Estero
COUNTRY CLUB

October 1, 2021

Dear Fellow Members,

At the August 17th meeting of your Board of Governors, we reviewed and approved both the operating and capital budget for our next fiscal year, November 1, 2021, through October 31, 2022. This milestone represents the culmination of several months of study and analysis, involving several committees including Finance, Golf, Greens, House and Entertainment, Long Range Planning, Membership and Marketing, and Racquets and Activities. These committees provide critical input to guide service level expectations, activity programming, member acquisition and retention initiatives, and capital investment planning. In addition, extensive benchmarking continues to ensure that we meet member expectations regarding service, programs, and amenities on both a cost-effective basis and in line with what clubs within the marketplace offer. The management team uses this input to develop budgets for each operating area that are built from the bottom up, based on projected needs, versus simply inflating prior year budgets by a fixed percentage. The team also develops revenue projections based on membership forecasts by category as well as trends in key areas like dining covers and golf rounds. This year represents a departure from recent years as we expect to operate at full capacity once again by January with expanded dining and entertainment programming as well as a full schedule of fitness and lifestyle activities in our newly renovated clubhouse.

Currently, we expect to finish this fiscal year at a slight net operating deficit of $12,800. This is due in large part to the impact that the ongoing pandemic has had on food and beverage revenues and cost of goods. Overall expenses remained on plan due to the creative and prudent efforts of our management team. Additional CARES Act subsidies that contributed to our positive operating surplus of $255,000 in the prior fiscal year were not available to us this year as the state of Florida did not limit business activities due to COVID-19, a key trigger of eligibility for funding. When viewed across two fiscal years, we remain at budget for net profit and are still able to fund depreciation at a level required by our reserve study. This extraordinary performance places us among a handful of private clubs able to weather the impact of COVID-19. We appreciate the support and patience of our members whose commitment to the Club contributed directly to these outcomes.

Next year's budget reflects a positive net operating surplus of $34,745. We will continue to fund annual depreciation in this as well as future fiscal years to ensure we have cash needed to replace aging capital assets as needed. A comprehensive update of our reserve study will be reviewed in 2022 in conjunction with the completion of the clubhouse renovation.

Key revenue assumptions include:

- Membership levels remain above our 325-member cap for Golf at 332 and just below our 45 cap for Sport at 43. With 164 Social members by year end, we expect to close fiscal 2021/22 with 539 members which is two less than our projection for the current year.
- A 10.5% increase in golf revenue over this year's projection as we replace greens and cart fees lost due to the pandemic.
- An 18% increase over our pre-pandemic 2018/19 actuals in food and beverage revenue that reflects anticipated member spending patterns as well as expanded hours of operation during the season. Highlights of the food and beverage lineup include Mega Mondays with Happy Hour, food stations, and entertainment as well as Monthly Member Mixers featuring complimentary hors d'oeuvres, happy hour pricing on cocktails, and live music.

Key operating and capital expense assumptions include:

- Golf course maintenance expenditures increase by 3% as we continue to improve playing conditions.
- Total payroll expenses are anticipated to increase by 13% over projection for this fiscal year. This reflects the staff additions in food and beverage to support expanded hours as well as ongoing changes to roles and responsibilities required as we better align our workforce to the needs and expectations of the Membership. Wage increases based on merit will not exceed 3% on average. We continue to manage payroll expense as a percent of revenue at desirable industry standard of 53%.
- Property/casualty insurances are projected to increase by 20% reflecting our increased clubhouse square footage as well as the relentless impact of adverse weather conditions on insurance company surpluses. As expected, health insurance premiums saw large double digit increases but were held to 15.6% by changing plan designs in order to keep costs affordable. These increases are shared by the Club and employees.
- Interest expense associated with the course restoration and clubhouse renovation term loans as well as any needed use of our line of credit are included in the budget. Prudent cash flow management as well as refinancing of the golf course loan at a more favorable rate enables us to keep these expenses to a minimum. Third-party debt per member remains well below that of other clubs in the region.
- Anticipated capital expenditures currently reflect ongoing capital investments based on our reserve study and remain within the covenants required by our loan agreements. The clubhouse renovation project remains in line with budget expectations.

We have budgeted an operating dues increase for the next fiscal year which will enable us to maintain the property, and improve the level of service, amenities, and programming our members tell us are important.

Each year, your Board gives careful consideration to all alternatives short of an operating dues increase. Even with this increase, overall golf member operating dues remain below regional competitors where the average is now over $12,700 annually. It remains critical for us to fund operations appropriately given current and new member expectations in a market where people have choices on how and where to spend their leisure dollar.

While your individual operating dues may vary given our fee structure, in general the operating dues increase for each membership category appears below:

Member Type	Total Annual Increase (4.8%)	Total 2021/22 Operating Dues *(Before tax)*
Golf	$450	$9,875
Sport	$195	$4,305
Social	$68	$1,520

While there are no increases in capital dues or minimums, we have raised the seasonal fees outlined below to reflect competitive levels within the region. These fees have not changed since 2019 and some have been in place since before 2015.

Fee	2020/21		2021/22	
Reciprocals	$47		$49	
Golf cart fee 18/9	$25 / $12.50		$26 / $13	
Bag storage	$85		$100	
Locker	$65		$100	
Equity Golf & Sport Guest Green Fee	$100 plus cart fee $20 plus cart fee	Nov-Apr May-Oct	$124 plus cart fee $20 plus cart fee	Nov-Apr May-Oct
Equity Golf & Sport Family Guest Green Fee	$45 plus cart fee $15 plus cart fee	Nov-Apr May-Oct	$74 plus cart fee $20 plus cart fee	Nov-Apr May-Oct
Equity Sport Member Green Fee	$90 plus cart fee $20 plus cart fee	Nov-Apr May-Oct	$90 plus cart fee $20 plus cart fee	Nov-Apr May-Oct
Equity Social Member & Social Guest Green Fee	$100 plus cart fee $20 plus cart fee	Nov-Apr May-Oct	$124 plus cart fee $20 plus cart fee	Nov-Apr May-Oct

There are opportunities available to upgrade your membership. Please reach out to Meg Stepanian at memberships@esterocc.com or 239-267-7000 with any questions you may have.

Best Regards,

Claire Comstock
President
Board of Governors