



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

DATE ISSUED: February 20, 2009 REPORT NO: 09-010

ATTENTION: Natural Resources and Culture Committee  
Agenda of February 25, 2009

SUBJECT: Update on the Mayor's Five-Year Golf Operations Business Plan

REFERENCE: Five-Year Golf Operations Business Plan, June 26, 2006

SUMMARY:

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

BACKGROUND:

The Mayor's Five-Year Golf Operations Business Plan (Business Plan) was approved by City Council on June 26, 2006. In accordance with the Business Plan new fees for each of the City of San Diego three municipal golf courses Balboa Park, Mission Bay and Torrey Pines went into effect on August 1, 2006. Subsequent annual rate increases, in accordance with the Business Plan, went into effect on July 1, 2007 and July 1, 2008 with future rate increases scheduled to take place on July 1, 2009 and July 1, 2010.

An update of the Business Plan was provided to the Natural Resources and Culture Committee on September 17, 2007. Since that update Torrey Pines Golf Course has hosted three major golf tournaments in a 13-month period: the Buick Invitational Golf Tournament, January 2008; after three years of preparation, the United States Golf Association (USGA) U.S. Open, June 2008; and the Buick Invitational Golf Tournament, February 2009. Additionally, since September 2007 the City hosted the Callaway Junior World Championship, July 2008; and the City Amateur Championship, August 2008.

Work Plan Priorities

The Business Plan outlines goals and initiatives planned through the end of the five-year period ending June 30, 2011. Based on the Business Plan and current assessment of customer, financial and operational needs, the City of San Diego Golf Operations Program primary initiatives for next 12 months include:

- Completion and implementation of an updated Golf Capital Improvements Program (CIP) Five-Year Plan to FY 2010 to FY 2014. The capital projects focus will be on the

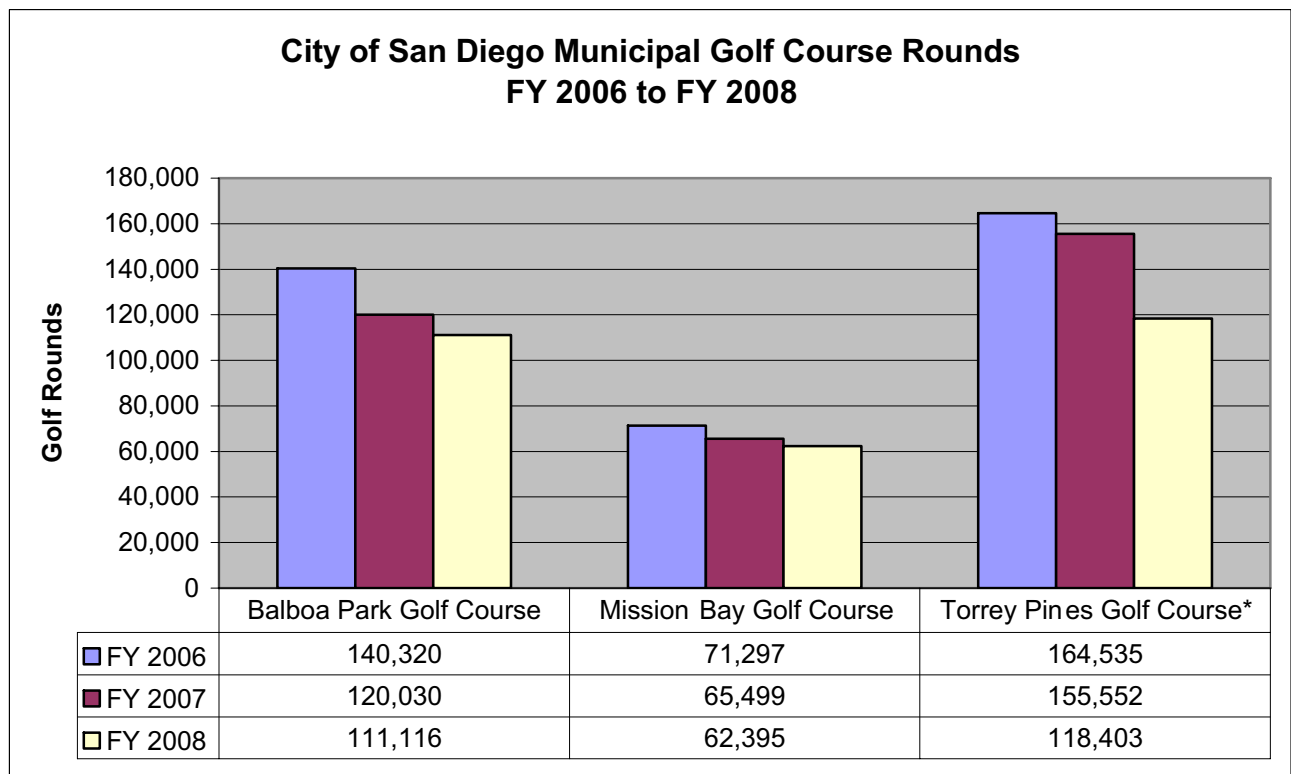
replacement of aging golf course infrastructure to improve efficiency and customer service.

- Maintain the financial stability of the Golf Course Enterprise Fund. Monitor and manage expenditures and revenues, and maintain adequate reserves during the current economic downturn.
- Implement customer service initiatives including customer service satisfaction surveys, and enhancement of the automated telephone menu that provides customers access to City golf information and reservation services.

In addition to these priorities, work will continue on the courses' daily operations and maintenance.

### Golf Rounds

The number of golf rounds played at all three City of San Diego municipal golf courses in FY 2008 declined from the previous fiscal year. A large portion of the FY 2008 reduction was a reduction of play at the Torrey Pines Golf Course associated with the closure of the North and South Courses in order to prepare for and host the USGA U.S. Open Championship Golf Tournament held in the summer of 2008. It should be noted that City of San Diego residents played a total of 67% of all golf rounds played at all three courses in FY 2008. According to a University of San Diego Index of Leading Economic Indicators for San Diego report, the recession in San Diego County started in April 2006. Golf rounds at all three golf courses have declined since July 2006.



\* FY 2008 reduced rounds for Torrey Pines also reflects several course closures from March to June 2008 due to the USGA U.S. Open.

The total number of golf rounds played at all three City of San Diego municipal golf courses in the current Fiscal Year 2009 to-date (July 2008-January 2009) has declined 2.4% compared to the same period the prior year. Current conservative projections are that golf rounds in FY 2010 will decline by 5% as compared to the FY 2009 due primarily to the continuing economic downturn.

## Financial

The updated Golf Course Enterprise Fund Five-year Financial Outlook currently projects a continued positive annual Net Operating Income of between \$3.2 million and \$4.1 million for the upcoming fiscal years FY 2010 to FY 2014, see chart below. The annual Net Operating Income increases the Unallocated Balance and this balance is available to fund Golf Course Enterprise Fund capital improvement projects.

A Golf Course Enterprise Fund CIP Five-Year Plan update is under development. The updated CIP Five-Year Plan will reprioritize and plan the construction of Golf infrastructure to replace deteriorating Golf Course assets. The current Golf Course Enterprise Fund Five-Year Financial Outlook for the period FY 2010 to FY 2014 is shown in the following table.

	<b>FY 2006 Unaudited Actuals</b>	<b>FY 2007 Unaudited Actuals</b>	<b>FY 2008 Unaudited Actuals</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Projection</b>	<b>FY 2011 Projection</b>	<b>FY 2012 Projection</b>	<b>FY 2013 Projection</b>	<b>FY 2014 Projection</b>
Revenue <sup>(1)</sup>	\$13,778,911	\$17,272,035	\$16,252,116	\$16,573,187	\$17,013,019	\$17,863,669	\$17,863,669	\$17,863,669	\$17,863,669
Operating Expenses <sup>(2)</sup>	<u>\$11,397,534</u>	<u>\$12,609,595</u>	<u>\$12,891,621</u>	<u>\$13,253,142</u>	<u>\$13,801,505</u>	<u>\$13,801,505</u>	<u>\$13,801,505</u>	<u>\$13,801,505</u>	<u>\$13,801,505</u>
Net Operating Income	\$2,381,377	\$4,662,440	\$3,360,495	\$3,320,045	\$3,211,514	\$4,062,164	\$4,062,164	\$4,062,164	\$4,062,164
Capital Improvements Program Expenses	\$518,456	\$1,829,579	\$5,448,194	\$150,000	(3)	(3)	(3)	(3)	(3)
Contingency Reserve (12% of Operating Expenses) <sup>(4)</sup>	\$1,367,704	\$1,513,151	\$1,546,995	\$1,590,377	\$1,656,181	\$1,656,181	\$1,656,181	\$1,656,181	\$1,656,181
Unallocated Balance <sup>(5)</sup>	\$5,749,875	\$7,997,304	\$8,078,744	\$9,211,024	\$12,422,538	\$16,484,702	\$20,546,866	\$24,609,030	\$28,671,194

(1) The City Council approved annual fee changes in the Business Plan are for the period FY 2007 - FY 2011. Assumes a 5% reduction in golf rounds in FY 2010 and FY 2011. No fee changes assumed for FY 2012 and FY 2013

(2) FY 2010 expense budget projection subject to changes as the FY 2010 Proposed Budget is being developed

(3) Capital Improvement Program FY 2010-FY 2014 expenses projections to based on completed review and update of Golf Enterprise Fund Five-Year CIP Plan

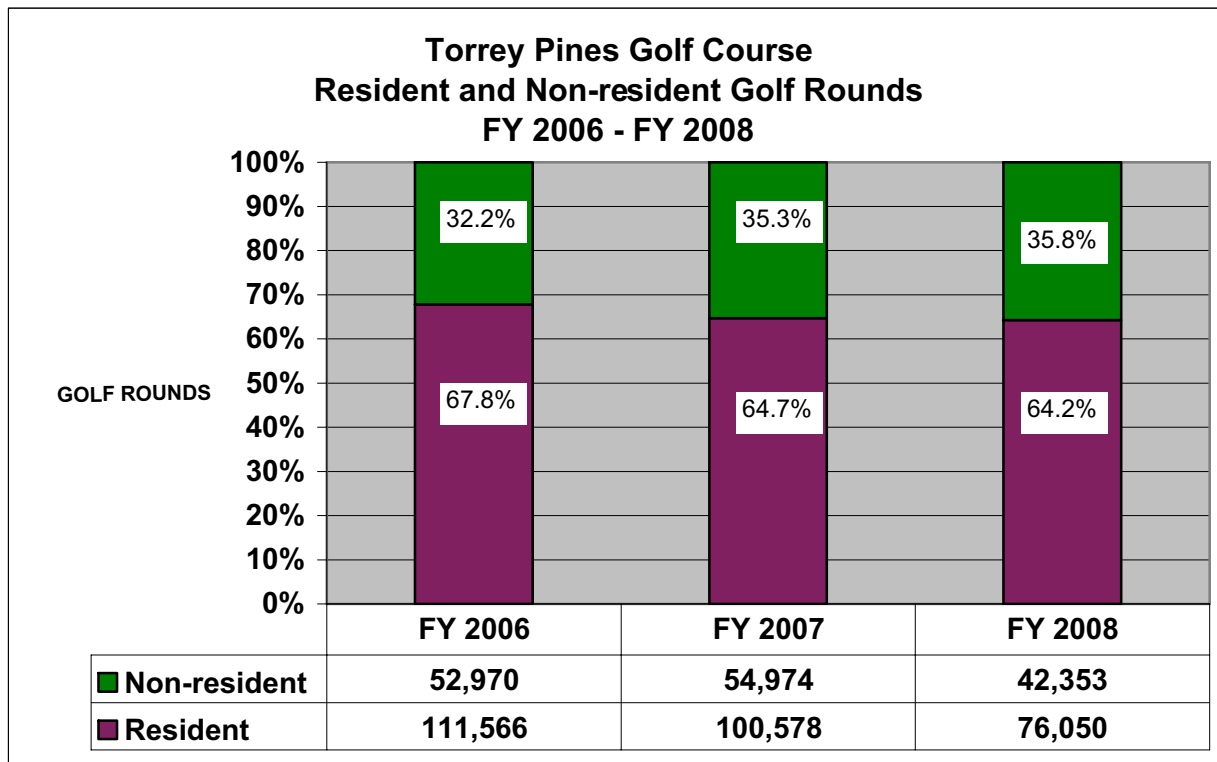
(4) Reserve available in the event of an unanticipated decrease in revenues

(5) Projected available funds to fund future new Golf Course Enterprise Fund Capital Improvement Program expenses

Note: the Unallocated Balances shown are accumulated totals that include the prior year's Unallocated Balance carryover.

### Public Access to Torrey Pines Tee Times

The adopted Business Plan established a goal at Torrey Pines Golf Course of 70% resident and 30% non-resident split in golf rounds play. In FY 2008 the split was 64.2% resident and 35.8% non-resident. Residents can advance book up to two foursome tee times per day, but not for two consecutive days on the same North or South Course. These residents could then bring non-resident golfers on the scheduled date of play. In these cases residents are provided the opportunity to make an advanced reservation but golf rounds played data would reflect the actual residents and non-residents golf rounds played associated with the advance reservation. A reduced number of golf rounds projected in the upcoming months should increase the availability of resident golfers tee times and may further increase resident golf play to the 70% level.



In addition, over the coming months the staff will begin to market the courses to local media/marketing venues regarding the availability of the resident tee times at all courses including Torrey Pines Golf Course.

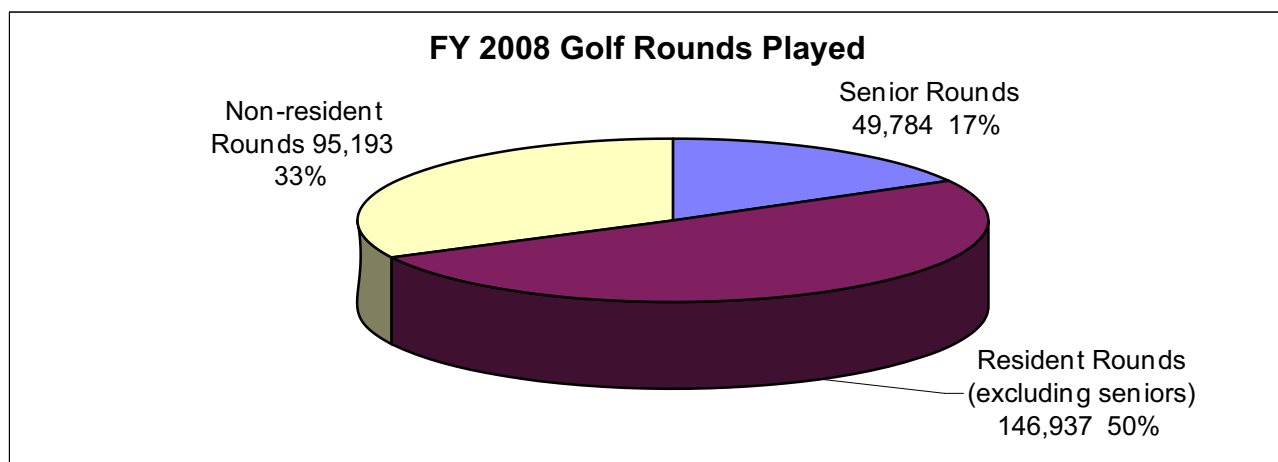
### Golf Low-Income Fee Waiver and Senior Golf Fee

The City Council adopted the Business Plan in June 2006. The Resolution adopting the Business Plan stated that staff is to bring back to City Council a low-income fee waiver program and senior discount rates. As mentioned in last Business Plan update in September 2007, staff would prepare and return with an analysis of the Low-Income Fee Waiver after the completion of the U.S. Open.

A survey of local golf courses found that none have a low-income fee waiver program but most have a discounted senior golf fee. The following table shows that City of San Diego municipal golf courses' senior golf fees are discounted more than most other comparable local golf courses.

18 Hole Golf Course	Resident Rate	Senior Rate	Difference	Percentage Difference
Coronado Golf Course	\$25	\$25	\$0	0.0%
Carlton Oaks Country Club & Golf Course, Santee (Mon-Thurs) <sup>(1)</sup>	\$60	\$55	\$5	8.3%
The Crossings, Carlsbad (Mon-Thurs)	\$55	\$49	\$6	10.9%
Tecolote Canyon Golf Course (Sat., Sun. & Holidays)	\$27	\$24	\$3	11.1%
Tecolote Canyon Golf Course (Mon-Fri)	\$21	\$18	\$3	14.3%
Mission Bay Golf Course (Mon-Fri) <sup>(2)</sup>	\$22	\$16	\$6	27.3%
Balboa Park Golf Course (Mon-Fri) <sup>(2)</sup>	\$29	\$20	\$9	31.0%
Torrey Pines Golf Course - North Course (Mon-Thurs) <sup>(2)</sup>	\$36	\$25	\$11	30.6%
Torrey Pines Golf Course - South Course (Mon-Thurs) <sup>(2)</sup>	\$43	\$28	\$15	34.9%
Chula Vista Municipal Golf Course (Mon-Fri) <sup>(3)</sup>	\$20	\$11	\$9	45.0%
(1) County residents pay the resident rates				
(2) Annual Resident ID Card of \$25 required				
(3) Annual Resident ID Card of \$12 required				
Note: Balboa Park and Mission Bay Golf Courses also have Senior discounted rates for 9-hole play				

The number of resident seniors rounds played, both 18 holes and 9 holes, at City of San Diego municipal golf courses in FY 2008 represented 49,784 or 17% total rounds played. The senior golf fees discounted for the 49,784 senior golf rounds played at City of San Diego municipal golf courses in FY 2008 totaled \$298,000 and discounted senior golf fees were in the 30% to 35% range. The number of senior golf rounds played at City of San Diego municipal golf courses in FY 2007 was 60,848 while golf rounds played in FY 2008 was less at 49,784 due to the closure of the Torrey Pines Golf Course associated with the USGA U.S. Open and economic conditions.



The current Department of Labor Lower Living Standard Income Level Guideline, San Diego, for 2008, shown below, would be used to define a participant's low-income eligibility.

Size of Family	Annual Income
1	\$14,933
2	\$24,463
3	\$33,588
4	\$41,459
5	\$48,926
6	\$57,722
More than 6	Each additional family member add \$8,296

If adopted, a low-income 50% fee waiver would be limited to City of San Diego residents and resident income would be verified by each participant's submission of an Internal Revenue Service (IRS) tax return, Social Award-Benefit or Social Security Proof of income letter. An administrative program to verify participation in the low-income fee waiver program would be required. To maintain a cost-neutral impact to the adopted Business Plan, low-income fee waivers would be limited to a total of approximately \$298,000, the same total as the FY 2008 fiscal impact of the senior golf discount program.

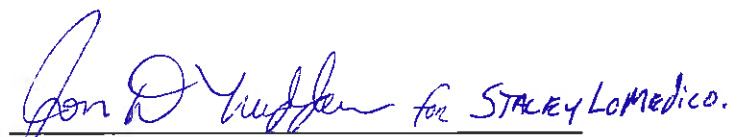
Conversion from a senior golf discount rate to a low-income fee waiver program would adversely affect senior golfers with annual incomes that do not meet the low-income thresholds. Due to the current scope of discounted fees provided to resident seniors (age 62 or older) and resident juniors (age 17 or younger); and the golf industry standard to provide a senior discount rate, staff does not recommended a change from the senior discount rate to a low-income fee waiver program.

#### Future Outlook

As stated in the work plan, the focus in the upcoming year will be improving the capital infrastructure of the golf courses, monitoring and management the Golf Enterprise Fund finances in the current economic environment, and improving customer service including implementing regular customer surveys and enhancing the automated telephone menu system.



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