

SPECIAL MEETING OF THE FINANCE COMMITTEE*

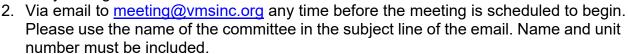
Monday, July 29, 2024 - 1:30 p.m.
Laguna Woods Village Board Room/Virtual Meeting
24351 El Toro Road,
Laguna Woods, CA 92637

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.



Join the Committee meeting via a Zoom link at: https://us06web.zoom.us/j/83185869622
or by calling 669-900-6833 Access Code: 83185869622





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

William Cowen, Chair Steve Hormuth, Staff Officer Telephone: 949-597-4201

Report of GRF Finance Committee Regular Open Meeting June 19, 2024 Page 3 of 3
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.

Golden Rain Foundation of Laguna Woods Golf Fee Recommendation July 29, 2024 Page 2

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, lessor 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.

Golden Rain Foundation of Laguna Woods Golf Fee Recommendation July 29, 2024 Page 3



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

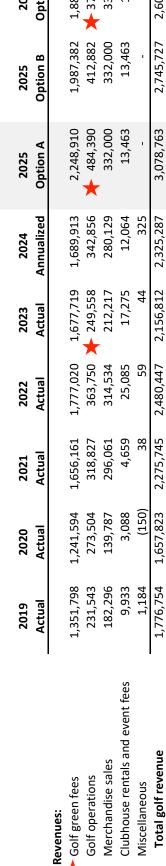
Schedule of Golf Fees

Fee Recommendation Options A - C

		7	7	7		X
	Opti	on A	Opti	on B	Op	tion C
	Fee	Change	Fee	Change	Fee	Change
Carts & Clubs						
Cart Registration (Trail Fee), Single Use	\$12.00	50%	\$10.00	25%	\$8.00	0%
Cart Registration (Trail Fee), Annual Pass	75.00	25%	65.00	8%	60.00	0%
Cart Rental, 18 Holes	20.00	33%	18.00	20%	15.00	0%
Cart Rental, 9 Holes	10.00	25%	9.00	13%	8.00	0%
Cart Rental, Hand Pulled	2.00	100%	2.00	100%	1.00	0%
Club Rental	45.00	80%	30.00	20%	25.00	0%
Club Storage (locker), Annual Fee	60.00	33%	45.00	0%	45.00	0%
Club Storage (locker) , Monthly	12.00	0%	12.00	0%	12.00	0%
Driving Range						
Driving Range, Large Bucket	7.00	17%	6.00	0%	6.00	0%
Driving Range, Small Bucket	5.00	25%	4.00	0%	4.00	0%
Driving Range, Quarter Bucket	3.00	50%	2.00	0%	2.00	0%
Greens Fee, 27 Hole Course, 18 Holes						
Members	19.00	19%	16.00	0%	16.00	0%
Guests, Weekday	40.00	14%	38.00	9%	35.00	0%
Guests, Weekend	60.00	9%	60.00	9%	55.00	0%
Greens Fee, 27 Hole Course, 9 Holes						
Members	10.00	25%	9.00	13%	8.00	0%
Guests, Weekday	20.00	11%	19.00	6%	18.00	0%
Guests, Weekend	29.00	4%	29.00	4%	28.00	0%
Greens Fee, Par 3 Course, 18 Holes						
Members	12.00	20%	11.00	10%	10.00	0%
Guests	18.00	13%	18.00	13%	16.00	0%
Greens Fee, Par 3 Course, 9 Holes						
Members	7.00	17%	7.00	17%	6.00	0%
Guests	10.00	25%	9.00	13%	8.00	0%

Golden Rain Foundation of Laguna Woods

Fee Recommendation Options A - C Operating Statement



98 1,241,594 1,656,161 1,777,020 1,677,719 1,689,913 2,248,910 1,987,382 1,8 1,8	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023	2024 Applialized	2025 Ontion A	2025 Ontion B	2025 Ontion C
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44% 57% 58% 55% 57% 73% 65%	(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)
	48%	44%	21%	28%	22%	21%	73%	%59	%79

Employee comp and related

Expenses:

Materials and supplies

Repairs and maintenance

Utilities and telephone

Equipment rental Outside services

Community events

Cost of goods sold

Other operating expense

Property and sales tax

Net allocation of mutuals

Total expense

Depreciation

Revenue as a % of expense

Net expense (i.e. loss)

Total expense Total revenue