

Results of the Indian Wells Golf Resort Strategic

Plan presentation 2013/14

provided by: Troon Golf - Steve Rosen, General Manager

Evolution/Mission/Vision/Process:

Mission /Vision:

Troon golf was asked to create a five year plan to enhance revenues at the Indian Wells Golf Resort in an effort to ultimately create a self-sustaining facility. While the intended mission was to look at growing revenues and profits that would support the operations, it was also important that we looked at sustainability of the physical building as well. As such Troon golf went through the entire process of creating a 30 year capital plan as a look ahead.

The team in each department was involved with Hugh Asset Reserves and a very dynamic program that calls out all capital assets at the facility was developed. This is the first time the Indian Wells Golf Resort has ever had a clear cut plan that called out all future costs required to keep the Resort in the highest and best possible operating condition and one that lives up to the goals developed by the City of Indian Wells.

Evolution:

It should also be noted that a multi-year change of operations was taking shape at the Resort as well. Over the last three years it has been somewhat difficult to consider any one year a base year due to all of the changes.

Past history was for the City of Indian Wells to purchase golf carts and turn them over to the Golf Resort operations for use with no profit and loss impact. That change occurred in budget year 12/13 and the City turned over the operating costs where the Resort assumed all responsibility and the direct costs now became the profit and loss burden of the Golf Resort operations. Cost implication to the profit and loss statement was about \$360,000 cost annually.

In budget year 12/13, a community center fee was also instituted and the City of Indian Wells facilitated a \$280,000 payment to the Golf Resort to offset costs associated with use of the facility as a community center for its residents. In budget year 15/16 with the change of the Resort to an enterprise fund, that fee no longer occurs and the cost implication to the profit and loss statement is the \$280,000 annually. In lieu of that the City of Indian Wells pays for the discounts given to its residents for Food and Beverage predominantly which totals have been \$35,000 year to date in budget year 15/16.

In past years the City of Indian Wells purchased all of the Golf Maintenance equipment for over \$2M and turned it over to the Golf Resort for use. In budget year 15/16 the Golf Resort assumed all cost implications and began a phased process of leasing the Golf Maintenance equipment. That has a \$100,000+ cost implication to the Golf Resort profit and loss statement this year, and will continue to assume future costs as needed to maintain the Golf Course.

In budget year 14/15 the Golf Resort structured an agreement with the City of Indian Wells and put into place a re-capture of costs associated with water use outside of the Golf Resort, labor and materials used to maintain areas outside of the golf course and the City pays the Resort for those items which totaled about \$117,000 in 14/15. It will be re-visited and will look at a true up clause at year end to ensure all operations are sharing in the actual consumed costs.

Process:

The plan was to look at areas within the Golf Resort that had the largest amount of growth potential. It was understood that Golf had reached a maximum capacity of rounds as a whole and we now needed to refine each area and work within the set guidelines established to yield the most by segment possible.

Food and Beverage had the largest opportunity for growth and it was identified that a re-make of the current food and beverage program be looked at.

It was also agreed that a long overdue re-make of the existing restaurant was needed due to wear and tear as well as a refresh of the concept to stay current as well as the addition of seating capacity.

Troon went to work in mid-April of 2013 and by June of 2013 had a plan to present to City Council. By July of 2013 the City had approved a plan for Troon golf and plans began being put into place. The largest of these plans was to construct a 5600 square foot banquet facility out on the golf course, re-concept a restaurant and revise patio use, and re-concept a café area in the lobby.

Troon Golf managed all construction in house, as well as purchasing and concept of these items and just six months later in December of 2013 the entire physical establishing of this plan came to fruition.

The Restaurant had a large re-launch party in early December; the Café had a remake to better provide flow, and a new banquet event space was born and began being sold as of January of 2014.

The following results are from both the plans June and July 2013:

I. Vision: Improve Banquet execution, service and quality to achieve top line growth.

Execution: Restructure Catering and Sales department by adding a dedicated full time Event Sales manager with a proactive approach on sales.

1. Redesign catering menu's
2. Retrain all banquet staff
3. Procure new equipment to facilitate high end functions

Anticipated Result: 10% increase in Banquet covers

Actual Results: 13/14 covers 17,717 14/15 covers 22,874 = 29% increase in covers in banquets

II. Vision: Create a multi-purpose event venue that can enhance sales and marketing potential for all (Indian Wells Golf Resort, City of Indian Wells, All Indian Wells Hotels).

Execution:

- 1) Repurpose Fairway Grill for a banquet kitchen
- 2) Build out croquet lawn for a banquet venue

Anticipated Result:

- 1) Triple current banquet capacity-went from 150 in the ballroom upstairs to 400 on a sit down event and over 600-700 reception style
- 2) Increased revenue-13/14 banquet revenue-\$759,000
- 3) 14/15 revenue- \$1,155,170.
- 4) Budget 15/16- \$1,351,200.

III. Vision: Increase banquet average check

Anticipated Result:

- 1) 2011/12 - \$46.92
- 2) 2012/13 - \$49.92
- 3) 2013/14 – Budget \$50.56, Actual \$52.56
- 4) 2014/15 – Budget \$ 52.74 Actual \$63.93

IV.Vision: Improve guest utilization of Café

Execution: Revamp space and make it more of an impulse buy.

Anticipated Result: Revenue increase due to higher check average and increased cover counts.

Average check 13/14----- \$8.47 (36,405 Covers)

Average Check 14/15-----\$8.39 (37,650 Covers)

Revenue-13/14- \$----\$308,357

Revenue-14/15 \$-----\$315,809

Covers counts grew over the last two years however we lost a small amount in the average checks. Revenues grew year on year.

V. Vision: Develop training program for all new associates in F&B

Execution:

1. Two week training format for new hires in every position
2. Utilize Troon staff Certification program
3. Upselling program to increase average checks

Anticipated Result:

Full training program with testing in place

Troon Certification for all job duties in place

Average checks in Vue restaurant have increased dramatically

13/14- \$24.12

14/15 - \$24.82

VI. Vision: Develop Restaurant menus to enable increase average check spend

Execution: Promotion of then current Sous Chef to Chef, streamline of menu for labor savings and increase creativity.

Anticipated Result: Increased average checks in VUE Grille and Bar.

Sous Chef was promoted and a complete revamp of menu and pricing went into effect.

Increased average checks:

13/14 - \$24.12 (117,818 Covers)

14/15 - \$24.82 (111,701 Covers)

While covers decreased the average checks continued to increase.

Decrease in Total F&B labor as a % of Revenue:

13/14- 49.18%

14/15- 46.22%

0.96% decrease in food cost from 13/14 to 14/15

13/14 – 36.08%

14/15 – 35.11%

VIII. Vision: Developed Enhanced Sunday Brunch concept

Execution: 1. Add bottomless Champagne component
2. Add live entertainment during Brunch
3. Enhance menu selection for buffet

Anticipated Result: 10% increase in Sunday Brunch

Average Check:

13/14 \$27.12

14/15 \$24.07

20% increased capture on Brunch from guest who are dining

10% increase in covers:

13/14-7014

14/15-11355

Average checks came down as a result of us lowering the price to the Sunday Brunch. This was purposeful to re-engage customer bases. Covers shot up by 62% and revenues increased by over \$83,000. In 15/16 we just increased price of Sunday Brunch to begin the build back in average checks now that we have secured a more sound base of customer for Brunch. Vue Grille and bar is now known and established as the place to go for Brunch.

IX. Vision: Increase Guest Loyalty and Frequency

Execution: Enhance the then IW Rewards program

Anticipated Results: Increase rewards membership - The Troon food and beverage team more than tripled the then number of rewards members with the upsell programs put into place. We began with 850 members in 2013, we now have 2250 rewards members that have spent \$990,000 since we enhanced this program.

XI. Vision: Develop Theme nights for happy Hour and Dining Room

Execution: Happy Hour specials- burger beer etc., Prime Rib Night, All you can eat ribs etc.

Anticipated Results: Increased covers 5% on slower nights and promote frequency

13/14 – 117,818

14/15 – 111,701

The Troon Food and Beverage team developed many different theme nights, Prime Rib night, BBQ night, Fish and chips night, burger and beer, etc. While these individual nights have gained in popularity overall covers have taken a drop. It appears as if special nights that are promotional based typically low profit nights have higher attendance but once they are stopped so the covers stop. We did just that, stop most of the promo nights to see if capture remained and we see a drop off in covers. The average checks are strong and have offset some of the cover loss. Profitability has increased.

XII. Vision: Re-concept of IW Name

Execution: Name change, concept change, restaurant/ bar separation, IW room to Sushi lounge.

Anticipated Results: Increase covers by 10%

13/14 – 117,818

14/15 – 111,701

Increase Average Check by 5%

13/14 - \$24.12

14/15 - \$24.82

Troon golf went out with the aid of a third party marketing firm to design and concept new name suggestions for City to choose.

The name Vue Grille and Bar was chosen by City council from the list presented by the third party firm. The first year of operations was meant to be a big promotional year. We built covers and filled the restaurant even in summer in an effort to get the exposure and the word out. The team was successful in doing so, but the following year when we started to pull back the specials, the cover counts dropped. Average checks and profitability picked up however.

XIII. Vision: Define Restaurant/Bar Flow

Execution: 1.Change bar tables and chairs.

2. Allow Bar to be open seating rather than seating with a hostess

3. Restaurant becomes a reservation first room.

Anticipated Results: increase revenue per seat with the addition of 75 more seats as well as decrease one full time equivalent by not needing a hostess to seat the bar. 13/14 revenue \$2.8 M 14/15 \$\$2.8 M

The re-design of the Vue restaurant occurred and it was transformed in two defined spaced with a more modern look to it. The bar became open seating which did not require a hostess to seat and the dining room became a reservation room more formal in process than prior years. While revenues were flat profitability increased overall as a department.

XIV. Vision: Maximize use of front patio all year

Execution: Build a canopy structure that can withstand weather which will allow it to be used winter or summer.

Anticipated Result: Increased covers based on ability to use outside space all year. Troon Golf contracted for and managed the build process of a retractable canopy with wind shields, heaters and lights. This enabled the Vue to begin use of the space for private large parties and as a result to date 15/16 there have been over \$80,000 in large party menus sold in the space.

XV. Vision: Redevelopment of beverage program

Execution:

1. Create a specialty cocktail list.
2. Change the wine by the glass menu
3. Add more Craft beers

Anticipated Results: Reduction in overall beverage cost by 2% year over year. 13/14-23% 14/15-25% It should be noted that while overall beverage cost went up, a good portion of that was attributed to restaurant specials in 14/15 that were run i.e. Burger and Beer or wine. That did not credit back full cost to beverage. We also ran wine events and sold full cases with marginal markup lending itself to higher wine costs overall.

We are now tracking wine events in other revenue line as to not skew the beverage costs.

XVI. Vision: Increase morning Rounds by opening earlier.

Execution: Open the courses 10 minutes earlier during the months where applicable.

Anticipated Results: Increase availability and add \$54,000 to the bottom line.

We began opening the course 10 minutes earlier in 2013, and since we saw success, we did it again in 2014. We currently open 20 minutes prior to other Troon courses in the area. Here are the results of what happened early in the mornings;

	2012/13	2013/14	2014/15
6am-7am			
Rounds	502	1153	1706
Revenue	\$39,319	\$83,463	\$122,337
7am-8am			
Rounds	7510	8281	8071
Revenue	\$502,865	\$598,322	\$598,438
Total			
6am-8am			
Rounds	8012	9434	9777
Revenue	\$541,895	\$681,785	\$720,775

XV. Vision: Change the platinum Card

Execution: Only sell foursome cards with the intention of increase golfers

Anticipated Results: \$55,000 top line revenue which translates to \$12,000 bottom line.

	2012/13	2013/14	2014/15
Rounds -	4,071	4,330	4,434
Revenues -	\$390,037	\$428,356	\$415,642

**In 13/14 we saw a nice increase over prior year (+259 rounds, +\$38,319 revenues), however we didn't quite make the goal in 13/14. In 14/15 we saw a slight decline in revenue, but an increase in rounds. We started to dynamically price Platinum card rounds in an effort to increase play, it worked, however due to the discounts offered we missed increasing the revenues. With the new plan, we were still up over \$25,000 in revenues when compared to 12/13, the base year. This makes up an increase in revenues of \$63,319 over the entire two years.

XVII. Vision: Generate more Resort rounds.

Execution: Hold hotel tee times for an additional 48 hours to increase availability.

Anticipated Results: \$75,000 top line and \$32,000 bottom line add.

This was taken before the Golf advisory committee in 14/15 and ultimately approved. This has not proved to yield more Resort rounds but it is unclear as to the effect since we have seen a very large change and fall off of Resort group and leisure rounds. The demographics of types of group as well as diminished leisure traveler has lent a bit to that as well as Tennis in March with hotels being booked as well as Coachella Fest in April now at three weekends also taking rooms out of the mix with non golfers.

For comparison purposes:

	2012/13	2013/14	2014/15
Rounds –	8,825	7,529	6,017
Revenues --	\$929,129	\$885,769	\$733,562

The rounds and revenue from the hotel partners are trending downward and this will need to be addressed for us to meet our financial goals. We have presently identified a packaging software we feel will make booking golf and hotel stay packages a much easier task for the consumer. We have met with our hotel partners and are all unanimous as to the need. We are in process of taking competitive bids to insure price is in alignment.

XVIII.Vision: Generate more Net Rate Partners.

Execution: Offering sliding scale for wholesaler to increase round production

Anticipated Results: \$39,000 top line revenue increase and a \$14,000 bottom line increase. Our wholesale business increased dramatically with the change of rate to the partners as they send more business, a very nice incentive to them has increased our business in a very positive fashion.

2012/13	2013/14	2014/15
2,914	3,528	3,782
\$289,808	370,762	387,968

We have offered a better rate to our partners, but the increase in total rounds and revenues is a welcome addition

XIX. Vision: Increased sales with better on-line store.

Execution: Hiring a salaried associate to manage presence of online offerings.

Anticipated Results: Increase online by \$40,000 as well as tournament by \$5.00 per player to generate another \$100,000. Total topline revenue to be an added \$140,000 and bottom line to be an added \$35,000

This program didn't start until July of 2014. We began trying to sell to groups late in 2013, but had little success as we found out we were late in contacting groups. Once the program started, we had little success. Most groups had little interest, and if they did budgets were very small and price conscious. New business from tournament sales amounted to \$53,734, however the COGS was \$38,233. This increase was not enough to cover the increased salary of our team, so we have decided the sales team will handle merchandise inquiries during the booking phase

XX. Vision: Increased banquet profits by 5%-15% with the addition of a Pavilion.

Anticipated Results:

In 13/14 budget year banquets achieved \$759K in top line revenue.

In 14/15 budget year banquets achieved \$1.15M top line revenue

A 52% revenue increase on topline was achieved. Difficult to measure what bottom line is due to the fact that in prior years all costs were not accounted for in the banquet department separately. One cost for the entire F&B department was done in the past. We now separate it out by each individual department under the F&B umbrella.

XXI. Vision: Allow for simultaneous events of larger size

There were 181 actual simultaneous events held at the golf Resort. This was derived by looking at event days with multiple room use.

XXII. Vision: Reduction of lost business due to having to turn away events

Execution: 2012/13 turned away 65 bookings for limited space

Anticipated Results: There were only 4 weddings turned away due to sheer size that we could not accommodate at the resort.

XXIII. Vision: Provide the opportunity to serve large Tournament groups

Anticipated Results: There have been 12 tournament groups that have used the pavilion since inception

XXIV. Vision: Topline Budget Achievement for Pavilion

Anticipated Results:

2013/14 – Budget \$ 1.2 million	Actual \$ 931K
2014/15 – Budget \$ 1.474 million	Actual \$ 1.462 million
2015/16 – Budget \$1.648 million	

XXVI. Vision: Increase Average Check in Banquets

Anticipated Results:

2010/11 - \$39.33

2011/12 - \$46.92

2012/13 - \$49.92

2013/14 – Budget \$50.56, Actual \$52.56

2014/15 – Budget \$ 52.74 Actual \$63.93

2015/16 – Budget \$ 62.07

The steady increase in banquet average checks continues to be a great indicator that the quality level of the parties gets better each year.

XXVII. Vision: Growth of the Pavilion banquet average check

Anticipated Results:

There is no separate budget breakdown for pavilion events average checks, however, actuals listed below are based on covers by revenue just in Pavilion.

2014/15 - Actual \$87.36

2015/16 – Actual through 6 months \$108.14

XXVIII. Vision: The increased seating capacity in Bar, Patio and Dining Room will assist with increasing revenues.

Anticipated Results:

2012/13 – 316 seats in Vue with \$2.5 million in top line revenue

2013/14 – Budget 466 seats with budgeted revenue of \$3.16 million

Actual 13/14 \$2.8 million (avg. check increase of \$2.60 per cover in 13/14 vs 12/13)

Increase of 3K covers in 2013/14 vs 2012/13. While we did not hit top line budget in Vue for 13/14 we did manage to increase revenues by \$300K from the prior year

2014/15 – Budget \$3.02 million

14/15 Actual \$2.8 million. Increase of \$.75 per cover for check average was achieved and a 6K loss of covers occurred which resulted in same revenue year over year. In year one we did many different specials that filled the Vue to expose the new product and introduce it once that stopped we lost covers but gained in average checks.

2015/16 – Budget \$3.04 million

XXIX. Vision: Increase Net Operating Income in Vue Restaurant

Anticipated Results: It should be noted that prior to 14/15 budget year they did not break out expenses from the restaurant by way of internal food and beverage transfers. We started to do that in 14/15 however you can look at food and beverage as a whole department and see that in 12/13 the department did a \$75K profit.

In 13/14 the Food and Beverage department did a \$36K profit, an investment year with promoting the Vue as a new venue hence higher costs.

In 14/15 the department did \$328K profit. This is as a result of increasing average checks in Vue and operating smarter along with larger volume banquets. That was a significant bottom line growth.

XXX. Vision: Increase the Café seating as well as re-design it to be more of an impulse buy outlet for golfers

Anticipated Results: It was projected that increased seating would increase net operating income by \$50,000/ for a twelve month period

2012/13 – 91 seats = \$278,000 in top line revenue

2013/14 – Budget 125 seats with a budget of \$380,000 with actual top line revenues coming in at \$308K. While not at budgeted amounts it managed to increase topline by \$30,000 the first year in

2014/15 – Budget \$327K Actual \$315K

2015/16 – Budget \$ 340K

Results for Net Operating Income- prior to 14/15 budget year no internal transfers were being done by outlet and food and beverage costs were looked at as a whole department. In 14/15 the Café achieved a bottom line profit of \$64K with trackable expenses and labor being applied. This will be able to be tracked going forward since we now break out costs by use of internal transfers.

Final Thoughts:

Looking Back:

1. Six month evolution process from beginning concept and inception to implementation and completion of Strategic Plan.
2. Re Brand, re-concept and freshening up of the Vue Grille and Bar was critical because it is usually the first stop for what are often patrons for future banquets. Most all of our tastings for weddings are done in Vue for Pavilion events. It also aided with increased seating capacity and enabled the front golf patio to serve a newly developed market for large party events.
3. Since inception the Pavilion has managed to achieve revenue of recognized parties and future parties of over \$2, 253,491 to date. If you take into consideration that banquet events have a higher margin for profit than operating a restaurant, this has been a good decision made by City Council to invest in the pavilion and ultimately has aided to offset growing costs with changes made to the Resort.

Looking Forward:

1. Continued decline in Hotel Guest Leisure Play and Capture needs to be slowed and reversed. We need to address the difficulty the package buyer has in shopping, booking and completing stay and play reservations and availability. Simplifying this process will lend itself to a regaining of our competitive advantage and servicing stay and play group inquiries.
2. Creating more leisure activities and offerings at Indian Wells Golf Resort will enhance the hotels ability to garner higher occupancy while maintaining a competitive pricing model. We can offer a food and beverage or activity credit like free driving range use for off-peak nights for each hotel stay to be used at IWGR.
3. The Celebrity and Players Golf Courses have been open since 2006 and 2007 respectively. They are routinely awarded multiple yearly accolades for conditioning, playability and aesthetics. However, The rankings for these golf courses by the golf writers continue to slowly slide down the list of the best because the “new” and renovated tags have waned.

See Below:

2015

- Golfweek - "Top 25 Best Courses You Can Play" in California. Players Course Ranked #19
- Greenskeeper.Org - "Best Playing Conditions" Palm Springs Area

2014

- Golfweek - "Best Municipal Courses" in the Country. Players Course Ranked #9 and Celebrity Course Ranked #22
- Golfweek - "Top 25 Best Courses You Can Play" in California. Players Course Ranked #18

- Tripadvisor - "Ten best reviewed Golf Courses" - Indian Wells Golf Resort Ranked #4

- California Golf Course Owners Association - Golf Course of the Year

2013

- Golfweek - "Best Municipal Courses" in the Country. Players Course Ranked #10 and Celebrity Course Ranked #23
- Golfweek - "Top 25 Best Courses You Can Play" in California. Players Course Ranked #24
- Tripadvisor - "Ten best reviewed Golf Courses" - Indian Wells Golf Resort Ranked #4

2012

- Golfweek - "Top20 Best Municipal Courses" in the Country. Players Course Ranked #11 and Celebrity Course Ranked #18
- Golfweek - "Top 25 Best Courses You Can Play" in California. Players Course Ranked #22

2011

- Golfweek - "Top20 Best Municipal Courses" in the Country. Players Course Ranked #8 and Celebrity Course Ranked #20
- Golfweek - "Top 25 Best Courses You Can Play" in California. Players Course Ranked #17
- Golf World - "Top 100 Golf Shops"

2010

- Golf Magazine - "Top 20 Best Public Golf Courses" in California. Players Course Ranked #12 and Celebrity Course Ranked #17
- Golfweek - "Top 20 Best Municipal Courses" in the Country. Players Course Ranked #7 and Celebrity Course Ranked #16