

## Cost Per Round Calculation

As described in IBA Report 06-23 and presented in the Appendix to IBA Report 06-28, a cost per round calculation methodology was developed for each golf course. The cost per round for each course was determined through identifying the total costs associated with each course and then converting the costs into a per-round basis. For the development of the cost per round calculations presented in IBA Report 06-23, the FY 2006 budgeted information was used to determine cost per round. The FY 2006 information only included the operating costs associated with each course such as personnel costs and contractual services, but did not include any anticipated capital improvement expenses. In updating the cost per round calculation, the FY 2011 financial information was used as this information has been incorporated into the FY 2011 Comprehensive Annual Financial Report for the City of San Diego. To remain consistent with the FY 2006 cost per round calculation, only operating expenses were included, the calculation does not take into consideration any capital costs.

The table below shows the Golf Division’s actual expenses for FY 2011.

<b>FY 2011 Golf Division Expenses</b>	
Mgmt & Support	\$1,127,634
<b>Torrey Pines</b>	
Operating	\$7,421,837
<b>Balboa Park</b>	
Operating	\$3,244,511
<b>Mission Bay</b>	
Operating	\$1,990,787
<b>Total Expenses</b>	<b>\$13,784,769</b>

The table shows the actual expenses for each golf complex and the costs for the division-wide management and support. To develop the costs into a per-round basis, it is necessary to allocate the division-wide costs for the management and support to each golf complex. In discussion with the Golf Division, it was determined that the percentage of each golf complex’s operating costs in relation to the total operating costs would serve as the allocation for the management and support costs (golf complex operating costs / total operating costs = percentage of management and support costs). Following this methodology, the management and support cost allocations and amounts are as follows:

Torrey Pines	\$661,217	59%
Balboa Park	\$289,056	25%
Mission Bay	\$177,361	16%

The management and support costs are then allocated to each specific golf complex to continue the cost per round calculation. Each golf complex’s total costs are shown below:

<b>FY 2011 Golf Division Expenses</b>	
<b>Torrey Pines</b>	\$8,083,082
<b>Balboa Park</b>	\$3,533,524
<b>Mission Bay</b>	\$2,168,164
<b>Total Expenses</b>	<b>\$13,784,769</b>

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If the intention was to get a general idea of the cost per round at each complex, one could simply divide the course expense by the total rounds at each complex and get a cost per round figure. However, as Torrey Pines has two courses (North and South courses), Balboa Park has two courses (18-hole and 9-hole), and Mission Bay has a driving range in addition to their 18-hole course, a general cost per round per complex may not serve as a good benchmark for comparison purposes as it may not be specific enough to assist in decisions related to specific courses.

As such, the costs per golf complex were additionally broken down to provide the costs per course per complex. While the Golf Division has several of the individual costs tracked per course (such as capital costs and some personnel costs), some shared costs at each golf complex (such as irrigation related costs) have been allocated to specific courses as a best estimate from Golf Division staff. The table below illustrates the total costs related to each course and the total rounds played at each course. The final step is to divide the total costs for each course by the number of rounds played at each course to determine the cost per round at each course. The costs per round presented in the 2006 Golf Plan are provided for reference.

Complex/Course	FY 2011 Cost Per Round per Course			FY 2006
	Total Expenses	Total Rounds	Cost Per Round	Cost Per Round
<b>Torrey Pines</b>				
North Course	\$3,397,469	72,734	\$46.71	\$27.91
South Course	\$4,685,585	58,306	\$80.36	\$56.50
<b>Balboa Park</b>				
18-hole	\$2,419,774	41,257	\$58.65	\$35.31
9-hole	\$1,113,792	47,392	\$23.50	\$3.36
<b>Mission Bay</b>				
18-hole	\$2,078,480	44,325	\$46.89	\$20.16
Driving Range	\$89,669			
Grand Total	\$13,784,769	264,014		

It should be noted that the cost per round is a benchmark for comparing costs from year to year but does not determine the green fee rates. Green fee rates take additional factors into consideration. If the cost per round figures was to be used to set green fees, it would assume that there are no other revenues to contribute to covering costs associated with the golf courses and it would assume that the rates are the same for all players at all times. Each golf complex has additional revenues such as resident ID cards fees, golf cart rentals, rents and concessions, and/or driving range fees to offset the revenue required from green fees in order to cover all costs. Additionally, there are different rates for different players (resident/non-resident) and rates for different times (weekday/weekend/twilight) that play into the setting/determining the green fees. The cost per round figures should serve as a high-level benchmark for costs only.