

Waterton Park Community Association

Observations by W R (Bob) Jacobson

September 14, 2009

I joined the Board of Directors of the Waterton Park Community Association in the fall of 2008. I was also appointed as a member of the Golf Course Management Committee at that time. Since then I have had the opportunity to observe the operation of the Golf Course and to a lesser extent the operation of the other facilities managed by the Association. The following are some of my recommendations for change in the staffing and execution of the reporting system for the Association beginning November 1, 2009. These recommendations in no way challenge the abilities and performance of duties by the current team that manages the Associations assets. The current team members are dedicated to the success of the Association. The current expectations of performance are a result of many years of experience in the management of the Association. Since the Association took over the management of the Golf Course and the Community Properties in the townsite there have many changes in the products and services offered. The Golf Course has become recognized as one of the places to golf at. The Community Properties have attempted to become central to recreational and social activities with limited success. Both the Golf Course and the Community Properties are aging and will require considerable investment in the future if they are emerge as Community focal points in the future. The reports prepared by Bill Little and Holly Fausett outlines the future urgency of our needs. As a result, change will drive the success of future endeavors. Included in these changes will be future expectations that will be expected of the team that drives the Association forward. The Association has become an almost million dollar business and holds the responsibility to manage assets that are priceless, therefore careful management is critical and change will be the only constant in the equation. The following include some of the changes that I believe will help the Association move forward:

1. The association should adopt a full accrual system of accounting including inventory adjustments for the months May through October each year. All purchases should be recorded on the day that the good or service is received and if not paid for by cheque at the time of delivery then it should be recorded as account payable on that date. All sales invoiced to customers should be recorded on the day the good or service is rendered as an account receivable. All cash receipts should be recorded daily and cash deposited into the bank on the next banking day. All purchases made from petty cash should be recorded at least weekly. All payments made to relieve accounts payable should be recorded on the day paid and removed as a payable.
2. Inventory of "Food and Beverages" should be taken prior to opening on the first day of the month for the months May to October. On count days specific staff should assigned to count. These team members should have no other duties to perform during the count and the counts should be performed prior to opening on those days. The accounting system software is very versatile. The alternative to using month-end cutoffs is to divide the operating system into four week blocks. The cutoffs can then be set to specific week days thus simplifying scheduling for the counts. It is essential that the information developed in this process is used to make adjustments to pricing and costs. The importance of this early in the season should be obvious. Consideration may be given to apply the same process to the Pro Shop retail inventory mid way through the season although visual inspection of the inventory on hand may be adequate.

3. Payroll expense should be allocated to the proper department monthly. Allocation of payroll deductions and benefits should be allocated as well. This may require the creation of addition expense accounts in departments.
4. The wage expense related to Food and Beverage has increased dramatically in recent years. There appears to some improvement in the relationship between actual food and beverage costs and sales but the relationship of wages does not appear to have changed in a meaningful and positive direction. As presently no allocation of wage costs to departments is made it is difficult to assess the current results. The Golf Committee should set guidelines for management to follow and request accountability. Increasing revenue does not always increase margins. The Committee may wish to review the menu and determine whether the Course needs to expand or decrease the offerings. Food and Beverage operations are very volatile and because of the increasing volume we may have to rethink the way we are managing this department. One alternative is lease out the Food and Beverage part of the Golf Course. In 2008 the Food and Beverage lost more than \$20,000. Losing money in the Clubhouse takes away from the ability to improve the Course. I would recommend that the Committee give serious consideration to leasing out the Food and Beverage department in 2011. In the interim I would suggest that the budget for the Clubhouse be based on food cost as 1/3 of sales, labor as 1/3 of sales and the balance as a contribution to overhead and profit.
5. In the event the food and beverage department is leased out in a future operating season there will be significant changes in the role of the manager as well as reduced work load in the work of the financial officer. The role of the manager will change and a number of alternative approaches to this position will need to be examined. The role of the financial officer will be reduced but the importance of the position will remain. It would be possible to share this individual with one or more outside entities or combine this function with another position within the golf course.
6. Currently refundable container deposits are being charged to expense. These deposits should be charged directly to the beverage account that they apply to. In addition there is a "Park" tax on beer (2%), wine and liquor (3%) on purchases. This tax should be accrued as purchases are made. Container deposits and "Park" tax amounts should be considered in pricing beverages as they are direct costs of products being sold. Currently funds received from the return of beverage containers are credited to a staff functions account. This should be formally adopted as policy by the Committee if it has not been previously adopted. Keg deposits are refundable and should be recorded as a receivable and relieved when credit is given on return. These may seem to be minor in amount but keep in mind we have been losing money on food and beverage in recent years therefore pricing becomes very important.
7. Rent of the Golf Course is based on 5% of gross sales excluding memberships. This amount should be accrued for each accounting period (monthly or by 4 week periods) and allocated to the proper department.
8. Monthly accrual statements (May to October) should be provided to the Committee and the Board by the 10th day following the end of the accounting period being reported on.
9. A listing of all payments made to the Receiver General should be provided to the Committee Members and the Board monthly. In the event of financial difficulties by the Association Board and Committee members can be held financially responsible for unpaid liabilities to the Government.
10. A copy of bank reconciliations for all bank accounts, an aged listing of accounts receivable and payable and details of changes to capital assets should accompany monthly financial reports.
11. Amortization amounts should be booked monthly.

12. The monthly or regular accounting reports made available to the Board and the Committee should include a schedule of Cost of Sales for the Clubhouse.

The position of financial officer of the Community Association has become a full time job for the months April through December. The position should include completing the records for all of the Community Association. The Association should be prepared to provide outside training to the financial officer. The Association should engage professional assistance to adjust the accounting system chart of accounts to accommodate changes required to improve reporting. This does not have to be the auditor.

I believe that the Golf Course will enjoy financial success in the future. The current lease ends in approximately 10 or so years. There will be significant financial requirements in the coming years. The resolution of future capital expenditures will obviously be affected by our ability to secure an acceptable lease extension. Under the current lease there is little incentive to expend funds for "Capital" in areas that will revert to the Crown upon the surrender of the lease. Currently we pay 5% of most revenue as rent to the Crown. While this is probably a fair charge the Crown has no obligation to participate in the maintenance and/or replacement of permanent structures such as the Clubhouse and Pro Shop. The approach towards future capital outlays that will be taken by the Golf Course Management Committee will obviously be affected by this in the future. The Board must take a positive spin on any future lease extension and the Golf Course Management Committee must adjust to any changes in the lease.

The future of the two Community Properties though remains very cloudy. As can be noted in the accompanying reports by Bill Little and Holly Fausett we are facing considerable financial requirements for capital renewals and/or replacements in the long term. The revenue being generated will in no way allow this happen let alone cover current operating costs. There is a remote possibility that the Golf Course may one day be able to provide limited funds to support non-golf Community initiatives but this should not be considered as a source of funds at this time and probably not for remainder of the lease unless it becomes clear that the lease will not be renewed. The Association **must** look at outside sources of funding the Community properties. Consideration must be given to the closing of one of the properties on a permanent basis and unless funding can be found for operating both properties may have to close permanently in the future. Consideration should be given to closing both properties during the period October 31 through April 1 each year regardless of other decisions.