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## **Athletic Center Conversion Opportunity**

### **Backstory**

The Tubbs Fire was a devastating wildfire, which occurred in October 2017 in Sonoma and Napa Counties in Northern California. The fire started near Tubbs Lane in the rural northern part of Calistoga in Napa County. It destroyed 5,643 structures, including The Fountaingrove Club's, Sonoma County's only member-owned private club, gate house, tennis pavilion, golf course maintenance buildings and clubhouse. Since the fire, the Club's Board of Directors and executive team have been working diligently with insurance companies to settle a multimillion-dollar claim. The club is starting to rebuild and broke ground on a new \$17 million clubhouse in July 2020 for an October 2021 completion.

The Club opened a new golf course maintenance building in August 2020 and has replaced dozens of lawn mowers, weed eaters and other golf course maintenance equipment. The Club lost hundreds of trees on property, and the bunkers, including bunker irrigation and drainage, have all been redone. There have been enhancements made to the swimming pool, Athletic Center fitness floor, tennis courts and surrounding areas.

In 2019, the Kincade Fire burned in Sonoma County. The fire started northeast of Geyserville in The Geysers on October 23, 2019 and subsequently burned 77,758 acres until the fire was fully contained on November 6, 2019. While the fire didn't cause much destruction to The Fountaingrove Club, there was some smoke damage, and it caused a lot of mental anguish to members, guests and associates that had been impacted by the Tubbs Fire in 2017. The Club was forced to close for several days, and most of Sonoma County was under a mandatory evacuation notice.

The LNU Lightning Complex fires are wildfires currently burning during the 2020 California wildfire season across much of Northern California – Lake, Napa, Sonoma, Solano and Yolo Counties. As of Wednesday, September 2, 2020, the fires had consumed 375,209 acres with 78% containment, Cal Fire reported. The fires have destroyed 1,464 structures and damaged 231 others.

### **The Problem**

The Tubbs Fire had a significant impact on membership. In the 12 months after the fire, 14 golf members and 145 Athletic Center members resigned. Below you will find membership pricing at the time of the fire:

### **Golf**

- **Initiation Fee:** \$8,000
- **Membership Dues**

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- **Family:** \$726/month
- **Individual:** \$572/month
- **Capital Dues:** \$120/month

### **Golf Young Executive**

- **Initiation Fee:** \$4,000
- **Membership Dues:** \$458/month
- **Capital Dues:** \$60/month

### **Athletic**

- **Initiation Fee:** \$700
- **Membership Dues**
  - **Family:** \$205/month
  - **Pair:** \$170/month
  - **Individual:** \$130/month
- **Capital Dues:** \$10/month

In the 12 months after the Tubbs Fire, the Club lost a total of \$36,646 in guaranteed monthly dues revenue, not to mention the number of potential memberships lost due to post-fire cleanup and the lack of full amenities. Please note the Club also lost some Golf Senior (7), Golf Super Senior (2) and Golf Non-Refundable (12) memberships after the Tubbs Fire, but those numbers were not included as part of this research.

As the Club rebuilt, the Board of Directors hired Troon, the world's largest golf course management company, to manage operations starting April 1, 2019. As part of that transition, the Club hired a Membership Director and promoted a Membership Coordinator to help retain and grow memberships.

Per the restated bylaws, the Club has 50 Social memberships and 368 full golf memberships, including Golf Young Executive memberships, available. If an Athletic Center member wants to upgrade, he or she must go through the membership sales process and pay the current initiation fee. The current process is below:

- Meet with the Membership Director for a tour
- Play golf (9 or 18 holes) with a club selected Ambassador
- Play golf (9 holes) with the Head Golf Professional or other Golf Shop representative
- Provide a letter from a Sponsor (*the Sponsor must be a member of the Club, any category, but cannot be the Ambassador*)
- Completely fill out the Golf Membership Invitation
- Go in front of the Membership & Marketing Committee for a recommendation for membership

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- Go in front of the Board of Directors for approval

Pending approval, the membership would begin the first day of the following month. All golf memberships require a 12-month commitment plus a minimum six-month written notice at the time of departure. Since these golf memberships are resellable, the member can choose to continue paying dues and wait for his or her refund or pay dues until their membership sells. Regardless, there is a minimum 18-month commitment per membership sold.

In addition to all of the wildfires the Club had been dealing with, in 2020, the world was hit with the COVID-19 pandemic. This pandemic shut down businesses everywhere, including indoor fitness centers. Due to the makeup of our membership, our Athletic Center members didn't have access to the gym floor, locker rooms, indoor showers, steam room, etc. However, since The Fountaingrove Club is a 501(c)(7) non-profit organization, as with most member-owned private clubs, the Club continued to charge full dues. If not, the Club risked being in a deficit at the end of the year, which would require a membership assessment to break even.

While the golf course was able to reopen shortly after closure mandates with some restrictions, many Athletic Center members were frustrated, and didn't want to pay full dues for services they could not access.

To address the situation, a creative solution was needed. With an over 110-acre property, the leadership team worked tirelessly to move fitness equipment outside, reopen the pool and offer food & beverage items to go. These efforts continue at the writing of this document.

As an added amenity to their membership, Athletic Center members have access to the golf course six times per year with a greens fee, booked no less than three days in advance through our Head Golf Professional. Please note during the month of May they could play for no additional fee and in June, even though they paid a greens fee, the number did not impact their six allocated rounds.

### **Strategically Finding a Solution**

During the month of April, several committees, including the Finance and Membership & Marketing, discussed ways to keep these loyal members satisfied and to ensure the Club had enough income to remain solvent. For the first two months, all members paid Membership and Capital Dues. At the April Board Meeting, the Board voted to waive 75% of Membership Dues for Athletic Center members for May and June. The 25% these members did pay was then, when the Club reopened, put on the member's credit book for a net \$0. At the June Board Meeting, the Board voted to revert to full dues starting July 1.

Also, at the June Board Meeting, the Board approved an Athletic Center Conversion Opportunity.

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For the months of July and August, any Athletic Center member that had been a member for at least 12 months and in good standing could upgrade to a full golf membership for half price. The same membership sales process must be followed, but it was an opportunity for the Club to recoup some of the lost revenue from the 2017 Tubbs Fire, the 2019 Kincade Fire and the 2020 worldwide pandemic and also thank our longtime loyal Athletic Center members.

When this opportunity was approved, the membership department compiled a list of all Athletic Center members that had played golf during the months of May and June. A second list of all Athletic Center members that qualified for this opportunity was also created. All members that had played golf were called directly with this opportunity. All other members were emailed as many as three times each with a personalized email sent directly from the Membership Director.

By the end of August, the Club approved 5 Athletic Center Conversions (4 Golf Family, 1 Golf Individual) producing \$111,830 in guaranteed revenue.

$$\textit{Initiation Fees} = \$45,000 + \textit{Membership Dues} = \$55,440 + \textit{Capital Dues} = \\ \$11,430 = \$111,830$$

This opportunity ran at the same time as normal day-to-day operations. The Club was also able to welcome another 10 golf members (4 Golf Family, 3 Golf Individual and 3 Golf Young Executive) during those same two months. These additional memberships produced the Club additional revenue:

$$\textit{Initiation Fees} = \$153,000 + \textit{Membership Dues} = \$114,354 + \textit{Capital Dues} = \\ \$19,458 = \$286,812$$

## **Conclusion**

We have never experienced anything quite like COVID-19, and private clubs around the world are all doing all they can to appease members and guests. The Fountaingrove Club has been strategic in offering various programs to grow memberships and at the time of this writing only has 46 memberships available. Numbers like that simply wouldn't be possible without the creativity from Troon, the Club's Board of Directors and Committees and the members at large.

*"No other source of revenue impacts the health of a club more directly than dues." - Ray Cronin, Founder & Chief Innovator, Club Benchmarking*

A lot of clubs worldwide took a knee-jerk reaction and began cutting dues and slashing initiation fees. But for a 501(c)(7), that isn't something industry leaders would recommend. According to Ray Cronin, Founder & Chief Innovator, Club Benchmarking, "No other source of revenue impacts the health of a club more directly than dues." While The Fountaingrove Club did cut dues for Athletic Center members for those two months, they were able to realign and develop a

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program that not only guarantees additional dues revenue, but also enables the Club to reward long standing Athletic Center members.

The next time disaster strikes take time to consider all the options available to you. Be creative to fit the needs of your membership. While your members and guests might be unhappy their Club isn't accessible, it is the Board's fiduciary responsibility to think long-term by planning three to five years ahead, not months.