



**To : Members**

**Re : New irrigation system – funding**

The purpose of this paper is to outline the cash resources available to the club and to clarify how the Management Committee proposes to fund the new irrigation system should the project be approved by the Members at the SGM.

This paper is supplementary to the Treasurers presentation that will be delivered at the webinar on Thursday evening. All members are encouraged to attend the webinar to ensure they are fully informed on all aspects of the project as the presentation covers broader matters that are not mentioned in this paper.

In summary it is proposed that the project cost of €1,276,818 is funded through a combination of existing cash (65%) and bank loans (35%). A bill of quantities is enclosed in Appendix 1.

### **1. Cash resources available to the club at 31 May 2021**

As at 31 May 2021 the cash resources of the club is summarised in Appendix 2.

#### **Notes:**

- Ring Fenced No. 1 account was established at the AGM in January 2012 when a Constitutional amendment stipulated that an amount of €750k plus interest accrued thereon be ring fenced for the future purchase of the course lands. A subsequent Constitutional amendment was passed at the AGM in January 2014 stipulated that, in addition to the above, income generated from entrance fees be ring fenced for future purchase of golf course lands. A Constitutional amendment passed in January 2019 closed this fund at its then balance of €1,222,687.
- In January 2019 an amendment was also passed to set aside, in a Ring Fenced No. 2 account, income generated from future entrance fees from 1 January 2019, for the purposes of future capital projects that would be approved by the Members at an AGM.

## **2. Funding proposal**

- Use all of the funds in the Ring Fenced No 2 account. This provides funding of €446,000.
- Use €383,000 from the Ring Fenced No 1 account, leaving a balance in this account of €839,687 (which is more than the €750,000 originally set aside January 2012).
- This provides funding from existing cash resources of €829,000.
- With an estimated project cost of €1,276,818 a balance of €447,818 is required. This should be borrowed from AIB/BOI and repaid over a term of 7 to 10 years (depending on terms and conditions etc), or alternatively lease/asset finance may be available from AIB/BOI. Over a 7 year term the loan/interest payments amount to €72,000 p.a. approx. Written loan approval has been received and discussions with both banks will continue regarding the most favourable terms and conditions for the Club, including security requirements, and then finalised should the project receives member approval.

## **3. How will the club repay the bank borrowings**

- The club will earn entrance fees in 2022 and future years. Under the Constitution these funds will accrue to the Ring Fenced No 2 account. While applications for new ordinary members is currently closed, this is only a temporary arrangement to allow the Management Committee time to assess member numbers, timesheet management and pricing.
- Using future cash flows accruing to the No. 2 account, this cash should be sufficient to meet all repayments. To the extent there is any shortfall in the No 2 account this will have to met with cash in the “free cash” account which is there to fund day to day expenses.
- This approach means the club is not relying on green fees to repay the loan. The clubs approach to green fees remains the same as the strategy that has been deployed over the last few years. The strategy is to reduce the number of visitors while at the same time recovering a higher green fee rate i.e. “get more from less”. This keeps green fee income high while seeking to give members every opportunity to play golf.

## **4. Subscription proposal at the 2022 AGM**

- As previously flagged at the last AGM, the Management Committee will be bringing a proposal to Members at the AGM in January 2022.

- The Management Committee propose to bring a motion seeking an increase of €100 for 2022 and a further increase of €100 in 2023. Further details will be shared with members prior to the AGM in January 2022 on why this increase is needed and what it will be used for.
- The Management Committee believe this is the full extent of any subscriptions increase for 2022 and 2023.

## **5. Funding the club through the winter of 2021 / 2022**

- At the SGM the Members will also be asked to approve use of Ring Fenced No 1 account (i.e. the €750k) to fund day to day expenses during the winter months. When the 2022 subscriptions are received any funds used will be replaced; just like the process that happened earlier this year. Hopefully only limited resources will be required, but the requirement will depend on the 2021 green fee performance (very unpredictable).

## **6. Key benefits of this funding proposal**

- It strikes a balance between using the club's surplus cash resources while at the same time leaving a buffer (€839,687) to fund the club during the winter and position the club to have a well capitalised club for the future.
- A ring fenced debtor of €86,000, when collected will be added to the No. 2 ring fenced account and will be available to fund the year 1 capital and interest repayments on the loan.
- There is access to bank funds at competitive interest rates and the spreading of the capital repayments over 7 to 10 years should not be a demanding requirement for the club to satisfy. The repayments will largely, if not fully, be satisfied using future entrance fees.
- Members are not being asked to approve a subscription increase to fund the project. And with regard to the repayments of capital and interest on the loan, cash from future entrance fees will firstly be used, and only if there is a shortfall will the club use cash that is ear marked for day to day expenditure.
- This funding model is not financially risky for the club. The club has a track record of managing costs as tightly as possible, and generating cash from green fees / entrance fees.

**Neil McMahon**  
**Hon. Treasurer**

**21 June 2021**