



DATE ISSUED: September 17, 2007 REPORT NO: 07-147
THE CITY OF SAN DIEGO
ATTENTION: Natural Resources and Culture Committee
Agenda of September 26, 2007
SUBJECT: Update on the Mayor's Five Year Golf Business Plan

SUMMARY:

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

BACKGROUND:

The Mayor's Five Year Golf (Business Plan) was approved June 26, 2006. The new rates at each of the golf courses went into effect on August 1, 2006. Since that time, golf operations staff has initiated many efforts to further the goals and objectives outlined in the Business Plan. This report serves to update Council on the status of the Golf Operations. This report will follow the subject order of the Business Plan and will address issues at each of the golf course facilities.

BALBOA PARK GOLF COURSE

In the Business Plan, the Balboa Park Golf Course was identified as a site that needed to begin to address the history of poor financial performance. The site has historically had expenses that significantly exceeded revenues and in the last few years the complex has lost between \$800,000 and \$1,000,000 annually. In order to address the financial short fall, management wanted to focus on evaluating all aspects of the operation in order to enhance revenues, while maintaining expenses within or below budgeted levels.

Following the adoption of the Business Plan, management's review of the facility found deficiencies in overall course conditions and general infrastructure. In order to begin to address these issues, great emphasis was placed on maintenance standards and its impact on customer service. The following is a summary of the issues evaluated and addressed at the Balboa Park Golf Course over the last year:

Overall Golf Course Conditions:

In general, overall course conditions were poor and it was speculated that these conditions coupled with the new rates, were impacting the overall customer experience and resulted in a decline in rounds played at the facility. In order to ensure that proper attention was being paid to improving course conditions, management initiated monthly course evaluations resulting in specific action steps for course improvements. Although some minor improvements were

initially realized, at the mid point of the year, conditions had not significantly improved; therefore management implemented personnel changes in order to yield additional benefits for the course. Since the changes were made in the spring, the overall course conditions have improved and the rounds played have increased.

Some of the specific course focus areas included:

1. Improving the overall condition of the greens and collars.
2. Expanding tree management to address agronomic and safety issues rather than only emergency conditions.
3. Initiating fairway aerifications / top dressing for targeted areas.
4. Reducing chronic wet and dry areas.
5. Improving overall tee surfaces.

Results of the hard work over the last year can be seen in a review of the 9 hole golf course that was reported in an article by the San Diego Union Tribune last month. In the review the writer indicates that "the overall maintenance was very good and the small poa greens were excellent, even late in the day." This type of review is encouraging to everyone involved at the golf course. Unfortunately, the 18 hole course has recently had some significant irrigation issues which have overshadowed some of the recent improvements and significantly impacted the second green and 16th fairway.

We understand that there will continue to be circumstances that impact staff's ability to produce the desired course conditions; however these initial steps have only begun to establish minimum standards and staff is committed to producing consistent course conditions that meet customer desires.

Capital Improvements:

A second element of the golf course review was the evaluation of the infrastructure, which confirmed that the facility has significant capital needs. Our primary objectives include protecting the existing facilities, addressing public safety issues and improving the general turf conditions on the golf course. With these priorities in mind the following efforts have been made:

1. Complete the installation of a new clubhouse roof.
2. Increase funding for the new irrigation system from \$1.2 Million to \$1.8 Million as part of the FY08 budget.
3. Begin the planning for a design/build project to construct a new irrigation system for the 18 hole golf course. This project is scheduled for implementation in fall/winter of FY 09.
4. Add a new CIP for FY08 for replacement of existing stairs and handrails. These improvements are scheduled to be implemented through an existing GRC contract and they are scheduled to be complete by spring of this year.
5. Review short and long term options for addressing the clubhouse area. Short term options include identifying funding to address minor paving areas around the clubhouse and painting the building. Long term options include reestablishing discussions regarding the clubhouse replacement/renovation project.

Rounds:

The overall rounds for the Balboa Golf Course were down 14% in FY07, (approximately 120,000) when compared to FY06 (approximately 140,000). This reduction can be attributed to three primary issues. These issues include course conditions, new rates and increased competition from other mid level municipal and privately-owed daily fee courses.

After review of the monthly trends in course use, and comparing them to FY06 numbers, it appears that course conditions and competition, not rates, have had the largest impact on play. Some of the key indicators include:

1. Play for the month of July was down approximately 14% from the prior year. This reduction in play occurred before the new rates went into effect.
2. Rounds did not drop off immediately after the new rates were in place in August and September, and rounds decreased the most when course conditions were at a low point in November and December.
3. Price has not impacted rounds for the nine hole course, where Senior prices went up \$2.50 and rounds for Senior play for the year increased 7%.
4. As course conditions were addressed in the second half of the year rounds rebounded.

It is very apparent that all elements of the golf experience are closely linked and impact the decision on which course the customer will choose to play. In general, golfers in this segment of the market are always looking for the best deal in terms of fees with consistent, quality conditions. Management within the golf division is very aware of this dynamic and has worked throughout the year to adjust and meet the needs of the customers. Staff believes that these continued efforts coupled with the planned capital improvements will allow Balboa Park to improve in daily course conditions and improve its ability to attract and retain customers.

Revenue:

Several steps have been taken to address the financial status of the Balboa Park Golf Courses. Although Balboa Park has historically lost between \$800,000 and \$1,000,000 annually, since the adoption of the Business Plan, the facility is realizing higher revenues than previous years and we have reduced the total operational deficiencies by approximately \$440,000, reducing the facility losses since FY06 by nearly 47%. These savings are attributable to three key factors:

Revenue:

The golf course saw an increase of approximately \$300,000 in revenue over fiscal year 2006. This increase was achieved even though the total rounds for the golf course were down approximately 14%.

Expenses:

In FY07 total operation and maintenance expenses for the facility increased by only \$10,000 (less than 1%). This control on expenditures can be attributed to closely monitoring all operational areas throughout the year and focusing spending on key areas affecting course conditions.

Reducing Encumbrances:

This one-time effort reduced encumbrances that had continued from previous years which were no longer needed. This review process allowed nearly \$150,000 to be reduced from annual expenses.

Customer Service:

A key element of the Business Plan is to focus on customer service at each facility and strive to address the needs and expectations of all patrons. Many of the efforts at Balboa this past year have focused on simplifying the tee time process. Over the last several years new steps in the booking process have been implemented to address the very high demands at Torrey Pines and these have not always been a benefit to Balboa. Some of the steps taken to improve customer service over this last year include:

1. Separating the start times for the phone reservation system. This process allows customers who are interested in booking a tee time at Balboa to call the reservation system without having to deal with the very high call volume that occurs when Torrey Pines tee times become available.
2. Expanding the reservation booking times from 7:30 am to 7:00 am to include an additional half hour in the morning. This step allows many of the regular morning golfers to book a time rather than relying on walk-up space availability.
3. Booking reservations in person for a tee time within seven days of play. This process provides expanded flexibility for the customer and increases our bookings.
4. Changing golf starter schedules to expand the hours of coverage in the starter office; better addressing customer needs.
5. Expanding hours of twilight play from 3:30 pm to 2:00 pm to reduce costs for customers during off peak times.
6. Coordinating start times for high school golf play to ensure access to the golf course for the four girls and six boys high school teams that use Balboa for match and practice play while maintaining public play on the golf courses.

Future Outlook:

Balboa has incredible potential; it is a golf course with a long history and a great location. It has the potential to become a great resource within the City for residents and visitors. Key short term issues include continuing to closely monitor revenue and expenditures to minimize losses and construction of a new irrigation system to allow for better turf maintenance throughout the golf course. With these steps in place, good conditions can be maintained and the golf course can begin to compete more aggressively for additional customers. The primary long-term issues will be addressing the conditions at the clubhouse.

MISSION BAY GOLF COURSE AND PRACTICE CENTER

As mentioned in the Business Plan, the Mission Bay facility is in a prime location and has a unique niche in the local golf market. These circumstances make it a facility with great potential. The golf course continues to break even and provide the community with a good golf experience. The golf course provides new golfers the opportunity to learn the game, seniors

enjoy the flat course and regular golfers have the opportunity to practice on grass at the driving range.

Recent efforts have focused on continuing improvements to the driving range, course conditions and landscaping at the entry areas. This focus allows staff to continue improvements to the facility while longer range capital improvements are planned.

Overall Course Conditions:

Overall course conditions for the last year have been good and customers have enjoyed the increasing attention to detail. Some of the focus areas for this past year have included:

1. Improving the consistency and quality of the turf on the golf course tees
2. Increasing the golf course definition around the green complexes
3. Expanding tree management to address agronomic and safety issues rather than only emergency conditions.
4. Improving the general landscaping around the clubhouse and practice areas
5. Addressing fencing repairs / safety issues

Capital Improvements:

Mission Bay has three key long term capital issues. These are replacing the golf course irrigation system, turfing the driving range area and addressing the clubhouse and restaurant buildings. Of these, the clubhouse and restaurant area have been the most challenging to clearly address.

Since taking over operation of the golf course in November 2003, the clubhouse and restaurant area has continued to be an area of much discussion. Over this time, several options have been discussed and two RFP's have been circulated seeking interested lessees to operate the restaurant component of the facility. Neither of the processes resulted in a long term solution for the facility due to two key factors. The first issue is that the existing structure is not up to code and would require well over \$500,000 to address the restaurant ADA and health code issues. The second issue is that any lessees would need to enter into a long term lease to capitalize the costs of renovation and tenant improvements.

In order to clarify direction, staff is working with a project manager from the Engineering and Capital Projects Department and a group of consultants to review options for this area. One of the current options that has been discussed would include demolishing the existing structures and replacing them with two or three temporary trailers. This new configuration of the structures could provide short term solutions to issues impacting accessibility for individuals with disabilities, code issues for the restaurant/snack bar, improved starter area and office space, increased food and beverage options and an improved entry and practice area while maintaining long-term flexibility for the site and allowing time to raise the capital needed to construct a new building(s). As the conceptual design for this work is initiated, our project manager will ensure public input into this design process.

Rounds:

The overall rounds for the Mission Bay Golf Course were down 8% in FY07, (approximately 65,500) when compared to FY06 (approximately 71,000). This reduction in rounds can be

attributed to the minor increase in fees, the local golf market and some accounting issues as the site transitioned from a manual record keeping to the new automated reservation system. Information from the National Golf Foundation indicates that the southern California market is saturated and that overall golf rounds are generally stagnant. The golf course will continue to monitor local competition and strive to continue to achieve approximately 70,000 per year.

Revenue:

During FY 07 initial unaudited figures show that revenues increased by approximately \$65,000 over FY06. This increase can be attributed primarily to new golf rates, and increased fees for driving range balls and golf carts. Expenses for the site increased by approximately \$32,000 allowing for an overall net operational increase at the facility from \$93,000 in FY 06 to \$125,000 in FY 07.

Customer Service:

Golf patrons at Mission Bay enjoy interfacing with golf starters and staff continually looks for ways to improve the experience and demonstrate commitment to customer satisfaction. Some of the new steps taken this last year include:

1. Initiating Tournament play
2. Adding Mission Bay to the reservation system
3. Expanding junior cards at Mission Bay and allowing junior play at anytime
4. Developing a relationship with the golf program at Mission Bay High School
5. Initiating City rates for the golf course
6. Providing ID card sales

Future Outlook:

The Mission Bay golf course has seen improvement over the last few years and has the ability to develop into another great City asset. It does not currently have significant competition and its location is excellent. Over the next few years the key issues that need to be addressed at the course include:

1. Replacing the irrigation system. Currently \$800,000 is scheduled for FY 09. As we move through this year, staff will evaluate the need to increase this number based on information from the on-going design work for the Balboa irrigation system.
2. Develop a clear plan for rebuilding/renovating the club house and restaurant area. The preliminary planning for this work is just beginning and the complete design and approval process will take two to three years.
3. Investigate the possibility of turfing the driving range area. This would improve the aesthetics of the facility, the practice experience for customers and reduce wear on equipment and range balls. This area will be reviewed as part of the irrigation design to ensure that the new system has proper capacity and control if this area were to be developed.

TORREY PINES (NORTH AND SOUTH COURSES)

Torrey Pines is the flagship of the City of San Diego's Golf System. Having hosted PGA Tour events for the last forty years and as the course selected as the first municipal golf course to host

a U.S. Open Golf Championship, the golf course is very well known and in very high demand. Management continues to work at maintaining a balance, ensuring access to the golf course for City residents and providing a golf experience consistent with a world-renowned golf facility.

Balancing all of the issues at Torrey Pines is difficult and staff has worked very hard over the last year to improve course conditions, address facility maintenance issues, prepare for the U.S. Open and improve the golf course reservation process while ensuring resident access. Over this time staff has learned a great deal about the golf course, how users get onto the course, how the reservation system has been used in the past, how construction impacts play along with many other lessons. Staff is very confident that it has been more proactive in the daily management of the facility than ever before in the history of the golf course.

Course Conditions:

A primary goal for this year was to provide golf courses that were consistently in good condition, with continuous efforts to increase the playability of the courses, improve the agronomic conditions and enhance the overall golf experience. Successful examples of these efforts included listening to the recommendations from the Men's Club and constructing new tees on the south course to improve the course and thinning and removing eucalyptus trees around some of the tees and greens allowing much improved turf quality and much more consistent playing conditions. Several other areas of work have been completed over the last year, they include:

1. Improving drainage at several nuisance areas near tees and greens
2. Expanding tree management to address agronomic and safety issues rather than only emergency conditions.
3. Eliminating undesirable turf varieties for the South Course in preparation for the U.S. Open.
4. Constructing a new sand and divot storage area on the North Course to allow for improved course maintenance.
5. Addressing compaction areas in the fairways of both courses.
6. Managing conditions on the greens in a much more consistent and aggressive fashion. (aerifications, top dressing, verticutting, etc.) greatly improving the daily condition of the greens for both courses.

Capital Improvements:

The last year has been very busy and with the help of staff in the Engineering and Capital Projects and Purchasing and Contracting Departments, the golf course has been greatly improved. Some of the key upgrades during the last year include:

1. Constructing phase one of the Clubhouse and Parking Lot project. This work includes completely rebuilding the existing parking lot. This project will add approximately 60 new parking spaces to the lot. Work on this project is scheduled for completion in December of this year.
2. Installing a complete cart path system on the South Course. This work also included reconstruction of a few tees to place them closer to the new cart paths. All of this construction is complete. However, the required construction work exceeded the original scope of the construction contract and issuance of the construction change order is pending City Council approval of additional funding for the work.

3. Realigning the #4 fairway of the South Course to address United States Golf Association (USGA) desires and address safety concerns. This work included reconstructing the fairway bunkers on the fourth and fifth holes, leveling the landing area of the fourth fairway, relocating eight Torrey Pine trees and elevating the tournament tee. All of this work has been coordinated by golf operations staff and the construction costs have been split between Golf Operations and the Friends of Torrey Pines in accordance with the U.S. Open agreement.
4. Resodding weak turf areas throughout the South Course.
5. Addressing clubhouse maintenance work. This work includes painting the clubhouse, replacing guard rails, rebuilding a stair case and repaving the golf cart staging area. Nearly half of this work has been completed. Additional work has been planned and will begin pending Council approval of a fund transfer to the CIP.
6. Upgrading conditions at the maintenance shop. Including: Improving the equipment storage capability, expanding the staff lunch room and office areas, replacing the equipment wash rack, and upgrading the service bays.

Rounds

The overall rounds for the Torrey Pines Golf Courses were slightly down in FY07 (approximately 153,500) when compared to FY06 (approximately 158,000). This 3% reduction can be attributed primarily to the continuous work that was taking place on the golf course. Initially staff heard public concerns that some of the Business Plan recommendations could significantly impact play however, there have been no significant trends indicating that any one category has been significantly impacted. With the implementation of the Business Plan, staff has taken several steps to ensure resident access to both golf courses. Some of the steps included:

1. Installing a new phone reservation system that allowed greater control of access to tee times
2. Upgrading phone lines to ensure that no one had access to the system without going through the proper phone reservation system.
3. Restricting the number of tournament rounds to ensure that the site was not over booked.
4. Advertising for the advanced reservation system to educate residents about how they can book a guaranteed time at either course.
5. Prohibiting non residents from booking tee times over the automated phone system.

With these efforts staff was able to ensure that City residents had access to book and play over 70% of the total available rounds on both courses at Torrey Pines. However, due to several circumstances, total resident utilization was approximately 65% overall and the breakdown between the courses was North Course (72% resident) and South Course (56% resident). Some of the circumstances include:

1. Resident play is reduced more than non-resident play during construction periods and during poor weather because residents have the option not to play under these conditions. Most of the course maintenance during the last year occurred on the South Course having a larger impact on resident play for this course.
2. When residents book a tee time they are not required to come with only residents and often times bring non-resident friends and/or family with them. This means that times

that are sold to residents over the phone system often times include some non-residents players.

3. Most resident golfers, who come to the course as a walk-on will ask for the first available time, either North or South, while non-residents will wait for the South Course. If a non-resident has only one chance to play Torrey Pines they want to play the South Course and most are willing to wait as long as it takes.
4. Residents prefer to play the North Course. The South Course is a very difficult course and most of the regular golfers at Torrey Pines do not want to play the South Course several times a month.

Revenue:

During FY 07 initial unaudited figures show that revenues increased by approximately \$3,000,000 over FY06. This increase can be attributed primarily to new non-resident green fees and advanced reservation sales. Operation and maintenance expenses for the site increased by approximately \$1,500,000. This increase is primarily due to additional staffing for the golf courses, deferred maintenance, costs for the new phone reservation system and San Diego Data Processing services associated with the implementation of the new phone reservation system. The overall net operational increase excluding CIP at the facility from FY06 to FY07 was \$1,700,000. This cash position has allowed staff to fund all of the proposed capital improvements for FY08 and increase the funding for the irrigation system at Balboa golf course by \$600,000.

Customer Service:

Throughout the last year, staff has closely monitored operations at the golf course and worked hard to identify ways to improve customer service. Some of the key steps include:

1. Initiating the Advanced Reservation process. This new system was implemented in August of last year and since that time nearly 13,000 non-resident and 4,000 resident rounds have been sold.
2. Discounting rates for non-residents when course conditions do not meet minimum standards.
3. Advertising to City residents informing them of the new reservation system and their ability to book tee times through the advanced reservation system. These efforts have resulted in over 3,000 additional resident ID cards being sold at Torrey Pines. A 40% increase over FY06.
4. Instituting public shotgun tournaments to increase resident play. During FY07 staff coordinated three of these events and had nearly 100% resident play during each.
5. Increased times for the Men's Club. With the settlement of the pending lawsuit the Men's Club regained additional time at Torrey Pines. Starting times on Thursdays were extended and the monthly Sunday tournaments were reinstated.
6. Continuation of the Women's 9 hole group. Staff was able to work with the Women's Club and the 9 hole women's to allow both groups to share the tee time allotment of the Women's Club and ensure that both groups maintain access to the courses.

Future Outlook:

The future at Torrey Pines is focused heavily on preparation for the upcoming 2008 U.S. Open Championship. Nearly 100% of on-course work has been completed and all turf areas are being

prepared for the 2008 Buick Invitational and U.S. Open Championship. Some additional work is scheduled for the clubhouse area as well as on-course work at the half-way house and comfort station on the South Course. This work is being implemented to address deferred maintenance and to improve the overall facilities prior to the U.S. Open. This work has been planned and it will be addressed following City Council approval.

Staff is working closely with the Mayor's U.S. Open Task Force made up with representatives from all impacted departments as well as the USGA to coordinate the extensive preparation for the event. Efforts to date have been very successful and all interested groups have proactively participated, adding to what will be a great event for Torrey Pines and City of San Diego. In anticipation of the event, staff will provide the City Council a full update on the planning and preparation efforts for the US Open following the first of the year.

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Attachments: [1. Summary of Balboa Park Golf Course Revenues, Expenses and Rounds](#)
[2. Summary of Mission Bay Golf Course Revenues, Expenses and Rounds](#)
[3. Summary of Torrey Pines Golf Course Revenues, Expenses and Rounds](#)