



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: March 27, 2026

TO: Honorable Councilmember Sean Elo Rivera

FROM: Rolando Charvel, Chief Financial Officer  
Rania Amen, Chief Community Services Officer & City Engineer

SUBJECT: Response to Questions from Councilmember Elo-Rivera Regarding Golf Enterprise Revenues

---

This memorandum is provided in response to your March 12 email and was prepared in collaboration with the Parks and Recreation Department, the Office of the Independent Budget Analyst, the City Attorney's Office, and the Department of Finance, whose input and review informed the responses provided below. In addition to addressing the specific questions raised, Attachment 1 is included to provide further information on potential operational impacts that may result from changes to the use of Golf revenue and information on the Golf Enterprise Fund Reserve Policy.

- 1. What is the historical and legal basis for the current 9.9% land use fee rate, and what would be required to change it? The 2012 Golf Division Business Plan references a 14% rate approved by Council in FY1994—I'd like to understand what changed and whether Council can revisit that rate.**

**RESPONSE:**

**Golf Enterprise Fund**

To understand the historical and legal basis for the current 9.9% land use fee rate, it is important to begin with the City's 1991 decision to place all municipal golf courses (Torrey Pines, Balboa Park, and later Mission Bay) into an enterprise fund known as the Golf Enterprise Fund. This fund was created on July 23, 1991, through Ordinance 17667.

The goals of the Fund were as follows:

- Make golf financially self-supporting
- Avoid General Fund subsidies
- Allow reinvestment in course maintenance and improvements

The Fund covers daily operations and personnel and serves as the sole source of funding for all future projects and improvements at City golf facilities.

**Land-Use Fee**

After the establishment of the Golf Enterprise Fund, the "land-use payment" formula (or "land use fee") followed. It was created in 1995 by the Financial Management Department

with the intent of providing a mechanism for the Golf Division to pay the City (via the Golf Enterprise Fund) for its use of public land, similar to rent.

The 9.9% land-use fee is a policy-driven formula designed to mimic lease revenue and compensate the General Fund for operating golf courses as publicly available municipal facilities rather than as a private, profit-maximizing, operation. Although there is no legal requirement for the courses to operate this way, it is a business, operational, and policy decision.

The percentage was set at 9.9% to compensate the General Fund for revenue the City chose to forego by operating municipal courses with below-market public green fees. In other words, the City has elected to charge lower municipal rates for the public's use of Torrey Pines, Balboa, and Mission Bay in lieu of leasing the land to a private operator that would charge full market rates and, in turn, enable the General Fund to receive a share of those profits.

The revenue share rate of 9.9% was administratively set and was not economically derived from a formal market lease appraisal, land value, or inflation index. The 9.9% represented a point at which the Golf Enterprise Fund could still cover operating costs, maintain courses, make required payments to the General Fund, and avoid needing a subsidy. In short, it was established to ensure that the Golf Enterprise Fund remained solvent and self-supporting. It was believed that a higher percentage would cause the Fund to run at a deficit, deter maintenance (which would be seen immediately at Torrey Pines, in particular), and ultimately require General Fund support.

The land use fee formula consists of two components:

- **Per-acre rent:** An annual per-acre rent payment (originally \$1,500 per acre per year, based on a comparison with rent paid at Mission Trails Golf Course, a leased course). As part of the budget development process, the per-acre calculation has been periodically adjusted based on the Consumer Price Index (CPI), first in FY2010, when it increased to \$1,806, and again in FY2025, when it increased to \$2,586. Additionally, the Division has committed to adjusting the calculation annually, which will result in an anticipated 6% increase in FY2027 to \$2,741 per acre.
- **Revenue share:** 9.9% of gross revenue (derived from green fees, cart fees, driving range usage, golf shop merchandise, lease payments from the golf shop at Torrey Pines, food and beverage revenue at all three golf courses, and interest on pooled investments).

### **Rate Change Process**

Because the revenue share fee or rate was originally set through administrative processes, it can also be modified administratively. However, given the significance of changing the current 9.9% rate, staff would recommend presenting a separate informational item to the City Council before making any adjustments. The City Council also has the authority to assess and revise the formula during its regular five-year review or at other times as deemed appropriate by council action.

The question of whether to use the Golf Enterprise Fund for General Fund purposes was explored in the [CAO Report to Budget Committee \(March 2011\)](#), which ultimately resulted in the decision to leave the Golf Enterprise Fund and land-use fee formula unchanged. The

2011 CAO memorandum notes that golf user fees need to be based on the cost of providing the service; however, an updated legal analysis from the CAO is provided below in the California Proposition 26 section of this memorandum.

### **FY 1994 Rate**

The figure mentioned in the [2012 Golf Division Business Plan](#) (page 18) is not a “14% rate approved by Council in FY1994.” Rather, the 14% figure represents the total rent payment made to the General Fund in Fiscal Year 2012, equating to approximately 14% of Fiscal Year 2012 gross revenue.

- 2. Of the \$55M fund balance, how much is genuinely committed to specific capital projects versus informally earmarked? I want to understand the true uncommitted balance.**

### **RESPONSE:**

Since 2010, the Golf Division has invested over \$65.0 million in capital improvement projects. As with all essential infrastructure, establishing a comprehensive capital investment plan is vital to ensuring the long-term success and sustainability of the Golf Enterprise. By proactively planning for future investments, the enterprise can maintain its operations independently and continue to thrive as a self-sustaining entity.

For example, in Fiscal Year 2024, the Golf Division initiated a Torrey Pines Golf Course Master Plan that includes the construction of a new maintenance facility, driving range, and clubhouse.

The City has taken significant steps toward advancing the project by selecting both an architect and a design team to develop comprehensive plans, including detailed floor plans and schematics for the proposed new facilities. Thus far, the Division has allocated \$5.0 million to the Engineering and Capital Projects Department (E&CP) to support these initial efforts. Looking ahead, implementation of the first phase of the Master Plan is slated to receive a planned allocation of \$50.0 million for construction in fiscal year 2028. Additionally, a further \$4.9 million in funding is anticipated in subsequent years to ensure continued progress on the initiative.

Completing this project is essential to securing Torrey Pines Golf Course as a long-term host site for the annual PGA Tour event. The event, currently known as the Farmers Insurance Open, is a key tourism driver that infuses capital into the General Fund through increased Transient Occupancy Tax (TOT), while also generating charitable contributions to organizations in communities of concern.

The Division will also need to address additional CIP projects in the near term, including:

- Electrifying the maintenance facilities at all three golf courses, totaling \$78.0 million, as required by [Assembly Bill 1346](#), because the sale of small off-road engines has been banned, affecting all future equipment purchases and/or leases. Initial estimates are as follows:
  - A new maintenance facility at Torrey Pines (\$65.0 million), addressed through the above-mentioned Phase 1 of the Torrey Pines Master Plan Bridging Document Project.

- A new maintenance facility at Mission Bay Golf Course (\$11.0 million), aligned with current construction costs for the clubhouse and food service building.
  - Electrical service and infrastructure installations at Balboa Golf Course (\$2.0 million).
  - Bunker renovations for the North and South Courses at Torrey Pines.
  - A new clubhouse and cart barn at Balboa Park Golf Course.
  - New cart paths at Mission Bay Golf Course.
3. **The 2012 Golf Division Business Plan establishes a policy of cash-financing all capital improvement projects. Is that a legal requirement or a discretionary policy choice? If discretionary, what would debt financing of major CIPs look like, and what would that mean for the fund balance? Is it not financially inefficient and generationally inequitable to cash-finance projects that will be in use for decades?**

**RESPONSE:**

The [2012 Golf Division Business Plan](#) established a cash -financing policy as a discretionary management choice, not a legal requirement. The policy was adopted to ensure that the Golf Division remained financially solvent and avoided committing to capital projects without reliable revenue to cover debt service. At the time, the Division's cash flow was not stable enough to support borrowing.

The Division's financial position has since improved, and staff have begun exploring the potential use of bond financing for future CIPs. Debt financing could allow project costs to be spread over the useful life of the assets, rather than requiring the full cost to be paid upfront from the existing fund balance.

Establishing an ongoing revenue-backed bond program for the Golf Enterprise could be challenging and cost-prohibitive, as golf is viewed as a non-essential service compared with the services provided by the Water and Sewer Utilities. A more cost-effective approach would be to cash-fund capital maintenance using set-aside funds or reserves while issuing General Fund-backed lease revenue bonds for major one-off projects, such as the proposed Torrey Pines Clubhouse and Maintenance Facility.

To protect General Fund debt ratios, Golf Enterprise revenues can be used to cover their portion of the debt service. DoF is evaluating this option, and it is subject to further legal review.

4. **Regarding the Harland Brewing lease specifically, and golf division leases more broadly, is revenue from third-party leases at golf facilities legally restricted to the Golf Enterprise Fund, or is that an administrative or policy choice?**

**RESPONSE:**

**Harland Brewing Lease**

If the \$102,000 in base rent revenue from the Harland lease were removed from the Golf Enterprise Fund, the land -use fee payment to the General Fund would be reduced by approximately \$10,100.

### **Golf Division Leases**

If Golf Division lease revenue at Mission Bay Golf Course was diverted from the Golf Enterprise Fund, then, pursuant to [Charter Section 55.2 \(b\)](#), it would be distributed between the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund.

Charter Section 55.2 (b): Mission Bay Park Lease Revenues up to the threshold amount in each fiscal year shall be deposited into the San Diego General Fund and may be used for any municipal purpose, including but not limited to, police, fire, streets, sewers, water delivery, roads, bridges, and operation of parks. All Mission Bay Park Lease Revenues in excess of the threshold amount shall be allocated in the City of San Diego budget to two distinct funds. Thirty-five percent (35%) of the Mission Bay Park Lease Revenues in excess of the threshold amount, or three million five hundred thousand dollars (\$3,500,000), whichever is greater, shall be allocated to the San Diego Regional Parks Improvement Fund that solely benefits the San Diego Regional Parks, and sixty-five percent (65%) of the Mission Bay Park Lease Revenues over the threshold amount, or the remainder of those revenues if less than 65% is available after the allocation to the San Diego Regional Parks Improvement Fund, shall be allocated to the Mission Bay Park Improvement Fund that solely benefits the Mission Bay Park Improvement Zone. The threshold amount shall be \$23 million beginning fiscal year 2010 and ending fiscal year 2014. The threshold amount shall be \$20 million beginning fiscal year 2015 and shall remain \$20 million thereafter.

- 5. Under what legal structure was the Golf Enterprise Fund established, and what Council or Administrative actions could be taken to change how revenues can be used? I am particularly interested in the use of revenues not generated via green fees, such as advanced booking fees and lease revenue.**

### **RESPONSE:**

#### **Legal Structure of the Golf Enterprise Fund**

As a municipal enterprise fund within the City's accounting system, the Golf Enterprise Fund is structured to operate like a business, with revenues supporting operations rather than relying on the General Fund. This is a standard practice used by cities for self-supporting services such as golf, water, and airports, as outlined by the Governmental Accounting Standards Board (GASB).

It is important to note that the original justification for the enterprise fund was to keep golf financially self-supporting and protect the General Fund from golf costs. As a host site for major PGA events such as the annual Farmers Insurance Open, as well as the 2008 and 2021 U.S. Opens, the degree of care needed to maintain a course like Torrey Pines requires the staffing, equipment, supplies, and resources necessary to meet the high maintenance standards associated with tournament -level conditions, as well as the high volume of play and demand throughout the year by both residents and non-residents.

#### **Council / Administrative Actions to Modify How Revenues Are Used**

Because the Golf Enterprise Fund was created by the City Council, the Council can terminate or modify it in the same manner in which it was created. It is also important to note that the Council can elect to do a one-time reduction from the Golf Enterprise Fund for one or two fiscal years.

There are four means by which the Council could change revenue use, as follows:

**1. Adopt a Resolution.**

The Council can adopt a resolution that redefines which revenues must remain in the Golf Enterprise Fund and which revenues can be directed elsewhere.

**2. Enact an Ordinance.**

The Council can utilize the annual appropriations ordinance to do one or more of the following:

- a. Reclassify revenue streams.
- b. Redirect portions of non-core revenue streams.
- c. Redirect revenue by transferring portions of enterprise fund *surplus* to allocate profits to citywide parks.

**3. Amend the Golf Division Business Plan.**

The Council could amend the 2012 Golf Division Business Plan to redefine revenue categories, require reinvestment into parks, and/or limit the use of certain fees.

**4. Terminate or Restructure the Enterprise Fund.**

Because the Council created the Golf Enterprise Fund, it can do the following:

- a. dissolve the enterprise fund.
- b. convert golf to a normal Parks program.
- c. create a hybrid structure.

Further discussion and coordination with the CAO and DoF would be needed to execute any of these options, as well as engagement with key stakeholders such as the City's [Municipal Golf Committee](#).

**Use of Revenues Generated by Non-Green Fee Sources**

Using non-green fee-related revenue generated through advanced booking fees would be more readily justified for Council redirection, since those fees can reasonably be characterized as ancillary commercial revenue, as opposed to green fees, which are generally treated as golf course operating revenue.

Use of revenue generated from leases is possible, but a legal and financial framework would need to be established to ensure compliance with [Charter Section 55.2 \(b\)](#) for Mission Bay Park leases, such as Harland Brewing Co.

**California Proposition 26**

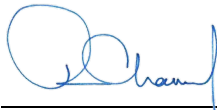
One factor to consider when evaluating use of the Golf Enterprise Fund is California Proposition 26 (Prop. 26), which was passed in 2010.

Prop. 26 states that most charges imposed by a city are presumed to be taxes unless the city can prove they are directly tied to a specific service and cover only the actual cost of providing that service. If the City charges a fee, it must match the actual cost of providing that service; if it does not, the charge is treated as a tax. If a charge is considered a tax, it

generally requires voter approval. However, Prop. 26 includes an exception for charges related to the use of government property. As such, green fees are exempt from Prop. 26 because they are charged for the use of public property and are not limited to the actual cost of providing that service.


Other fees, such as advanced reservation (booking) fees for operating the booking system or processing payments, may be limited to the cost of providing the service. If the City sets those fees higher than the actual cost and uses them to generate revenue for unrelated purposes, it may violate Prop. 26. Lease revenue, on the other hand—such as rent from restaurants or pro shops—is not considered a tax under Prop. 26 and therefore is not subject to those same restrictions.

If charges are structured properly, the City Council can decide how to use those funds, with the main limitation for funds generated in Mission Bay coming from Charter Section 55.2(b).



---

Rolando Charvel  
Chief Financial Officer



---

Rania Amen  
Chief Community Services Officer & City  
Engineer, Office of the Mayor

RC/cb

Attachment: Operational Impacts and Golf Enterprise Fund Reserve Policy

cc: Honorable Mayor Todd Gloria  
Honorable City Attorney Heather Ferbert  
Paola Avila, Chief of Staff, Office of the Mayor  
Charles Modica, Independent Budget Analyst  
Matt Yagyagan, Director of Policy, Office of the Mayor  
Andy Field, Director, Parks & Recreation Department  
Benjamin Battaglia, Department of Finance Director and City Comptroller  
Bret Bartolotta, Chief Deputy City Attorney, Office of the City Attorney  
Jyothi Pantulu, Assistant Director, Department of Finance  
Jane Boardman, Deputy City Attorney, Office of the City Attorney  
Jillian Andolina, Deputy Director, Office of the Independent Budget Analyst  
John Howard, Deputy Director, Parks & Recreation Department  
Noah Fleishman, Senior Fiscal & Policy Analyst, Office of the Independent Budget Analyst

## **ATTACHMENT 1**

### **Operational Impacts and Golf Enterprise Fund Reserve Policy**

Below is additional information to consider when evaluating use of the Golf Enterprise Fund, including the potential impacts that would result if a revenue reduction were made. A range of reduction amounts from \$5.0 million to \$30.0 million, as well as their associated impacts, have been identified below.

In addition, information pertaining to the Golf Enterprise Fund Reserve Policy has been included to help ensure that the City remains in compliance and retains sufficient funding to maintain the stability of golf operations for all three City courses.

### **Potential Operational Impacts**

Outlined below are several potential effects on Golf Division operations that should be considered if additional Golf Enterprise Fund revenues are redirected to support the General Fund. Such a diversion could affect core activities, resource allocation, and the overall ability to maintain service quality within the City's golf operations system.

1. Green fees would increase (to offset revenue losses, the Golf Division would likely need to adjust pricing).
  - Example adjustments would include the following:
    - Resident green fees: increase \$3–\$10 per round .
    - Non-resident green fees: increase \$10–\$25 per round .
  - Price increases may partially offset the transfer, but they could also influence demand.
2. Expenses would need to be reduced to offset any reductions.
  - These expenses include the following:
    - fertilizer and turf inputs.
    - sand and bunker maintenance.
    - equipment replacement.
    - irrigation upgrades.
    - contracted services.
  - This could delay the purchase of:
    - Toro greens mowers.
    - maintenance equipment.
    - cart fleet replacements.
3. Course conditions would suffer.
  - Reduced maintenance spending may result in:
    - slower turf recovery.
    - declining fairway conditions.
    - inconsistent greens.
    - bunker maintenance delays.
  - These conditions directly affect player satisfaction and tournament readiness.
4. Demand for rounds may decline.

- Higher prices combined with declining conditions may reduce demand. Potential effects include the following:
    - fewer rounds played annually.
    - fewer non-resident golfers.
    - fewer destination golf trips.
  - Baseline rounds across the municipal system are roughly 425,000 per year, so even small percentage changes can significantly affect revenue.
5. Overall revenue could suffer.
- If demand declines, the Golf Division could experience the following:
    - lower green fee revenue.
    - lower advance reservation fee revenue.
    - lower golf cart revenue.
    - reduced pro shop sales.
  - The pro shop at Torrey Pines is operated by the Torrey Pines Golf Course Corporation. Reduced rounds would also reduce sales of:
    - Merchandise.
    - Equipment.
    - apparel.
6. The annual rent payment to the General Fund would become smaller.
- If golf revenues decline, rent payments would decrease and enterprise reserves would shrink. Diverting funds from the enterprise system can reduce the long-term revenue stream to the General Fund.
7. Potential layoffs of employees.
- Depending on the size of the reduction, staffing impacts may occur. Possible outcomes include the following:
    - hiring freezes.
    - attrition.
    - layoffs.
    - labor relations issues with AFSCME Local 127 and the San Diego Municipal Employees Association.
  - The Golf Division currently employs roughly 123 employees, so staffing reductions could significantly affect operations.
8. Capital improvement projects would be delayed. Reduced enterprise revenues could delay key capital projects that are essential to maintaining long-term course quality. These projects include the following:
- Torrey Pines Clubhouse replacement.
  - Balboa Golf Course Drive improvements.
  - irrigation modernization projects.
9. Securing major golf championships would become more difficult.
- Maintaining championship-level conditions requires:
    - high course maintenance standards.
    - strong infrastructure.
    - reliable capital investments.

- Reduced investment could weaken San Diego’s competitiveness in attracting major events.
- 10. Potential loss of the current PGA Tour event at Torrey Pines Golf Course (depending on the amount of reduction taken).
  - Torrey Pines currently hosts the annual Farmers Insurance Open every January. If course conditions or infrastructure decline significantly, the PGA Tour may reconsider using the venue. Losing this event would have significant economic consequences for the region.
- 11. Reduced marketing for the City of San Diego as a tourist destination.
  - Key tourism partners include the San Diego Tourism Authority and The Lodge at Torrey Pines.
  - The PGA event and Torrey Pines golf tourism generate substantial marketing exposure for the City.
  - Loss or weakening of this exposure would reduce San Diego’s visibility as a destination golf location.
- 12. Reduced payments for General Government Services Billing (GGSB).
  - If golf revenues decline, payments for City administrative services (GGSB) to the General Fund would also decline.
- 13. Reduced TOT revenue to the City of San Diego.
  - Reduced golf tourism by destination golfers could lower hotel occupancy and reduce TOT revenue to the City.
- 14. Reduction in revenue to the General Fund.
  - Combined effects could reduce enterprise rent payments, GGSB, and TOT revenue.
- 15. A larger deficit for the General Fund.
  - Ironically, large transfers from the Golf Enterprise Fund could ultimately worsen the General Fund deficit by weakening the golf system’s long-term revenue generation.

**Golf Enterprise Fund Reserve Levels**

The Golf Division ended Fiscal Year 2025 with an ending fund balance of approximately \$55.1 million.

**Reserve Policy**

In addition to Capital Expenditures, the Division is required by [Council Policy 100-20](#) to maintain a reserve equal to 12% (\$4,236,280 in FY2026) of the most recent three-year average of annual audited operating revenues, as described below.

**Golf Course Enterprise Fund Reserve Policy**

“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-hole courses; Mission Bay 18-hole executive golf course; and Torrey Pines 18-hole North Course and 18-hole South Course. The Golf Course Fund was established in 1991 and operates in a manner similar to a private sector enterprise, where the cost of providing services is recovered through user charges. A primary goal of the Golf Course Fund (Fund) is to ensure that the City -operated golf courses are financially self-sufficient and do not require financial support from the City’s General Fund.

The City will maintain reserves equal to 12% of the most recent three-year average of annual audited operating revenues, with the intent of maintaining the reserve balance at the same level for future years based on historical requirements. The 12% reserve level aligns with GFOA best practices, which recommend that enterprise funds maintain a working capital reserve equivalent to a minimum of 45 days, or 12%. This lower level of reserve funding recognizes that the Golf Course Enterprise Fund does not provide essential City services, such as those provided by the Water and Sewer Funds, and has greater flexibility to adjust its operational expenditures during emergencies, as well as the flexibility to stop operations without impacting public health or safety. The Fund does not require reserves for continuity of business or emergency situations.

The reserve is established to ensure financial stability and to provide for one-time large investments in infrastructure or major maintenance efforts. The Park and Recreation Department will conduct an annual review of the reserve funds to determine adequate funding levels and alignment with the Golf Business Plan. Recommendations to appropriate from the reserve will be brought forward by the Mayor and will require approval by a majority of the City Council. If this reserve is reduced below the amount established by this policy, the Mayor shall prepare a plan, as promptly as conditions warrant, to replenish the reserve balance to the policy level.

The Golf Course Fund Reserve will be reassessed every two years, and funding requirements will be incorporated into the budget process to ensure that the targeted goal is met in a manner that is balanced with other budget priorities.”