



STAFF REPORT

March 3, 2021

TITLE:

2021 Golf Rates

RECOMMENDATION:

By motion: Resolve for Tahoe Donner Association to approve 2021 golf rates for the upcoming summer season as indicated on **Attachment 1**.

BACKGROUND:

Tahoe Donner Association operates a par-72, mountain golf course for our members and the public. In 2020 the significant renovations were completed on the Course totaling \$2,170,000. Key components of the renovations included replacement of all 18 greens (first time greens have been replaced since the course opened), drainage improvements, tree removal, cart path relocation and additional miscellaneous improvements. This work caused the golf course to be closed the entire 2020 summer season.

The financial performance of the course fluctuates significantly based on weather and course conditions. Over the past five operating seasons the average operating (direct costs vs direct revenues) loss is (\$190,000), peaking in 2019 at (\$512,000) due to very poor course conditions that were addressed in the renovation project that was completed in 2020. During the 2021 budget process, the rates for the 2021 summer season were not approved as they were left to be discussed this spring. The budget was set based on 2018 actual results with minor adjustments for revenue and cost increases. Upon initiating the internal discussion of golf rates for 2021, staff proposed a new challenge for the 2021 fiscal year – achieve a net operating result, before overhead and any capital charge, of \$0, while still providing value to our members who use the golf course. With the challenge of swinging the financial performance of the course by over \$500,000 since the last operating season, staff is now seeking approval of the golf rates for 2021. For 2022, staff will provide golf rate recommendations during the fall budget process.

ANALYSIS:

There are two primary types of rates for the golf course – season passes and daily green fees. While the ancillary revenues from cart rentals, retail sales, the driving range, etc. are material, the season passes and daily green fees account for 70% of total revenue and allow for the most opportunity for revenue growth. Historically, the season pass rates have increased year over year at a Compounded Annual Growth Rate (CAGR) of approximately 4.6% over the past 10 years. Daily green fees have increased at a slower pace CAGR of 2.4% over the same period, with the daily green fees staying flat for a period of 8 years during that timeframe. Working from historical data as a baseline, the model used to develop the rate recommendation considered several factors including: price, volume, rates at comparable local courses, 5-day season pass restrictions and a cost savings target for management to achieve. In order to achieve the primary assumption of Net Operating Result Before Overhead (NORBO) = \$0, the model includes the following:



- ~ 8.5% increase in paid rounds to 2018 (18,200 rounds total) as a result course improvement marketing opportunity, COVID momentum for the golf industry and 5-day pass tee time restrictions.
- An increase in rates to the majority of our products, but particularly to our highest volume products in order to move the needle on revenue projections. These products are member, guest and public 18-hole daily green fees which account for 52% of all paid rounds. All guest and public increases on these products are greater than member increases.
- Multi-pack rates above the cost per round forecast (cost per round is forecasted at approximately \$69).
- 2% cost savings challenge over 2021 budgeted expenses.

To gain a better understanding of how Tahoe Donner's rates compare to comparable courses in the region, in both daily green fee and season pass products, the following comparisons are provided:

DAILY GREEN FEES Carts Included	Incline rates	2020	Old Greenwood / Gray's	Coyote Moon	Tahoe Donner
Public Rates	Wknd/Wkdy				
Prime	\$220/\$199		\$240	\$175	\$180
Twilight	\$150/\$140		\$175	\$145	\$137
Guest Rates					
Prime	N/A		N/A	N/A	\$137
Twilight	N/A		N/A	N/A	\$107
Member/Resident Rates					
Prime	\$90		\$140	N/A	\$107
Twilight	\$75		\$100	N/A	\$77

All rates are peak season

LIMITED SEASON PASS	Incline rate	2020	Old Greenwood / Gray's	Coyote Moon	Tahoe Donner
Public Rate	\$2,145		\$2,250	N/A	\$1,899
Member/Resident Rate	UNK		\$1,150	N/A	\$1,350

UNLIMITED SEASON PASS	Incline rate	2020	Old Greenwood / Gray's	Coyote Moon	Tahoe Donner
Public Rate	\$2,695		N/A	N/A	\$2,300
Member/Resident Rate	UNK		\$1,850	N/A	\$1,800



There are many variables to consider relative to the season pass “benefits” which make an apples-to-apples comparison difficult. These are detailed in **Attachment 2**.

OUTREACH:

Staff met with several key users and representatives from the golf clubs to review the assumptions we planned to use in developing the recommendation. Additionally, staff reviewed those assumptions internally over several meetings and with the Board of Directors at the February board meeting.

FISCAL IMPACT:

Staff anticipates the net impact of the recommended golf rate and 5-day season pass restriction changes to improve the budgeted 2021 NORBO by \$181,000 to a result of \$145. There are several variables that may impact this result including but not limited to weather conditions, pandemic conditions, market conditions, etc.

ALTERNATIVES:

There are several alternative opportunities to the staff recommendation. To categorize these opportunities, staff can:

- Adjust all or individual rates up or down – member, guest, public, time of season, time of day, daily play, season pass, etc.
 - As an example: Increase guest rates during peak season by \$5, resulting in an incremental revenue gain of approximately \$7,400 for the season.
- Change reservation restrictions for specific player types – member, guest, public, daily play players, and/or season pass players.
 - As an example – Sync the member and public reservation windows to increase opportunity for higher priced rounds to be reserved.
- Alter volume forecast adjustments based on the previous two alternatives or some other initiative.
 - As an example: Adjust forecasted rounds upwards as a result of a marketing initiative to offer free beginner lessons in an effort to increase round volume by attracting new players.

Prepared by: *Miguel Sloane, 3/3/2021*

Reviewed by: *Todd Martyn-Jones, 3/3/2021*

Reviewed by: *Lindsay Hogan, 3/3/2021*

Board Meeting Date: 3/12/2021

General Manager Approval to Place on the Agenda: _____