

Subcommittee Report and Recommendation on the Farmers Open Insurance Contract Negotiation

The subcommittee is unanimous that the Farmers Insurance Open Golf Tournament is a benefit to the City and the community. We think everyone involved, the PGA, Farmers, the Century Club, the City in general and Golf Operations in particular, and the San Diego Community supports keeping the Farmers Open at Torrey Pines for years to come.

In light of the upcoming negotiations between the City and the Century Club (which organizes the event), the subcommittee proposes that the full MGC provide input on the terms of the contract as they relate to the Golf Enterprise Fund. On March 10, 2010, the Park & Rec Department stated to the then Natural Resources and Culture Committee of the City Council that “it is the City’s intent to increase future reimbursement by sponsor in order to ultimately achieve 100% reimbursement of the actual and incurred loss revenue and costs associated with holding this event.” (Council Report No 10-037.) Since then, the contract between the Century Club and the City has included a provision that the Century Club “agrees to reimburse the City for 100% of the actual and incurred loss [sic] revenue on the Courses and cost associated with holding this event.” (Agreement for Farmers Insurance Open At Torrey Pines Golf Course, para. VII.F [p.4].) In the five years that this provision has been in effect, the contract has also provided that some \$335,000 of those “actual and incurred costs,” be reimbursed by “in-kind” payments; in year the in-kind payments have been 2 30-second commercial spots during the CBS broadcasts valued at a total of \$330,000 and 4 full page color advertisements for City Golf in the Farmers’ program valued at a total of \$4960.

The subcommittee strongly supports the provision that the Golf Enterprise fund be reimbursed for “100% of the actual and incurred loss [sic] revenue on the Courses and cost associated with holding this event.” The subcommittee does not understand how the TV commercials or the print ads in the program provide the full cost recovery promised in 2010. We would like the full MGC to be educated about how these items provide full cost recovery.

- How do the TV commercials generate revenue to the Golf Enterprise Fund?
- How do the color ads in the Farmers Open program generate revenue for the Golf Enterprise fund?
- Does Golf Operations have any evidence that the commercials or the ads (as opposed to the holding of the tournament) generate any revenue for the Enterprise Fund?
- Do the in-kind payments substitute for any expenses that the Enterprise Fund would incur even if the Farmers Open was not held at Torrey Pines?

The subcommittee recommends that the full MGC pass the following resolution:

“The Municipal Golf Committee recommends that the contract between the City and the Century Club (or whatever other event organizer the City determines to use) include the following language:

The Golf Enterprise fund shall be reimbursed for “100% of the actual and incurred lost revenue on the Courses and all costs associated with holding this event. Such reimbursement shall be in cash unless it can be demonstrated that a specific in-kind payment directly generates revenue or directly substitutes for expenditures that the Golf Enterprise Fund would have made even if the Farmers Insurance Open had not been held at Torrey Pines.

“The Municipal Golf Committee further recommends that if television advertising during the Farmers TV broadcasts is deemed important to tourism that funding sources outside the Golf Enterprise Fund be found.”