

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

**Date Issued:** September 20, 2007

**IBA Report Number:** 07-91

**NR&C Committee Agenda Date:** September 26, 2007

**Item Number:** 4

**Subject:** Update on the Mayor's Five Year Golf Business Plan

### OVERVIEW

The Golf Operations Five Year Business Plan was approved by City Council on June 26, 2006, paving a road map for the operation, maintenance and capital improvement of the three golf complexes owned and operated by the City of San Diego. While the Business Plan included numerous changes to golf course operations, the most significant changes were increasing golf rates (green fees), revising the rate structure, and reallocating tee times at Torrey Pines.

The Update Report provided by the Park and Recreation Department and Golf Operations staff (Report No. 07-147) generally indicates that the goals laid out in the Business Plan are being achieved. However, some concerns still remain. This report provides additional questions to gauge the success of the Business Plan, highlights some of the ongoing concerns with the City Golf system, and provides several recommendations for future updates.

### FISCAL/POLICY DISCUSSION

The City of San Diego owns and operates three golf complexes: Balboa Park Golf Course, Mission Bay Golf Course, and Torrey Pines North and South Courses. Each golf complex has its own unique set of issues; therefore, this section is structured to address the questions and concerns of each course separately.

#### Balboa Park Golf Course

As discussed in the Update Report, Balboa Park continues to operate at a deficit. While the increased green fees have partially mitigated this deficit in FY 2007, the course still has significant financial issues. Of particular concern is the sharp reduction in the overall number of rounds played. While the increased green fees were able to offset the financial impacts of this reduction, the IBA is concerned that without measures to increase the

number of rounds played the Balboa Park Golf Course will continue to operate at a deficit.

One of the goals of the Business Plan was to make each golf complex self-sufficient. While the Update Report highlights several measures that have been taken to-date, as well as planned future capital projects, it is unclear the degree to which these actions and future plans will increase the number of rounds played, or further the goal of self-sufficiency. The IBA offers the following questions and recommendations regarding the Balboa Park Golf Course:

- To what degree will the planned capital projects, such as a new irrigation system and clubhouse, increase the number of rounds played?
- The Business Plan states that annual customer surveys will be conducted at all courses to ensure a clear understanding of customer expectations. Have these surveys been completed? If so, what were the results for Balboa Park?
- What steps have been taken and will be taken to increase the number of non-resident rounds?
- Has a long-term financial plan been developed to bring revenues in line with expenditures?
- **Recommendation:** Develop and present to Council a long-term financial plan to address the ongoing operating deficit at the Balboa Park Golf Course.

#### Mission Bay Golf Course

According to the Update Report, the Mission Bay Golf Course is operating at the break-even point. Regardless, plans are underway to improve golf course conditions and address issues at ancillary facilities, such as the clubhouse and practice facility. One of the major issues confronting the Mission Bay Course is the condition of the clubhouse and restaurant. The Update Report states that several options are being discussed to address this issue. One option stated was to demolish the existing structures and replace them with temporary trailers. The IBA offers the following questions and recommendation regarding the Mission Bay Golf Course:

- What are the other options being discussed for the clubhouse and restaurant? Will these options be brought before Council?
- What are the costs involved with designing and constructing permanent new clubhouse and restaurant facilities?

- Has the resident/non-resident rate structure been implemented? How many non-resident rounds were played in FY 2007?
- **Recommendation:** Provide an update to Council on the status of discussions regarding the clubhouse and restaurant facilities, including potential short-term and long-term options.

#### Torrey Pines Golf Course

Many of the changes implemented by the Business Plan concern the Torrey Pines Golf Course. Not only were green fees increased for both residents<sup>1</sup> and non-residents, but an effort was made to reallocate tee times in order to free up more times for the average daily golfer. Other changes include implementing an advanced reservation system, establishing procedures to ensure the 70/30 percent resident/non-resident split, and prohibiting the re-sale of tee times by brokers.

Another major issue concerning Torrey Pines is preparing the course for the 2008 United States Open Championship. Significant maintenance and capital projects have been completed in preparation for the event, and several additional projects are anticipated to be completed in the near future.

The Update Report details some of the advances that have been made at Torrey Pines, such as course and facility improvements, operational and maintenance enhancements, and implementation of the advanced reservation system. To supplement this information, the IBA offers the following questions and recommendations regarding the Torrey Pines Golf Course:

- The reallocation of tee times at Torrey Pines was estimated to free up approximately 15,000 rounds for the average daily golfer. Has this mark been met?
- What steps will be taken in the future to increase the number of resident rounds at Torrey Pines to ensure that the 70/30 percent split is achieved?
- What are the terms of the settlement with the Men's Club and does it impact the Business Plan?
- What is the status of the preparation for the U.S. Open?

---

<sup>1</sup> Increases in resident rates on the South Course are restricted by the City's contract with the U.S. Golf Association until one year after the June 2008 U.S. Open.

- **Recommendation:** Provide an update on the status of preparations for the U.S. Open, including projects that have been completed, projects that still need to be completed, contractual obligations, and total cost estimates.

## CONCLUSION

The Update Report on the Mayor’s Five Year Golf Business Plan outlines steps that have been taken in the past year to address challenges with the City’s three golf complexes, and the goals outlined the Business Plan. The Update Report also includes financial information and data on the number of rounds played for each course. In general, the Update Report indicates that the goals laid out in the Business Plan are being achieved. This report has provided additional questions to supplement the information provided in the Update Report, and has made the following recommendations:

1. Develop and present to Council a long-term financial plan to address the ongoing operating deficit at the Balboa Park Golf Course;
2. Provide an update to Council on the status of discussions regarding the clubhouse and restaurant facilities, including potential short-term and long-term options;
3. Provide an update on the status of preparations for the U.S. Open, including projects that have been completed, projects that still need to be completed, contractual obligations, and total cost estimates.

These recommendations will allow the Council to gain a better understanding of the issues facing the City’s Golf System, as well as the potential options that are being discussed to address some of the ongoing challenges.

**[SIGNED]**

---

Tom Haynes  
Fiscal & Policy Analyst

**[SIGNED]**

---

APPROVED: Andrea Tevlin  
Independent Budget Analyst