



STAFF REPORT

January 28, 2022

TITLE:

2022 Golf Operations Update

RECOMMENDATION:

Provide direction for staff related to the proposed 2022 golf rates 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 loss (direct costs vs direct revenues) is (\$186,000), peaking in 2019 at (\$512,000) due to very poor course conditions that were addressed in the renovation project that was completed in 2020. The 2021 season recognized great momentum from Covid impacts to the golf industry and the excitement of our membership to play their improved course and the *preliminary* net operating results were approximately \$35,000.

During the 2022 budget process, the budget was set based on 2021 actual results *to date* which included significant ongoing impacts of heavy smoke through the month of August. Upon reviewing final financial results for the operation, once again, staff set a goal to cover the direct operating cost of the course with revenues generated from course operations.

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. Working from historical and 2021 data as a baseline, the model used to develop the rate recommendation considered several factors including: price, volume, rates at comparable local courses, and 5-day season pass restrictions. In order to achieve the primary assumption of Net Operating Result Before Overhead (NORBO) = \$0, the model includes the following:

- A \$100 increase in the four primary season pass products resulting in approximately \$15k in additional revenue.
- A minor increase in rates to the guest and public daily tee times, and the inclusion of a cart in the member daily tee time rates resulting in approximately \$36k in additional revenue.
- Minor increases in the multi-pack - \$5 per round for members and \$10 per round for the guest 10 pack, resulting in approximately \$3k in additional revenue.
- Minor changes in other fees (range token, cart rental fees, private lessons, etc.) resulting in approximately \$19k in additional revenue.
- Operational changes resulting in approximately \$27k in additional revenue.



OUTREACH:

Staff met with several key users and representatives from the golf clubs to review the assumptions we used in developing the 2022 rates. Additionally, staff reviewed those assumptions internally over several meetings.

FISCAL IMPACT:

Staff anticipates the net impact of the 2022 golf rates to improve the budgeted 2022 NORBO by approximately \$100,000 to a net result of break even (direct operating costs equals direct revenue). 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 proposed 2022 rates. 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 additional incremental revenue gain of approximately \$9,400 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.

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Board Meeting Date: 1/28/2022

General Manager Approval to Place on the Agenda: _____