



Resident Program Input and Feedback Session

Desert Willow Golf Resort

Final Version

March 2023



Uniquely dedicated. Distinctly different. Custom Property Management



Meeting Purpose:

The current golf market has experienced a dramatic increase in interest leading to heavy demand on Desert Willow's tee sheet and making tee times difficult to come by. Therefore, today we'd like to:

1. Obtain input from interested course customers on potential program changes
2. Receive input and feedback on alternative fee proposals for the President's Committee and City Council to consider



Key Tenet Considerations

The below tenets/goals should be top of mind as Resident Program options are being discussed and explored:

- Prior City Council comments and parameters should be considered
- DWGR is an economic development philosophy, also intended to provide residents with a country club experience for a day
- The Quality of the Facilities, Courses and Customer Experience must remain “Best in Class”.
- Proposed programs should allow for financial success during “Bull” and “Bear” economic market conditions.
- Minimize the need for subsidization from City Funds for Operations.
- Desert Willow’s programs should allow for local Country Clubs and Restaurants to succeed and not detract from their viability as a Palm Desert business.
- Ability to continue utilizing Dynamic/Yield Based pricing models to drive green fee revenue for the financial stability of the property.

Council Policy Directive

From Kemper's Current Agreement (2022)

- IV.2 Implementation of Capital Improvement Projects. **The parties acknowledge and agree that all Capital Improvement projects are in the sole control and discretion of the City, and all costs and expenses of Capital Improvement projects shall be paid from City funds.** The costs and expenses of Capital Improvement projects shall not be considered Golf Resort Expenses. The parties acknowledge and agree that this Agreement imposes no responsibilities or obligations on the part of Kemper with respect to any aspect of a Capital Improvement project, including design, construction, or supervision. In the event the City desires Kemper to be involved in any capacity in a Capital Improvement project, the parties shall enter into a separate agreement setting forth the terms and conditions of such involvement, including without limitation fees to be received by Kemper for such involvement.

From the 2012 SR Agreement w/Kemper

- The new agreement establishes a capital reserve account to be used for capital projects for the Golf Resort. The capital reserve account will be replenished with net income from annual operations and rebates or refunds from acquisition of equipment, golf carts and the like.
- Kemper guarantees to fund all deficits by agreeing to maintain a cash reserve of \$500,000 at the end of each month they operate and manage Desert Willow. **The guarantee protects the City's General Fund from having to provide cash for operations during any period during which the facility is managed by Kemper.**
- **This is the wording in the current agreement:**
 - Kemper shall use its commercially reasonable efforts to maintain at all times, sufficient funds in the Operating Account(s) to satisfy the daily working capital needs of the Golf Resort, including the timely payment of Golf Resort Expenses. Kemper shall immediately notify the City Representative whenever the balance of all funds in the Operating Account(s) is reasonably anticipated to fall, or actually does fall, below \$500,000. Upon such notice, Kemper and the City shall meet and confer in good faith to consider steps to mitigate negative cash flow at the Golf Resort. If the balance of all funds in the Operating Account(s) falls below \$250,000, Kemper and the City will meet and confer in good faith to coordinate a funding budget to ensure that valid, budgeted Golf Resort Expenses are paid in a timely manner. To the extent that the Golf Resort has annual capital expenditures under Section 4.2 to be paid from the Golf Resort Accounts, the maximum amount to be disbursed from the Golf Resort Accounts shall not exceed \$100,000 annually without written approval of the City's Representative. The City shall have the right to withdraw and retain any amounts in excess of the amounts required for maintaining the Golf Resort Accounts. For purposes of clarity, Kemper shall have no responsibility to provide any of its own funds to the Operating Accounts under this Section 7.4.
- **From the 2016 SR for Mgmt Contract:**
- **Since inception, the golf resort has utilized its own cash flows to sustain the annual operations which encompasses paying for all of its costs directly related to the day-to-day operations, including paying 100% of the management fee, without any subsidy from the City's General Fund.**

5 Year Financial Snapshot



| OPERATIONAL INCOME STATEMENT | 2018-2019 Actuals | 2019-2020 Actuals | 2020-2021 Actuals | 2021-2022 Actuals | 2022-2023 Estimated |
|--|----------------------|----------------------|----------------------|----------------------|------------------------|
| <i>Beginning Cash Balance</i> | <i>3,327,774</i> | <i>3,596,022</i> | <i>2,374,599</i> | <i>3,817,067</i> | <i>4,911,679</i> |
| REVENUES | | | | | |
| Green Fees & Cart Fees | 7,080,240 | 5,582,594 | 7,481,139 | 9,060,713 | 9,565,069 |
| Merchandise | 809,498 | 713,947 | 785,205 | 1,060,234 | 1,079,626 |
| Other Pro Shop | 501,340 | 517,703 | 491,579 | 482,003 | 455,829 |
| Range | 43,827 | 35,476 | 67,454 | 77,941 | 74,616 |
| Food & Beverage | 2,869,768 | 2,216,719 | 2,181,902 | 3,975,953 | 4,492,967 |
| Academy Merchandise | 92,285 | 76,911 | 77,263 | 64,932 | 58,762 |
| Other Academy | 216,465 | 173,351 | 268,967 | 323,023 | 338,125 |
| Other G&A Income | 24,542 | 28,722 | 14,504 | 37,621 | 40,205 |
| <i>Transfer in from GF</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| TOTAL REVENUE | 11,637,965 | 9,345,423 | 11,368,013 | 15,082,421 | 16,105,200 |
| EXPENDITURES | | | | | |
| Cost of Good Sold | 1,355,396 | 1,121,263 | 1,200,530 | 1,719,241 | 1,948,800 |
| Payroll | 5,264,339 | 5,171,186 | 5,410,712 | 6,661,711 | 7,544,605 |
| Operating Expenses | 3,086,672 | 2,954,736 | 2,918,415 | 3,624,504 | 4,083,774 |
| Equipment/Leases | 636,885 | 450,384 | 469,030 | 988,548 | 720,000 |
| Other Expense | 609,758 | 513,878 | 557,776 | 518,614 | 495,398 |
| <i>Loan Repayment from City (\$1M still outstanding)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>500,000</i> | <i>500,000</i> |
| Capital Improvement Plan | | | | | |
| Firecliff Golf Course Renovation | - | - | - | - | 3,500,000 |
| Annual DWGR Capital Replacement Expenditures | 658,476 | 271,100 | 459,151 | 414,346 | 490,000 |
| Annual Perimeter & DW Drive Expenditures | 142,881 | 182,157 | 187,417 | 190,454 | 400,000 |
| Total CIP | 801,357 | 453,257 | 646,568 | 604,801 | 4,390,000 |
| TOTAL EXPENDITURES | 11,754,407 | 10,664,704 | 11,203,031 | 14,617,418 | 19,682,577 |
| Net Surplus/(Deficit) | (116,442) | (1,319,281) | 164,982 | 465,003 | (3,577,377) |
| <i>Transfer in from Capital Reserve</i> | <i>657,435</i> | <i>367,697</i> | <i>577,065</i> | <i>464,767</i> | <i>700,000</i> |
| <i>Accrual to Cash Basis Adjustment</i> | <i>(272,745)</i> | <i>(269,839)</i> | <i>700,421</i> | <i>164,842</i> | |
| OPERATIONS RESERVE PLAN/ANALYSIS | | | | | |
| Ending DW Cash Balance/Reserve | 3,596,022 | 2,374,599 | 3,817,067 | 4,911,679 | 2,034,302 |
| Restricted for Outstanding Operational Loan | 2,000,000 | 2,000,000 | 2,000,000 | 1,500,000 | 1,000,000 |
| 90 Day Operations Reserve | 2,738,262 | 2,552,862 | 2,639,116 | 3,378,154 | 3,698,144 |
| Reserve Surplus/(Deficit) * | (1,142,240) | (2,178,263) | (822,049) | 33,524 | (2,663,843) |

* - Risk to General Fund

Upcoming Capital Considerations:



| Upcoming Project Costs – FY23/24 | Estimated Cost |
|--|--------------------|
| FY23/24 – Firecliff Greens/Tees Renovation | \$3,500,000 |
| FY23/24 – Annual Facility & Equipment Replacement | \$500,000 |
| FY23/24 - Annual Perimeter & DW Drive Maintenance & Improvements | \$300,000 |
| Total FY23/24 Estimated Capital Expenditures | \$4,300,000 |
| | |
| Future Large Projects – Next 10 Years | |
| FY29/30 – Mountain View Course Renovation – Greens & Tees | \$4,000,000 |
| FY29/30 – Mountain View Main Irrigation Line Replacement | \$1,500,000 |
| FY31/32 – Effluent/Recycled Water Bladder Replacement | \$1,000,000 |

Resident Program – Opportunity Cost Calculation

| Resident Revenue Analysis "In Season" | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-22 | May-22 |
|--|----------------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Current ADR (Average Dollar per Round) | | | | | | | | |
| Open - 2:00pm (includes Resident Rounds) | \$ 126.34 | \$ 123.99 | \$ 121.47 | \$ 129.51 | \$ 149.37 | \$ 126.62 | \$ 102.42 | \$ 88.97 |
| Resident Rate | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 |
| Opportunity Cost (Difference of Yield and Res Ra | \$ (74.34) | \$ (71.99) | \$ (69.47) | \$ (77.51) | \$ (97.37) | \$ (74.62) | \$ (50.42) | \$ (36.97) |
| Resident Rounds Played | 712 | 795 | 1,034 | 1,352 | 906 | 1,330 | 1,964 | 994 |
| Revenue at Risk (ADR vs. Resident Rate) | | | | | | | | |
| Total Revenue at Risk | \$ (52,928) | \$ (57,235) | \$ (71,836) | \$ (104,795) | \$ (88,217) | \$ (99,245) | \$ (99,025) | \$ (36,748) |
| Total "In Season" Revenue Impact | <u>\$ (610,029)</u> | | | | | | | |

Assumptions for Revenue at Risk Analysis:

- ADR pulled for time periods where utilization is over 95%
- ADR includes rounds played at Resident rate - effectively reducing ADR potential
- Revenue at Risk estimates are based on Resident rounds recorded in POS

Note: Average rates will rise in the remaining 2023 season months of March through May, thus so will the Revenue at Risk

Resident Program – Alternative Opportunity Cost Calculation

| Resident Revenue Analysis "In Season" | Oct 2022 | Nov 2022 | Dec 2022 | Jan 2023 | Feb 2023 | Mar 2022 | Apr 2022 | May 2022 |
|---|------------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Current ADR (Average Dollar per Round) - Sunrise & Prime | | | | | | | | |
| Open - 12:25pm - 3 day bookings only | \$ 132.50 | \$ 134.79 | \$ 142.14 | \$ 138.47 | \$ 147.52 | \$ 132.04 | \$ 117.31 | \$ 103.91 |
| Resident Rate | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 |
| Opportunity Cost (Difference of Yield and Res Rate) | \$ (80.50) | \$ (82.79) | \$ (90.14) | \$ (86.47) | \$ (95.52) | \$ (80.04) | \$ (65.31) | \$ (51.91) |
| Resident Rounds Played | 597 | 604 | 745 | 962 | 403 | 932 | 1,511 | 874 |
| Revenue at Risk (ADR vs. Resident Rate) | | | | | | | | |
| Total Revenue at Risk - Pre-Twilight | \$ (48,058.50) | \$ (50,005.16) | \$ (67,154.30) | \$ (83,184.14) | \$ (38,494.56) | \$ (74,597.28) | \$ (98,683.41) | \$ (45,369.34) |
| Current ADR (Average Dollar per Round) - Twilight & Sunset | | | | | | | | |
| 12:30pm - Close - 3 day bookings only | \$ 76.19 | \$ 76.28 | \$ 87.08 | \$ 89.93 | \$ 88.71 | \$ 89.53 | \$ 72.30 | \$ 69.22 |
| Resident Rate | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 |
| Opportunity Cost (Difference of Yield and Res Rate) | \$ (24.19) | \$ (24.28) | \$ (35.08) | \$ (37.93) | \$ (36.71) | \$ (37.53) | \$ (20.30) | \$ (17.22) |
| Resident Rounds Played | 226 | 298 | 299 | 523 | 353 | 397 | 452 | 121 |
| Revenue at Risk (ADR vs. Resident Rate) | | | | | | | | |
| Total Revenue at Risk - Twilight & Sunset | \$ (5,466.94) | \$ (7,235.44) | \$ (10,488.92) | \$ (19,837.39) | \$ (12,958.63) | \$ (14,899.41) | \$ (9,175.60) | \$ (2,083.62) |
| Total by Month | \$ (53,525.44) | \$ (57,240.60) | \$ (77,643.22) | \$ (103,021.53) | \$ (51,453.19) | \$ (89,496.69) | \$ (107,859.01) | \$ (47,452.96) |
| Total "In Season" Revenue Impact | \$ (587,692.64) | | | | | | | |

Assumptions for Revenue at Risk Analysis:

- ADR pulled for time periods where utilization is over 95%
- ADR only pulled from rounds booked within 3 days and in direct competition with Residents.
- Revenue at Risk estimates are based on Resident rounds recorded in POS

Note: Average rates will rise in the remaining 2023 season months of March through May, thus so will the Revenue at Risk

Champions Club – Opportunity Cost Calculation



| Champions Club Revenue Analysis | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-22 | May-22 | Annual Impact |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Current ADR (Average Dollar per Round) | | | | | | | | | |
| 7:30am - 10:00AM (Champions Block) | \$ 128.96 | \$ 128.72 | \$ 125.72 | \$ 137.15 | \$ 154.26 | \$ 170.57 | \$ 112.15 | \$ 94.60 | |
| Resident Rate | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | \$ 52.00 | |
| Opportunity Cost (Difference of Yield and Res Rate) | \$ (76.96) | \$ (76.72) | \$ (73.72) | \$ (85.15) | \$ (102.26) | \$ (118.57) | \$ (60.15) | \$ (42.60) | |
| Rounds Blocked | | | | | | | | | |
| Rounds / month status quo (52) | 208 | 208 | 208 | 208 | 208 | 208 | 208 | 208 | 1,664 Rounds |
| Rounds / month proposed increase (72) | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 2,304 Rounds |
| Revenue at Risk - Champions Club Blocks | | | | | | | | | |
| Revenue at Risk with 52 Player Block | \$ 16,007 | \$ 15,958 | \$ 15,333 | \$ 17,712 | \$ 21,270 | \$ 24,663 | \$ 12,511 | \$ 8,861 | \$ (14,940) |
| Revenue at Risk with 72 Player Block | \$ 22,163 | \$ 22,095 | \$ 21,231 | \$ 24,524 | \$ 29,451 | \$ 34,148 | \$ 17,323 | \$ 12,269 | \$ (19,920) |
| Revenue at Risk moving from 52 to 72 players | \$ 6,156 | \$ 6,138 | \$ 5,897 | \$ 6,812 | \$ 8,181 | \$ 9,486 | \$ 4,812 | \$ 3,408 | \$ (4,980) |
| Membership Revenue | | | | | | | | | |
| Revenue Generated (60 Memberships) | \$ 14,940 | | | | | | | | |
| Revenue Generated (80 Memberships) | \$ 19,920 | | | | | | | | |

Assumptions for Champions Club Revenue at Risk Analysis:

- Annual Membership is limited to Valid Palm Desert Resident cardholders
- Annual Membership costs \$299 and includes a GHIN handicap (\$249 net revenue)
- Historically, Champions Club has been granted a 52 player block every Wednesday from October - May (32 events)
- Events are not held when Holidays interfere (Thanksgiving, Christmas, and New Year's Day)

Resident Program – Input and Feedback



Time to share ideas taking into consideration information provided and the key tenets.

Questions and Thoughts?

Key Tenets

- Prior City Council comments and parameters should be considered
- The Quality of the Facilities, Courses and Customer Experience must remain "Best in Class".
- Proposed programs should allow for financial success during "Bull" and "Bear" economic market conditions.
- Minimize the need for subsidization from City Funds for Operations.
- Desert Willow's programs should allow for local Country Clubs to succeed and not detract from their viability as a Palm Desert business.
- Ability to continue utilizing Dynamic/Yield Based pricing models to drive green fee revenue for the financial stability of the property.



2023/2024 Estimated Revenue \$71,898,431

