

DATE ISSUED: October 5, 2001

REPORT NO. 01-214

ATTENTION: Natural Resources and Culture Committee,
Agenda of October 17, 2001

SUBJECT: Torrey Pines Golf Course Revenue Crisis

REFERENCE: Manager's Report No. 01-090 issued May 30, 2001
"Golf Fees and Course Improvements at Torrey Pines and Balboa
Park Municipal Golf Courses"
Manager's Report No. 01-117 issued June 6, 2001
"Agreement with The Century Club of San Diego for
Improvements at Torrey Pines Golf Course"

SUMMARY

Issues - Shall City Council authorize the City Manager to:

1. Adjust green fees at Torrey Pines Golf Course as necessary until City Council adopts a green fee schedule with the Golf Operations Business Plan?
2. Require a non-refundable credit card guarantee for non-resident reservations at Torrey Pines Golf Course?
3. Change the hour that tee time reservations become available for Torrey Pines and Balboa Park Golf Courses from 5:00 A.M. to 7:00 P.M.?

Manager's Recommendations - Authorize the City Manager to:

1. Adjust green fees as necessary until City Council adopts a green fee schedule with the Golf Operations Business Plan. The Manager will immediately reduce non-resident green fees at Torrey Pines North Course and initiate an advertising campaign to draw non-resident play from North San Diego County and Orange County. As non-resident demand returns to the approximate 30% of play which is necessary for the Golf Operation's Enterprise Fund's fiscal integrity, green fees will be increased, but no higher than the fees previously approved by City Council.
2. Require a non-refundable credit card guarantee for non-resident reservations. This action will enable staff to re-activate the automated tee time reservation system without loss of non-resident tee times to no-shows who reserve under fictitious phone numbers.
3. Change the hour that tee time reservations become available on the Automated Tee

Time Reservat

Other Recommendations -

1. None regarding reducing green fees. No protests are expected. Non-resident rates will remain higher than resident rates.

2. The citizen Golf Advisory Committee endorsed requiring a credit card guarantee for non-resident tee time reservations.
3. The citizen Golf Advisory Committee endorsed changing the opening time for reservations to 7:00 P.M.

Fiscal Impact - Unknown. However, we expect revenue to be higher with the flexibility to adjust green fees and the other changes than without these measures.

BACKGROUND

On June 5, 2001, City Council adopted increased fees and a Course Improvement Plan for Torrey Pines and Balboa Park Golf Courses. The new fees went into effect on July 1, 2001, raising the non-resident rates from \$55/60 on weekdays/weekends to \$95/100 and raising the resident rates from \$24/26 to \$29/34. (See *Attachment 1*.) None of these rates include the rental of a golf cart. On July 12, 2001, City Council approved a project to reconstruct Torrey Pines South, and authorized reduced green fees during construction. That reconstruction began on July 26, 2001.

Total green fee revenue at Torrey Pines has steadily declined from \$128,257 in the last week of FY 2001, June 24-30, 2001, to \$76,525 in the week of September 9-15, 2001. A chart of rounds and revenue is included in *Attachment 2*. This data shows:

For the period July 1 - July 28, 2001, which is after the green fees were increased on July 1st and prior to any impact on the condition of the South Course from reconstruction which began July 26th:

1. **Non-resident play:** Compared to the same time period in FY 2001, non-resident rounds dropped 30%, and non-resident revenue dropped 23%. Some of this decline was due to the fee increase effective July 1st. However, the decline in non-resident play was only partially due to a lack of non-resident reservations since July 1, 2001. Non-resident reservations were made on the automated system, but without a requirement for non-resident green fees to be guaranteed with a credit card, the course experienced an excessive amount of no-shows without cancellation. While no-shows occasionally occurred prior to July 1st, the no-shows experienced since July 1st have been on a massive scale. When the phone numbers under which the reservations were made were called by staff, the phone numbers were almost always fictitious. Compared to projections for FY 2002, non-resident rounds were 21% below projections and revenue was 28% below projections. This is because fewer non-resident rounds were projected for FY 2002 than occurred in FY 2001; and the loss of non-resident rounds also includes loss of tournaments, which produce higher revenue.

2. **Resident play:** Compared to the same time period in FY 2001, resident rounds increased 31%, and resident revenue increased 24%. The non-resident tee times for which there were no-shows were largely filled by residents waiting to play the course on stand-by basis. The increase in resident revenue does not come close to filling the revenue gap associated with the reduced non-resident play. Compared to projections for FY 2002, resident play was 11% less than projected and revenue was 9% less than projected, because resident play did not grow as expected.

3. **Discounted play:** Compared to the same time period in FY 2001, “discounted play”

(including Senior Daily Play, Senior Monthly Tickets, and Junior Monthly Tickets) increased by 2% to fill some of the lost non-resident play, up until the South Course reconstruction began in late July. Compared to projections for FY 2002, discounted resident play was 44% less than projected, and revenue was 58% less than projected. This was partially due to the increase from \$85 to \$135 in the cost of the Senior Monthly 10-Play Ticket effective July 1st dissuading more golfers than expected from purchasing the Senior Monthly Ticket. Resident seniors are still golfing but not in the same numbers. The availability of only one course has reduced play. There has also been a decline in Tuesday and Thursday Men's and Women's Club play, the majority of which is at the Senior Daily rate, since the South Course has been under reconstruction.

For the period July 29 - September 15, 2001, which was after the start of the South Course reconstruction on July 26th, and which includes significantly reduced green fees on the South Course and the new, higher green fees on the North Course:

1. **Non-resident play:** Compared to the same time period in FY 2001, non-resident play is down 76%, and revenue is down 69%. This is due, in part, to the South Course reconstruction project, in part to some reduction in non-resident reservations, and in part to the non-resident reservation no-shows described above. To try to identify what was happening with non-resident reservations that resulted in no-shows, the tee time reservation phone line was answered by a person beginning on September 26, 2001. On the first day, more than 300 callers between 5:00 A.M. and 10:00 A.M. hung up the phone as soon as a live person answered the phone. This led staff to conclude that the persons phoning-in may have planned to make reservations which they did not intend to keep, and so did not want to provide information with their reservation which would result in them being held accountable for failing to cancel. Compared to projections for FY 2002, non-resident play was 41% less than projected, with revenue 51% less than projected.

These are due to both a greater impact on play than expected from reconstruction on the South Course, and to the reasons cited above.

2. **Resident play:** Compared to the same time period in FY 2001, resident play is up 61% and revenue is up 52%. However, this does not come close to filling the revenue gap associated with the reduced non-resident play. Compared to projections for FY 2002, resident play was 17% less than projected, and revenue was 25% less than projected. The percent loss of revenue being larger than that for rounds indicates that more of the resident rounds are being played at the lower priced Senior Daily Rate than were projected.

3. **Discounted play:** Compared to the same time period in FY 2001, discounted play decreased by 14%. Since the South Course is largely unavailable for play, a 14% reduction actually represents a large increase in discounted play for just the North Course. Compared to the projections for FY 2002, discounted play was 41% less than projected, and revenue was 54% less than projected. This is due to a greater impact on play than expected from construction on the South Course and the reasons cited for the month of July, 2001.

Other factors affecting rounds and revenue are:

Construction on the South Course, as approved by City Council at the meeting of June 12, 2001 is proceeding rapidly, making the course very inhospitable. From 10 to 50 golfers per day are willing to play the South Course, even at reduced rates of \$7.50 to \$17 per round, which the City Council authorized the Manager to implement.

On the North Course, non-residents are either unable or unwilling to pay the \$95 weekday/\$100 weekend non-resident rates. If unwilling, this may in part be because the improvement of course conditions by six additional Grounds Maintenance Worker I positions, as recommended in the Proposed Golf Operations Business Plan, has not yet been authorized.

In the past, some non-resident golfers only reserved tee times on the North Course as backup in case they were unable to get a standby tee time on the South Course. With the South Course under construction, these golfers are not reserving the North Course.

The previous \$55 weekday/\$60 weekend non-resident rates were a bargain for a high level golf course such as Torrey Pines. The current \$95 weekday/\$100 weekend rate, not including cart use, is not a bargain in comparison to other golf courses such as Singing Hills or Cottonwood that charge \$45 weekdays/\$50 weekends, including cart use.

At the same time Torrey Pines increased green fees, many other San Diego golf courses reduced green fees in response to a slowing economy. Some golfers perceive better value for their money at other golf courses.

Resident and discounted play is taking up the majority of the lost non-resident rounds, resulting in lower revenue for the overall number of rounds played.

The terrorism which occurred on September 11, 2001 impacted the tourist industry. On September 18, 2001, the Hilton Hotel at Torrey Pines, in response to canceled hotel bookings, canceled their groups' tournaments at Torrey Pines for the last two weeks of September and first week of October. Many other tournaments have also canceled.

The majority of non-resident play came from visiting tourists and the reduction in travel is expected to continue at least through December, 2001.

Renovation and overseeding are scheduled for September 15 through October 1. This normally results in a drop in volume of play.

ALTERNATIVES

1. Adopt a set schedule of lower fees for the North Course, instead of authorizing the Manager to adjust the fees as needed in response to demand.
2. Do not take any action on golf fees at this time pending upcoming review of the Proposed Golf Operations Business Plan and the report from the consulting firm, PricewaterhouseCoopers, analyzing that Plan.

Respectfully submitted,

Marcia C. McLatchy
Park and Recreation Director

Approved: George I. Loveland
Senior Deputy City Manager

McLATCHY/JA

- Attachments: 1. Torrey Pines Golf Course fees in FY01 and FY02.
 2. Torrey Pines Golf Course Rounds and Revenue Since 7/1/01:
 a) Prior to South Course Construction and b) During South Course Construction

TORREY PINES GOLF COURSE GREEN FEES

SAN DIEGO CITY RESIDENTS (with Resident I.D. Card)		
TYPE OF FEE	EFFECTIVE 7/01/2000	EFFECTIVE 7/01/2001
Resident I.D. Card	\$12.00	\$12.00
18 Holes Weekdays	\$24.00	\$29.00
18 Holes Weekends/Holidays	\$26.00	\$34.00
9 Holes Only (Early Morning - Back 9)	\$13.00	\$17.00
Twilight (4:00 p.m., April-Oct.) (3:00 p.m., Nov.-March)	\$13.00	\$17.00
Senior 18 Daily Rate Weekdays Only	\$12.00	\$15.00
COUNTY		
Twilight (4:00 P.M., April-Oct) 3:00 P.M., Nov.-March)	\$18.00	\$22.00
VISITORS		
18 Holes Weekdays	\$55.00	\$95.00
18 Holes Weekends/Holidays	\$60.00	\$100.00
9 Holes Only (Early Morning - Back 9)	\$30.00	\$40.00

Twilight (4:00 p.m., April-Oct.) (3:00 p.m., Nov.-March)	\$30.00	\$40.00
MONTHLY TICKETS Valid on Monday through Thursday Only, Excluding Holidays		
18-Hole Senior Ticket Torrey OR Balboa	\$85.00/ 10 plays	\$135/ 10 plays
Junior Ticket Torrey OR Balboa (Under 18 - After 3 p.m.)	\$10.50	\$10.50

**TORREY PINES GOLF COURSE
TOURNAMENT FEES
Per Player**

TYPE OF EVENT	FY 2001 With Cart (1)	FY 2002 Without Cart (2)
Charitable Weekday	\$50	\$75
Charitable Weekend	\$75	\$80
Non-Charitable Weekday	\$85	\$95
Non-Charitable Weekend	\$100	\$100

(1) Cart fees (currently \$34 per cart) are included in FY 2001 fees.

(2) Cart Fees are over and above FY 2002 fees. Cart fees are required for tournaments.

All Tournaments are charged a booking fee of \$5 for weekday events and \$10 for weekend events.

Tournament fee does not include the Men's and Women's Club events.

Effective July 1, 2001, all Shotgun Start Events are charged an additional

\$10 per player and documented evidence is required for all Charitable Events.

TORREY PINES GOLF COURSE ROUNDS AND REVENUE

FY 2002 YEAR-TO-DATE

COMPARED TO PROJECTIONS FOR FY 2002						
TORREY PINES NORTH AND SOUTH COURSE						
	RESIDENTS	NON-RESIDENTS	DISCONTINUED PLAY			
	Rounds	Revenue	Rounds	Revenue	Rounds	Revenue
July 1 - July 28	- 11%	- 9%	- 21%	- 28%	- 44%	- 58%
July 29 - Sept. 15	- 17%	- 25%	- 41%	- 51%	- 41%	- 54%

COMPARED TO SAME PERIOD FY 2001						
TORREY PINES NORTH AND SOUTH COURSE						
	RESIDENTS	NON-RESIDENTS	DISCONTINUED			

		NTS	PLAY			
	Rounds	Revenue	Rounds	Revenue	Rounds	Revenue
July 1 - July 28	+ 31%	+ 24%	- 30%	- 23%	+ 2%	0%
July 29 - Sept. 15	+ 61%	+ 52%	- 76%	- 69%	- 14%	0%

Notes:

1. Rounds and revenue data are compiled on a weekly basis.
2. Green fees increased July 1, 2001.
3. South Course Reconstruction Project began July 26, 2001.
4. Discounted Play includes Senior Daily Play, Senior Monthly Tickets, and Junior Monthly Tickets