



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: July 6, 2011 REPORT NO: 11-101

ATTENTION: Natural Resources and Culture Committee  
Agenda of July 13, 2011

SUBJECT: Park and Recreation Department Golf Update

SUMMARY:

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

BACKGROUND

The purpose of this report is first to provide an overview of the Park and Recreation Department's Golf Division (Division) looking back over the last five years, as well as setting a course for an update to the current Golf Division Business Plan.

The City has operated a municipal golf program since 1932. Today the Division operates three City golf complexes: Balboa Golf Course 18-hole and 9 holes courses; Mission Bay 18-hole executive golf course; and Torrey Pines 18-hole North Course and 18-hole South Course.

The Golf Course Enterprise Fund was established in 1991. An enterprise fund is used to manage and account for operations that are financed and operated in a manner similar to a private sector enterprise where the cost of providing services is recovered primarily through user charges. A primary goal of the Golf Course Enterprise Fund is to ensure that the City operated golf courses are financially self-sufficient and that they do not require financial support from the City's General Fund.

Since 1991 no General Fund support has been required and the Golf Course Enterprise Fund has returned approximately \$29 million in land use fee payments to the General Fund for the use of City property where the golf courses are located. In FY 2011 this annual payment was \$2.4 million. The FY12 payment is anticipated to also be \$2.4 million. Additionally, the Division reimburses the General Fund annually for services provided by various City departments. In FY 2011 this reimbursement to the General Fund was \$1.1 million. The Golf Course Enterprise Fund has maintained these significant payments to the General Fund while striving to

continuously improve the condition of the golf facilities and the overall golf experience for our customers.

The City Council adopted 2006 Golf Operations 5 Year Business Plan (Plan) has provided clear direction for the Division since it was approved and nearly all of the objectives outlined in the 2006 Plan have been accomplished. The success of the Plan can be seen in the feedback from our customers, as well as the continued national recognition our courses receive, as is evident in their use as venues for local, national and international events. Some of the recent examples of this success include:

- A recent comprehensive golfer satisfaction survey showed that 94% of golfers rated the three City of San Diego operated golf courses satisfactory or better.
- Torrey Pines golf courses are ranked annually among the best in the country:
  - May 2011, Golfweek Magazine raters ranked Torrey Pines South Course at number 5 and Torrey Pines North Course at number 17 nationally.
  - In 2011, Golf Digest ranked Torrey Pines South as one of America's top 100 public courses.
  - September 2010, Golf Magazine raters ranked Torrey Pines South as the number four public course in the state of California.
  - In 2009, Zagat's biennial listing of America's top golf courses rated Torrey Pines North and South Courses as extraordinary.
- Successfully hosted significant annual tournaments:
  - The Callaway Junior World Championships
  - San Diego City Amateur Championships
  - Farmers Insurance Open
  - Ladies Professional Golf Association's 2009 Samsung World Championship
- The annual Farmers Insurance Open at the Torrey Pines Golf Course is regularly one of the most watched Professional Golf Association (PGA) tour events.
- Torrey Pines Golf Course was the site of one of the most famous matches in international golf history, the 2008 U.S. Open Championship.
- Torrey Pines Golf Course is featured with Augusta National Golf Course, Pebble Beach Golf Course, and St Andrews Links in Tiger Woods PGA Tour 2012 video game.

While many public golf courses struggle to maintain their financial stability, the Golf Course Enterprise Fund, continues to perform well with annual net operating income exceeding operating expenses. This performance has benefited the General Fund through the annual land use payment, the public through improving course conditions, and the facilities through investment in capital improvements.

All annual net income within the Division is added to and remains in the Golf Course Enterprise Fund balance until used only for City golf related expenditures, primarily golf capital infrastructure improvements. From FY 2007 to FY 2011 approximately \$10.7 million, unaudited, has been spent on capital improvements to the three golf complexes.

## DISCUSSION

### Golf Market Place

Nationally, the golf industry has been in decline in the past decade. Golf rounds nationally declined by 8%<sup>1</sup> from 2000 to 2009 and is projected to increase 15%<sup>2</sup> from 2010 to 2019.

With this decline in the overall market place we have seen a significant increase in competition among the many local courses. Many courses have changed their status from private to semi-private; many others have significantly reduced their greens fee, which has increased the number of courses that directly compete for our customers.

### Golf Course Enterprise Fund Financials

The Golf Course Enterprise Fund anticipated FY 2012 annual budget revenue is approximately \$16 million and the operating expense is approximately \$14.9 million resulting in a budgeted net operating income of \$1.1 million.

The FY 2012 Budget includes \$1.8 million in new Capital Improvement Program (CIP) expenditures and \$9.7 million in CIP continuing appropriations for projects budgeted in previous years and in the process of development.

The projected Golf Enterprise Fund FY 2012 Budget unallocated balance at the end of FY 2012 (June 30, 2012) is estimated at \$8.5 million.

### Accomplishments

During the last five years Golf Division has worked on implementing the policies and initiatives outlined in the Golf Operations 5 Year Business Plan. Key accomplishments include:

- Implementing an advanced reservation system at Torrey Pines Golf Course that improved customer service and eliminated brokers reselling of tee times.
- Increasing general public access at Torrey Pines Golf Course by limiting or eliminating the allocation of tee times to the adjacent hotels, the pro shop operation and the men's and women's golf clubs.
- Compliance with the 70% resident /30% non-resident goal for tee time availability at Torrey Pines. Actual utilization for FY11 is estimated at 69% / 31%.
- Torrey Pines Golf Course hosted significant professional tournaments generating significant revenue to local businesses and Transient Occupancy Tax (TOT) and sales tax revenue to the City of San Diego. In the past five years the following special events were held: five Buick or Farmer's Insurance Open PGA tournaments, the United States Golf Association's 2008 U.S. Open, the Ladies Professional Golf Association's 2009 Samsung World Championship, and five Junior World Championship Golf Tournaments.

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<sup>1</sup> National Golf Foundation, Rounds Played in the U.S., 2011.

<sup>2</sup> National Golf Foundation, Golf Participation in America 2010-2020, 2010, p. 6.

- Increased the overall numbers of volunteers at Torrey Pines and Balboa Golf Courses. Currently, the number of golf course marshal volunteers at Balboa Park Golf Course is 8 and Torrey Pines is 27, not including the hundreds of volunteers that support tournament play.
- Improved maintenance standards and course conditions at each golf complex. These recent changes have been confirmed by the many positive comments that staff receive regularly at each facility, as well as the very positive comments during the live telecast of the recent 2011 Farmers Insurance Open when a commentator indicated the Torrey Pines Golf Courses have never been in better shape.
- Facility upgrades during the previous business plan (FY 2007 to FY 2011):
  - Balboa Park Golf Course
    - Replaced clubhouse roof
    - Replaced deteriorated course steps and handrails
    - Painted the clubhouse
    - Renovated planters at entry
    - Parking lot repairs/repaving
  - Mission Bay Golf Course
    - Renovated practice area bunker and putting green
    - Reconstruction of tee areas at holes number three and four
    - Improved landscape planting surrounding the putting green and main pond
    - Updated landscaping at the parking lot entry
  - Torrey Pines Golf Course
    - Renovated the South and North courses
    - Parking lot renovation
    - Improvements to the South Course food and beverage half-way house facility
    - Electrical system upgrade
    - Clubhouse roof replacement
    - Major renovation of clubhouse restrooms
    - Replaced tee furnishings

### Customer Satisfaction Survey

A customer satisfaction survey was recently completed to profile golfers' experiences and satisfaction when playing at the City's three golf complexes. The survey results will assist the staff in providing key data as the new Plan is updated. It is anticipated the survey will be adopted into an annual survey to track progress on meeting key customer service needs.

The survey, which included both resident and non-resident golfers, found that 88% to 95% of golfers were satisfied with their overall golfing experiences while playing on city-operated courses. The combined weighted average for all three courses is 94%.

Golf Course Satisfaction	Excellent	Good	Fair	Poor	Very Poor	Not Sure	Satisfaction (Excellent, Good or Fair)
Balboa Park	16%	58%	21%	4%	3%	0%	95%
Mission Bay	11%	48%	29%	10%	3%	1%	88%
Torrey Pines	49%	39%	7%	4%	1%	0%	95%

The survey was conducted by an independent consulting firm (True North Research) that specializes in customer satisfaction studies. Of the 9,468 golfers that were asked to participate in the survey (either online or by telephone), 1,306 completed the survey. The survey has a statistical margin of error due to sampling of +/- 2.68% at the 95% level of confidence.

### Capital Program Priorities

As identified in the current business plan, there are many capital improvement projects needed within the Golf Division. Over the last several years, the enterprise fund has generated revenues that are available for capital improvements within the Division and several significant projects are being initiated currently. As we plan for the future of the Division, a successful capital program is key to our long-term success, ensuring that each golf complex remains competitive and current with the local market. Some of the priority projects include:

- Balboa Park Golf Course:
  - Complete the installation of the new irrigation system - scheduled for completion Fall 2011
  - Complete a historical restoration of the existing clubhouse and add additional building structures
  - Design and install a drainage solution across 1,2, 3, and 4 fairways
  
- Mission Bay Golf Course:
  - Replace course infrastructure (irrigation, drainage and electrical system)
  - Demolish existing clubhouse and replace with a modular structure
  - Develop a new master plan for driving range, practice area, clubhouse and maintenance facility.
  
- Torrey Pines Golf Course:
  - Install new North Course carts paths
  - Construct new North Course women's tees
  - Reconstruct North Course fairway and greenside bunkers
  - Upgrade maintenance facilities

Park and Recreation Board Golf Business Plan Ad-Hoc Advisory Committee

As part of the process in developing a new business plan, staff will work closely with an ad-hoc advisory committee made of representatives appointed by the Park and Recreation Board (Board), as well as a selection of diverse golf stakeholders. It is anticipated that the committee will meet on a regular basis throughout a 6 to 9 month period needed to complete the update process. Staff is currently working with the Board Chair to identify potential members for the committee.

CONCLUSION

Based upon City Council adopted Golf Operations 5 Year Business Plan, the Park and Recreation Department's Golf Division staff has been able to operate the three municipal golf complexes with success over the last five years. However, during this same period, many local golf courses and the golf industry as a whole have struggled due to a reduction in rounds being played and the poor overall economic times. These conditions create several challenges for the Division in the near and long term which will be addressed as staff and the community work together to develop the new Golf Division Business Plan.



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