

MEMORANDUM

TO: Board of Trustees

FROM: Karen Crocker, Acting General Manager / Director of Parks and Recreation

SUBJECT: Receive, and File Food and Beverage Report, by Consultant Chris Sarten. (Requesting Staff Member: Acting General Manager Karen Crocker)

DATE: September 11, 2024

I. RECOMMENDATION

Receive, and file Food and Beverage Report, by Consultant Chris Sarten

II. BACKGROUND

Former General Manager Magee had hired a consultant, Chris Sarten to conduct an assessment of the food and beverage operation for the Incline Village General Improvement District (IVGID).

III. FINANCIAL IMPACT AND BUDGET

No financial impact

IV. COMMENTS

The report included three (3) in-person trips to IVGID. During these trips, interviews were conducted with staff, an analysis of reports was reviewed, and a three-day observation period was conducted between June 1 to June 3, 2024.

Observations included revenue recording, cost of goods sold, financial performance and golf food and beverage operations. Financial performance included initial funding and questions, such as " Why are the departments losing money" and "Private Events Losses" explained? The current Acting General Manager has met with the lead Executive Chef regarding implementing changes to the Food and Beverage operations. A comprehensive food and beverage report will be presented to the Board of Trustees at the October 30, 2024, meeting. These changes will include revenue tracking, financial reports to include revenue and expenses, inventory control and other internal controls.

V. BUSINESS IMPACT/BENEFIT

The benefit of this report is to review and implement recommendations that are feasible and consistent with IVGID's policy and procedures.

VI. ATTACHMENTS

Food & Beverage Department Final Report

VII. DECISION POINTS NEEDED FROM THE BOARD OF TRUSTEES

This is a receive and file report and board of trustees' comments are welcome.

CHRIS SARTEN



Food and Beverage Management Solutions

To: Bobby Magee, General Manager
Incline Village General Improvement District

From: Chris Sarten, Food & Beverage Consultant

Subject: Food and Beverage Department Final Report

Date: July 3, 2024

Executive Summary

Chris Sarten has been engaged to conduct a high-level assessment of the food and beverage operation (F&B) for Incline Village General Improvement District. Chris Sarten engaged in three in person trips to IVGID. During these trips, interviews were conducted with staff, analysis of reports was conducted, and a three-day observation period was executed from June 1st to June 3rd. This report serves as final conclusions and recommendations on the items contained in the original scope of work.

The food and beverage department is a critical amenity for various revenue centers at IVGID. F&B provides necessary services for ski, golf, events and beach operations. In addition, the department also supports other IVGID organizations. Due to a lack of consistent leadership in both F&B and accounting, many critical best practices have fallen below industry standards or ceased entirely.

Recommendations focus on the following key objectives:

- Ensuring all revenues are recorded accurately and timely,
- Aligning cost of goods sold (COGS) with industry standards and accountability,
- Analyzing financial performance of events and Golf F&B,
- Analyzing operational systems and structures.

Observations and recommendations have been organized into the following sections:

- Revenue Recording,
- Cost of Goods Sold,
- Financial Performance,
- Golf Food & Beverage Operations.

Note: Observations and recommendations are listed in the order in which the work was studied and completed.

Project Approach

The approach to this project has included:

- In depth interviews with members of the F&B, accounting, finance and IT departments,
- Reviews of event and Championship Golf YTD financials through April 22, 2024,
- Reviews of financial supporting documentation including event invoices, general ledgers and menus,
- Analysis of information gathered, leading to identification of options that may increase the effectiveness of the department,
- An in-person observation period at Golf F&B outlets.

Interviews

Interviews were conducted with the individuals listed below:

- Accountants,
- Controller,
- Assistant Finance Director,
- IT,
- Golf General Manager,
- Executive and Sous Chefs,
- Service Team,
- IVGID General Manager.

Major themes emerging from the interviews include the following:

1. F&B accounting processes are not consistent. Processes seemingly change at the whim of new leadership in F&B. F&B leaders have dictated to accounting how to manage certain aspects of the F&B financials, rather than accounting holding the F&B team to appropriate, industry standard best practices.
2. Revenues are not being booked via direct uploads from the point of sales systems (POS) to the master financial system (Tyler). Instead, they are being booked through time-consuming, manual processes that leave far too much room for human error.
3. Proper COGS calculations are not being done and it is unclear how long it has been since a proper inventory and COGS calculation has been completed. Interviews indicated anywhere from a couple of years to 10+ years.
4. Despite the Executive and Sous Chefs completing food inventory and liquor, beer and wine (L/B/W) inventories since December of 2023, accounting has not inputted any of these inventories into any financial system.
5. The above-mentioned chefs, as well as front of the house leadership, are aware that many processes in F&B are not correct and are eager to implement systems for improvement and accountability.
6. Industry standard best practices are absent in some areas of Golf F&B.
7. The F&B leadership structure is currently inadequate to effectively manage the necessary processes for improvement.
8. The IT department has begun preliminary work on a board-approved access study with Active Network to improve POS/Tyler integration.



SECTION 1

Revenue Recording

This section provides observations and recommendations regarding revenue recording.

Current Process

There are two ways revenues are being recorded into Tyler.

- 1) Revenues from non-events venues are being recorded by accounting on a daily basis and occasionally on weekends. This process is outlined in Figure 1 below.

**NOTE: F&B uses RTP as its POS system. A similar process to Figure 1 is also in use for revenues collected at venues that use the Vermont POS system and other departments that use RTP, ie: Ski.*

Figure 1

The Steps to creating the RTP Journal

- 1 Open the previous day's journal on the Golf Drive=>Golf Admin => GL Uploads and renaming it to the day you are working on ie 4/24 you would be doing 4/23
- 2 Copy and paste the export from RTP that is downloaded every night into the Original Tab. You use the file dated the next day the file dated 4/24 for 4/23
- 3 Copy and past the data from the Original Tab to the Upload tab
- 4 Go to the Golf Drive => Golf Admin => Safe Room=> Logs and Deposits => RTP Ski and F&B daily deposit logs. Copy into the Daily Deposit Logs tab
- 5 Log into Carddog go to reports property settlement Summary and run the report for the day you are doing. It will be the day after the day you are doing the report for.
- 6 Use the snip tool and snip the summary and put on the Credit Card tab. Then match the amounts to what was downloaded from RTP.
- 7 During ski season you need to download the report from the punch card system. After you download that you copy and paste into the Punch Cards Tab.
- 8 Once everything is in the RTP Template you make sure that everything balances. If it does not you have to find out why.
The Safe Clerk is good at notating errors on the deposit sheet. With Credit Cards it is usually someone did not close out pin pad or a webstore purchase that came in late.
- 9 Once everything is either balanced or if there are issues they are recorded in over/short until they clear. You copy and paste into the upload sheet and upload into Tyler.

- 2) Revenues from the events venue are being recorded in Tyler at the end of each month with manual journal entries by the controller. The controller uses invoices from all of the events for a given month and then manually inputs the matching revenues. This process can take a full day.

Analysis

Both revenue processes outlined above are outdated and markedly below industry best practices. Technology exists that allows all information from a previous day's POS usage to be automatically uploaded to master financial systems. The current processes are time-consuming and leave far too much room for inaccurate reporting due to simple human error. What's more, in the case of event revenues being recorded only once a month, it is difficult to accurately track sales on a daily or weekly basis.

Observation Conclusion & Recommendation

All F&B revenues should be inputted into a POS system that is integrated with Tyler. This integration does not currently exist or has not been implemented. IT's access study to rectify this and discover a solution must continue to be encouraged, supported and prioritized.



SECTION 2

Cost of Goods Sold (COGS)

This section provides observations and recommendations regarding the department's current procedures for accurate COGS calculations.

Current Process

COGS are being recorded in various ways, none of which are up to industry standards. Properly calculating true COGS is critical for cost management.

- 1) COGS for food and L/B/W from non-event revenue venues are being recorded via the same process as revenues. When accounting completes the nine-step upload process described on page two, not only are revenues recorded, but a cost associated with that revenue is also recorded. The pre-determined percentages in RTP are not consistent across all venues.

Example: Justin Rosé is a glass of wine sold in multiple outlets for \$11 a glass (6oz pour). That \$11 will eventually be booked to revenues. However, the sales item in RTP for that glass of wine has a 40% COGS amount attached to it. This means that in addition to \$11 in revenues being booked, \$4.40 is also booked to the COGS account for wine. So how much does that glass really cost? The recent invoice cost of the bottle is \$10 or \$0.394 per ounce. That is a 6oz pour cost of \$2.36 or a COGS percentage of 21.5%. In this example, COGS is overstated by \$2.04 every time this glass is sold. This issue appears to be happening across the entire liquor program. More detail is provided in Section 3.

- 2) For event revenues, COGS for L/B/W are being booked in a different way. Remember the controller manually inputting all the event revenues at the end of the month through a stack of invoices? The next step in this process is for the controller to book the COGS associated with those sales. This is where you say.....

"But Chris, how does the controller know how much to book for COGS?"



I'm very glad you asked....Sometime in the past (no one can determine when) accounting was given set percentages so they can simply enter a dollar amount to the L/B/W COGS accounts as a % of revenues. Those percentages are 21/25/40, respectively.

- 3) COGS associated with event food revenues are booked in the same way as in example 2. Except in this case, the previous Executive Chef was the person who provided the number to the controller. That percentage is 30%.



Analysis

The procedures above are incorrect. A true COGS is a simple formula that includes the “Key 3”:

$$\begin{array}{ccccccc}
 \text{Beginning} & + & \text{Purchases} & - & \text{Ending} & = & \text{Cost of} \\
 \text{inventory} & & \text{during the} & & \text{inventory} & & \text{goods sold} \\
 & & \text{period} & & & &
 \end{array}$$

The F&B department’s current process for calculating COGS takes none of the “Key 3” in the above formula into account. If true COGS are to be recorded, then all of the “Key 3” must be utilized.

The current procedures are the equivalent of cherry-picking numbers (the 21/25/40) that are within industry standards. So, no matter what is actually happening inside the four walls, COGS will always look good because the “Key 3” are being completely disregarded.

Example: Let’s go back to the glass of Justin Rosé. Let’s assume for now that the cost of the liquid in the glass is exactly the pre-determined \$4.40. Now let’s say the bartender just poured four glasses and over poured each glass by a half an ounce. The \$4.40 number is no longer correct, however, RTP is telling Tyler to only book \$4.40. Perhaps the bartender poured the wrong wine by mistake and had to throw an entire glass away, or a bottle got dropped on the floor, or worse, someone is removing product from the property without permission. None of these factors can be accounted for without using the “Key 3” formula and diligent monthly inventory practices, including regular product pricing updates using current invoices.

Observation Conclusion & Recommendation

Monthly (or by period) inventories are critical to identify trends in the business and to make adjustments to bring them back in line. Inventories have already begun but are not being booked. Accounting should begin booking the “Key 3” in one ledger account. This should be in the ledger account associated with each category and organization. Inventory should be completed by the F&B team no later than the opening of business on the 1st day of the period. The count should be entered into the inventory spreadsheet and submitted to accounting within 2 days of completion. Accounting should be booking the inventory (and transfers) within 1 day of receipt. Accounting should also ensure that all invoices for that month have been entered by this time. The F&B team should then review the COGS percentages MTD and YTD to identify any entry errors, invoice miscodes, bounce backs, missing credits, trends etc. Also, IT must remove the automatic COGS calculations from RTP. It is critical that proper procedures for COGS begin at the beginning of fiscal year 2025.

See next page for example of an ideal ledger account for COGS & procedures that should be put in place by July 1st to facilitate an accurate inventory.



Example of an ideal ledger account:

This would be ledger #7932 on Tyler financials

| Transaction Detail Report | | | | | | | |
|--|------------------------|-----------|------------|-------------------------------|--------------|----------------|--|
| Actuals Amount 9,787 USD | | | | | | | |
| Filters: Account is 52930 - Liquor Purchases | | | | | | | |
| Level is 14-Food & Beverage FOH | | | | | | | |
| Account | Level | Date | Reference | Memo | Amount | Transaction ID | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/1/2024 | | Bar Inventory Feb 2024 | 27,997 | GJ9K89 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/1/2024 | | Snack Bar Inventory Feb 2024 | 628 | GJ9K89 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/31/2024 | Bar | Rec/Rev March Inventory | -27,307 | GJ9L61 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/31/2024 | Snack | Rec/Rev March Inventory | -582 | GJ9L61 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/8/2024 | 336942200 | SYSCO SAN DIEGO | 457 | PJ6702 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/8/2024 | In24898711 | Breakthru Beverage California | 138 | PJ6702 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/8/2024 | In49884224 | RNDC | 594 | PJ6702 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/25/2024 | 000344658 | WINEBOW | 756 | PJ6717 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/25/2024 | 336958638 | SYSCO SAN DIEGO | 196 | PJ6717 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/25/2024 | In49723523 | RNDC | 967 | PJ6719 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/25/2024 | In49731134 | RNDC | 1,392 | PJ6719 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/25/2024 | Inv1055020 | SOUTHERN GLAZERS W and S | 1,138 | PJ6719 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/25/2024 | Inv1061431 | SOUTHERN GLAZERS W and S | 1,610 | PJ6719 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/29/2024 | 100468274 | Crest Beverage LLC | 107 | PJ6726 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/29/2024 | In49759274 | RNDC | 628 | PJ6726 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/29/2024 | Inv1074202 | SOUTHERN GLAZERS W and S | 380 | PJ6726 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/30/2024 | 336978045 | SYSCO SAN DIEGO | 283 | PJ6732 | |
| 52930 - Liquor Purchases | 14-Food & Beverage FOH | 3/30/2024 | In49781584 | RNDC | 406 | PJ6734 | |
| Total | | | | | 9,787 | | |

After collaboration with the F&B Team, the following will be in place by July 1*:

- 1) Updated inventory sheets with shelf to sheet organization and current pricing.
- 2) All L/B/W invoices will be coded to Championship Golf Grill.
- 3) All backup alcohol products will be stored in one central location.
- 4) Only authorized keyholders will be permitted to access the alcohol storage room (or another team member with keyholder supervision).
- 5) Transfer sheets will be located in a convenient location in the alcohol storage room.
- 6) Transfer sheets will be completed by events, bev carts, champ snack bar and mountain snack bar whenever removing product from storage.

***Note: bev carts and champ snack bar revenues already report to Championship Golf Grill. The transfer sheets for these locations are for inventory management purposes. They will not be submitted to accounting.
- 7) The events team will fill out a report following each event that details what was returned.

***Note: The Executive Chef (acting F&B Director) may decide to adjust this step and allocate space in the liquor storage for events to have a "return area" where all product used will be returned after an event and stay in the event inventory. Either step is acceptable.
- 8) The F&B manager responsible for inventory will input the transfer sheets into an Excel spreadsheet and submit to accounting for proper transfer to the appropriate organization and ledger account.



SECTION 3

Financial Performance

This section provides observations and findings that could be contributing to poor financial performance in events and Golf F&B.

Initial Findings

Initial findings will describe the current financial situation as of April 22, 2024, financial reporting.

Through April 22, 2024, both events and Golf F&B have lost over \$320,000 each. The thought process in understanding these losses focuses on 3 areas.

- 1) Why are the departments losing so much?
- 2) *Should* they be losing money or making money?
- 3) Can the departments get to break even?

Why are the departments losing money?

The very basic answer is that expenses are outpacing revenues. But should they? F&B operations like IVGID should be viewed through a private club lens rather than a restaurant lens. These operations are not restaurants, they are amenities.

Case and Point: How often do you go to a restaurant and notice chairs in disrepair or wobbly tables? Light bulbs that need changing? Doors that are hard to open? Restaurants are obviously for profit and often are not diligent with maintenance or aesthetic items because of budgetary or cash flow concerns. Ever have a cocktail at a restaurant and your second one shows up in a different glass? Or your salad plate came out warm because they did not have enough time to let them cool down completely after going through the dish machine....because they ran out mid-shift! That's because they have not properly stocked their supplies, again, likely due to cost savings being prioritized over the guest experience. Do any of these items seem acceptable at a facility operated by IVGID?

I share that anecdote to make this point....food and beverage operations functioning through a private club lens will always have higher expenses than a restaurant that exists solely to make a profit.

Private Events Loss Explained

See Exhibit A

- 1) Revenues are not adequate for the expenses the department incurs.
 - a. Total net revenues are \$986,852.
 - b. Labor expenses (without burden) are \$525,794.
 - c. Outside of control expenses are \$507,415.



Example of Outside of Control Expense:

So far this year, the events department alone has spent \$11,133 on snow removal from the parking lots of Chateau and Aspen Grove. The work is performed and charged by the Public Work Department. By comparison, when snow falls at the Fox Brewery and Pub in Carson City, the county plows the road in front. The restaurant is responsible for the sidewalk and their own parking lot. Some of the restaurant team heads out front to tackle the sidewalk, while the parking lot is cleared by "a guy" they hire to put the snow in the back of his truck and haul it away. The events department is being charged full price government rates for the same service.

2) Discounting is the rule, not the exception.

See Exhibit B

- a. As of April 22nd, events have shown total gross revenues of \$1,228,649.
- b. Net revenues, however, are only \$986,852. That is a difference of \$241,797 (19.47%) due to discounting.
- c. At least 213 of 268 events have received discounts.
- d. At least 139 events received 100% discounts on room fees.
 - i. The majority of discounts are on room rentals. The department gives very little pricing consideration regarding food, L/B/W.
 - ii. A baseline room fee of \$300 is recommended for all groups.
- e. Many events are not covering costs.

See Exhibit C

- i. Standard operating procedure (SOP) right now is that any IVGID organization that needs services from events is able to use its rooms for free. Yet, it appears the events department is paying full rates for services needed by the same organizations.
 - f. The events department should begin charging every group a minimum of \$300 for use of its rooms and resources. \$300 is a baseline amount meant to cover certain expenses associated with room usage. This amount may not always cover totals expenses. In certain cases, a higher amount will be appropriate.
- 3) Expenses function like a year-round operation.
- a. The department incurs monthly expenses for salaries, marketing, utilities, preventative maintenance, janitorial, employee benefits, building repairs, etc. However, revenues are not collected on a consistent year-round basis. Event break down for FY 2024:

July 43
 Aug 40
 Sept 37
 Oct 27
 Nov 15
 Dec 32 (23 of which are IVGID Trainings/Senior program)
 Jan 16 (11 of which IVGID Trainings/Senior program)
 Feb 16 (12 DP / IVGID Trainings/Senior program)
 March 25 (17 BOT / DP Events / IVGID Trainings / Senior program)
 April 22 (14 IVGID Trainings/Senior program)
 May 21
 June 51



Can the events department get to break even?

There are several ways that events can close the gap on the current financial losses.

However, it is my opinion that breaking even would require drastic actions that may not be possible. Some ways to close the gap:

- 1) Increase Revenues.
 - a. A 15% price increase to F/L/B/W revenues - \$113,882.
 - b. New revenues
 - i. Potential room revenues with a discounting restructure - \$52,383.
- 2) Credit Card Processing Fee
 - a. YTD credit card processing fees are \$26,193.
 - i. It is very common in the industry for guests to pay with a credit card processing fee with the venue if they choose to use a credit card. Beginning this practice for events is recommended. The guests then have a choice to submit a check and save the extra fee.

Potential Positive impact to financials:

| | |
|-------------------------------|------------------|
| 15% Price Increase | \$113,882 |
| \$300 Baseline Room Fee | \$52,383 |
| Credit Card Fee | \$26,193 |
| | |
| Total Potential Impact | \$192,458 |

- 3) Marketing
 - a. Events incurred marketing expenses of \$50,152 or 5% of net revenues. This is about 50/50 between allocated marketing expenses from IVGID and actual advertising, including EXL Marketing's fees. While 5% is definitely on the high side for event marketing, there are unique factors to consider.
 - i. The event marketing is nearly 100% wedding driven, primarily on TheKnot.com, Weddingwire.com, Instagram and Google.
 - ii. Weddings are easily the most profitable events for the department, so focusing the bulk of marketing resources is appropriate.
 - iii. Further analysis with the IVGID marketing team, the events team and golf general manager is recommended to determine what impact the marketing is having and whether the yearly spend is appropriate.
- 4) Labor
 - a. Based on interviews and observing two events, staffing levels for events seem to be appropriate for the service levels expected. In fact, they actually seem to run closer to being understaffed than overstaffed.



Golf Food & Beverage Loss Explained

Much like the events department, the Golf F&B venues have expenses that far outpace revenues. Also, like events, Golf F&B also has many expenses that are outside of their control. For example, through April 22, Championship F&B alone has been allocated over \$25k in labor from the revenue department, not including any allocations for the corresponding burden for that amount. Employee benefits are almost \$60k in the same time period.

Cost of Goods:

In Section 2, the overstating of COGS on a single glass of Justin Rose was explained. The table below is an estimate based on reports provided and shows a small sampling of items in the bar whose COGS are being overstated, causing the financials to look worse off than they should. This is from the Champ Grill only. This does not include bev carts or snack bars.

| Drink | QTY Sold 7/1-10/22 | Overstated COGS | Total |
|-------------------|--------------------|-----------------|-----------|
| Hayes House Wine | 357 | \$1.78 | \$635.46 |
| Hayes at HH | 1090 | \$0.98 | \$1068.20 |
| Wente Chardonnay | 317 | \$1.28 | \$405.76 |
| Tito's | 600 | \$0.95 | \$570.00 |
| Tahoe Blue Mule | 94 | \$1.65 | \$155.10 |
| Coors Light Draft | 797 | \$0.77 | \$613.69 |
| TOTAL | | | \$3448.21 |

L/B/W COGS are overstated \$3,448.21 on just 6 items studied. This amount is certain to be much higher if a review of the entire program is done. This example should further drive home the need for proper inventory using the correct procedures described in Section 2. Remember that COGS for food are being done in a similar way. The pre-determined percentage for food in Champ Grill is 26%. The kitchen team estimates that they are actually running a food cost of 28-30%. If so, the COGS for food are being understated, in contrast to L/B/W COGS.

Labor:

Hourly labor is a high number at \$347k. After observing the restaurant, snack bar and bev carts and analyzing schedules, staffing levels are appropriate for the service level expected and hours of operation. What is driving such a high hourly labor number? Some of it is allocations like the revenue department example mentioned above, but much of it has to do with the hourly rate IVGID is paying its team. After contacting several local restaurants, the general rate for the service team is \$11.25 per hour. The Lone Eagle Grill is at the higher end of the scale at \$14.25 for new staff. IVGID is paying front of the house team members between \$16 and \$19 with hourly managers in the \$23-\$25 range. For profit restaurants run labor (all in) between 25-35% of revenues. Private club models can run well over 50%. As of April's reporting, the labor number for Champ Golf F&B is over 80% without burden.

**Note: The elevated hourly rates IVGID pays are a GOOD thing. Better pay typically leads to attracting more qualified staff, less employee turnover and employees who are motivated to show up for work every day. Remember, through a private club lens, you want motivated team members who show up every day and elevate the guest experience by building relationships that last for years.*



Can Golf F&B get to break even?

In my opinion, no. There are things that can be done to close the gap. However, with higher hourly rates, fantastic employee benefits, resident discounts and other OOC expenses, there is only so much that can be done. Some possible ways to close the gap:

1) Price increases

- a. Price increases are the simplest and fastest way to drive revenue. That does not mean it is the correct course of action and IVGID is not going to command \$88 for rack of lamb or \$26 for an appetizer with two scallops like Lone Eagle, but there may be some wiggle room if the board decides to go this route. It is important to note that current food and alcohol pricing is appropriate, with beer and food pricing pushing the top of the mark already but with only a few observed exceptions in liquor, menu analysis did not indicate any food or alcohol items that are significantly underpriced or overpriced. If a price increase is considered, it should be implemented carefully and with an eye towards value compared to local competitors. It is also important when considering price increases not to get hung up on COGS percentage for every item. Higher priced items like steaks and seafood may have a higher cost percentage than the burger and Caesar salad but the margin can be much higher.

**Note: Feedback on liquor pricing continuity was shared with the Champ Grill supervisor via email on 6/8/24.*

2) Labor

- a. While labor hours seem to be appropriate, there are always ways to save on costs by being creative with scheduling and paying close attention to the business.
 - i. Staggered schedules.
 - ii. Unpaid breaks during mid-day down times.
 - iii. Evaluating potential for slower days in advance to make appropriate schedule adjustments.

Example: if the weather forecast for tomorrow is rain until 1pm, call the service team and adjust their start time to reflect when business is expected to begin. Perhaps only one person needs to be on duty to open the restaurant for residents that may stop by.

3) New Revenues

- a. Golf F&B is only open half the year. It is a beautiful venue that could have potential during the off season, too. The golf general manager is working on some ideas for this and should be supported, even though at first the ideas will seem out of the box.
 - i. Post Ski Happy Hour at the Chateau.
 - ii. Kids Snowman Contest on the driving range with hot chocolate, S'mores and dinner on the patio.
 - iii. Sunday Prime Rib Carvery once or twice a month.



Observation Conclusion & Recommendation

IVGID should determine whether to view the events and golf F&B departments either as for-profit revenue centers or amenities that provide important services for the community. If the decision is to attempt to make a profit or break even, then not only would all of the changes outlined above need to be done, but there would still be more work to do. It would include a serious look into labor costs, benefits, staffing levels and pricing. All of which could significantly reduce the parcel owner and guest experiences. In my opinion, this is not the appropriate course of action for IVGID. These departments should be treated as amenities that provide quality of life, memorable experiences, improved property values for parcel holders and good jobs for team members. These services are what set Incline Village apart from other communities and help make it a desired destination. In conclusion, these departments *should* be subsidized by the rec fund, very much like food & beverage operations at private clubs are subsidized by Member dues.



SECTION 4

Golf Food & Beverage Operations

This section provides observations and recommendations regarding improvements to the Golf F&B day-to-day operations. Previously I recommended F&B operations be viewed through a private club lens and determined that it would be incredibly difficult to make money or break even. Because of these findings, it is imperative that the organization finds ways to be more efficient and create more value in the F&B venues. The following section details many of things that can be done to accomplish this.

Findings

The operation is in need of both updated and new industry standard procedures that will improve the consistency of staff performance, improve cleanliness, address safety, elevate the guest experience and provide better and more accurate financial performance. During the observation period June 1st – June 3rd, the following areas for operational improvements were identified.

- 1) Side work structure is not in place.
 - a. Side work is a critical component of a well-functioning restaurant operation. Side work ensures that the service team is properly prepared to service guests from opening until closing. Proper opening and closing side work sheets were not in place in any of the venues prior to opening for the season.

See Exhibit D for side work sheets implemented shortly after my observation period. These sheets were a collaboration with the Champ Grill supervisor. Side work sheets for Mountain Golf and the beaches are currently in process.
- 2) Daily, weekly and monthly cleaning sheets were not in place in any of the venues prior to opening the season.
 - a. There are certain cleaning duties that consistently fall behind in a restaurant if the team is not reminded regularly of their importance and if a member of the leadership team does not follow up on completion and hold the team accountable. Some of these items are: The insides of refrigerators, beverage spouts, floors and floor drains, high shelving, sinks, heat wells, metro shelving, POS areas.

See Exhibit E for a recommended cleaning schedule implemented shortly after my observation period. These sheets were a collaboration with the Champ Grill supervisor. Cleaning schedules for Mountain Golf and the beaches are currently in process.



3) Inventory Control

As noted on page 6, procedures to ensure proper inventory and COGS have been outlined and recommended for a July 1st start. The following section is feedback that has been provided to the Food & Beverage team. These recommendations should help with inventory challenges and are based on industry best practices.

- a. Ordering should be closely monitored. Only order cases of the things that are used regularly, like Tito's. Anything else you should be ordering what you need as you go along. Do not order cases of things just to avoid broken case charges. Continue to "just say no" to liquor reps. Lastly, make sure order requests provided by front of house managers are double checked to ensure the product is actually needed. Don't allow the front of the house to be doomsday preppers.
- b. Multiple Flavor Products – There are far too many varieties of different liquors. A recommendation was shared to make the Absolut Peppar the automatic pour for Bloody Mary's, even if you lower the price to match your house vodka. This will help run some of it out. This same thought process can be used to help run out several other liquors that are sitting too heavy.
- c. Wines - As much as possible, try to replace current by the glass selections with equivalent wines that are already in stock. An example would be using the Whitehall Lane sauvignon blanc after the Ferrari Carano fume blanc. Menus are being printed in house so this should be easy to do on the fly. Also, for Nine and Wine events, start by looking at what is currently in stock and try to build menus around those.
- d. Try using up some of the wines from "The Stash" as possible giveaways or for service recoveries to help blow through some of it. Please connect with the golf general manager on this one. Depending on the liquor license and the government side of the operation, this may or may not be possible. If it is not possible, you can try hand selling bottles each day. Or have a sales contest with the service team.
- e. Grill Draft Beer – It was observed that the draft beer in the grill frequently has problems pouring properly. There are two reasons that were noted as possible fixes. The first is the draft tower is getting blasted by the sun through the windows. It is recommended to keep the shades shut as much as possible while the sun is shining on that side. Losing the view from those windows is not ideal so window tinting could be an option. This would also help the shelf life of the liquors and wines sitting in the same area. The second issue is there is no cold line running from the cooler into the draft tower. That needs to be fixed ASAP. The tower should be cold to the touch. This may solve the whole issue and the windows may not even be a problem after that.
- f. Product Improvements - There are a couple of things that the team can start doing to elevate products and also save money. These are easy to do. Not a critical item but something to think about. Try to start making sweet and sour and simple syrup in house, rather than buying in bottles.



4) General Private Event Feedback

The following is feedback provided to the events team as possible ideas to be more efficient and improve continuity. Both event sales managers were very open and receptive to feedback. They also seemed to have a handle on the business, including an understanding of how to guide guests through the menu selection process.

a. Menu Continuity

- i. Charcuterie Board vs. Fromage Display pricing. Charcuterie Board is underpriced compared to Fromage Display directly next to each other on the menu.
- ii. The Bruschetta Bar on the same page has too big of a pricing gap compared to all other items on the menu.
- iii. The Mix and Jingle menu is underpriced when compared to picking the same items individually from the other menus.

b. Pricing Opportunities

- i. Vegetarian appetizer selections are all \$4, however, many of the appetizer selection containing protein are also \$4. These items should be increased.
- ii. Baseline liquor pricing is too low. \$8 as a starting point should be increased to a minimum of \$10 and call and premium selections should be increased accordingly.
- iii. Consider increasing pricing on the Grab n' Go breakfast box for golf groups. A food cost analysis with the kitchen team is recommended to determine whether the \$16 price point is sufficient to run a proper food cost and cover the cost of the to-go supplies associated with it (to-go box, cutlery kit, napkins etc). Raising the price to automatically come with a coffee station is a good way drive automatic revenue, as well.
- iv. The dessert display is too low. Consider pricing that is at least equal to or slightly higher than what the grill charges for a dessert.

c. Inventory Control

- i. The banquet wine list has too many selections. Consider removing redundant selections to streamline ordering and reduce excess inventory. For example, there should not be two Chardonnays from CA in the same price point, like the Rodney Strong and Wente. Similar examples to look at are the Cabernets, rose and red blend.
- ii. Work with the front of the house team to ensure beer selections offered in events match the selections the other outlets are already carrying.



5) Staff Training

Interviews were conducted with seven members of the front of the house service team, including two supervisors. The purpose of the interviews was to determine where the team is with general F&B product knowledge and to gather general feedback about the operation. Staff training is the number one way to add value to the guest experience. If done correctly, there can be minimal investment with great reward.

- a. General Wine Knowledge – Staff self-evaluation is 2.8 out of 5.
- b. Current WBTG Knowledge – Staff self-evaluation is 3.75 out of 5.
- c. Wine Service Skills – Only one person indicated they did not feel confident performing the proper steps for opening a bottle of wine tableside. My evaluation on this topic is that there is one or two that may know how to do this properly.
- d. General Liquor Knowledge – Staff self-evaluation score is 2.5 out of 5
 - i. Two team members gave themselves 1's on this topic and the highest score was a 3.5. While the team seemed to have a grasp on the liquors the grill offers, none of them had even an intermediate education level about the styles of liquor, how they are made and the distillation process.
- e. General Beer Knowledge – Staff self-evaluation score is 2.6 out of 5
 - i. Only one member of the team was able to name the basic 4 ingredients that go into making most beers.
- f. Menu Knowledge – Staff self-evaluation score is 4.08 out of 5
 - i. This is a huge positive. Many of the team members noted that they don't know everything because they just have not seen all of the food yet, except for at the initial showing by the kitchen team.
- g. Communication from management – The two managers were excluded from this question. Every team member gave a 5 on this subject. This is also a huge positive.
- h. Allergen Training – A knowledgeable staff should not just be well versed in what ingredients a dish is composed of, but which of those ingredients are major allergens. The CDC recognizes 9 major allergens. Front and back of the house staff that are trained in how to handle allergens is a critical measure to provide guests with a safe, worry-free experience. Proper training also minimizes liability for the organization.

6) Staff Feedback

This section details general feedback that was noted during staff interviews.

- a. The POS system is set up and functioning much better so far, this season.
- b. The two required trainings for new hires are excellent and very informative. One team member noted that "I wish every company would do these".
- c. The on-boarding process for staff returning between seasons is redundant and lengthy. After seasonal staff is termed at the end of a respective season, they must be completely rehired with brand new paperwork and even show IDs again. Perhaps this process could be streamlined to avoid confusion and



make the experience better for both the returning employee and hiring supervisor.

- d. One manager noted that for years the answer from previous leadership was a consistent “no” to ideas and questions to help improve. This happened so often that it became easy to get discouraged and stop asking.
- e. Staff in unclear why they do not have name tags.
- f. The three compartment sink on the Champ snack bar is very large and could be reduced in size to allow for more space for other items.

7) Guest Visuals

Ensuring a professional looking environment and having guest areas “Member Ready” is a very important piece of the guest experience and can add value while utilizing existing resources or very minimal new resources. The observation period uncovered several areas that were not up to industry standards from a guest visual standpoint. Many have been addressed with the previously discussed side work procedures that have been implemented and are continuing to be implemented. Some examples of guest visual issues that were observed:

- a. The service team does not have name tags.
- b. The floor in Champ snack bar was incredibly dirty.
- c. Chairs in the grill room are not being neatly returned to position after use.
- d. Grill patio not swept of debris and trash prior to opening.
- e. Condiment caddies on grill tables are an eyesore. The items fall over, salt and pepper shakers were not filled, sugar caddies were not full or consistent in product selection. Condiment caddies like these are more appropriate for a 19th hole style restaurant at a lower end public or municipal golf course. A new tabletop set up should be explored.
- f. Mountain snack bar back bar not organized and had inappropriate signage. See pictures:



8) Equipment Standards & Safety

a. Dating and labeling food items

- i. In general, the front and back of the house teams do a good job labeling and dating food in coolers. There is some room for improvement here though it is difficult to hit on this 100%.

b. Multi Venue Use of Equipment

- i. The standard operating procedure currently is that equipment be moved from venue to venue in between seasons. For example, a gas flat top griddle was moved from ski to Burnt Cedar and a salad prep cooler was moved from ski to the golf grill. This is not an advised procedure. Moving large kitchen equipment is a safety hazard for anyone moving it. There is also the possibility of damage and in the case of the flat top griddle, it was damaged in transit. See pics below for damage to the flat top grill. Each venue should have its own equipment that stays in place once the respective season comes to a close.



c. DIY Equipment Repair

- i. Previous F&B leadership ingrained a culture that repairs be taken care of in house whenever possible. This is appropriate when you find a leaky pipe that simply needs to be tightened or when tables in the dining room are wobbly and need to be adjusted. This is not appropriate when dealing with potentially dangerous items that can be a safety hazard for the employee tasked with the repair. In the above flat top example, a line cook was tasked with the repairs. This is a gas appliance that required the replacement of internal parts. This is a job solely for a professional that is trained to do so. In another example of DIY maintenance, the Burnt Cedar swap cooler required repair last summer. Rather than contact a trained professional to complete the work, a supervisor went to the hardware store and purchased a pump designed for a garden fountain and retro fitted it to the swamp cooler.



d. Golf Grill Dish Machine

- i. The dish machine in the golf grill kitchen needs replacement. The machine received two service calls in the first two weeks of the season and has required the booster to be reset nearly daily. The pic below shows the reset button that must be pressed, likely by a dishwasher that reaches into that mess of electrical equipment, presumably with wet hands. The main door is also in disrepair and has to be slammed closed. My understanding is that there may be a Capital Improvement Project slated for next year for this machine. This project should be moved up as soon as possible.



Observation Conclusion & Recommendation

There are many aspects of the Golf F&B Operation that need to be addressed, as described in this section. Numerous interviews with current staff have indicated that the previous F&B Director did not practice industry standards, failed to develop staff and prioritized financial performance over running the operation in a professional manner with a vision towards the future. On a very positive note, there is currently staff in place in both the front and back of the house that are enthusiastic and dedicated to improving the operation. Despite the leadership team constantly feeling discourage by the previous regime's culture, they have taken ownership for their roles and have worked toward being more successful, as indicated by the service team scoring a perfect 5 out of 5 in how leadership communicates. It is my opinion that the current F&B leadership team has the business acumen and work ethic to continue to move closer and closer to following industry standards across the various venues and aspects of the operation. That said, the current leadership structure is inadequate. The Executive Chef is currently acting as the Food and Beverage Director. In my opinion, he is qualified for this position but currently does not have the support system in place to truly fulfill that role. For context, on my June 1st observation day, the Executive Chef was cooking on the line, washing dishes and trying to complete inventory and ordering. To effectively manage all of the industry standard best practice described in this report, (i.e.: COGS, inventory controls, labor management, staff training, repairs, etc), the department requires the leadership of a dedicated Food and Beverage Director. The F&B Director is a full-time, year-round position that would oversee daily operations of all F&B venues as well as changeovers between seasons. The F&B Director



oversees the Executive, Banquet and Sous Chefs, as well as the front of the house management team. It is my understanding that this position was eliminated from the budget after the departure of the previous F&B Director. This position should be returned to the budget as soon as possible, along with the necessary support positions.

Immediate and regular staff training is highly recommended. Members of private clubs and the high quality of guests that IVGID serves will always appreciate and feel more valued when their staff is educated and trained in a way that elevates the overall experience. Conversely, the same guests notice when a team is not properly trained. For example, in a conversation I had with a guest, it was pointed out that once they were seated for lunch, three different employees approached the table to ask if they had ordered drinks or food yet. This immediately makes a guest wonder if the team knows what they are doing and makes them wonder who their actual server is. This is a training and procedural breakdown in the most basic aspect of the business. And for residents whose rec fund charge helps subsidize F&B, the opinion can quickly shift to "what am I paying for here? I can go to a dozen other places in town, and this doesn't happen." There are several ways to accomplish successful staff training. The easiest way to train is to make sure that the leadership team is engaging their teams in daily lineups and post shifts meetings. Another way is to engage your alcohol and food reps to provide complimentary training for the team. They can be scheduled after business hours so that all staff can attend. An investment in training of this type would be minimal, including paying the team for their attendance, products, cost of items that may be tasted (sometime the reps will provide these free of charge) and possibly a meal for the team. For more in-depth training, consider closing the restaurant for a single day. While this may seem drastic, effectively communicating the reason for the closure will likely be taken in a favorable way with the community as they should understand and appreciate the organization's willingness to invest so much into their future experiences.

Final Thoughts

Lack of true leadership in F&B combined with an accounting culture of inconsistency have led to an operation that appears to have been running like the wild, wild west. While there are plenty of reasons for residents to be critical of the operation, many of these reasons can very easily be things of the past if the current team is allowed to operate the business the way they have learned to do their entire careers. The first few steps towards the future have already been taken. The departure of the previous F&B Director, the hiring of the current Golf General Manager and the support from the IVGID General Manager were all necessary to move out of the past and into the future. It is also imperative that the F&B leadership team feel confident and empowered to do their jobs and that the work they are doing is appreciated and meaningful. As has been pointed out in this report, many of the financial shortfalls of the department are outside the control of the team running day-to-day operations. A case can be made that they will never be set up for success from a financial standpoint, if success is only recognized by finishing in the black. Because F&B exists as a service to the community, guest satisfaction should be the currency by which its performance is evaluated. This does not mean that the operation should be operated irresponsibly from a financial standpoint. It simply



means that to create an amenity at which the goal is to provide meaningful experiences, financials should be important and constantly monitored, but not the number one priority. On both a professional and personal note, and based on my firsthand experience with other organizations, IVGID should work to shield the F&B team from feedback about “shutting the place down” or “selling the place off”. That type of thinking can crush morale and should be absorbed by the golf general manager as much as possible. The food and beverage operation has incredible potential to provide an amazing experience to the community and guests from all over the world. This report provides a plethora of areas that need to be addressed that all have potential to help F&B become more successful. However, it is not a complete blueprint for success. The true test will be how diligent and committed IVGID is in recognizing the value of the operation, despite the financial short comings, and continuing to support, encourage and appreciate the efforts of a group of people who want to come to work every day and do a great job for the community. With the right level of support, the team can continue to manage the business professionally, focus on the guest experience, innovate, grow and ultimately become the preferred gathering place for an amazing dining and social experience.



