



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: March 16, 2010 REPORT NO: 10-037
ATTENTION: Natural Resources and Culture Committee
Agenda of March 17, 2010
SUBJECT: Golf Division Update on Resident Identification Program, Costs
Associated with Special Events and Low-Income Fee Waiver

SUMMARY:

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR CITY COUNCIL.

BACKGROUND:

At the February 24, 2010 Natural Resources and Culture (NR&C) Committee meeting staff presented the Committee with a recommendation, and an alternative recommendation, regarding a senior golf greens fees and a low-income golf fee waiver program. Staff recommended not to change the current fee structure at this time and to consider modifications to the golf fee structure within the context of the next Golf Operation's Five-Year Business Plan (Plan) after the existing Plan expires on June 30, 2011. The Committee took no action on the staff recommendation.

During that discussion committee members requested other information related to the municipal golf program and staff received direction to return to the committee in 30 days with a report on three items; Resident Identification Program; golf sponsored special event support; and, information regarding the potential for a low-income golf fee waiver.

DISCUSSION

Resident Identification Program

The cost for the Resident Identification Program is being evaluated with the Financial Management Department staff and once the review and analysis is complete the information will be brought back to the Committee.

Special Events on Municipal Courses

Each year the City hosts two golf special events: the Farmers Insurance Open Professional Golf Association (PGA); and the Callaway Junior World Golf Championships.

These Golf Enterprise Fund special events have historically been managed differently than regular course rentals given the level of community volunteer engagement and community participation; the positive economic impact to the local tourism industry; and the significant amount of national and regional media attention given to the Torrey Pines Golf Course and the City during the events, as well as coordination with the City's Special Events Office.

The 2009 PGA Open event (Buick Invitational) featured 50 hours of national media coverage of the tournament and San Diego. As published in the Buick Invitational Tournament Guide, the economic impact to San Diego Area resulting from the 2009 Tournament was estimated at \$25 to 30 million. In 2008, the School of Hospitality & Tourism Management at San Diego State University conducted a study on the economic impact of the 2008 U.S. Open and concluded that the estimated economic impact of the event was \$142 million. The study estimated \$73.62 million in direct spending, including lodging, entertainment, shopping, food and beverage. That created an estimated "indirect impact" of \$68.46 million, based on the projected effect of that spending to pay for local labor, goods and other business.

In addition, the Farmers Insurance Open in 2010 has an important philanthropic benefit to local organizations providing services to residents. While the 2010 event generated charitable contribution figures are not yet available from the sponsor, the prior year 2009 golf event generated approximately \$2.2 million in charitable contributions to local organizations. Planned full-cost recovery for the event in future was noted in the 2010 contract, Section IV. F, between the event sponsor and the City:

"For future budgeting and contract purposes, it is the City's intent to increase future reimbursement by sponsor in order to ultimately achieve 100% reimbursement of the actual and incurred loss revenue and costs associated with holding this event"

The Callaway Junior World Golf Championships is an important international youth golf event. The tournament is targeted at youths under the age of 18. In 2009 more than 1,000 youth golfers representing 43 states and 50 countries played in the tournament at local golf courses, which featured the boys and girls 15-17 age group at Torrey Pines. The estimated cost to support the tournament at Torrey Pines Golf Course is \$143,000.

In September 2009, the Torrey Pines Golf Course hosted the 2009 Ladies Professional Golf Association (LPGA) Samsung World Championship. The contract, signed in March 2009 was 100% cost recoverable, per the contract terms negotiated by the City staff.

Golf Low-Income Fee Waiver

Initially, the Committee requested the Department consider the potential of being able to offer a golf low-income fee to improve the affordability of golf and increase the accessibility of City operated courses to economically disadvantaged people for senior citizens and residents between 19 and 62 years of age. The Department studied the issue and brought the Committee a recommendation in February 2010. The report found that the current fee discounts for senior citizens and youth addressed the issue of affordability in a generally satisfactory manner at this time and the discounts are generally consistent with national golf industry standards. The staff

recommendation was to not make piecemeal adjustments to the current golf fee structure at this time and reconsider golf fees comprehensively within the context of the next Golf Operation's Five-Year Business Plan.

The recommendation was based on the fact that there are currently three greens fee discount related programs available to economically disadvantaged City residents under the senior discount, youth discount and the resident fee program, which program provides a preferred rate to City residents below that charged to regular daily fee golfers. These three programs cover all age groups and income classes within the City. A low-income fee waiver would be a fourth fee reduction program providing additional assistance to economically disadvantaged people. In researching the matter staff found that over 204,900 resident, senior and youth rounds of golf were played in fiscal year 2009 under the three existing reduced fee programs.

The Committee asked that staff to explore the expansion of the current golf fee structure to include a possible fee waiver program to cover senior citizens. In surveying twelve municipal golf courses in California staff found only one low-income fee discount program. The City of Los Angeles has just initiated a low-income fee discount for senior citizens, at a discount rate greater than the senior rate currently offered. The rate applies to time restricted tee times. The City of Los Angeles golf program is not a self-sustaining enterprise fund and is supported by the City of Los Angeles' general fund. The Los Angeles program is subsidized by their general fund and this new discount being offered to their senior citizens will also be subsidized at some level by the general fund, depending on level of use.

None of the other municipal courses surveyed have a low-income fee waiver for seniors, or any class, under consideration. This appears to be consistent with industry practice nation-wide. Most courses include discounted fees for residents, seniors and youth. Some municipal courses do offer the opportunity for players to receive a "scholarship" through more traditional recreation program fee scholarship policies.

Hypothetically, a low-income fee waiver for golf could operate in a manner similar to the Department's ongoing recreation activity scholarship program. Qualified individuals would be required to submit valid credentials to certify their financial status. The current standard is for applicants to present an Internal Revenue Service (IRS) tax return, Social Security Benefit letter or a Social Security Proof of Income letter for review. Another option would be use the same program participation criteria applied for the San Diego Gas & Electric (SDG&E) Care program and use proof of enrollment in one or the eight Federal low-income programs or the income criteria established for the program. This would be a similar approach to that used in the City of Los Angeles.

There is no way of accurately estimating the impact of low-income fee waiver program. Program subscription would likely be based upon the current number of golfers from disadvantaged households, the potential number of new golfers that would be attracted by a low income discount program, the amount of the discount and availability of tee times for this program. Since the Golf Division does not collect information regarding the financial standing of our golfers at City courses there is no way to benchmark potential qualifiers.

From data derived from 2008 US Census there are approximately 182,700 City of San Diego residents considered to be living in an economically disadvantaged situation. Since resident City youth currently receive a significant discount (\$10.50 per month unlimited play) those under the age of 18 would be removed from consideration leaving adults age 18 and older as potential program participants. The Census tells us there are 132,900 City of San Diego residents in this category; again there is no data to determine how many of 132,900 residents are golfers or would be encouraged to take up golf as a result of a low income waiver. If all 132,900 residents played golf the program that would serve a maximum of 11% of the population.

The implementation of a low-income program would likely have the effect of reducing golf course revenues, and as a result, consistent with staff's recommendation last month, staff's recommend no changes be made to the current golf fee structure until considered within the context of the next golf business plan to allow for a comprehensive analysis of all projected revenues and expenditures as the basis for that recommendation.



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