Cost Per Round Calculation

As discussed in IBA Report 06-23, the cost per round calculations included in the Golf Operations Business Plan are generally based on sound methodology. The cost per round for each course is derived through a multi-step process, identifying first the total costs associated with each golf complex, then determining which of those costs are attributable to each course within the complex, and finally, converting the course-specific costs into a per-round basis.

The table below shows the Golf Division's budget for FY 2006 and FY 2007:

FY 2006 Golf Division Budget	
Mgmt. & Support	$ 1,044,381
Torrey Pines	5,515,904
Balboa Park	3,091,477
Mission Bay	1,423,874
TOTAL	**$ 11,075,636**

This table shows the budgeted costs for each golf complex and for Division management and support. In order to allocate the management and support costs across the three golf complexes, Golf Operations staff determined that approximately 70 percent of their time is devoted to Torrey Pines, with the remaining 30 percent split evenly between Balboa Park and Mission Bay. As a result, Division management and support costs are spread across the golf complexes as follows:

Torrey Pines	$ 731,067	(70%)
Balboa Park	156,657	(15%)
Mission Bay	156,657	(15%)

These costs are then added to the base budget for each golf complexes to derive the total operating budget, as shown below.

FY06 Total Operating Costs	
Torrey Pines	$ 6,246,971
Balboa Park	3,248,134
Mission Bay	1,580,531
TOTAL	**$ 11,075,636**

The next step in the process, and the most difficult step, is to determine what portion of the total operation costs for each complex is attributable to each course within the complex. For instance, Torrey Pines has a north course and a south course, and it is likely that each of those courses operates with a different cost structure. Unfortunately, Golf Division expenditures are not budgeted by course, so there is no direct way to determine which costs are associated with which course. Making the task more difficult is the fact that certain costs are shared by both courses.

For example, there is 1.00 Golf Course Superintendent budgeted for Torrey Pines, which supervises operations at both courses. What percentage of those costs should be allocated to each course? To address this problem Golf Operations staff needed to develop a suitable methodology for allocating shared costs.

Fortunately, each course at Torrey Pines does have certain positions and expenditures that are directly tied to it. Golf Operations staff determined that the most appropriate way to allocate the shared costs between the courses would be to base it on the percentage of direct costs that were attributable to each course. For Torrey Pines, it was determined that the direct costs for the south course accounted for approximately 59 percent of all direct costs. As a result, 59 percent of the shared costs were determined to be attributable to the south course. In this manner, the operating cost for each course could be calculated.

Cost Per Course	
South Course	$ 3,696,697
North Course	2,550,274
Total Torrey Pines	**$ 6,246,971**

The final step in the process was to divide the derived operating cost for each course by the estimated number of rounds played in order to determine the cost per round. On the south course, over 65,000 rounds were estimated to be played in FY 2006, while over 91,000 were estimated for the north course. Because fewer rounds are played on the south course, it will naturally have a higher cost per round. The IBA believes that the methodology employed by Golf Operations staff in calculating the cost per round for each of the City's courses offers a reasonable starting point for determining the appropriate resident rate.

There is, however, one adjustment to the cost per round calculations that the IBA feels is appropriate. At Balboa Park, the direct costs attributable to the 9-hole course were determined to be just over 15 percent of total direct costs, meaning that only 15 percent of all shared costs were allocated to the 9-hole course. The IBA feels that this probably skewed the costs calculations between the 18-hole and 9-hole courses, as the 9-hole course probably relies more heavily on shared than direct costs. For instance, the Balboa Park complex has 1.00 Golf Course Manager, which is regarded as a shared cost. However, it is unlikely that only 15 percent of the Course Manager's time is devoted to the 9-hole course. The IBA feels that a more appropriate factor for allocating shared costs would be around 30 percent, more closely reflecting the difference in scale between the two courses. Using this factor, the cost per round on the 9-hole course would increase to approximately $10.50, while the cost per round on the 18-hole course would decrease to $31.20. It should be noted that these figures more closely match the proposed FY 2007 weekday resident rates.

With this adjustment, the IBA believes that the costs per round calculated for the Business Plan are a reliable basis upon which to make informed policy decisions regarding resident rates. It is recommended that these calculations be refined and updated on an ongoing basis to ensure that resident rates remain in line with cost of operations and maintenance.

ATTACHMENT

SAN DIEGO MUNICIPAL GOLFER'S ALLIANCE (SDMGA)

SDMGA PLAN: PUTTING SAN DIEGANS FIRST A RESPONSE TO MAYOR'S TALKING POINTS

Submitted to Mayor Jerry Sanders
by:
SDMGA co-founders
John Beaver
Joe Burwell
Paul Spiegelman

April 15, 2006

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SDMGA PLAN: *PUTTING SAN DIEGANS FIRST*

SUMMARY

San Diego Muncipal Golfer's Alliance (SDMGA) proposes a plan that puts the golf courses and San Diegans, not buildings or special interests, first. The SDMGA plan responds to the Mayor's talking points, which propose projects and endorses a greens-fee structure which price resident golfers, particularly seniors, off the golf courses and which benefit special interests and intrude on parkland at the expense of residents.

Our plan includes:

(A) focusing capital improvements on the golf courses and not peripheral buildings; thus, we recommend (i) abandoning plans to build (and require local golfers to pay for) a clubhouse the municipal golfing community has unanimously rejected and (ii) rejecting the proposal to give uniquely scarce parkland to the Century Club, a private organization with restricted membership and no year-round need to be on the golf course;

(B) Raising non-resident rates to market levels as recommended by the Independent Budget Analyst;

(C) Holding the line on junior, senior, resident, county and Friday rates until after the U.S. Open to evaluate whether the yield from the market rates for non-residents can limit or eliminate the need for raising resident fees;

(D) Creating a separate tee time system for residents and non-residents including (i) establishing a ***resident-only*** phone lottery for 70% of the tee times at all hours including prime-time hours (from which brokers are barred) and (ii) adopting a yield-management system to market the other 30% to non-residents in a manner friendly to non-residents and fair to all in the tourist industry;

(E) Eliminating preferential tee times and subsidies for the Lodge and Hilton;

(F) ***If done in the context of a resident-only lottery so that only other residents benefited***, (i) limiting the tee times of the community golf clubs, but not as drastically as the talking points propose; and (ii) experimenting with and evaluating the talking points' suggestion of a twice-a-week limitation on the use of the reservation system;

(G) Creating transparency and monitoring of all golf operations (including posting of all tee sheets on the web and releasing itemized and audited expense reports).

GENERAL COMMENTS

Substantively, SDMGA is concerned that the Mayor's talking points will decrease access to Torrey Pines by increasing fees beyond what is necessary for the maintenance and improvement of the courses (including a reserve for capital improvements); subsidize the Lodge and Hilton by allowing them to continue to obtain tee times at below-market rates and act as brokers, reselling them at the true market rates to their guests; and allow a private organization whose membership is not open to the general public to have an office building on parkland at the City's expense. The Mayor's talking points put peripheral special interests first; SDMGA asks that the City's plans put San Diegans and our golf courses first.

Focus of capital improvements should be on golf course, not buildings. Resident golfers, like the USGA, care about the condition of our golf courses much more than having opulent buildings which we will rarely use. Though improving somewhat, our golf courses are not highly ranked by leading golf magazines.[1] These course rankings are based the condition of the greens, the fairways, the sand traps, the rough and the overall course and playability. It does not include peripherals such as club houses, award-winning chefs, office buildings with locker rooms and a place for private enterprises to conduct their businesses. The USGA and golfers focus on the course while San Diego City officials continue to focus on peripherals that benefit special interests and not the courses. With the exception of the Balboa Clubhouse which has suffered from deferred maintenance, all capital construction should focus on the golf courses.

Procedurally, the Mayor has acted in violation of all of his campaign promises for open government, transparency and sunshine. He and his staff have ignored the content of four public meetings at which golf issues were discussed and the various position papers that were submitted by representatives of the public. Instead his staff his met in private with special

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[1] Greenskeeper.org has ranked Torrey Pines South course 12th and the North course 18th out of the 25 best courses to play in San Diego County. Neither course is ranked in the top 25 courses in Southern California. Golfweek Magazine ranks Torrey South 13th out of the top 15 courses in California. The North course is unranked by them. In the top 100 "Classic Courses" neither Torrey Pines course is ranked while Bethpage Black is ranked 21st.

interests to form policies which favor those interests over the citizens of San Diego. As Golf Advisory Council Member Dale Peterson has written:

> As a Member-At-Large of the Golf Advisory council, I listened to general public testimony during two meetings dedicated to this topic. No one from the Mayor's staff was present at either meeting. I have been informed that Ms. Dubick has met privately, on multiple occasions, with representatives from the hotels and the Century Club. I am assuming that her term "general public" means the special interest factions that she met with in those meetings. She sure can't mean the citizens of San Diego as being the "general public." She hasn't met with any of us.

Retaliation? The result of these behind-closed-doors meetings is a plan which is designed to both raise the fees and limit the play of seniors, regular golfers and community clubs who had who had legitimately suggested a more resident-golfer friendly plan. Resident golfers also opposed the City's prior plans to unreasonably raise fees for projects that the public did not want. We do not believe that the Mayor has any personal animus against these groups, but we do know that special interests like the hotel managements and Century Club officials do. We are left with the strong impression that they are calling the shots in the talking points which implement their animus. There are more than 1200 supporters of the SDMGA and there are numerous other groups and individuals who have asked the Mayor to protect our municipal golf courses from special interests; we ask that Mayor look more skeptically at the suggestions of these special interests who seem more focused on punishing their opposition than about the welfare of municipal golf.

Enterprise Fund Issues. As reported in the press on March 9 http://www.signonsandiego.com/sports/golf/20060309-9999-1s9locgolf.html, the Mayor has raised questions about the legality of the Enterprise Fund. The Mayor's talking points do not address the Enterprise Fund issues and do not directly state whether the general fund will continue to raid the Enterprise Fund to pay for non-golf related projects. We urge the Mayor to retain the Golf Enterprise Fund to pay as you go for golf course operations and neither tap into the General Fund, nor subsidize the General Fund. We hope that fee increases proposed by the City are not a back door way of making ordinary citizens pay for such things as the pension shortfall.

With these general comments in mind, we turn to the specifics of the Mayor's talking points.

TORREY PINES CLUBHOUSE

1. **Renounce the Clubhouse Project.** The Torrey Pines Clubhouse has been unanimously opposed by every member of the public who has spoken at four public meetings: two of the Golf Advisory Council (January 13 and February 21), City Attorney Mike Aguirre's forum on March 1 (which the Mayor attended briefly, but did not stay to listen to public comment), and the Natural Resources and Culture Committee on March 8. Not one member of the general public has spoken in favor of the clubhouse. The only support for the clubhouse has come from those with a financial interest in promoting it.

The Mayor's plans to "delay" the clubhouse without even discussing the public opposition shows disregard for the public process and the lack of consideration of these facts. We ask that the Mayor either renounce the clubhouse entirely or explain why he is overriding the unanimous view of every public citizen who has commented on it.

2. Fee increases to Pay for the Clubhouse Should be Rescinded. The Mayor's Talking Points state: "The increase in green fees is separate from whether or not a new club house is built—the City will increase non-resident fees to pay for construction." This statement is false. In fact, the City paid a fee rumored to be over $100,000 for an operational review and "one of the fundamental objectives of the study was to provide an independent evaluation as to whether the golf enterprise fund has the capacity to fund the Project [Torrey Pines Clubhouse and related projects] while maintaining the overall golf course in a market competitive condition." (Memorandum to Natural Resources and Culture Committee from Christine Ruess, Rate Analyst, dated March 6, 2006 [available on city website].) The study concluded that the fee structure in the Five Year Business Plan as proposed before the Mayor intervened was sufficient to pay for the clubhouse including $1.2 million of debt service per year for all five years of the Five Year Plan.

The public was unanimous that the clubhouse was unnecessary and we opposed the clubhouse because we did not want to pay for an unnecessary project. The Mayor's talking points proposes having us pay in advance for a clubhouse we don't want. And that's not all, the Mayor proposes increasing fees beyond the five year plan by: (1) eliminating the

senior rate and (2) implementing a new long-term reservation system which would charge non-residents up to $50 and residents up to $40 to make long-term advance reservations. Thus, rather than cutting back the fees to reflect that we are not building the clubhouse, the Mayor's talking points adds to the fees without any cost justification at all. Particularly objectionable is the talking points' plan to make war on seniors by eliminating the senior rate which has prevailed for 40 years and was recommended by the Five Year Plan and the operational review. This puts San Diegans last.

GREENS FEES

The talking points appear to adopt the Five Year Plan's fee increases which were vigorously opposed by the public at four public meetings because (1) they were set at levels designed to fund a clubhouse, that we opposed; (2) they failed to set non-resident rates at market rates; (3) were based on flawed studies which attempted to bench mark resident rates to rates charged by for-profit golf courses and (4) were based on un-itemized and un-audited cost estimates. Some of these problems can fixed, some require further study. SDMGA proposes the following:

1. Set Non-resident Rates at Market

The Independent Budget Analysis has recommended that "Non-residents should always be charged the market rate." (**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT Date Issued:** March 10, 2006 **IBA Report Number:** 06-11 [Available at the City Website]. Testimony from the public established that the going rate for a Torrey round on either course from hotels and brokers ranges from $169 to $225 per round (including cart). The rates in the Mayor's plan proposes non-resident fees well below maket ("from $75-80 on north course and $115-$123 on south course") These rates are way below market and fail to follow the IBA recommendation of full market rates. The City Staff is concerned that the City needs to be careful at setting rates too high and discouraging tourism; we wish the City staff were as concerned with not discouraging resident play. The Mayor's talking points propose a creative solution – adding a long-term reservation fee of up to $50 dollars which would raise fees closer to market level for those who paid the fee to secure a long-term reservation. ***If there are tight controls on the use of long-term reservation system so that it does not impinge in any way on the resident lottery for tee times and does not become the primary way of obtaining a tee time***, it is an idea that deserves some exploration. Even with the long-term reservation fee tacked

on, non-resident fees still appear below market. If the non-resident fee plus the long-term fee were brought up to market and if any tee times allocated to hotels were assessed the full market rate (non-resident fee plus long-term fee) this concept may be workable. The IBA has offered to assist in determining market rates and its invitation should be accepted.

Charging full market rates for non-residents is important for two reasons: (1) to provide a maximum yield to the City enterprise fund and (2) to prevent a City subsidy to hotels and other brokers who would purchase tee times at below market rates and resell them to guests and clients at full market rates. The failure of the City to charge full market rates is a particularly troublesome indication of undue influence by the hotels. The City has an interest in maximum yield and why it would violate its interests and the recommendation of the IBA to in effect subsidize the hotels is not explained. We fear it is because policy was made listening to the hotels and not to the public.

2. Seniors should not be priced off Torrey Pines.

The second adjustment to fees proposed in the talking points is the elimination of the senior rate except for low-income hardship cases as it asserts is the practice for other city services. The proposal ignores the City's own Five Year Plan (page 67) which finds that the average ratio of senior rates to regular resident rates is 70% on benchmark courses. In contravention of the Five Year Plan and 40 years of practice at Torrey since it opened, the talking points would limit any relief from high fees to people who could show hardship. While we certainly would support low-income fee waivers for the disadvantaged of whatever age, that does not answer the question of why the talking points make war on seniors by eliminating the customary practice of a senior rate. To relegate seniors who have worked hard all their lives and who contribute thousands of hours of volunteer services at Torrey to low-income hardship applications if they want to play Torrey is not just humiliating, it is morally wrong. San Diego seniors are not wealthy, but we doubt many would qualify as low income. We love golf and the municipal courses and have been committed to San Diego in large part because of the unique opportunity that they provide. The Mayor's plan would cost the senior who plays Torrey Pines twice a week $1,900 a year and economically preclude them from playing on three days per week (Friday, Saturday and Sunday). You don't have to be poor to have that be a real hardship. Senior rates recognize that when someone gets to or near retirement age, his or her earning capacity gets less, income tends to be fixed and it is very hard to meet the rising costs. (It is that thought that fueled prop 13 to prevent seniors

from being priced out of their home by ever-escalating real estate taxes.) The reduced rate is also a sign of respect to seniors who have contributed much to the community and who in retirement years have the time to play more golf if they can afford it. If such increases were necessary to raise needed revenue that would be one thing; but the Mayor offers no cost justifications for this raise in rates above the level recommended by the Five Year Plan (and which was opposed as unjustified and too high by the public). The effect and likely motivation of this price rise is to use price to force seniors off the golf course in direct conflict with the purposes of a municipal golf course. This attempt to drive seniors off Torrey Pines must be rejected.

3. Freeze Junior Card Rates. We strongly agree with that portion of the Mayor's revised talking points which returns the rate for the junior card to $10 per month. It was the coach of the San Diego High golf teams, a student on that team, and SDMGA which championed that change in the GAC meeting on February 21 and the NRC&C meeting on March 8. Neither city staff who proposed the change, nor the Lodge which now supports it, nor the Century Club whose mission includes supporting junior golf proposed these changes. We congratulate the Mayor and these groups for seeing the light on this issue and urge all to see the wisdom of the rest of plan to put San Diegans and the golf courses first.

4. Overall Fee Setting Strategy

We proposed to the GAC, the NRC&C , and now to the Mayor, a system that obviates the need for any increases in fees to residents or seniors and puts San Diegans first: (1) set an annual budget for the courses that reflects all legitimate costs, including capital improvements and a reserve for depreciation; (2) as the Independent Budget Analyst has recommended charge non-residents the full market rate for tee off times; (3) subtract the yield in revenues from non-residents (#2) from the annual budget(#1) to set the revenue yield that the City needs from resident rates and set residents rates accordingly.

No one has done the numbers on this system yet because the city has not provided full data on rounds played in each category. But it appears clear that if the City upped rates to market for non-residents, it would not be necessary to eliminate senior rates as proposed by the talking points or raise current senior or resident rates as significantly as recommended by the Staff which was providing a proposal which did not put non-resident rates at market and raised rates generally about $7.50 per round to pay for the

clubhouse which is now not being built. Moreover, because costs are un-itemized and un-audited, there is no way of commenting on budget claims. In this environment, SDMGA recommends that non-resident rates be raised immediately to market rates (this could yield the major part of the full budget) and that resident and senior rates be frozen at current levels (or increased no more than 5%) until after the U.S. Open. At that point, with proper auditing techniques in place, we should have a clearer picture of revenues and real full costs (including capital improvements) and be able to adjust rates if necessary. The Five Year Plan's proposal to charge weekend rates to residents on Fridays should be eliminated; it seeks to price residents and seniors off the golf course.

TEE TIMES

1. Create *Separate Tee-Time Systems for Residents and Non-*Residents. SDMGA submits that before the Mayor intervened there was a working consensus emerging that the 70-30 ratio could best be maintained by assuring that residents obtained their full share of all tee times throughout the day by separating out the non-resident tee times from the resident phone lottery. Right now, about 16% of tee times are held out of advanced reservation system to be used by the starter. We recommend this be cut in half to 8%. Of the remaining 92% that can be booked in advance, the City should allocate 27.6 of total tee times (30% of the remaining 92% of tee times) to be available for an advance reservation system available and user-friendly to non-residents and the remaining 64.4% of tee times (30% of 92%) to residents for a residents-only phone lottery.[2] The allocation should be, as the Mayor suggests, equitably spread throughout the day so that residents get their full share of tee times every hour during prime time. This system would allow the city to market tee times to non-residents in a format far more user-friendly to tourists and assure that proper ratios are maintained, rather than rely on the lottery to come out with the proper ratio by chance. Brokers should be barred from the residents' phone lottery, but might be incorporated in the efforts to market non-resident tee times.

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[2] An SDMGA member suggested at a public meeting that the reservation lines for Torrey Pines be separated from that for Balboa to make the system more user-friendly for each group. City Staff seemed to agree. We hope this proposal will be incorporated in the Five Year Plan and implemented soon.

2. Preferences for Two Hotels Over Others Should be Ended. The talking points assert that the City is contractually bound to give the Lodge and Hilton 20 tee times per day. This statement is somewhat misleading. The Hilton's tee times are in a contract which is clearly illegal in violation of a settlement agreement that prohibited tee times to its predecessor (the Sheraton) in perpetuity. The Lodge obtained its contractual tee times through a shady-looking deal smacking of undue influence. The Mayor should apply pressure to have the Lodge forego its unfair advantage over other hotels in the areas for obtaining tee times. If the City continues to give these hotels preferences, they should be barred from booking tournaments in addition.

As long as the Lodge and Hilton times are counted toward the 27.6% allocated to non-resident advance reservations, the allocation to the hotels does not affect access, but it does affect price. If the city or an outside contractor administered a yield-management system which set non-resident fees at market rates (by continually adjusting them), the City could have the highest possible yield from non-resident fees. By allocating tee times to the hotels at fixed prices, the City loses the ability to make these hotels compete with others on price. We therefore recommend the elimination of all preferential tee times for hotels.

3. Club Corp Times. The Club Corp's relinquishment of tee times was recognition that it could not profit if greens fees were raised to market rates. They are to be commended for their community spirit which coincided with sound business judgment. The hotels should do the same.

4. *Limitations on Resident Play.* The talking points have wisely dropped the limitation of residents to 50 rounds a year; it was unworkable and uneconomic. The plan to limit residents to two uses of the reservation system per week is an interesting way to ration scarce resources. It is a much more desirable way of rationing scarce resource at a municipal golf course dedicated to access to all income levels than price disincentives (e.g. the elimination of the senior rate and charging weekend rates on Fridays.) ***However, restriction of one resident's use of the tee reservation system can only be justified if another resident benefits. If done in the context of a resident-only lottery, it is an idea which could be explored; if done to benefit non-residents in any way, it is totally unacceptable.*** Moreover, the idea has never been tested or put before the public and there are serious questions about the practicality of implementing it – Does it apply to just the phone lottery or to later use to pick up cancelled times? Does it apply only to the person making to the reservation or all persons in the group for which

the reservation is made? Does the City have a way of checking on others in the group who do not use the reservation system? Should it apply all the time or only to truly impacted times such as weekends and prime time during standard (non-daylight savings) times? Will it hurt City revenues by driving away regular users of the system? Rather than set this untried policy in stone, SDMGA suggests that if a resident-only phone lottery is established, golfing staff be authorized to implement the two-time per week restriction on an experimental basis during standard time that begins in the fall. After a closely monitored and transparent trial during standard time, the staff should evaluate the results, make a recommendation to the City Council through the GAC and the NRC&C, and give ample opportunity for the public to comment before committing the City to this untried policy for five years.

5. Cuts in Community Club Times. ***If done in the context of the establishment of a resident-only lottery so that only other residents benefit,*** a cut in Men's Club and Women's Club times seem worth exploring, but the degree of cut seems excessive. We believe that at a minimum, the Men's Club monthly Sunday tournaments should be restored in full (perhaps with some trimming of the hours from 4 down to 3 or 3.5 hours of tee times) with the guarantee from the club that the available Sunday tee times will be equitably assigned to the membership in a transparent and auditable manner.

6. Transparency and Controls Essential. SDMGA has recommended that the City post tee sheets on the web to assure transparency. There must be careful controls to assure that tee times are properly allocated and the tournament bookings do not interfere with the 70-30 ratio. Outside tournaments must count against the non-resident share of tee times and Men's and Women's clubs' times should count against the resident share. It is imperative that the public have confidence in the system.

TOURNAMENT BUILDING

SDMGA opposes construction of the Tournament Support Building as inconsistent with the purposes of a municipal golf course and improper gift of public land to a private entity. Although the Century Club has done some laudable charity work, its need to be at Torrey Pines is not a year-round one. It runs two tournaments per year and does not need to locate on the grounds of Torrey Pines to do its other charitable work. Frankly, SDMGA fears further encroachment on Torrey by the Century Club in a way that is

inconsistent with a municipal golf course. There is evidence that the Century Club has used its influence to circumvent the tee time regulations and greens fees schedule when not located on the course. We fear greater abuses if they are allowed a permanent residence on Torrey. Moreover, we suspect that the Century Club participated in framing the measures that retaliated against resident golfers and seniors, raising the risk that its presence at Torrey year-round will be divisive and provide the platform for further erosion of the residents' role at Torrey Pines.

The Century Club has not been forthright in its marketing of the approval of the tournament center. They represented that they would pay the costs to build the building ***and*** pay rent on it. It now turns out that they are asking for rent credits until they recoup their costs of construction. This scheme would leave the City responsible for the utilities, upkeep and maintenance of the building without the rent roll necessary to pay for them. This is not full funding of the building by the Century Club. It is funding by the city out of the rent credits we give to the Century Club. This is an unacceptable subsidy to the Century Club and the project should not go forward on this basis.

The Century Club has not dealt fairly with the City in the past. Its off-shoot, called "The Friends of Torrey Pines" supposedly gave a gift to the City of the renovation of the South Course. In acting as middle man between the City and the USGA, however, the "Friends" have diverted $3.5 million of the $4 million that the USGA is providing in compensation to the host golf course; that's a brokerage fee of 87.5%, unacceptably high. Although the Century Club has represented that the "Friends" will take their 87.5% commission and give it to charity and maybe even some golf projects on other city courses, this misses the point: the U.S. Open fee belongs either to the Enterprise Fund or the taxpayers, not the "Friends." If the City is determined to allow the Century Club to build the Tournament Center (which we strongly oppose), it should at least require the Century Club's "Friends" to return the City's $3.5 million to the Enterprise Fund for golf course improvements. All further City dealings with the Century Club should be conditioned on the release of fully audited financial statements so that the City can assure that funds intended for charity are not diverted to administrative costs and perks for staff and members as has been the case with other notable charities such as the United Way and Red Cross. We know the Mayor has experience with correcting such problems and ask that he apply his expertise and experience to assuring scrutiny and controls of the Century Club to assure that funds passing through the it are expended to the

maximum extent possible for charitable purposes and that all of its operations are transparent and justified by its mission.

CONCLUSION

SDMGA supports changes in the talking points that put San Diegans first. We have reviewed the talking points carefully, modifying some of its novel ideas on restricting resident play so that they benefit the resident municipal golfer, but rejecting proposals which impose unjustified costs on residents or which put hotels and special interests first. Pricing any residents off golf courses is not an acceptable means of rationing scarce resources at a municipal golf course. We believe that we have proposed modifications which implement the most positive aspects of the talking points in a way that benefits the community and allows for mixed use of Torrey Pines to promote tourism without abandoning the municipal core of the golf course complex. We urge the Mayor, City Staff and the City Council to modify the talking points to put the golf courses and San Diegans first. We are ready, willing and able to volunteer further input and technical assistance to support the modification of Golf Operations' Five Year Plan to accomplish these goals

Respectfully submitted,

SDMGA by
John Beaver, co-founder
Joe Burwell, co-founder
Paul Spiegelman, co-founder

Comparison of City's 5 Year Golf Plan and SDMGA Golf Plan Projected Annulized Revenues

Full Rounds fr. Dawn Til Twi Rates Begin	FY '05 Rates $	FY 2011 City Rates $	FY 2011 SDMGA Rates $	FY 2005 Count of Rounds	FY 2005 Revenue $	FY 2011 City's Revenue $	FY 2011 SDMGA Revenue $
South Course Weekday							
Hotel	115	183	209	3006	345690	550098	628254
Tournaments	130	222	248	4836	628680	1073592	1199328
Residents	40	61	49	19581	783240	1194441	959469
Seniors	25	61	30	1907	47675	116327	57210
County	60	183	73	1646	98760	301218	120158
Non-residents	115	183	209	8893	1022695	1627419	1858637
South Course Weekends							
Hotel	135	229	262	1203	162405	275487	315186
Tournaments	150	267	301	1935	290250	516645	582435
Residents	45	76	55	7832	352440	595232	430760
County	65	229	79	658	42770	150682	51982
Non-residents	135	229	262	3557	480195	814553	931934
North Course Weekday							
Hotel	75	100	154	2286	171450	228600	352044
Tournaments	90	139	193	2967	267030	412413	572631
Residents	29	40	35	24600	713400	984000	861000
Seniors	15	40	18	15582	233730	623280	280476
County	60	100	73	1566	93960	156600	114318
Non-residents	75	100	154	7867	590025	786700	1211518
North Course Weekends							
Hotel	85	125	193	914	77690	114250	176402
Tournaments	100	164	232	1187	118700	194668	275384
Residents	34	50	41	9840	334560	492000	403440
County	65	125	79	627	40755	78375	49533
Non-residents	85	125	193	3147	267495	393375	607371
Totals				125637	7163595	11679955	12039470

Above Figures taken from Operational Review, p. 75 with the following adjustments:

Residents = Resident 18 hole + TPCC resident

Senior = Senior + (on North), Senior Monthly ticket; did not adjust rate for green card 10% reduction

Non-Resident = Visitor 18 hole + "TPCC non-resident"

Allocation: 5/7 of rounds to WD; 2/7 to WE; seniors are all WD

Not shown: twilight and 9-hole rounds; amount to less than 6% of revenue above; insignificant diff. betw. City and SDMGA revenues