

# **Sun 'n Lake Improvement District**

**Sebring, FL**

*March 2018*

## **Market and Operational Review**

**GLOBAL GOLF ADVISORS INC.**  
Johnston, DeLozier – Principals

2415 East Camelback Road, Suite 700  
Phoenix, Arizona 85016  
Tel: 905-475-4017  
Fax: 905-475-4039  
Toll Free: 1-888-432-9494  
[globalgolfadvisors.com](http://globalgolfadvisors.com)



## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>3</b>
<b>KEY TAKEAWAYS AND RECOMMENDATIONS .....</b>	<b>5</b>
<b>CLUB DEMOGRAPHIC SUMMARY .....</b>	<b>11</b>
INDEXES .....	12
DEMOGRAPHIC PROFILE .....	13
LIFESTYLE SEGMENTATION .....	16
LOCAL CLUB CROSS COMPARISON .....	22
SOURCE OF ORIGIN ANALYSIS .....	25
<b>COMPETITIVE SET ANALYSIS.....</b>	<b>29</b>
INTERNAL MEMBERSHIP ANALYSIS.....	29
MEMBERSHIP COUNT SUMMARY .....	30
COMPETITIVE SET OVERVIEW .....	32
<b>OPERATING EVALUATION .....</b>	<b>38</b>
SUMMARY OF HISTORIC RESULTS – ALL FUNDS .....	40
GOLF FUND - REVENUE EVALUATION .....	46
BENCHMARKING ANALYSIS AND EVALUATION OF EXPENSES.....	50
CAPITAL MAINTENANCE .....	57
FUNDING FOR NEW CAPITAL .....	58
<b>RESTRICTIONS .....</b>	<b>60</b>



## INTRODUCTION

Sun 'n Lake Improvement District ("SnL" or "the Community") engaged Global Golf Advisors ("GGA") to assist in the development of a detailed Market Analysis and Operational Evaluation.

**Market Analysis:** Given the competitive and supply factors evident in the local market, it is vital that the Community has a comprehensive and actionable understanding of opportunities and limitations. GGA has scoured the local market area with a focus on the following market characteristics:

1. **Demographics** - Few communities maintain a thorough understanding of demographic changes occurring around them. This circumstance is particularly important at Sun 'n Lake as the Community needs a proactive approach to recruiting new residents for SnL, new members for the Golf Club as well as paid rounds from the local population.
2. **Psychographics** – GGA evaluated the lifestyle segments around the Club, to put a 'face' on the local population. This analysis identified and measured the number of households that align with the Resident profile and Club's member profile and desired lifestyle characteristics, and will help to identify the potential areas to target for new members and residents.
3. **Internal Analysis** - This section focuses on the current community roster at SnL and member roster at the Golf Club, including a map of all members by (original) home address. GGA analyzed the results and applied filters to the data to identify member demographic trends.
4. **Competitive Analysis** – This analysis focused on clubs in the local area that represent competition to SnL for paid rounds and membership. GGA compared demographic indicators surrounding each comparable course as well as membership and daily fee pricing and structures to determine any gaps or opportunities for SnL to adjust the Club's current offerings. Understanding that there are few 'true' competitors in the local Sebring market, GGA also compiled a regional set of semi-private communities to compare to SnL. The criteria for selection was based on community clubs with a similar quality of amenity offering, member demographics and property values.

*All demographic data and diagrams in the External Market Analysis is sourced from ESRI®, a leading provider of domestic and international data and cartography tools for market and business intelligence.*

**Operational Evaluation:** While the current operation of the Community appears to be attentive and focused, nonetheless, Community and Club operations are nuanced and demanding businesses that require constant vigilance for performance, member satisfaction and operational efficiency. The Operational Review includes:

1. **Revenue Analysis** – GGA examined the historic revenue performance of the Club as it relates to trend changes in assessment revenue in addition to membership and rounds played over the past four years. Key revenue metrics were also assessed and addressed as part of the Benchmark Analysis.
2. **Benchmark Analysis** – GGA maintains a proprietary benchmark profile of communities/clubs throughout North America. GGA evaluated SnL against comparable communities with a focus on local and regional comparisons.
  - Any significant differences in benchmarks were discussed with Management. This discussion was documented and GGA adjusted its commentary based upon this direct additional input from the Community.
  - Benchmarks were evaluated on a quartile basis with a score of (1) being the bottom 25% of benchmark, (2) being 25% to 50% of benchmark, (3) being 50% to 75% of benchmark, and (4) being above 75% of benchmark.
3. **Key Performance Indicators (“KPIs”)** – GGA evaluated SnL considering the Key Performance Measures (“KPMs”) at comparable communities. These KPIs should be used by the Board for on-going and routine self-evaluation.

## SOURCES OF INFORMATION

In performing our analysis of Sun 'n Lake, our examination was based on the following:

- i. Information provided to us by the Club's Management;
- ii. The historic financial statements and other supplementary information of the Club for the years ended September 30<sup>th</sup>, 2014, 2015, 2016, and 2017 plus the FY2018 budget.
- iii. The Global Golf Advisors Golf Diagnostic Study which contains financial and operating data on golf courses across North America;
- iv. Other proprietary information contained in our files.

Our analysis and related conclusions contained herein were based on the economic and industry trends prevailing and information available as at the date of report issuance. No responsibility is taken for changes in market conditions subsequent to this date.

## KEY TAKEAWAYS AND RECOMMENDATIONS

GGA has analyzed both the external and internal market for Sun 'n Lake as well as the Operational performance of the Community Wide Entity to determine the best opportunities for the Club moving forward. Specifically, an emphasis of the analysis was placed on improvement potential of the Golf Fund, in an effort to improve the self sufficiency of the Fund. The analysis seeks to understand the best methods of targeting and attracting new homeowners/members/customers with pricing and programming that is both appealing and provides excellent value-for-money relative to competitors, also with the goal of maximizing operating revenue. The following section summarizes the key observations from the Market and Operational Evaluation to follow and associated recommendations for the Club to consider:

- The demographic outlook for the greater external area is not particularly favorable from a population standpoint, as greater Sebring market area projects limited growth. Income levels are below National levels but strong enough to match the value price point at SnL.
  - The local population within a 30-minute drive time around SnL is approximately 100,000. Population growth since 2010 was 2.6%, which is less than half of the national growth rate over the same period. Projected population growth through 2022 is expected to be 2.4% within a 30-minute radial.
  - Average household income within a 30-minute drive is just over \$50,000, 37% less than the national average. The income profile improves slightly when extending to the 45 minute radial. Approximately 10% of households in the local radials earn an income in excess of \$100k, while another 27% earn household incomes between \$50k-\$100k.
- Physiographic profiling helps to put a 'face' on the local population. "Senior Escapes" (represents 30.67% or 12,819 households within a 30-minute drive radial) is the top lifestyle segment in the local market. This life mode group is characterized as follows:
  - Neighborhoods include primary and second homes in rural or semirural settings. One quarter of all housing units are vacant; many are for seasonal use only. One-third of the households are married couples without children; a third are single-person households. Half the homes are single family; another 40% are mobile homes. Three-quarters of all homes are owner occupied, and the majority own their homes free and clear. Still actively driving, most households have one or two vehicles.
  - Labor force participation is low, but more than half the households are drawing Social Security income. They have conservative political views. They spend majority of their time with spouse/significant other or alone. They are limited by medical conditions but still enjoy gardening and working on their vehicles. They take good care of vehicles but haven't



bought a new one in over five years. They only spend within their means, do their banking in person, and do not carry a balance on their credit card. Belong to veterans' clubs; maintain AARP and AAA memberships. Get most information from TV and the Sunday newspaper; struggle with computers and the Internet. Travel in the US via guided tours but weary of security issues. Frequently dine out at Denny's, Golden Corral, and Cracker Barrel.

- Overall, the source-of-origin analysis considers many factors such as major driving routes, flight availability and durations, demographic indicators, economic impact, golf participation rates, competitor source markets, as well as domestic and international travel/vacation tendencies. Each of these factors should be evaluated to determine the target markets on which SnL should focus marketing efforts going forward. It is important for marketing efforts to focus on promoting the Community/Club's brand in cities/places with demographic segments that will provide the best exposure and value-for-money proposition in terms of advertising dollars spent and time invested.
  - Ultimately, the unique representation of current club members and homeowners will be the most telling factor and serve as one of the best marketing tools the Club has going forward, as prospective members are heavily influenced to join clubs with likeminded people, people they know or share connections with. **The key findings of this analysis cannot be completed without a further analysis of the demographic profile of current Sun 'n Lake homeowners and members.**
- Dues revenue will continue to be driven by the full family membership category, which has decreased 39 members since 2013. Conversely, the Senior Family membership category has continuously grown. SnL should monitor the eligibility of Senior categories among full members to ensure that too much conversion does not lead to cannibalization of dues revenue.
  - Based on the current member roster, the Club currently has 13 members who become eligible this year for the 80+ discount, and averages 10 members becoming eligible each of the next 5 years.
  - Membership levels have remained relatively stagnant over the past four years but full member equivalents (total dues revenue / cost to be a full member) has decreased from 212 in 2015 to 177 in the 2018 budget. This is an indicator that the Senior categories may be cannibalizing dues levels at the Club.
- SnL has a built-out amenity profile that is strong in the local competitive set and more comparable to the regional set of semi-private clubs compared herein.
- In-season green/guest fee rates (including cart fee is \$58) are price positioned appropriately at the high-end of the local competitive set and should provide strong value relative to the golf experience.
- The off-season green/guest fee rates (including cart fee is \$31) which is low relative to the local and regional market. There could be an opportunity to increase pricing during this period:

- **LOCAL:** Off-season peak rates ranged from \$20 to \$39 within the local set and an average of \$25. As a percentage of each Club's peak in-season rate, the average off-season rate is priced at 70%, compared to 53% at SnL.
  - **REGIONAL:** Off-season peak rates within the regional set of competitors ranged from \$28 to \$68 with an overall average of \$44. As a percentage of each Club's peak in-season rate, the average off-season rate is priced at 60%, compared to 53% at SnL.
- The average cost of an annual range pass within the local set is \$380, which is well aligned with the \$375 cost at Sun 'n Lake.
- SnL may consider separating out the trail fee component of the annual cost to be a member to optically present a more affordable price point. The same suggestion could apply to the posted green/guest fee.
- Trail fees as add-on costs are much more common in the regional set, ranging from \$1,600 to \$2,500 annually.
  - The majority of courses in the local competitive set include cart fees, while many regional clubs charge the cart fee as an add-on. The regional average cart fee is \$20 per rider.
- With minor improvements to the current amenity profile and increased staffing to improve service levels, GGA believes there is an opportunity to increase membership pricing to be more aligned with the regional set (\$5,000 to \$6,000). Mandatory Fees (include trail fees, do not include F&B Minimums):
- LOCAL:** Mandatory fees in the local set ranged from \$2,550 to \$5,880 and averaged \$3,629. The mandatory costs at SnL of \$4,353 are the third highest and provide strong value for money based on the quality and amenity offering.
- REGIONAL:** Mandatory fees ranged from \$4,425 to \$8,926 and averaged \$6,760. The majority of these club communities have a similar amenity profile to Sun 'n Lake but a slightly stronger 'fit and finish' and service levels.
- Sun 'n Lake offers a number of supplemental memberships (i.e. Senior, Intermediate, Seasonal) that are also common in the local and regional competitive sets. The discounts offered at SnL appear to be priced appropriately, well-aligned with the average discounts for comparable memberships in the competitive set.
- The Golf Fund has consistently achieved a negative Operating EBITDA and has typically required a transfer subsidy of \$250k on average in order to fund capital maintenance and the Billy Casper Management Fee. The 2018 Golf Fund budget projects to require a subsidy of \$322k to achieve break-even bottom line.

- Based on a review of monthly historic rounds pattern and discussions with management regarding demand, rounds capacity does not appear to be a serious issue for the Club at this time. January through March is the only period with the potential to have tee-sheet capacity concerns for certain days and time periods.
- Rounds played in 2017 on 36-holes totaled 74,088, which is within GGA's benchmark range of 62,000 to 80,000 rounds annually. To help smooth out the demand for rounds, both seasonally and on a daily basis, the Club should implement an aggressive yield management program. Currently, the Club promotes green fee specials day(s) before to fill empty tee slots.
- SnL achieves a much higher net rate per round from public play compared to member play, due to the propensity of current members to play a higher than normal number of rounds on average. SnL members are estimated to play approximately 80 rounds per member on average over the past four years, which exceeds GGA's benchmark of 50 to 70 for similar properties.
  - The 'paid net rate per round' over the past three years has ranged from \$35 to \$38, more than double the same net rate per round achieved from members of the Club.
- Currently members receive a three-week advance booking policy while the public has just seven days, which provides the potential for members to pre-book all of the high demand tee times.
  - SnL has historically incurred a high percentage of member play from October-December, while the peak season (January-March) is closer to a split between member and public rounds. During these months of peak capacity for rounds played, it is important that the Club ensure that high demand tee times (typically weekend mornings) are not dominated by member rounds that achieve a lower net rate for the Club.
  - To maximize yield, the number of tee times blocked for members three weeks in advance should be proportionate to the number of members. Based on current membership levels, roughly 1-in-3 times should be open for member booking three weeks out. Any times un-booked by public golfers could then be opened up to members within 48 hours.
- The overall net rate achieved by the Club per round played at the Club as a percentage of the peak rate (weighted average based on month) was 62% in 2017, which is below the benchmark range of 65% to 75% for similar clubs. As mentioned previously, the reason for the low net rate can be attributed to member rounds which achieve a net rate (dues revenue / member rounds) less than half the net rate that paid rounds generate for the Club.
- Merchandise revenue has remained stagnant at \$4 per round, below the benchmark range of \$6 to \$10. Merchandise cost of good sold as a percentage of revenue was 68% the last two years which is outperforming the benchmark range of 70% to 80%.



- Overall, SnL's food and beverage operation experienced a 10% profit margin in 2017 which is favorably positioned at the high end of the benchmark range of 12% to -5%. The 2018 budget projects the profit margin to decrease to 3% as labor increases as a percentage of revenue.
- Golf Operation department payroll has been managed well and has decreased since FY2015, which is below the low end of benchmark range (\$250k to \$340k). Other operating expenses are generally within benchmark range and appear to be managed appropriately. Overall, Golf Operations expenses falls at the low end of benchmark range. The 2018 budget projects a 7% increase to total operating expenses predominantly in labor.
- Golf and Grounds ("G&G") departmental payroll is positioned approximately \$85k below the low end of benchmark range. Other G&G operating expense lines are generally in line with benchmark range. Total departmental expenses fall in the 1<sup>st</sup> quartile of benchmark range, while the 2018 budget projects a 12% decrease in total departmental expense.
  - The department employs between 23.5 to 24.5 Full-time-equivalent staff depending on the season, which is relatively low for comparable 36-hole facilities.
  - Chemicals and fertilizers (treatments) expense was above the high end of benchmark range in 2017. However, the 2018 budget projects significant cost savings which should position the expense line within the second quartile of benchmark range.
- Lease vs Buy - Long lasting assets such as tractors (i.e. with a lifespan of eight or more years) should be owned, while short term equipment (with a lifespan of five to six years or less) should be leased. Furthermore, all equipment bids should be evaluated through a bid process and that lease evaluation options need to include a terminal value guarantee with all leases being operational as opposed to capital.
- Facility and Admin payroll expenses were positioned at low end of the benchmark range while overall departmental expenses were positioned in the second quartile of benchmark range. The 2018 budget projects cost savings of approximately \$50k which should move the department to the low end of benchmark range.
  - Advertising expense at the Club was \$60k in 2017, which is slightly above the high end of benchmark range of 1.5% of gross club revenue.
- The industry trend is for similar Communities to develop Capital Reserve Funds with the goal of maintaining a target balance of 2x the average annual capital maintenance obligation to help smooth out capital intensive years and provide funding for new

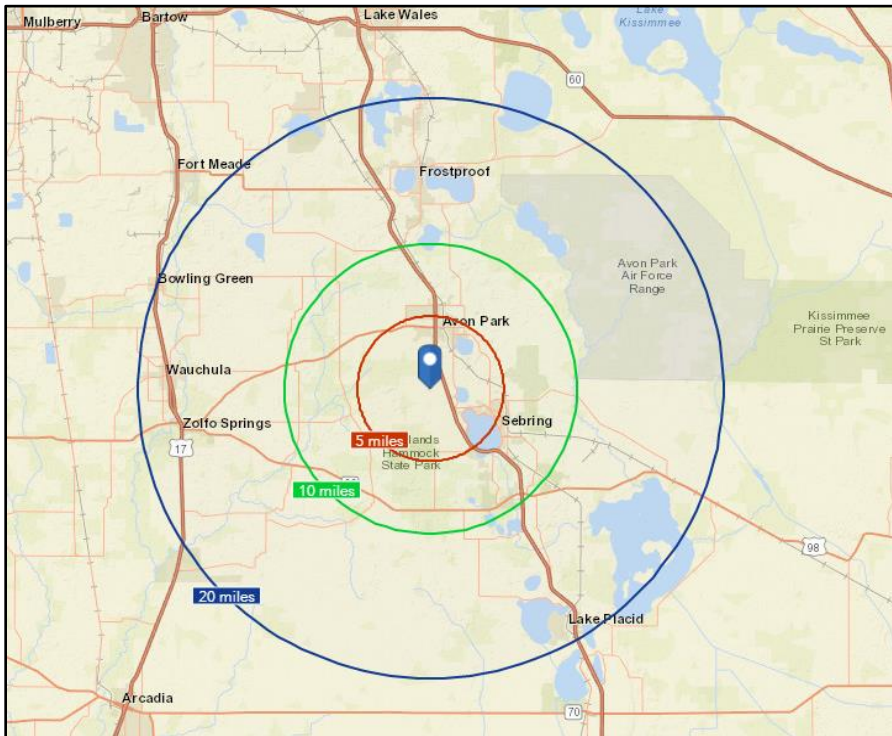
impact projects. At Sun 'n Lake, the General Fund has essentially been funding capital obligations since inception. As of the end of FY2017 (September 2017), the District's unassigned total fund balance was \$4.7M, plus an additional \$3.1M restricted for renewal, replacement and improvement and Impact fee projects.

- Governmental activities capital outlays over the past three years have averaged approximately \$1.5M annually, while the next six years (FY2018-2023) are projected to incur an average annual capital outlay of \$2.5M. If current operational performance continues at status quo, the unassigned total fund balance is likely to draw close to zero by 2023.
  - Accordingly, it is important to the long-term financial sustainability of the District that the Community explore funding options to assist with the Capital Plan as a precautionary measure, such as new debt, homeowner assessment increase or sale of empty lots.

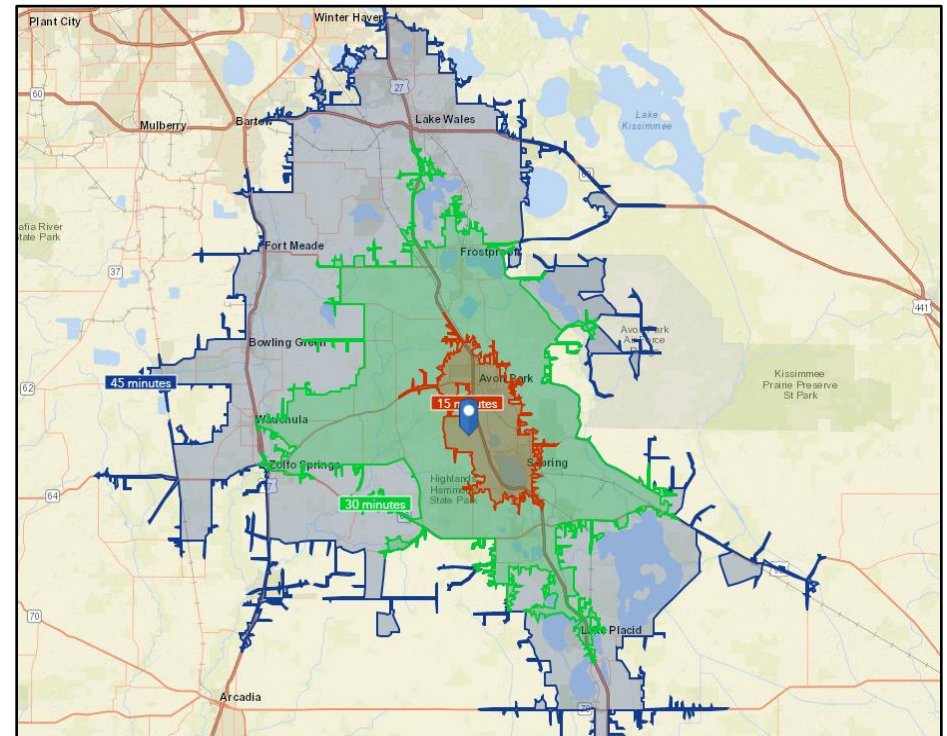
## CLUB DEMOGRAPHIC SUMMARY

Clubs must understand the demographic profile of the entire external market in which they source members and public play, often extending as far as a 45-minute drive radial from the Club. The profile of the local market contemplates the entire local area, with a focus on the 20-mile and 45-minute drive radial surrounding the Club. GGA's analysis is based on a detailed analysis of demographics, industry statistics and trends, psychographic and lifestyle segments, and a sample of similar clubs.

**Exhibit 1: SnL Market Radials (5, 10, 20-miles)**



**Exhibit 2: SnL Drive-Time Radials (15, 30, 45 mins)**



*GGA uses up to a 45-minute drive-time area (or generally a 20-mile radius) to evaluate market conditions.*

## INDEXES

The purpose of the following analysis is to identify how the demographic profile of SnL's market differs from the representation of the American population at large. An index methodology is used to show the characteristics of SnL's market profile, which is explained in greater detail below:

The first column represents the actual number of households "HH's" or population "Pop." represented in the respective parameter.

The second column, "%" shows the percentage of the total population or households.

The Index shows the variation from the National average, with 100 being the base amount; average. i.e. an index of 200 indicates a representation that is double the national average, whereas an index amount of 50 indicates a representation that is half the national average. The small bar chart is meant to provide a visual representation of which groups are represented to a greater degree than average, or to a lesser degree than average.

Represents the geographical area for which the data represents. In this example, it entails the 10, 20 and 30-minute drive time areas.

	15-Minute Drive Time						30-Minute Drive Time					
	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index
<\$10,000	2,263	4%				125	17,126	5%				174
\$10,000 - \$19,999	5,501	9%				109	35,407	10%				130
\$20,000 - \$29,999	4,820	8%				97	28,170	8%				105
\$30,000 - \$39,999	4,876	8%				94	28,005	8%				100
\$40,000 - \$49,999	4,840	8%				91	28,121	8%				98
\$50,000 - \$59,999	4,584	7%				92	25,829	7%				96
\$60,000 - \$69,999	4,332	7%				95	34,783	7%				101
\$70,000 - \$79,999	4,264	7%				95	32,850	7%				98
\$80,000 - \$89,999	4,840	8%				91	38,151	8%				98

## DEMOGRAPHIC PROFILE

The tables below summarize key demographic indicators for the 15, 30 and 45-minute drive time radials around Sun 'n Lake, compared to census data for the United States.

**Exhibit 3 – Population Profile**

Total Population Growth	15 Minute Radius						30 Minute Radius						45 Minute Radius					
	Pop.	%	0	100	200	Index	Pop.	%	0	100	200	Index	Pop.	%	0	100	200	Index
2010 Total Population	50,976						98,090						197,130					
2017 Total Population	52,296						100,682						206,462					
% Change (2010-2017)		2.6%				43		2.6%				43		4.7%				78
2022 Total Population	53,516						103,075						213,647					
% Change (2017-2022)		2.3%				55		2.4%				56		3.5%				83
<b>Population By Age</b>																		
0 To 4	2,385	5%				75	4,885	5%				80	11,420	6%				91
5 To 9	2,461	5%				75	4,965	5%				79	11,472	6%				89
10 To 14	2,353	4%				71	4,780	5%				75	11,205	5%				86
15 To 19	2,371	5%				71	4,917	5%				76	11,151	5%				84
20 To 24	2,510	5%				69	5,143	5%				73	11,426	6%				79
25 To 29	2,489	5%				67	5,224	5%				73	11,953	6%				82
30 To 34	2,467	5%				70	4,888	5%				72	11,186	5%				80
35 To 39	2,245	4%				67	4,499	4%				70	10,248	5%				77
40 To 44	2,150	4%				67	4,373	4%				71	9,724	5%				77
45 To 49	2,420	5%				73	4,777	5%				75	10,524	5%				81
50 To 54	2,823	5%				81	5,497	5%				82	11,631	6%				84
55 To 59	3,349	6%				94	6,471	6%				95	13,141	6%				94
60 To 64	3,753	7%				117	7,109	7%				115	14,137	7%				112
65 To 69	4,645	9%				168	8,644	9%				162	16,080	8%				147
70 To 74	4,657	9%				230	8,441	8%				216	14,884	7%				186
75 To 79	3,703	7%				269	6,723	7%				253	11,282	5%				207
80 To 84	2,643	5%				280	4,678	5%				258	7,604	4%				204
85 Or Older	2,871	5%				275	4,669	5%				232	7,394	4%				179

### Key Observations – Population

- The local population within a 30-minute drive time around SnL is approximately 100,000. Population growth since 2010 was 2.6%, which is less than half of the national growth rate over the same period.
- Projected population growth through 2022 is expected to be 2.4% within a 30-minute radial, which again lags behind the national projected rate. The projected growth rate improves as the radial around the Club expands.



- The age profile of the population is largely skewed towards older residents, with a representation of around 2x the national average in each age category over the age of 65 in every drive time radial.

**Exhibit 4 – 2017 Households by Income**

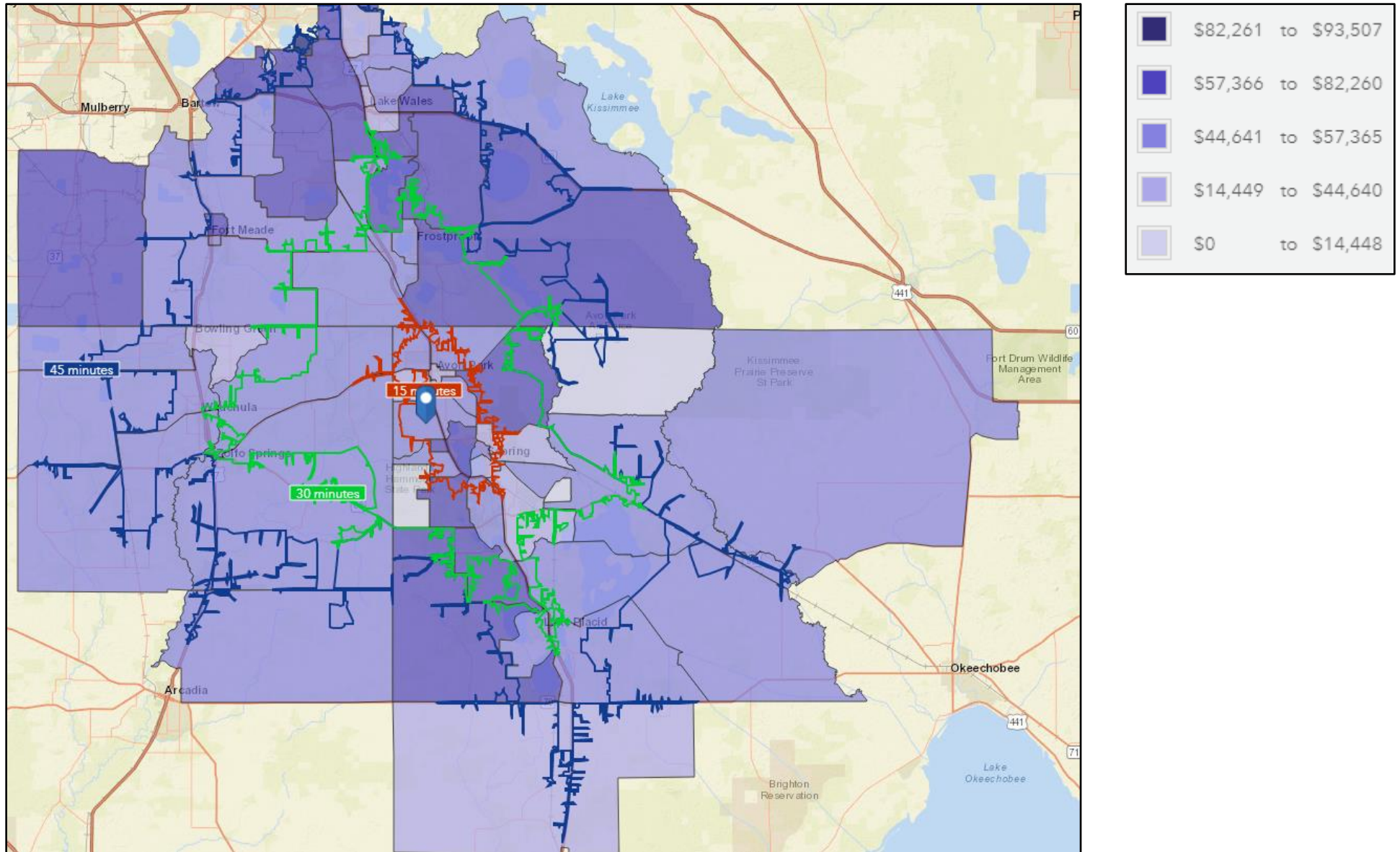
	15 Minute Radius						30 Minute Radius						45 Minute Radius					
	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index
<\$15,000	3,597	16%				138	6,337	15%				132	12,185	15%				131
\$15,000 - \$24,999	3,349	15%				147	6,325	15%				151	12,086	15%				149
\$25,000 - \$34,999	3,767	17%				171	6,750	16%				167	12,143	15%				155
\$35,000 - \$49,999	4,074	18%				137	7,277	17%				133	13,551	17%				128
\$50,000 - \$74,999	3,945	17%				97	7,477	18%				101	14,893	18%				103
\$75,000 - \$99,999	1,921	8%				68	3,560	9%				69	7,835	10%				78
\$100,000 - \$149,999	1,480	7%				47	2,814	7%				49	5,673	7%				50
\$150,000 - \$199,999	322	1%				25	707	2%				30	1,416	2%				31
\$200,000+	286	1%				21	542	1%				21	1,277	2%				26
Median Household Income	\$36,739					65	\$37,245					66	\$38,502					69
Average Household Income	\$50,093					62	\$51,122					63	\$53,062					66

**Key Observations – Income**

- Average household income within a 30-minute drive is just over \$50,000, 37% less than the national average. The income profile improves slightly when extending to the 45 minute radial.
- Approximately 10% of households in the local radials earn an income in excess of \$100k, while another 27% earn household incomes between \$50k-\$100k.

The diagram to follow illustrates the Average Household Income (2017) within the local area surrounding SnL. The areas shaded in dark purple have the highest average income earners, which is a positive indicator for golf demand.

Exhibit 5 - Average Household Income (2017)



## LIFESTYLE SEGMENTATION

Tapestry segmentation provides an accurate, detailed description of America's neighborhoods—U.S. residential areas are divided into 67 distinctive segments based on their socioeconomic and demographic composition—then further classifies the segments into LifeMode and Urbanization Groups. The 67 distinct markets of Tapestry detail the diversity of the American population. Grouping the segments can simplify these differences by summarizing markets that share similar traits. There are 14 LifeMode Groups and 6 Urbanization groups. **The detailed descriptions of these lifestyle groups can be found at the link at the bottom of this page<sup>1</sup>:**

**Exhibit 6 – Lifestyle Segment Composition within 15, 30 and 45 minutes of SnL**

2017 Lifestyle Groups and Breakdowns	15 Minute Radius						30 Minute Radius						45 Minute Radius					
	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index
1. Affluent Estates	0	0.00%				0	10	0.02%				0	10	0.01%				0
Top Tier (1A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Professional Pride (1B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Boomburbs (1C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Savvy Suburbanites (1D)	0	0.00%				0	10	0.02%				1	10	0.01%				0
Exurbanites (1E)	0	0.00%				0	0	0.00%				0	0	0.00%				0
2. Upscale Avenues	0	0.00%				0	0	0.00%				0	0	0.00%				0
Urban Chic (2A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Pleasantville (2B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Pacific Heights (2C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Enterprising Professionals (2D)	0	0.00%				0	0	0.00%				0	0	0.00%				0
3. Uptown Individuals	0	0.00%				0	0	0.00%				0	0	0.00%				0
Laptops and Lattes (3A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Metro Renters (3B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Trendsetters (3C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
4. Family Landscapes	0	0.00%				0	0	0.00%				0	909	1.12%				15
Soccer Moms (4A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Home Improvement (4B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Middleburg (4C)	0	0.00%				0	0	0.00%				0	909	1.12%				39
5. GenXurban	2,819	12.40%				109	3,212	7.68%				67	10,192	12.57%				110
Comfortable Empty Nesters (5A)	0	0.00%				0	0	0.00%				0	807	1.00%				41
In Style (5B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Parks and Rec (5C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Rustbelt Traditions (5D)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Midlife Constants (5E)	2,819	12.40%				498	3,212	7.68%				308	9,384	11.58%				465

<sup>1</sup> [http://downloads.esri.com/ESRI\\_CONTENT\\_DOC/DBL/US/TAPESTRY/TAPESTRY\\_FLIERS\\_ALL\\_0914.PDF](http://downloads.esri.com/ESRI_CONTENT_DOC/DBL/US/TAPESTRY/TAPESTRY_FLIERS_ALL_0914.PDF)

2017 PRIZM5 Lifestyle Groups	15 Minute Radius						30 Minute Radius						45 Minute Radius					
	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index
6. Cozy Country Living	1,043	4.59%				38	3,761	9.00%				75	7,512	9.27%				77
Green Acres (6A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Salt of the Earth (6B)	97	0.43%				15	1,534	3.67%				127	1,604	1.98%				69
The Great Outdoors (6C)	0	0.00%				0	609	1.46%				94	1,779	2.19%				142
Prairie Living (6D)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Rural Resort Dwellers (6E)	0	0.00%				0	428	1.02%				103	662	0.82%				82
Heartland Communities (6F)	946	4.16%				180	1,190	2.85%				123	3,468	4.28%				185
7.Ethnic Enclaves	0	0.00%				0	676	1.62%				23	5,419	6.68%				95
Up and Coming Families (7A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Urban Villages (7B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
American Dreamers (7C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Barrios Urbanos (7D)	0	0.00%				0	3	0.01%				1	825	1.02%				97
Valley Growers (7E)	0	0.00%				0	673	1.61%				662	3,464	4.27%				1,756
Southwestern Families (7F)	0	0.00%				0	0	0.00%				0	1,129	1.39%				168
8. Middle Ground	1,377	6.06%				55	1,955	4.68%				43	2,789	3.44%				31
City Lights (8A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Emerald City (8B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Bright Young Professionals (8C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Downtown Melting Pot (8D)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Front Porches (8E)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Old and Newcomers (8F)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Hardscrabble Road (8G)	1,377	6.06%				495	1,955	4.68%				382	2,789	3.44%				281
9. Senior Styles	14,020	61.65%				1,065	23,520	56.27%				972	32,034	39.51%				683
Silver & Gold (9A)	699	3.07%				401	1,584	3.79%				495	0	0.00%				0
Golden Years (9B)	0	0.00%				0	0	0.00%				0	7,763	9.58%				712
The Elders (9C)	3,745	16.47%				2,229	6,883	16.47%				2,228	19,733	24.34%				3,294
Senior Escapes (9D)	7,342	32.29%				3,563	12,819	30.67%				3,384	1,571	1.94%				214
Retirement Communities (9E)	1,571	6.91%				567	1,571	3.76%				308	662	0.82%				67
Social Security Set (9F)	662	2.91%				358	662	1.58%				195	4,667	5.76%				708



2017 PRIZM5 Lifestyle Groups	15 Minute Radius						30 Minute Radius						45 Minute Radius					
	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index	HH's	%	0	100	200	Index
<b>10. Rustic Outposts</b>	1,107	4.87%				59	5,640	13.49%				164	17,015	20.99%				255
Southern Satellites (10A)	3	0.01%				0	644	1.54%				49	4,667	5.76%				184
Rooted Rural (10B)	111	0.49%				25	1,554	3.72%				188	2,846	3.51%				178
Diners & Miners (10C)	0	0.00%				0	9	0.02%				3	1,078	1.33%				202
Down the Road (10D)	314	1.38%				121	1,536	3.67%				322	3,903	4.81%				421
Rural Bypasses (10E)	679	2.99%				223	1,897	4.54%				339	4,521	5.58%				417
<b>11. Midtown Singles</b>	0	0.00%				0	0	0.00%				0	0	0.00%				0
City Strivers (11A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Young and Restless (11B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Metro Fusion (11C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Set to Impress (11D)	0	0.00%				0	0	0.00%				0	0	0.00%				0
City Commons (11E)	0	0.00%				0	0	0.00%				0	0	0.00%				0
<b>12. Hometown</b>	2,375	10.44%				169	3,025	7.24%				117	5,189	6.40%				103
Family Foundations (12A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Traditional Living (12B)	268	1.18%				61	268	0.64%				33	268	0.33%				17
Small Town Simplicity (12C)	1,836	8.07%				431	2,437	5.83%				311	3,904	4.82%				257
Modest Income Homes (12D)	271	1.19%				90	320	0.77%				58	1,017	1.25%				95
<b>13. Next Wave</b>	0	0.00%				0	0	0.00%				0	0	0.00%				0
International Marketplace (13A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Lasa Casas (13B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
NeWest Residents (13C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Fresh Ambitions (13D)	0	0.00%				0	0	0.00%				0	0	0.00%				0
High Rise Renters (13E)	0	0.00%				0	0	0.00%				0	0	0.00%				0
<b>14. Scholars and Patriots</b>	0	0.00%				0	0	0.00%				0	0	0.00%				0
Military Proximity (14A)	0	0.00%				0	0	0.00%				0	0	0.00%				0
College Towns (14B)	0	0.00%				0	0	0.00%				0	0	0.00%				0
Dorms to Diplomas (14C)	0	0.00%				0	0	0.00%				0	0	0.00%				0
<b>15. Unclassified</b>	0	0.00%				0	1	0.00%				190	1	0.00%				98



The table below provides more detail for the top three lifestyle segments within 30-minutes:


**Exhibit 7 – Top-3 Lifestyle Segments within 30-minutes of SnL**

Lifestyle Groups	Group Overview
<b>#1 Senior Escapes (9D)</b> (30.67% or 12,819 households)	<ul style="list-style-type: none"> <li>• Stock up on good deals, especially high-fiber, low-calorie, low-fat, and sugar-free foods.</li> <li>• Own 3+ TVs and watch news, sports, CMT, Golf Channel, and AMC.</li> <li>• Belong to veterans' clubs; maintain AARP and AAA memberships.</li> <li>• Get most information from TV and the Sunday newspaper; struggle with computers and the Internet.</li> <li>• Travel in the US via guided tours but weary of security issues.</li> <li>• Frequently dine out at Denny's, Golden Corral, and Cracker Barrel.</li> </ul>
<b>#2 The Elders (9C)</b> (16.47% or 6,883 households)	<ul style="list-style-type: none"> <li>• Vehicles are just a means of transportation, but their first choice is luxury sedans. Most of their cars are older (5+ years).</li> <li>• They are connected via modems (cable or dial-up) on older PCs or notebooks. However, banking is commonly done in person; shopping is by phone or in person.</li> <li>• Shopping includes apparel and exercise equipment.</li> <li>• They are avid readers, with audio books and e-readers. Newspapers and magazines are staples for news and entertainment. Cable TV is also a must, primarily watching news or movie channels, but also golf, travel, and history channels.</li> <li>• Residents are sociable seniors, partial to a variety of clubs and organizations and generous with their time and support.</li> </ul>
<b>#3 Midlife Constants (5E)</b> (7.68% or 3,212 households)	<ul style="list-style-type: none"> <li>• Prefer practical vehicles like SUVs and trucks (domestic, of course)</li> <li>• Sociable, church-going residents belonging to fraternal orders, veterans' clubs and charitable organizations and do volunteer work and fund-raising.</li> <li>• Contribute to arts/cultural, educational, political, and social services organizations.</li> <li>• DIY homebodies that spend on home improvement and gardening.</li> <li>• Media preferences: country or Christian channels.</li> <li>• Leisure activities include scrapbooking, movies at home, reading, fishing, and golf.</li> </ul>

When considering only the 15-minute drive radial, only 'Senior Escapes' (9D) remains as the top LifeMode Group (7,342 or 32% of households). 'The Elders' (9C) remained the second largest Lifemode Group (3,745 or 16% of households) and the representation of 'Midlife Constants' (5E) grew by 5% to remain as the third largest Lifemode Group (2,819 or 12% of households).

The top lifestyle group 'Senior Escapes' falls into the 'Senior Styles' LifeMode Group, and is described in greater detail below:

### Exhibit 8 – 'Senior Escapes' LifeMode Group



LifeMode Group: Senior Styles


## Senior Escapes

**Households:** 1,088,000

**Average Household Size:** 2.19

**Median Age:** 52.6

**Median Household Income:** \$35,000



#### WHO ARE WE?


Senior Escapes neighborhoods are heavily concentrated in the warmer states of Florida, California, and Arizona. These areas are highly seasonal, yet owner occupied. Many homes began as seasonal getaways and now serve as primary residences. Forty percent are mobile homes; half are single-family dwellings. About half are in unincorporated and more rural areas. Over a quarter of the population are 65–74 years old. Most are white and fairly conservative in their political and religious views. Residents enjoy watching TV, going on cruises, playing Bingo, golfing, boating, and fishing. They are very conscious of their health and buy specialty foods and dietary supplements.

#### OUR NEIGHBORHOOD

- Neighborhoods include primary and second homes in rural or semirural settings.
- One quarter of all housing units are vacant; many are for seasonal use only.
- One-third of the households are married couples without children; a third are single-person households.
- Half the homes are single family; another 40% are mobile homes.
- Three-quarters of all homes are owner occupied, and the majority own their homes free and clear.
- Still actively driving, most households have one or two vehicles.

#### SOCIOECONOMIC TRAITS

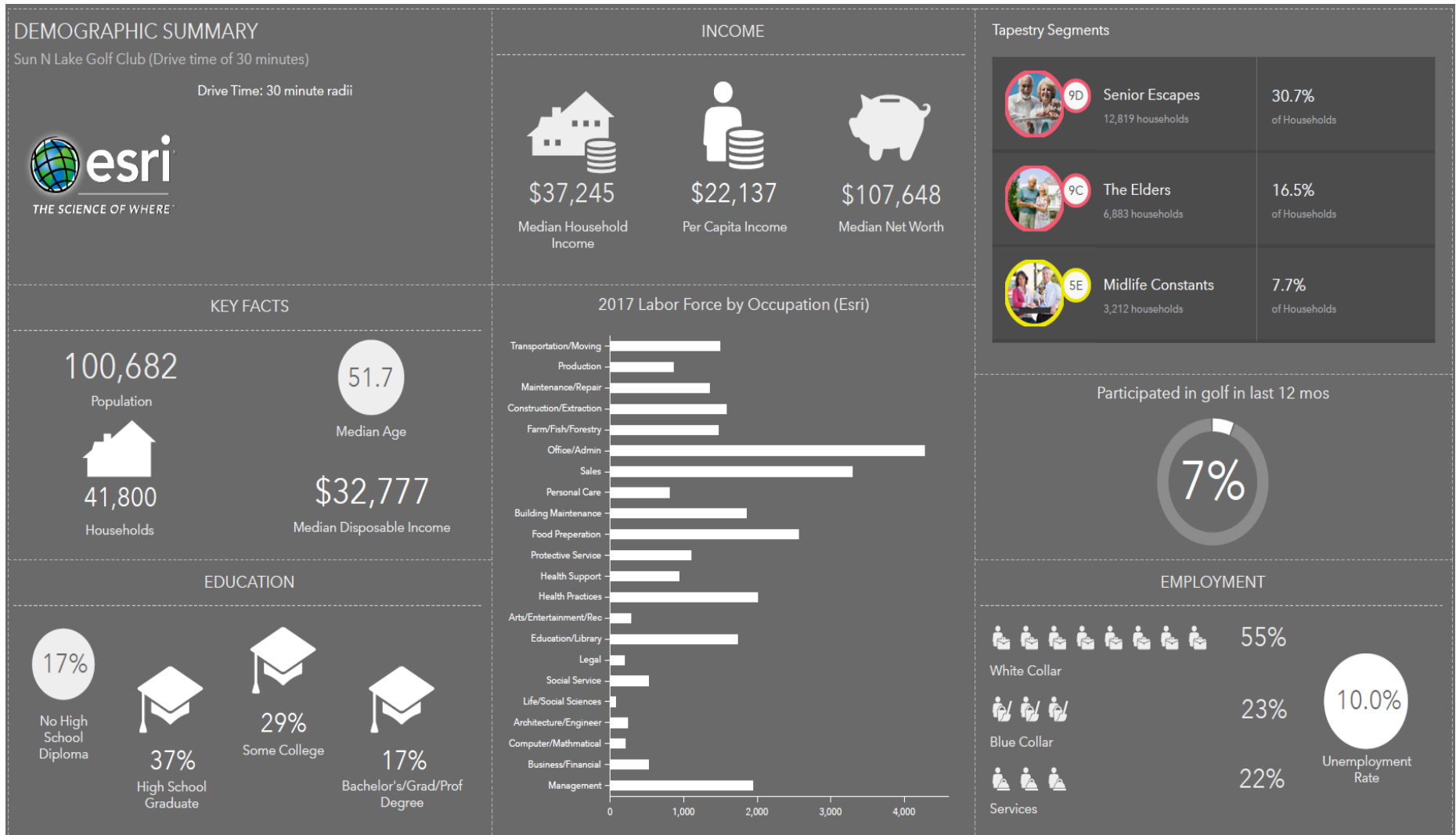
- Labor force participation is low, but more than half the households are drawing Social Security income.
- They have conservative political views.
- They spend majority of their time with spouse/significant other or alone.
- They are limited by medical conditions but still enjoy gardening and working on their vehicles.
- They take good care of vehicles, but haven't bought a new one in over five years.
- They only spend within their means, do their banking in person, and do not carry a balance on their credit card.



**TAPESTRY**  
SEGMENTATION  
[esri.com/tapestry](http://esri.com/tapestry)

Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.

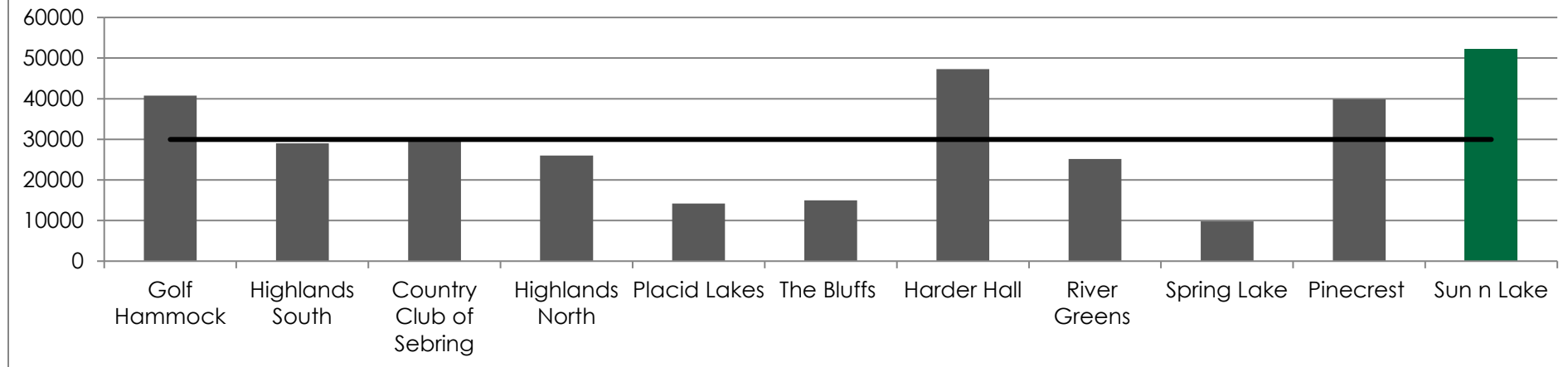
## Exhibit 9 – 30-minute radial summary of Demographic Indicators



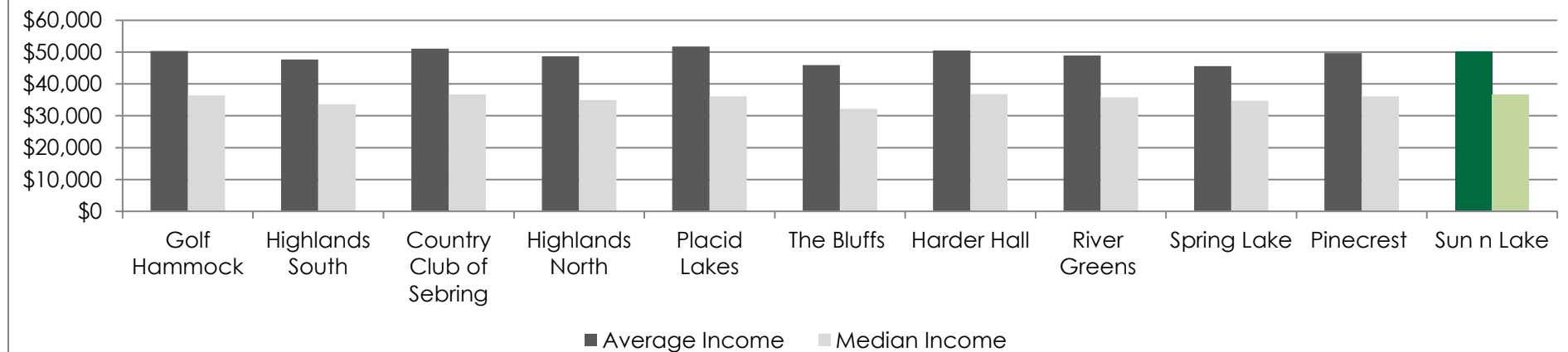
## LOCAL CLUB CROSS COMPARISON

The following analysis compares the demographic profile of the immediate 15-minute drive radial surrounding Sun 'n Lake, compared to some of the other local golf clubs which represent the primary competition for members and public green fees, to assess the attractiveness of the local neighborhoods surrounding Sun 'n Lake:

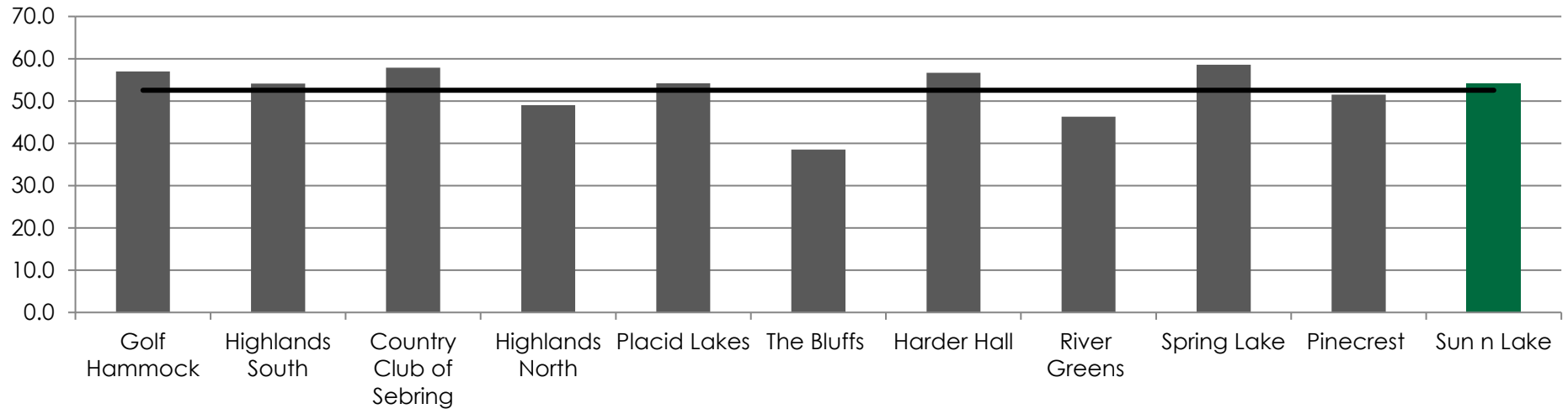
**Exhibit 10: 2017 Population - 15-Minute Drive Radius**



**Exhibit 11: 2017 Income Level - 15-Minute Drive Radius**



**Exhibit 12: 2017 Median Age - 15-Minute Drive Radius**



**Exhibit 13: 2017 University Education (%) - 15-Minute Drive Radius**

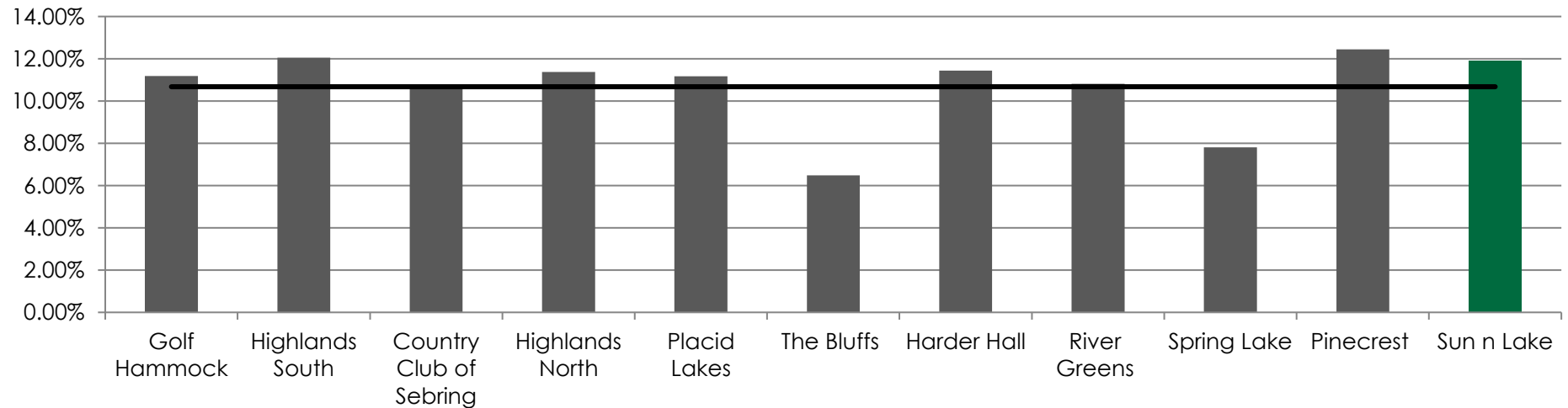
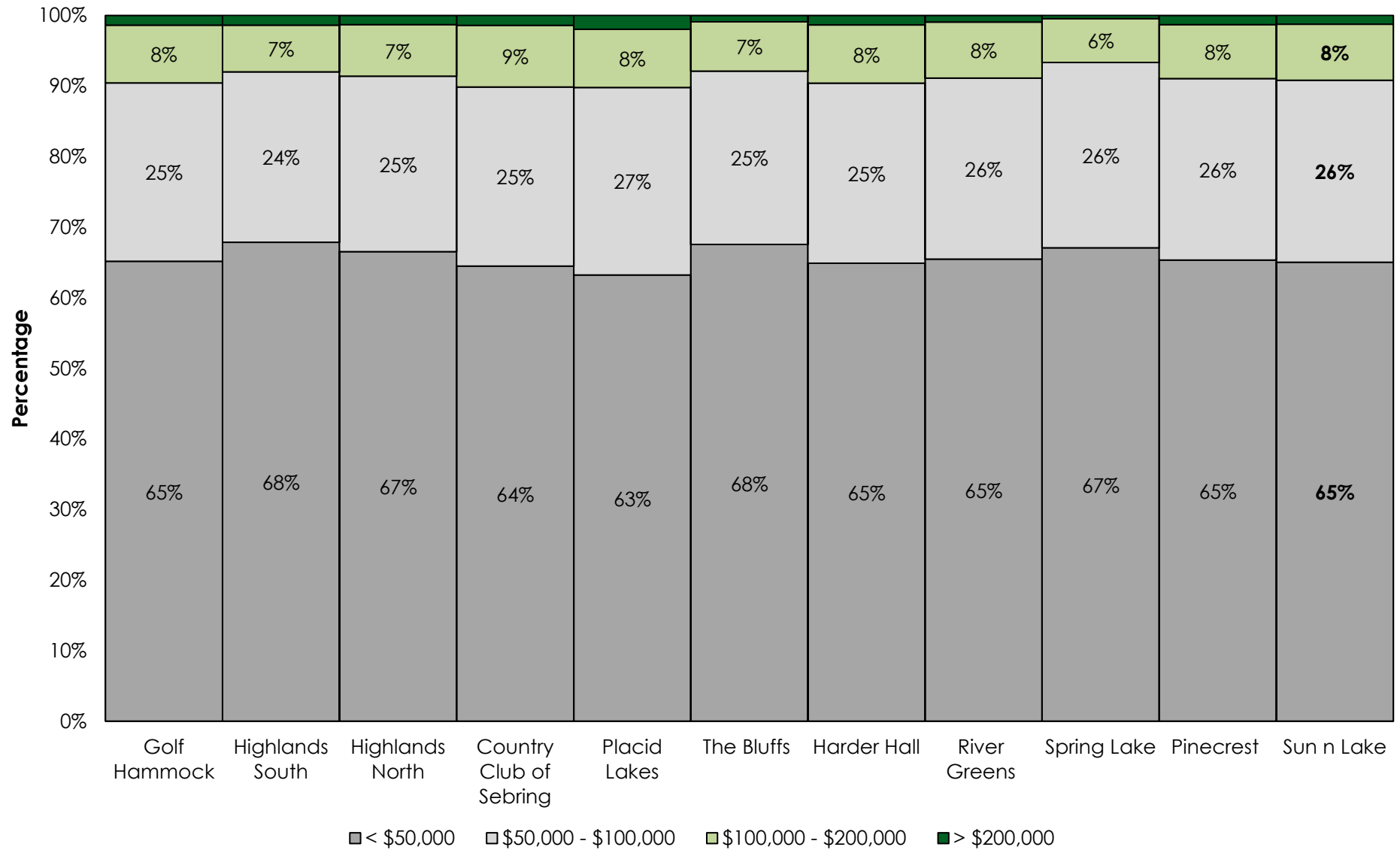




Exhibit 14: 2017 Income Breakdown - 15-Minute Drive Radius



## SOURCE OF ORIGIN ANALYSIS

The source market area broadly includes the Midwest (as far west as the Twin Cities, Chicago, and St. Louis and as far north as Ottawa, Canada), spanning east all the way over to Interstate-95 and then directly south along both Interstate-75 and Interstate-95 to Florida.

It is essential that marketing efforts be focused on promoting the SnL lifestyle in places that will give the community the best exposure and value-for-money in terms of advertising dollars spent and time invested in promoting Central Florida as a desirable seasonal destination.

Source markets that will provide the greatest opportunity for the Club will have the following key characteristics:

- Easy access to direct driving routes via the main Interstate highways 75 and 95;
- Direct short-haul flights into the major airports closest to the Club;
- Higher golf participation rates;
- Household incomes of at least \$100,000; and,
- Complementary seasonal weather patterns.

The following airports offer air travel access to the market area closest to the Club:

- Sarasota-Bradenton International Airport ("SRQ") – 80 miles from the Club – receives direct flights from 13 National and International airports;
- St. Pete Clearwater International Airport ("PIE") – 104 miles from the Club - receives direct flights from 62 different National and International airports, \*\*typically smaller cities across the Midwest and Northeast through Allegiant Air.
- Tampa International Airport ("TPA") – 92 miles from the Club - receives direct flights from 63 different National and International airports;
- Southwest Florida International Airport ("RSW") – 100 miles from the Club - receives direct flights from 28 different National and International airports; and

- Orlando International Airport (MCO) – 80 miles from the Club – receives direct flight from 137 different National and International airports

## SOURCE OF ORIGIN OF DIRECT FLIGHTS

Daily year-round direct flights into SRQ, the closest major airport to the Club, originate from five cities:

1. Atlanta, Georgia
2. Charlotte, North Carolina
3. Chicago, Illinois
4. New York, New York
5. Washington, D.C.

Other direct flights that are under three hours into RSW, MCO, PIE or TPA from cities located in the Midwest and Northeast originate from:

- Louisville, Kentucky;
- Norfolk, Virginia;
- Cincinnati, Ohio;
- Columbus, Ohio;
- Dayton, Ohio;
- Indianapolis, Indiana;
- St. Louis, Missouri;
- Akron, Ohio;
- Wilmington, Delaware;
- Grand Rapids, Michigan;
- Flint, Michigan;
- Pittsburgh, Pennsylvania
- Syracuse, New York
- Buffalo, New York;
- Atlantic City, New Jersey;
- Cleveland, Ohio;
- Kansas City, Missouri;
- Milwaukee, Wisconsin;
- Philadelphia, Pennsylvania;
- Rochester, New York;
- Albany, New York;
- Hartford, Connecticut;
- Providence, Rhode Island;
- Westchester, New York;
- Latrobe, Pennsylvania; and
- Newburgh, New York

The map shown below illustrates the golf participation rates – which are key factors in evaluating source market potential for mandatory membership communities located in Florida – by state for the United States. The feeder or source markets area is broadly outlined in yellow below:

**Exhibit 15 – Golf Participation Rate by State**



Source: The National Golf Foundation ([www.ngf.org](http://www.ngf.org)).

## SOURCE-OF-ORIGIN-MARKET CONCLUSION

Overall, the source-of-origin analysis considers many factors such as major driving routes, flight availability and durations, demographic indicators, economic impact, golf participation rates, competitor source markets, as well as domestic and international travel/vacation tendencies. Each of these factors should be evaluated to determine the target markets on which SnL should focus marketing efforts going forward. It is important for marketing efforts to focus on promoting the Club's brand in cities/places with demographic segments that will provide the best exposure and value-for-money proposition in terms of advertising dollars spent and time invested.

Potential demand within the Ontario market locales is robust, while the U.S. northeast locations are home to large populations of high-income households and tourists who already frequent the area. Ultimately, the unique representation of current club members and homeowners will be the most telling factor and serve as one of the best marketing tools the Club has going forward, as prospective members are heavily influenced to join clubs with likeminded people, people they know or share connections with.

**The key findings of this analysis cannot be completed without a further analysis of the demographic profile of current Sun 'n Lake homeowners and members. The report will be amended once this information has been provided to GGA.**



## COMPETITIVE SET ANALYSIS

### INTERNAL MEMBERSHIP ANALYSIS

#### SUMMARY OF SUN 'N LAKE OFFERING

The improvement district provides the same type of services and recreational facilities as a municipality, though the main revenue source is from assessments, rather than from ad valorem tax like municipalities. All homeowners of a residential property pay an annual district assessment of \$673 (\$499 for an improved lot). This fee has remained the same each of the past ten years. Residents pay an additional fee for water and sewer usage. Optional memberships available within Sun 'n Lake include the following:

**Recreational Membership** – The all-inclusive recreational membership includes access to the Pool, Fitness Corner and Tennis/Pickleball Courts. The annual fee is \$225 for a family or \$110 per individual (non-residents do not have this option). Alternatively, individual amenity memberships are available at the following rates:

- Pool - \$125 family ; \$50 Individual
- Fitness - \$50 Individual
- Tennis/Pickleball - \$100 family ; \$50 Individual

**Golf Membership** – Includes Trail fee, a \$200 driving range key and unlimited use of the Pool, Racquet, & Fitness Center; Tee times three weeks in advance ; 10% off in the Golf Shop ; 10 guest passes for \$25 in-season or \$15 off-season. The various membership category options and rates are outlined below (tax not included):

**Exhibit 16: Membership Category Price Structure**

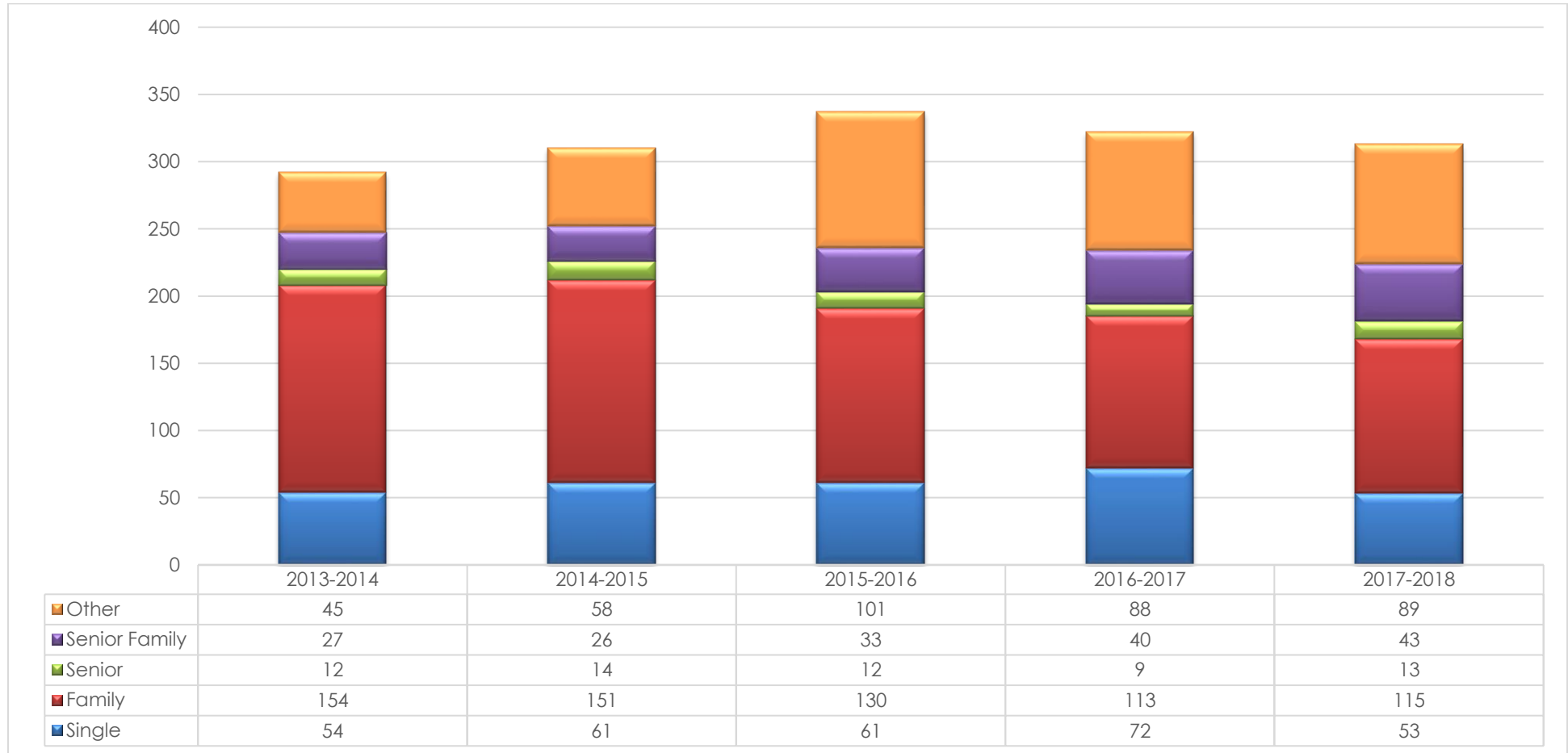
Category	\$	%	Category	\$	%
Full Family	\$4,353	100%	Single over 90	\$979	22%
Family over 80	\$2,981	68%	Single 18-25	\$773	18%
Family over 85	\$2,557	59%	Junior	\$258	6%
Family under 50	\$2,450	56%	Corporate (4 individuals)	\$10,000	230%
Full Single	\$3,158	73%	Seasonal:		
Single over 80	\$2,503	58%	5-month Peak Single	\$2,328	53%
Single over 85	\$2,079	48%	3-month Peak Single	\$1,782	41%
Single under 50	\$1,601	37%	Summer Single	\$784	18%

*\*Initiation Fee of \$3,000 is currently waived for new member*

## MEMBERSHIP COUNT SUMMARY

Shown below, is a summary of the membership numbers of the major categories over the last 5 years.

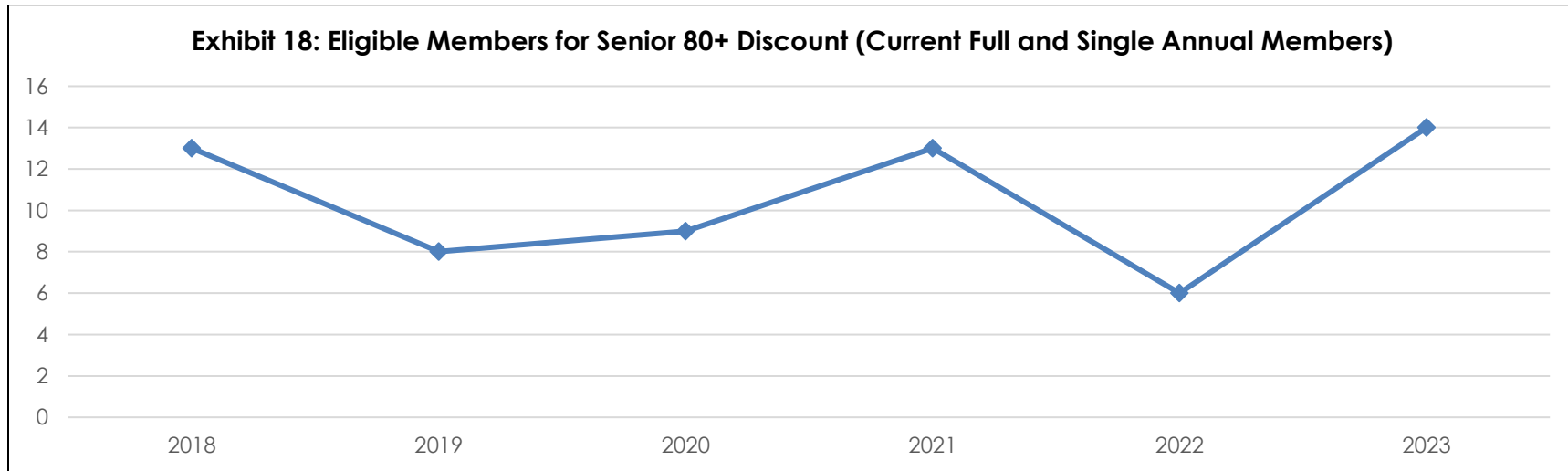
**Exhibit 17: Membership Count – Last 5 Years**



### Membership Count Summary – Key Observations

- i. Dues revenue will continue to be driven by the full family membership category, which has decreased 39 members since 2013.

- ii. Conversely, the Senior Family membership category has continuously grown. SnL must monitor the eligibility of Senior categories among full members to ensure that too much conversion does not lead to cannibalization of dues revenue.
  - a. Based on the current member roster, the Club currently has 13 members who become eligible this year for the 80+ discount, and averages 10 members becoming eligible each of the next 5 years:



## COMPETITIVE SET OVERVIEW

Given the uniqueness of Sun 'n Lake as a Special Improvement District and the range of facilities and amenities it offers, the extent to which the Club competes with traditional stand-alone golf clubs in the local market is not significant. There are many excellent competitive semi-private club communities in the extended region that GGA is familiar with and that present a similar value offering for a potential member and/or resident. The analysis herein looks first at the local competitive set of golf courses that compete directly with SnL for paid rounds and memberships, but also at a regional set of semi-private residential communities in the regional area that provide a similar amenity profile and quality service offering to that of SnL and may represent a competitive alternative for incoming out-of-state residents looking to settle in a residential community similar to SnL.

GGA selected 8 local clubs and 10 regional clubs to form the competitive sets to compare in detail to SnL based on the following criteria:

- i. Perceived competition from conversations with management;
- ii. Similar annual costs and/or entrance fees;
- iii. Similar perceived quality of golf courses and amenity profile;
- iv. Proximity to SNL; and,
- v. Real estate offering at a similar price range.

## Exhibit 19 – Competitive Set Overview

Club	Location	Year Built	Drive Time to SnL	Holes	In-Season Peak Rate	Off-Season Peak Rate	Amenities		
							Tennis	Pool	Fitness
Sun 'n Lake	Sebring	1974	0	36	\$58.00	\$31.00	✓	✓	✓
<b>Local Competitive Set</b>									
Harder Hall	Sebring	1958	12	18	\$29.00	\$20.00	✓	✓	
River Greens	Avon Park	1969	15	18	\$37.00	\$37.00			
Highlands Ridge	Avon Park	2001	15	36	\$55.00	\$39.00	✓	✓	
CC of Sebring	Sebring	1985	16	18	\$30.00	\$20.00	✓	✓	
Golf Hammock	Sebring	1978	16	18	\$29.00	\$20.00	✓	✓	
Placid Lakes	Placid Lakes	2005	28	18	\$28.37	\$22.33			
Spring Lake	Sebring	1980	30	45	\$36.00	\$25.00			
The Bluffs	Zolfo Springs	1992	40	18	\$29.00	\$20.00	✓	✓	
<b>Regional Competitive Set</b>									
Esplanade G&CC	Naples	2014	76	18	\$109.00	n/a	✓		✓
Lakewood National	Sarasota	2017	79	36	\$99.00	\$67.50	✓	✓	✓
Rosedale Golf & Country Club	Lakewood Ranch	1993	84	18	\$79.00	\$35.00	✓	✓	✓
Pelican Pointe Golf & Country Club	Venice	1995	85	27	\$91.00	n/a	✓		✓
University Park Country Club	University Park	1991	104	27	\$80.00	\$35.00	✓		✓
Stoneybrook G&CC	Sarasota	2002	105	18	\$88.00	\$38.00	✓	✓	✓
Jacaranda West Country Club	Venice	1975	105	18	\$65.00	\$35.00	✓		
Boca Royale Golf & Country Club	Englewood	1966	113	18	\$87.00	\$57.00	✓	✓	✓
The Villages	Ocala	2014	145	621	\$86.92	\$55.42	✓	✓	✓
Spruce Creek	Ocala	1998	150	36	\$41.00	\$28.00	✓	✓	✓
<b>Local Competitive Set Average</b>		<b>1984</b>	<b>22</b>	<b>n/a</b>	<b>\$34.17</b>	<b>\$25.42</b>			
<b>Regional Competitive Set Average</b>		<b>1997</b>	<b>105</b>	<b>n/a</b>	<b>\$82.59</b>	<b>\$43.86</b>			

## Competitive Set Overview – Key Observations

- i. SnL has a built out amenity profile that is strong in the local competitive set and more comparable to the regional set of clubs listed above.
- ii. Peak In-Season Rates (including cart fee):



**LOCAL:** The in-season peak rate at Sun 'n Lake is appropriately positioned at the high end of the local range from \$28 to \$55 (average of \$34).

**REGIONAL:** In-season peak rates within the regional set of competitors ranged from \$41 to \$109 with an overall average of \$83.

iii. Peak Off-Season Rates (including cart fee):

**LOCAL:** Off-season peak rates ranged from \$20 to \$39 within the local set and an average of \$25. As a percentage of each Club's peak in-season rate, the average off-season rate is priced at 70%, compared to 53% at SnL.

**REGIONAL:** Off-season peak rates within the regional set of competitors ranged from \$28 to \$68 with an overall average of \$44. As a percentage of each Club's peak in-season rate, the average off-season rate is priced at 60%, compared to 53% at SnL.

iv. The majority of courses in the local competitive sets include cart fees, while many regional clubs charge the cart fee as an add-on. The regional average cart fee is \$20 per rider.

v. The average cost of an annual range pass within the local set is \$380, which is well aligned with the \$375 cost at Sun 'n Lake.

vi. Trail fees as add-on costs are much more common in the regional set, ranging from \$1,600 to \$2,500 annually.

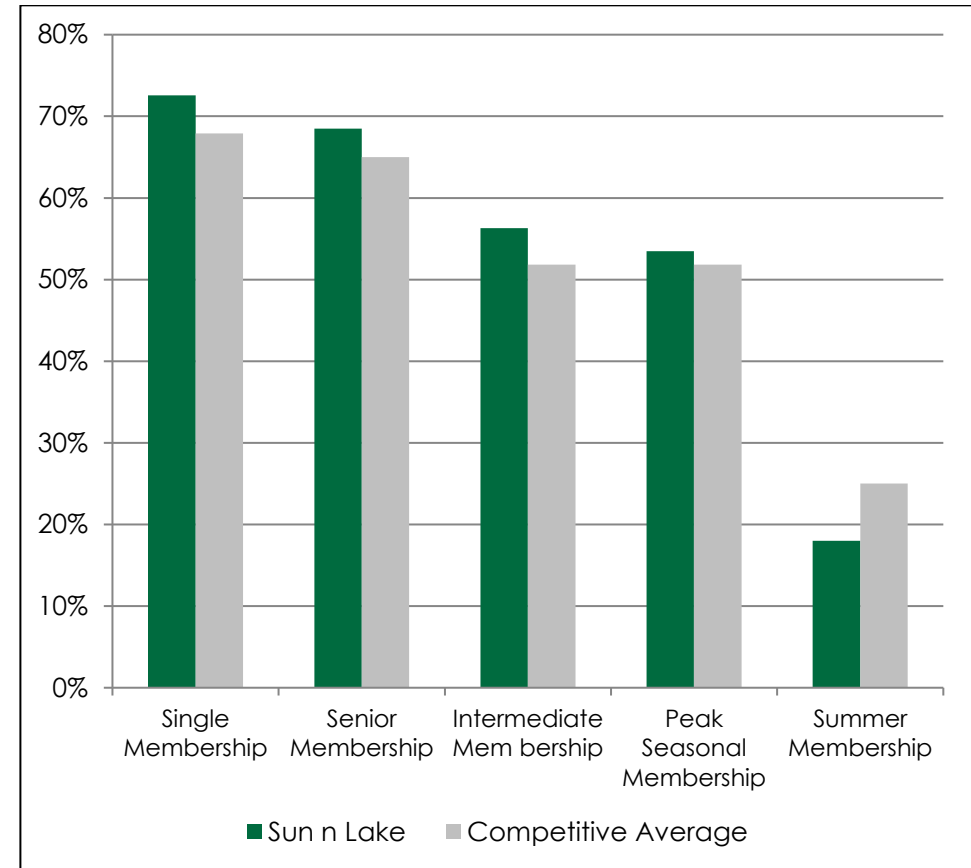
One of the key questions potential homebuyers ask when evaluating various club communities is, "How much will it cost per year?" The annual cost to live in golf communities is very important to most prospective residents for SnL and competing communities. In order to determine how SnL compares, GGA has identified the 'annual cost to belong' for both the local golf competitors and the regional set of Club communities.

The exhibit below lists the previously identified competitive set of Clubs and compares cost to be a full golf member at each club. The clubs are sorted by 'Mandatory Costs' not including F&B minimums:

## Exhibit 20: Full Family Membership Annual Cost

Club	Entrance Fee	Mandatory Costs
Sun 'n Lake	n/a	\$4,353
<b>Local Competitive Set</b>		
Highlands Ridge	\$1,500	\$5,880
CC of Sebring	n/a	\$4,400
Placid Lakes	n/a	\$3,905
River Greens	n/a	\$3,570
Golf Hammock	n/a	\$2,550
Harder Hall	n/a	\$2,550
The Bluffs	n/a	\$2,550
<b>Regional Competitive Set</b>		
University Park Country Club	\$5,000	\$8,926
Plantation Golf & Country Club	\$1,000	\$8,682
Boca Royale Golf & Country Club	\$5,000	\$8,170
Rosedale Golf & Country Club	\$8,000	\$7,550
Jacaranda West Country Club	\$2,000	\$7,450
Pelican Pointe Golf & Country Club	\$2,500	\$7,035
Spruce Creek	n/a	\$6,326
Esplanade G&CC	\$1,500	\$5,605
Lakewood National	\$2,500	\$5,436
Stoneybrook G&CC	\$3,000	\$4,760
The Villages	n/a	\$4,425
<b>Local Competitive Set Average</b>	<b>\$1,500</b>	<b>\$3,629</b>
<b>Regional Competitive Set Average</b>	<b>\$3,389</b>	<b>\$6,760</b>

## Exhibit 21: Discounted Membership Categories % of Full Family



## Competitive Set Pricing – Observations

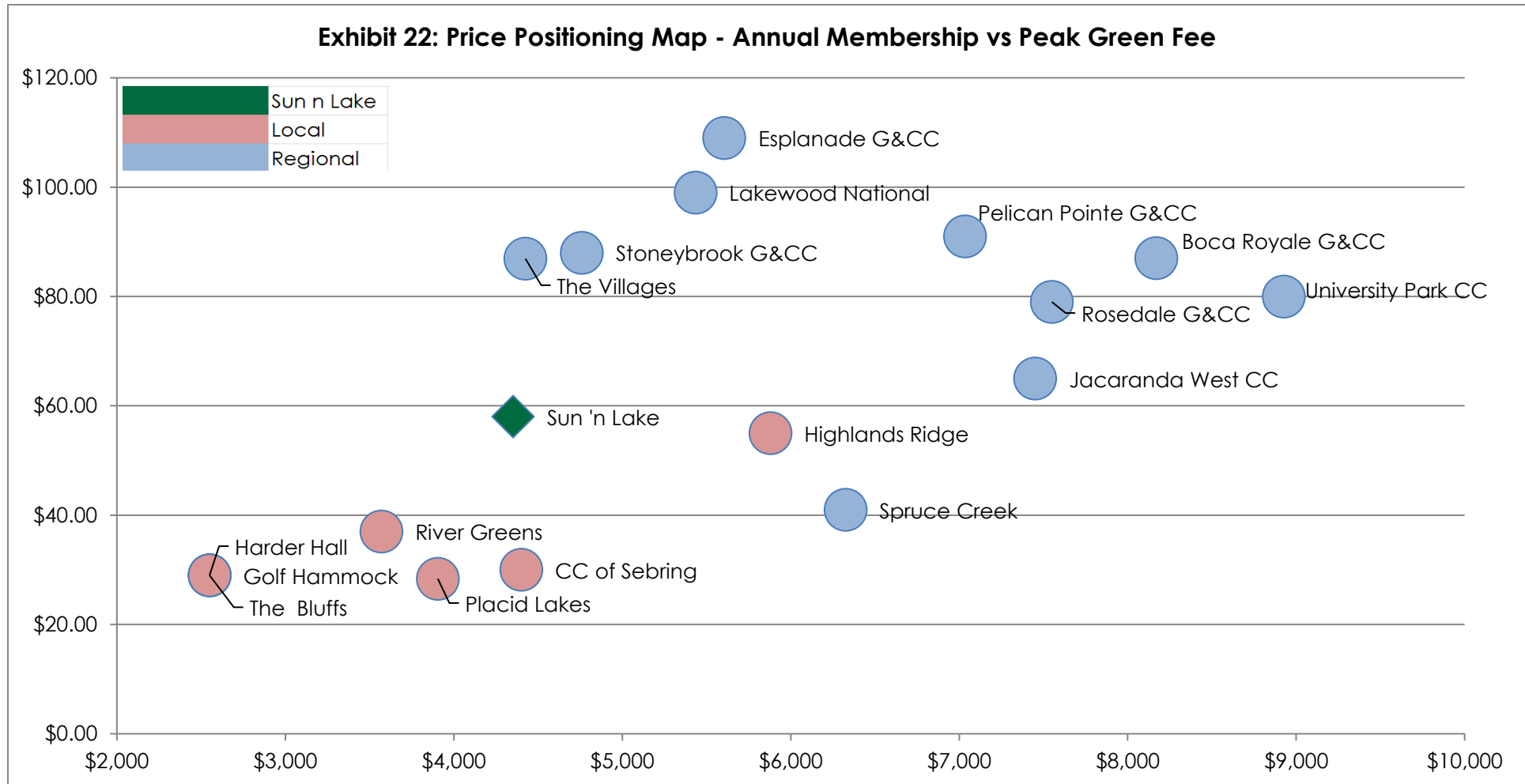
- i. Highlands Ridge is the only course in the local competitive set that charges entrance fees, while most courses in the regional set charge a joining fee from \$1,000 to \$8,000 with an average of \$3,389.
- ii. Mandatory Fees (include trail fees, do not include F&B Minimums):

**LOCAL:** Mandatory fees in the local set ranged from \$2,550 to \$5,880 and averaged \$3,629. The mandatory costs at SnL of \$4,353 are the third highest and provide strong value for money based on the quality and amenity offering.

**REGIONAL:** Mandatory fees ranged from \$4,425 to \$8,926 and averaged \$6,760. The majority of these club communities have a similar amenity profile to Sun 'n Lake but a slightly stronger 'fit and finish' and service levels. With minor improvements to the current amenity profile and increased staffing to improve service levels, GGA believes the SnL membership could command a price point competitive with the regional set.

- iii. Sun 'n Lake offers a number of supplemental memberships that are also common in the local and regional competitive sets. The previous chart illustrates the discounting structure averages in the competitive set compared to the price structure at Sun 'n Lake. The discounts offered at SnL appear to be priced appropriately, well-aligned with the average discounts for comparable memberships in the competitive set.
- iv. There is no food and beverage minimum for SnL members and this charge is not common in the local market. Minimums are offered by more than half of the regional set, at an average annual charge of \$625. Members typically include this type of cost in their overall calculation of the 'all-in' cost to be a member.

The following exhibit illustrates the price positioning of each competitive set compared to Sun 'n Lake as it relates to the annual cost of a family golf membership and the peak green fee rate during the winter busy season:



## OPERATING EVALUATION

GGA was engaged to complete a detailed review and evaluation of the financial information for all Club operations, with a specific mandate to compare this information with Best Management Practices, based upon industry standards and the GGA Golf Diagnostic Benchmarking information. In order to make relevant comparisons, the Club was compared to best practices for facilities with similar characteristics and seasonality to SnL.

Based on the parameters outlined above, SnL has been evaluated departmentally, first in terms of revenue and then costs of sales and expenses. In terms of expenses (or cost centers), the focus was on payroll and operating expenses in order to evaluate recent performances and to identify potential areas where expense reductions may be possible.

GGA commentary is based on our site visit, SnL's historic results, Best Management Practice KPI's and benchmarks, and discussions with Management regarding the historic performance of the Club. All comments related to 'benchmarks' refer to best practice KPI's. Our analysis and related conclusions contained herein were based on the economic and industry trends prevailing and information available as at the date of report issuance. No responsibility is taken for changes in market conditions subsequent to this date. We have not audited or otherwise independently verified this information and consequently do not express an opinion or any other form of assurance, on the financial information or underlying data and information provided to GGA.

Based on the parameters described herein, GGA has evaluated both revenue centers and cost centers at SnL. The focus of the Operational Review has been on revenue and expenses related to the Golf Fund.

**Exhibit 23: Revenue and Cot Centers Evaluated**

	Revenue Centers	Cost Centers
<b>General Fund Operations</b>	<ol style="list-style-type: none"> <li>1. Assessment</li> <li>2. Service Charges</li> <li>3. Other Fees</li> </ol>	<ol style="list-style-type: none"> <li>1. Financial &amp; Government</li> <li>2. Community Service</li> <li>3. Facility &amp; Grounds</li> <li>4. Code Enforcement &amp; Security</li> <li>5. Roads &amp; Drainage</li> <li>6. Recreation &amp; Leisure</li> </ol>
<b>Utility Fund Operations</b>	<ol style="list-style-type: none"> <li>1. Services Charges</li> <li>2. Other Fees</li> </ol>	<ol style="list-style-type: none"> <li>1. Utility Operation</li> </ol>
<b>Golf Fund Operations</b>	<ol style="list-style-type: none"> <li>1. Membership Dues</li> <li>2. Golf Operations               <ol style="list-style-type: none"> <li>a. Guest Fee Revenue</li> <li>b. Cart Fee Revenue</li> <li>c. Merchandise Sales</li> <li>d. Rentals &amp; Other Services</li> </ol> </li> <li>3. Other Amenity Operations</li> </ol>	<ol style="list-style-type: none"> <li>1. Golf Operations</li> <li>2. Food and Beverage</li> <li>3. Golf Course Maintenance</li> <li>4. Other Amenity Operations</li> <li>5. Administration (incl. Security)</li> <li>6. Membership, Marketing &amp; Communications</li> </ol>

*\*It should be noted that some departmental expenses may be reallocated for comparison to benchmarks.*



## SUMMARY OF HISTORIC RESULTS – ALL FUNDS

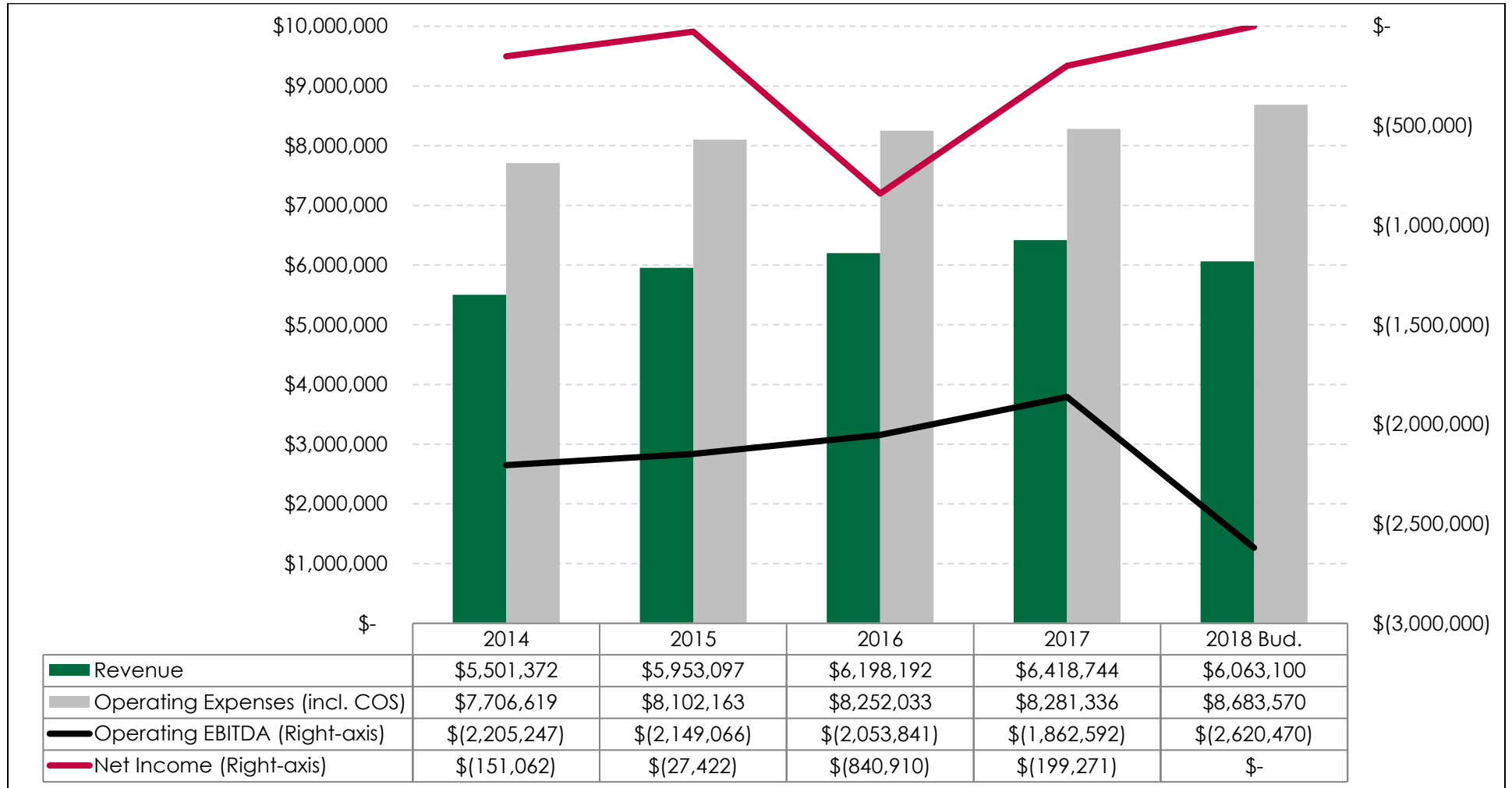
The performances of the Club from fiscal 2014 to 2017 along with the 2018 budget are summarized in the exhibits below, provide an overview of the entire district's operations (including General Fund, Debt Services, Capital Projects, Utility Fund, and Golf Operations Fund):

**Exhibit 24: Historical Financial Summary**

	2014	2015	2016	2017	2018 Bud.	% Δ YoY	4-Yr CAGR
Revenue	\$ 5,501,372	\$ 5,953,097	\$ 6,198,192	\$ 6,418,744	\$ 6,063,100	4%	5%
Cost of Sales	\$ 606,565	\$ 699,088	\$ 661,838	\$ 631,054	\$ 660,250	-5%	1%
Gross Profit	\$ 4,894,807	\$ 5,254,009	\$ 5,536,354	\$ 5,787,691	\$ 5,402,850	5%	6%
Operating Expenses	\$ 7,100,054	\$ 7,403,075	\$ 7,590,195	\$ 7,650,283	\$ 8,023,320	1%	3%
Net Operating EBITDA	\$ (2,205,247)	\$ (2,149,066)	\$ (2,053,841)	\$ (1,862,592)	\$ (2,620,470)	9%	5%
Other Non-Operating Income	\$ 8,797,413	\$ 4,745,390	\$ 4,209,275	\$ 6,623,463	\$ 4,810,500	n.m.	n.m.
Other Non-Operating Expenses	\$ 6,743,228	\$ 2,623,746	\$ 2,996,344	\$ 4,960,142	\$ 2,190,030	n.m.	n.m.
Net Income	\$ (151,062)	\$ (27,422)	\$ (840,910)	\$ (199,271)	\$ -	n.m.	n.m.

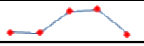

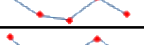

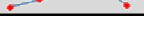
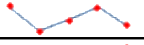
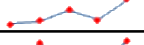
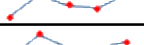

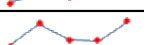


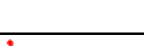
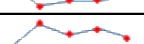
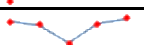
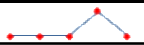



*Note: Sum of columns may not exactly reflect bottom-line totals due to rounding discrepancies. GGA records 'Assessment Revenue', 'Management Fee' and 'Interest / Investment Income' under 'Non-Operating account', which leads to a discrepancy in 'Net Operating EBITDA' and 'Operating expense' between GGA reporting and Sun 'n Lake's Consolidated report.*

Overall operating revenue has increased at a consistent positive rate from 2014 to 2017 (compound annual growth rate of 4%), while Fiscal 2018 is budgeted to experience a decline of 6%. Gross Profit has increased at a slightly higher pace (compound annual growth of 6%) since 2014 but is expected to decrease by 7% in 2018. Overall operating expense has increased slightly above the pace of inflation with cumulative increase of 8% (with an average increase rate of 3%) since 2014 and is expected to increase by 5% in 2018.

**Exhibit 25: Historical Financial Summary Trend**

The exhibits to follow illustrate the historic performance of General Fund, Utility Fund, & Golf Fund Operations:










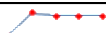
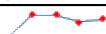
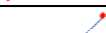

**Exhibit 26: General Fund Trend**

	2014	2015	2016	2017	2018 Budget	Trend
<b>REVENUE</b>						
Penalty and Interest on Assessment	\$ 89,941	\$ 87,525	\$ 124,609	\$ 130,200	\$ 85,000	
Charge for Service	\$ 51,114	\$ 166,453	\$ 152,958	\$ 150,864	\$ 146,500	
Licenses & Permits	\$ 2,400	\$ 1,000	\$ 600	\$ 2,200	\$ 1,000	
Others	\$ 103,067	\$ 30,804	\$ 43,661	\$ 98,113	\$ 20,000	
<b>General Fund Operating Revenue</b>	<b>\$ 246,522</b>	<b>\$ 285,782</b>	<b>\$ 321,828</b>	<b>\$ 381,377</b>	<b>\$ 252,500</b>	
<b>EXPENSES</b>						
Financial & Administrative	\$ 948,499	\$ 808,305	\$ 866,599	\$ 941,863	\$ 839,300	
Community Services	\$ 131,263	\$ 141,810	\$ 172,952	\$ 146,592	\$ 208,245	
Facilities & Grounds	\$ 302,505	\$ 391,958	\$ 350,023	\$ 338,060	\$ 403,875	
Code enforcement & Security	\$ 282,637	\$ 337,503	\$ 306,679	\$ 305,742	\$ 321,000	
Roads & Drainage	\$ 574,575	\$ 809,845	\$ 703,622	\$ 851,870	\$ 1,192,100	
Culture and Recreation	\$ 308,816	\$ 349,615	\$ 320,237	\$ 319,714	\$ 354,350	
<b>General Fund Operating Expenses</b>	<b>\$ 2,548,295</b>	<b>\$ 2,839,036</b>	<b>\$ 2,720,112</b>	<b>\$ 2,903,841</b>	<b>\$ 3,318,870</b>	
<b>Net Operating EBITDA</b>	<b>\$ (2,301,773)</b>	<b>\$ (2,553,254)</b>	<b>\$ (2,398,284)</b>	<b>\$ (2,522,464)</b>	<b>\$ (3,066,370)</b>	
<b>Non-Operating:</b>						
Assessments	\$ 3,703,575	\$ 3,395,141	\$ 3,460,039	\$ 3,458,783	\$ 3,540,000	
Interest/Investment Income	\$ 11,745	\$ 30,931	\$ 22,105	\$ 26,398	\$ 20,000	
Capital Outlay / Projects	\$ (247,497)	\$ (349,820)	\$ (969,676)	\$ (310,001)	\$ (131,000)	
Gain/Loss on Disposal	\$ -	\$ -	\$ 2,100	\$ 113,081	\$ -	
Net effect of Transfer In / (Out)	\$ (592,642)	\$ (1,087,842)	\$ (339,887)	\$ (633,766)	\$ (362,630)	
<b>Net Income / (Deficit)</b>	<b>\$ 573,408</b>	<b>\$ (564,844)</b>	<b>\$ (223,603)</b>	<b>\$ 132,031</b>	<b>\$ -</b>	

Total Revenue from General Fund (including Assessments) has cumulatively decreased since 2014, while operating expenses have cumulatively increased by 13% since 2014, with a 2% expected in 2018. Among all the operating expense streams, Transportation (Road & Drainage) has experienced the most significant increase over the past four years (average annual increase of 14%) and is expected to increase by 40% in 2018.

The General Fund is also responsible for outbound transfers, typically to support the Golf Fund. Over the past decade the General Fund has subsidized over \$7M to the Golf Fund to support capital maintenance/improvements. When excluding transfers, the General Fund Operation consistently achieves positive net income in excess of \$500,000 each year.

**Exhibit 27: Utility Fund Trend**

	2014	2015	2016	2017	2018 Budget	Trend
<b>REVENUE</b>						
Service Charges (incl. Penalty & Fines)	\$ 1,872,826	\$ 1,944,118	\$ 2,141,069	\$ 2,278,601	\$ 2,238,200	
Others	\$ 57,678	\$ 75,682	\$ 79,536	\$ 81,734	\$ 53,000	
<b>Utility Fund Operating Revenue</b>	<b>\$ 1,930,504</b>	<b>\$ 2,019,800</b>	<b>\$ 2,220,605</b>	<b>\$ 2,360,335</b>	<b>\$ 2,291,200</b>	
<b>EXPENSES</b>						
Payroll Costs	\$ 628,545	\$ 686,186	\$ 688,810	\$ 639,150	\$ 671,750	
Others	\$ 1,016,711	\$ 810,491	\$ 944,616	\$ 802,383	\$ 971,750	
<b>Utility Fund Operating Expenses</b>	<b>\$ 1,645,256</b>	<b>\$ 1,496,677</b>	<b>\$ 1,633,426</b>	<b>\$ 1,441,533</b>	<b>\$ 1,643,500</b>	
<b>Net Operating EBITDA</b>	<b>\$ 285,248</b>	<b>\$ 523,123</b>	<b>\$ 587,179</b>	<b>\$ 918,802</b>	<b>\$ 647,700</b>	
<b>Non-Operating Income/ (Expenses)</b>						
Investment/Dividend Income	\$ 18,059	\$ 31,274	\$ 28,201	\$ 28,243	\$ 25,000	
Impact Fees	\$ 10,800	\$ 21,997	\$ 14,000	\$ 23,600	\$ 12,000	
Gain/(Loss) Disposal	\$ (120,449)	\$ 17,155	\$ -	\$ -	\$ -	
Net Transfer In/(Out) for Capital Improvement	\$ (3,983,593)	\$ -	\$ (91,066)	\$ (1,265,351)	\$ (684,700)	
Depreciation	\$ (591,785)	\$ (582,431)	\$ (583,970)	\$ (614,324)	\$ -	
<b>Net Income / (Deficit)</b>	<b>\$ (4,381,720)</b>	<b>\$ 11,118</b>	<b>\$ (45,656)</b>	<b>\$ (909,030)</b>	<b>\$ -</b>	

The District recorded Golf Fund along with Water & Utility Fund under Enterprise Funds before a reclassification in 2013, with ~\$4M is Net equity of this Enterprise Fund. Due to reclassification incurred in 2013, the Net position was transferred to Governmental Funds in 2014.

The Utility Fund is used to account from the operations of water and sewer utility services within the District, with costs of providing services to residents recovered primarily through user charges. Overall operating revenue has cumulatively increased by 21% since 2014, whereas overall operating expense has cumulatively decreased by 12%. The fund has efficiently tripled its operating EBITDA by since 2014 and is self-sufficiently earning a positive net income after depreciation (excluding transfers).

Exhibit 28: Golf Fund Trend

	2014	2015	2016	2017	2018 Budget	Trend
<b>REVENUE</b>						
Membership Dues	\$ 610,982	\$ 650,511	\$ 607,812	\$ 569,285	\$ 560,000	
Food & Beverage Operations Revenue	\$ 1,094,371	\$ 1,283,649	\$ 1,286,408	\$ 1,273,005	\$ 1,263,600	
Golf Operations Revenue	\$ 1,530,385	\$ 1,624,789	\$ 1,682,614	\$ 1,744,834	\$ 1,695,800	
Other Amenity Operations Revenue	\$ 75,833	\$ 74,188	\$ 71,155	\$ 79,900	\$ -	
Locker Fees & Others	\$ 7,593	\$ 7,928	\$ 7,126	\$ 8,840	\$ -	
<b>Golf Fund Operating Revenue</b>	<b>\$ 3,319,164</b>	<b>\$ 3,641,065</b>	<b>\$ 3,655,115</b>	<b>\$ 3,675,863</b>	<b>\$ 3,519,400</b>	
<b>COST OF SALES</b>						
Cost of Sales - Golf	\$ 189,467	\$ 218,597	\$ 204,559	\$ 201,947	\$ 210,000	
Cost of Sales - F&B	\$ 417,098	\$ 480,491	\$ 457,279	\$ 429,107	\$ 450,250	
<b>Gross Profits</b>	<b>\$ 2,712,599</b>	<b>\$ 2,941,977</b>	<b>\$ 2,993,277</b>	<b>\$ 3,044,810</b>	<b>\$ 2,859,150</b>	
<b>EXPENSES</b>						
Food & Beverage Operations	\$ 632,827	\$ 733,954	\$ 759,545	\$ 717,620	\$ 776,891	
Golf Operations	\$ 417,247	\$ 406,658	\$ 321,898	\$ 310,840	\$ 331,215	
Course Maintenance	\$ 1,240,401	\$ 1,212,937	\$ 1,357,540	\$ 1,430,602	\$ 1,258,546	
General & Administration	\$ 371,181	\$ 460,048	\$ 544,951	\$ 593,292	\$ 524,814	
Membership, Marketing & Communication	\$ 154,313	\$ 158,914	\$ 164,712	\$ 152,682	\$ 167,484	
Security	\$ 1,923	\$ 2,038	\$ 757	\$ 1,589	\$ 2,000	
Other Amenity Operations	\$ 76,686	\$ 85,230	\$ 79,185	\$ 91,184	\$ -	
<b>Golf Fund Operating Expense</b>	<b>\$ 2,894,578</b>	<b>\$ 3,059,779</b>	<b>\$ 3,228,588</b>	<b>\$ 3,297,809</b>	<b>\$ 3,060,950</b>	
<b>Net Operating EBITDA</b>	<b>\$ (181,979)</b>	<b>\$ (117,802)</b>	<b>\$ (235,311)</b>	<b>\$ (252,999)</b>	<b>\$ (201,800)</b>	
Interest / Investment Income	\$ 228	\$ 278	\$ -	\$ -	\$ -	
Net Transfer In/(Out) used for Capital improvement	\$ 393,345	\$ 127,746	\$ 135,888	\$ 285,094	\$ 321,800	
Management Fee	\$ (114,000)	\$ (108,000)	\$ (138,000)	\$ (119,000)	\$ (120,000)	
<b>Net Income / (Deficit)</b>	<b>\$ 97,594</b>	<b>\$ (97,778)</b>	<b>\$ (237,423)</b>	<b>\$ (86,905)</b>	<b>\$ -</b>	

The Golf Fund is used to account for the operations of the Golf course and related amenities. Each operating revenue stream (exception of Membership Dues) has experienced a cumulative increase since 2014, while overall operating revenue has increased at

an average of 3% annually. Food & Beverage and Golf Operations are the primary revenue drivers, accounting for approximately 80% of gross revenue in each of past four years.

All major operating expense streams (exception of Golf Operations) have increased at an above inflationary level from 2014 through to 2017. However, the 2018 budget projects operational cost savings of approximately \$230k. The Golf Fund has consistently achieved a negative Operating EBITDA and has typically required a transfer subsidy of \$250k on average in order to fund capital maintenance and the Billy Casper Management Fee. The 2018 Golf Fund budget projects to require a subsidy of \$322k to achieve break-even bottom line.

As previously mentioned, the Golf Fund continues to rely heavily on General Fund subsidies to support capital maintenance/improvements. GGA believes there are opportunities on the revenue side of the Golf fund operation to improve the Fund's bottom line and this will need to be a key area of focus for the Community's Strategic Plan. The following section will analyze the Golf Fund operation to assess the operational performance and any potential improvements for the future.



## GOLF FUND - REVENUE EVALUATION

The revenue performance of the Golf Fund from fiscal 2014 to 2017 along with the 2018 budget are summarized in the Exhibits below. As two of the most important data points to consider when evaluating revenue at a semi-private club with golf as the core amenity are: i) the membership profile, and ii) the number of golf rounds played. Accordingly, the focus of the evaluation was on the Club's performance to benchmarks as it relates to maximizing the net rate per round played achieved from a combination of membership dues, green/guest fees and associated merchandise and food and beverage sales:

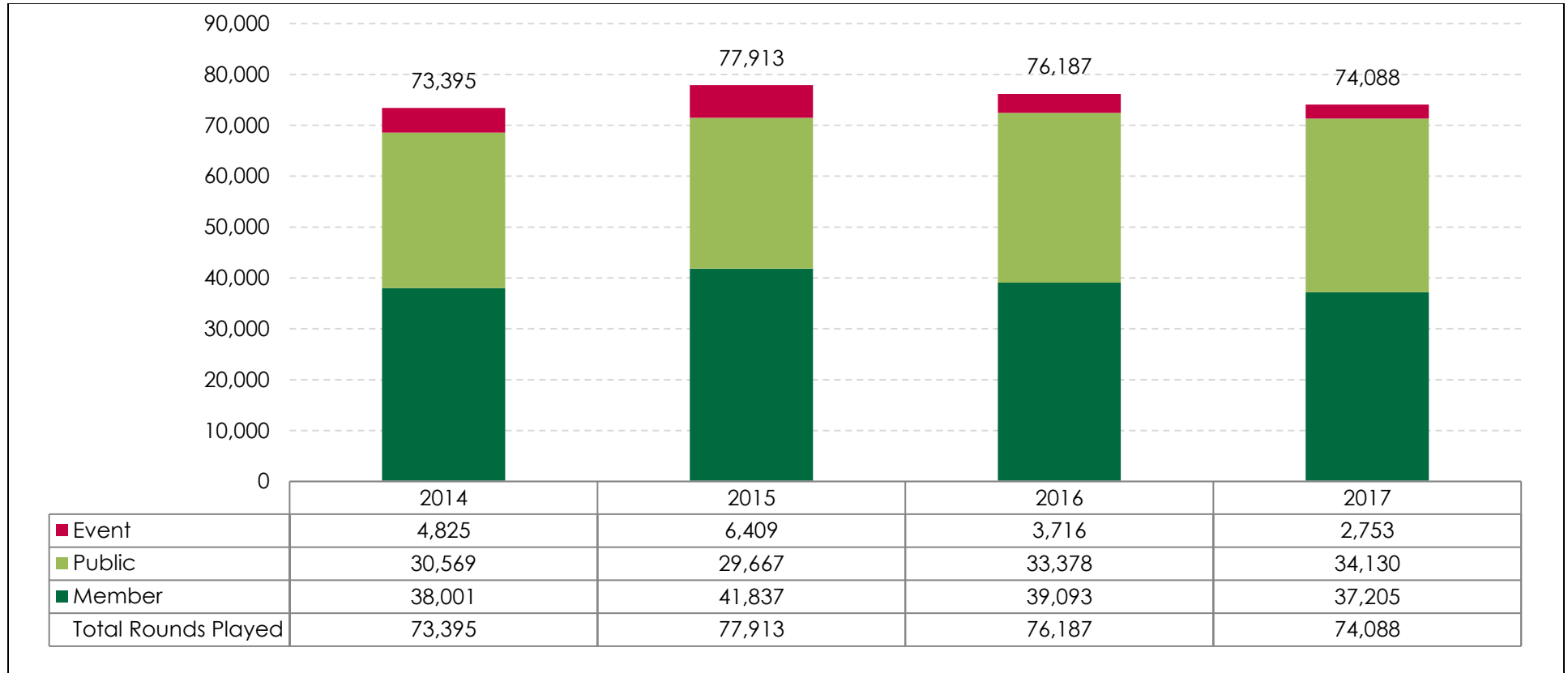
**Exhibit 29: Revenue Profile**

	2014	2015	2016	2017	% Δ YoY	4-Yr CAGR	2018 Bud.
Membership Dues	\$610,982	\$650,511	\$607,812	\$569,285	-6%	-2%	\$560,000
Guest/Green Fees	\$885,616	\$931,568	\$984,316	\$1,050,559	7%	6%	\$1,015,000
Cart Fees	\$305,485	\$324,310	\$337,214	\$340,575	1%	4%	\$315,000
Merchandise Sales	\$287,559	\$312,189	\$300,123	\$294,911	-2%	1%	\$300,000
Food & Beverage	\$1,094,371	\$1,283,649	\$1,286,408	\$1,273,005	-1%	5%	\$1,263,600
Other	\$152,917	\$138,838	\$139,242	\$147,529	6%	-1%	\$65,800
<b>Total Revenue</b>	<b>\$3,336,930</b>	<b>\$3,641,065</b>	<b>\$3,655,115</b>	<b>\$3,675,863</b>	<b>1%</b>	<b>3%</b>	<b>\$3,519,400</b>

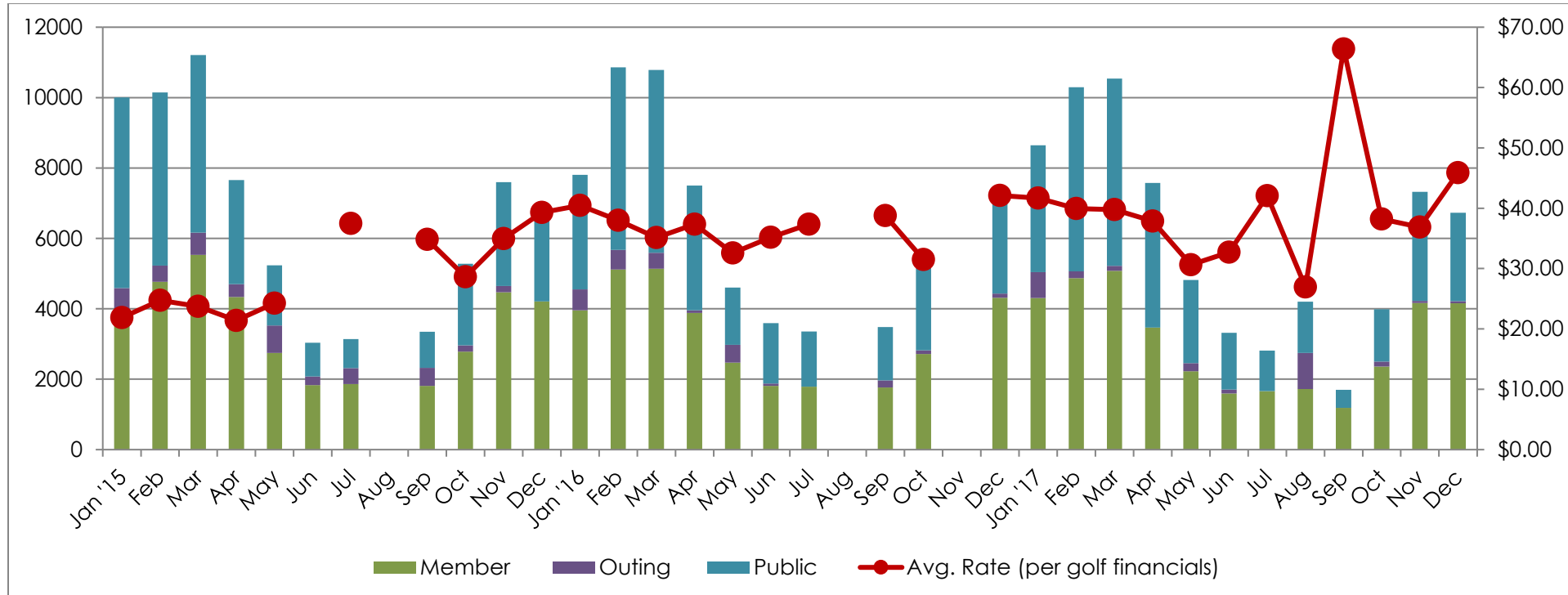
Overall operating revenue has increased since 2014 at an annual growth rate of 3%, driven primarily by strong annual revenue growth in F&B and guest/green fees. The 2018 budget projects a 4% decrease in total operating revenue. Membership levels have remained stagnant over the past four years while associate dues revenue has decreased at an average rate of 2% annually.

Total rounds played decreased 3% from 2016 to 2017 and are cumulatively stagnant since 2014. The decrease can be attributed to a drop off in member rounds and event rounds, while public rounds are actually up 4% cumulatively since 2014. The total number of rounds played in 2017 (74,088) is within GGA's benchmark range of 62,000 to 80,000 rounds annually.

Greater detail on the rounds played history and a breakdown of seasonality patterns is presented in the following exhibits:

**Exhibit 30: Rounds Profile**

When analyzing the value of public rounds versus member rounds, SnL achieves a much higher net rate per round from public play compared to member play, due to the propensity of current members to play a higher than normal number of rounds on average. SnL members are estimated to play approximately 80 rounds per member on average over the past four years, which exceeds GGA's benchmark of 50 to 70.

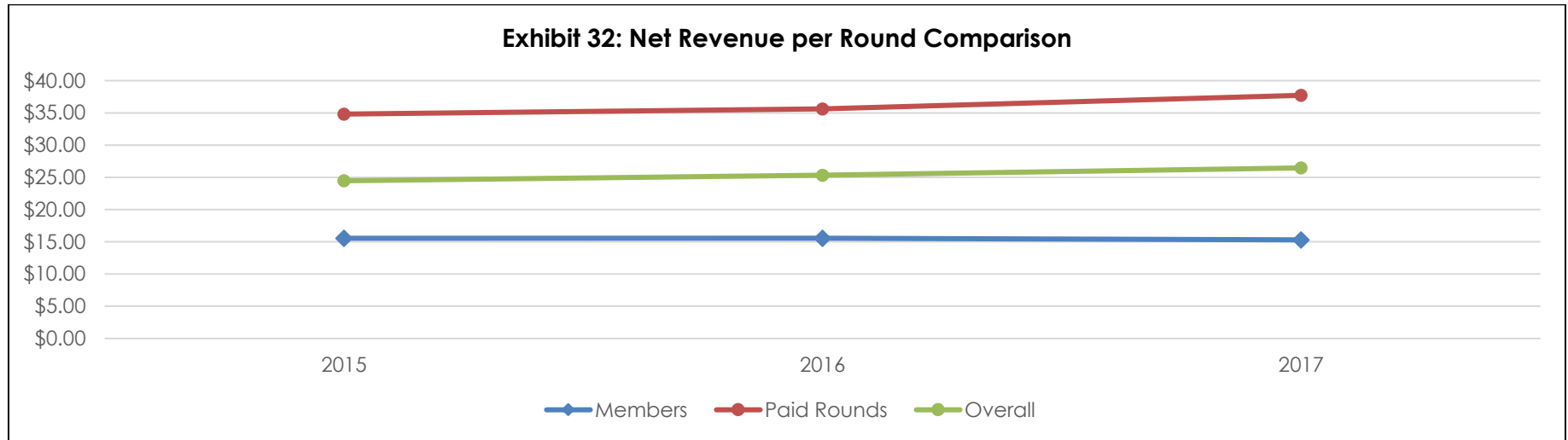
**Exhibit 31: Rounds Profile by Month**

From observing the monthly historic rounds pattern and discussing the demand for rounds with management, rounds capacity does not appear to be a serious issue for the Club at this time. January through March is the only period with the potential to have tee-sheet capacity concerns for certain days and time periods.

SnL has historically incurred a high percentage of member play from October-December, while the peak season (January-March) is closer to a split between member and public rounds. During these months of peak capacity for rounds played, it is important that the Club ensure that high demand tee times (typically weekend mornings) are not dominated by member rounds that achieve a lower net rate for the Club. Currently members receive a three-week advance booking policy while the public has just seven days, which provides the potential for members to pre-book all of the high demand tee times.

To maximize yield, the number of tee times blocked for members three weeks in advance should be proportionate to the number of members. Based on current membership levels, roughly 1-in-3 times should be open for member booking three weeks out. Any times un-booked by public golfers could then be opened up to members within 48 hours.

The 'paid net rate per round' over the past three years has ranged from \$35 to \$38, more than double the same net rate per round achieved from members of the Club.







## BENCHMARKING ANALYSIS AND EVALUATION OF EXPENSES

In order to provide SnL with recommendations for improvement, it is first necessary to understand and review historic operating results. The historic results, along with benchmark data, provide a basis for estimating the financial impact of potential changes. Consequently, the operational review will examine SnL's performance by department in comparison to industry benchmarks.

Each section includes an exhibit identifying key performance indicators that SnL management should track and monitor on an on-going basis. Industry benchmarks are derived from the Global Golf Advisors Golf Diagnostic Study, which encompasses financial and operating data on more than 2,800 golf courses. This micro-economic financial data was scrutinized and adjusted for inflationary and other factors based on GGA's industry experience in order to ensure accurate, realistic and meaningful comparable benchmarks for the Club. Comparable golf courses are selected based on several factors that include geographic location and climate, structure, type of course and number of holes, guest fee rates as well as operational nuances.

Arrows are used to illustrate areas above or below benchmarks with stop light colors (red, yellow and green) indicating areas requiring specific attention as follows:

**Exhibit 33: Benchmarking Analysis Flags**

	Outperforming benchmark.
	Within benchmark but approaching end of the range and should be monitored.
	Higher or lower than benchmark and may require immediate attention.
	Within benchmark.

**NOTE: The benchmarking analysis and reporting of quartiles and flags is based on 2017 results.**

**Exhibit 34: Summary of Revenue Key Performance Indicators**

	Actual			Best Practice Benchmarks			Results & Variance	
	2015	2016	2017	Low Quartile (LQ)	Median	Upper Quartile (UQ)	Quartile	Flag
<b>Membership</b>								
Number of Memberships	487	500	475	433	619	804	1st	↔
Full Membership Equivalent	212	198	186	302	421	540	Below	↓
<b>Rounds Played &amp; Net Rate per Round</b>								
Rounds Played (18-hole equivalent)	77,913	76,187	74,088	62,451	71,259	80,066	3rd	↔
Avg. Member Rounds per Golf Membership	86	78	78	50	60	70	Above	↑
Overall Net Revenue per Round (% Peak Rate)	64%	60%	62%	65%	70%	75%	Below	↓
<b>Revenue Metrics</b>								
Food & Beverage Revenue per Round	\$ 16.48	\$ 16.88	\$ 17.18	\$ 14.97	\$ 21.80	\$ 28.64	1st	↔
Food & Beverage Revenue per Membership	\$ 2,636	\$ 2,573	\$ 2,680	\$ 2,483	\$ 3,127	\$ 3,771	1st	↔
Golf Merchandise Revenue per Round	\$ 4.01	\$ 3.94	\$ 3.98	\$ 6.03	\$ 8.08	\$ 10.12	Below	↓
Golf Merchandise Revenue per Golf Member	\$ 926	\$ 932	\$ 942	\$ 653	\$ 949	\$ 1,244	2nd	↔
<b>Cost of Goods Sold as % of Sales</b>								
Golf Merchandise Cost of Goods Sold as % of Sales	70%	68%	68%	70%	75%	80%	Below	↓
<b>Food and Beverage</b>								
Food & Beverage Cost of Goods Sold as % of Revenue	37%	36%	34%	36%	38%	40%	Below	↓
Food and Beverage Payroll as % of Revenue	46%	49%	44%	44%	49%	53%	1st	↔
Other Food & Beverage Operating Costs as % of Revenue	11%	10%	12%	8%	10%	12%	4th	↔
Total Food & Beverage Expenses as % of Revenue	95%	95%	90%	88%	97%	105%	1st	↔

The overall net rate achieved by the Club per round played at the Club as a percentage of the peak public rate (weighted average based on month) was 62% in 2017, which is slightly below the benchmark range of 65% to 75% for similar clubs. As mentioned previously, the reason for the low net rate can be attributed to member rounds which achieve a net rate (dues revenue / member rounds) less than half the net rate that paid rounds generate for the Club.

Merchandise revenue has remained stagnant at \$4 per round, below the benchmark range of \$6 to \$10. Merchandise cost of good sold as a percentage of revenue was 68% the last two years which is outperforming the benchmark range of 70% to 80%.



**Food and Beverage**

- Cost of goods sold and operating expenses have been assessed as a percentage of gross food and beverage revenue.
- Cost of goods sold expense was outperforming the benchmark range of 36% to 40% in 2017;
- Labor expenses were at the low end of the benchmark range of 44% to 53% of gross revenue in 2017. F&B payroll includes a Director of F&B, Executive Chef and an F&B Manager. The department employs between 8 to 11 Full-time-equivalent staff depending on the season.
- Other food and beverage operating expenses are within the 4<sup>th</sup> quartile of the benchmark range of 8% to 12% of gross revenue in 2017.
- Overall, SnL's food and beverage operation experienced a 10% profit margin in 2017 which is favorably positioned at the high end of the benchmark range of 12% to -5%. The 2018 budget projects the profit margin to decrease to 3% as labor increases as a percentage of revenue.

## Golf Operations

The following exhibit provides a summary of Golf Operation expenses:

**Exhibit 35: Golf Operations Expense Performance Scorecard**

	Actual	Actual	Actual	Budget	Best Practice Benchmarks			Results & Variance	
	2015	2016	2017	2018	Low Quartile (LQ)	Median	Upper Quartile (UQ)	Quartile	Flag
<b>Golf Operations</b>									
Payroll, Taxes & Benefits	\$ 339,958	\$ 246,034	\$ 236,045	\$ 260,215	\$ 249,432	\$ 295,627	\$ 341,821	<b>Below</b>	↓
Supplies	\$ 17,383	\$ 15,788	\$ 17,065	\$ 14,500	\$ 13,412	\$ 18,494	\$ 23,575	<b>2nd</b>	↔
Driving Range Expenses	\$ 4,166	\$ 5,912	\$ 8,226	\$ 4,500	\$ 7,177	\$ 10,145	\$ 13,112	<b>1st</b>	↔
Other	\$ 45,151	\$ 54,164	\$ 49,504	\$ 52,000	\$ 39,911	\$ 44,862	\$ 49,813	<b>4th</b>	↔
Total Golf Operations Expenses	\$ 406,658	\$ 321,898	\$ 310,840	\$ 331,215	\$ 309,932	\$ 369,127	\$ 428,321	<b>1st</b>	↔
Payroll Expense as a % of Total Expenses	84%	76%	76%	79%	68%	73%	78%	<b>4th</b>	↔

*Figures above do not include the new cart lease (with GPS) which is allocated as a capital lease by the Club and not within operations.*

The following summary outlines the key observations and recommendations with respect to the Golf Operations at SnL:

- Golf Operation department payroll has been managed well and has decreased since FY2015, which is below the low end of benchmark range (\$250k to \$340k). The staffing profile consists of four full-time staff including a Head Pro. The department employs between 11 to 14.5 Full-time-equivalent staff depending on the season.
- Other operating expenses are generally within benchmark range and appear to be managed appropriately. Overall, Golf Operations expenses falls at the low end of benchmark range. The 2018 budget projects a 7% increase to total operating expenses predominantly in labor.

## Golf Course Maintenance

The exhibit below provides a summary of the Golf and Grounds Maintenance expenses in comparison to benchmarks:

**Exhibit 36: Golf and Grounds Maintenance Expense Performance Scorecard**

	Actual	Actual	Actual	Budget	Best Practice Benchmarks			Results & Variance	
	2015	2016	2017	2018	Low Quartile (LQ)	Median	Upper Quartile (UQ)	Quartile	Flag
<b>Golf &amp; Grounds Maintenance</b>									
Payroll, Taxes & Benefits	\$ 650,769	\$ 685,592	\$ 709,366	\$ 719,246	\$ 795,042	\$ 902,395	\$ 1,009,749	<b>Below</b>	↓
Chemicals & Fertilizer	\$ 261,698	\$ 339,956	\$ 318,285	\$ 237,500	\$ 206,033	\$ 246,838	\$ 287,643	<b>Above</b>	↑
Repairs & Maintenance	\$ 66,388	\$ 70,538	\$ 66,768	\$ 62,100	\$ 59,321	\$ 70,807	\$ 82,293	<b>2nd</b>	↔
Gasoline & Lubricants	\$ 37,888	\$ 33,702	\$ 40,668	\$ 38,000	\$ 34,742	\$ 40,927	\$ 47,112	<b>2nd</b>	↔
Aggregates	\$ 72,008	\$ 100,774	\$ 120,665	\$ 45,000	\$ 92,385	\$ 107,580	\$ 122,775	<b>4th</b>	↔
Other	\$ 124,186	\$ 126,978	\$ 174,851	\$ 156,700	\$ 151,142	\$ 163,781	\$ 176,420	<b>4th</b>	↔
Total Golf & Grounds Expenses	\$ 1,212,937	\$ 1,357,540	\$ 1,430,602	\$ 1,258,546	\$ 1,338,665	\$ 1,532,329	\$ 1,725,992	<b>1st</b>	↔
Payroll Expense as a % of Total Expenses	54%	51%	50%	57%	49%	54%	58%	<b>1st</b>	↔

The following summary outlines the key observations and recommendations with respect to the Golf Course Maintenance at SnL:

- Golf and Grounds departmental payroll is positioned ~\$85k below the low end of benchmark range. The staffing profile consists of 23 full-time staff including a Director of Agronomy, a Superintendent for each course, a Mechanic and Asst. Mechanic. The department employs between 23.5 to 24.5 Full-time-equivalent staff depending on the season, which is relatively low for comparable 36-hole facilities.
- Chemicals and fertilizers (treatments) expense was above the high end of benchmark range in 2017. However, the 2018 budget projects significant cost savings which should position the expense line within the second quartile of benchmark range.
- Other G&G operating expense lines are generally in line with benchmark range.
- Total departmental expenses fall in the 1<sup>st</sup> quartile of benchmark range, while the 2018 budget projects a 12% decrease in total departmental expense.

## Leasing vs. Buying Equipment

The Club recently upgraded its golf cart fleet lease (100 EZ-GO with GPS) and has a mix of owned and leased golf course maintenance equipment, which as of the start of FY2017 carried a total estimated replacement cost of just over \$2.35M and accumulated depreciation of just over \$1.6M.

Most clubs are reviewing their policies regarding leasing or purchasing of equipment, especially considering the current financial situation where banks are reluctant to lend money. In the past, the argument against leasing assets was that the cost of borrowing was at least 2% higher than a conventional bank loan. The major reason for leasing assets was to ensure the assets were rolled over every three to five years and the leases were typically operating leases which would become an operating cost, not a capital purchase. The benefit to leasing was to ensure members paid for the cost annually and the charge was representative of a charge for the asset over its useful life. Further, equipment was relatively new; and as such, maintenance costs remained relatively constant, the conditioning of the course was preserved, and 'Boards' could not put off a purchase if there was a need to preserve cash. In recent years, the reason to lease versus purchasing equipment has been enhanced due to very competitive bids from manufacturers and clubs looking at leasing as another source of financing in a difficult market.

A component of evaluating the lease option versus the purchase of equipment is the residual value some manufacturers will place on their equipment in order to sell their product. For example, a manufacturer may place a high residual value on a piece of equipment whereby the actual fair market value at the end of the lease is less than the residual value. This example will give a benefit to the Club far in excess of the additional interest cost. Also, due to competition, some manufacturers that have 'in house' financing will give interest rates well below existing banking rates.

Based upon current trends, most private clubs are leasing equipment versus purchasing due to the following:

- a) Most private clubs are more concerned about cash; and as such, the lease option typically conserves cash.
- b) Leasing is another source of financing in a difficult borrowing climate and allows the Club more financing capability.
- c) The equipment is rolled over on a regular basis which protects course conditioning and ensures consistent repair costs.
- d) In this competitive marketplace, some manufacturers offer 'in house' credit/leasing which reduces the annual cost to the Club due to higher residual values.
- e) The additional interest cost is insignificant compared to the benefits outlined in (a) to (d).

**Long lasting assets such as tractors (i.e. with a lifespan of eight or more years) should be owned, while short term equipment (with a lifespan of five to six years or less) should be leased. Furthermore, all equipment bids should be evaluated through a bid process and that lease evaluation options need to include a terminal value guarantee with all leases being operational as opposed to capital.**

## Facility and Administration

The exhibit below, summarizes the performance scorecard and benchmarks for key expenses:

**Exhibit 37: Facility & Administration Expense Performance Scorecard**

	Actual	Actual	Actual	Budget	Best Practice Benchmarks			Results & Variance	
	2015	2016	2017	2018	Low Quartile (LQ)	Median	Upper Quartile (UQ)	Quartile	Flag
<b>Facility &amp; Administration</b>									
Payroll, Taxes & Benefits	\$ 151,949	\$ 256,965	\$ 297,758	\$ 266,648	\$ 294,794	\$ 327,530	\$ 360,267	1st	↔
Insurance	\$ 50,840	\$ 42,774	\$ 41,101	\$ 40,750	\$ 40,321	\$ 46,722	\$ 53,123	1st	↔
Property Tax	\$ 64,767	\$ 43,393	\$ 39,993	\$ 28,000	\$ 32,984	\$ 40,012	\$ 47,040	2nd	↔
Utilities	\$ 69,123	\$ 62,676	\$ 54,448	\$ 57,200	\$ 68,826	\$ 75,581	\$ 82,337	Below	↓
Repairs & Maintenance	\$ 28,150	\$ 26,163	\$ 35,133	\$ 39,700	\$ 40,511	\$ 46,811	\$ 53,110	Below	↓
Advertising & Promotion	\$ 65,872	\$ 68,167	\$ 60,306	\$ 60,300	\$ 37,228	\$ 47,394	\$ 57,559	Above	↑
Data Processing	\$ 31,133	\$ 25,729	\$ 23,255	\$ 24,000	\$ 26,775	\$ 31,394	\$ 36,012	Below	↓
Credit Card / Bank Charges	\$ 40,232	\$ 41,817	\$ 46,841	\$ 44,000	\$ 43,011	\$ 51,170	\$ 59,328	1st	↔
Office Supplies	\$ 19,260	\$ 22,316	\$ 26,362	\$ 29,900	\$ 18,722	\$ 25,636	\$ 32,550	3rd	↔
Other	\$ 96,517	\$ 120,420	\$ 122,364	\$ 103,800	\$ 88,941	\$ 96,114	\$ 103,287	Above	↑
Total Facility & Administration Expenses	\$ 617,843	\$ 710,420	\$ 747,562	\$ 694,298	\$ 692,113	\$ 788,363	\$ 884,612	2nd	↔
Payroll Expense as a % of Total Expenses	25%	36%	40%	38%	38%	42%	45%	2nd	↔
<b>Overall Metrics</b>									
Payroll Expenses as a % of Total Expenses	59%	58%	56%	61%	54%	58%	62%	2nd	↔
Payroll Taxes & Benefits as % of Salaries & Wages	16%	16%	15%	17%	20%	22%	24%	Below	↓

The following summary outlines the key observations and recommendations with respect to the Facility & Administration department at SnL:

- Payroll expenses were positioned at low end of the benchmark range. The staffing profile consists of the GM, Admin. Asst. and Facilities Manager plus minor additional labor for admin and occupancy. The benchmark levels above take into account the admin resource benefit from Billy Casper Management.
- Advertising expense at the Club is slightly above the high end of benchmark range. Traditionally, clubs would spend at or above the benchmark levels during periods of early memberships growth and new promotion, but this is not the case at Sun 'n Lake.
- Other Facility and Admin expense lines are generally within and at the low end of benchmark range.

- Overall Facility and Admin expenses are positioned in the second quartile of benchmark range, while the 2018 budget projects cost savings of approximately \$50k which should move the department to the low end of benchmark range.

## CAPITAL MAINTENANCE

The Club maintains an annually updated 5-year forward looking Capital Plan, which estimate all capital repair and replacement expenditures through 2023. The Capital Plan projects a total replacement cost of \$17.4M through 2023. Major expenditures scheduled over this period include:

- Deer Run Irrigation - \$1.7M spread over FY2020/2021
- Golf Clubhouse renovations - \$1.2M in FY2019
- District Office Renovations - \$1.5M in FY2021
- New Pool Complex - \$1.5M in FY2022
- Community Center/Fitness Renovations - \$1.0M in FY2023

**Exhibit 38: Summary of Capital Plan Schedule**

	FY18	FY19	FY20	FY21	FY22	FY23
Golf Fund	\$ 352,500	\$ 302,000	\$ 1,142,000	\$ 1,184,000	\$ 261,000	\$ 546,000
General Fund	\$ 590,500	\$ 2,091,500	\$ 942,500	\$ 2,470,000	\$ 2,874,500	\$ 1,887,000
Utility Fund	\$ 450,000	\$ 452,500	\$ 480,000	\$ 635,000	\$ 175,000	\$ 550,000
<b>Total</b>	<b>\$ 1,393,000</b>	<b>\$ 2,846,000</b>	<b>\$ 2,564,500</b>	<b>\$ 4,289,000</b>	<b>\$ 3,310,500</b>	<b>\$ 2,983,000</b>

In every community it is important to plan for and fund the maintenance of existing assets from operations. In many club operations, projects become troubled when adequate reserves for capital maintenance and improvements are under-funded.



## FUNDING FOR NEW CAPITAL

Best-practice trends in the industry around capital planning are suggesting that Communities are planning further out in time, often undertaking a 'Reserve Study' that looks out 20+ years to capture all Community assets and forecasts useful life and replacement values.

Communities are also developing Capital Reserve Funds with the goal of maintaining a target balance of 2x the average annual capital maintenance obligation to help smooth out capital intensive years and provide funding for new impact projects. At Sun 'n Lake, the General Fund has essentially been funding capital obligations since inception. As of the end of FY2017 (September 2017), the District's unassigned total fund balance was \$4.7M, plus an additional \$3.1M restricted for renewal, replacement and improvement and Impact fee projects.

Governmental activities capital outlays over the past three years have averaged approximately \$1.5M annually, while the next six years (FY2018-2023) are projected to incur an average annual capital outlay of \$2.5M. If current operational performance continues at status quo, the unassigned total fund balance is likely to draw close to zero by 2023.

Accordingly, it is important to the long-term financial sustainability of the District that the Community explore funding options to assist with the Capital Plan as a precautionary measure:

### **HOMEOWNER ASSESSMENT INCREASE**

As many of the planned impact fee projects have a direct benefit to the community amenity profile for Sun 'n Lake homeowners, it may be acceptable to increase district fees as a one-time capital assessment or on an annual basis as a method of funding new capital. The current annual district assessment fee (\$677) has not increased in nearly a decade.

### **ADJUSTMENTS TO GOLF MEMBERSHIP**

The Market Analysis revealed an opportunity to increase membership pricing; particularly as golf course conditioning and the golf course experience improves. Further, the Operational Review indicated a significant variance in the net rate per round generated by members and paid public golfers. Members currently play significantly more golf than members at similar clubs and as a result the net rate per round is very low. The current booking policy and number of blocked times for members allows this to take place. GGA believes greater controls on booking policies and a definition of member blocked times that reflects the proportion of members will have a significant impact on financial performance. For example, the number of member blocked times should be proportionate to the number of members at any time relative to a full membership compliment of 600 to 800 for 36-holes. The balance of these times

should be blocked for public players that generate a much higher rate. This practice will generate a much higher yield and increase rounds played.

### **SALE OF EMPTY LOTS**

There may be an opportunity to reach out to developers with the proposer to purchase the empty lots currently owned by the original defaulted developer. An increase in home inventory and new sales for the community could provide a significant opportunity to increase revenues from assessments and programs.

### **DEBT**

Understanding that lending institutions often require a covenant for free cash available to meet a 1.25x ratio on debt service costs, GGA has estimated the maximum parameters for **new** debt based upon current rules of thumb which states that principal and interest (debt service) will approximate 10% annually over a 15-year term. This equates to a maximum debt load for Sun 'n Lake of approximately \$50M based on the current unassigned total fund balance.

### **Conclusion**

The Strategic Plan will continue to explore the capital needs of the Community beyond the current five-year horizon and the related funding options available. GGA will develop a list of key assumptions based on recommendations with the goal of projecting out five-year pro forma projections for Sun 'n Lake that will provide a clearer picture of what the District can expect in terms of Fund balances and funds available for impact projects.

## RESTRICTIONS

This report is strictly intended for use by Sun 'n Lake Improvement District. It is not to be reproduced or used for any other purpose other than outlined above without our prior written permission in each specific instance. GGA assumes no responsibility or liability for losses occasioned to the directors or shareholders, or to any other parties as a result of the circulation, publication, reproduction or use of this report and analysis contrary to the provisions of this paragraph.

GGA reserves the right (but will be under no obligation) to review all calculations included or referred to in this report and, if we consider it necessary, to revise our conclusions in light of any information which becomes known to GGA after the date of this report.

GGA instructs that its analysis must be considered as a whole and that selecting portions of the analysis or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the process underlying the recommendations and conclusions. The preparation of a Market Analysis is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

***Global Golf Advisors Inc.***