



Long Cove Club

Strategic Planning Town Hall

June 12, 2023

RAY DIMUZIO

President

Community Engagement Sessions

Overall Take-Aways

- The value of listening
- We love what we already have
- Optimize usage before expanding
- Reasonable, member-supported improvements over time

Today's Agenda

Strategic Planning at LCC

Ray DiMuzio, President

Current Plan Review

Ray DiMuzio, President

New Plan Areas of Focus:

- **Governance**
- **Operations**
- **Finance**
- **Facilities**

Ray DiMuzio, President

Mario Campuzano, General Manager

Doug Wetmore, Treasurer

Randy Rose, Long Range Planning Chair

Q&A and Closing Comments

Ray DiMuzio, President



VISION

Long Cove Club will continue to progress as one of the outstanding private, secure residential communities

-- noted for its natural beauty and casual elegance, exceptionally maintained amenities (anchored by its nationally acclaimed golf course), community spirit, and excellent service to its members and guests -- where special, caring and active people of diverse interests experience and enjoy an exceptional quality of life and leisure.



MISSION

The mission of Long Cove Club is to serve its members by providing and properly maintaining outstanding member-preferred amenities, activities and services which are considered among the best in private residential communities and are designed to encourage leisure enjoyment by a diverse and active membership in an atmosphere of harmony and congeniality. More specifically, the Club serves its members through:

- Maintaining a naturally beautiful, aesthetically pleasing community environment
- Improving the national respect for its golf course
- Unwavering commitment to excellence, attention to detail and continuous improvement
- Creating demand for members' property, thereby enhancing its value
- Encouraging member participation and open communication
- Developing comprehensive and meaningful long range plans
- Implementing and adhering to sound financial, management and governance principles, all of which are grounded in integrity
- Employing capable, reliable and dedicated professional managers and staff who understand, embrace and achieve the objectives of the Club



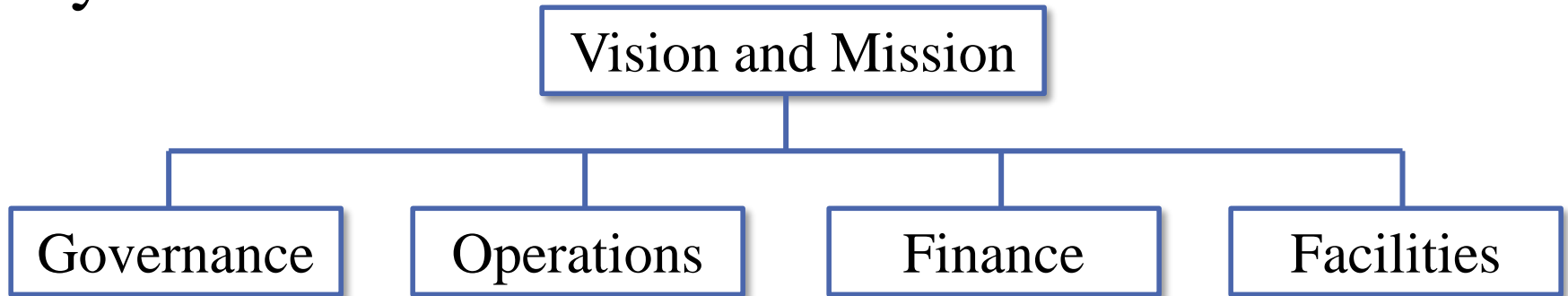
VALUES

- Preservation of the Club's natural beauty and casual elegance
- Outstanding reputation among top private residential communities
- Unwavering commitment to excellence and continuous improvement
- Outstanding member-preferred amenities, exceptionally maintained
- Honesty, integrity and professionalism in governance, management and communication
- Active participation in the Hilton Head Island community
- High member satisfaction

Strategic Planning at Long Cove Club:

- Goal – ongoing viability of the club
- Inputs – member interests, committee research, industry trends
- Responsibility – management, board, long range planning (and all) committees
- Timing – every 5 years with annual review, adjustments as needed

Key Pillars:



Current Strategic Plan (2019-2023)

- Not Started
- ❖ Active/Ongoing
- ✓ Completed



New Strategic Plan – Governance

Main Area of Focus

- Updates to the covenants and bylaws

Rationale

- Most covenants and by-laws are 20+ years old, some have not been changed in 40 years
- LCC and industry norms have evolved over time

Approach

- Formed ad hoc committee, led by Vic Feigenbaum, board secretary
- Lesson learned from prior attempt at a “comprehensive update” → going forward, changes will be introduced “one at a time”
- The first change will be presented later this month and recommend that if an annual operating budget referendum is not approved by the membership, the operating budget will remain at 100% (not 80%) of the prior year level → this will avoid significant member and staffing impacts (e.g., furloughs) while we revisit the future year budget

MARIO CAMPUZANO

General Manager/COO

NEW STRATEGIC PLAN *OPERATIONS*

*Delivering the highest level of Hospitality
to our Members by Doing Simple Best!*

How do we do this?

Main Areas of Focus

It all started with.....

Instituting Team **Core Values** to align with our Vision, Mission and Club Values

LLOYALTY

We are focused on the Service we provide to our Members (Members)

COLLABORATION

We are focused on the Service we provide to each other (Team)

CREATIVITY

We are focused on Continuous Improvement. 1% better every day!

and continued with.....

Main Areas of Focus

We ARE building and becoming a highly functioning and **Cohesive Team!**

- Selection & Retention (*Getting the Best and Retaining the Best!*)
- Onboarding, Orientation, Training & Development
- New Team Member Task Force
- We build Trust with our Team Members by developing Relationships
- Providing *Clear Intentions. Giving our Team something to work towards, not just on!*
- Setting High Expectations in a Low Stress environment
- **Create Engagement by valuing our Team Members and including them in decisions that affect their jobs**
- We empower our Team to provide our Members with **Better, Unique and New** experiences.

“Hospitality is almost impossible to teach. It’s about hiring (SELECTING) the right people.”

~ Danny Meyer

*We heard your Feedback during the
Community Engagement Sessions...*

Deliver the Best Member Experience by Maximizing Clubhouse Utilization!

How are we doing this?

- Reinforcing a Service Mindset for our Team Members
- Working smarter, not harder on where, when and how we do things
- Planning, setting, and creatively finding **better use of ALL Club Space.**
- Re-evaluate all aspects of private & club events
- Focusing on ways to creatively serve our Members. **Find the YES!**

Leadership creates an environment that makes people want to be part of the organization and not just work (there), Leadership creates an environment that makes people want to, rather than have to, do.” ~ Horst Schulze

*What are we doing
immediately?*

Immediate Enhancements to our F&B Operations

Snack Bar:

- We have expanded our Hours **Tuesday thru Sunday until 5pm** to provide more options for our golfing Members, Sports Center Members, and those Members enjoying the pool.
- We are now offering Service (including new “Coolers”) out of the Snack Bar until 5pm and out of the JFB until the last golfer is off the course.
- Golfers will be able to access the JFB (Grab & Go items available) on Tuesdays & Wednesdays after 5pm
- The Pool will have a Server available until 3pm daily to provide service through the Snack Bar & Grill throughout the summer.

Sunday Brunch:

- We have moved Sunday Brunch service downstairs to the Grill Room & Magnolia Rooms in order to accommodate more members during this popular time.
- We will no longer have concerns with seating capabilities.
- Concepts such as Pub 44 will continue each month.

Immediate Enhancements to our F&B Operations

(continued)

Hours of Operation (Lunch Service Tuesday – Sunday):

- Clear expectations and a “Rebranding” has taken place with the Team on dining hours
- Our last reservations AND walk-ins for menu ordering is until **3pm**.
- The 19th Hole Menu is available from 3pm until 5pm, on Thursday – Sunday.
- **Tuesdays & Wednesdays**: Members can access the JFB for Beverages, snacks, and Grab & Go items after the Snack Bar closes at 5pm and **until the last golfer is off the golf course!**

Hours of Operation (Dinner Service Thursday – Sunday):

- Clear expectations and a “Rebranding” has taken place with the Team on dining hours
- We will now be accepting our last reservations AND walk-ins for menu ordering until **8pm**.
- The kitchen will now remain open until the last order comes in and is verified by the Manager.
- The bar will remain open until **10pm** or until the last member leaves.

What's Next for 2023?

Additional Enhancements on the near horizon...

Outside dining:

- We will utilize the patio area outside of the Living Room more efficiently
- Flexibility and mobility provide more options in more locations (Pop-up Stations!)
- Outdoor Casual Grill Stations and Mobile Bars

Wednesday nights:

- We will begin dinner service on Wednesday evenings after Labor Day (actual start date TBD).
- This will begin featuring a Pasta Night Buffet with Prime Rib carving station, soups, salads, sides, breads, desserts, etc.
- Reservations and walk-ins will be taken until 8pm and the bar will remain open until 10pm or until the last member leaves.
- Future themes and concepts will be considered based on continued Member feedback
- This will be featured in the Grill Room & Magnolia rooms only. Oak Room would remain an option if needed.

What is the Impact?

Opportunities, Challenges and Considerations

- **There is an expense associated with some of these changes**
- We are adding hours to our Payroll / Overtime for team Members
- More hours create more opportunity for the Team to have shifts year round
- Competitive advantages compared to other communities (Benefits, hours, Culture, etc.)
- Workforce availability & better outreach (USCB Interns, Senior citizens, Veterans, etc.)
- Workforce Housing on HHI compared to off-Island commuting (Flex hours, travel pay, etc.)
- Percentage of Revenue increase (and Member usage) is unknown
- Expenses are being scrutinized throughout the Club to find cost savings
- Redirection of expenses to improve the Operation and ultimately the Member Experience
- Contracts are being evaluated. Renewals will be reviewed well in advance
- We are creating more efficiencies in purchasing, proper equipment, technology, etc.
- *The results will be more exciting ways to enjoy Long Cove more frequently all year long!*

“The way you do one thing is the way you do everything, and we found, over and over, that precision in the smallest of details translated to precision in bigger ones.” ~ Will Guidara

DOUG WETMORE

Treasurer

Finance Discussion

- Capital and Managing Our Assets
 - Reserve Study
- Comparison to Local Clubs
- Example Financing Available
- Going Forward

Hierarchy of Capital Priorities

Debt Service

- Debt Service comes first and must be covered entirely. Very common for clubs to do a project using debt and come up with a debt service “assessment” that does not account for the remaining capital needs.

Obligatory Capital

- Obligatory Capital must also be covered. Many clubs are “rationing” capital as a result of inadequate income resulting in deferred maintenance.

Aspirational Capital

- Aspirational Capital is the capital to Evolve and Grow the club. It is the investment that keeps clubs relevant (think casual dining, fitness/wellness, resort style pools).

Increasing Cash Reserves

- Clubs wishing to increase reserves must satiate the capital needs that come first. It is a long way to reserves increasing.

Obligatory Capital

(Maintenance)

- Repair and Replacement of existing assets.
- Depreciation = past cost – “**matching depreciation**” is not enough ...
 - Assets cost more to replace than when originally acquired, and fully depreciated assets in use will need to be replaced
- Past and existing members are obligated.
Not future members

**Source of Obligatory Capital
is recurring Capital Dues**

Aspirational Capital

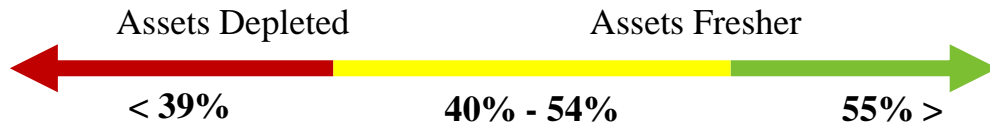
(Growth)

- Expand existing assets (Clubhouse expansion)
- Add new assets
- Adding new amenities
- Current and future members are responsible.
Future members more so
- Aspirational Capital should have a return on investment – Capital Income is the return

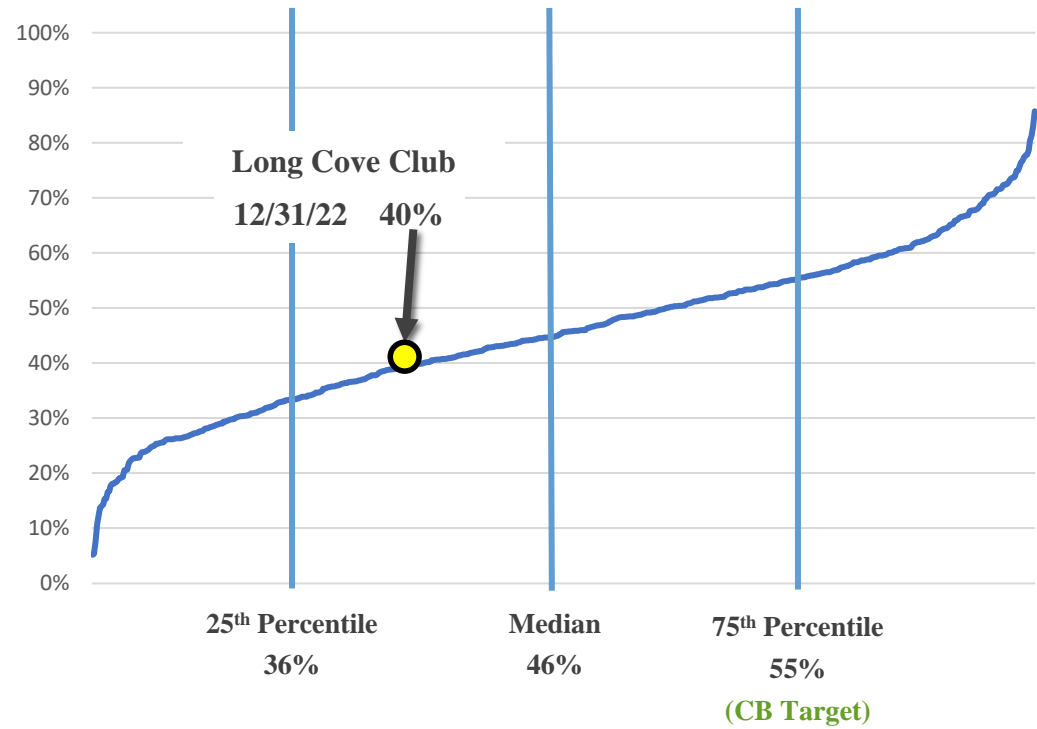
**Source of Aspirational Capital is Initiation
Fee Income and Debt**

Club Benchmarking recommends minimum growth in
Net Worth of 3.5% per year **to meet obligatory capital needs**

Capital income for **aspirational capital** will grow Net Worth on top of the 3.5%



Net PPE to Gross PPE



Net to Gross PPE Ratio

- Net PPE is where a club's money ends up
- Very accurate and simple test of physical plant condition
- Ratio above median indicates physical assets fresher & more up to date
- **Ratio below median indicates physical assets are older and more worn**
- The most important and precise assessment of your club's physical plant available is a capital reserve study which should be conducted by an objective 3rd party professional well-versed in clubs

Capital Reserve Study

(1/2)

- Assessment of LCC facility/infrastructure requiring periodic replacement:
 - Inventory of assets
 - Assessment of current condition based on physical inspection
 - Financial plan for maintaining appearance, value and safety
 - All assets costing more than \$2,500 with service life > 3 years
 - Last study completed 5 years ago
- Details for projected replacement costs consider:
 - Regional cost differences, where applicable; and
 - Inflation (Projected to average 3% annually over period)
- Lagoons NOT part of study
 - Approximately \$600,000 planned spending in 2023-2028
- Provides estimated current replacement value of existing assets

Capital Reserve Study

(2/2)

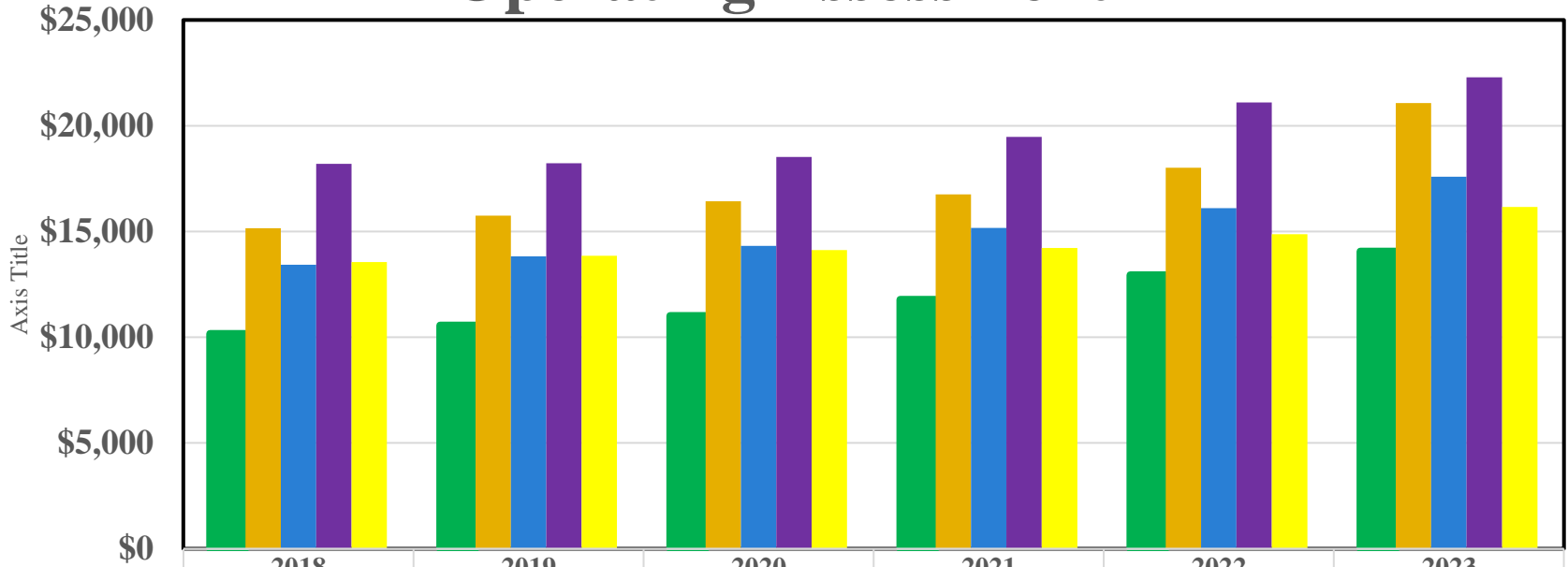
- Preliminary draft report received; expect final by end of June
- Expected spend 2024-2028:

Club Benchmarking	\$ 10,613,000
Budgeted cost of lagoons	<u>600,000</u>
Total expected spend	<u>\$ 11,213,000</u>
Expected annual spend per member	<u>\$ 3,934</u>

- Estimated replacement value of assets of \$25.1 million
 - Compare to historical book value at December 31, 2022 of \$14.9 million.
 - Does not consider replacement value of golf course
- Equity per member:-
 - Historical cost: **\$ 33,817**
 - Replacement value: **\$ 51,680**

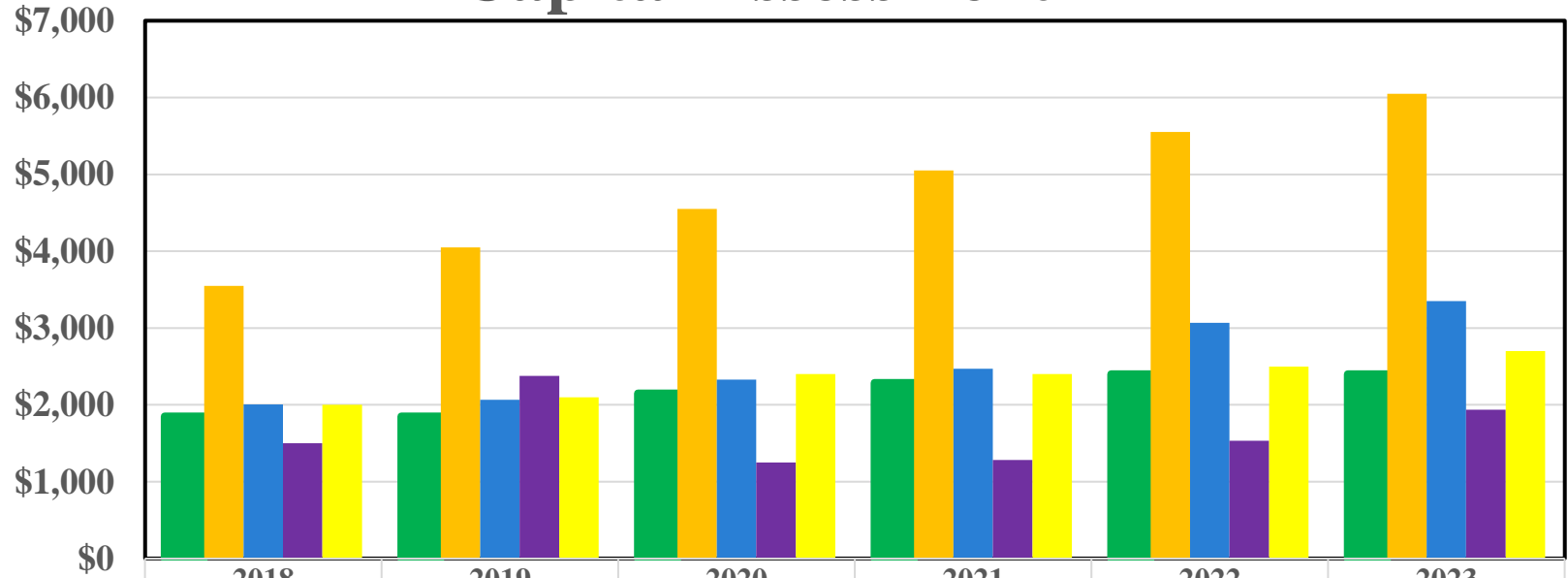
Comparison to Select Local Clubs

Operating Assessment



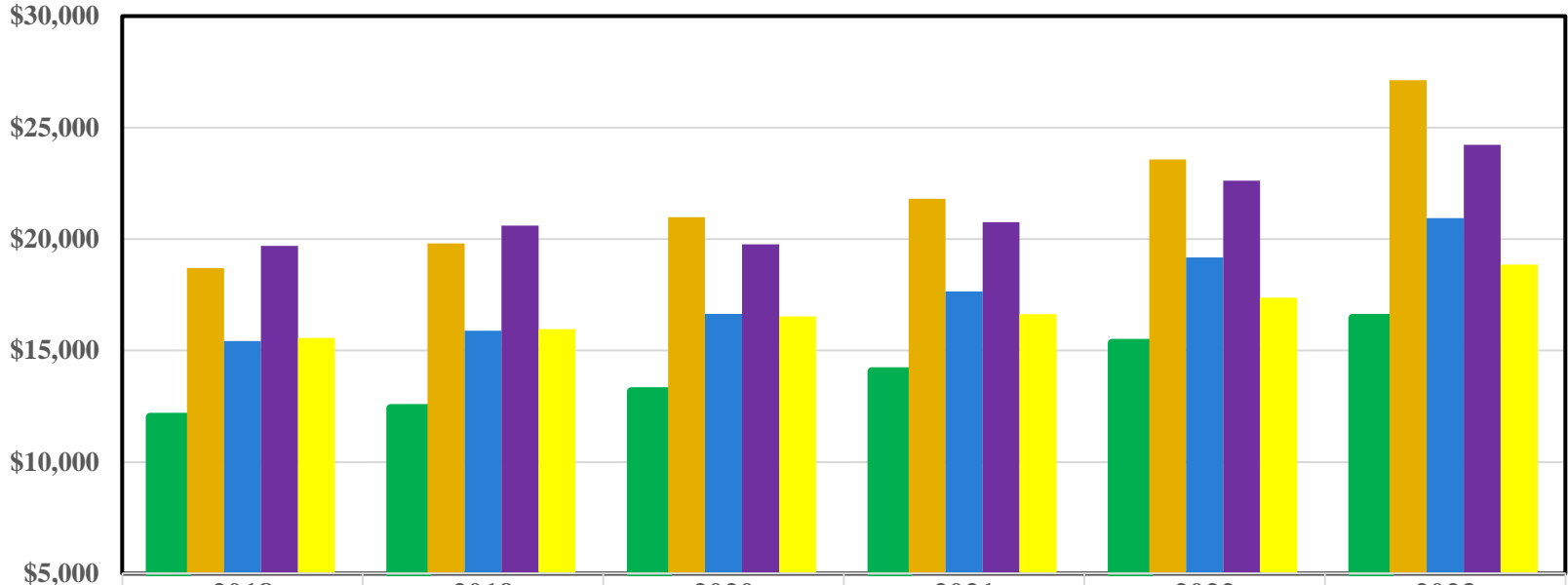
Long Cove	10,171	10,562	11,015	11,775	12,933	14,058
Colleton	15,150	15,750	16,425	16,755	18,015	21,075
Belfair	13,424	13,826	14,316	15,175	16,104	17,594
Berkeley	18,200	18,223	18,520	19,475	21,093	22,292
Wexford	13,560	13,855	14,125	14,225	14,865	16,160

Capital Assessment



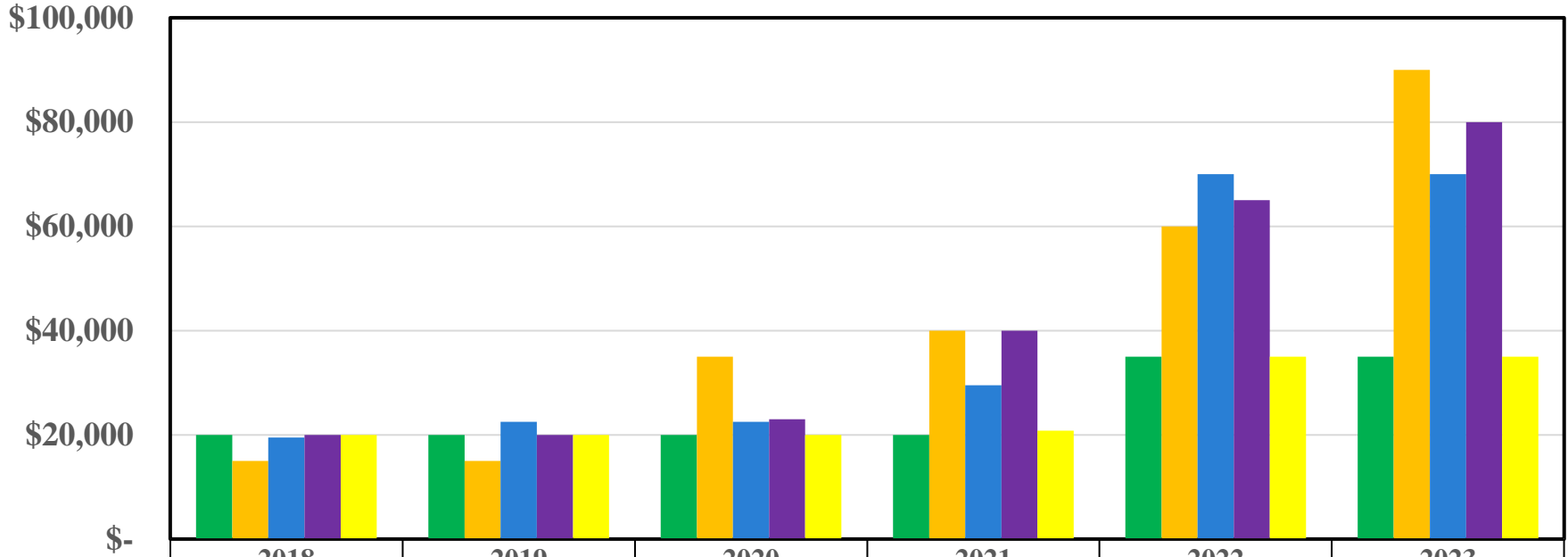
■ Long Cove	1,850	1,850	2,150	2,288	2,400	2,400
■ Colleton	3,550	4,050	4,550	5,050	5,550	6,050
■ Belfair	2,006	2,066	2,331	2,470	3,067	3,351
■ Berkeley	1,500	2,377	1,249	1,282	1,532	1,939
■ Wexford	2,000	2,100	2,400	2,400	2,500	2,700

Total Assessment



	2018	2019	2020	2021	2022	2023
Long Cove	12,021	12,412	13,165	14,063	15,333	16,458
Colleton	18,700	19,800	20,975	21,805	23,565	27,125
Belfair	15,430	15,892	16,647	17,645	19,171	20,945
Berkeley	19,700	20,600	19,769	20,757	22,625	24,231
Wexford	15,560	15,955	16,525	16,625	17,365	18,860

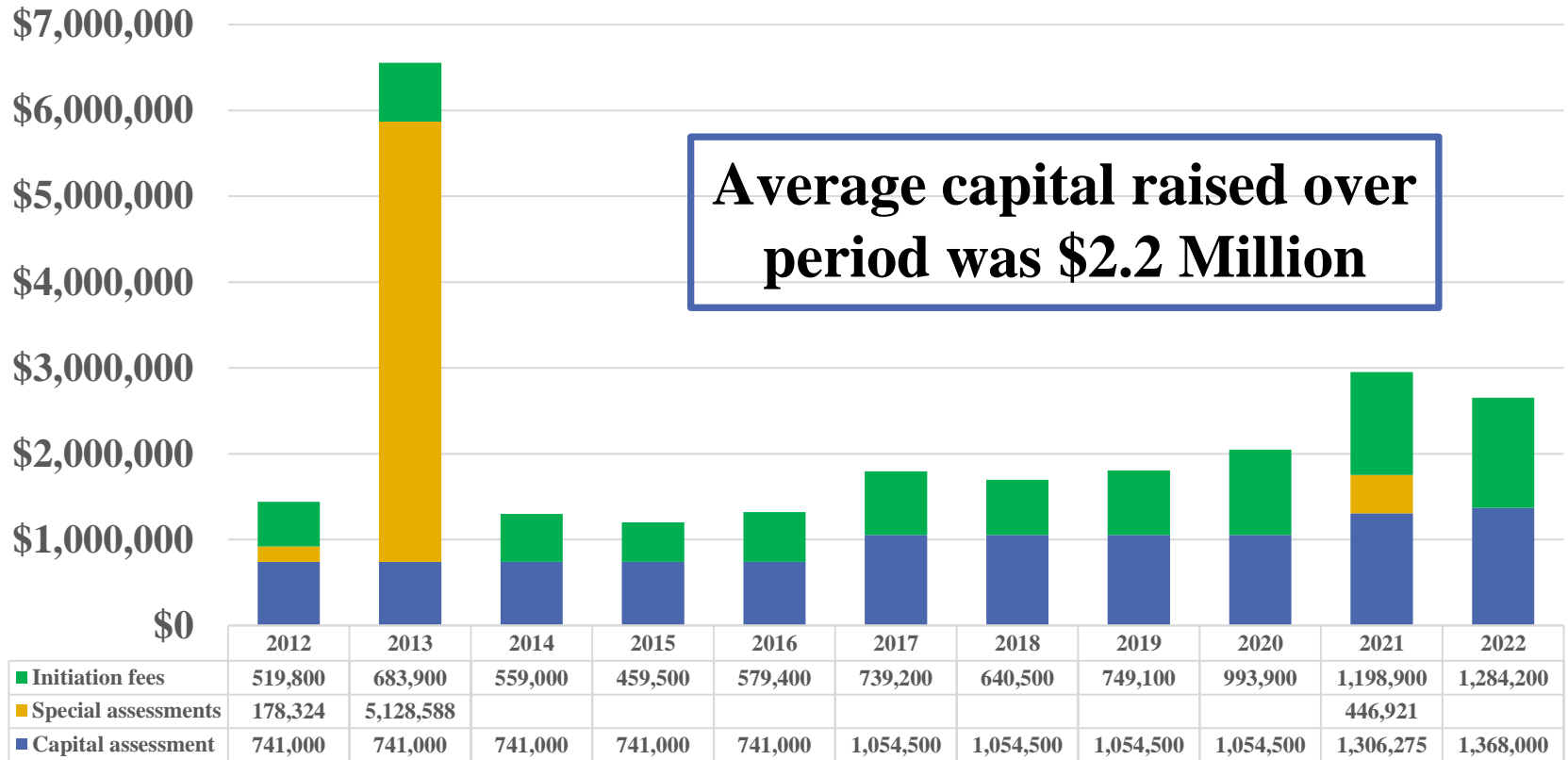
Initiation Fees



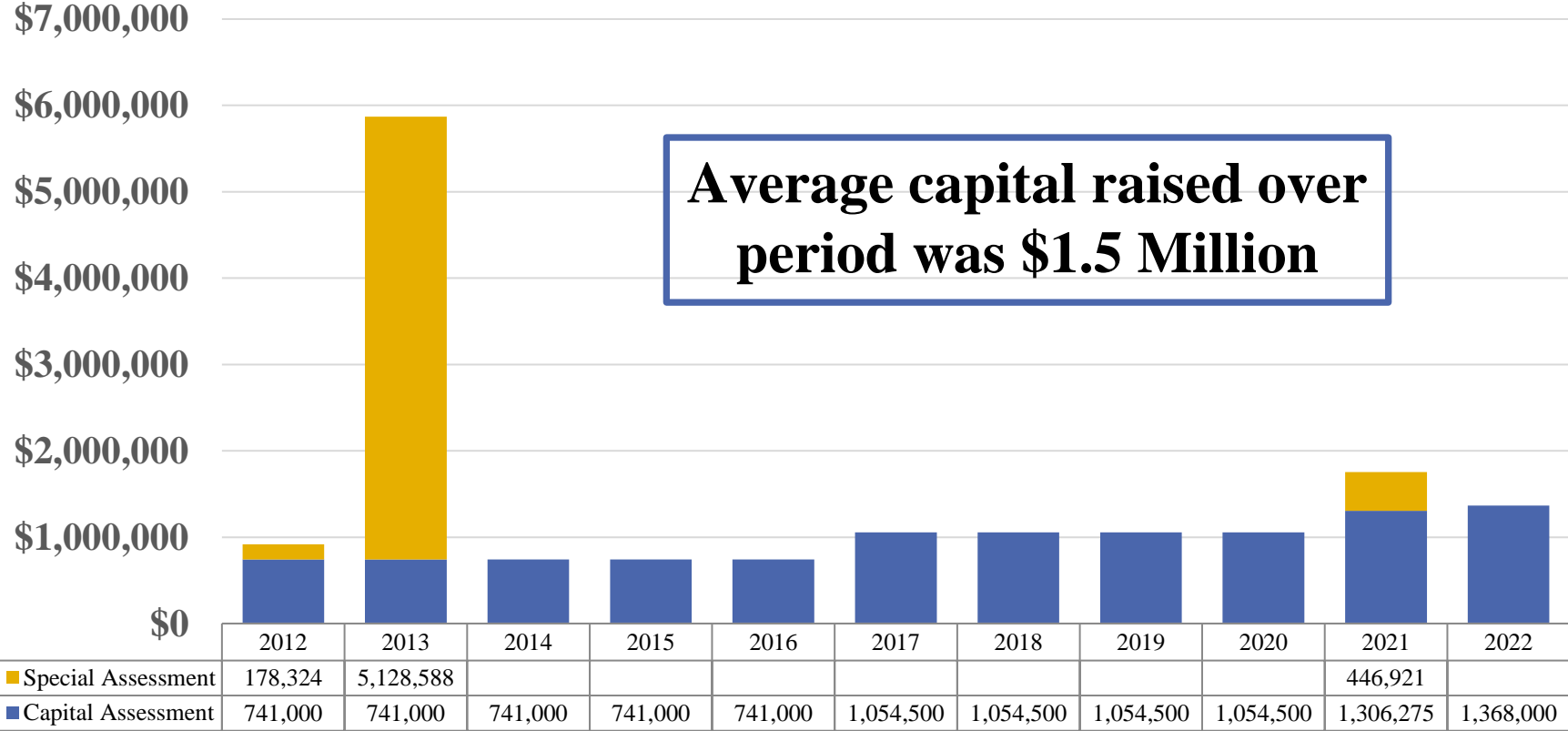
	2018	2019	2020	2021	2022	2023
LONG COVE	\$20,000	\$20,000	\$20,000	\$20,000	\$35,000	\$35,000
Colleton	\$15,000	\$15,000	\$35,000	\$40,000	\$60,000	\$90,000
Belfair	\$19,500	\$22,500	\$22,500	\$29,500	\$70,000	\$70,000
Berkeley	\$20,000	\$20,000	\$23,000	\$40,000	\$65,000	\$80,000
Wexford	\$20,000	\$20,000	\$20,000	\$20,800	\$35,000	\$35,000

Capital Sources and Uses

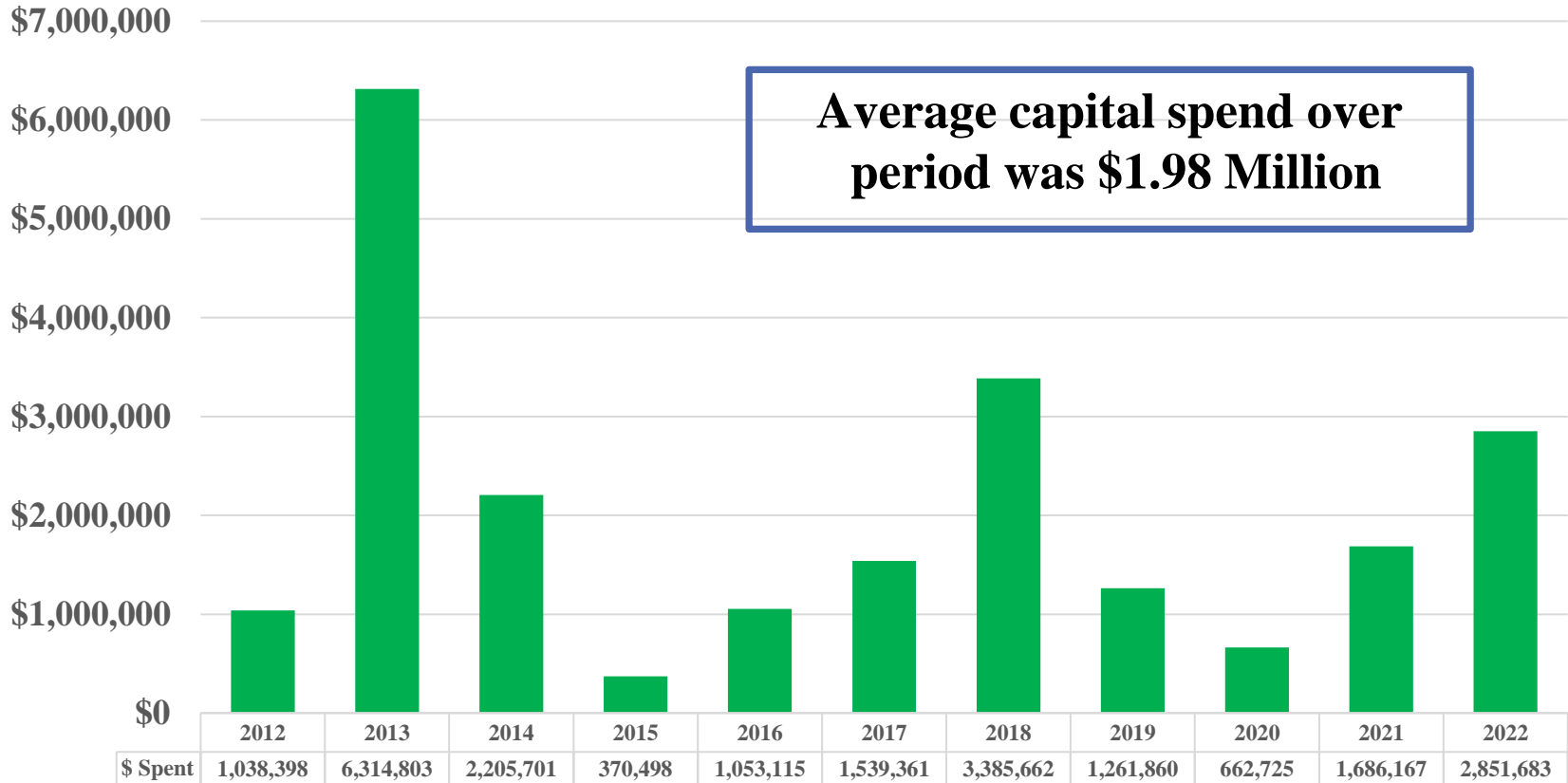
Capital Raised



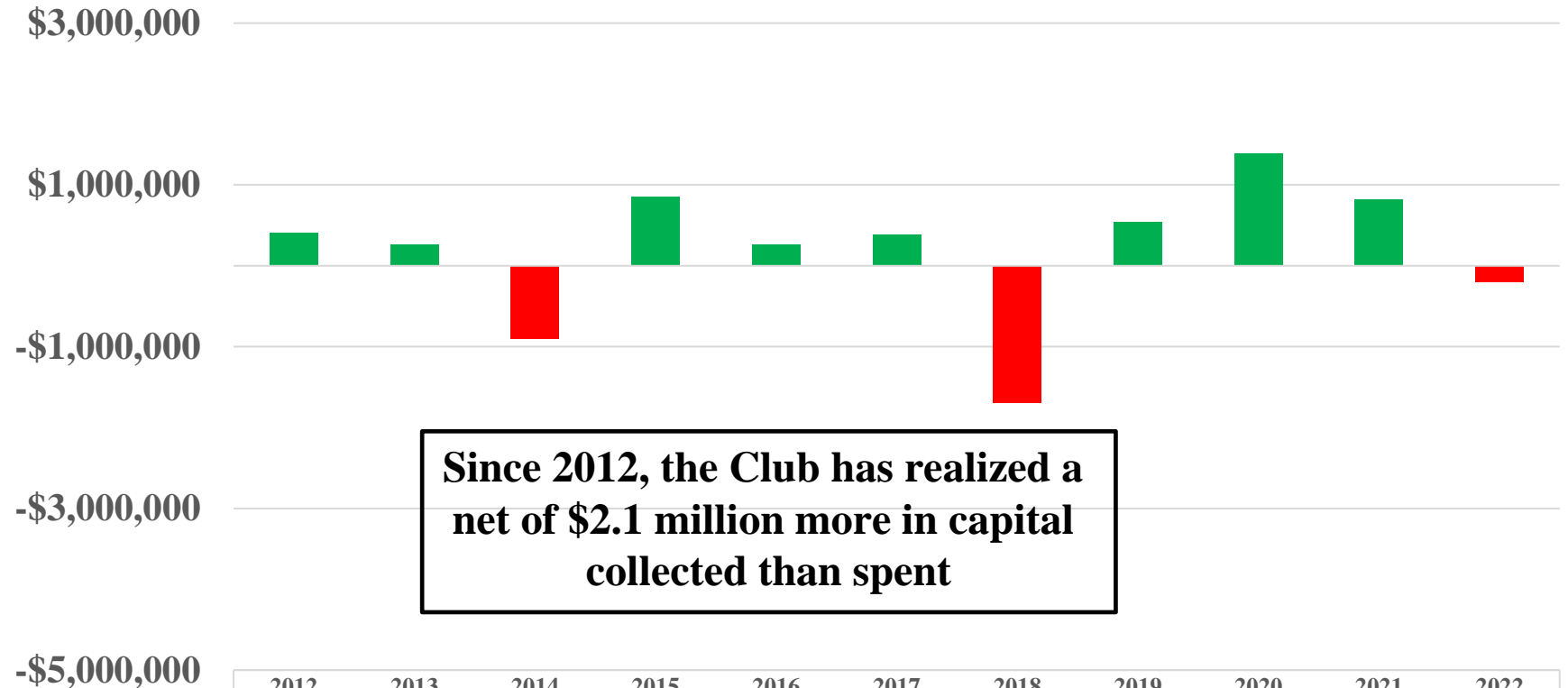
Capital Excluding Initiation Fees



Capital Spending



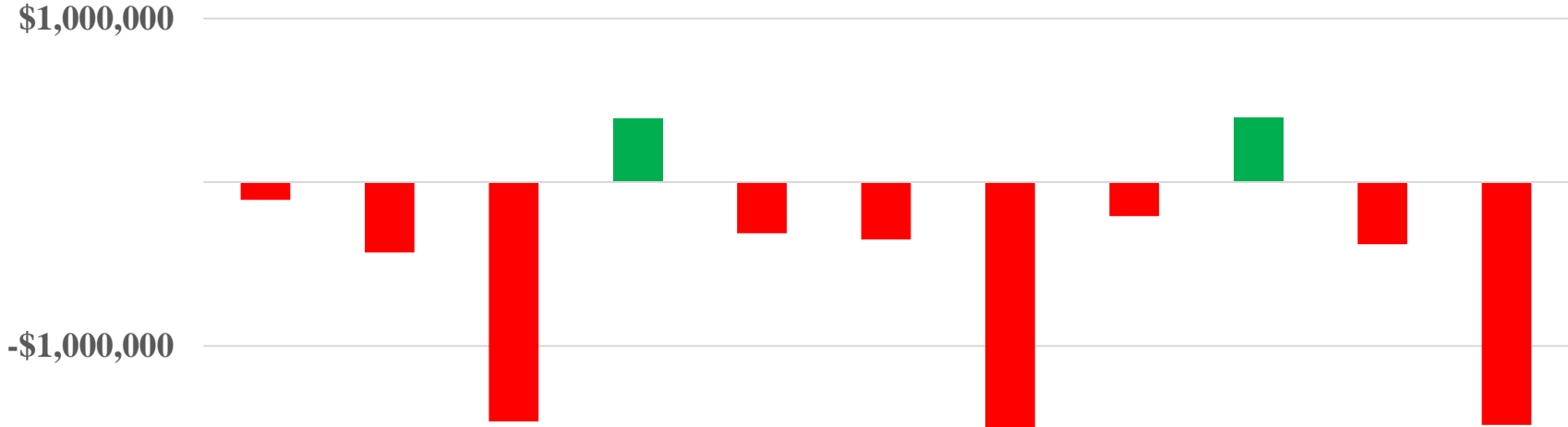
Net Capital Proceeds/(Spend)



Since 2012, the Club has realized a net of \$2.1 million more in capital collected than spent

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net proceeds/(spend)	410,701	254,850	(902,401)	848,702	267,285	388,212	(1,690,666)	541,740	1,385,675	819,008	(199,483)

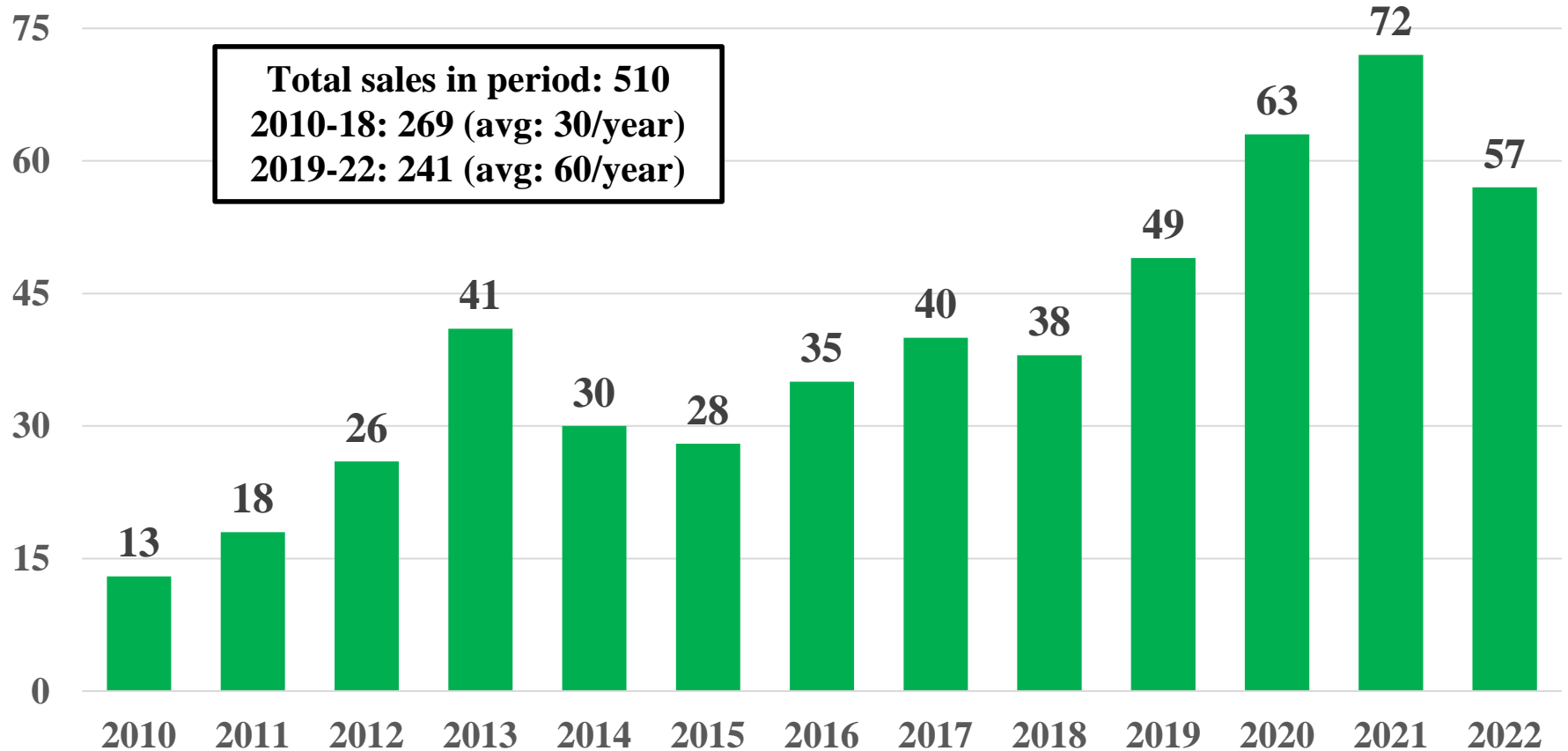
Net Capital Proceeds/(Spend) Ex-Initiation Fees



Since 2012, the Club has spent a net of \$6.3 million more in capital than collected in annual and special assessments

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net proceeds/(spend)	(109,099)	(429,050)	(1,461,401)	389,202	(312,115)	(350,988)	(2,331,162)	(207,360)	391,775	(379,892)	(1,483,683)

LCC Home/Lot Sales 2010-2022



Capital Sources and Uses - Conclusions

- Home sales likely to slow in next few years returning to historical levels
 - Reduced initiation fees
- Our use of initiation fees is NOT best practice for LCC
 - Don't rely on initiation fees for maintenance capital
- Finance Committee will recommend:
 - All initiation fees be designated for asset enhancement/improvement and to build reserves for unforeseen needs
 - Initiation fee be further increased from present \$35,000 to \$50,000
 - Increase annual capital assessment

Potential Financing for Capital Initiatives

Financing Model

\$10 MM loan with amortization

EXAMPLE

Loan amount per member	\$17,544	\$17,544	\$17,544	\$17,544	\$17,544	\$17,544
Term - in months	84	84	84	84	84	84
Interest rate	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%
Payment per month	\$258	\$261	\$263	\$265	\$267	\$269
Total Payments	\$21,706	\$21,884	\$22,062	\$22,242	\$22,423	\$22,604

Going Forward in 2023

- Continue monitoring 2023 operating results
- Begin work on budget for 2024 shortly
 - Inflation remains a challenge
 - Employment costs expected to continue to increase
 - Property and Casualty Insurance likely to increase significantly
- Finalize recommendation of new initiation fee
- Transition from dependency on initiation fees for maintenance capital spending
 - Result will be higher capital assessments to membership
 - Transition over two-year period

RANDY ROSE

Long Range Planning Chair

New Strategic Plan – Facilities

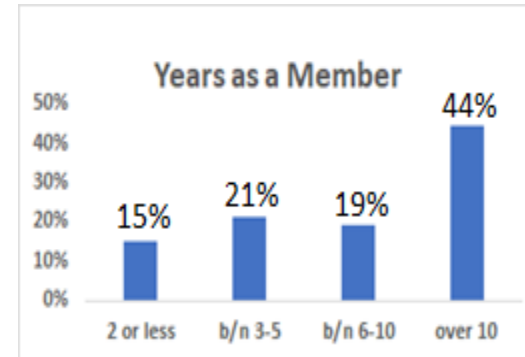
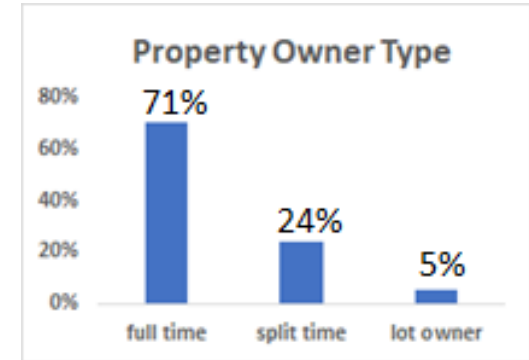
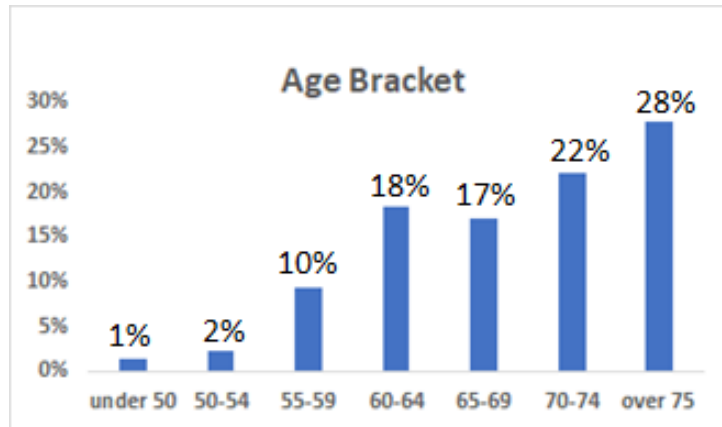
Constructing **OUR** Facilities Plan

- Gathered key inputs – outstanding items from current plan, member satisfaction survey results, committee research on industry trends, site visits to other clubs, output from ad hoc dining committee
- Fast tracked road safety analysis and action into 2023
- Created high level scope, design concepts and order-of-magnitude cost estimates for six other potential strategic initiatives:
 - Oak Room Expansion (\$1.2 MM)
 - Dining Improvements (\$6 MM)
 - Pro Shop Expansion (\$0.2 MM)
 - Sports Center Improvements (\$5 MM)
 - Pool Upgrades (\$0.4MM)
 - Common Area Amenity Hub (\$0.7 MM)
- Conducted community engagement sessions and offered an alternative online survey to raise member awareness and solicit member feedback
- Heard from 315 members and over 200 households

New Strategic Plan – Facilities (cont'd)

Member Feedback Demographics

- Over two-thirds were full-time residents
- Half were over 70, half were under 70
- Nearly two-thirds have been members for 6+ years



New Strategic Plan – Facilities (cont'd)

Member Survey Results

- Strongest support for **dining improvements** (65%) and **pool upgrades** (60%)
- 170 members provided accompanying written feedback, indicating **strong views for/against specific initiative components**

	Oak Room Expansion	Dining Improvements	Pro Shop Expansion	Sports Center Improvements	Pool Upgrades	Common Area Amenity Hub
Average Score	2.8	2.4	2.8	3.1	2.4	3.0
For	46%	65%	45%	41%	60%	38%
Neutral	18%	8%	23%	13%	18%	28%
Against	37%	27%	31%	46%	22%	34%

Notes:

- Rating scale of 1-5, where 1 = strongly for and 5 = strongly against
- “For” percentages above reflect ratings of 1 or 2 (strongly or somewhat for)
- “Against” percentages above reflect ratings of 4 or 5 (strongly or somewhat against)

New Strategic Plan – Facilities (cont'd)

Member Feedback Themes – 1 of 2

Overall

- Continue with inclusive approach
 - Take action now on road safety
 - Balance new and improved facilities with existing asset upkeep
 - Invest in the club, but at a lower cost
-

Oak Room Expansion

- Consider utilizing this room for casual dining
-

Dining Improvements

- Upgrade décor, create more bar space and expand the kitchen
- Retain the Jim Feree Bar as an F&B venue
- Add a night, extend hours and better utilize existing space before expanding
- Explore lower cost solutions for an outside bar and additional outdoor seating
- Be realistic about staffing challenges

New Strategic Plan – Facilities (cont'd)

Member Feedback Themes – 2 of 2

Pro Shop Expansion

- The pro shop rarely appears crowded
-

Sports Center Improvements

- We don't need a fitness center when several are close by
 - Add parking spaces near the clubhouse and/or the pool
 - Renovate, but don't relocate, the Sports Center building
-

Pool Upgrades

- Replace the pool restroom building
 - Install ramp access and a children's splash pad, but not cabanas
 - Retain protective pool landscaping when adding parking spaces
 - Consider a bistro/bar closer to the pool and racquet facilities
-

Common Area Amenity Hub

- Expand number of garden beds and provide more shaded seating
- Don't relocate the dog park near the playground and gardens

New Strategic Plan – Facilities (cont'd)

RETAIN IN PLAN

- Clubhouse décor upgrades
- Expanded kitchen and snack bar relocation
- Pool upgrades
- Pool restroom replacement
- Additional parking spaces
- Garden area expansion
- Sports Center building renovations

EXPLORE FURTHER

- Lower cost options for an outdoor bar and dining
- Clubhouse space utilization
- Bistro/bar closer to the pool and racquet facilities

REMOVE FROM PLAN ... FOR NOW

- Oak Room expansion
- Large casual dining addition
- Tennis viewing platform
- Sports Center relocation
- Dog Park relocation
- Pro Shop expansion
- Fitness and community center

New Strategic Plan – Facilities (cont'd)

Next Steps (over the summer)

- Partner with management to optimize clubhouse space utilization
- Explore lower cost options for an outdoor bar and dining area and/or a casual bistro/bar closer to the pool and racquet facilities
- Develop straw-man sequence and implementation timing (5-year horizon)
- Finalize plan in time for fall town hall
- Refine annual review process

Q&A

FEEDBACK@LONGCOVECLUB.COM
