



SPECIAL MEETING OF THE FINANCE COMMITTEE*

**Monday, July 29, 2024 - 1:30 p.m.
Laguna Woods Village Board Room/Virtual Meeting
24351 El Toro Road,
Laguna Woods, CA 92637**

Laguna Woods Village owners/residents are welcome to participate in all open committee meetings and submit comments or questions regarding virtual meetings using one of two options:

We would rather you be there - second choice.

1. Join the Committee meeting via a Zoom link at: <https://us06web.zoom.us/j/83185869622> or by calling 669-900-6833 Access Code: 83185869622
2. Via email to meeting@vmsinc.org any time before the meeting is scheduled to begin. Please use the name of the committee in the subject line of the email. Name and unit number must be included.

NOTICE OF MEETING AND AGENDA

This Meeting May Be Recorded

1. Call to Order
2. Acknowledgement of Media
3. Approval of the Agenda
4. Approval of Meeting Report for June 19, 2024
5. Chair's Remarks
6. Member Comments (Items Not on the Agenda)
7. Department Head Update

Items for Discussion and Consideration

8. Golf Fee Recommendation ←



Golf Fee Cost Analysis ← **Starts on page 3**

Steve Hormuth presented a staff report for Golf fees informing of the review to be conducted in two steps; first comparing current operational and maintenance costs to those at the last fee change, and second, recommending whether to keep or adjust the fee. Staff further elaborated that a separate meeting will be scheduled for detailed discussion of the fee recommendation.

Traffic Fee Cost Analysis



RV Storage Fee Cost Analysis



Future Agenda Items

- Golf Fee Update ←



Juanita Skillman, Chair



STAFF REPORT

DATE: July 29, 2024

FOR: Finance Committee

SUBJECT: Golf Fee Recommendation ← **Page 3**

RECOMMENDATION

Staff recommends the following:

- 1) The Committee endorse a shared cost percentage of 35% (covering total expense for golf maintenance and operations including depreciation for work centers 580 / 581 / 670 / 680) leaving the remaining 65% of total costs to be recovered through golf facility use fees.
- 2) The Committee review the proposed Schedule of Golf Fees (ATT1) and endorse Option A, inclusive of changes to trail fees, cart and club rental fees, driving range fees, and green fees for members and guests, with an effective date of January 1, 2025. An endorsement of Option A is authorization to temporarily exceed the 35 / 65 split between shared cost and recovery through fees (estimated from 2025 - 2027).

BACKGROUND

In 1985 a golf study committee was formed to review gross annual operating and maintenance costs and to develop a golf fee policy. The outcome of the study was a practice whereby 35% of the expenses were to be covered by all members through assessments and facility users would pay the remaining 65% through usage fees. In the early 1990s a sprinkler system replacement was approved and a decision was made to begin including capital depreciation costs in the operating and maintenance cost and fee calculation.

While golf fees gradually increased over the years, the most recent change made to green fees occurred in 2018 via board resolution 90-18-03. A change was also approved by the board in 2019 to increase the price of a bucket of balls at the driving range via board resolution 90-21-29. A subsequent review and recommendation were later presented to the board in August 2022; however, the approval of the fee change was postponed until further analysis was performed.

In September 2023, the GRF board approved a fee analysis schedule via Resolution 09-23-46 to ensure all fees were periodically reviewed and that a specific timeline was assigned. Per the approved fee analysis schedule, a review of golf fees was conducted in June and July 2024. An analysis of the golf operating and maintenance costs was presented to the GRF Finance Committee on June 19, 2024 illustrating budgeted expenses had increased by approximately \$500,000 when comparing 2024 to 2019. Absent a change in fees, those additional costs were born by the members of GRF.

DISCUSSION

Based on a review of actual revenues and expenses from 2019 through the forecasted end of 2024, the average annual golf revenues have represented 53% of total expenses with a low of 44% in 2020 due to the impacts of Covid-19 and a high of 58% in 2022. This 53% average is in contrast to the 65% of expenses expected to have been recovered through facility usage fees.

In an effort to provide the Committee with alternatives, three options have been included in the attached Schedule of Golf Fees (ATT1) with revenue and recovery through fee percentages illustrated on the second attachment titled Operating Statement (ATT2). All three options assume consistent golf facility usage derived from taking averages from 2022 through 2024.



Option A:

The first of the three alternatives, Option A, includes an increase in all categories. While the proposed guest green fees for 18 holes at the 27-hole course are increased by \$5 per round of golf and the member green fees have increased by \$3, the remaining golf green fees have increased by \$2 or less per round. Each of the three bucket sizes for driving range balls have increased by \$1 and both cart rentals and trail fees have been raised to contribute towards increasing the expense recovery through fee percentage.

As displayed in the Operating Statement (ATT2), the revenue percentage anticipated to be recovered through fees is 73% for Option A. The purpose for increasing the fees to 73% in this option was to recapture some of the missed revenue from both 2023 and 2024 totaling approximately \$700,000 had the 65% recovery percentage been in place. The forecast for this option is to contribute approximately \$330,000 above the 65% pricing model in 2025 and an additional \$250,000 in 2026. Assuming costs increase in future years by 4% annually from the 2025 budgeted expenses, golf fees may remain unchanged through 2028 when the percentage recovered through fees falls to 65%.



Option B:

The second of the three alternatives, Option B, includes fewer and smaller changes to fees. While member green fees for 18 holes at the 27-hole course remain unchanged, as does the pricing for driving range balls, lesser increases have been applied to the remaining green fees along with carts and clubs.

As with Option A, the revenue percentage to be recovered through fees is presented in the Operating Statement (ATT2) at 65%. Whereas this option matches the recovery percentage through fees of 65%, it is not anticipated to contribute any additional revenue to recover past shortfalls.



Option C (No Change):

The last of the three alternatives, Option C, matches the existing fees currently in place. The revenue percentage anticipated to be recovered through fees in this option is 62%, a difference of approximately (\$139,000) less than the 65% pricing model.



FINANCIAL ANALYSIS

Should the Committee endorse Option A, \$3,078,763 of golf revenue is projected to be generated in 2025. As noted above, the revenue percentage anticipated to be recovered through fees is 73%. The intent of temporarily exceeding the 65% split is to recapture some of the missed revenue from 2023-2024, when percentages were under the 65% threshold.

Should the Committee endorse Option B, \$2,745,727 of golf revenue is projected to be generated in 2025. Although this option achieves the 65% threshold, revenue projections are approximately \$400,000 less than currently projected in the 2025 Business Plan. The shortfall can be remedied by either an increased assessment of approximately \$2.12 per manor per month (PMPM), increases in other non-assessment revenues, and/or decreases in non-golf related expenses.

Should the Committee endorse Option C, \$2,608,756 of golf revenue is projected to be generated in 2025. This option does not achieve the 65% threshold and instead is estimated at a 62% recovery. Revenue projections are approximately \$462,000 less than currently projected for the 2025 Business Plan. Similar to Option B above, the shortfall can be remedied by either an increased assessment of approximately \$3.02 PMPM, increases in other non-assessment revenues, and/or decreases in non-golf related expenses.

Prepared By: Steve Hormuth, Director of Financial Services

Reviewed By: Jose Campos, Assistant Director of Financial Services
Alison Giglio, Recreation and Special Events Director
Tom McCray, Golf Operations Manager

Committee Routing: Community Activities Committee (CAC) – August 8, 2024




ATTACHMENT(S):

Attachment 1 Schedule of Golf Fees (ATT1)
Attachment 2 Operating Statement (ATT2)

Golden Rain Foundation of Laguna Woods

Schedule of Golf Fees

Fee Recommendation Options A - C

			
	Option A	Option B	Option C
	Fee	Change	Fee
	Change	Fee	Change
Carts & Clubs			
Cart Registration (Trail Fee), Single Use	\$12.00	50%	\$10.00
			25%
Cart Registration (Trail Fee), Annual Pass	75.00	25%	65.00
			8%
Cart Rental, 18 Holes	20.00	33%	18.00
			20%
Cart Rental, 9 Holes	10.00	25%	9.00
			13%
Cart Rental, Hand Pulled	2.00	100%	2.00
			100%
Club Rental	45.00	80%	30.00
			20%
Club Storage (locker), Annual Fee	60.00	33%	45.00
			0%
Club Storage (locker) , Monthly	12.00	0%	12.00
			0%
Driving Range			
Driving Range, Large Bucket	7.00	17%	6.00
			0%
Driving Range, Small Bucket	5.00	25%	4.00
			0%
Driving Range, Quarter Bucket	3.00	50%	2.00
			0%
Greens Fee, 27 Hole Course, 18 Holes			
Members	19.00	19%	16.00
			0%
Guests, Weekday	40.00	14%	38.00
			9%
Guests, Weekend	60.00	9%	60.00
			9%
Greens Fee, 27 Hole Course, 9 Holes			
Members	10.00	25%	9.00
			13%
Guests, Weekday	20.00	11%	19.00
			6%
Guests, Weekend	29.00	4%	29.00
			4%
Greens Fee, Par 3 Course, 18 Holes			
Members	12.00	20%	11.00
			10%
Guests	18.00	13%	18.00
			13%
Greens Fee, Par 3 Course, 9 Holes			
Members	7.00	17%	7.00
			17%
Guests	10.00	25%	9.00
			13%

Golden Rain Foundation of Laguna Woods
 Operating Statement
 Fee Recommendation Options A - C



	2019	2020	2021	2022	2023	2024	2025	2025	2025
	Actual	Actual	Actual	Actual	Actual	Annualized	Option A	Option B	Option C
Revenues:									
Golf green fees	1,351,798	1,241,594	1,656,161	1,777,020	1,677,719	1,689,913	2,248,910	1,987,382	1,886,862
Golf operations	231,543	273,504	318,827	363,750	249,558	342,856	484,390	412,882	376,431
Merchandise sales	182,296	139,787	296,061	314,534	212,217	280,129	332,000	332,000	332,000
Clubhouse rentals and event fees	9,933	3,088	4,659	25,085	17,275	12,064	13,463	13,463	13,463
Miscellaneous	1,184	(150)	38	59	44	325	-	-	-
Total golf revenue	1,776,754	1,657,823	2,275,745	2,480,447	2,156,812	2,325,287	3,078,763	2,745,727	2,608,756
Expenses:									
Employee comp and related	2,159,467	2,278,434	2,162,121	2,227,466	2,232,335	2,310,720	838,783	838,783	838,783
Materials and supplies	264,959	262,536	248,861	284,626	220,433	214,093	42,200	42,200	42,200
Cost of goods sold	143,244	99,459	204,813	223,256	150,881	200,815	207,000	207,000	207,000
Community events	-	-	-	255	-	2,605	1,750	1,750	1,750
Utilities and telephone	443,534	464,673	573,170	651,031	475,876	459,664	661,273	661,273	661,273
Equipment rental	46,621	42,508	43,586	62,446	54,502	69,618	55,100	55,100	55,100
Outside services	71,738	100,451	220,124	247,224	238,991	248,908	1,891,954	1,891,954	1,891,954
Repairs and maintenance	8,046	4,937	7,098	16,221	9,187	-	18,700	18,700	18,700
Other operating expense	22,342	17,150	18,591	17,381	14,416	22,023	7,300	7,300	7,300
Property and sales tax	14,495	11,659	23,114	24,230	16,870	21,753	24,606	24,606	24,606
Net allocation of mutuals	110,476	93,357	111,438	123,469	133,937	109,636	63,635	63,635	63,635
Depreciation	400,368	374,232	387,734	389,492	384,616	397,555	415,000	415,000	415,000
Total expense	3,685,290	3,749,397	4,000,649	4,267,095	3,932,044	4,057,391	4,227,301	4,227,301	4,227,301
Total revenue	1,776,754	1,657,823	2,275,745	2,480,447	2,156,812	2,325,287	3,078,763	2,745,727	2,608,756
Total expense	3,685,290	3,749,397	4,000,649	4,267,095	3,932,044	4,057,391	4,227,301	4,227,301	4,227,301
Net expense (i.e. loss)	(1,908,536)	(2,091,574)	(1,724,904)	(1,786,648)	(1,775,232)	(1,732,104)	(1,148,538)	(1,481,574)	(1,618,545)
Revenue as a % of expense	48%	44%	57%	58%	55%	57%	73%	65%	62%