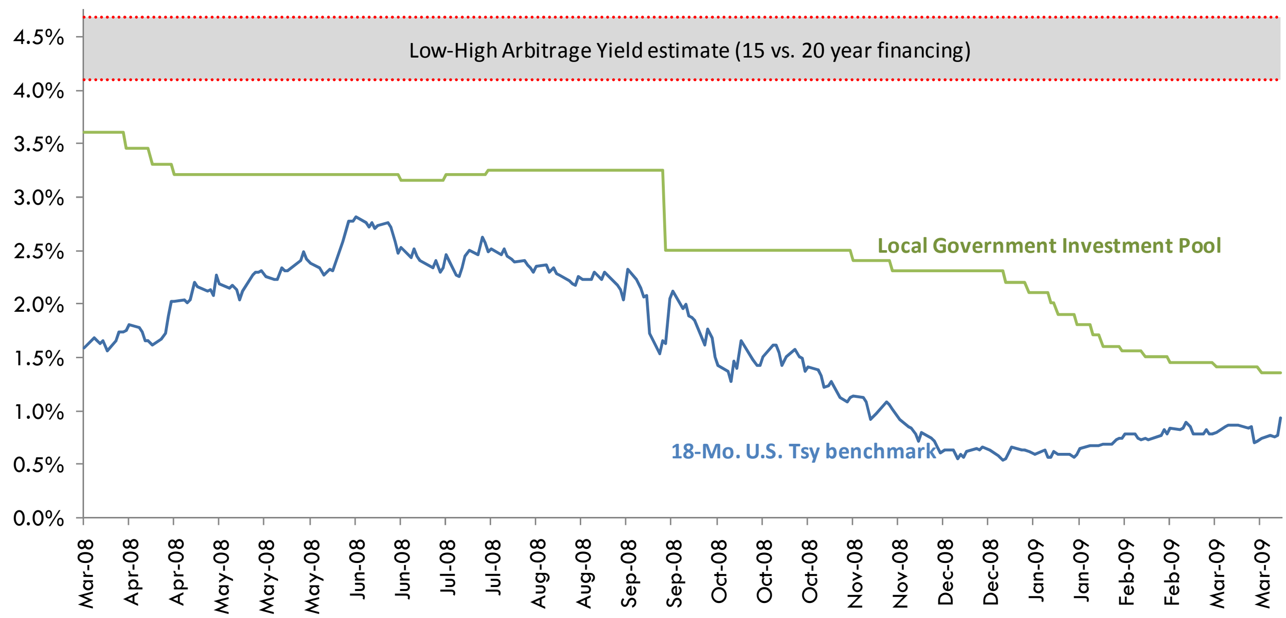
Source: Reuters TM3 & Bloomberg

   b. Construction period. The golf course project would have a 2-year construction period over which Metro would have to internally finance the project. If the alternative use of funds is for a project with a shorter or longer construction period, the interest rate risk exposure (both from borrowing and investment perspectives) would have to be compared to find the most efficient funding structure.

b) **Arbitrage.** Funds borrowed on a tax exempt basis would likely be subject to arbitrage rebate. Funds held by Metro are not likely to have any arbitrage restrictions. Depending on the expectations to earn interest above the arbitrage yield, Metro may be better off issuing debt in 2010 or wait until 2012. If investment earnings are above the arbitrage yield of the potential FFCO, then Metro should keep the existing (unrestricted) funds earning above the arbitrage yield and issue debt in 2010 earning up to the arbitrage yield.

If on the other hand (and likely under current market conditions as shown on Graph 2 below), the possibility to earn above the arbitrage yield is remote, then Metro would be better off using existing funds to build the golf course instead of incurring in negative arbitrage by issuing debt in 2010 at an interest rate that is higher than the potential investment earnings rate.

GRAPH 2. POTENTIAL ARBITRAGE RATES VS. INVESTMENT ALTERNATIVE RATES (3/21/08 – 3/26/09)



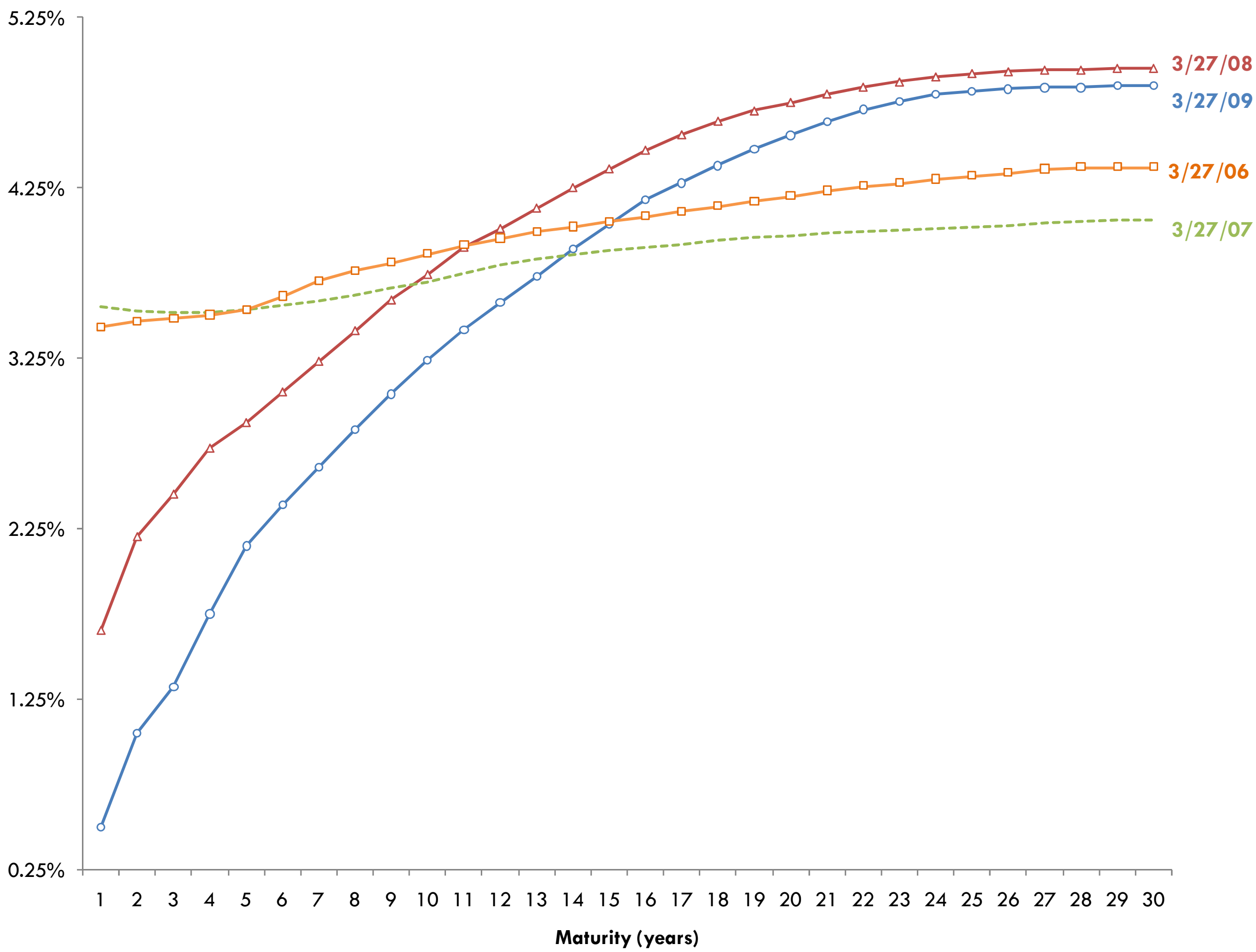
15 VS. 20 YEAR FINANCING

Legal perspective. Federal and State law limit the amortization period of the proposed debt issue based on the average useful life of the asset to be financed. Given the broad description of the project, I believe that Metro would have the option to issue debt over15 or 20 years (or perhaps even longer).

Market perspective. Even though market conditions have changed substantially for the past 18 months, we have not seen a dramatic shift of investor demand for 15 or 20 year debt (a 30 or 35 year financing would be harder to sell in this environment and likely result in substantially higher interest rates). We believe Metro would not encounter significant market resistance if it chose to issue the proposed Full Faith and Credit Obligations over 20 years.

Another aspect to consider is the steepness of the yield curve. As illustrated below, the tax exempt municipal bond yield curve has steepened in the past 2 years compared to the relatively flat curve environment in 2006 and 2007. The main reason to extend the financing to 20 years may be to reduce the annual debt service payments If Metro has the cash flow ability to issue debt over 15 years, this may be the preferred financing structure since the yield differential under current market conditions between a 15 and a 20-year amortization could be over 50 basis points.

Graph 3. Four-Year Historic Tax Exempt Municipal Yield Curves (March 27th)



Years to Maturity	3/27/2009	3/27/2008	3/27/2007	3/27/2006
1	0.50%	1.65%	3.55%	3.43%
5	2.15%	2.87%	3.54%	3.53%
10	3.24%	3.74%	3.70%	3.86%
15	4.04%	4.36%	3.88%	4.05%
20	4.56%	4.75%	3.97%	4.20%
25	4.82%	4.92%	4.02%	4.32%
30	4.85%	4.95%	4.06%	4.37%

PRO-FORMA DEBT SERVICE SCHEDULES

The following summary and pro-forma debt service schedules reflect interest rates as of March 27, 2009. For Full Faith and Credit Obligations issued by Metro with Aa1/AA+ ratings in the amount of $10,650,000 dated January 3, 2012 with a stepped debt service structure.

TABLE A. SUMMARY OF FINANCING RESULTS

	Scenario 1	Scenario 2
Amortization	15 Years	20 Years
Par Amount	$10,650,000	
Fiscal Year	Debt Service	
2012	712,967	567,268
2013	711,781	566,118
2014	711,094	564,280
2015	709,428	567,159
2016	711,924	564,695
2017	817,781	651,780
2018	928,751	740,680
2019	1,049,563	836,004
2020	1,084,188	862,004
2021	1,119,986	890,636
2022	1,151,751	916,673
2023	1,189,053	944,837
2024	1,221,978	970,187
2025	1,260,118	1,002,467
2026	1,297,908	1,031,141
2027		1,061,116
2028		1,091,751
2029		1,127,767
2030		1,158,841
2031		1,194,815
Total Interest	4,028,269	6,660,215
Maximum Annual DS	1,297,908	1,194,815
Avg. Annual DS	1,018,538	891,768
True Interest Cost	4.1716%	4.7486%
Arbitrage Yield	4.0902%	4.6853%

BOND DEBT SERVICE

Blue Lake Golf & Rec. Center
Full Faith and Credit Obligations, Series 2012
Scenario 1: Stepped Debt Service - 15 years

Dated Date	01/03/2012
Delivery Date	01/03/2012

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2012	550,000	1.750%	162,966.91	712,966.91	712,966.91
12/01/2012	-	-	193,390.50	193,390.50	-
06/01/2013	325,000	1.750%	193,390.50	518,390.50	711,781.00
12/01/2013	-	-	190,546.75	190,546.75	-
06/01/2014	330,000	2.020%	190,546.75	520,546.75	711,093.50
12/01/2014	-	-	187,213.75	187,213.75	-
06/01/2015	335,000	2.240%	187,213.75	522,213.75	709,427.50
12/01/2015	-	-	183,461.75	183,461.75	-
06/01/2016	345,000	2.650%	183,461.75	528,461.75	711,923.50
12/01/2016	-	-	178,890.50	178,890.50	-
06/01/2017	460,000	3.050%	178,890.50	638,890.50	817,781.00
12/01/2017	-	-	171,875.50	171,875.50	-
06/01/2018	585,000	3.280%	171,875.50	756,875.50	928,751.00
12/01/2018	-	-	162,281.50	162,281.50	-
06/01/2019	725,000	3.500%	162,281.50	887,281.50	1,049,563.00
12/01/2019	-	-	149,594.00	149,594.00	-
06/01/2020	785,000	3.720%	149,594.00	934,594.00	1,084,188.00
12/01/2020	-	-	134,993.00	134,993.00	-
06/01/2021	850,000	3.910%	134,993.00	984,993.00	1,119,986.00
12/01/2021	-	-	118,375.50	118,375.50	-
06/01/2022	915,000	4.120%	118,375.50	1,033,375.50	1,151,751.00
12/01/2022	-	-	99,526.50	99,526.50	-
06/01/2023	990,000	4.250%	99,526.50	1,089,526.50	1,189,053.00
12/01/2023	-	-	78,489.00	78,489.00	-
06/01/2024	1,065,000	4.400%	78,489.00	1,143,489.00	1,221,978.00
12/01/2024	-	-	55,059.00	55,059.00	-
06/01/2025	1,150,000	4.540%	55,059.00	1,205,059.00	1,260,118.00
12/01/2025	-	-	28,954.00	28,954.00	-
06/01/2026	1,240,000	4.670%	28,954.00	1,268,954.00	1,297,908.00
	10,650,000		4,028,269.41	14,678,269.41	14,678,269.41

BOND DEBT SERVICE

Blue Lake Golf & Rec. Center
Full Faith and Credit Obligations, Series 2012
Scenario 2: Stepped Debt Service - 20 years

Dated Date	01/03/2012
Delivery Date	01/03/2012

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2012	375,000	1.750%	192,268.44	567,268.44	567,268.44
12/01/2012	-	-	230,558.75	230,558.75	-
06/01/2013	105,000	1.750%	230,558.75	335,558.75	566,117.50
12/01/2013	-	-	229,640.00	229,640.00	-
06/01/2014	105,000	2.020%	229,640.00	334,640.00	564,280.00
12/01/2014	-	-	228,579.50	228,579.50	-
06/01/2015	110,000	2.240%	228,579.50	338,579.50	567,159.00
12/01/2015	-	-	227,347.50	227,347.50	-
06/01/2016	110,000	2.650%	227,347.50	337,347.50	564,695.00
12/01/2016	-	-	225,890.00	225,890.00	-
06/01/2017	200,000	3.050%	225,890.00	425,890.00	651,780.00
12/01/2017	-	-	222,840.00	222,840.00	-
06/01/2018	295,000	3.280%	222,840.00	517,840.00	740,680.00
12/01/2018	-	-	218,002.00	218,002.00	-
06/01/2019	400,000	3.500%	218,002.00	618,002.00	836,004.00
12/01/2019	-	-	211,002.00	211,002.00	-
06/01/2020	440,000	3.720%	211,002.00	651,002.00	862,004.00
12/01/2020	-	-	202,818.00	202,818.00	-
06/01/2021	485,000	3.910%	202,818.00	687,818.00	890,636.00
12/01/2021	-	-	193,336.25	193,336.25	-
06/01/2022	530,000	4.120%	193,336.25	723,336.25	916,672.50
12/01/2022	-	-	182,418.25	182,418.25	-
06/01/2023	580,000	4.250%	182,418.25	762,418.25	944,836.50
12/01/2023	-	-	170,093.25	170,093.25	-
06/01/2024	630,000	4.400%	170,093.25	800,093.25	970,186.50
12/01/2024	-	-	156,233.25	156,233.25	-
06/01/2025	690,000	4.540%	156,233.25	846,233.25	1,002,466.50
12/01/2025	-	-	140,570.25	140,570.25	-
06/01/2026	750,000	4.670%	140,570.25	890,570.25	1,031,140.50
12/01/2026	-	-	123,057.75	123,057.75	-
06/01/2027	815,000	4.830%	123,057.75	938,057.75	1,061,115.50
12/01/2027	-	-	103,375.50	103,375.50	-
06/01/2028	885,000	4.970%	103,375.50	988,375.50	1,091,751.00
12/01/2028	-	-	81,383.25	81,383.25	-
06/01/2029	965,000	5.070%	81,383.25	1,046,383.25	1,127,766.50
12/01/2029	-	-	56,920.50	56,920.50	-
06/01/2030	1,045,000	5.170%	56,920.50	1,101,920.50	1,158,841.00
12/01/2030	-	-	29,907.25	29,907.25	-
06/01/2031	1,135,000	5.270%	29,907.25	1,164,907.25	1,194,814.50
	10,650,000		6,660,214.94	17,310,214.94	17,310,214.94

BOND DEBT SERVICE

Blue Lake Golf & Rec. Center
Full Faith and Credit Obligations, Series 2012
Scenario 1: Stepped Debt Service - 15 years

Dated Date	01/03/2012
Delivery Date	01/03/2012

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2012	-	-	374,679.41	374,679.41	-
06/01/2013	180,000	1.750%	205,616.75	385,616.75	760,296.16
12/01/2013	-	-	204,041.75	204,041.75	-
06/01/2014	355,000	2.020%	204,041.75	559,041.75	763,083.50
12/01/2014	-	-	200,456.25	200,456.25	-
06/01/2015	360,000	2.240%	200,456.25	560,456.25	760,912.50
12/01/2015	-	-	196,424.25	196,424.25	-
06/01/2016	370,000	2.650%	196,424.25	566,424.25	762,848.50
12/01/2016	-	-	191,521.75	191,521.75	-
06/01/2017	490,000	3.050%	191,521.75	681,521.75	873,043.50
12/01/2017	-	-	184,049.25	184,049.25	-
06/01/2018	630,000	3.280%	184,049.25	814,049.25	998,098.50
12/01/2018	-	-	173,717.25	173,717.25	-
06/01/2019	780,000	3.500%	173,717.25	953,717.25	1,127,434.50
12/01/2019	-	-	160,067.25	160,067.25	-
06/01/2020	840,000	3.720%	160,067.25	1,000,067.25	1,160,134.50
12/01/2020	-	-	144,443.25	144,443.25	-
06/01/2021	910,000	3.910%	144,443.25	1,054,443.25	1,198,886.50
12/01/2021	-	-	126,652.75	126,652.75	-
06/01/2022	980,000	4.120%	126,652.75	1,106,652.75	1,233,305.50
12/01/2022	-	-	106,464.75	106,464.75	-
06/01/2023	1,060,000	4.250%	106,464.75	1,166,464.75	1,272,929.50
12/01/2023	-	-	83,939.75	83,939.75	-
06/01/2024	1,140,000	4.400%	83,939.75	1,223,939.75	1,307,879.50
12/01/2024	-	-	58,859.75	58,859.75	-
06/01/2025	1,230,000	4.540%	58,859.75	1,288,859.75	1,347,719.50
12/01/2025	-	-	30,938.75	30,938.75	-
06/01/2026	1,325,000	4.670%	30,938.75	1,355,938.75	1,386,877.50
	10,650,000		4,303,449.66	14,953,449.66	14,953,449.66

BOND DEBT SERVICE

Blue Lake Golf & Rec. Center
Full Faith and Credit Obligations, Series 2012
Scenario 2: Stepped Debt Service - 20 years

Dated Date	01/03/2012
Delivery Date	01/03/2012

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2012	-	-	438,236.24	438,236.24	-
06/01/2013	-	-	240,495.50	240,495.50	678,731.74
12/01/2013	-	-	240,495.50	240,495.50	-
06/01/2014	110,000	2.020%	240,495.50	350,495.50	590,991.00
12/01/2014	-	-	239,384.50	239,384.50	-
06/01/2015	115,000	2.240%	239,384.50	354,384.50	593,769.00
12/01/2015	-	-	238,096.50	238,096.50	-
06/01/2016	115,000	2.650%	238,096.50	353,096.50	591,193.00
12/01/2016	-	-	236,572.75	236,572.75	-
06/01/2017	210,000	3.050%	236,572.75	446,572.75	683,145.50
12/01/2017	-	-	233,370.25	233,370.25	-
06/01/2018	310,000	3.280%	233,370.25	543,370.25	776,740.50
12/01/2018	-	-	228,286.25	228,286.25	-
06/01/2019	420,000	3.500%	228,286.25	648,286.25	876,572.50
12/01/2019	-	-	220,936.25	220,936.25	-
06/01/2020	460,000	3.720%	220,936.25	680,936.25	901,872.50
12/01/2020	-	-	212,380.25	212,380.25	-
06/01/2021	505,000	3.910%	212,380.25	717,380.25	929,760.50
12/01/2021	-	-	202,507.50	202,507.50	-
06/01/2022	555,000	4.120%	202,507.50	757,507.50	960,015.00
12/01/2022	-	-	191,074.50	191,074.50	-
06/01/2023	605,000	4.250%	191,074.50	796,074.50	987,149.00
12/01/2023	-	-	178,218.25	178,218.25	-
06/01/2024	660,000	4.400%	178,218.25	838,218.25	1,016,436.50
12/01/2024	-	-	163,698.25	163,698.25	-
06/01/2025	720,000	4.540%	163,698.25	883,698.25	1,047,396.50
12/01/2025	-	-	147,354.25	147,354.25	-
06/01/2026	785,000	4.670%	147,354.25	932,354.25	1,079,708.50
12/01/2026	-	-	129,024.50	129,024.50	-
06/01/2027	855,000	4.830%	129,024.50	984,024.50	1,113,049.00
12/01/2027	-	-	108,376.25	108,376.25	-
06/01/2028	930,000	4.970%	108,376.25	1,038,376.25	1,146,752.50
12/01/2028	-	-	85,265.75	85,265.75	-
06/01/2029	1,010,000	5.070%	85,265.75	1,095,265.75	1,180,531.50
12/01/2029	-	-	59,662.25	59,662.25	-
06/01/2030	1,095,000	5.170%	59,662.25	1,154,662.25	1,214,324.50
12/01/2030	-	-	31,356.50	31,356.50	-
06/01/2031	1,190,000	5.270%	31,356.50	1,221,356.50	1,252,713.00
	10,650,000		6,970,852.24	17,620,852.24	17,620,852.24

Nature and Golf Learning Center at Blue Lake Park

Financial *Pro Forma* Summary Information

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Metro Regional Parks

June 26, 2008

Major Revenue Assumptions and Comparables Analysis Summary

Metro has conducted a number of market studies to help determine market demand and appropriate pricing and revenue assumptions for the East Multnomah County golf market. Metro has also collected similar information from area municipal courses. Metro has also solicited pricing and revenue advice from OB Sports, a professional golf operations company with courses primarily in the western United States, includes courses in Portland, Medford and in the state of Washington.

The following summarizes the consensus views of these studies and the professional judgments of OB Sports, and compares them to the assumptions used in the Financial *Pro Forma* for the Nature and Golf Learning Center at Blue Lake Park. In all cases, the *pro forma* uses assumptions on the low end of suggested ranges, or even lower than recommended, in an effort to be conservative in revenue assumptions.

Sources of Information

Market Feasibility Study – Golf Catalyst, 2004
Feasibility and Financial Sensitivity Study – National Golf Foundation, 2006
Golf Market Overview – Economic Research Associates, 2008
Financial Operating and Marketing Plan – OB Sports, 2008
Conversations with local area municipal golf course operators, 2008
2006 and 2007 Audited financial statements for Glendoveer Golf Course

Nine Hole Rounds

The National Golf Foundation (NGF) study suggested using an estimated low rounds number of 32,316 and a high estimate of 39,497 for the first year of operations, as part of its market and sensitivity analysis. Golf Catalyst suggested using 35,906, while Economic Research Associates (ERA) suggested 35,000.

Local municipal courses are seeing higher round numbers, but this is to be expected given their 18-hole format. Red Tail Golf Course (Portland Parks) sees 74,788 nine hole rounds annually (37,394 rounds equivalent), East Moreland (Portland Parks) has 84,973 rounds (42,486 equivalent) and Rose City (Portland Parks) has 72,356 equivalent (36,178 equivalent).

OB Sports has recommended the use of 32,000 rounds in the financial *pro forma*. While this number is lower than the market studies suggest, even lower than the low end of the NGF sensitivity study, and lower than other municipal courses in the area, this number has been used to remain conservative in the financial estimates.

Nine Hole Fee

The 2004 Golf Catalyst study recommended that the market could support a nine hole round composite fee (averaging full rate and discounted rates) of $10.67. The NGF study in 2006 suggested that the market would support a fee between $9.54 and $12.01. The ERA study in 2008 recommended a fee of $12.55. OB Sports also recommended a composite fee of $12.55.

Glendoveer Golf Course has a composite fee at $13.19. We were not able to get composite rates for Heron Lakes, Red Tail, Rose City or East Moreland. However, as these facilities have comparable full rates and discount rates to Glendoveer, it is reasonable to assume that their composite fee is also around the same as Glendoveer's $13.19 rate.

The financial *pro forma* assumes a composite rate of $12.55 per nine hole round.

Pitch-and-Putt Rounds and Fee

The Golf Catalyst study recommended that Metro estimate 6,284 rounds for the pitch-and-putt course, at a fee of $4.50 ($28,278 in revenue). The NGF and ERA studies confirmed that the number rounds estimated by Golf Catalyst was reasonable, with ERA recommending a fee of $4.46 ($28,027 in revenue) and NGF recommending a fee of $5.06 ($31,797 in revenue). OB Sports recommended using 11,000, based on their experience with alternative courses, at a fee of $4.00 per round ($44,000 in revenue).

The financial *pro forma* assumes 6,300 rounds at $4.25 per round ($26,775 in revenue).

Driving Range Usage

Based on market demographics and usage rates at local facilities, Golf Catalyst estimated at the driving range should see a 30% usage rate per range stall. This percentage was confirmed by NGF, ERA and OB Sports. Using OB Sports' revenue assumption of $6 per user of the range (a number comparable to ranges at Glendoveer, Heron Lakes, Red Tail and East Moreland), the revenue estimate for the driving range was recommended to be $10,272 per stall. In comparison, the driving range at Glendoveer has revenue of $8,406 per stall, East Moreland gets $8,773 per stall, and Red Tail takes in $8,938 per stall.

The quality of the driving range will also be considerably higher than Glendoveer, Red Tail and East Moreland. However, the financial *pro forma* assumes a lower utilization rate than recommended, at 26%, with the recommended range fee of $6.00. The 'per stall' estimate in the *pro forma* is $8,622.

Golf Cart Rentals

Golf cart rental revenue is usually a significant revenue source for golf courses. For example, Glendoveer and the city of Portland courses charge $13.00 to rent a cart ($6.50 per rider). Glendoveer has a utilization rate of 35%, which brings in $335,000 in annual revenue. Given that this facility is a nine hole course and that it was unclear whether there was adequate space in the hole layouts for cart paths, the operating assumption was made that carts would only be available for those who physically could not play nine holes without a cart, to comply with ADA requirements.

OB Sports provided estimates of golf cart rental revenue, assuming that the course could accommodate it. OB Sports estimated 25% utilization rates at $6.00 per rider, for estimated revenues of $48,000.

The pro forma assumes a $6 per rider rate, with 5% utilization rates, for annual revenue of $9,600. If the design of the course does allow for golf cart utilization, this number should be revised upward.

Food & Beverage

The Golf Catalyst study estimated food and beverage revenues per round at $1.97, with the assumption that there would be no alcohol (beer) sales. NGF included alcohol in its estimates and came up with a low estimate of $3.12 per round and a high estimate of $3.24 per round. ERA also assumed alcohol sales, and recommended $2.74 per round.

OB Sports, based on their current golf course operations, have suggested using $4.50 per round as an estimate.

The financial *pro forma* assumes $3.00 per round for food and beverage revenue.

Retail Revenue

The Golf Catalyst study estimated $1.83 per round for the sale of hard goods (clubs, balls), soft goods (clothing, gloves, shoes) and miscellaneous items. NGF in 2006 suggested a range of $1.72 to $1.83 for retail revenue. ERA in 2008 estimated $2.29 per round.

OB Sports, based on its own retail operations, has suggested that we could expect $4.00 per round.

The financial *pro forma* includes the assumption of $2.00 per round.

Miscellaneous Golf Revenues

Miscellaneous revenue mostly consists of revenue from golf lessons and club rentals. Golf Catalyst assumed revenue of $28,895 for this facility, while ERA estimated $40,000 and NGF suggested that we could expect between $28,187 and $29,602 annually. Based on operations of golf facilities, OB Sports has recommended an assumption of $24,000.

The financial pro forma assumes $24,000 annually in miscellaneous revenues.

Nature and Golf Learning Center at Blue Lake Park
General Fund Impact Calculation

Net Cash Flows*	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
General and Administrative	(296,110)	(305,470)	(315,127)	(325,091)	(335,372)	(345,979)	(356,924)	(368,218)	(379,870)	(391,893)
Golf Course Operations	184,031	305,380	365,805	409,330	455,455	502,905	514,349	527,258	536,682	546,800
Golf Retail Shop	14,156	14,385	14,978	15,600	16,253	16,878	16,435	15,969	15,479	14,966
Food & Beverage	94,834	98,233	103,862	109,926	116,462	123,147	123,615	124,023	124,369	124,648
Event / Banquet	294,236	364,782	495,744	517,874	540,975	565,003	580,573	596,614	613,034	629,853
Net Cash Flow-all profit centers	291,147	477,311	665,262	727,639	793,774	861,954	878,047	895,646	909,693	924,373
Annual Debt Service*	(433,491)	(353,994)	(352,246)	(356,140)	(353,778)	(404,493)	(459,091)	(523,113)	(536,840)	(555,192)
Profit (Loss) Impact to Metro's General Fund	**(142,344)**	**123,317**	**313,017**	**371,499**	**439,995**	**457,461**	**418,955**	**372,533**	**372,853**	**369,181**

* *Net Cash Flows* equal program revenues less associated expenses.
* Annual debt service is based on financing $6,500,000.

Nature and Golf Learning Center at Blue Lake Park
Financing Goals

Metro Contribution	
Debt Financing	6,500,000
Mult. Co. Natural Areas Fund	900,000
Metro General Fund contribution	2,500,000
	$9,900,000
Partners / Grants	
Partners & Sponsors	750,000
Grants-Community Development, wetland restoration, and 40-mile loop improvements	850,000
	$1,600,000
Total Financing Available	**$11,500,000**

Note: Financing for the First Tee Golf Learning Center is excluded under the assumption that the costs for these improvements would be equal to the revenue raised by First Tee to pay for the building.

Construction Allowances

Golf Course

Soft Costs - Design/Engineering, surveying, land use fee, etc.	455,000
Golf course construction	2,200,000
Grow-in Additional Cost	65,000
	$2,720,000

Buildings - Golf Operations, Driving Range and Lake House

Soft Costs - D&E, surveying, land use fee, etc.	1,000,000
Lake House Events Center	3,750,000
Driving Range	750,000
Golf and Park Operations Center	750,000
Sustainability improvements, Utilities, Furnishings and Landscaping	1,030,000
	$7,280,000
	$10,000,000
Construction contingency - 15%	1,500,000
	$11,500,000

Note: Costs for the First Tee Golf Learning Center are excluded under the assumption that the costs would be offset by revenue raised by First Tee to pay for the building.

Nature and Golf Learning Center at Blue Lake Park
Return on Equity Investment Calculation

This sheet looks at revenue from investing $3.4 million into the project ($2.5 million from the General Fund and $900,000 from a restricted Multhomah County source) and its projected return and compares it to leaving the money in fund balance and collecting interest.

Proposal - Build Nature and Golf Learning Center

	Debt Service	Cash Flow	Annual Impact	**Cumulative Impact**	
Year 1	(433,491)	291,147	(142,344)	**(142,344)**	
Year 2	(353,994)	477,311	123,317	**(19,026)**	
Year 3	(352,246)	665,262	313,017	**293,990**	Break even year
Year 4	(356,140)	727,639	371,499	**665,489**	
Year 5	(353,778)	793,774	439,995	**1,105,485**	
Year 6	(404,493)	861,954	457,461	**1,562,946**	
Year 7	(459,091)	878,047	418,955	**1,981,901**	
Year 8	(523,113)	895,646	372,533	**2,354,434**	
Year 9	(536,840)	909,693	372,853	**2,727,288**	
Year 10	(555,192)	924,373	369,181	**3,096,469**	
Year 11	(571,994)	939,290	367,297	**3,463,765**	
Year 12	(587,080)	954,448	367,368	**3,831,133**	
Year 13	(606,492)	969,850	363,358	**4,194,490**	
Year 14	(624,026)	985,500	361,474	**4,555,965**	
Year 15	(645,580)	1,001,404	355,824	**4,911,789**	
Year 16	(665,022)	1,017,564	352,542	**5,264,331**	
Year 17	(682,312)	1,033,984	351,673	**5,616,004**	
Year 18	(703,313)	1,050,670	347,357	**5,963,361**	
Year 19	(721,793)	1,067,625	345,833	**6,309,193**	
Year 20	(749,535)	1,084,854	335,319	**6,644,513**	
Year 21	0	1,102,360	1,102,360	**7,746,873**	

Status Quo - Invest Cash and Earn Interest

	Principal	Interest Earnings	**Cumulative Impact**	
Year 1	3,400,000	119,000	**119,000**	
Year 2	3,519,000	123,165	**242,165**	
Year 3	3,642,165	127,476	**369,641**	Break even
Year 4	3,769,641	131,937	**501,578**	
Year 5	3,901,578	136,555	**638,133**	
Year 6	4,038,133	141,335	**779,468**	
Year 7	4,179,468	146,281	**925,749**	
Year 8	4,325,749	151,401	**1,077,151**	
Year 9	4,477,151	156,700	**1,233,851**	
Year 10	4,633,851	162,185	**1,396,036**	
Year 11	4,796,036	167,861	**1,563,897**	
Year 12	4,963,897	173,736	**1,737,633**	
Year 13	5,137,633	179,817	**1,917,451**	
Year 14	5,317,451	186,111	**2,103,561**	
Year 15	5,503,561	192,625	**2,296,186**	
Year 16	5,696,186	199,367	**2,495,553**	
Year 17	5,895,553	206,344	**2,701,897**	
Year 18	6,101,897	213,566	**2,915,463**	
Year 19	6,315,463	221,041	**3,136,504**	
Year 20	6,536,504	228,778	**3,365,282**	
Year 21	6,765,282	236,785	**3,602,067**	

	Annual ROE	Cumulative ROE
Year 1		
Proposal	-4.2%	-4.2%
Status Quo	3.5%	3.5%
Year 3-Break Even		
Proposal	9.2%	8.6%
Status Quo	3.5%	10.9%
Year 20		
Proposal	9.9%	195.4%
Status Quo	3.5%	99.0%

ROE = Return on Equity
(net cash flow / equity investment)

Scenarios Analysis

Baseline

Baseline Scenario

The baseline scenario is what the financial pro forma is based on. The revenue assumptions are conservative, using the low end of estimates provided from multiple sources, including market studies, comparison to local golf courses, and the advice of a professional golf course operator. Expenditure estimates assume current market conditions as being experienced by the professional golf course operator. Based on the numerous studies conducted, the consistency of the information provided, and the comparisons to other golf facilities in Portland, management believes that this the best information for projecting potential financial impacts of this project.

When doing sensitivity analysis with the baseline model, there were two assumptions identified that most impact the bottom line when the model is stressed. The two most sensitive values are the number of bookings at the Lake House Event Center (with associated food and beverage) and the use of the driving range.

This baseline scenario shows the project reaching profitability in the second year of operation, and profits stabilizing at approximately $440,000 annually in Year 5.

Downside Scenarios

Scenario One

This scenario assumes that the event center falls short of revenue projections, with 20% fewer bookings and 20% lower per person food and beverage revenue than the baseline scenario.

This scenario shows the project reaching profitability in the second year of operation, and profits stabilizing at approximately $337,000 annually in Year 5.

Scenario Two

Similar to Scenario 1, this scenario assumes that the event center does not meet revenue projections, with 20% fewer bookings and 20% lower per person food and beverage revenue than the baseline scenario. This scenario also assumes that driving range business is 10% less than projections.

This scenario shows the project reaching a break even in the second year of operation, and profits stabilizing at approximately $300,000 annually in Year 5.

Scenario Three

This scenario is similar to Scenario 2, except that it assumes event revenues are closer to projections while golf revenues are further than projections. In this scenario, event center and food revenue is 10% lower than projections, while driving range business and the number of golf rounds is 20% less than baseline projections.

This scenario shows the project reaching almost at break even in the second year of operation, and profits stabilizing at approximately $267,000 annually in Year 5.

Scenario Four

This scenario is the most severe of the scenarios. Here, event revenues are 10% lower than baseline projections, and golf revenues are 20% lower than projections. In addition, even though the baseline scenario assumes the current conditions of high fuel and utility costs, this scenario assumes that the costs of fuels and utilities increase an additional 20% from today's costs in Year 1, and also assumes an additional 6% inflation for all material costs in Year 2 and Year 3. These costs compound when calculating future inflationary factors.

This scenario shows the project being profitable in the third year of operation, and profits stabilizing at approximately $207,000 annually in Year 5. Under Scenario Four, the investments made in the course fail to achieve a Return on Equity that exceeds the status quo use of that investment until several years after the retirement of the debt service.

Upside Scenario

Scenario Five

In several areas, the baseline scenario has assumed revenue projections lower than those provided by OB Sports, a professional golf course management company retained to provide their professional opinions pertaining to probably revenues and expenditures at the golf learning center envisioned in this project.

This scenario incorporates the revenue estimate recommendations of OB Sports. Using these numbers, the golf course breaks even in the first year of operation, with profits stabilizing at approximately $554,000 annually in Year 5.