

Pizza on the Hill Restaurant Operating Review & Plans 2019 - 2020 Information Paper

Issue: Consider a summer only operating model for Pizza on the Hill to maximize member benefit during the peak summer season and reducing loss during non-peak periods but expanding winter operating hours of Alder Creek Café to accommodate a more casual dinner dining option.

Background: Pizza on the Hill (POTH) has served as a year-round affordable casual dining option for members, guest, and public within a homeowner community operating model since 2008. While originally launched as a summer only operation in 2006, it was expanded to year-round operations in 2008 to meet a service level desire. Labor, product, and operating cost pressures continue to escalate, due to California minimum wage increases and a highly competitive local market for skilled kitchen staff, and seasonal operating volume fluctuation of staffing, not to mention a growth of local community dining options in the downtown corridor. The extreme seasonality volume of the market while operating as a year-around dining location creates operational staffing and financial performance challenges when compared to similar restaurants operating within the high traffic community corridors of Donner Pass Road.

	<u>Recent Years POTH Operating Results</u>					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019B</u>	<u>3-Year</u>	<u>5-Year</u>
NORBO	(\$27,743)	(\$71,261)	(\$74,431)	(\$33,200)	(\$57,812)	(\$50,284)
Covers	43,172	43,167	49,243	43,000	45,194	40,788
COGS	30%	32%	30%	28%	31%	30%

For years (~1980-2006) what is now POTH operated as a low-quality Italian restaurant know as Northwoods Restaurant or Clubhouse Bar & Grill. With the Lodge Restaurant & Pub (Lodge) opening in 2005, The Clubhouse Bar & Grill shifted to summer only in 2006 and was re-branded to Pizza on the Hill in 2007. Starting in 2008, POTH added the winter season becoming a year-around operation. The Lodge has moved away from fine dining program recommended by consultants and refined its offering into a high-quality bistro style establishment, along with the year-around opening of the Alder Creek Café' and Trailside Bar within the Alder Creek Adventure Center in 2016.

Over the years POTH has seen brand, menu, and demographic changes. Although it does well in the high summer season, it struggles to maintain financial and staffing stability the other 9 months of the year. During the summer, the membership and guests enjoy al fresco dining and an outdoor environment for their children to explore and play around the Northwood Clubhouse & Pool.

INFORMATION



3-year Averages	Annual	Nov-Apr	May-Oct	Jun-Jul-Aug
Revenue, \$ thousands	\$542	\$199	\$343	\$250
Costs, \$ thousands	(\$600)	(\$243)	(\$357)	(\$237)
NORBO, \$ thousands	(\$58)	(\$44)	(\$14)	\$13
NORBO/owner	(\$8.93)	(\$6.84)	(\$2.10)	\$2.00
Covers	45,194	16,598	28,596	20,834
Covers % of Annual	100%	37%	63%	46%
# of Months of Annual	100%	50%	50%	25%

POTH staffing has consisted of three full time regular Manager (exempt), Chef (exempt), and Kitchen Supervisor (non-exempt). The remaining non-exempt employees are seasonal, and seasonal staffing levels vary, from 4 in shoulder seasons to 16 in peak summer.

A member survey conducted in early fall 2019 is attached, with 2,576 participants does indicated a strong preference of the membership to operate POTH during summer months, with less interest of those surveyed to operate POTH year-round. However there does appear to be some support for winter operations of an evening casual dining option.

	VERY IMPORTANT	SOMEWHAT IMPORTANT	NEUTRAL	SOMEWHAT NOT IMPORTANT	VERY NOT IMPORTANT	TOTAL
Open in Spring (March, April, May)	20.13% 383	31.11% 592	25.43% 484	5.41% 103	17.92% 341	1,903
Open in Summer (June, July, August)	57.90% 1,118	15.23% 294	13.46% 260	1.81% 35	11.60% 224	1,931
Open in Fall (September, October, November)	23.03% 439	33.47% 638	23.71% 452	4.46% 85	15.32% 292	1,906
Open in Winter (December, January, February)	38.83% 746	22.23% 427	19.47% 374	3.96% 76	15.51% 298	1,921
Open during all seasons	26.12% 501	28.73% 551	25.23% 484	3.96% 76	15.95% 306	1,918

INFORMATION



Recommended Modifications:

1. POTH will open to support the Fall Festival October 12, 2019.
2. POTH remain closed until summer 2020 (Memorial Day – Labor Day).
3. Alder Creek Café (ACC) will expand evening hours and menu offerings in the winter 2019/2020 to provide a second evening dining option beyond the year-round Lodge Restaurant & Pub.
4. 2020 Budget Draft & 2020 Proforma Draft
 - POTH Budget 2019 (Open all year)
 - i. NORBO (\$33,000)
 - POTH 2020 Budget (Open all year)
 - i. NORBO (\$24,000)
 - POTH Proforma 2020 (Memorial Day – Labor Day Only)
 - i. NORBO \$1,000
 - POTH 5yr Average of Actuals (2014 to 2018)
 - i. NORBO loss of \$50,000
 - ii. 2020 Proforma NORBO \$1,000
 - ACC (Add Winter dinner service, 7 days week)
 - i. ACC 2020 Budget
 1. Add \$120k in Revenue
 2. Add \$120k Cost
 3. NOR Change to ACC Budget \$0
5. POTH space could be made available for special events, committee and club meetings, and member co-working space during normal Northwoods Clubhouse operating hours.

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