

March 9, 2024 at 4:28:23 PM MST
EMAIL FROM JAY SIMON FOR DISCUSSION ONLY

I am summarizing my thoughts on setting 2024 golf rates in this memo. Hopefully, it will promote discussion and can be used as a starting point at the next Golf Advisory Committee meeting. Please feel free to distribute this memo and/or include it in the packet that goes out Monday in advance of the meeting.

First, some facts;

- 1) Total rounds played on the Championship Golf Course for the 2023 golf season was 22,914, while 22,994 rounds were played in the 2022 season. So, in spite of the golf course moving from 12 minute tee time intervals in 2022 to 10 minute intervals in 2023 and thereby creating twenty percent more available tee times in 2023, rounds played were essentially flat year to year.
- 2) Total rounds played by all play pass holders in the 2023 season was 6,448, or 28% of all play on the Championship Golf Course. In 2022, total rounds played by pass holders was 8,253, representing 36% of all play.
- 3) Total rounds played by non-picture pass golfers (highest rate, non-residents) on the Championship Golf Course in 2023 was 4,901 or 21% of total play. For 2022 total rounds played was 5,293 or 23% of total play.
- 4) Picture pass holder rounds (resident, no play pass) went from 6,752 rounds in 2022 (30% of total) to 8,098 rounds in 2023 (35% of total).
- 5) On the Mountain Golf course; play pass rounds were 2,073 (14% of total rounds), 2022 was 3,573 (21% of total). Non-picture pass play was flat at 4,142 rounds in 2023, 4,128 in 2022. Picture pass holder rounds were basically flat with 2023 at 6,692 and 2022 at 6,794.
- 6) Anecdotal evidence obtained by way of various interviews indicated that for the 2023 golf season participation in the weekly golf events for the largest golf clubs was down by 15-20% from the 2022 season.
- 7) While it is difficult to quantify, there is no doubt golf course revenues from the golf shop, the restaurant at the Chateau, the driving range and I'm assuming catering operations are all either down from 2022 and/or materially below budget for the fiscal year.
- 8) On a positive note, the price changes implemented last May did increase total revenue per round on the Championship Course to \$106.52/round in 2023 from \$90.63 in 2022 (+17.5%). On the Mountain Course revenue/round increased from \$40.77 in 2022 to \$47.84 in 2023 (+17%).
- 9) Analyzing utilization by day of the week during the busiest times of the golf season indicate Friday and Sunday are the days with the highest utilization and Saturdays are actually less busy than most of the days Monday-Thursday.

Conclusions;

- 1) The perceived value of buying play passes on both golf courses clearly changed under the new play pass structure and the elimination of the couples all you can play passes.
- 2) Both golf courses suffer from lower utilization rates than where they could and should be.
- 3) It does not appear limiting all you can play passes to exclude weekends makes any appreciable difference since outside non-picture pass play actually decreased by 7% in 2023 when restrictions were put in limiting all

SUPPLEMENTAL MATERIAL ITEM E.2.

you can play passes. In addition, short of implementing a major marketing/advertising program, it appears the number of rounds coming from outside of Incline Village has stabilized and is not likely to materially increase given the current rate structure and competitive golf environment in the Tahoe area. Also, Saturdays are actually not any busier than most day's midweek.

4) Golf in Incline is more than a single statistic or group of statistics. The material decreases in golf shop revenue, F&B revenue and range revenues did not happen in a vacuum. After the prolonged and politically charged atmosphere last spring there was clearly a change in the attitudes of some of the most prolific golfers in Incline causing a ripple effect that impacted every golf profit center. While it can clearly be debated what caused what and by how much, the correlation is obvious.

5) If non-picture pass play has normalized within a predictable range, then increasing utilization has to come from residents and the only resident play statistic that is down are play pass rounds. Therefore, it makes sense to try and increase play pass rounds at rates that are fair for all stakeholders.

Recommendations;

- 1) Increase all 10 and 20 play pass rates by the 4% suggested by Robb.
- 2) Eliminate all 30 and 40 play passes.
- 3) Add all you can play passes, unlimited in day or time, as follows; Both courses; Couples \$6,400; Individual \$4,000 (2022 rates were \$5,258 and \$3,260, respectively). Mountain Course only; Couples \$1,900, Individual \$1,200 (2022 rates were \$1,331 and \$865, respectively).
- 4) No unlimited play passes for the Championship Course only.

Rationale;

The 30 and 40 play passes were not as popular with the majority of rounds played with 10 and 20 play passes. Also, with reinstating unlimited all you can play passes, 30 and 40 play passes are not really necessary and the menu of choices last summer was confusing and overpopulated.

The 4% increase in 10 and 20 play passes seems reasonable given the larger price increases in 2022.

Recommended pricing for all you can play passes based on; Couples 80 rounds @ \$80/round. Individual 50 rounds @ \$80/round. No additional costs built in to play the Mountain Course. Mountain Course; Couples 50 rounds @ \$40, minus \$100 to keep under \$2,000, Individual 30 rounds @ \$40/round.

If I were to price a Championship Course only pass the price drop would be too small to justify selling the pass relative to the combined course pass above. Additionally, we want to incentivize play on the more underutilized Mountain Golf Course.

Last, buying an all you can play pass to me is a win/win for the golf course and the golfer. The golf course gets all the money up front and all financial risks immediately are borne by the player and these risks are not insignificant; smoke, bad weather and personal health are real life risks that I and many others have incurred in just the last few years impacting the ability to use prepaid play passes. Darren Howard estimated that approximately 10% of play pass rounds purchased in 2023 (10/20/30/40 packs) went unused and these are use it or lose it passes.

These are my thoughts and I am available to discuss or answer any questions. Jay Simon