



Norfolk Country Club Long Range Planning Committee

May 26, 2013

Agenda

- Introduction
- Summary of Financial Condition
- LRP Survey Results
- Planning Scenarios
- Conclusions

Introduction

“LRPC Mandate: to provide the Board of Governors with a process and format through which to establish a 10 year capital plan for the club, including a list of potential capital projects and options for their prioritization, timing, cost and financing. The scope of this work will be limited to material capital projects.”

We are focused on projects with costs
greater than \$20,000

LRPC Mandate: time-frame

- Committee selection and project definition: December 2012 ✓
- Solicitation, categorization and prioritization of projects: Jan-March 2013 ✓
- Modeling, scenarios and financing options: March-April 2013 ✓
- Presentation and discussion of results with the Board: April-May 2013 ✓
- Presentation and discussion of results with the membership: Memorial Day, 2013 ✓

Summary of Financial Condition

Financial basis of the club

The club is managed on behalf of the membership and is managed to break-even on an annual basis.

Two types of costs are managed against five sources of revenue:

<u>Costs</u>	<u>Revenue Sources</u>
Operating costs	Operating revenues
	Dues
Capital costs	Initiation fees
	Capital Improvement Fund
	Assessment

The only available levers for financial management are:

Increasing operating efficiency (lowering cost)

Increasing operating revenues

The level of dues

Coming into 2012

- Operating costs were greater than operating revenues and dues
- All initiation fees had been budgeted and used to pay operating costs
- When needed, part of the CIF was used to fund operating costs

<u>Costs</u>	<u>Revenue Sources</u>
Operating costs	Operating revenues
	Dues
Capital costs	Initiation fees
	Capital Improvement Fund
	Assessment

The result was

- The level of dues did not keep up with costs
- Clubhouse maintenance was deferred
- The membership owed the CIF \$100,000

Results of 2012

- Operating revenues and dues were better balanced with operating costs
- Part of the 2012 initiation fees were preserved to repay the CIF
- The full 2012 CIF funds were preserved

<u>Costs</u>	<u>Revenue Sources</u>
Operating costs	Operating revenues
	Dues
Capital costs	Initiation fees
	Capital Improvement Fund
	Assessment

The membership owes the CIF \$70,000

Basis for the 2013 Budget

- Operating revenues and dues are budgeted to be balanced with operating costs
- All 2013 initiation fees should be preserved
- The 2013 CIF Funds should be preserved

<u>Costs</u>	<u>Revenue Sources</u>
Operating costs	Operating revenues Dues
Capital costs	Initiation fees Capital Improvement Fund Assessment

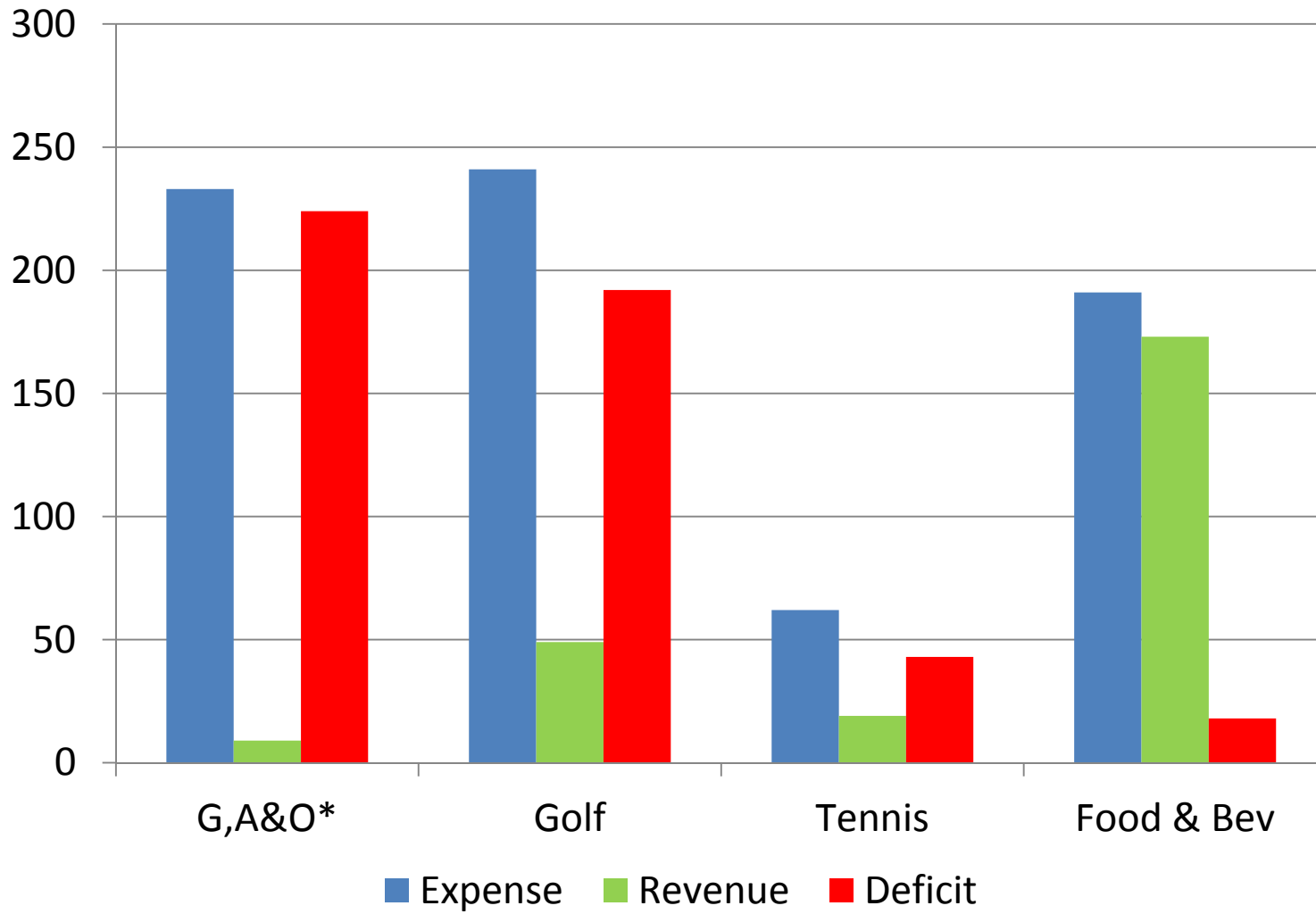
This financial rigor is the foundation of
our capital planning

Summary of the 2013 Budget

<u>Total Operating Expenses</u>	<u>\$727,000</u>
Total Operating Income	\$250,000
Dues	\$482,000

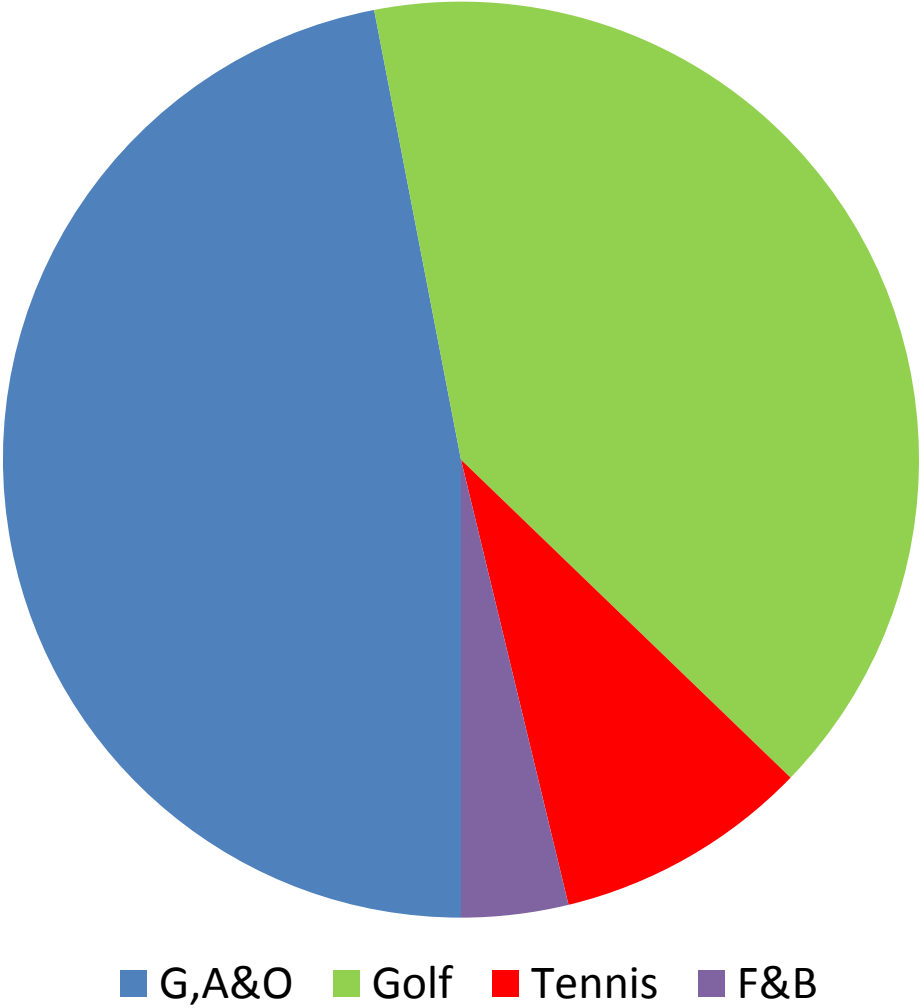
Operating income pays for about 1/3 of the club's operating cost. The remaining 2/3 is covered by our dues.

2013 breakdown of club finances by category



* - General, Administrative and Other

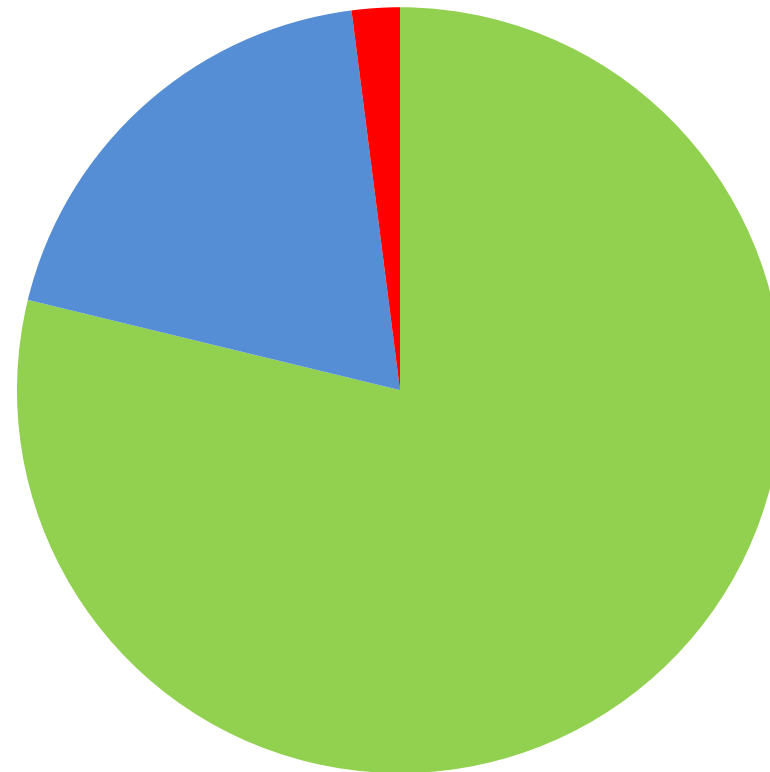
2013 Budgeted use of dues by category



The Capital Improvement Fund (CIF)

- Every membership pays a CIF contribution of \$375 per year
- CIF contributions are not taxed by the State of CT (dues are)
- CIF contributions are required to be spent within 3 years

5 Year history of CIF spending - 2007-2011



■ Golf ■ Clubhouse ■ Tennis

Funds Available for Capital Projects

Annual CIF	\$75,000
<u>Initiation fees</u>	<u>\$30,000*</u>
Total	\$105,000 per year

* - conservative basis of three full membership equivalents per year

The LRP Survey

Philosophy

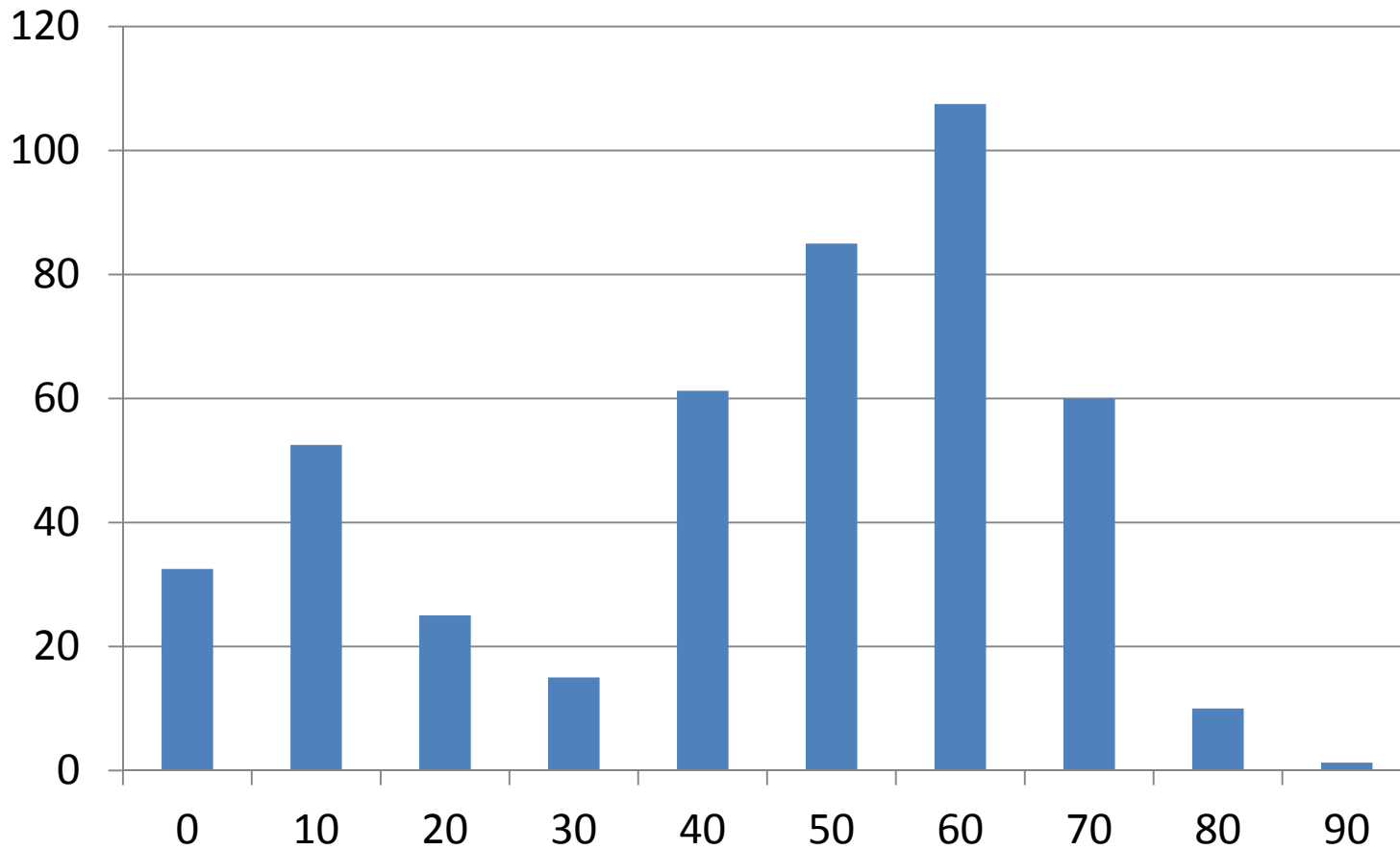
“The committee and the Board agree that it is critical to get the views of the broader membership as a part of this process. Your input on these topics will help inform the Board and help insure that all of our needs and priorities are considered as we move forward.”

Interesting statistics

- Response rate 80% / 166 responses
- Respondents who were friendly and polite 97.6%
- Residence Norfolk: 45%
Other: 55%
- Activities enjoyed Social (85%), Golf (61%), Tennis (44%)
- No significant difference in responses by geography

Demographics*

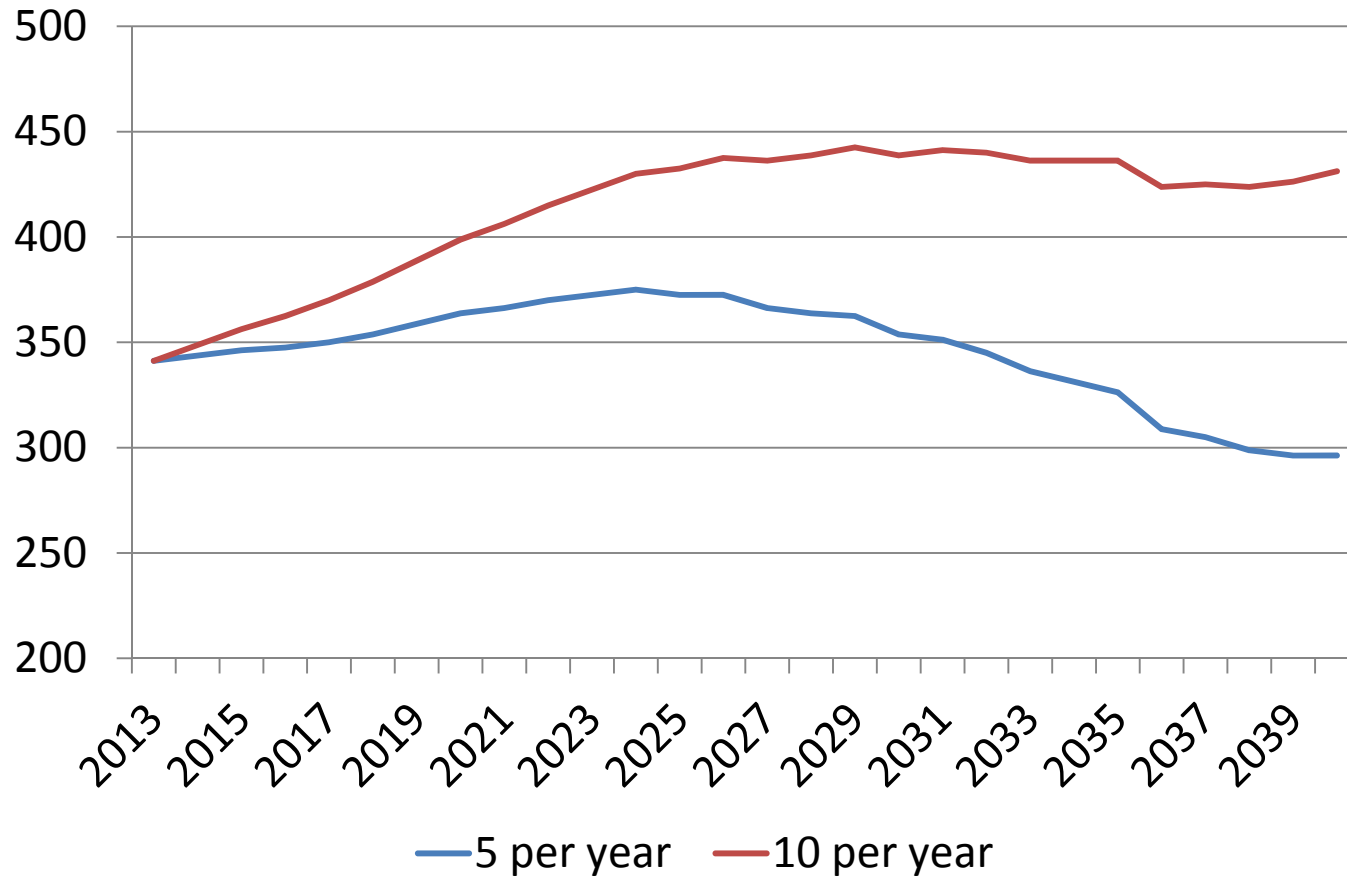
Current number of members in each decade group



* - scaled from survey results to represent the entire membership

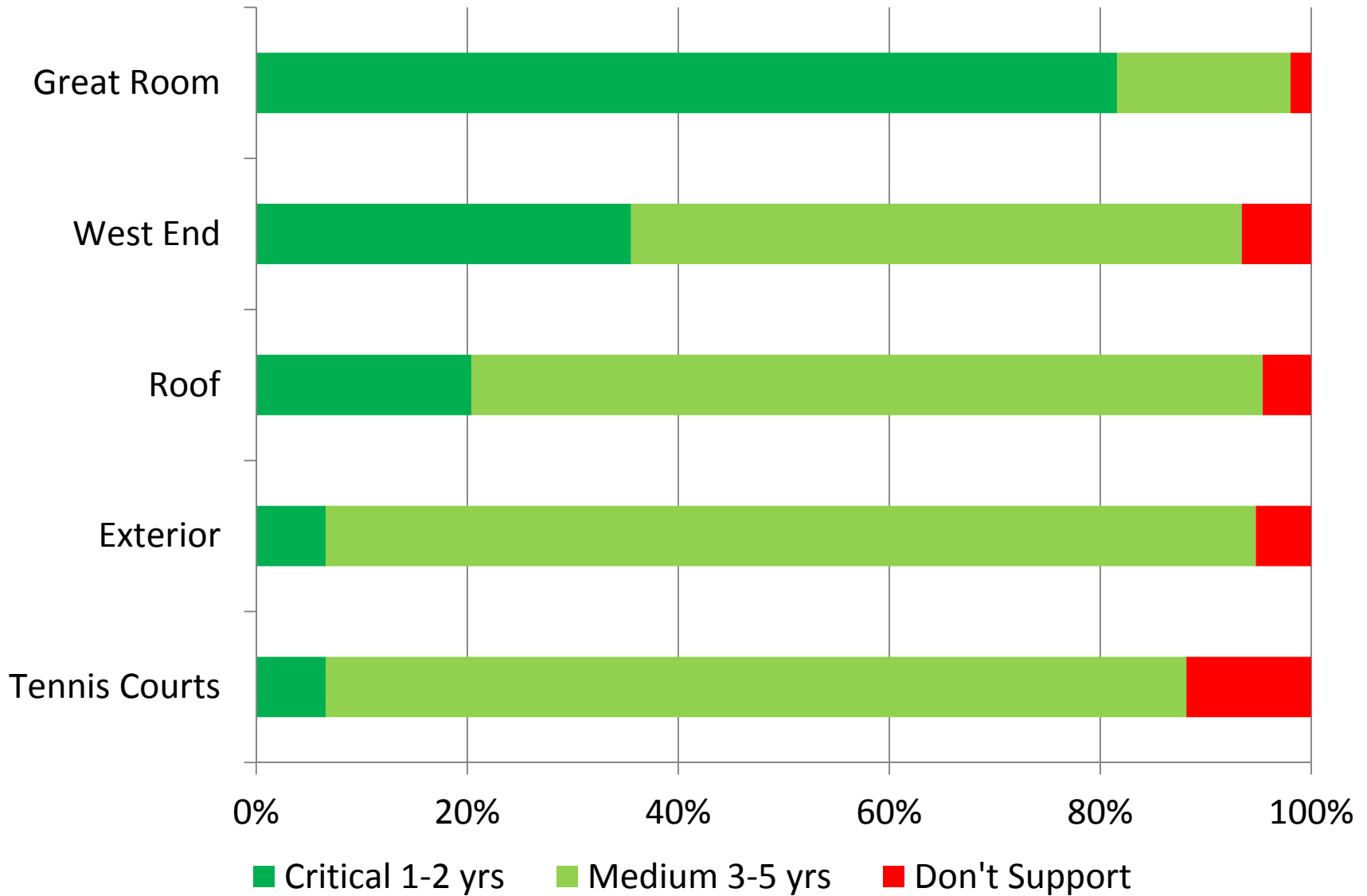
Demographics

Modeled membership 2013 – 2041 based on new members*



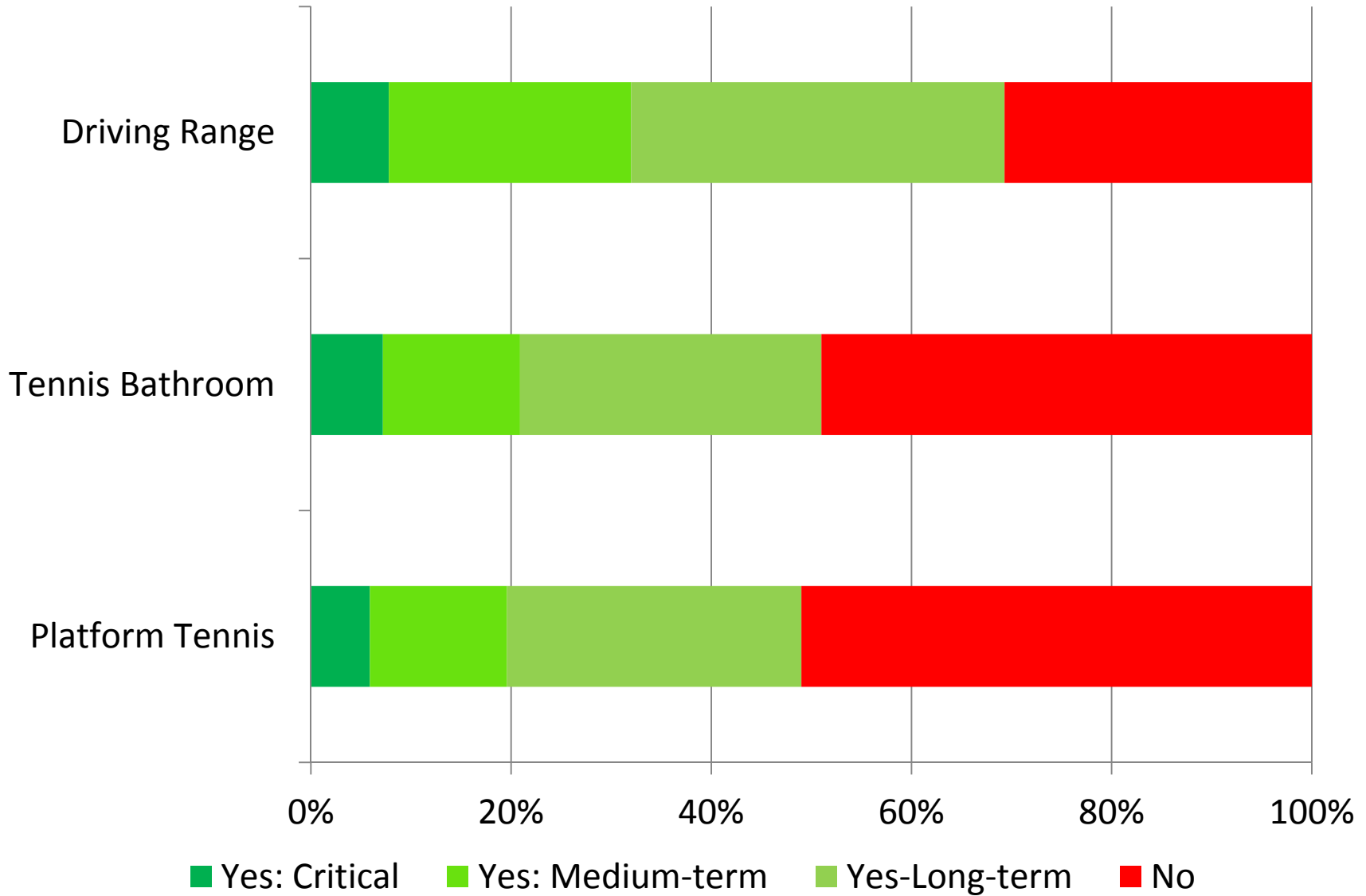
* - based on scaled current membership of 30 years of age and greater, and members rolling-out at age 85

LRP Survey – Support for Preserving Current Assets



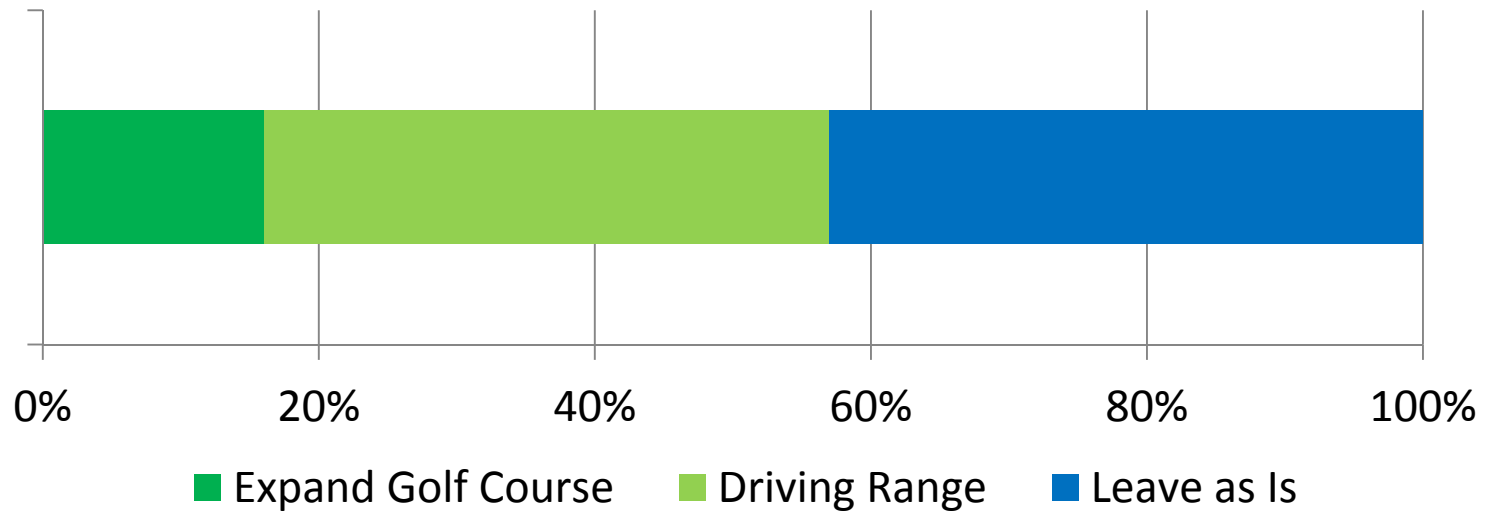
Overwhelming support for preservation

LRP Survey – Support for Developing New Assets



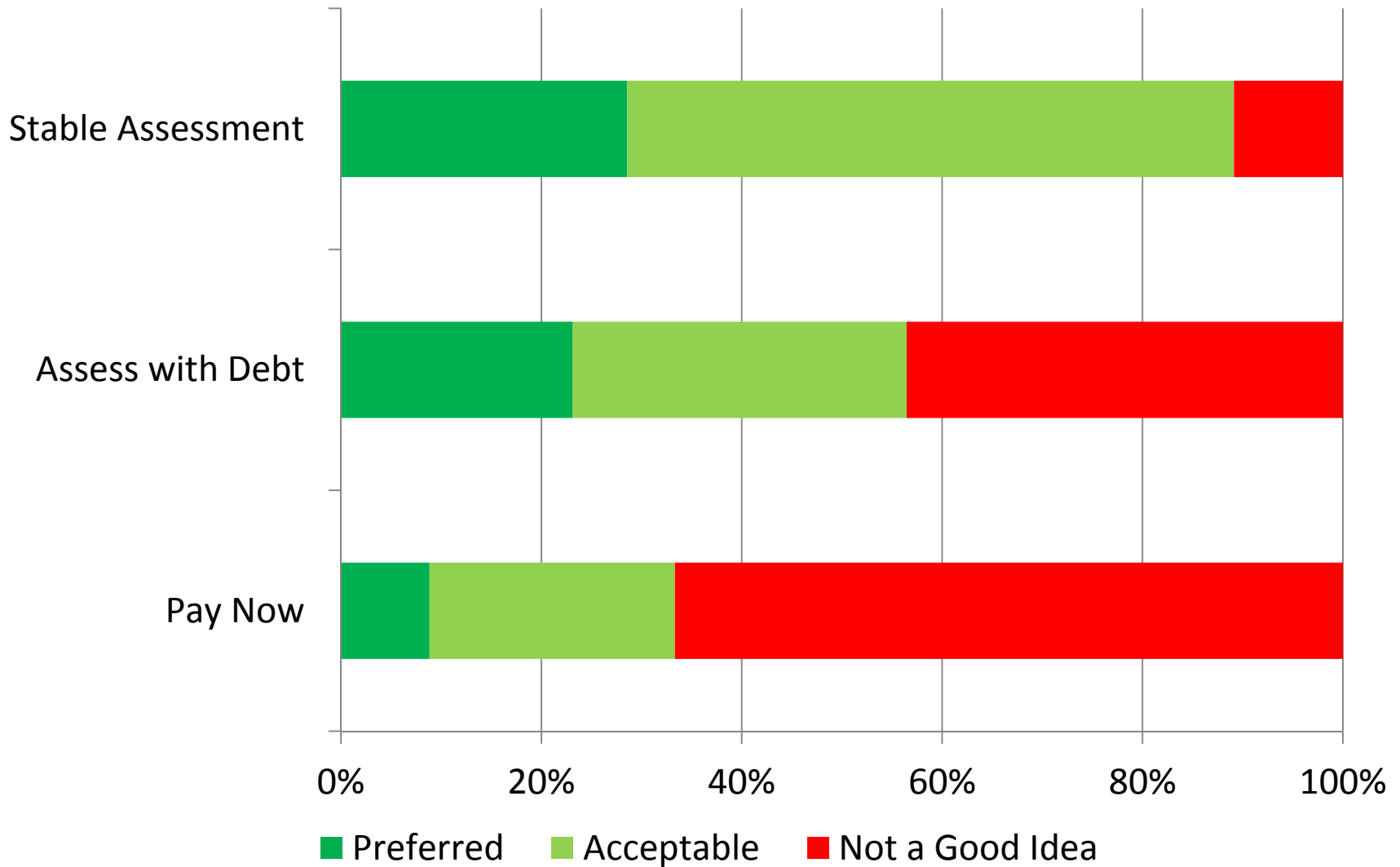
Solid support for new facilities

LRP Survey – Preferences for the 10 Acres*



* - 12 "Other" responses allocated to these three categories

LRP Survey – Preferences for Financing Options



Financial Modeling

Scenario Approach and Assumptions

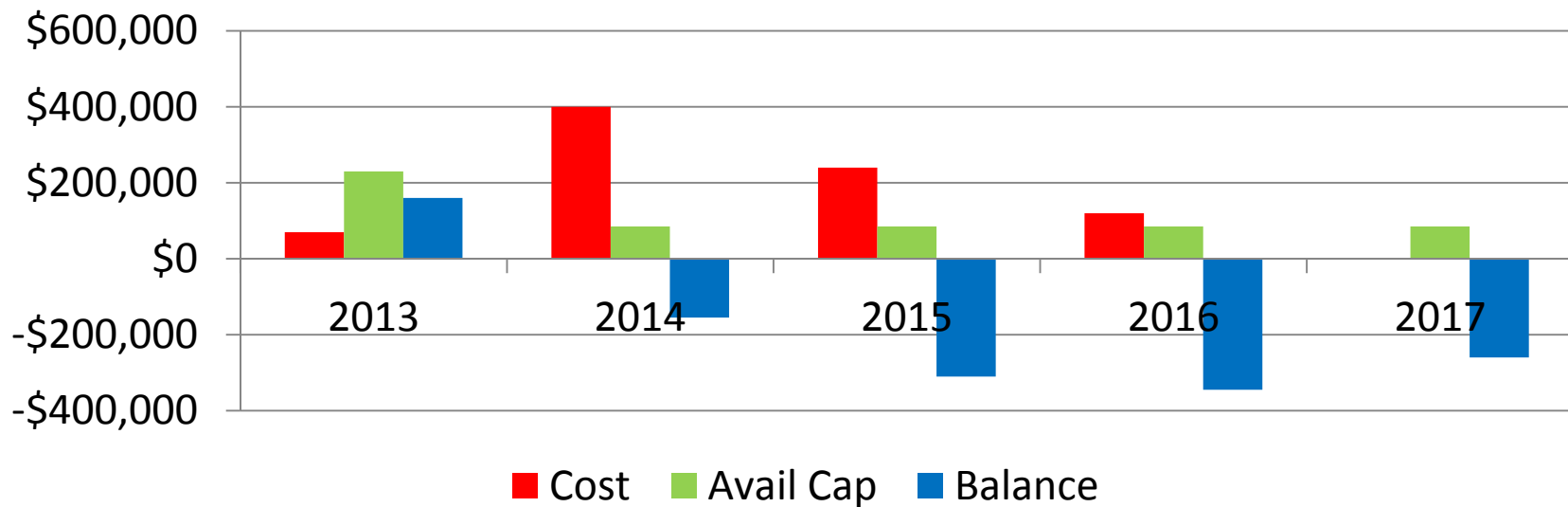
- Projects undertaken: scenario approach used to define range of outcomes
- Cost of projects: using estimates from the survey and related research
- Timing of projects: scenario approach based on example priorities

- New membership: Drives initiation fees available for capital project budget
 - 3 new memberships used as a standard assumption: \$30,000 per year
- Capital Improvement Fund (CIF)
 - Current balance: \$250,000
 - Annual additions: \$75,000 per year
- Capital Contingency
 - CIF budgeted for other capital needs: \$20,000 per year
- Total Capital Available for LRP Projects: \$85,000 per year

All can be modified to refine and test possible plans

Scenario 1 – Group 1 Projects Only

Projects	Cost	Year	Duration	Total Cost	\$830,000
Great Room	\$70,000	1	1	Per 200	\$4,150
Kitchen	\$400,000	2	1	Available Capital	\$570,000
Tennis Courts	\$120,000	3	1	Per 200	\$2,850
Roof	\$120,000	3	1	Unfunded Cost	\$260,000
Exterior	\$120,000	4	1	Per 200	\$1,300

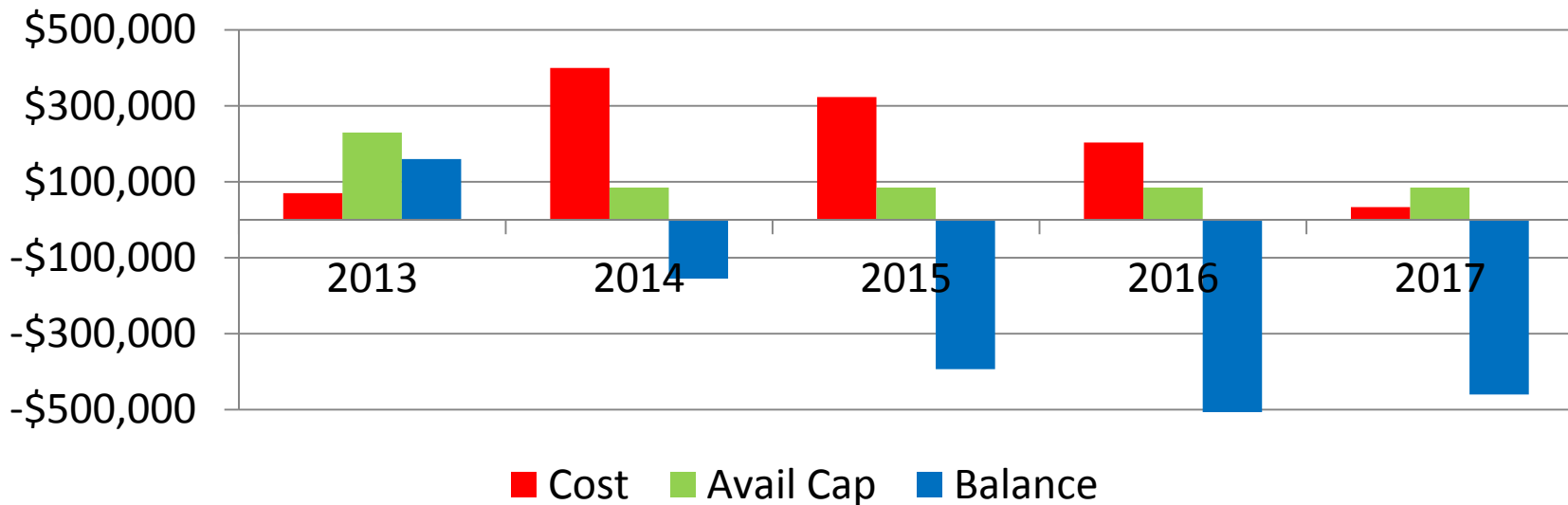


3-year Level Assessment: \$433

5-year Level Assessment: \$260

Scenario 2 – All Projects

Projects	Cost	Year	Duration	Total Cost	\$1,030,000
Great Room	\$70,000	1	1	Per 200	\$5,150
Kitchen	\$400,000	2	1	Available Capital	\$570,000
Tennis Courts	\$120,000	3	1	Per 200	\$2,850
Roof	\$120,000	3	1	Unfunded Cost	\$460,000
Exterior	\$120,000	4	1	Per 200	\$2,300
Bathroom	\$50,000	4	1		
Driving Range	\$100,000	3	3		
Platform	\$50,000	3	1		



3-year Level Assessment: \$767

5-year Level Assessment: \$460

Scenario Summary

Scenario	3-Year Assessment	5-Year Assessment
1: Group 1 Projects	\$433	\$260
2: All Projects	\$767	\$460

Assessments in the area of \$500 per year for 3 years could finance the preservation of our current assets and if extended to 5 years could finance all projects considered

LRP Committee Contacts

Doug Healy	<u>doug.healy@credit-suisse.com</u>
Libby Borden	<u>libbygp@aol.com</u>
Tim Ronda	<u>tim.ronda@aonbenfield.com</u>
Caren Roseman	<u>caren.roseman@citi.com</u>