

Pelican Sound 2020 Budget Draft

	2020	2019		
	BUDGET	BUDGET	VAR.	%
AMENITIES	\$4,104	\$3,889	\$215	5.54%
PROPERTY MANAGEMENT	\$2,491	\$2,406	\$85	3.53%
OPERATIONS ASSESSMENT	\$6,595	\$6,295	\$300	4.77%
REPLACEMENT RESERVE	\$930	\$889	\$41	4.55%
TOTAL ANNUAL ASSESSMENT	\$7,525	\$7,184	\$341	4.75%
Capital River Club / Fitness Loan	\$0	\$750	(\$750)	-100.00%
TOTAL	\$7,525	\$7,934	(\$409)	-5.16%

Executive Summary

2020 will be a transitional year for Pelican Sound. The budget reflects a full year of operations for our new clubhouse and dining venues and for a full year in the Racquet Center. Lessons learned from the Fall 2019 opening and our experience in high season will guide our management team in their goal to meet or exceed member expectations. The budget also reflects the very tight SWFL labor market, especially in property management and golf course maintenance. This is driving costs and creating a challenging operating environment with many open positions. Against this backdrop, Pelican Sound management, with support and feedback from the Finance Committee, has put together a plan to meet these challenges and opportunities while supporting the Pelican Sound vision to be “the most desirable bundled community in Southwest Florida”.

The Annual Member Assessment is projected at \$7,525 for 2020. Most of our expenses are for Amenities and Property Management which will increase \$300 per door (4.77%). The Replacement Reserve, which now includes the new Racquet Center, Golf Clubhouse and Pelican Park, has been updated by an independent professional firm, Dreux Isaac & Associates, Inc. The new 30-year plan calls for a \$930 per door assessment for 2020, up \$41.

Some other highlights:

- Wage increases in most departments in the 3% range. Golf course maintenance and property management will be in the 5-9% range both to maintain current employees and attract candidates to many current openings.
- Group Insurance rates will increase 5%.
- Bulk Cable and Internet charges will increase a maximum 3.5% per the contract.
- The five-year Capital Loan for the River Club and Fitness Center has been paid off, removing the \$750 per door assessment.
- 362 members paid the \$7,900 Quick Start Assessment for the Golf Clubhouse & Racquet Center Project and 937 members are paying a \$105 monthly assessment through December 2025.

<u>DISTRIBUTION PER DOOR</u>			
	BUDGET	PRIOR	CHANGE
<u>DEPARTMENT</u>	<u>PER DOOR</u>	<u>YEAR</u>	<u>\$</u>
FOOD & BEVERAGE	\$551	\$558	(\$7)
GOLF OPERATIONS	\$1,564	\$1,417	\$147
RACQUET CENTER	\$153	\$136	\$17
FITNESS	\$60	\$59	\$1
MARINA	\$261	\$273	(\$12)
MISCELLANEOUS REVENUE	(\$231)	(\$200)	(\$31)
GENERAL & ADMINISTRATIVE	\$1,373	\$1,298	\$75
UTILITIES	\$373	\$348	\$25
PROPERTY MANAGEMENT	\$2,491	\$2,406	\$85
TOTAL OPERATING	\$6,595	\$6,295	\$300

DETAILS BY DEPARTMENT

FOOD & BEVERAGE

	2020	2019			2019		
	<u>BUDGET</u>	<u>Refore</u>	<u>VAR</u>	<u>%</u>	<u>BUDGET</u>	<u>VAR</u>	<u>%</u>
Food Revenue	1,233,249	1,068,605	164,644	15.4%	1,109,461	123,788	11.2%
Food Cost	591,960	501,634	90,326	18.0%	554,731	37,229	6.7%
NET REVENUE	641,289	566,971	74,318	13.1%	554,731	86,559	15.6%
Bev Revenue	563,589	504,110	59,479	11.8%	457,138	106,451	23.3%
Bev Cost	169,077	151,947	17,130	11.3%	123,427	45,649	37.0%
NET REVENUE	394,512	352,163	42,349	12.0%	333,711	60,801	18.2%
Combined Revenue	1,796,838	1,572,715	224,123	14.3%	1,566,599	230,238	14.7%
Combined Cost	761,036	653,581	107,455	16.4%	678,158	82,878	12.2%
F&B NET REV	1,035,802	919,134	116,667	12.7%	888,442	147,360	16.6%
PAYROLL	1,510,709	1,307,472	203,237	15.5%	1,374,988	135,721	9.9%
EXPENSES	241,405	262,338	(20,933)	-8.0%	236,437	4,968	2.1%
TOTAL	(716,313)	(650,676)	(65,637)	10.1%	(722,983)	6,671	-0.9%
PER DOOR	\$551.43	\$500.91	\$50.53	10.1%	\$556.57	-\$5.14	-0.9%

REVENUE

2019 Golf Clubhouse revenues are for November and December only. The 2020 Budget includes the new dining outlets for the entire year. The 2019 Beverage Revenues reflect a full year at the new price structure that was successfully implemented in October 2018, and we have carried over the sales mix from 2019 to 2020.

COST OF SALES

We are budgeting Food Cost of Sales at 48%, and Beverage Cost of Sales at 30%, which is consistent with 2019 results.

PAYROLL

We increased the staffing levels for the new and reopened dining venues based on the projected days / hours of operation. Days of operation in season are budgeted at:

January - April 2020								
Lunch			Dinner					
	Pavilion	Pelican Pub	River Club (Pool & Bar)		Pavilion	Pelican Pub	Vista	River Club
Monday	✓	✓	✓	Monday		✓		
Tuesday	✓	✓	✓	Tuesday	✓			
Wednesday	✓	✓	✓	Wednesday	✓	✓	✓	
Thursday	✓	✓	✓	Thursday		✓		✓
Friday	✓	✓	✓	Friday	✓	✓	✓	
Saturday	✓	✓	✓	Saturday				✓
Sunday	✓		✓	Sunday				✓

EXPENSES

Overall F&B subsidy is 39.8% compared to RSM's (formerly McGladrey) Southwest Florida CIRA survey results of 45.8%. Although F&B Operating Expenses decreased \$20,000 from the 2019 Reforecast, they increased \$5,000 from the 2019 Budget. Music & Entertainment has increased \$11,500 with live music scheduled every Tuesday night in season at the Pavilion in addition to Thursday nights at the River Club. Maintenance & Repairs increased \$7,500 from budget and is still \$2,800 less than reforecast to maintain River Club equipment. Bar Supplies decreased \$4,700 with a new incentive program with our vendor that provides complimentary bar supplies. China/Glass/Silver decreased \$1,500 because the Golf Clubhouse is all new. Maintenance Contracts decreased \$2,500 by changing vendors. Operating Supplies decreased \$5,000 for propane gas for the PS Express. Uniforms decreased \$3,500 because we had an increase in 2019 for the grand opening of the Golf Clubhouse.

The Pavilion

This brand-new restaurant concept is an array of fast casual dining, snacking, and drinking options. The open kitchen brings members close to the chef's craft, while the outdoor pavilion pairs fresh air and fresh food.

In Season, January through April, the Pavilion dining venue will be open daily for lunch and dinner at least three nights per week.

Pelican Pub

The Pelican Pub will provide both indoor and outdoor dining options under the exterior patio and bar offering high-top cocktail tables, bar seating and banquette-style booths. Serving your traditional golf club fare, the Pelican Pub will be open for lunch daily, except during Sunday brunch. In season, you can enjoy a selection of lighter Pub dinner items on Monday and Thursday evenings. The Pub will also be available for seating during Prime Rib night on Wednesday and a la carte dining on Friday.

The Vista

Comfortable and elegant dining overlooking the preserve and Lakes course with natural light and the ability to open the doors and create an indoor-outdoor experience to complement functions and special events.

In Season, the Vista dining room will be available for additional seating during lunch service daily, Prime Rib night on Wednesday, a la carte dining on Friday, and a full calendar of special events.

The River Club

The River Club will be open daily for lunch to serve pool and bar guests. Unplugged music night is currently scheduled for Thursday nights during dinner service. Dinner will also be served on Saturday and Sunday nights at the River Club for a fun, casual dining experience.

GOLF OPERATIONS

	2020	2019			2019		
	<u>BUDGET</u>	<u>Refore</u>	<u>VAR</u>	<u>%</u>	<u>BUDGET</u>	<u>VAR</u>	<u>%</u>
Merchandise	260,000	142,419	117,581	82.6%	229,500	30,500	13.3%
Cost	197,600	108,098	89,502	82.8%	174,420	23,180	11.7%
Net Merchandise	62,400	34,321	28,079	81.8%	55,080	7,320	13.3%
Golf Revenue	1,668,330	1,612,794	55,535	3.4%	1,700,455	(32,125)	-1.9%
NET REVENUE	1,730,730	1,647,115	83,615	5.1%	1,755,535	(24,805)	-1.4%
PAYROLL	2,146,813	1,961,893	184,920	9.4%	1,997,825	148,988	7.5%
EXPENSES	1,615,175	1,576,018	39,157	2.5%	1,598,426	16,749	1.0%
TOTAL	(2,031,258)	(1,890,796)	(140,462)	7.4%	(1,840,716)	(190,542)	10.4%
PER DOOR	\$1,563.71	\$1,455.58	\$108.13	7.4%	\$1,417.03	\$146.68	10.4%

REVENUE

2019 Re-forecasted merchandise revenue is \$87,100 below budget. With the Golf Pro Shop in a construction trailer for most of 2019, sales dropped more than expected. 2020 sales budgeted to increase \$30,500 from 2019 budget which will be in line with historical trends.

Golf Revenues are based on the average rounds for the last four years. There have been some adjustments to fees, the most notable is the reduction in the Member Preferred Guest Fee from \$70.75 to \$60. This is to add value for owners as we did with the rate reduction for bag storage last year.

Golf Pricing Schedule

All Prices are Pre-Tax	2019	2020	% Var		2019	2020	% Var
GOLF							
Member Cart Fee				Bag Storage Fee			
Member 18	22.64	23.00	1.6%	Annual	100.00	105.00	0.0%
Member 9	15.57	15.75	1.1%	Monthly	29.43	30.00	1.9%
Annual Trail Fee	1,768.87	1,775.00	0.3%	Weekly	9.43	10.00	5.7%
Annual Cart Lease	2,240.57	2,250.00	0.4%				
Guest Fees 18 hole				Golf Lesson Rates			
January 1 to April 15	94.34	95.00	0.7%	1/2 Hour Lesson	50.00	50.00	0.0%
April 16 - October 31	34.91	35.00	0.3%	1 Hour Lesson	100.00	100.00	0.0%
November 1 - December 31	50.00	50.00	0.0%	(3) 1/2 hour sessions	135.00	135.00	0.0%
				(6) 1/2 hour sessions	250.00	250.00	0.0%
Preferred Guest (8)				Club Rental			
Member Preferred 18 hole	70.75	60.00	-17.9%	18 hole	28.30	20.00	-41.5%
Member Preferred 9 hole Limited to 8 per year		40.00		9 hole	9.43	20.00	52.9%
Guest Fees 9 hole				Lessee Fees 18 hole			
January 1 to April 15	56.60	60.00	5.7%	January 1 to April 15	61.32	61.00	-0.5%
April 16 - October 31	25.47	24.00	-6.1%	April 16 - October 31	29.25	30.00	2.5%
November 1 - December 31	33.02	34.00	2.9%	November 1 - December	47.17	47.00	-0.4%
Walking Fees				Lessee Fees 9 hole			
Guest Walking Fee	18.87	19.00	0.7%	January 1 to April 15	37.74	42.00	10.1%
Lessee Walking	18.87	19.00	0.7%	April 16 - October 31	20.75	20.00	-3.8%
Lessee Guest Walking	18.87	19.00	0.7%	November 1 - December	28.30	32.50	12.9%
Reciprocal Fees				GHIN Handicap Fee			
Reciprocal 18 holes	42.25	45.00	6.1%		20.00	20.00	0.0%
Reciprocal 9 holes	23.47	29.00	19.1%				
Reciprocal Guest 18 holes	44.13	50.00	11.7%				
Reciprocal Guest 9 holes	25.35	34.00	25.4%				

PAYROLL

The Range Attendant, previously hired as Contract Labor through a staffing service has been added to payroll, increasing the Pro Shop labor, but reducing Contract Labor \$30,000.

Golf Course Maintenance has been adversely affected by the construction boom in Southwest Florida. We are currently down nine staff members and are using a more expensive staffing service to compensate for this shortage. To be competitive within the market we have made wage adjustments to maintain current employees and attract new employees. Even after these wage adjustments, we are still striving to be competitive with the Beekman and RSM survey averages.

EXPENSES

At the Pro Shop, as mentioned above, Contract Labor has been reduced by \$30,000 by hiring a Range Attendant. GHIN Handicaps have increased \$4,250 from budget to equal the 2019 expense. Operating Supplies have increased \$8,700 back to historical levels and were reduced while the Pro Shop was in the trailer. Uniform Expense has decreased \$4,100 to historical levels and had been increased in 2019 for the grand opening of the new Pro Shop.

Golf Course Maintenance Contract Labor has increased \$20,900 to incorporate Cord Grass Trimming and Cabbage Palm Trimming. Leased Equipment has increased \$20,600 with the roll-over of the Golf Course equipment package that is on a four-year lease. (Costs will then be flat for 2021-2023). Gas & Lubricants down \$4,000 from budget but up \$2,200 from the 2019 Reforecast.

RACQUET CENTER

	2020	2019			2019		
	BUDGET	Refore	VAR	%	BUDGET	VAR	%
Merchandise	33,100	32,851	249	0.8%	32,000	1,100	3.4%
Cost	25,114	23,883	1,231	5.2%	24,278	836	3.4%
Net Merchandise	7,986	8,968	(982)	-11.0%	7,722	264	3.4%
Court Fees & Misc	7,300	5,775	1,525	26.4%	16,060	(8,760)	-54.5%
NET REVENUE	15,286	14,743	543	3.7%	23,782	(8,496)	-35.7%
PAYROLL	177,466	170,760	6,707	3.9%	155,552	21,914	14.1%
EXPENSES	36,900	34,463	2,437	7.1%	44,951	(8,051)	-17.9%
TOTAL	(199,080)	(190,479)	(8,601)	4.5%	(176,721)	(22,359)	12.7%
PER DOOR	\$153.26	\$146.64	\$6.62	4.5%	\$136.04	\$17.21	12.7%

REVENUE

Tennis Court Fees are decreased \$4,500 and Pickle Ball Court Fees of \$7,700 were removed from the 2020 Budget. The rate for ball machine rental and Tennis Round Robins remain the same.

PAYROLL

In order to properly manage the Racquet Center and accommodate greater demand for lessons and clinics, we have adjusted wages and hours to meet expectations for the level of service and facilities. This has increased payroll expense \$21,900 from budget up to the 2019 Reforecast plus annual increases.

EXPENSES

The cart and roller were removed from Leased Equipment at an expense of \$6,000. The current equipment is meeting our needs.

FITNESS

	2020	2019			2019		
	BUDGET	Refore	VAR	%	BUDGET	VAR	%
REVENUE	163,218	157,933	5,285	3.3%	137,025	26,193	19.1%
PAYROLL	117,361	113,231	4,130	3.6%	97,962	19,399	19.8%
EXPENSES	124,013	130,321	(6,309)	-4.8%	115,945	8,068	7.0%
TOTAL	(78,156)	(85,619)	7,463	-8.7%	(76,882)	(1,274)	1.7%
PER DOOR	\$60.17	\$65.91	-\$5.75	-8.7%	\$59.19	\$0.98	1.7%

REVENUE

Fitness Classes will go from the current \$8 per class to \$8.50 per class. The Monthly Unlimited Class package will increase from \$75 in season to \$79 and from \$45 in the summer to \$48.

	2019	2020	% Var
All classes	\$8.00	\$8.50	5.9%
In Season Unlimited	\$75.00	\$79.00	5.1%
Summer Unlimited	\$45.00	\$48.00	6.3%
Personal Training 1/2 Hour	\$35.00	\$35.00	0.0%
Personal Training 1 Hour	\$60.00	\$60.00	0.0%

PAYROLL

No staffing changes. The payroll increase from budget above the normal wage increase is offset by the increase in class revenue.

EXPENSES

In the past Fitness Revenue has been recorded as the net of fees charged less the instructors pay. This is the first year we have tracked Contract Labor (class instructor pay) and revenue separately. Contract Labor has increased \$7,700 from budget to the reforecast level. The reforecast included \$7,000 in Building Maintenance to refinish the class studio floor and there will be no expense in 2020 for it. Going forward we will include routine maintenance every other year.

MARINA

	2020	2019			2019		
	BUDGET	Refore	VAR	%	BUDGET	VAR	%
REVENUE	38,210	38,045	165	0.4%	34,930	3,280	9.4%
PAYROLL	22,480	22,333	147	0.7%	34,300	(11,820)	-34.5%
EXPENSES	355,323	354,430	893	0.3%	355,343	(20)	0.0%
TOTAL	(339,593)	(338,718)	(875)	0.3%	(354,713)	15,120	-4.3%
PER DOOR	\$261.43	\$260.75	\$0.67	0.3%	\$273.07	-\$11.64	-4.3%

REVENUE

Revenue is budgeted to equal the 2019 reforecast. This includes keeping the Boat Storage Fee at \$440 per year and \$55 per month.

PAYROLL

The Watercraft Attendant is reduced to the 2019 reforecast schedule.

EXPENSES

We have budgeted to keep the Boat Shuttle to Lovers Key at the same contract rate.

MISCELLANEOUS REVENUE

	2020	2019			2019		
	BUDGET	Refore	VAR	%	BUDGET	VAR	%
DUES-TENNIS	2,790	2,700	90	3.3%	2,700	90	3.3%
ESTOPPEL	21,250	21,900	(650)	-3.0%	21,250	0	0.0%
INTEREST	84,525	83,641	884	1.1%	31,025	53,500	172.4%
MISC REVENUE	20,500	65,393	(44,893)	-68.7%	20,500	0	0.0%
HOUSEGUEST	19,504	19,504	0	0.0%	22,050	(2,546)	-11.5%
TRANSFER	91,570	91,570	0	0.0%	99,624	(8,054)	-8.1%
APPLICATION	49,025	49,025	0	0.0%	50,167	(1,142)	-2.3%
SMART PASS	11,475	11,475	0	0.0%	11,850	(375)	-3.2%
TOTAL	300,639	345,208	(44,569)	-12.9%	259,166	41,473	16.0%
PER DOOR	-\$231.44	-\$265.75	\$34.31	-12.9%	-\$199.51	-\$31.93	16.0%

Miscellaneous Revenue increased \$41,500 from budget, reducing the assessment per door by \$31.93.

Miscellaneous Revenue is budgeted the same as 2019 but decreased \$44,900 from reforecast due to a one-time service adjustment of \$39,000 from Comcast received in August.

Houseguest, Transfer, Application and Smart Pass have all been budgeted at the same number as the 2019 reforecast with no rate increases.

GENERAL & ADMINISTRATION

	2020	2019			2019		
	<u>BUDGET</u>	<u>Refore</u>	<u>VAR</u>	<u>%</u>	<u>BUDGET</u>	<u>VAR</u>	<u>%</u>
PAYROLL	1,016,127	908,745	107,382	11.8%	902,144	113,983	12.6%
EXPENSES	767,450	751,598	15,852	2.1%	784,031	(16,581)	-2.1%
TOTAL	1,783,577	1,662,362	121,214	7.3%	1,686,175	97,402	5.8%
PER DOOR	\$1,373.04	\$1,279.72	\$93.31	7.3%	\$1,298.06	\$74.98	5.8%

PAYROLL

Overall headcount remains the same. 2018 and 2019 were transitional salary years for executive managers but compare favorably to our five-year trend:

2016 = \$959,000 2017 = \$1,000,100 2018 = \$908,700 2019 = \$908,800

Salaries are comparable with the Beekman and RSM surveys.

EXPENSES

Clubhouse Cleaning is up \$39,600 for a full year of contract services (vs 2 months in 2019). License & Fees has decreased \$13,600 for the Reserve Study update that is scheduled every three years and was conducted in 2019. Maintenance Contracts increased \$3,400 for increases in IT contracts. Promotions have decreased \$8,000 for 2020 – no clubhouse and racquet center grand opening.

UTILITIES

	2020	2019			2019		
	<u>BUDGET</u>	<u>Refore</u>	<u>VAR</u>	<u>%</u>	<u>BUDGET</u>	<u>VAR</u>	<u>%</u>
ELECTRIC	201,884	166,238	35,645	21.4%	173,815	28,069	16.1%
WATER/SEWER	48,807	45,497	3,310	7.3%	48,425	381	0.8%
EFFLUENT	126,798	126,798	0	0.0%	130,117	(3,319)	-2.6%
GAS	42,090	41,043	1,047	2.6%	40,090	2,000	5.0%
TRASH	30,000	36,593	(6,593)	-18.0%	25,500	4,500	17.6%
TELEPHONE	34,500	32,525	1,975	6.1%	34,500	0	0.0%
TOTAL	484,079	448,694	35,384	7.9%	452,448	31,631	7.0%
PER DOOR	\$372.65	\$345.42	\$27.24	7.9%	\$348.30	\$24.35	7.0%

Electric increased 2% and added the Golf Clubhouse back in for the entire year. Water/Sewer is an increase of 2% from reforecast. Effluent Water is equal to reforecast. Gas is a 2% increase from reforecast. Trash is an increase of \$4,500 from budget.

PROPERTY MANAGEMENT

	2020	2019			2019		
	<u>BUDGET</u>	<u>Refore</u>	<u>VAR</u>	<u>%</u>	<u>BUDGET</u>	<u>VAR</u>	<u>%</u>
REVENUE	3,235,489	3,125,082	110,407	3.5%	3,125,089	110,399	3.5%
PAYROLL	575,718	544,351	31,367	5.8%	551,901	23,817	4.3%
EXPENSES	2,331,746	2,349,418	(17,672)	-0.8%	2,245,340	86,406	3.8%
UTILITIES	328,024	321,710	6,314	2.0%	327,848	176	0.1%
TOTAL	0	(90,397)	90,397		0	0	0.0%
PER DOOR	\$2,490.75	-\$69.59	\$2,560.34		\$2,405.77	\$84.99	3.5%

REVENUE

The Property Management Revenue is only from the Annual Assessment.

PAYROLL

Increase based on wage and insurance increases and the addition of a full-time seasonal utility position to help maintain common areas.

EXPENSES

Operating Expenses increased \$86,400 from budget and decreased \$17,700 from reforecast. Bulk Cable increase is 3.5% per year and is a \$12,341 increase from the 2019 budget. General Maintenance increase is \$12,400 from the 2019 budget and equal to the 2018 actual expense. Landscaping increased \$14,000 to add the Racquet Center area to the Greenscapes contract and an additional \$10,000 was added for more extensive tree trimming. Leased Equipment decreased \$5,000 by eliminating the lease on the time clocks that is paid off. Maintenance Contracts increased \$7,000 to re-establish the Fire Monitoring and Interior Plant Services at the Golf Clubhouse. Security Services increased \$12,000 with an annual 3% contract rate increase. Wetland Preservation increased \$7,000 equal to the reforecast.