



Amenity Cost of Services Study

Study Overview

July 23, 2021

Context of Study | Overview

- **Understand the full cost of operating public and private HOA amenities**
 - Data provides helpful information for Board decision making
 - Data allows Management team to adjust operations to provide best value for HOA
- **Provide “business perspective” on HOA amenity operations**
 - Snapshot in time
 - Look at amenities in different groupings – Private, Public, F&B
- **Explore role of member rates in overall revenue picture**
 - Not an analysis of what member rates should or shouldn't be
 - Data on value of member rates

Context of Study | Other Influences

- **Pandemic**

- Revenue/Expense relationship of public amenities and F&B strained by pandemic limitations

- **Food & Beverage Changes**

- Recent policy change in large banquets at The Lodge
- Recent hiring of Director of Food and Beverage
- Changes in operations currently underway not reflected in available revenue/expense data

Purpose of Study

- Document the full cost of Association Amenities
- Provide Board data for consideration in setting and approving annual assessments
- Tool for management to evaluate balance of amenity cost to revenue

Areas of Analysis

- The allocation of costs to Association amenities
- Evaluation of funding sources compared to full cost allocation
- Analysis of member and guest discounts
- Comparisons to competitive facility fees for major public amenities

Finance Committee Comments

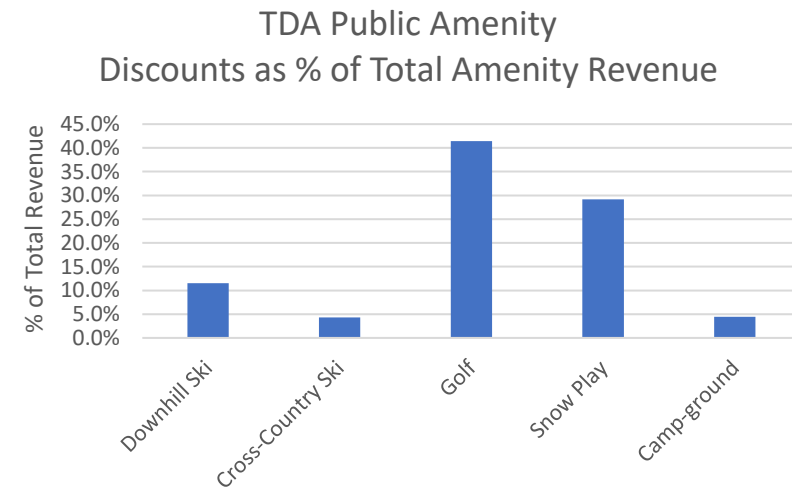
- The study report was provided to the Finance Committee for consideration at its May 20th meeting.
 - After discussion, the committee decided to pass the study onto the Board
- Several written comments were received subsequent to that meeting, and are highlighted—with responses—below and on following slide:
 1. *“...not a complete set of decision useful information to be fully used for making decisions on prospective matters (e.g., pricing, profitability/investment, long-term prospects of the amenities).” The study “shouldn't be used to strategically evaluate the long-term fiscal results of the amenities, including pricing strategies, revenue/cost trends and investment or capital decisions.”*
 - **This study does not provide all of the data needed to make critical policy decisions for the Association amenities, but it does provide useful analysis in considering the total cost of services when making these decisions.**
 2. *F&B – “My concern is people will draw conclusions on the effectiveness/long-term viability of F&B based on FY2021 budget which may not be an appropriate baseline year.”*
 - **This is an accurate observation. Slide #2 addresses this in part. Due to the pandemic and changes in F&B operations, a trend analysis for this amenity would not be useful; however, the study points out the current situation and recognizes that changes are in process. The F&B amenities are key amenities and are treated as such in the study.**

Finance Committee Comments – Con't

3. *Concern with member discount perception differences by members. Suggest "present member discount as % of revenue"*

- **This is a helpful context for understanding discounts (see chart to the right) provided to members and can be added to the final report. The dollar amount should also be provided for transparency.**

It is important to note that the estimated member/guest discounts are provided only as a data point for Board consideration in setting pricing policies.



4. *"I believe we have become so focused on revenue that we lose sight of the fact that we are an expense driven organization that reserves funds to accomplish the myriad of requirements for maintenance, repair, enhancement, and replacement of common facilities and area(s)..."*

- **Expenses for the HOA are rising (building replacement needs, inflation, insurance costs, etc.). The study seeks to highlight what these costs are for each amenity. In that sense, the study focuses on expenses and compares to revenues. The Board can fund these services through user charges or member assessments. The study does not take a position on that outcome. Funding for most capital needs and building replacement are not included in the amenity allocation of costs.**

Finance Committee Comments – Con't

5. *“...the conspicuous absence of trails from the Amenity Cost of Services Study.”*
 - **Trails were consciously omitted from the study. While trails serve as an amenity, the HOA cannot charge access fees without triggering federal involvement in their operation. For the purpose of this study, trails are treated as a general operational cost of the Association.**

Study Findings

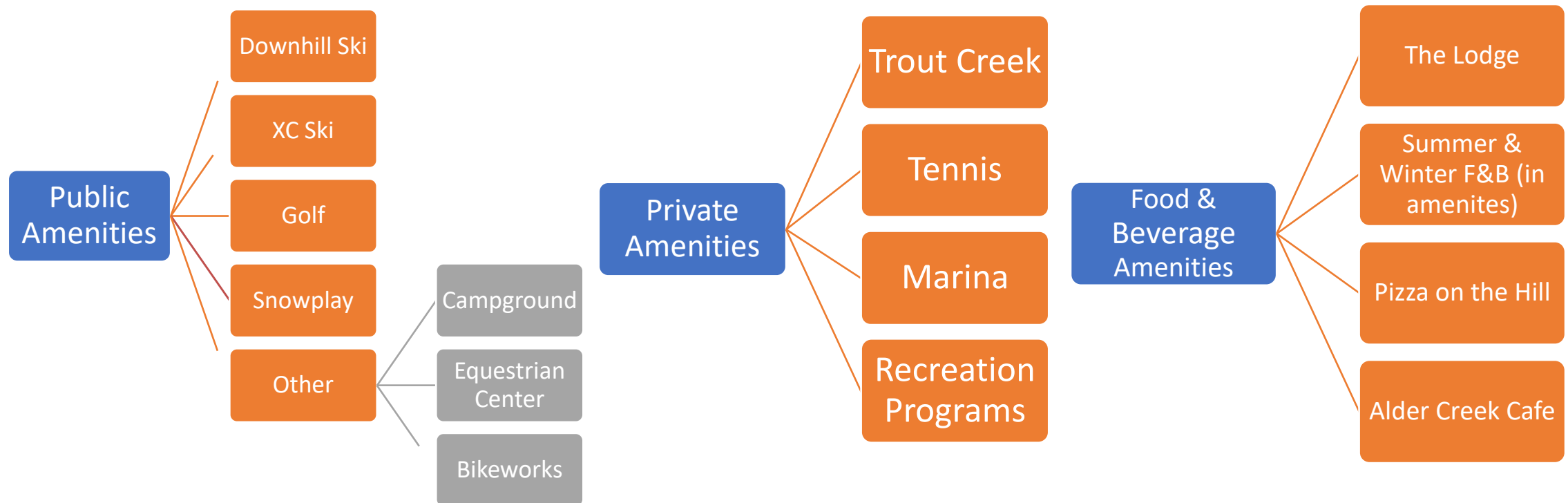
- **The Association has not calculated the direct cost of overhead for amenities**
- **Amenity revenue is less than amenity costs in some amenities**
- **The Recreation Fees provide 75% of direct access revenues for private amenities**
- **Portions of the RRF costs can be classified as operating expenses**

Primary Recommendations

- Implement the cost allocation plan as a part of the 2022 budget
- Utilize the remaining findings to help inform Board budget decisions
 - Consider study findings when establishing fee policies

Amenities & Operating Results

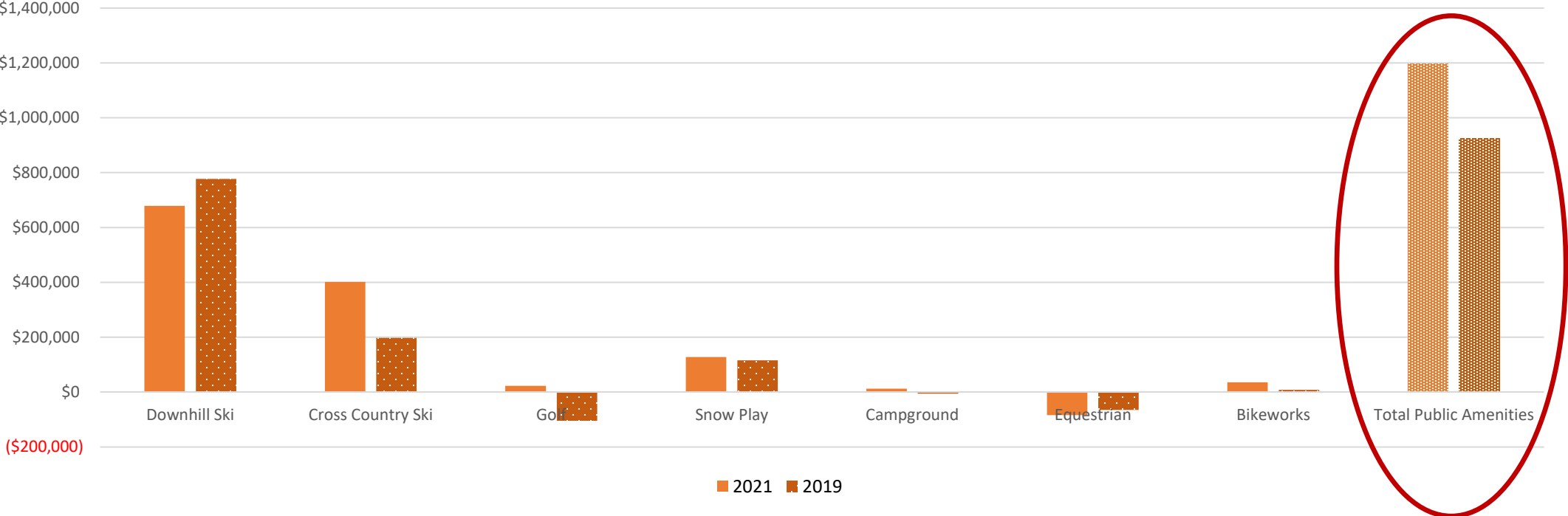
Amenities Included in Study



Recent Net Revenue | Public Amenities

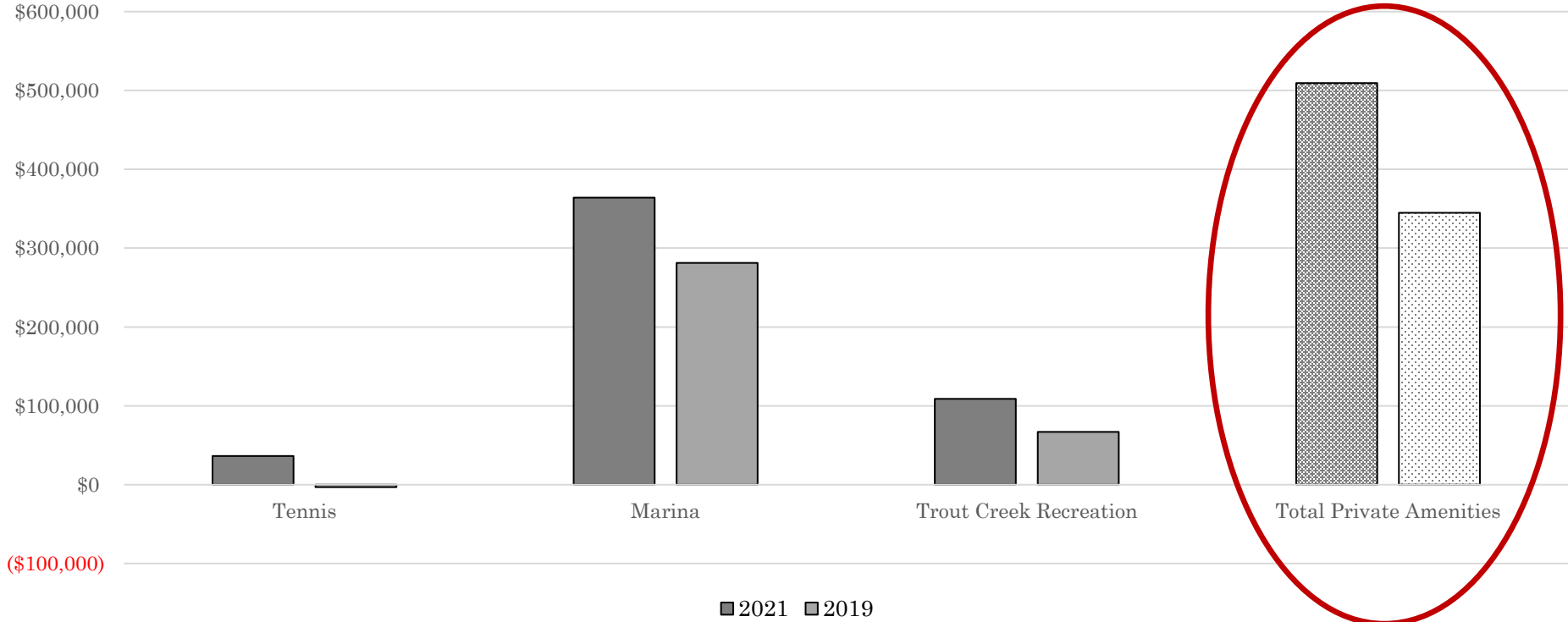
- Public amenities have revenues exceed direct operating expenses on a combined basis

Public Amenities -- 2021 vs. 2019 Budget
Net Operating Result (Before OH or Capital)



Recent Net Revenue | Private Amenities

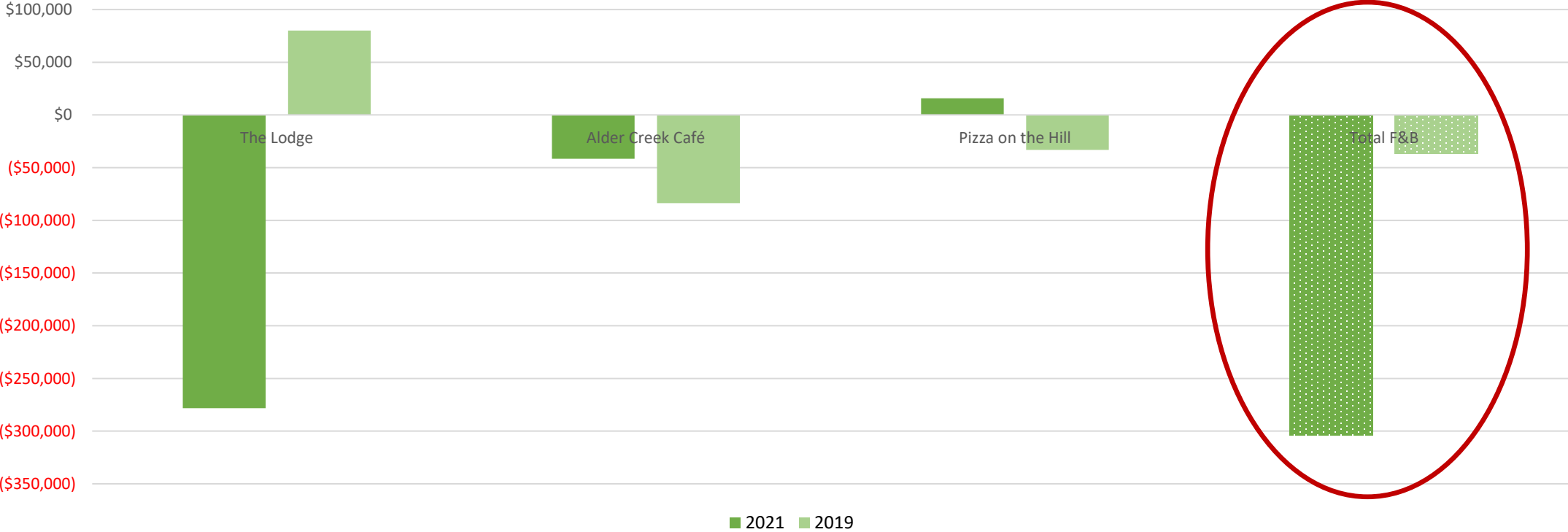
Private Amenities --
2021 vs. 2019 Budget
Net Operating Result (Before OH or Capital)



Recent Net Revenue | F&B Amenities

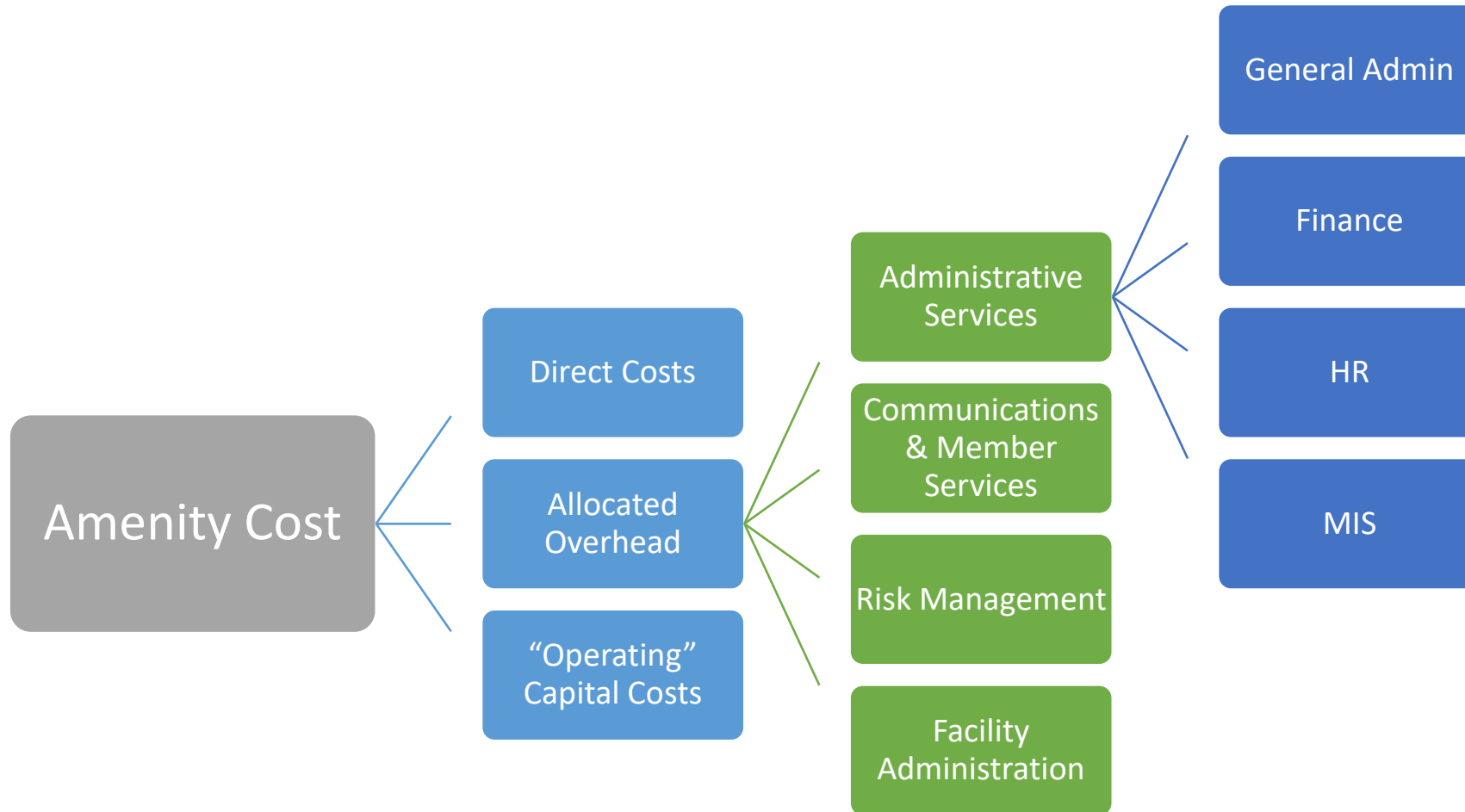
- F&B is not covering costs. This has been further impacted by the pandemic and changes in banquet operations

Food & Beverage -- 2021 vs. 2019 Budget
Net Operating Result (Before OH or Capital)



Allocation Methodology

Cost Allocation Process



RRF Expenses Allocated to Operations

- “Operational” RRF capital items were added from the RRF categories below

Category	All Amenities	Ski Amenities
ADA	X	
Equipment	X	
Landscaping	X	
Medical/Safety		X
Irrigation	X	
Outdoor Furniture	X	
Signage	X	
Security	X	
Ski Equipment		X
Snowmobiles		X
Uniforms	X	

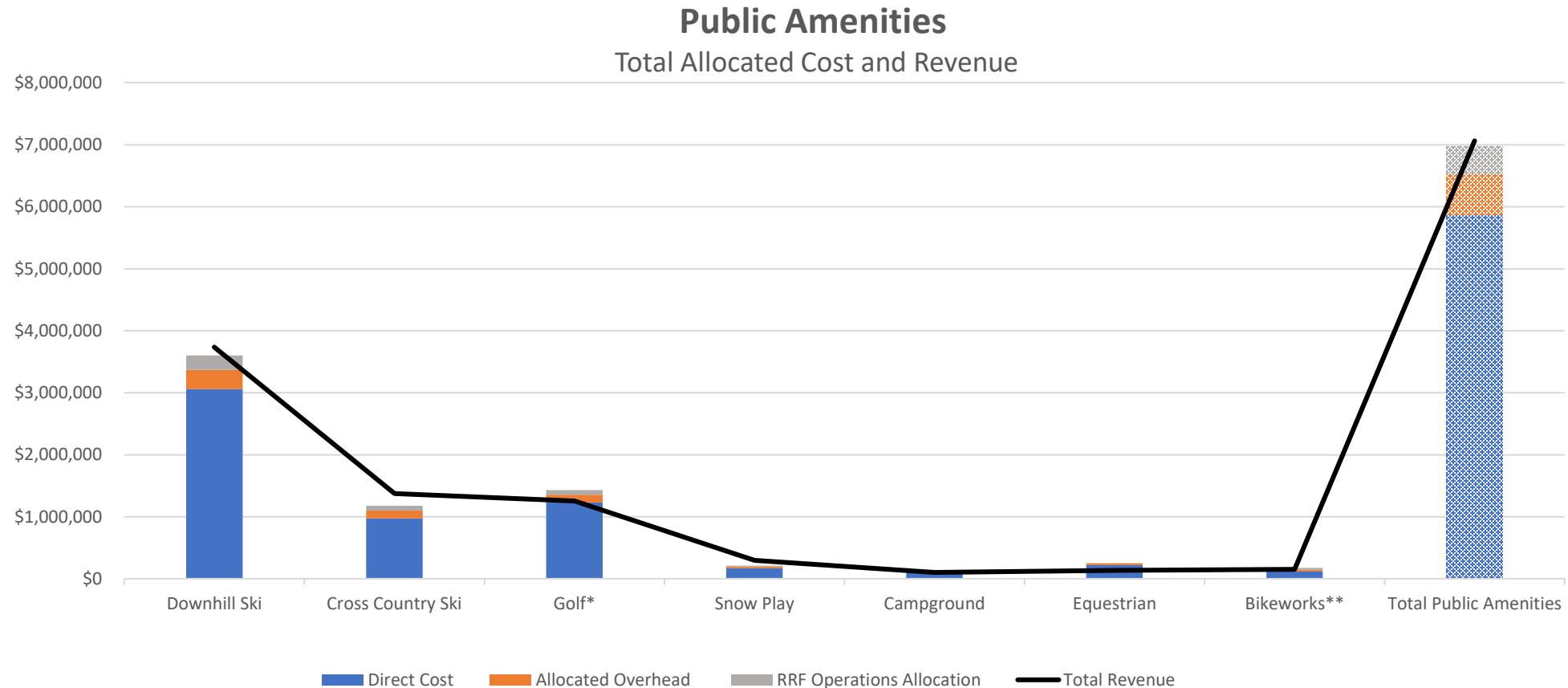
Amenity	% of RRF Cost for Operations	Amount of Cost Added
Downhill Ski	7.5%	\$229,101
Cross-Country Ski	8.3%	\$81,264
Golf	6.2%	\$79,251
Snowplay	7.0%	\$12,073
Campground	1.1%	\$1,107
Equestrian	2.9%	\$6,429
Bikeworks	25.2%	\$29,456
Tennis	3.6%	\$9,178
Marina	8.5%	\$38,693
Trout Creek Recreation	3.1%	\$50,260
The Lodge	1.1%	\$26,140
Alder Creek	0.0%	\$0
Pizza on the Hill	0.0%	\$0
Total		\$563,700

Bikeworks costs are for bike purchases and mostly offset by used bike sales

Revenues and Expenses with Allocations

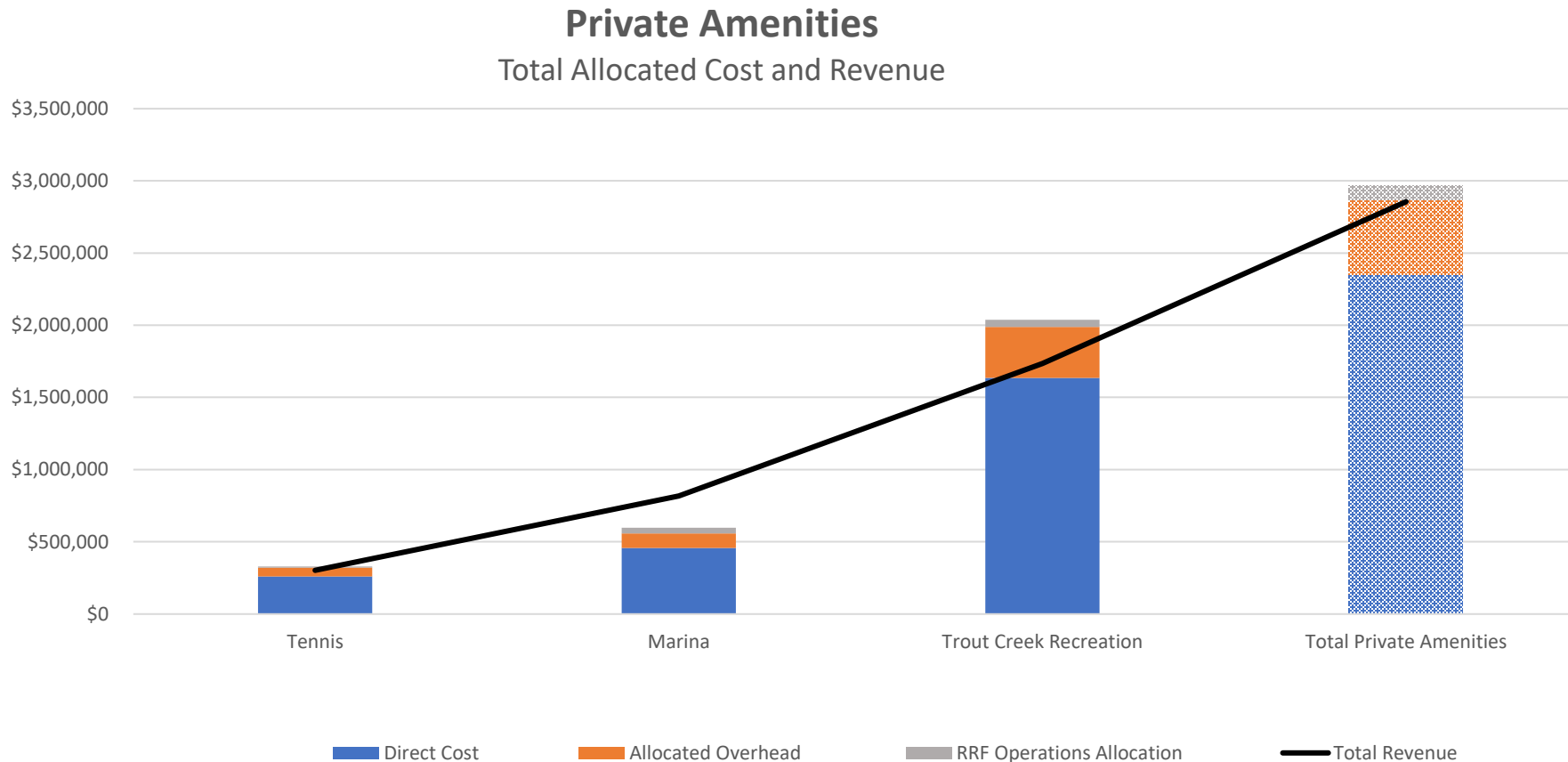
Allocated Costs/Revenues | Public

- Public amenities – in total – cover all direct and allocated costs based on current fees and use



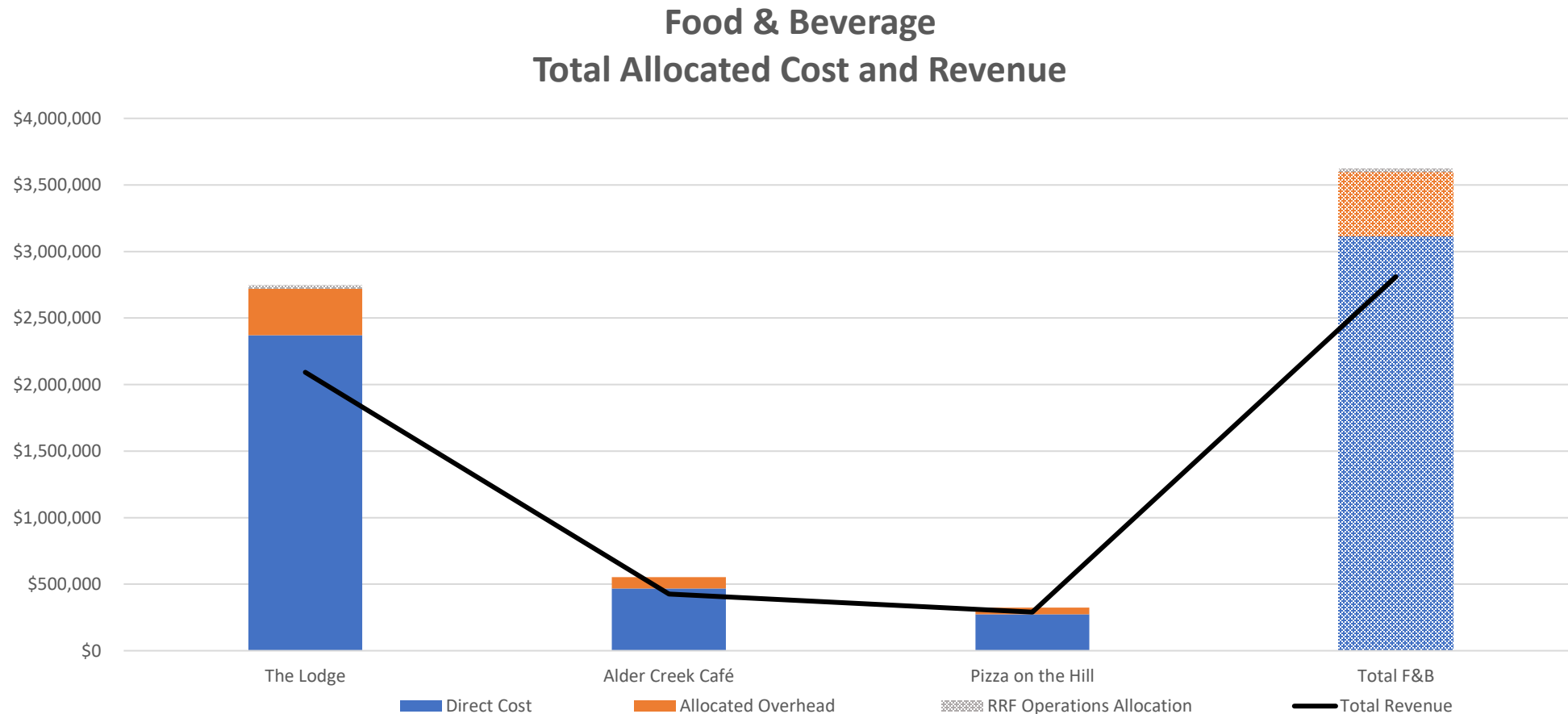
Allocated Costs/Revenues | Private

- Private amenities do not cover all costs—in total, mostly due to Trout Creek revenue vs. expense



Allocated Costs/Revenues | F&B

- F&B does not cover total direct and allocated costs for amenity



Member/Guest Discounts

Member/Guest Discounts

Amenity	Member Discount	Guest Discount	Total
Downhill Ski	\$267,000	\$164,000	\$431,000
Golf	\$481,800	\$39,000	\$520,800
Cross-County Ski	\$50,000	\$9,300	\$59,300
Snowplay	\$57,400	\$30,200	\$87,600
<u>Campground</u>	<u>\$3,500</u>	<u>\$1,200</u>	<u>\$4,700</u>
Total	\$859,700	\$246,700	\$1,103,400

Discounts & Net Operating Results

- Member/Guest Discounts are far greater than net revenue for amenities providing these discounts
- Golf Course discounts appear most out of line with the amenity's net revenue

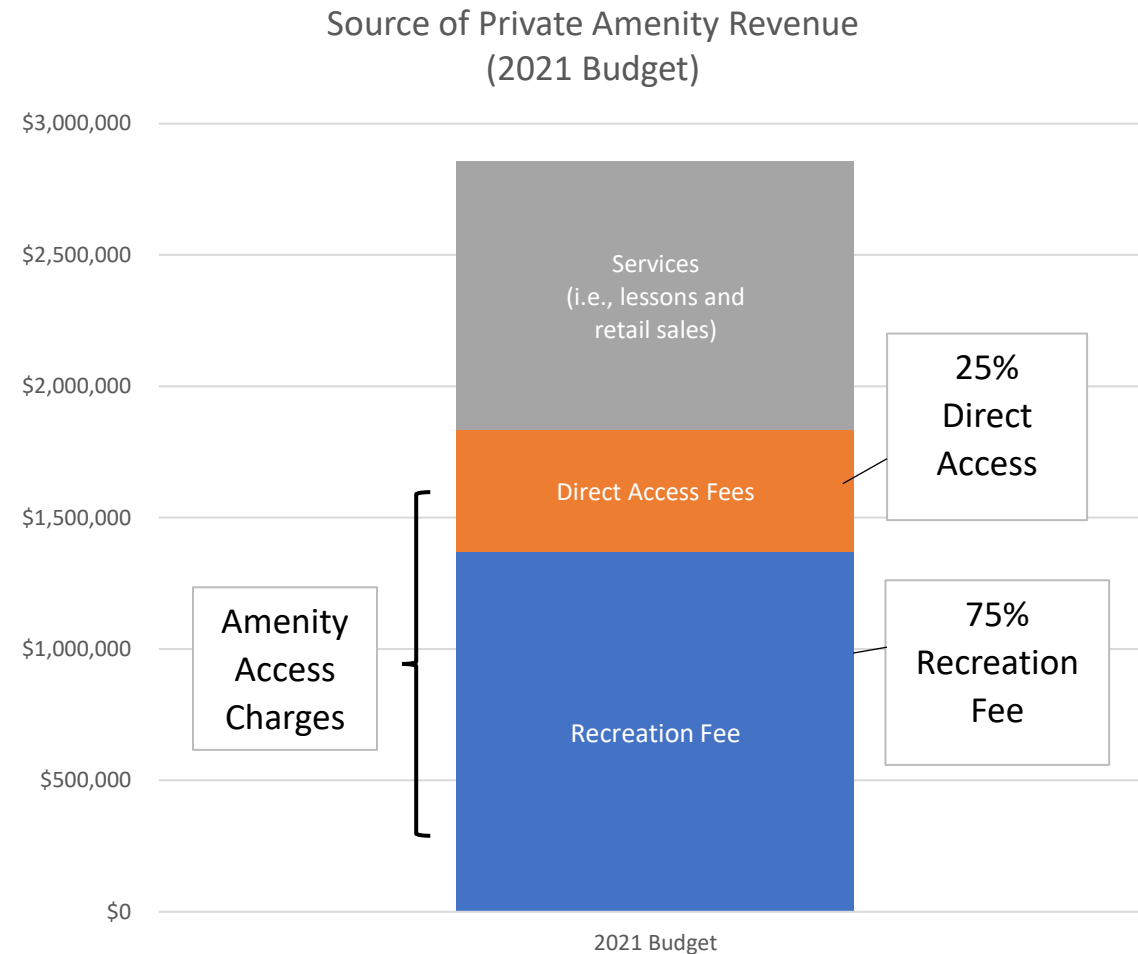
Comparison of Net Revenue to Estimated Member/Guest Discounts

	Downhill Ski	Cross- Country Ski	Golf	Snow Play	Camp- ground	Equestrian	Bikeworkss	Total
Net Revenue	\$135,458	\$196,294	(\$176,779)	\$86,242	(\$1,626)	(\$119,617)	(\$25,220)	\$94,753
Estimated Discount	\$431,000	\$59,300	\$520,800	\$87,600	\$4,700	Not Est.	No Disc.	\$1,103,400

Note: Net Revenue is inclusive of member/guest discounts

Private Amenity Revenue

- The Recreation Fee serves as a “discount” card for private amenities
- Three Quarters of the private amenity access charge revenue comes from the Recreation Fee
- This Recreation Fee is the key to matching revenues to expenses



Recommendations

- 1. Allocate direct overhead costs to amenities**
- 2. Report direct overhead costs for amenities in the annual budget**
- 3. Allocate RRF costs that can be categorized as operating capital expense to amenities**
- 4. Develop a clear board policy outlining policies for user charges, member discounts, and The Recreation Fee pricing**
- 5. Net revenues from amenities should help offset RRF assessment amounts.**

Allocation Summary | by Amenity

Appendix 5 of Amenity Cost Allocation Study

Net Revenue with Full Cost Allocation

Revenue/Expense Categories	Public Amenities								Private Amenities				Food & Beverage				Total
	Downhill Ski	Cross Country Ski	Golf	Snow Play	Campground	Equestrian	Bikeworks*	Total Public Amenities	Tennis	Marina	Trout Creek Recreation	Total Private Amenities	The Lodge	Alder Creek Café	Pizza on the Hill	Total F&B	
Revenue																	
Activity Fee	\$0	\$0	\$0	\$30,000	\$0	\$0	\$0	\$30,000	\$150,000	\$300,000	\$920,000	\$1,370,000	\$0	\$0	\$0	\$0	\$1,400,000
Direct Acces & User Fees	\$1,625,272	\$837,500	\$926,481	\$264,700	\$105,100	\$0	\$72,000	\$3,831,053	\$0	\$174,500	\$289,000	\$463,500	\$0	\$0	\$0	\$0	\$4,294,553
Food & Beverage	\$301,045	\$0	\$0	\$5,300	\$0	\$0	\$0	\$306,345	\$0	\$166,200	\$0	\$166,200	\$2,093,000	\$422,000	\$281,000	\$2,796,000	\$3,268,545
Retail Sales	\$73,876	\$150,000	\$86,000	\$0	\$0	\$12,000	\$36,000	\$357,876	\$52,000	\$16,000	\$29,200	\$97,200	\$0	\$4,850	\$0	\$4,850	\$459,926
Lessons & Rentals	\$1,071,202	\$376,000	\$192,500	\$0	\$0	\$75,000	\$0	\$1,714,702	\$101,000	\$161,000	\$355,000	\$617,000	\$0	\$0	\$0	\$0	\$2,331,702
All Other	\$664,884	\$13,200	\$51,500	\$0	\$0	\$50,000	\$44,545	\$824,129	\$0	\$0	\$142,000	\$142,000	\$0	\$0	\$9,300	\$9,300	\$975,429
Total Revenue	\$3,736,279	\$1,376,700	\$1,256,481	\$300,000	\$105,100	\$137,000	\$152,545	\$7,064,105	\$303,000	\$817,700	\$1,735,200	\$2,855,900	\$2,093,000	\$426,850	\$290,300	\$2,810,150	\$12,730,155
Expense																	
Direct Cost	\$3,057,418	\$974,867	\$1,273,555	\$172,320	\$92,927	\$220,788	\$116,889	\$5,908,764	\$256,505	\$453,729	\$1,626,349	\$2,336,582	\$2,371,196	\$468,312	\$274,513	\$3,114,021	\$11,359,367
Allocated Overhead	\$299,101	\$143,191	\$121,524	\$39,017	\$15,980	\$29,266	\$34,783	\$682,861	\$64,092	\$117,116	\$352,255	\$533,463	\$334,754	\$76,938	\$48,397	\$460,088	\$1,676,413
RRF Operations Allocation	\$229,938	\$81,264	\$79,251	\$12,073	\$1,017	\$6,429	\$29,456	\$439,430	\$9,178	\$38,693	\$50,260	\$98,131	\$26,140	\$0	\$0	\$26,140	\$563,700
Total Cost	\$3,586,456	\$1,199,323	\$1,474,330	\$223,410	\$109,924	\$256,483	\$181,128	\$7,031,055	\$329,775	\$609,537	\$2,028,864	\$2,968,176	\$2,732,089	\$545,250	\$322,910	\$3,600,249	\$13,599,480
Net Revenue	\$149,822	\$177,377	(\$217,849)	\$76,590	(\$4,824)	(\$119,483)	(\$28,583)	\$33,050	(\$26,775)	\$208,163	(\$293,664)	(\$112,276)	(\$639,089)	(\$118,400)	(\$32,610)	(\$790,099)	(\$869,325)

* Bikeworks "other" revenue includes bike sales based on the three-year average from 2018-2020. This offsets most of the RRF operations allocation for bike purchases.

Questions?