

DATE ISSUED: April 5, 2001

REPORT NO. 01-067

ATTENTION: Natural Resources and Culture Committee,
Agenda of April 18, 2001

SUBJECT: Proposed Golf Operations Business Plan for Torrey Pines and Balboa Park
Golf Courses for the Period June 1, 2001 through June 30, 2005

SUMMARY

Issue - Shall City Council adopt the Proposed Golf Operations Business Plan for Torrey Pines and Balboa Park Golf Courses for the period June 1, 2001 through June 30, 2005?

Manager's Recommendation - Adopt the Proposed Business Plan attached to this report.

Other Recommendations -

On November 30, 2000, the volunteer citizen Golf Advisory Council (GAC) voted 8-4, with 2 abstaining, to recommend support of the Draft Business Plan with 4 amendments which are included in the Proposed Business Plan. Additional amendments were incorporated into the Proposed Business Plan after the GAC's vote. See page 2 of the attached Executive Summary for details.

In addition, comments were received from the general golfing public and other stakeholders both before and after development of the Draft Business Plan. These comments are located in Appendices A and C of the Plan. Many stakeholder comments were incorporated into the resulting Proposed Business Plan. Stakeholders who provided input included: golfers at both courses, Torrey Pines and Balboa Park Golf Courses Men's and Women's Golf Clubs, San Diego Convention and Visitors Bureau (CONVIS), Hotel-Motel Association, Golf Shop lessees at the courses, food and beverage lessees at the courses, hotels on City land adjacent to Torrey Pines Golf Course, and tee time brokers.

Fiscal Impact - Adoption of the Proposed Business Plan would result in net cumulative additional revenue of \$6,741,000, compared to actual revenue in FY 2000, over the 4-year, 1-month term of the Business Plan, as follows:

4-year Cumulative Gross Revenue over 4 years & 1 month	\$8,525,000
Additional Staff to Improve Course Conditions	- 1,007,000
Additional Revenue to General Fund*	- 698,000
Maintenance of New Automated Reservation System	- 8,500
Marketing & Advertising	- 70,000
Available for Golf Course Improvements	\$6,741,000

* FY 2001 payment from Golf Operations to General Fund for Rental of Land and Buildings is \$1,251,800.

Business Impact

Adoption of the Proposed Business Plan would reduce the percentage of total tee times available to non-City residents (“visitors”), however, it would improve non-resident access to tee times through the Automated Tee Time Reservation System. The Business Plan would increase opportunities for City residents and non-residents to book tournaments as small as 20 players. For the two hotels located on City-owned land adjacent to Torrey Pines Golf Course, the Plan would improve the opportunity to provide Lodging/Golf Packages. The Plan would also reduce the market for tee time brokers.

BACKGROUND

The municipal golf courses at Torrey Pines and Balboa Park are managed within a self-supporting Golf Enterprise Fund. In 1999, a Three-Year Funding Plan for Torrey Pines and Balboa Park Golf Courses was adopted by the City Council for Fiscal Years 2000 - 2002. In November 1999, as a result of an investigation by the City Attorney into the issue of tee time brokers obtaining tee times and reselling them to the public, the Natural Resources and Culture Committee directed the City Manager and City Attorney to report back to the Committee with a “golf course business plan reviewing special use agreements, telephone and course operations, clubs, tournaments, brokers, City sponsorship, golf course capital improvements and financing plan, and market rate fees; additionally, the City Manager’s recommendations should be reviewed by stakeholders, such as the Convention and Visitor’s Bureau (CONVIS) and users.” The Proposed Business Plan is the Manager’s response to this direction. The City Attorney will respond separately.

The time is right for the City of San Diego to adopt a comprehensive Golf Operations Business Plan. The City has created the top municipal golf program in the nation. It is time to take Torrey Pines and Balboa Park Golf Courses to the next level. The primary goals of the Business Plan are to optimize availability and affordability for City of San Diego residents, while substantially increasing revenue from non-resident play and continuing to improve the quality of both courses within a self-sufficient Golf Operations Enterprise Fund.

DISCUSSION

Focus on City Residents

The focus on availability and affordability for City residents is seen in the Business Plan’s proposals to: 1) Increase City resident play at Torrey Pines Golf Course from 68% of total play to 70.4% of total play. 2) Increase availability of Torrey Pines tee times on the Automated Tee Time Reservation System. 3) Separately channel City resident reservations on the Automated Tee Time Reservation System so that: a) City residents are not competing with non-residents for tee times, and b) reduced demand on the City resident line would make it easier to get through to the System. 4) Ensure that City resident tee times available on the Automated Tee Time Reservation System are equitably distributed throughout the day. 5) Retain the currently adopted annual fee increases for City residents through FY 2002, and continue the same or lower dollar amount annual fee increase in FY 2003, 2004 and 2005. 6) Improve flexibility of tournaments meeting golfer interests, within current tournament limits, by reducing minimum tournament size to 20 players. 7) Improve course conditions at both Torrey Pines and Balboa Park Golf Courses using additional revenue derived primarily from non-resident golfers.

Focus on Increasing Revenue from Non-Resident Play

The focus on substantially increasing revenue from non-resident play at Torrey Pines Golf

Course within a self-sufficient Golf Operations Enterprise Fund is seen in the Business Plan's proposal to increase non-resident green fees from \$55/\$60 to \$95/\$100 over 3 years. The increase proposed for June 1, 2001 raises the non-resident green fees to the \$75/\$90 amount already being paid by non-residents who obtain tee times from tee time brokers. This is a prudent increase when done in conjunction with lowering the overall percentage of non-resident play, and when done prior to achieving the Business Plan's intended results of a higher level of detailed course maintenance year-round through increased staffing. It could jeopardize the self-sufficiency of the Golf Operations Enterprise Fund to immediately charge a rate higher than the market is currently bearing and risk non-resident reservations not reaching the target of 29.6% of total play. The proposed non-resident rates increase again in FY 2004 and again in FY 2005.

Focus on Course Quality

The focus on improving the quality of the courses is seen in the Business Plan's proposals to:

- 1) Increase the detailed maintenance at Torrey Pines Golf Course to a consistent level year-round.
- 2) Incorporate in the Special Use Permit for each Golf Club responsibility to provide a total number of volunteer hours on each Club's respective golf course equal to one-half hour per club member per year, to assist with: special projects, course marshaling, serving on divot crews and checking-in and scoring at City-sponsored tournaments.

Issue of the Sale of Tee Times Obtained Through the Reservation System

One of the issues that has most concerned the golfing public is that tee time brokers compete with City residents for tee times in the Automated Tee Time Reservation System, and reserve tee times without financial risk, to re-sell at a profit. The Proposed Business Plan addresses this concern by:

- 1) Requiring all persons reserving non-resident tee times to pay a non-refundable green fee when the reservation is made.
- 2) Limiting non-resident reservations to one tee time (4 golfers) per person per day.
- 3) Separately channeling requests for reservations by City residents and non-residents in the Automated Tee Time Reservation System, and equitably distributing throughout the day the tee times available to each.
- 4) Requiring City residents to show their own City Resident Photo Identification Card which matches the ID Card number under which the reservation was made in the Automated Tee Time Reservation System in order to use a City resident tee time and pay the green fee for the reserving player at the City resident rate.
- 5) Reducing the minimum size of tournaments, within current tournament limits, from 32 to 20 players in order to improve the ability of small groups of City resident or non-resident golfers to book their tee times directly through the Golf Course.

All of these provisions will be effectively monitored by Golf Operations staff through the use of a new Automated Tee Time Reservation/Point-of-Sale System, which provides a host of custom management reports. The System has been purchased and, even if the Proposed Business Plan is not adopted, will be implemented by June 1, 2001.

The 5 changes described here will not eliminate access by tee time brokers to tee times at Torrey Pines Golf Course. The changes will put tee time brokers on an equal footing with entrepreneurs who buy concert and sports tickets to re-sell at a profit by introducing the element of financial risk to obtain non-resident tee times, and by introducing the element of proof-of-identity to use City resident tee times. The proposed changes are equitable because they apply equally to all persons making either non-resident or City resident tee time reservations.

Issue of the Number of Tee Times Available in the Reservation System

Another issue that has greatly concerned the golfing public is the limited number of tee times available at Torrey Pines Golf Course on the Automated Tee Time Reservation System. The Proposed Business Plan addresses this concern by reducing the tee times available to several user groups and re-allocating them to the Automated Tee Time Reservation System, which is available to the general golfing public. The Plan recommends the following changes:

1) Reducing in half the availability of Starter Times for standby play. 2) Reducing by about 60% the availability of Reciprocal Play for recognized PGA members and golf superintendents. 3) Reducing the golf shop lessee's number of Golf Packages. 4) Reducing the Torrey Pines Men's Golf Club Thursday Play from 6 hours to 4 hours. 5) Not allowing the Torrey Pines Women's Golf Club Play to expand beyond its current use of 4 hours per event. 6) Eliminating the Torrey Pines Women's Club Shotgun Start event in November. Some City residents will be negatively affected by these changes: those who wait at the golf course for standby play, and those who belong to the Men's Club and golf on Thursdays. However, the general golfing public will benefit from increased availability of tee times in the Automated Tee Time Reservation System.

Issue of Tee Times for Hotels Adjacent to Torrey Pines

Some golfers have objected to the July 31, 2000 action of City Council granting 5 tee times (for 20 golfers) per day to The Lodge at Torrey Pines, located on City-owned land adjacent to Torrey Pines Golf Course. To be equitable, the Proposed Business Plan proposes the same number of daily tee times for the Hilton at Torrey Pines, also located on City-owned land adjacent to Torrey Pines Golf Course. These hotel tee times would be entirely non-resident tee times and would not affect the availability of City resident tee times. The hotel tee times would be deducted from tee times otherwise available only to non-residents on the Automated Tee Time Reservation System.

Conclusion

Adoption of the Proposed Business Plan would ensure: improvements to the already high level of operation and maintenance at Torrey Pines and Balboa Park Golf Courses; retention of an operational contingency of 10%, which is the industry standard; and availability of funding for priority course improvements. Continuation of the Business Plan past FY 2005 could begin to assist in funding a third municipal golf course.

ALTERNATIVES

1. Adopt the Proposed Business Plan with changes consistent with adopting one set of near-market rate fees for Torrey Pines Golf Course, applicable to both City residents and to non-residents, along the lines of a recent analysis obtained by the Real Estate Assets Department. See Attachment 2. Include a program of fee discounts for senior and junior golfers. This alternative would likely result in reduced total rounds played at Torrey Pines Golf Course, increased revenue to the Golf Operations Enterprise Fund and improved course conditions.

2. Adopt the Proposed Business Plan with changes reducing the number and sizes of Torrey Pines Men's and Women's Golf Club events, as recommended in a recent analysis obtained by the Real Estate Assets Department. See Attachment 2. This alternative would result in increased availability of tee times in the Automated Tee Time Reservation System.

3. Do not adopt the Proposed Business Plan. Direct the Manager to return in FY 2002 with a

continuation of the existing Three-Year Funding Plan past FY 2002. This alternative would not address the distribution of play between City residents and non-residents, availability of tee times in the Automated Tee Time Reservation System, sale of tee times or course quality.

Respectfully submitted,

Marcia C. McLatchy
Park and Recreation Director

Approved: George I. Loveland
Senior Deputy City Manager

MCLATCHY/TW

Note: Attachment Nos. 2 and 3 are not available in electronic format. A copy of the attachments is available for review in the Office of the City Clerk.

Attachments: 1. Executive Summary of Proposed Golf Operations Business Plan
2. Report by PricewaterhouseCoopers
3. Proposed Golf Operations Business Plan (Due to the size of this document, distribution of the full Business Plan is limited. Full copies may be obtained at the business offices of Torrey Pines Golf Course and Balboa Park Golf Course, and at the Office of the City Clerk.)

GOLF OPERATIONS PROPOSED BUSINESS PLAN
For the Period June 1, 2001 through June 30, 2005

EXECUTIVE SUMMARY

Background

Torrey Pines Golf Course and Balboa Park Golf Course are municipal golf facilities owned by the City of San Diego. They are operated and maintained by the Park and Recreation Department, Special Services Division within a self-supporting Golf Enterprise Fund. On November 3, 1999, the Natural Resources and Culture Committee of the San Diego City Council directed the City Manager and City Attorney to report back to the Committee with a Golf Course Business Plan reviewing special use agreements, telephone and course operations, golf clubs, tournaments, tee time brokers, City sponsorship of tournaments, golf course capital improvements and financing plan, and market rate fees. Additionally, the Committee directed that the City Manager's recommendations be reviewed by stakeholders, such as the Convention and Visitor's Bureau (CONVIS) and users.

The time is right for the City of San Diego to adopt a comprehensive Golf Operations Business Plan. The City has created the top municipal golf program in the nation. It is time to take Torrey Pines and Balboa Park Golf Courses to the next level. The primary goals of the Business Plan are to optimize availability and affordability for City of San Diego residents while substantially increasing non-resident revenue and continuing to improve the quality of both courses within a self-sufficient Golf Enterprise Fund.

Business Plan Development Process

In January, 1999, prior to development of the Draft Business Plan, input was sought from key stakeholders. These stakeholders included: the golf courses' men's and women's golf clubs, which currently represent over 2,100 golfers in the San Diego region; lessees for the courses' golf shops, golf cart rentals and driving ranges; lessees for the courses' food and beverage services; San Diego Convention and Visitor's Bureau; San Diego Hotel-Motel Association; the two hotels adjacent to Torrey Pines Golf Course, which are The Lodge at Torrey Pines and the Hilton at Torrey Pines; and tee time brokers. This preliminary stakeholder input is detailed in *Appendix A*.

On July 31, 2000, City Council reviewed a lease amendment for reconstruction of The Lodge at

Torrey Pines. At that time, City Council directed the City Manager to provide The Lodge at Torrey Pines with tee times at Torrey Pines Golf Course for 20 golfers (5 tee times) a day. See City Council Minutes in *Appendix B*. This City Council direction was incorporated during preparation of the Draft Golf Operations Business Plan. Since there is a second hotel on City property adjacent to Torrey Pines Golf Course, the Hilton at Torrey Pines, the Draft Plan includes a recommendation to provide this hotel with the same number of tee times.

On September 15, 2000, the Draft Golf Operations Business Plan was distributed to the stakeholders listed above for review and comment by November 30, 2000. On September 21, 2000, the Draft Plan was introduced at a publicly noticed meeting of the Golf Advisory Council (“GAC,” the membership of which is described in Section III, 2). Public input was taken at that meeting. From September 19, 2000 through March 11, 2001, notice of the availability of the Draft Business Plan was posted on the bulletin boards and administrative offices at Torrey Pines and Balboa Park Golf Courses, and at the starter booth at Torrey Pines Golf Course. This notice referred golfers to the Golf Administration Office to review the Draft Business Plan. Stakeholder and general golfer input received on the Draft Plan is provided in *Appendix C*.

At the November 30, 2000 publicly noticed meeting of the GAC, the Draft Plan was scheduled for consideration. At that time, City Golf Operations verbally proposed several changes to the Draft Plan, based on public input to-date, including 1) non-resident reservations made on the Automated Tee Time Reservation System; 2) tee time reservations made available beginning at 7:00 P.M.; 3) the Friday after Thanksgiving added to those days which Golf Operations charges holiday/weekend rates; and 4) charging a fee for photo/film shoots. The GAC voted in favor of the Golf Operations Business Plan including these changes. (8 yea, 4 nay, 2 abstentions).

Golf Operations carefully considered all input received on the Draft Plan. Many of the suggestions were incorporated into the Proposed Business Plan. These changes from the Draft Plan are outlined in *Appendix D*.

Goals

The twelve goals of the Business Plan are to:

1. Increase City resident play overall.
2. Increase availability of City resident tee times on the automated reservation system.
3. Offer reasonably priced green fees to City resident golfers.
4. Offer discounted green fees to City resident senior and youth golfers.
5. Reduce non-resident play overall.
6. Charge non-resident golfers market rate green fees at Torrey Pines Golf Course.
7. Improve access to tee times on the Automated Tee Time Reservation System for both City residents and non-residents.
8. Improve course conditions at Torrey Pines Golf Course to merit market rates for non-resident golfers year-round.
9. Continue the Golf Enterprise Fund as self-supporting.
10. Retain at the golf courses revenue that currently goes to tee time brokers.
11. Increase revenue at the golf courses in order to accelerate funding for course improvements.
12. Increase revenue to the City’s General Fund from non-resident play.

Proposals in Plan

To achieve these goals, the Business Plan recommends implementing the following measures:

Redistribute play among City residents and non-residents at Torrey Pines Golf Course by reducing non-resident play from 32% to 29.6% of total tee times, capping non-resident play at 29.6%, and increasing City resident play from 68% to 70.4%. Equitably distribute resident and non-resident tee times throughout the day. In the Automated Tee Time Reservation System, separately channel requests for reservations by City residents and non-residents, so that the cap on non-resident play can be effectively managed. To improve access to tee times for both residents and non-residents: (1) limit non-resident reservations to one tee time (4 golfers) per person per day; (2) limit City resident reservations to one tee time (4 golfers) per Resident ID Card number per day; (3) implement an 8-day lead time for non-residents and 7-day lead time for residents, which will reduce the demand on the phone lines at one time, making it easier for golfers to access the reservation system. Allow City residents to pay for tee times on the date of play, and to cancel tee times without penalty up to 2 days before the date of play. Require golfers making non-resident reservations to pay a non-refundable green fee for tee times when the reservation is made; a one-time refund for cancellation will be allowed per person per calendar year with a valid reason. Photo identification with current address must be presented to obtain a non-resident cancellation refund.

Add the golfer's photo to the City Resident Identification Card. At the time the green fee is paid on the day of play, a City resident golfer must show their own City Resident Photo Identification Card that matches the ID Card number under which the reservation was made in the Automated Tee Time Reservation System in order to: (1) use the tee time, and (2) pay the green fee for the reserving player at the City Resident rate.

Increase availability of Torrey Pines Golf Course tee times in the Automated Tee Time Reservation System by: (1) Reducing in half the availability of Standby play; (2) Reducing Reciprocal play; (3) Reducing the number of Golf Shop packages; and (4) Reducing the size of Golf Club events, as follows: (a) Reduce Torrey Pines Men's Golf Club Thursday Play to 4 hours; (b) Limit Torrey Pines Women's Golf Club Play to 4 hours; and (c) Eliminate the Torrey Pines Women's Club November Shotgun Start event.

Make more tee times available to the general public on the Automated Tee Time Reservation System by limiting the number of Shotgun Start events, which occupy an entire course for five hours, by: (1) limiting Shotgun Start events to the longer days of April through October, and then only in the early morning or in the afternoon, (except continue to allow the Torrey Pines and Balboa Park Women's Golf Clubs to have their December holiday Shotgun Start event); (2) requiring a guarantee of 144 players for Shotgun Start events to maximize course use; and (3) increasing the tournament fees for Shotgun Start events so that these golfers pay

fees appropriate for exclusive use of an entire course.

Improve the golf course experience by increasing speed of play for 18-Hole rounds at Torrey Pines Golf Course from an average of 5 hours to an average of 4 hours; and at Balboa Park Golf Course from an average of 5 hours to an average of 4 hours.

Maintain reasonable green fees and monthly tickets for City Residents by retaining the currently adopted annual fee increases for City residents through FY 2002, and continuing the same or lower dollar amount annual fee increase in FY 2003, 2004 and 2005, with the exceptions that: (1) At Balboa Park Golf Course, no fee increase is proposed for Senior City Resident Monthly Ticket 9-Hole play through FY 2003, followed by a proposed \$5/10-play increase in FY 2004 and another \$5/10-play increase in FY 2005; and (2) At Torrey Pines and Balboa Park Golf Courses, no fee increase is proposed through FY 2005 for Junior City Resident Monthly Ticket play after 3:00 p.m.

Substantially increase non-resident (“visitor”) fees at Torrey Pines Golf Course, as follows: (1) Increase Weekday 18-Hole rates to \$75 in FY 2001, \$85 in FY 2004 and \$95 in FY 2005. (2) Increase Weekend/Holiday 18-Hole rates to \$90 in FY 2001, \$95 in FY 2004 and \$100 in FY 2005. (3) Increase 9-Hole and Twilight rates to \$35 in FY 2001 and \$40 in FY 2004.

At Balboa Park Golf Course, pending completion of the Balboa Park Golf Course Master Plan’s new clubhouse, improved practice facilities and parking, retain the currently adopted annual fee increases for non-residents (“visitors”) through FY 2002 and continue the same dollar amount annual fee increase in FY 2003, 2004 and 2005. Consider adjusting green fees only after completion of these improvements.

At both Torrey Pines and Balboa Park Golf Courses, charge Weekend/Holiday Rates on the Friday after Thanksgiving Day. This Friday is generally the day in greatest demand out of the entire year.

At both Torrey Pines and Balboa Park Golf Courses, charge a Photo/Filming Fee to pay for a Golf Marshal to accompany photographers/videographers on the course in order to minimize disruption of play.

Improve flexibility of tournaments meeting golfer interests within current tournament limits, by: (1) reducing minimum tournament size to 20 players; and (2) amending lead time to schedule tournaments to 24 months for 144 players, 18 months for 72-80 players, and 12 months for fewer than 72 players.

Within the 29.6% cap on non-resident play, provide the two hotels on City-owned property adjacent to Torrey Pines Golf Course with non-resident tee times for marketing as Lodging/Golf Packages subject to lease rent and Transient Occupancy Tax payments to the City. These tee times would be for the two hotels’ exclusive use, and could not be used by guests at other hotels under the same ownership, or be resold to the general public or other brokers.

Improve course conditions with the: (1) addition of maintenance staff; (2) continuation of the master lease of specialized golf course equipment; and

(3) inclusion in the Golf Club Special Use Permits a provision making each club responsible for providing a total number of volunteer hours on their respective golf courses equal to one-half hour per club member per year.

Use increased revenues to accelerate course improvements such as: implementation of the Balboa Park Golf Course Master Plan; reconstruction of greens at Torrey Pines Golf Course; replacement of remaining asphalt and dirt paths and roads with concrete at Torrey Pines Golf Course; and replacement of restroom facilities at both Torrey Pines and Balboa Park Golf Courses.

Amend the formula for payment of Rental of Land by the Golf Enterprise Fund to the City's General Fund to exclude from "gross revenue" all revenues from City Resident fee increases in FY 2002-2005, while still providing \$698,000 total additional revenue to the General Fund over the term of the Business Plan. Current annual payment to the General Fund is \$1.2 million.

Conclusion

This is a comprehensive Business Plan for Golf Operations for the City's two municipally owned and operated golf courses. The Plan addresses numerous issues that have been of concern to both golfers and non-golfers. It establishes a more entrepreneurial framework for operation of these municipal golf facilities, while appropriately continuing to give priority to City resident golfers.