



SPRING RUN GOLF CLUB

2025 BUDGET PRESENTATION

BOARD WORKSHOP - AUGUST 21, 2024

Presenting

Mike Zigler

Jeff Carter

Josh Petrosky

Joey Smallwood

Carolina Arango

Finance Committee

Bob Owens, Chair

Don Cunningham

Bill Meyer

Steve Gullotti

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Tom Carley



2025 BUDGET– PRESENTATION OUTLINE

- I. 2024 Results to date & Projection
- II. Considerations in Preparing the 2025 Budgets
- III. Proposed 2025 Operating Budget
- IV. Proposed 2025 Capital Spending Budgets
 - Replacement Reserves
 - New Capital
- V. Proposed 2025 Annual Assessment
- VI. Proposed Handling of One-Off Issues
- VII. Questions and Discussion



2024 RESULTS THROUGH JUNE – 8 MONTHS

Year-to-Date Net Operating Loss is \$(128,000)

This is \$113,000 WORSE than the budget

Current Projection for the Fiscal year is a Loss of \$250,000 to \$300,000

- a. Since we budget for Breakeven, this projected Loss would be \$250,000 to \$300,000 WORSE than budget
- b. The loss was identified earlier in the year
- c. The Finance Committee met with the Leadership in March
- d. Implemented Mitigation Efforts which reduced the projected loss by \$70,000



SUMMARY OF 2024 OPERATING LOSS

• Property Insurance	\$ 72,000
• Gatehouse Security	\$ 55,000
• Technology Issues (5k/M+9K conting)	\$ 69,000
• Course Maintenance, Labor	\$ 24,000
• Course Maintenance, Equipment	\$ 43,000
• Profit improvements and other expenses	\$(24,000)
• Revenue Decline – Rental Unit Transfer Fees	<u>\$ 30,000</u>
– <u>TOTAL SHORTFALL TO BUDGET</u>	<u>\$270,000</u>



DISCUSSION OF 2024 OPERATING LOSS

- Management & BOD - good Stewards of Member Money
 - Collecting in Fees only what was expected to be Needed
 - Concern to keep fee increases down
 - Spring Run Total Fees are 18% lower than the Average (RSM date)
 - Low Annual Fees & Member Golf Fees and yet we have:
 - New Grass on the Course
 - An Enhance Clubhouse
 - Dealt with High Inflation
- Lined up \$6.5 Million LOC to ensure Funds were Available
- BUT ... Left Little In the way of Contingency to ...
 - Buffer Operating Losses
 - Cover Extraordinary Events like Hurricanes
- Most Members would not be happy with Club Holding their \$\$



2024 THROUGH JUNE – CAPITAL SPENDING

- Reserve spending projected to be \$340,000
 - Includes \$100,000 for Large Spray Rig, October
 - Otherwise, on Budget
 - Year-end projected Replacement Reserve balance ... \$600,000
- New Capital spending projected to be close to the \$284,000 budget
 - Includes \$97,000 to fund Interest expense for the year



2024 BUDGET OBJECTIVES MET

- Provide Staffing to maintain High Quality Service
- Provide Funding to Maintain Well-Conditioned Golf Course
- Provide Funds for Long-Term Needs
 - Fully Fund Capital Spending
 - Prioritize only Needed Projects
 - Build Replacement Reserve ... Projected \$600,000 at Oct 31
- Maintain Fiscally Responsible Fees
 - 18% Lower than the Average Bundled Golf Community in SWFL



2024-2025 OPERATING BUDGET

For the Fiscal Year

November 1, 2024 to October 31, 2025



2025 BUDGET— Key Considerations

1. Develop fiscally responsible operating and capital fees
 - Currently SR is 18% lower than the average for bundled golf clubs in SWFL
 - Maintain our competitive advantage as well as our position as the best value in SWFL
2. Provide funding for the long-term needs of the club
 - Continue to use available cash to minimize borrowing
 - Fully fund all current capital spending with 2025 assessments
 - Focus on Prudently Building the replacement reserve
 - Prioritize spending and avoid “nice-to-have”



2025 BUDGET– Key Considerations (cont.)

3. Provide necessary funds to maintain our major asset, the golf course
4. Recognize the competitive landscape for staffing and compensation and provide funds to adequately compensate staff and fund the H2B program
5. Maintain the Highest Quality Food & Beverage Operation
6. Ensure Members have the ability to enjoy their Amenities, whether they reside Seasonally or Year round.



2025 OPERATING BUDGET COMPARED TO 2024

	2024*	2025	2025 OVER
	<u>FORECAST</u>	<u>BUDGET</u>	<u>(UNDER) 2024</u>
• Operating Revenue ...	\$4,221,000	\$4,560,000	\$ 339,000
• Assessment, Operating ...	\$4,982,000	\$5,355,000	\$ 373,000
– TOTAL REVENUE ...	\$9,203,000	\$9,915,000	\$ 712,000
• Less -Cost of Goods Sold ...	\$ 973,000	\$1,068,000	\$ 95,000
• Operating <u>Margin</u> ...	\$8,230,000	\$8,847,000	\$617,000
• Less – Compensation & Ben ...	\$5,294,000	\$5,665,000	\$ 371,000
• Less – Other Oper & Maint ...	\$3,205,000	\$3,182,000	\$ (17,000)
• Income (Loss) from Operations	\$(270,000)	\$ 0	\$270,000

* 2024 forecast based on YTD 8 months through June



2025 Proposed Budget by Department

	<u>2024*</u>	<u>2025 BUDGET</u>	<u>VARIANCE</u>
• Golf Operations ...	\$ 791,000	\$ 832,000	\$ 41,000
• Golf Course Maint...	\$(2,233,000)	\$(2,416,000)	\$(183,000)
• Food & Beverage ...	\$(1,312,000)	\$(1,412,000)	\$(100,000)
• Admin, Common,etc	\$(2,498,000)	\$(2,359,000)	\$ 139,000
• Operating Assessment	<u>\$4,982,000</u>	<u>\$5,355,000</u>	<u>\$ 373,000</u>
TOTAL	\$(270,000)	\$0	\$270,000

* 8 Months actual plus 4 months projected



2025 BUDGET— GOLF COURSE MAINTENANCE

- Spring Run Cost per Acre \$26,368 vs. SWFL Clubs (NonCIRA) Average \$30,659
- Payroll increase 22%. More employees so we can properly maintain a large amount of irrigated turf, large landscape areas, properly set up for daily Cross overs and 7:30AM Shotguns.
- 22 Employees total for GCM
- More intensive maintenance designed to keep Spring Run in top condition year round.



GOLF COURSE MAINTENANCE (cont.)

- Average pay rate for equipment operator \$18.31 (Beekman)
- Contract services up due to four GPS herbicide applications (\$13k), Topdress on Fairways (\$5k), Common Bermudagrass eradication (\$6k), Clusia hedge trimming (\$25,875).
- Course chemicals did not go up.
- Equipment R&M up \$20k. Older equipment continues to be a challenge.



GOLF COURSE MAINTENANCE (cont.)

- Total utilities – 13% increase. Due to disposal of horticultural waste.
- Supplies – General – 15% increase due to extra set of course flags and cleaning supplies for GCM building.
- Supplies – Irrigation 12% increase due to removing irrigation head replacement in reserves.
- Uniforms up \$8k due to more employees. We are exploring possible company changes when contract is up.



GOLF COURSE MAINTENANCE (cont.)

- Sand is up \$8k. Going a lot heavier next summer topdressing fairways and tees.
- Landscape has an increase of \$3k. This covers loss of flowers and any other materials that need to be replaced throughout the year.
- Total rounds played Beekman average – 37,730 rounds. Spring Run total in 22/23 – 51,424 rounds.



	SPRING RUN Proposed Budget 2025	SPRING RUN 2024 Projected Year End	Average Beekman (2024)	Average RSM 2024 (it is 2023 inflated by 10%)	Average CIRA Master Survey (2024)
			All the Clubs	Ciras only	31 Clubs 18 holes
Cost per Hole	\$ 134,198	\$ 124,044	\$ 114,867	\$ 117,810	\$ 107,141
Cost per Acre	\$ 26,368	\$ 24,270	\$ 30,659	\$ 20,680	\$ 22,456



2025 BUDGET— GOLF OPERATIONS

- Bag storage increase of \$9,900 due to additional space
- Golf revenue up \$110,600 due to higher rates for Members, Member Guests, and Transfer fees
- Budgeted Rounds and \$\$ compared to current year (9 plus 3 est)
 - Members, Transfers and Guests 44,496 (87%) \$1,307,000 (78%)
 - Outside Play 6,414 (13%) \$ 352,500 (22%)
- Eight rain days budgeted in season
- Hourly payroll increased \$25,208 due to increase in minimum wage and 3% increase for all
- Other operating expenses down \$8,800 due to decrease in Paper supplies, Donations, Golf Staff Uniforms, and Golf Staff Training and Education



2023 Golf Fees- Local Clubs

Course	Member Cart Fees	Member Guest Fees	Transfer Fee	PGA Pass (May-Oct)	(Nov-Dec)	GHIN
Copperleaf	\$29+	\$115+	\$82+	\$70+	\$80+	\$30
Pelican Sound	\$27+	\$111+	\$73+	\$75+	N/A	\$0
Vasari	\$30+	\$127+	\$88+	\$67+	N/A	\$30
Grandezza	\$33+	\$150+	N/A	N.A	N/A	\$35
Highland Woods	\$30	\$100+	\$90+	N/A	N/A	\$25
Bonita National	\$25+	\$100+	\$100+	\$65+	N/A	\$30
Colonial	\$25+	\$130+	\$78+	\$79+	N/A	\$20
Olde Hickory	\$26+	\$105+	\$85+	\$55+	N/A	\$25
Kelly Greens	\$27+	\$102+	\$64+	\$57+(June-Sept)	N/A	\$25
Worthington	\$25+	\$95+	\$95+	\$60	N/A	\$25
Heritage Bay	\$27+	\$102+	\$77+	\$62		\$30
Cypress Woods	26.5+	\$100	\$75+	\$55		\$30
Vanderbilt	\$30+	\$125+	\$85+	\$80+		\$35
Esplanade	\$27+	\$129+	129+	\$79/lunch		\$30
Naples Heritage	\$27.50+	\$115+	\$80+	\$60+		\$20
Spring Run	\$24.95+	\$110+	\$68+	\$62+	\$87	\$25



2024 BUDGET— Golf Fees Proposed

INCREASE	CURRENT	PROPOSED	INCREASE	
	<u>2023-2024</u>	<u>2024-2025</u>	<u>DOLLARS</u>	<u>PERCENT</u>
<u>For Selected 18 Hole Fees-</u>				
Member 18	\$24.95	\$27.00	\$2.05	8%
Member 9	\$15.25	\$16.50	\$1.25	8%
Transfer Mem, Season 1	\$68.00	\$75.00	\$7.00	10.3%
Guest, Season 1 (< noon)	\$110.00	\$115.00	\$5.00	4%
Reciprocal, Season 3	\$58.00	\$45.00	\$-13.	-22%
PGA Pass, Season 3	\$62.00	\$60.00	\$-2.00	-3%
PGA Pass, Nov/Dec	\$87.00	\$87.00	\$ 00	0%



2024 BUDGET— PGA Pass

<u>FISCAL YEAR</u>		<u>ROUNDS</u>	<u>RATE</u>	<u>AMOUNT</u>
2019-20	Summer	2,535		\$106,000
	Nov/Dec	1,226		\$ 66,000
2020-21	Summer	3,786		\$155,000
	Nov/Dec	1,152		\$ 67,000
2021-22	Summer	-0-	\$48.00	\$ -0-
	Nov/Dec	1,299	\$60.00	\$ 78,000
2022-23	Summer	3,162	\$58.00	\$183,000
	Nov/Dec	691	\$80.00	\$ 55,280
2023-24 (to date)	Summer	2,500	\$62.00	\$155,000
	Nov/Dec	648	\$87.00	\$ 56,000
2024-25 Budget	Summer	2675	\$60.00	\$160,500
	Nov/Dec	654	\$87.00	\$ 57,000



MOTION– Golf Fees

The following golf fees be adopted effective November 1, 2024:

- Members, 18 Holes from 24.95 to \$27.00
- Members, 9 Holes from 15.25 to \$16.50
- Transfer Members, Season 1 from \$68.00 to 75.00
- Guests of Members, season 1 from \$110.00 to \$115.00
- Reciprocal, rate Season 3 \$58.00
- Reciprocal, Consortium season 3 ... Negotiated Rate
- PGA Pass, Season 3 from \$62.00 to \$60.00
- Handicap fee from \$25.00 to \$30.00
- Other golf fees to remain unchanged.



2024 OPERATING BUDGET - Comments

- F&B staff (FTEs)
 - Nov-May: Service 22 (including 3 salary & 11 H2B's) Culinary 17 (including 3 Salary & 7 H2B's)
 - June-Oct: Service 9 (including 3 salary) Culinary 10 (including 3 Salary)
 - Adding 4 additional H2B Visa's this season (18 Service & 10 Culinary)
- 6% total increase in payroll, to keep up with the current labor market.
 - 7-8% increases for hourly and 3% for Salary
 - Service industry has become very competitive.
 - Increase in Minimum wage, capping in 2026.
 - Payroll taxes up and benefit costs up.



2024 OPERATING BUDGET – F&B

- Total F&B Income:
 - Up 8.3% from this past years forecast \$2,500,570 vs. \$2,308,517 (projected).
 - Beverage Sales looking to increase 9%
 - Food Sales \$1,712,668...Industry avg. \$1,300,000
 - Beverage Sales \$736,402...Industry avg. \$694,800
 - Heavy emphasis on menu rotations, homestyle buffets, & bar hours of operation
- Cost of Sales:
 - Food 45% industry avg. 48%
 - Beverage 32% industry avg. 36%
 - Total Cost of Sales 41% industry avg. 44%
 - F&B Gross Profit 59% industry avg. 56%
 - Looking to increase menu pricing 3-5% industry avg. 6%



2024 OPERATING BUDGET – F&B

- Equipment Expenses:
 - Up over 5% from this past years budget, incremental lease increases, and kitchen computer hardware replacements.
- Entertainment Expenses:
 - Down 3% from this past years budget
 - Eliminating Fireworks this year
 - Focusing on Quality Events that are spaced out adequately to eliminate cannibalization.
 - Continuing live music to every Thursday beginning in November
- Operating & Maintenance:
 - Up 11% from this past years budget...(-4.5% vs. EOY Projection).
 - Linens, Cleaning Supplies, Promotions all up due to sales volume increases.
 - Working on a plan to save in Culinary uniforms vs. going with an outside company for laundering services.



2024 OPERATING BUDGET – F&B Metrics

- Compensation & Benefits compared to Revenue
 - Proposed 97%...CIRA Industry Avg. 91%...FL Industry Avg. 99%
- Income per Owner
 - Proposed \$2,952...Industry Avg. \$1,500...2023-24 \$2,629
- F&B Subsidy to Income
 - Proposed 57%...Industry Avg. 56%...2023-24 69.5%
- % of Clubs utilizing Foreign Labor
 - 63% with an avg. # of 21 employees
- Subsidy Per Owner
 - Proposed \$1,682...Industry Avg. \$1,200...2023-24 \$1,751
- For every \$1 earned we are spending
 - Proposed \$1.57...2023-24 \$1.66



2024 BUDGET– ACTIVITIES

- Activities Payroll: A 1.38 FTE has been added
 - Operations have returned to the robust level that required additional support in-season pre-COVID
 - Relieve the need for excessive overtime
 - Even though the assistant is hired from Dec to April, overtime is still needed to cover the demand of activities and time in season, especially during weekends
- Fitness Program: Adjust fee structure and class offerings
 - Water Aerobics two days a week, year-round saves \$2,520
 - Update Water Aerobics rates to match the rates for other group fitness classes – no more package system
 - Schedule larger spaces to accommodate larger group classes



Administration

- Transfer Fees (\$30,000) Actual to Budget this year
 - Demand for rental units is strong, but the supply is dwindling. Many transfers have already bought, and fewer owners are renting their units out.
 - **Projected Budget 2025 (130) \$65,000**
 - **Budget 2023-2024 \$98,000**
 - **2024 (147)**
 - **2023 (167)**
 - **2022 (205)**
- New Reserve Study in December \$9,800



2024-2025 CAPITAL BUDGET

For the Fiscal Year

November 1, 2024 to October 31, 2025



2025 BUDGET - RESERVES

- Long-term Objective: to build reserves to cover future major replacements – Projected 10-31-24 balance is \$600,000
- A detailed analysis is done each year internally
- Reserve funds have been depleted on major projects in recent years ... these include:
 - Re-grassing ... \$700,000
 - Outside Dining Reserve Items ... \$600,000
 - Replace Existing Clubhouse Roof ... \$275,000
 - Total Moved Up ... \$1.6 Million
- Independent Reserve study in 2025 – Basis to Build Reserves



2025 PROPOSED RESERVE SPENDING PLAN

TOTAL RESERVE SPENDING PROPOSED ...	<u>\$656,558</u>
• Clubhouse Furnishings and Carpet, HVAC	\$ 42,979
• F&B Table and Banquet wares, Refrigerator	\$ 49,409
• Golf Ops Practice items ie pull carts, range stands	\$ 24,964
• GCM Mowers, Tractor, Sand Pro, Course Accessories	\$410,975
• Member Amenities Bocce / Tennis items, Fitness Equipment	\$ 37,418
• Maintenance Parking Lot, water feature, contingency	\$ 90,814



2025 BUDGET – RESERVES

• 2025 Proposed Reserve Spending ...	\$606,558
• To Bolster the Replacement Reserve Fund ...	<u>\$ 50,000</u>
Total Replacement Reserve Budget ...	<u>\$656,558</u>
• Projected Reserve Balance Oct 2024 ...	\$ 600,000
• 2025 Proposed Fees ...	\$ 656,425
• 2025 Estimated Resale Fees (25 sales) ...	\$ 250,000
• -2025 Proposed Spending ...	<u>\$ 656,558</u>
• Projected Reserve Balance Oct 2025 ...	<u>\$ 849,867</u>



2025 BUDGET— Resale Fee (Joining Fee)

Spring Run Current Resale Fee	\$6,314 (75% of dues)
RSM Survey	\$7,400
Survey of Local Clubs, Average	\$10,928

- Many clubs planning larger increases. Brooks Club \$15,000
- Proposal to go to ... \$10,000 for 2025
- Justified with investment in new course and facilities
- Existing owners to be \$3,500
(Actual resale fee existing owner:\$3,157)



2025 BUDGET— Resale Fee

MOTION

Mr. Owens moved that, for property transfers to new owners who are not members of Spring Run, that the Resale Fee be set at \$10,000 and that this be effective with property transfers closing after December 31, 2024 or sales contracts entered into after August 31, 2024.

Mr. Owens further moved that the Resale Fee related to property transfers to owners who are existing members of Spring Run in the fiscal year of the transfer be set at \$3,500 with the same effective dates.



2025 PROPOSED – NEW CAPITAL

• GCM	Landscaping, #18 Lake Bank	\$40,000
• Common	Privacy Wall, Audio Loop, Patio Screen, Lobby	\$62,400
• Admin,	Amenities Network Upgrade, Benches	\$70,390
• F&B	CVAP oven, 85” TVs in Oasis, Bar Chairs, Van	\$35,500
• Safety	Contingency	\$10,000
• Sub-Total, Targeted 2025 Spending ...		<u>\$218,290</u>
• Funding Required for 2024 unfunded ...		\$18,500
• Contingency		\$61,000
• TOTAL PROPOSED NEW CAPITAL ...		<u>\$297,790</u>



FUTURE INTEREST EXPENSE

- Interest Expense was included in:
 - The Project Budget and
 - The Calculation Of the \$730 annual fee
- However, the Project Overrun used up the Funds targeted for Interest
- We Funded 2024 Interest Expense in the New Capital Budget
 - Allowed us to Delay a permanent Funding Solution
- Consulted with Our Auditors
 - Appropriate way is to fund through an annual fee as originally planned
 - Estimated Interest is \$203,000 over the next 10 years
 - This is \$24 per year per owner added to the Clubhouse Fee



2024-2025 PROPOSED ANNUAL FEES

For the Fiscal Year

November 1, 2024 to October 31, 2025



2025 BUDGET— Proposed Annual Assessments

	<u>2024 ACTUAL</u>	<u>2025 PROPOSED</u>	<u>INCREASE</u>
• Operating Fee	\$5,882	\$6,323	\$441
• Capital Fees:			
<i>Replacement Reserve</i>	\$766	\$775	\$9
<i>New Capital Fund</i>	\$316	\$352	\$36
<i>Outdoor Dining</i>	\$730	\$754	\$24
Total Capital	\$1,812	\$1,881	\$69
• F&B Minimum	<u>\$725</u>	<u>\$725</u>	<u>0</u>
• Total Fees	\$8,419	\$8,929	\$510



MOTION- Annual Assessment

Mr. Owens moved to accept the proposed fiscal year budgets for Operations, New Capital, and Replacement Reserve, as presented

Mr. Owens moved to accept the proposed annual assessments as presented totaling \$8,929 per owner and covering Operations, New Capital, Replacement Reserve, Clubhouse Enhancement, and Food Minimum. For owners who have prepaid the Clubhouse Enhancement assessment, Mr. Owens moved that the total annual assessment be \$8,199.



2025 BUDGET– Important Metrics

	2024 PEER GROUP RSM Trends		<u>SPRING RUN</u>	
	<u>BUNDLED CLUBS</u>	2023	2024	2025 (P)
Operating Fee	\$ 7,500	\$5,370	\$ 5,882	\$ 6,323
Capital & Debt Fees	\$ 2,500	\$1,799	\$ 1,812	\$ 1,881
TOTAL ANNUAL FEES**	\$ 11,656	\$8,500	\$ 9,025	\$ 9,535
% Of Operating Dues to Revenue	55.4%	58.3%	53.4%	50.7%
	908 avg members			
F&B, Cost of Goods	48%	49%	44.8%	45%
GCM, Cost per Hole	\$107,000	\$118,758	\$124,044	\$134,198
GCM Cost per Acre	\$18,800	\$23,235	\$24,267	\$26,256

** Includes any other fees on the annual billing (IE: F&B minimum, cable/internet fee, etc.)

(P) Proposed



2025 BUDGET– Information on Other Clubs

- RSM Trends in Private Clubs information, August 2024 ...
 - Average local CIRA clubs implementing increases of: 6%
- Local CIRAs survey, July 2024...
 - Expecting average 2025 increase of 7.87%



2025 BUDGET – Total Annual Fees Compared

<u>Comparable</u>	<u>2024</u>	<u>2025</u>	
• RSM	\$10,778	\$11,656	SR is 18%-
• Survey of Local CIRAs	\$ 9,880	\$10,228	SR is 7%-
<hr/>			
• Spring Run	\$ 9,025	\$9,535	Proposed
Lower by:	7% to 18%		
• 2025 Estimates based on survey responses & fiscal yr increases			
• Total Cost includes Bulk Cable and internet			



FINANCIAL CONDITION

- As of October 31, 2023 (last fiscal year end)
 - Operating Fund Balance is Good \$10,434.000
 - However, All in hard Assets
 - Working Capital is Negative, adjusted \$ (631,000)
- Implicit Receivable from Owners \$ 6,088,000
- Line of Credit \$ 5,500,000



FINANCIAL CONDITION

- COSTS OF RECENT YEAR EVENTS

Includes Hurricane Ian and recent Operating Losses

- Total Un-Budgeted Costs - last 2 years

- Not Assessed to Owners \$485,000

- 2024 Projected Loss Needs Funding \$300,000

- This equals \$354 per owner



MOTION -*One Time Assessment*

Mr. Owens moved that a one-time assessment of \$354 be set for all owners to fund the estimated loss projected for the 2024 fiscal year.