

# **BIG CEDAR POINT GOLF AND COUNTRY CLUB**

## **STRATEGIC PLAN 2021 - 2026**

### **Background**

Over the course of its ninety-year history, Big Cedar has evolved from a rustic volunteer-operated course into a modern facility operated and managed by paid staff. It remains a not-for-profit corporation that exists for the benefit of its members and shareholders. The public is welcome and daily revenues account for a significant portion of its revenue base.

Until the early 2000's, the Club had a waiting list for membership and a solid customer base for daily fees. Since that high point, membership has declined to approximately half of its historical levels.

After operating for several years in a deficit situation, the Club experienced a financial crisis in 2019. It was able to survive by selling surplus bushland to neighboring residents. While this transaction provided financial room to operate in 2020, the projected deficit remained around \$40,000. Although the pandemic negatively affected membership, it unexpectedly generated a short-term increase in daily green-fee revenues. This reprieve enabled the Club to end the year near the break-even level.

The pandemic may continue to positively affect revenues through much of 2021. As the pandemic dwindles, however, we must assume that, until proven otherwise, revenues will regress towards the trends of the past decade.

To survive in the medium and longer terms, the Club simply must stop spending more money than it makes. Given that we have little room to reduce expenses without seriously affecting playing conditions, we must increase revenues.

A plan in itself will not accomplish this goal. We need energy, creativity, and investment to turn the plan into a reality. That energy and creativity must come from our entire membership—a Board of Directors cannot accomplish this on its own.

With respect to investment, we have a unique and one-time opportunity. The Big Cedar Association has reached an agreement in principle to provide an injection of capital to the course through a sale of surplus property. Assuming the transaction receives approval from Big Cedar shareholders, this funding will provide a source of capital to invest in revenue-generating projects.

This document lays out a plan that addresses the short, medium and longer-term changes and initiatives needed to enable Big Cedar to once again become a genuine going concern.

## **Vision and Mission of Big Cedar**

The Board of Directors has approved the following statement:

### **Vision**

To consistently offer members and guests a high quality, affordable golfing experience in a pleasant and welcoming social environment.

### **Mission**

- To maintain an attractive, well maintained and challenging course suitable for all skill levels.
- To remain affordable to as broad a segment of the population as possible.
- To place customer and member service as our first priority.
- To maintain a respectful, inclusive working and social environment that is blind to race, creed, gender, lifestyle and social standing.
- To operate to high standards of environmental sustainability.

## **Planning Objectives**

The plan strives to balance the Club's budget in a reasonable timeframe and within a framework that recognizes and supports the Club's overall vision and mission.

The plan addresses the following objectives:

1. Analysing the extent of the structural deficit and identifying targets for eliminating the gap.
2. Formulating a strategic approach to meet gap reduction targets.
3. Identifying opportunities for:
  - a. Cost savings
  - b. Improving quality to better satisfy member and client requirements
  - c. Increasing returns from established revenue streams.
  - d. Offering new or augmented services that will bring in additional revenue.
4. Developing high-level plans and processes to take advantage of identified opportunities.

## **Defining the Deficit**

During the period between 2009 and 2019, the Club experienced annual deficits in nine of those eleven years. These deficits ranged from \$6,000 to \$64,000. The accumulated deficit was \$220,509—an average of \$20,500 per year. Between 2017 and 2018, this average grew to \$34,800. This latter figure represents the most likely ongoing shortfall.

Year	Clubhouse wages	Course Wages	Total Revenues	Total expenses	Surplus/Deficit
2009	\$ 130,409	\$ 129,802	\$ 606,067	\$ 597,230	\$ 8,837
2010	\$ 126,819	\$ 113,035	\$ 570,666	\$ 596,423	\$ (25,757)
2011	\$ 116,052	\$ 115,002	\$ 526,995	\$ 533,114	\$ (6,119)
2012	\$ 121,112	\$ 123,277	\$ 553,583	\$ 594,358	\$ (40,775)
2013	\$ 118,870	\$ 113,295	\$ 552,562	\$ 561,611	\$ (9,049)
2014	\$ 117,405	\$ 103,342	\$ 487,738	\$ 529,778	\$ (42,040)
2015	\$ 117,329	\$ 106,171	\$ 538,545	\$ 532,717	\$ 5,828
2016	\$ 120,574	\$ 105,361	\$ 540,203	\$ 547,339	\$ (7,137)
2017	\$ 122,434	\$ 102,697	\$ 497,941	\$ 527,816	\$ (29,875)
2018	\$ 127,473	\$ 101,423	\$ 481,248	\$ 534,844	\$ (53,596)
2019	\$ 115,686	\$ 103,869	\$ 518,081	\$ 538,909	\$ (20,828)
Δ09-19	\$ (14,723)	\$ (25,933)	\$ (87,986)	\$ (58,321)	
				Net deficit 09-19	-220,509.88

Budget targets should also recognize the need for contingency funding. If not needed during any given fiscal year, the Club should direct money towards a sinking fund for future capital investment. Based on an annual contingency of \$5,000 combined with the \$35,000 shortfall, a figure of \$40,000 represents a reasonable estimate of the ongoing structural deficit.

### **Strategic Approach**

There are two fundamental approaches to deficit reduction: reducing costs and increasing revenues.

Cost reduction generally involves one or more of the following tactics: reducing debt load, improving efficiency, eliminating unprofitable business lines and lowering levels of service.

The proposed transaction with the BCA would significantly reduce our debt load. The terms require the Club to use a portion of the funds to pay off debt. While equipment leases are excluded from this debt category, the funds will eliminate our clubhouse mortgage and thus free up about \$22,000 annually in principal and interest.

Big Cedar, like any organization, can always find ways to improve efficiency. Over the period of the above analysis, inside wage costs have been lowered by about 20% and inside wage costs by about 10%. Among the remaining cost factors (e.g. taxes, insurance, fuel, utilities, interest, depreciation, financial reviews, etc.), the Club has little control. In short, there is no reason to believe efficiency measures have the potential to significantly contribute to the deficit reduction target.

It is also difficult to identify unprofitable business lines. One potential candidate is the sale of discounted green fee packages through third-party agencies e.g. UnderPar. Such packaging only makes business sense when used to sell surplus time. If those sales come at the expense of full-price sales, the business case is no longer valid.

It is possible to reduce costs by lowering levels of service – particularly course maintenance. The impact on customer and member satisfaction, however, could prove catastrophic. Achieving a significant cost saving would require a 20% to 30% reduction in wages. While it is impossible to accurately estimate the impact on revenues, poorer course conditions would almost certainly reduce both membership and daily revenues.

On the revenue side, Big Cedar has traditionally depended on member dues as its primary base. In 2020, the COVID lockdown generated a major increase in demand for daily fees that enabled the Club to near a break-even position. Revenues doubled those in 2019 and nearly tripled some of the annual revenues over the last decade. While 2021 may echo this phenomenon, these revenues will likely return to more normal levels in the years ahead.

A strong membership base is key to the Club's future. Daily revenues will remain important for the at least the short and medium terms but must not come at the expense of member satisfaction. Assuming other revenue streams remain static, Big Cedar will need in the order of 300 total members spread across the various membership categories – about 80 more than the 2019 membership. While the Club may be able to improve on other revenue streams and introduce new sources, it will be difficult to eliminate the deficit without a significant membership increase.

The decision on whether to join the Club or to pay green fees needs to be more than a simple business decision – we need to reinforce the less tangible benefits of membership e.g. privileges such as preferred booking, dedicated member-only periods, guest/family privileges, and simulator use.

Price incentives (e.g. first-year membership specials) help bring people into the club. The key to keeping those people however lies in the value that these people place on that membership. A recent member survey indicated several areas where members and clients felt improvement was in order. Examples include pace of play, quality of food services, and on-course beverage services. Detailed action plans are required in these areas.

Increased profitability is a second leg of the strategy. The member survey indicated that 98% of members feel that membership fees are either reasonable or a bargain. That is good evidence that there is some room to increase dues without seriously affecting membership numbers.

There appears to be minimal room to move with respect to daily fees. The Board has approved some minor adjustments to fees to ensure that we are competitive with neighbouring courses but in general, the Club is posting market prices. There appears to be little room to move in that area. As noted, there may be some opportunity to more carefully manage discount offerings to ensure that they are not detracting from regular green fees

during busy periods. Similar considerations apply to bar and commission sales—marginal adjustments are possible but it is very unlikely that such changes will significantly impact deficit reduction.

The third leg of the strategy is the establishment of new revenue streams. Limited financial resources have restricted our ability to make investments that lack certain and immediate financial return. This has particularly limited our ability to optimize the potential of the Clubhouse facility as we have needed to direct scarce funds to essential maintenance expenditures.

The anticipated injection of funds from the BCA transaction is a game changer and will position the Club to “play the long game” much more effectively.

The Board has taken a first step by purchasing and operating a simulator. Our starting goal is simply to break even while we work through the inevitable learning curve and build our customer base. On its own, the simulator will not solve our deficit problem. It will however enable the clubhouse to stay open all year and position the Club to offer complementary off-season services e.g. bar and food services, social and entertainment events, as well as outside activities such as cross-country skiing and Nordic walks.

Detailed action plans are required in these areas.

### **Initiatives and Policy Changes**

The following details a set of initiatives and policy changes that follow up on the general strategies outlined in this plan. Some can be addressed in the short term—others require further consideration and detailed planning.

#### **Improving Member and Guest Satisfaction**

Short Term – Add immediate benefits for members:

- Preferred opportunity to book tee times and simulator times in advance.
- Priority for tee times on Saturdays, Sundays and Holidays; in the morning from 7:00 am to 10:00 am.
- 10% discount on their guests who pay a green fee and for any charges over \$20 in the clubhouse.
- More golf competitions for members and guests.
- 10% simulator discount for members.
- Preferred availability of the simulator during the golf season.

## Short Term – Improve services

- Clubhouse Manager to provide Board with detailed plans to improve food service in the Clubhouse (including specific menu upgrades). This will include any investments needed to implement plan.
- Address concerns about certain members obtaining advantages in booking tee times.
- Clubhouse Manager to provide Board with options for improving tee-time booking procedures. Considerations include the feasibility of charging for non-shows, optimizing Tee-On procedures to limit ability to book for un-named guests, cancellation policies and staff discretion.

## Medium Term (the 2021 golf season):

- Complete the initiative to train marshals, improve course supervision and use of the starter.
- Strike a committee to make recommendations for improving social activities to be held in the clubhouse.
- Reconstitute the Captains' committee. The committee should make recommendations to the Board regarding 2021 membership tournaments and league play as well as marketing and scheduling of outside tournaments.
- Develop plan for improving on-course beverage services; must consider both cost effectiveness and customer preferences.
- Improve communications that reinforce pace-of-play objectives e.g. emails, web site, speaking to groups.
- Assess feasibility of increasing tee-time separation.
- Develop plan for offering free beginners' lessons over the golf season through the use of volunteer instructors.

## Longer Term:

- Evaluate and prioritize opportunities to improve playing conditions and safety e.g. drainage, tree management, tee box and sand trap improvements identified in member survey.

## Marketing and Revenue Generation

### Short Term:

- Clubhouse Manager to report on status of hole sponsorship signs and develop plan to fill any vacancies.
- Clubhouse Manager to review selection of pro-shop items and propose options for changes as appropriate.

### Medium Term:

- Strike a committee to develop plan to improve service offerings and marketing of the golf course, tournaments, simulator and winter activities.
- Consider new categories of membership and evaluate how those categories may affect other revenues. That includes consideration of the pricing and membership fees for use of the simulator.
- Strike a committee develop a membership enhancement plan over the next year (the upcoming winter and the 2022 golf season).
- Strike a committee to consider changes and investments needed to improve the functionality, revenue potential and atmosphere of the Clubhouse.

## Efficiency Improvements and Cost Reduction

### Medium Term:

- Clubhouse Manager to assess options to reduce overhead associated with procurement of supplies – assess feasibility of delivery services.
- Carry out audit of electrical and natural gas use - identify potential efficiencies.
- Determine feasibility of increasing use of volunteers and develop plan as appropriate.
- Determine feasibility of an “adopt a hole” program for members to assist with course maintenance activities e.g. repairing of divots/ball marks, trash pickup, gardening tasks. Develop plan as appropriate.