



Taupo Golf Club

CASE STUDY:

Financial Sustainability
Changing Cost Structure

CHANGING COST STRUCTURE TO PROMOTE FINANCIAL SUSTAINABILITY

The Taupo Golf Club established in 1928 has a unique position in the NZ Golf landscape offering two 18 hole golf courses all year round.

From the Championship Centennial course to the more user friendly Tauhara course along with their central North Island location they are well known and played by both New Zealand and overseas golfers. From 2014 the club will also become the regular home of the New Zealand Maori Golf Championship.

However the Taupo Golf Club has been struggling under a substantial historical debt for some time now with the board

and management constantly being challenged by the weight of the debt and the responsibility that it entails.

The club is constantly looking at increasing its income and any excess costs have already been trimmed from the budget.

The Chairman of the Board, John Marshall, informed the members at a recent SGM of the club's need to increase income by \$80,000 per year to enable the club to meet all its financial obligations and fund essential capital expenditure, based on the club's financial forecasting.

CHALLENGES



DEBT

\$1.06 million and unsecured debentures of \$219,000.

COMMUNICATION

How best to get the relevant information to the stakeholders of the club in an efficient and clear manner.

PROCESS

How does the club get to a win-win result in a timely and consultative manner?

SOLUTION

The board as a group approached the matter in a proactive manner and worked towards the process ending in a Special General Meeting where an acceptable resolution would be ratified.

To get the members engaged, two letters outlining the situation and the potential options were sent to all the club members including the notice of the Special General Meeting.

The potential options given were:

1. A general increase in subscriptions of 20%.
2. A surcharge of \$2 (18 hole) and \$1 (9 hole) per round plus a 10% increase in subscriptions.
3. A one off general levy on all golfers.

4. A surcharge of \$3 (18 hole) and \$2 (9 hole) per round in addition to the already indicated (AGM) 3% increase in subscriptions.

5. A surcharge of \$5 (18 hole) and \$3 (9 hole) per round - (this option was introduced by a member as a result of the letter being sent out)

Approximately 230 members attended the Special General Meeting. An initial presentation by the Board Chairman outlining the results of the forecast and the proposed resolutions was complemented by questions from the floor regarding the club's options.

The 2 hour meeting was well run and well received by the members with the discussions being robust and well measured. At the completion of the vote there was overwhelming support for option 4, this was ratified and since implemented.

RESULTS

\$90,000
POTENTIAL

Based on 2013 figures the course fee of \$3 or \$2 per round has the potential to raise an additional \$90,000 incl. GST of income through all rounds played, green fees and events.

\$75
PER MEMBER

Based on playing an 18 hole round that equates to an approximate average annual increase of \$75 per golfer.

0%
ATTRITION RATE

Since the SGM held on June 17, the club has yet to receive a member resignation identifying the course fee initiation as a reason for resigning from the club.

CONCLUSION / SUMMARY

While the club's bank has been supportive of the club, little flexibility was offered that would lead to a radical solution in reducing club debt.

Deferring principle repayments are of no benefit and financial forecasting undertaken by the board and management (reviewed also by the clubs accountancy and legal team) painted a very dim future.

The only option available to the Taupo Golf Club (short of closing the doors) was to meet the problem of the large debt head on and for that to be possible it had to be done with the approval and support of the club members.

The process they undertook was well thought out and implemented with a large number of meetings and reviews of potential questions making for a very smooth and well researched meeting with the best outcome for the future of the club always the end goal.

Throughout the process the message from the board and management to the members was clear. They said: "This is your decision. As a board and management team we are simply the caretakers of your club. Options will be presented that are well researched but the end decision will be yours to make."

General Manager Steve Giles said; "The board and members need to be applauded. Sure we have large historical debt but as a club we are determined to address this and secure the future survival of the Taupo Golf Club. The feedback to the implementation of the course fee has been overwhelmingly positive. I believe there is a strong collective will of the entire club to see the course fee charge succeed."





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