



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: August 18, 2014

TO: Municipal Golf Committee

FROM: Mark Marney, Deputy Director, Golf Division

SUBJECT: Golf Division Business Plan Update 2014

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**BACKGROUND**

The Golf Division provides the Park and Recreation Board with an informational report on the status of Golf operations annually. This process was created as part of the Golf Division Business Plan (the "Business Plan") and last year was the first annual update. Staff is currently planning to return to the Park and Recreation Board within the next few months to provide our current update. In preparation for this update, staff has outlined the key issues for review by the Municipal Golf Committee (MGC) and we are interested in your feedback prior to the preparation of the final report to the Park and Recreation Board.

**DISCUSSION**

The City has operated a municipal golf program since 1915. Today, the Golf Division operates three City golf complexes: Balboa Park Golf Course 18-hole and 9 holes courses; Mission Bay 18-hole executive golf course; and Torrey Pines 18-hole North Course and 18-hole South Course. The Golf Course Enterprise Fund was established in 1991. The Golf Division's Enterprise Fund operates in a manner similar to a private sector enterprise where the cost of providing services is recovered through user fees. A primary goal of the Golf Course Enterprise Fund is to ensure that the City-operated golf courses are financially self-sufficient and that the courses do not require financial support from the City's General Fund.

The Business Plan is a "rolling plan" without a formal expiration date. In order to allow for input and review of golf operations, the Business Plan outlines a review process where a golf advisory committee, Municipal Golf Committee, meets regularly throughout the year to provide advisory input on operational and long-range projects, and issues. As stated in the Business Plan, the Park and Recreation Board will receive an annual update on the status of the Business Plan.

The City Council Environmental Committee will receive a formal update on the Business Plan every three years. The first update to the Environmental Committee is planned for the winter of 2015.

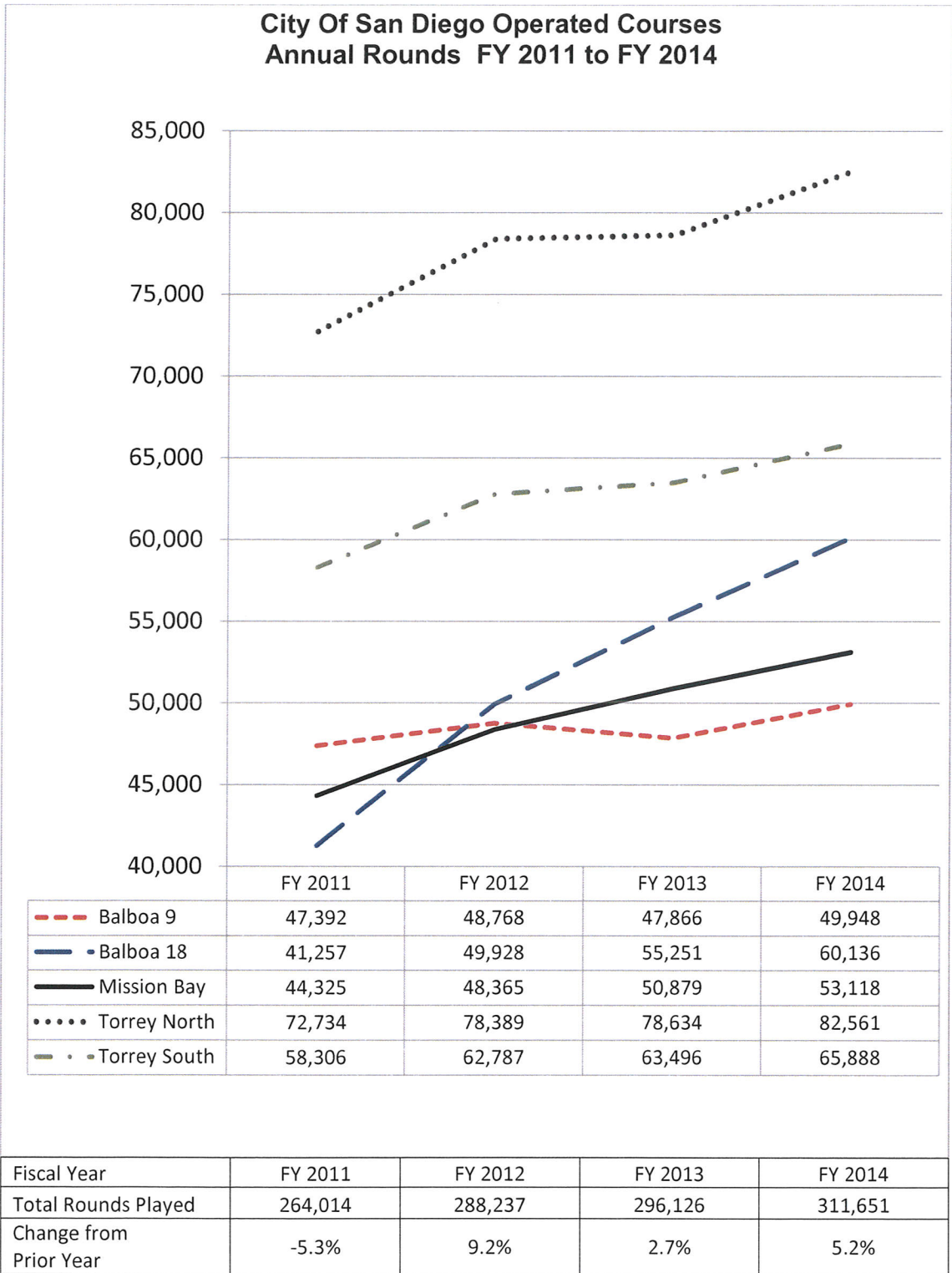
**Golf Rounds**

The Business Plan provides for a target number of golf rounds for each of the five courses. The targets are based on maximizing golfer access to the courses while maintaining a quality golfer experience.

	Balboa 9-Hole	Balboa 18-Hole	Mission Bay 18- Hole	Torrey Pines North 18-Hole	Torrey Pines South 18-Hole	Total
Golf Rounds (Business Plan 5 Year Targets)	78,000	70,000	75,000	82,800	64,000	369,800
Actual Rounds FY 2014	49,948	60,136	53,118	82,561	65,888	311,651
Difference	(28,052)	(9,864)	(21,882)	(239)	1,888	(58,149)
% of Target Met FY 2014	64.0%	85.9%	70.8%	99.7%	103.0%	84.3%
% of Target Met Prior Year FY 2013	61.4%	78.9%	67.8%	95.0%	99.2%	80.1%

The recent U.S. economic recession officially ended in June 2009, which was at the start of FY 2010. Staff believes that due to a combination of improved course conditions and a rebounding economy resulted in an increase in golf rounds played at City-operated course starting in the fall of 2011, or mid-FY 2012. Total golf rounds for all coursed combined increased 5.2% in FY 2014. Low annual precipitation including unseasonably low precipitation in December 2013 contributed to increased golf rounds played at each city-operated golf course in FY 2014.

As of early FY 2015, staff has noticed some indications that the golf industry may not be as strong as our prior year increases may indicate. Based on this, staff has reduced our projected growth in rounds for fiscal year 2015 to zero to 2% for the full fiscal year 2015. This change excludes the Torrey Pines North Course which has a projected decrease in golf rounds due to the planned closure for renovation starting in March 2015.



Source: Fairway Golf Tee-Time System

The total number of total golf rounds played increased 15,525 or 5.2 % in FY 2014 compared to the prior year.

**Financial Position**

Overall, the financial position of the Golf Enterprise Fund is strong. The fund continues to generate revenue that exceeds operational expenses, which as the Business Plan outlines, provides the basis for funding of on-going capital needs within the Golf Division. Golf Division has prepared an updated Five-year Financial Outlook that projects revenues and expenses based estimated future budget needs and economic conditions (Attachment No.1). The current forecast includes a target revenue average increase of 1.5% annually from a combination of increased golf play and/or fee increases increased which would provide sufficient revenue to fund annual operating and CIP expenses for the forecasted five-year period.

The Golf Division projected fiscal year-end actual revenue for FY 2014 was \$19,949,901 compared to the FY 2014 revenue budget of \$18,371,747. The FY 2015 revenue budget of \$17,540,747 decreased by \$1,047,375 or -5.7% when compared to the prior year FY 2014 revenue budget and is due to the planned closure in late FY 2015 of Torrey Pines North Course for course renovation. The Golf Division FY 2015 expense budget has increased \$983,639 or 6.3% compared to the prior year’s budget and is due to non-discretionary expense increases primarily irrigation water, and fuel.

Golf Enterprise Fund – Golf Division	FY 2014 Actual	FY 2014 Budget	FY 2015 Budget	Difference FY 2015 and FY 2014 Budgets
Revenue	\$19,949,901	\$18,371,747	\$17,540,747 <sup>(1)</sup>	(\$831,000)
Expenses	\$15,412,865	\$15,670,084	\$16,653,723	\$983,639
Operating Income	\$4,524,036	\$2,701,663	\$887,024	

(1) Revenue reduced due to planned closure of Torrey Pines North Course due to renovation  
Source: city of San Diego SAP financial system Budget-to-Actual as of August 8, 2014

**Business Plan Primary Accomplishments (November 2013 to August 2014)**

The following have been accomplished in accordance with the business plan since the last update to the Park and Recreation Board in October 2013:

- Increased total rounds and revenue in FY 2014 compared to the prior fiscal year
- Torrey Pines South Golf Course was selected to host the 2021 US Open Golf Championship
- Torrey Pines North and South Courses continued to be nationally recognized as top golf courses in golf industry publications
- Initiated a customer golf bag drop at Torrey Pines Golf Course in July 2014
- Implemented fee specials at golf courses: Mission Bay; Balboa Park; and selected Torrey Pines group tournaments
- Water use management: tracking and managing water usage on a monthly basis; Alternative Means of Compliance

- Obtained City Council approval of a written policy for Golf Fund's Operating Reserve
- Initiated ongoing support for college golf – October 2013 college tournament
- Formation of the Municipal Golf Committee was completed and the committee has been advising staff on golf operations and business plan issues
- Balboa Park Golf Course Pro Shop services Request for Proposal (RFP) selection was completed
- Capital Improvements Program design and construction work continues

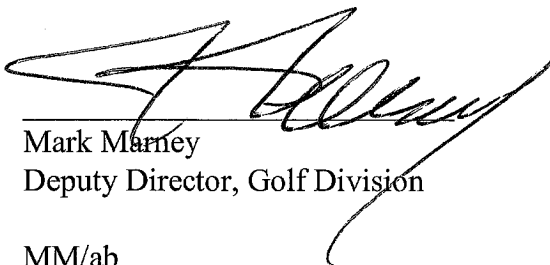
**Future Outlook**

- Golf Tee-time Point of Sale (POS) system enhancement
- Evaluate corporate sponsorship opportunities; equipment purchases and marketing
- Biennial customer satisfaction survey in summer of 2015
- Continued implementation of ongoing CIP projects and General Development Plans (GDP) for each facility. Attachment No. 2 is the updated CIP Plan
- Outline preparations for the 2021 US Open Golf Championship

**CONCLUSION**

Golf Division staff has been implementing the recommendations in the Business Plan since it was approved by City Council in November 2012. The estimated growth in annual golf rounds for FY 2015 is currently estimated to slow down to zero to +2% compared to FY 2014 that had a growth rate of +5.2%. Staff will closely monitor golf rounds played and the commensurate revenue impact it will have on the Golf Course Enterprise Fund. Infrastructure improvements will continue and a technology enhancement in the golf tee-time system is planned. Over the next few years, Golf Division efforts will turn to preparing for the 2021 U.S. Open Golf Championship to be hosted at Torrey Pines Golf Course.

Respectfully submitted,



Mark Marney  
Deputy Director, Golf Division

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Attachments: 1. Financial Outlook  
2. Capital Improvements Plan

City of San Diego Golf Enterprise Fund Financial Outlook FY 2016 to FY 2020

	FY 2015 Budget(1)	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	Total (FY 2016 to FY 2020)
<b>Beginning Balances and Reserves</b>							
Balance from Prior Year	\$ 11,731,648	\$ 7,393,672	\$ 7,820,419	\$ 1,850,192	\$ 4,630,655	\$ 3,965,364	
Continuing Appropriations <sup>(2)</sup>	\$ 17,008,025		\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	
Operating Reserve	\$ 1,996,076	\$ 2,035,998	\$ 2,066,933	\$ 2,086,269	\$ 2,105,606	\$ 2,168,774	
<b>Total</b>	\$ 30,735,749	\$ 9,429,670	\$ 10,387,352	\$ 4,436,461	\$ 7,236,262	\$ 6,634,139	
Operating Revenue <sup>(3)</sup>	\$ 17,540,747	\$ 17,803,858	\$ 20,552,887	\$ 20,861,180	\$ 21,174,098	\$ 21,491,709	\$ 101,883,732
Operating Expenses <sup>(4)</sup>	\$ 16,653,723	\$ 16,886,704	\$ 17,044,685	\$ 17,202,666	\$ 17,718,746	\$ 18,250,308	\$ 87,103,109
Operating Income	\$ 887,024	\$ 917,154	\$ 3,508,202	\$ 3,658,514	\$ 3,455,352	\$ 3,241,401	\$ 14,780,624
Capital Improvements Program (CIP) Expenditures	\$ 5,225,000	\$ -	\$ 9,500,000	\$ 900,000	\$ 4,100,000	\$ -	\$ 14,500,000
Total Expenses (Operating and CIP)	\$ 21,878,723	\$ 16,886,704	\$ 26,544,685	\$ 18,102,666	\$ 21,818,746	\$ 18,250,308	\$ 101,603,109
<b>Reserves</b>							
CIP Continuing Appropriations <sup>(5)</sup>	\$ 17,008,025	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	
Operating Reserve <sup>(6)</sup>	\$ 1,996,076	\$ 2,026,404	\$ 2,045,362	\$ 2,064,320	\$ 2,126,249	\$ 2,190,037	
<b>Total</b>	\$ 19,004,101	\$ 2,526,404	\$ 2,545,362	\$ 2,564,320	\$ 2,626,249	\$ 2,690,037	
Ending Balance	\$ 7,393,672	\$ 7,820,419	\$ 1,850,192	\$ 4,630,655	\$ 3,965,364	\$ 7,185,503	

(1) Source: City of San Diego, SAP; and Golf Division updated beginning balance estimates as of 8/8/2014

(2) Actual Capital Improvements Program (CIP) carryover continuing appropriations for each year is determined at end of each fiscal year

(3) Revenue reduction of \$1.6 million in FY 2015 and in FY 2016 due to the renovation closure of Torrey Pines North Course

Total revenue increase estimate of 1.5% in FY 2016 less the revenue reduction due to estimated renovation closure of Torrey Pines North.

Total revenue increase estimate of 1.5% annually starting in FY 2017.

(4) Union negotiated FY 2014-FY2018: non-pensionable benefit increase of approximately 1.75% or \$75,000 is reflected in FY 2016;

and no benefit increases negotiated for FY 2017 and FY 2018. Non-personnel expense increase estimate of 1.7% annually in

FY 2016 and FY 2017 based on the U.S. Bureau of Labor Statistics. San Diego Consumer Price Index change for calendar year 2013.

Forecast estimate of a 3.0% increase for total expenses in FY 2019 and in FY 2010.

(5) Add \$500,000 in CIP Annual Allocation in FY 2016 to provide at least \$500,000 for each of three golf facilities for unplanned or emergency infrastructure needs.

(6) Operating Reserve is 12% of the audited annual revenues for FY 2011, FY 2012 and FY20 2013.

This is an emergency reserve should revenues received in a fiscal year come in less than expenditures.

**GOLF DIVISION CAPITAL IMPROVEMENTS PROGRAM (CIP) PLAN - EXPENDITURES**

		Work Description	FY 2015 Beginning Continuing Appropriations <sup>(1)</sup>	FY 2015 Plan Budget <sup>(2)</sup>	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	Total Forecast FY 2016 - FY 2020	Future Needs after 2020
	<b>Project Number</b>	<b>Balboa Park Golf Course (GC) 9-Hole and 18-Hole</b>									
<b>Current Projects</b>	<b>B11100</b>	Cart paths - replace and /or add cart paths to the entire 18 hole course; install maintenance paths; and add stairs	\$ 1,771,256							\$ -	
	<b>B12019</b>	Design and install above-ground fuel tanks	\$ 200,000							\$ -	
	<b>S00614</b>	Master Plan (General Development Plan), design and construct clubhouse, parking lot, and refurbishment of the historical clubhouse	\$ 1,603,611			\$ 9,500,000(3)				\$ 9,500,000	
<b>Future Projects</b>		Upgrade existing wash rack, upgrade maintenance building on 18-hole course, separate and provide heat to staff break area, and upgrade maintenance building on 9-hole course.						\$ 500,000		\$ 500,000	\$ 1,300,000
		Design and install drainage improvements on holes #1,2,3; design only #4						\$ 500,000		\$ 500,000	\$ 1,500,000
		Fencing						\$ 100,000		\$ 100,000	
		<b>Balboa Park Golf Course Total</b>	<b>\$ 3,574,867</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,500,000</b>	<b>\$ -</b>	<b>\$1,100,000</b>	<b>\$ -</b>	<b>\$ 10,600,000</b>	<b>\$ 2,800,000</b>
		<b>Mission Bay Golf Course</b>									
	<b>B12003</b>	Master plan facilities / driving range /parking lot / practice area / food & beverage / tournament area. (Design Only)	\$522,094							\$ -	
	<b>B12020</b>	Minor improvements: fuel tank, tees, and parking lot paving	\$ 317,243							\$ -	
	<b>S01090</b>	Demolish existing clubhouse / replace with portables	\$ 1,372,316							\$ -	
	<b>S11010</b>	Upgrade site infrastructure / irrigation, lighting and tees	\$ 406,022	\$ 2,500,000							
<b>Future Projects</b>		Design and construction of an expanded driving range and practice area					\$ 200,000			\$ 200,000	\$ 1,200,000
		Clean Drainage channel along Grand Ave.					\$ 200,000			\$ 200,000	
		Upgrade maintenance building and wash rack						\$ 500,000		\$ 500,000	
		<b>Mission Bay GC Total</b>	<b>\$ 2,617,675</b>	<b>\$ 2,500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 900,000</b>	<b>\$ 1,200,000</b>

### GOLF DIVISION CAPITAL IMPROVEMENTS PROGRAM (CIP) PLAN - EXPENDITURES

		Work Description	FY 2015 Beginning Continuing Appropriations <sup>(1)</sup>	FY 2015 Plan Budget <sup>(2)</sup>	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	Total Forecast FY 2016 - FY 2020	Future Needs after 2020
Current Projects	S14019	Preparation of a clubhouse masterplan (GDP), including the practice area, a complete cart path system, rebuilding fairway bunkers, reconstruction of greens, redesign of several greens, rebuilding of green-side bunkers, leveling/constructing tees, and replacing irrigation - North Course. This project will also include the upgrade of irrigation heads, clocks and pumps on the SOUTH Course.	\$ 8,940,345	\$2,600,000						\$ -	
Future Projects		Evaluation of clubhouse and support facilities.						\$ 500,000		\$ 500,000	
		Upgrade South On-course Restrooms, and North and South Maintenance Buildings.					\$ 500,000	\$2,000,000		\$ 2,500,000	
		<b>Torrey Pines Courses Total</b>	<b>\$ 8,940,345</b>	<b>\$ 2,600,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$2,500,000</b>	<b>\$ -</b>	<b>\$ 3,000,000</b>	<b>\$ -</b>
		<b>Totals</b>	<b>\$ 15,132,887</b>	<b>\$ 5,100,000</b>	<b>\$ -</b>	<b>\$ 9,500,000</b>	<b>\$ 900,000</b>	<b>\$4,100,000</b>	<b>\$ -</b>	<b>\$ 14,500,000</b>	<b>\$ 4,000,000</b>
(1) Beginning Continued Appropriations may change based on the Office of the Comptroller completion of the financial closing for FY 2014											
(2) An allocation of \$125,00 was added to the FY 2015 CIP Budget for the Mission Bay Golf Course Annual Allocation in case of emergency or unplanned capital improvements and has not yet been transferred to a project.											
(3) A more refined cost estimate for the Balboa Park Golf Course clubhouse complex not yet completed.											
Source: City of San Diego SAP financial system, estimates as of 8/8/2014. Figures may change based on Office of the Comptroller completion of financial closing for FY 2014											