



October 2008

Future of Buffalo Hill Depends on Capital Budget

A Message From KGA President of the Board Doug Kauffman...

Fellow members,

As we approach the end of another golf season and begin preparations for the next season, the Board of Directors has come to the realization that we, the KGA, have several difficult decisions to make as an organization. Current cash flow based on the "operations" budget alone allows only capital investment projects as an "emergency project."

The association has been operating under this guise or method for a period of years. While this method allowed the previous boards to maintain lower membership prices, the technique, while extremely popular, has taken a large toll on the services offered. Necessary capital maintenance programs were essentially ignored due to lack of funding.

We, the KGA, have reached an important crossroads. We need to make a decision to either proactively address the future of Buffalo Hill Golf Course by generating additional funding for capital maintenance projects, or prepare to accept the drastic changes which will occur if we continue to try fund the entire course on "operations" revenues alone.

President's Message continued on Page 3

A little background...

For the past several years, the KGA Board has struggled with how to fund the capital budget for Buffalo Hill's present and future needs. You may recall in 2005, where the KGA membership met to discuss "Funding the Future" of Buffalo Hill Golf Course. Approximately 80 members attended and learned about the history and funding problems facing Buffalo Hill. Mark Agather, a long-time KGA member and a certified financial planner, facilitated the two-hour meeting via a Power Point Presentation. That was three years ago, and since then, the Board of Directors, volunteers and committees all have been faced with the same daunting question of how the Kalispell Golf Association, a tax exempt, non-profit organization, can possibly replace the millions of dollars of infrastructure, equipment, irrigation, furniture and fixtures, and also provide adequate funds for daily operational expenses.

After hundreds of volunteer hours invested into research and evaluation by your Board of Directors, a plan was adopted to help assist with the funding of the capital budget. On September 29, 2008, the KGA Board of Directors voted 7-2 to include an annual \$125 capital budget fee with the each adult member for the sole purpose of replacing assets at Buffalo Hill. The fee cannot be used for expenses related to daily operations. The funds will be placed in an account earmarked specifically for the capital budget. The \$125 per year is an **INVESTMENT** in your golf course and the future of Buffalo Hill depends on you.

**With Membership
Comes Responsibility...**

Why is now the time?

The life of the Buffalo Hill infrastructure is nearing the end of its life. The Championship 18 is now 30 years old; and the irrigation system is failing. In fact, the old brand of irrigation heads installed in 1978 aren't even made anymore. To make things worse, we're completely out of spare parts to make repairs to blown heads. Additionally, the driving range is in dire need of a total renovation, mowers (\$35,000 to \$70,000) need replacement as they are at the end of their useful life, asphalt is severely cracking in many areas and exploding in other areas. Buildings, including the starter shack, clubhouse kitchen, club storage, club fitting, range storage and scoring areas need extensive renovation.

Why not borrow the money and repay the loan?

Borrowing money is a reasonable and expected way for KGA to finance certain long-range projects, but it is only PART of the equation. Our real issue is **about CASH FLOW** generated from operations in order to properly fund the capital budget. KGA **needs unencumbered funds** in order to continue with annual asset replacement. Currently, KGA has an outstanding loan of approximately \$150,000 for the new cart fleet. The note matures on October 15, 2010. Principle payments on this debt total about \$60,000 annually.

Did the Board consider other options for raising money for the capital fund?

It would be an understatement to say that other options were considered. The Board represents the ENTIRE membership, hence, many options were considered and evaluated. In fact, during this process, many members from the general membership took time out of their busy schedules to attend committee meetings— their participation was vital and appreciated.

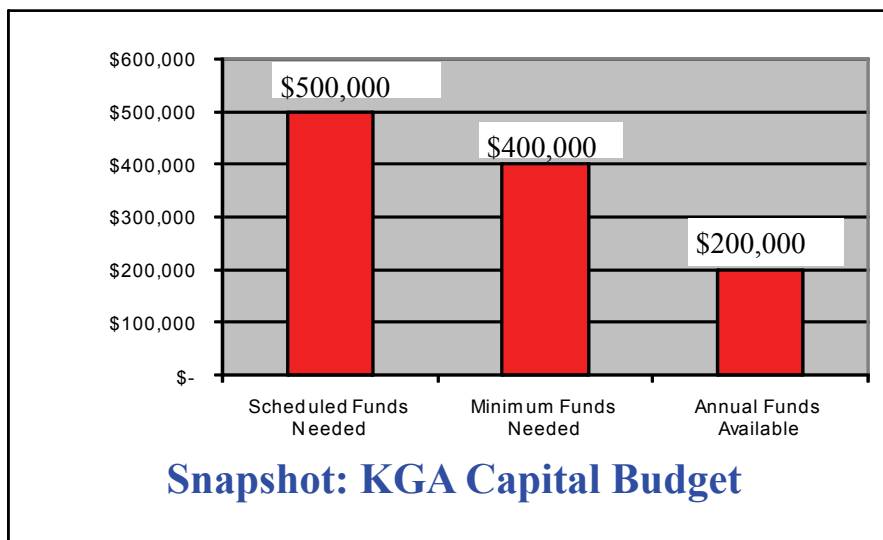
What are the capital budget fund requirements?

In 2004, management submitted a 20-year capital budget plan that calls for an average of \$500,000 per year. The document is just a planning tool and includes substantial funding for the tree management plan. However, it does NOT include funds for new greens—a significant rebuilding cost! Historically, KGA has invested about \$200,000 per year into its capital budget, but this is significantly less than what is on the list. There are no reserves due to the long list of projects that are submitted for consideration each year, consequently, many projects and purchases have been postponed over the years, resulting in substantial “deferred maintenance.”

Recently, upon request from the Board of Directors, management submitted a three-year (short term) capital budget totaling nearly \$1,500,000, and every project on the list is a priority! The fact is that our facility is a large 220-acre plot of land that requires a substantial amount of cash each year not only to operate at an acceptable level, but to replace assets so that the facility remains in good shape for future generations to enjoy.

*Buffalo Hill has the largest adult membership of any of the Kalispell courses. Our current membership consists of nearly 900 adults and 300 juniors and students. We must operate fiscally sound and budget realistically for operations and capital expenditures. As the graph below illustrates, our long list of capital budget replacements is far greater than our annual available resources. Remember, if we do not complete the capital budget as scheduled, **deferred maintenance results**. Additionally, if we borrow money that requires annual debt service, our available resources for capital budget expenditures will be reduced by the amount of the annual debt service. For example, if we decided to borrow \$500,000 to accomplish something major on the capital budget, our annual principle and interest payment of about \$60,000 (15 year note) would reduce our annual capital budget resources to approximately \$140,000—substantially less than our what our minimum calls for.*

Our goal is to provide the highest level of service possible for the fees paid to enjoy the Buffalo Hill Golf Club facility. Our ability to offer amenities on the golf course and in the clubhouse is a function of membership fees paid and greens fees paid by guests.



Do non-members also help out the capital budget fund?

You bet! A \$10 capital fee is built into every Championship 18 green fee, while \$3 is built into every Cameron 9 green fee, and the reality is that most of the capital budget will come from cash flow generated from green fees & carts. We anticipate approximately \$400,000 could be available for debt service and capital budget investment under the proposed plan.

Can we wait for a better time to implement the capital plan?

Unfortunately, the consequence associated with delaying a solution for yet another year brings about serious changes in golf course conditions. In short, conditions will simply not be the same quality that we have enjoyed for the past several years. Decisions related to the purchase of mowing equipment depends on the success of this capital plan.

Answer to the problem?

So just how do we cash flow another \$200,000? Our needs are at least two times greater than our annual cash flow generates. Membership dues, which derive less than 50% of the golf course revenue, but account for over 70% of the rounds played, are extremely low for the quality golf course that we all enjoy. In past years we have discussed the issue of membership yield per round and ideas on how we can raise that yield. We also have discussed ways to raise funds from our members through donations, split the pot, capital budget assessments and many other concepts that have yielded minimal results.

The decline in the Canadian exchange rate has been the best and most effective “fundraiser” for Buffalo Hill over the last couple of years, but this doesn’t last forever, as we can all attest to from just three years ago when the rate was substantially higher.

The goal of the KGA Board is to look forward to the future with clear vision so that future generations can enjoy what we have enjoyed for so many years. We have a responsibility to ourselves and to our legacy that we care about the condition that we leave Buffalo Hill Golf Course.

The capital plan outlined in this newsletter is the answer, but we as members of Buffalo Hill must be willing to support it in order for it to be successful. **Let’s join together as a true membership and ensure that success is our only option!**

Change is inevitable; growth is optional. Let’s grow together for the long term benefit of Buffalo Hill Golf Course.

How do other courses raise capital funds?

Typically, most courses will raise funds through initiation fees, monthly dues, monthly capital budget fees, or an annual capital budget assessment. We have a unique situation at Buffalo Hill as the course is OWNED by the City of Kalispell, but managed by the Kalispell Golf Association. The KGA is required under the lease agreement with the city to perform all repairs and maintenance to the golf course, including all operating expenses and capital improvements with revenues derived under our lease agreement. Unlike public courses that have private investment/ownership, KGA is a **non-equity**, tax exempt 501(c)(4) organization whereby **no individual’s investment is at stake**. This means that the club MUST have a solid membership in order to accomplish its long term goals.

Is there a flexible member payment plan?

Absolutely! The KGA Board of Directors understand that just like Buffalo Hill budgets, your personal household budgets are just as important!

The Board has extended the Early Bird date through February 28, 2009. In addition, you may call the office to charge your fees to your open account and make four monthly payments from November through February, or as regular as you would like. Maybe weekly payments work better for you, or twice a month. Whatever works better for you is good with us!

As an alternative, we also accept Visa/MC and American Express so that you can stretch out payments and customize your personal budget. You may want to charge your services for the reward points - if this works for you, it works for us!

Continued from page 1

Message from the President...

After considering numerous options, the Board has decided to try to maintain the level of golf we currently enjoy and have become accustomed to. The Board has decided to adopt changes, which we believe, will begin to alleviate some of the deferred maintenance problems and put the KGA on more solid footing for time ever, the board has to assess all adult mem-

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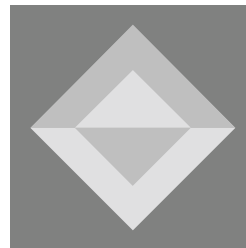
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Golf Course Maintenance Perspective – Our Capital Needs

My dad once told me that as he has gotten older, the maintenance has gone up! New knees, hips, stints, bypasses, cataracts, and the list goes on and on!!!! Buffalo Hill Golf Course has gotten older too! And the maintenance is going up.

For years and years, we have been listing the “knees and hips” that Buffalo Hill needs to replace. And for years and years, we have been putting off the inevitable, but we have reached a point where we will no longer be able to maintain the golf course as you have come to expect without replacing Buffalo Hill’s failing “knees and hips.”

So you, the membership, have a choice to make. It is a very simple choice. If everyone steps up and supports your Board of Directors plan to assess every member \$125 a year, (only \$10 per month), then we can begin the never-ending process of replacing your failing infrastructure. If the \$125 assessment is overturned and nothing is done, then you can rest assured that we will still be playing golf at Buffalo Hill next year; however, you **WILL** notice significant changes. If the result is somewhere in between (where only a portion of you step up and many of you leave) this will be a compromise that will, undoubtedly, result in significant changes as well.

The capital budget shortfall is nothing new, the Board of Directors have dealt with it in committee meetings, board meetings, and special meetings for nearly a decade. It has only been through the extremely dedicated efforts by your staff and the streamlining of the KGA operations that we have made it this far.

This is a defining moment for the KGA. We have all heard about the good members of the KGA, and we hope that the majority of the members fit that description. For those that **DO** fit that description, PLEASE, talk to your fellow players and encourage them to get behind the efforts of preserving Buffalo Hill Golf Course so that you may continue to enjoy this great facility. Together we can accomplish and achieve our mission, but divided we **ALL** stand to lose. I urge every member of the KGA to look beyond today, to truly accept that you can make a difference! The question is, what difference will you make? Your membership will mean something by standing up for the capital budget and the future success of Buffalo Hill.

Jon Heselwood
Golf Course Superintendent

PS - With regard to the “knees and hips” that need to be replaced, the following is a list of items that will be addressed in 2009:

A - Replacement of 30-year old obsolete irrigation heads on holes #5 through #15 on the Champ - \$100,000

B – Rip-rap along the river at the corner of #7 and left of #13 greens - \$75,000

C – Replacement of the main road from the clubhouse to the #8 tee - \$100,000

D – Removal and/or replacement of the shelters on the Cameron - \$15,000

E – Replacement of high-maintenance, low-productivity rough mowers that are approaching 20 years old - \$125,000

F – Replacement of one (of three) Fairway Mowers - \$50,000

G – Replacement of one (of four) Greens Mowers - \$35,000

H – Renovation of the On-Course Restrooms - \$6,000

I – Replenishment of the White Bunker Sand - \$50,000

J – Continued Tree Replacements and Removal of Unsafe Trees - \$40,000

K – Cart path changes for Safety at #16 tee, and on #4 Champ and #18 - \$46,000

L – Driving Range Net - ?????? Something must be done. Take a look at it.

This list totals \$642,000 without the driving range costs. Under the current operating budget we generate only \$220,000, so we are \$440,000 short just for 2008! Keep in mind the \$642,000 does not include the clubhouse parking lot needs, the cart shed replacement needs, the pro shop needs, the starter shack needs, the clubhouse needs, and on and on.

Driving Range, Pro Shop expansion headline needs

Ever since we had to start using limited-flight golf balls on the driving range, the instructional program at Buffalo Hill has suffered.

We, like you, realize hitting those “wiffle balls” might be good for warming up, but doesn’t give you a true picture of what the golf ball is doing once it leaves your clubface. Those balls make it tough to teach and assist you with your swing and game. If we try to teach in any wind over five miles per hour, the ball flight will be affected. Also, it is difficult to determine if you are gaining that added distance we all dream about, when the driver only goes 20 yards farther than your 7-iron.

We are the only course in the area without a “full flight” range. This improvement, though costly (\$350,000 and up) would add new players and provide additional revenue as well. Modern practice facilities help all players and allow your professional staff to provide quality instructional programs.

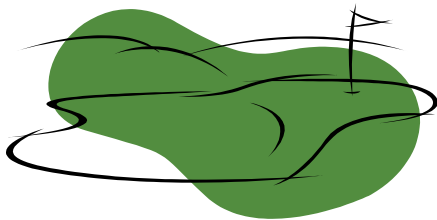
On to the Pro Shop . . . though small, it also is a difficult area to manage what is happening on the tees and limits our ability to merchandise golf products. Most of you probably don’t know that our Pro Shop office and storage facilities for merchandise and displays are located either downstairs, in club storage or the small storage shed behind club storage. The need for office and storage facilities on the same level and easily accessible is understated.

A remodeled Pro Shop also could include an area for the starter desk, as the current starter shack is showing age and wear from decades of use and exposure to weather and irrigation. Club storage could be included as well, to help secure and update a structure well past its years.

The scoreboard and range shop are well past their life cycle. We keep hoping the big pine tree behind that facility blows over and forces us into rebuilding that antiquated structure.

But, we can’t plan for the future without your support of the Capital Budget plan!

Dave Broeder & Marlin Hanson
PGA Golf Professionals



Needs of the Food & Beverage Department & Clubhouse

As I’m sure you all understand, the Food & Beverage department, along with the clubhouse, has its own list of needs, both now and in the future. As days and years go by, the list of the needs of new equipment and equipment replacement continues to grow. As our services grow, so grows the need for more modern equipment. Several pieces of equipment purchased in 1969 are still in service. As you would expect, this equipment is starting to show 40 years of wear and tear and needs replacement.

Listed below is a short list of assets that need replacement:

- The beer coolers behind the bar just went through their 40th season and are starting to rust & need replacement. (\$6,000)
- The sinks & bar wells behind the bar just went through their 40th year and need to be replaced. (\$5,000)
- The Beverage Cart, purchased in 1994, has nearly 3,000 hours of operation. Breakdown time is escalating with each season. (\$15,000)
- The kitchen needs a major remodeling and expansion. At the present time the chefs are preparing meals on a 30-inch household range. A new commercial range & convection oven is needed. (\$10,000) The frozen foods are kept in four separate household freezers which are located throughout various sections of the clubhouse. A walk-in freezer also is needed. (\$15,000)
- The health department suggested installing a new floor behind the bar, in the kitchen and food prep area. (\$10,000)

Many of the other clubhouse assets will need replacement in the next five to 10 years. Will the financial resources be there at that time?

We encourage you to support the Capital Budget plan so that we may continue to grow and serve the membership and community.

Board of Directors Implement Menu of Services for 2009

Menu designed to accommodate all players and provide options for various price points!

Your Board of Directors has worked tirelessly to provide services that fit each and every golfer. There are a variety of options to find the right amount of golf and budget just for you. Buffalo Hill is here for everybody to enjoy – whether you play 5 rounds a year, 30 rounds, or 100 rounds, we have the golf package for you! Please review the options below to find the right fit for you.

***The Bundle \$720** For the extremely avid player who plays more than 15 times per year and is interested in the lowest price per round. The \$720 rate includes a \$125 for KGA'S Capital Budget (for use only on capital projects, not for operation expenses) MSGA handicap service, and season range pass. The bundle allows unlimited play on both the Cameron 9 and the Championship 18 course. Available through February 28, 2009 as an Early Bird Only.

***Adult Membership \$675** For the avid player that plays golf on a regular basis, but who does NOT need MSGA handicap service or range pass. **The Adult Member** includes \$125 for KGA'S Capital Budget (for use only on capital projects, not for operation expenses) and entitled to unlimited play on both the Cameron 9 and the Championship 18 course.

Adult Cameron 9 Membership \$499 *NEW for 2009!

This membership allows the frequent golfer to enjoy the Cameron 9 hole course for a low rate. This includes unlimited play on the Cameron 9 Golf Course and is perfect for those who just play men's league or who want to play lots of golf at the lowest price. The Cameron Course is a walk-on course, no tee times necessary.

Frequent Player Card \$65 *NEW for 2009!

This card is for the local player who plays numerous rounds of golf but not enough to purchase any type of membership. Included with the purchase of this card is one free round on the Championship 18 AND 20% off the current green fee rate (fees change throughout the season). Good on the Championship or Cameron 9, the card is not transferable and must be presented at the Pro Shop for discount.

*** Golf Punchcard \$250**

This card is designed for the player who plays several times per year and/or likes to treat a guest. There are 12 punches per card (1 punch for 9 holes and 2 punches for 18 holes). This card is transferable, so come bring a friend, relative, wife, or husband and hit away!

***College Student Membership \$250**

This membership allows full-time college students up to the age 24 to have a full membership at a significantly discounted and affordable rate. This membership is designed as an extension of the junior program and includes unlimited play on both the Cameron 9 and the Championship 18 course.

Junior Membership - Cameron 9 Course \$150

This membership category is designed to accommodate most of our junior players with unlimited, unrestricted play on the Cameron 9 course. However, an upgrade to a full, unlimited, unrestricted 27-hole membership is available to all juniors for just \$100.

***Junior Membership - All 27 Holes \$250**

For the avid junior player who plays regularly, maybe a lower handicap player in junior high or high school. Enjoy unlimited play on both the Cameron 9 and Championship 18 Course.

We're confident that you will have a wonderful experience here at Buffalo Hill Golf Club. We look forward to seeing you here for another great season in 2009.

<i>Services & Rates</i>	2009	2008	2007
MEMBERSHIP SERVICES:			
The Bundle! Early Bird by Feb. 28, 2009 - Includes Capital Fee of \$125	\$720	\$549	\$499
Adult Pass - Early Bird by Feb. 28, 2009 - Includes Capital Fee of \$125	\$674	\$499	\$479
Adult Pass - Regular Season - Includes Capital Fee of \$125	\$784	\$599	\$549
Cameron 9 Pass NEW for 2009! (Qualifies for men's league and full member)	\$499		
Student (Full-Time College to age 24)	\$250	\$225	\$225
Junior - Cameron 9	\$150	\$140	\$140
Junior - Champ 18 & Cameron 9	\$250		
Electric Cart Storage Rent - Early	\$200	\$200	\$200
Regular	\$230	\$230	\$230
Gas Cart Storage Rent - Early	\$160	\$160	\$160
Regular	\$195	\$195	\$195
Trail Fee (Required of cart storage renters and member carts off premise)	\$175	\$155	\$145
Range Pass	\$50	\$50	\$50
Club Storage (Adult)	\$45	\$45	\$45
Club Storage (Student & Junior)	\$25	\$25	\$25
OTHER GOLF RELATED SERVICES:			
Motor Cart Rental (9-Hole)	\$17	\$15	\$14
Motor Cart Rental (18-Hole)	\$34	\$30	\$28
Motor Cart Rental - 18-Hole Twilight	\$28	\$26	\$24 (3pm)
GREENS FEES:			
18 Hole Championship—Subject to promo discounts and course condition Includes a capital fee of \$5 per round	\$65	\$50	\$48
18-Hole Championship Twilight Includes a capital fee of \$10 per round	\$42	\$32	\$29 (3pm)
9-Hole Cameron (Peak) - Includes a capital fee of \$3 per round	\$25	\$22	\$20
PUNCHCARDS: (No expiration date on unused cards)			
NEW for 2009! Frequent Player Card. Includes One Free Round on Champ 18 and 20% off current stated green fee rate on either golf course.	\$65		
Golf Punchcard; 12 punches per card (1 punch for 9 holes, 2 for 18 holes)	\$250	\$195	\$180
Golf Cart Season Pass	\$600	\$600	\$600
Cart Punchcard; 10 punches per card	\$130	\$125	\$110



In this issue : Discussion of the 2009 Capital Fund. Fees & rates for 2009.

Special Meeting Announcement!

KGA President Doug Kauffman, along with your Board of Directors, cordially request your presence at a SPECIAL MEETING of the MEMBERSHIP. For planning purposes, please RSVP by October 25 to the pro shop at 756-4547 or the main office at 756-4548. Thank you!

When: Wednesday, October 29, 2008 @ 6:00p.m.

Where: Buffalo Hill Golf Course Clubhouse

Venue may change if more than 100 members—please be sure to RSVP so that we may plan accordingly. A notice will be placed in the Daily Inter-lake by October 27 if the venue changes.

*******Agenda*******

- Vision for the future of Buffalo Hill Golf Course.
- Explanation of the capital budget fund and capital fee plan
- Projects and plans on the horizon
- Questions & Answers - membership open forum & discussion
- Options, considerations , consequences, changes, etc.
- Adjourn

Kalispell Golf Association Board of Directors

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Vice President - Lee Tresler
Secretary - Terry Williams
Treasurer - Don Walter
Director - Lynn Hadley
Director - Jess Carrillo
Director - Sandy Mundahl
Director - Ric Reed

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General Manager - Steve Dunfee
Superintendent - Jon Heselwood
PGA Professional - Dave Broeder
PGA Professional - Marlin Hanson
Food & Beverage Mgr. - BJ Newgard

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Fax: 406-756-4550
Pro Shop: 406-756-4547
Food & Beverage: 406-756-4551
Cart Service: 406-756-4557
Course Maintenance: 406-756-4556

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