



BETTER TOGETHER: TRANSPARENCY SERIES

The LPOA and Lakewood Oaks Country Club

Presented by the Lakewood Property Owners Association

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Part 6 | The Way Forward (2017-2018 Projection)

Introduction

During the recession, it was popular for people and pundits to state that 'Golf is dead'. But to be quite honest, Golf has its ebbs and flows as does everything else. Currently the Golf Industry is growing at a rate of 1% to 2% per year with a very positive outlook.

Our outlook in 2017 is a combination of optimism and uncertainty, but we continue to maximize our opportunities, engage with our members, and try to keep providing financially sound management to our course.

Financial Overview - 2017

We ended Part 5 with the Dow Jones Industrial Average closing on December 31, 2016 at 19,752. At the time of this writing (2017), the Dow is holding around 21,500 points. This level of the market comparatively is 68% higher than when we acquired the Club in 2007 and an incredible 228% higher than when the market bottomed out in March of 2009.

According to the University of Michigan, consumer confidence is hitting 15 year highs. But let's also be honest. We live in a country where 50% of the country thinks the economy is great and 50% will tell you recession is imminent. So we just focus on the

facts at hand and industry reports and plot the way forward to the best of our ability and within what we can control.

“Minding Our Business” After 10 Years of Management

Although the phrase “Mind your own business” has been used out of context for many years, it was the original business mantra that reminded business owners and operators to focus their energy on making their own business great with high levels of customer satisfaction, and in return they would be successful.

Time spent trying to figure out what other companies were doing was time wasted.

This has been our mission and it has taken 10 years to get here and hit our stride. We are more than fortunate to have acquired a mature golf facility.

The irrigation system, the cascading water feature on the back nine and many other improvements over 35 years would be cost prohibitive to create these days without acquiring substantial debt.

We have all of these assets, and our debt is now down to approx. \$1.7 Million, down from \$3.1 Million 10 years ago. As we stated in Part 2, this is comparative to \$11.5 million (plus) if we were to try to build the golf course today.

The Evolution of the Country Club

This year, the Board of Directors of the Lakewood Holding Company, Inc., approved changing our “do business as (d.b.a.)” name from Lakewood Oaks Golf Club to Lakewood Oaks Country Club. As you all know, the Lakewood Oaks Country Club is 100% controlled by the Lakewood Property Owners Association.

Although the name change occurred overnight, the vision, planning and implementation took 10 years and was based on a broader future vision of the entire Lakewood Community.

Accommodating our LPOA Residents Through Amenities

This vision will be substantially complete in 2018 with full implementation by the end of 2020. With approximately 5000 adults residing in the community and an additional 5000 children, it's fundamentally evident that it takes many amenity locations to comfortably support the community.

Swimming: If 10% of the community decide to go swimming on a beautiful summer day, then we need to safely and comfortably accommodate 1000 people. The Main Pool can only comfortably accommodate 200 persons. The new East Lake Pool will accommodate the same amount, and the Oaks Pool can hold approximately 60, with the Bayview Pool holding about 50 people. The balance is usually accommodated by the Beach and the Pleasure Docks.

Golf in Lakewood is the same way. With 10 minute tee times, we can provide a comfortable experience to approximately 190 golfers a day. The current membership is at about 70% capacity with a maximum number at about 320 Full Golf members total.

Tennis is a variable as to how many may play based on time of usage per player. But with seven (7) courts, we can accommodate approx. 200 tennis players per day.

With 55 pleasure docks and the beach, it is easy to conceive that another 200 members could use the lake at any given time. With 350 resident boats and an additional 50 trailered boats, it is foreseeable that an additional 1200 people could be out on the lake.

Food and Beverage can only serve around 65 people every 1.5 hours or a total of 220 per evening. A nighttime or daytime banquet can only serve approximately 175 people. Food and Beverage is an amenity of the Lakewood Property Association but all Club members enjoy access to it.

Basketball and Volleyball facilities only yield themselves to small numbers per day.

You can see, no matter what the amenity, the availability is small in comparison to the total number of adults and children who live in Lakewood. That is why our amenities have great usage numbers and leave our members asking for more. This has been sorely evidenced by the temporary closure of Lakewood's East Lake Pool.

All this supports the overall vision that active people love and demand the amenities that the community offers.

The Lakewood Oaks Country Club supports this overall vision. In a Country Club environment, our members can enjoy Golf, Tennis and Swimming Pools.

Understanding Club Membership Distinctions

Currently we have around 260 Full Golf Members. Some of our Full Golf Members live in Lakewood and some do not. Since a Full Golf Membership can also include the option of a family membership, we have approximately 468 full members who frequent the Club.

We also have approximately 5000 adults who have a Social Membership to the Club via their Lakewood Property Owners Association membership, as well as some Social Members who do not live in Lakewood.

These numbers far exceed the membership numbers of most Country Clubs and it is the synergy of this relationship that has made us successful and will assure continued success in the future.

Improvements in Progress are Ongoing

We have been minding our own business and we are doing very well. Membership is up, revenue is up and gross margin is up.

When you truly look at what we now offer our members, it is clear that we meet and probably exceed the quality of amenities through the Kansas City Regional area with the completion of the new East Lake Pool.

People will visit most places, but they always return to their favorite places. It is our endeavor to continue to make the Lakewood Oaks Country Club one of your favorite places.

The LPOA and the LHC are truly Better Together. The warmth and support of the community make the LHC strong, and the LHC ensures that our home values are supported in perpetuity.

Financial Planning - An Ongoing Source of Revenue

It's clear that the overall investment for LPOA in the Golf Course was to control and nurture this important amenity that would secure the overall well being of Lakewood home values.

And while the Country Club still carries the facility debt, Lakewood does still benefit from revenue at the Lakewood Holding Company via monthly interest payments. This is Lakewood's monetary return on investment (R.O.I).

As the Club prospers through this good economy, it is always important to remember the long range strategy that as we reduce the debt, the Club will produce more net earnings which will further help accelerate the debt reduction. We envision being debt free by 2025.

Once the burden of debt is paid off and removed from the Club, the Lakewood Property Owners Association will enjoy a healthy return on equity that will be ever important as it will be a revenue source when no other revenue sources, other than increased dues, are available.

In the future it's feasible to continue updating the interest rate repayment to Prime Interest rate each year. The prime rate is the rate at which banks provide loans to their best customers. In Missouri, there is no cap on corporate loan interest rates as long as the parties agree. **However, exceeding the prime rate would appear to many to be gouging and inappropriate for an intra company transaction.**

Promotional Marketing Advances in 2018

We are excited to be navigating a variety of promotional advances that will occur over the course of this year, which will have a lasting positive impact on all members and residents of Lakewood.

We are proud to announce that as of June 2017, the Lakewood Oaks Country Club is now the 'Official' Country Club of the Kansas City Mavericks Hockey Team. We look forward to the synergy and exposure that this mutually beneficial relationship will bring. Throughout the year, we will have various drawings to give away Mavericks tickets to our members.

Additionally, the LPOA and Lakewood Oaks Country Club are joining forces to launch a significant re-brand of both entities, to dramatically increase the professionalism and overall image of our communities.

We will be relaunching both websites during Summer/Fall of 2017, which will include new logos, a completely updated photo library of our amenities, and a new lense of attention focused on the amazing amenities and lifestyle we have to offer.

Not only will current residents be uplifted by the reminders of all things beautiful in Lakewood, but the Greater Kansas City audience will be able to easily understand the benefits of living in our amazing Country Club environment, surrounded by award winning schools, downtowns, and local organizations.

When professionals transfer to Kansas City from other states, they don't have a context for which neighborhoods are the best. Once our rebranding is complete, and we can effectively share with others what residents already know to be true, our competitive edge in Country Clubs and real estate will only continue to increase.

Thank you

We could not be more excited for all of the progressive updates to be made in 2017, and appreciate all that you do to make Lakewood wonderful. The amenities are nothing without amazing neighbors to share it with, and that is a gift that is hard to find and takes decades to build.

Thank you for your ongoing support of Lakewood and the Lakewood Oaks Golf Course, and we look forward to sharing our future successes with you.

Next Up: The Pandemic Effect (2019-2023)

Next we'll take a look back from 2018-2014, and provide an update on the 8 years of unimaginable changes that happened globally, including the coronavirus that forever changed our community.

Although sometimes tragic and unpredictable in our personal lives, the Covid-19 lock down circumstances beginning in 2019 caused our Golf Course to catapult to record high membership levels, as we were one of the only Golf Clubs in the area to stay open for recreation. Memberships surged, and have stayed high consistently through 2024.

We'll look forward to providing additional updates in Spring 2024.