



Rancho Santa Fe Association

Board of Directors Meeting

Staff Report – Request for Board Action

Date: May 3, 2021

From: Blair Nicholas, RSFGC Board of Governors President
Shanon McCarthy, RSFGC Interim General Manager

Item: RSFGC Monthly Dues and Initiation Fee Increases

Introduction

As set forth in detail below and for compelling budgetary reasons to accomplish the goals of the Golf Club's Mission and Vision Statement, the RSFGC's Board of Governors unanimously approved increasing the Golf Club's 2021-2022 membership dues beginning on July 1, 2021 as well as increasing the membership initiation fee beginning on September 1, 2021. Per the 1987 Resolution entered into between RSFGC and the RSF Association, the RSFGC's Board of Governors "have the authority to establish the dues, fees, charges and hours of operations for all of the Golf Facilities" subject to the Association Board's approval of the Golf Club's proposed annual financial plan.]

Membership Dues Increase

The Board of Governors, upon recommendation by the Membership Committee, unanimously approved an increase in monthly membership dues to \$1,075/month, which represents a 10% or \$98 increase in monthly dues. In addition, each member will continue to pay \$100/month to retire the outstanding debt which will be paid off in less than 6 years.

The compelling reasons justifying the increase in monthly membership dues include, but are not limited to: (1) higher wages, employee benefits and payroll tax expenses due to the mandatory statewide minimum wage increase as well as cost-of-living and merit based compensation increases; (2) increase of employees, wages, salaries, and compensation expenses in the golf maintenance operations to appropriately care for and maintain the newly renovated golf course; (3) substantial increase in insurance expenses

to protect the Golf Club from future liabilities; (4) projected increase in professional expenses, including outside legal counsel expenses; (5) material increase in golf maintenance expenses for additional and enhanced implements and supplies to appropriately care for the newly renovated golf course; (6) projected increase in capital requests from free operating reserves to pay for additional maintenance equipment to appropriately care for and maintain the renovated golf course; (7) material increase in the costs of goods, supplies, utilities, and other operating costs in the food and beverage operations; and (8) increasing the balance of operating reserves following the golf course renovation to fund future capital projects, such as the intended renovation of the Clubhouse restaurant and other needed maintenance and/or desired capital improvements.

The aggregate of these increased expenses has significantly increased the financial costs of operating the entire Golf Club, which includes the increasing costs of the Food and Beverage operations. In order to fund these increased expenses and continue to build and fund our operating and restricted reserves, the Board of Governors has approved for a material increase in the monthly dues. By comparison, and while not a driving factor for the Board of Governors' decision, the Golf Club's increased monthly dues will remain in the bottom third of monthly dues charged by comparable golf clubs within San Diego County.

Membership Initiation Fee Increase

The Board of Governors has also unanimously approved an increase in the membership initiation fee from \$50,000 to \$75,000, beginning on September 1, 2021. The initiation fee at RSFGC has not been adjusted (even for inflation) since 2004 - or for over 15 years. The Board of Governors approved of the initiation fee increase to ensure that the Golf Club's operating and restricted reserves are adequately funded for future capital requirements. The financial costs of such future capital requirements are projected to continue to increase through inflation as well as through the Golf Club's commitment to delivering a membership experience consistent with its Mission and Vision Statement.

For example, the Board of Governors is intending to fund a future renovation of the restaurant to improve the membership dining and entertainment experience. In addition, the renovated golf course will require additional capital requirements to maintain the course in a condition that reflects the Golf Club's significant investment in the renovation. There will undoubtedly be future plans for renovating the Player's Clubhouse to enhance the membership experience which will require funding from the Golf Club's reserves. Finally, the golf course as well as the Golf Club's building infrastructure will need to be continually maintained, repaired, and updated and the reserves will have to be continually utilized for these necessary maintenance requirements and renovation projects. Finally, while not a primary or driving factor of

the Board of Governors' decision, on an inflationary adjusted basis, the initiation fee of \$50,000 established in 2004 nearly equates to a \$75,000 initiation fee in September 2021 and notably, is comparable or lower than many other private golf clubs of RSFGC's caliber in San Diego and throughout California.

Projected Impact of Membership Dues and Initiation Fee Increases

The Board of Governors projects that the increase in the membership dues and the initiation fee should not result in an adverse impact to its ability to largely retain its existing membership and increase the sales of new memberships. First, the membership understands the goal of the Golf Club to deliver an enhanced membership experience that is consistent with its Mission and Vision Statement, which includes a newly renovated golf course and the future plans for renovating the restaurant enjoyed by all Association members. Clearly, the expenses of maintaining and caring for the newly renovated golf course led by talented, experienced and increased staff will necessarily increase costs in terms of new equipment, implements, supplies and labor costs. Second, the membership understands that the cost of conducting business in California has materially increased with higher mandatory minimum wage requirements, higher salaries for experienced department leaders, increased costs for utilities and restaurant supplies, and increased costs for insurance, administrative, accounting and legal expenses. Third, the Golf Club is required to ensure that its operating and restricted reserves are adequately funded for future capital requirements, such as maintenance and future renovations of the restaurant and player's clubhouse, maintaining and enhancing the landscaping of the common areas, and investing in new equipment to maintain the golf course in a condition that reflects the Golf Club's significant investment in the Updated Masterplan renovation. Therefore, the membership should fully recognize and appreciate the need to increase membership dues and the initiation fee to deliver a membership experience consistent with our Mission and Vision Statement.

Factoring in the membership dues and initiation fee increase, the Golf Club projects that total membership will raise from the current number of 451 to a new total by June 2022 of 464. This increase includes a combination of 33 new members and resignations of 20 existing members. The Board of Governors believes that this projection is rather conservative as the Golf Club has experienced a tremendous amount of interest from covenant residents who are extremely excited to be part of the newly renovated golf course experience. Further, while these increases are fully justified by the associated increases in the costs detailed above, RSFGC's membership dues will remain in the bottom third of private golf clubs in San Diego County and the higher initiation fee remains comparable or lower than many other private golf clubs of RSFGC's caliber in San Diego and throughout California.

Conclusion

After a tremendous amount of thought and deliberation, and consistent with the 1987 Resolution, the Membership Committee and the Board of Governors of RSFGC have unanimously approved increasing membership dues to \$1,075/month beginning on July 1, 2021 and increasing the initiation fee to \$75,000 beginning on September 1, 2021. As detailed above, these increases are fully justified by the increased costs of delivering and investing in a membership experience consistent with RSFGC's Mission and Vision Statement.

The Board of Governors' approved increases in monthly dues and initiation fee are integral and critical components of the overall 2021-2022 Golf Club budget. The 2021-2022 Budget not only ensures the efficient operation of the entire Golf Club, but also is necessary to build and maintain the appropriate reserve funds to invest in necessary future maintenance, upgrades and renovations of the Golf Club's existing infrastructure.