



REPORT

THE CITY OF SAN DIEGO TO THE PARK AND RECREATION BOARD

DATE ISSUED: October 8, 2014

REPORT NO: 201

ATTENTION: Park and Recreation Board
Agenda of October 16, 2014

SUBJECT: Golf Division Business Plan Update

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE BOARD.

BACKGROUND

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 charges. A primary goal of the Golf Course Enterprise Fund is to ensure that the City operated golf courses are financially self-sufficient and that they do not require financial support from the City's General Fund.

In order to maintain an efficient, self-sufficient operation the Golf Division has worked within the frame work of a "Business Plan" for more than ten years. In November of 2012 the City Council approved the current Business Plan. The purpose of the Golf Division 2012 Business Plan (the "Business Plan") is to provide a blueprint to guide Golf Division on-going operations as well as long-range planning. In general, the Business Plan provides a structure that allows the Golf Division to successfully operate each of the three City-operated golf complexes; provide excellent golfing opportunities to the public; ensure that the golf complexes are properly maintained; and maintain the Golf Enterprise Fund's long-term financial sustainability.

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, will regularly meet 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 Golf Division while the City Council committee, Environmental Committee will receive a formal update on the Business Plan every three years starting in winter of 2015. Should any major Business Plan changes be proposed, the changes would most likely trigger an update to the

Business Plan that would then require review and approval by City Council.

DISCUSSION

This report, in accordance with the adopted Business Plan will provide a golf update, including course information, golf rounds data, financial information and progress on Business Plan initiatives.

Course Information

Balboa Park Golf Course:

The Balboa Park Golf Course commenced operations as a municipal golf course in 1915. The 160 acre facility features a 6,281 yard, 18-hole course; and a 2,175 yard, 9-hole executive course.

Mission Bay Golf Course:

The golf course was built in 1955. The Golf Division took over operations of this facility in November 2003. Staff oversees management of the 18-hole course, practice driving range and golf carts. The executive 18-hole course is a par 58, measuring 2,706 yards and sits on 46 acres.

Torrey Pines Golf Course:

The Torrey Pines complex includes two 18-hole championship golf courses that are internationally renowned and that regularly rank as two of the best public courses in the country. These courses have been home to an annual Professional Golfers Association (PGA) Tour event for over 48 years which has kept the course in the public eye and has made Torrey Pines a must play for all serious golfers. This facility will host the United States Golf Association, U.S. Open Golf Championship in 2021.

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.

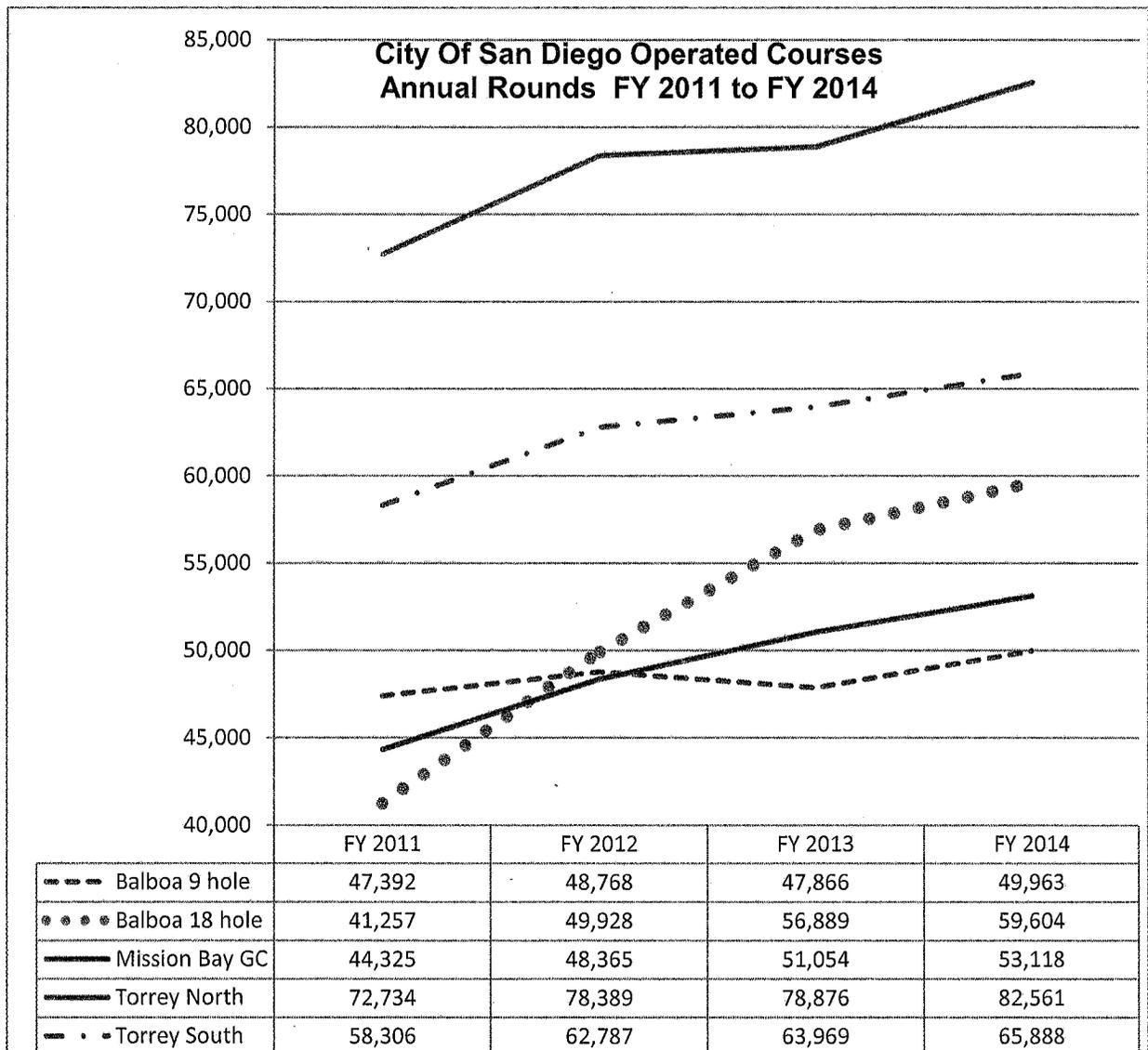
	Balboa 9-Hole	Balboa 18-Hole	Mission Bay 18-Hole	Torrey Pines North 18-Hole	Torrey Pines South 18-Hole	Total
Golf Rounds (Business Plan Targets)	78,000	70,000	75,000	82,800	64,000	369,800
Actual Rounds FY 2014	49,963	59,604	53,118	82,561	65,888	311,134
Difference	(28,037)	(10,396)	(21,882)	(239)	1,888	(58,149)
% of Target Met in FY 2014	64.0%	85.1%	70.8%	99.7%	103.0%	84.3%

% of Target Met in FY 2013	61.4%	78.9%	67.8%	95.0%	99.2%	80.1%
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Total golf rounds for all courses combined increased 5.1% 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. The most 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 it resulted in an increase in golf rounds played at City-operated course from the fall of 2011, or mid-FY 2012, to the end of 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 the full fiscal year 2015 to zero. 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.



The total number of golf rounds played at all four golf courses increased 15,008 or 5.1 % in FY 2014 compared to the prior year. For the first three months of FY 2015, July to September 2014, golf rounds have decreased 5.0% compared to the same period of the prior fiscal year.

Financial Position

Overall, the financial position of the Golf Enterprise Fund is strong. The fund continues to generate revenue that exceeds operational expenses even when considering the recent reduction in golf rounds played in the past three months, July to September 2014. 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 revenue estimates of no changes except due to the closing and reopening of Torrey Pines North Course due to renovation. The current projection provides sufficient revenue to fund annual operating and CIP expenses for the forecasted five-year period but is updated annually.

The Golf Division projected fiscal year-end actual revenue for FY 2014 was \$19,949,901, higher when compared to the FY 2014 revenue budget of \$18,371,747. The FY 2015 revenue budget of \$17,540,747 is a decrease of \$831,000 or -4.5% when compared to the prior year FY 2014 revenue budget and is due to the planned closure of the Torrey Pines North Course for 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 ⁽¹⁾	(\$831,000)
Expenses	\$15,455,418	\$15,670,084	\$16,653,723	\$983,639
Operating Income	\$4,494,483	\$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 October 2, 2014

Capital Improvements Program (CIP)

Attached is a comprehensive Five-Year CIP Plan which outlines the current list of projects. As is with all CIPs, the projects are managed by the Public Works Department staff. The following is a list of the key current projects at each facility:

- Balboa Park Golf Course:
 - Clubhouse and Parking Lot project - the General Development Plan (GDP) is planned for Park and Recreation Board review in January 2015
 - Cart Path Improvements - 18-hole course cart path system construction is scheduled to start in October 2014.

- Mission Bay Golf Course
 - Golf Course Master Plan - the consultant contract is being negotiated and processed
 - Golf Course Infrastructure Improvements - the consultant contract is complete and the preliminary design meeting is planned sometime in October to November 2014

- Torrey Pines Golf Course
 - North Course Renovation - the design/build Request for Proposal (RFP) has been advertised and bid responses are scheduled to be opened on November 4, 2014.

Fees

Based on the projected golf rounds play and revenues for the current fiscal year, FY 2015, staff is not currently recommending any changes to the fee rates for the next 12 months.

Municipal Golf Committee (MGC)

The first MGC meeting was held in February 2014, with a total of six MGC meetings having been held to date. The purpose of the MGC is to provide input to staff regarding the three City-operated golf facilities.

Business Plan Primary Accomplishments (November 2013 to September 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 the total number of golf rounds and revenue in FY 2014 compared to the prior fiscal year
- The City's proposal to host the 2021 US Open Golf Championship at Torrey Pines Golf Course was accepted by the United States Golf Association and the agreement was approved by City Council
- Torrey Pines North and South Courses continue to be nationally recognized as top municipal golf courses in golf industry publications
- A customer golf bag drop at Torrey Pines Golf Course was initiated in July 2014
- Fee specials to increase golf play were implemented at Mission Bay and Balboa Park golf courses
- Golf Course irrigation water use tracking and management on a monthly basis was implemented. Golf Division staff is working with Public Utilities Water Conservation Program staff on methods to increase water conservation
- City Council approved the Golf Fund's Operating Reserve written policy
- Support for college golf continued with the hosting of a college tournament in September 2014 at the Torrey Pines Golf Course
- The Balboa Park Golf Course Pro Shop services Request for Proposal (RFP) selection process was completed

- Capital Improvements Program design and construction work continued to progress at all three golf facilities

Future Outlook

During the next 12 months efforts will continue in enhance the golfer's experience, and customer service in order to retain current golfers and increase the number of new golfers at the three golf facilities.

Priorities for future include:

- Procurement of a Golf Tee-time Point of Sale (POS) system enhancement to better support golf customer services with the use of current golf industry POS technology
- Evaluate corporate sponsorship opportunities in the funding of equipment purchases
- Conduct the biennial customer satisfaction survey in the summer of 2015
- Continue the implementation of ongoing capital improvement projects at all three golf course facilities. Attachment No. 2 is the updated CIP Plan
- Commence outlining preparations for the 2021 US Open Golf Championship

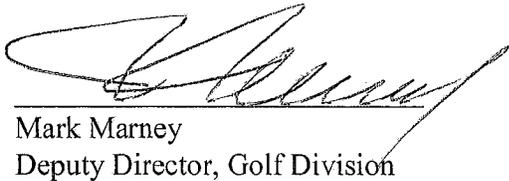
CONCLUSION

Golf Division staff has been implementing the recommendations in the Business Plan since it was approved by City Council in November 2012. The long-range projection in annual golf rounds for the next five years is currently estimated to remain at the same level as FY 2014.

Planned technology enhancements in the procurement of an enhanced golf tee-time system has the ability to increase golf tee-time customer reservations and offset some or all of the potential reduced customer demand for golf tee times based on recent golf rounds played trending. Staff will closely monitor golf rounds played and the commensurate revenue impact it will have on the Golf Course Enterprise Fund.

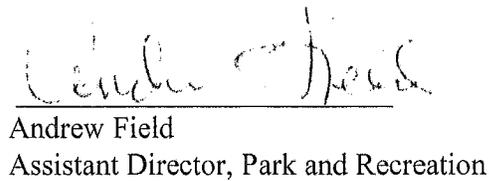
Capital improvements will continue funded with capital improvement project budgets and Golf Enterprise Fund projected positive annual operating incomes in the future. In addition, over the next few years, Golf Division efforts will turn to preparing for the 2021 U.S. Open Golf Championship to be hosted at Torrey Pines Golf Course.

Respectfully submitted,



Mark Marney
Deputy Director, Golf Division

Approved by,



Andrew Field
Assistant Director, Park and Recreation

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Golf Division Business Plan Update
October 8, 2014

Attachments: 1. Financial Outlook
2. Capital Improvements Plan

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Lew Millburn, Golf Course Manager, Golf Division

	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)
Beginning Balances and Reserves							
Balance from Prior Year	\$ 11,731,648	\$ 7,393,671	\$ 7,557,307	\$ 984,094	\$ 2,853,278	\$ 963,790	
Continuing Appropriations	\$ 17,008,025	\$ 500,000	\$ 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	
Total	\$ 30,735,749	\$ 9,429,669	\$ 10,124,240	\$ 3,570,363	\$ 5,458,885	\$ 3,632,565	
Operating Revenue ⁽²⁾	\$ 17,540,747	\$ 17,540,747	\$ 19,949,901	\$ 19,949,901	\$ 19,949,901	\$ 19,949,901	\$ 97,340,351
Operating Expenses ⁽³⁾	\$ 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	\$ 654,043	\$ 2,905,216	\$ 2,747,235	\$ 2,231,155	\$ 1,699,593	\$ 10,237,242
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
Reserves							
CIP Continuing Appropriations ⁽⁴⁾	\$ 17,008,026	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	
Operating Reserve ⁽⁵⁾	\$ 1,996,076	\$ 2,026,404	\$ 2,045,362	\$ 2,064,320	\$ 2,126,249	\$ 2,190,037	
Total	\$ 19,004,102	\$ 2,526,404	\$ 2,545,362	\$ 2,564,320	\$ 2,626,249	\$ 2,690,037	
Ending Balance	\$ 7,393,671	\$ 7,557,307	\$ 984,094	\$ 2,853,278	\$ 963,790	\$ 2,642,121	

(1) City of San Diego, FY 2015 Annual Budget

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

Revenue estimate in FY 2017 to FY 2020 no revenue growth with the exception of the restoration \$1.6 million annually when Torrey Pines North Course renovation is completed in FY 2016.

(3) 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 2020.

(4) \$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.

(5) Operating Reserve is 12% of the audited annual revenues for FY 2011, FY 2012 and FY 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

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

GOLF DIVISION CAPITAL IMPROVEMENTS PROGRAM (CIP) PLAN - EXPENDITURES

	Work Description	FY 2015 Beginning Continuing Appropriations	FY 2015 Plan Budget (1)	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	\$14019 Preparation of a clubhouse masterplan (GDP), including the practice area, a complete cart path system, rebuilding fairway bunkers, reconstruction of greens, redesign of several bunkers, 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	
	Torrey Pines Courses Total	\$ 8,940,345	\$ 2,600,000	\$ -	\$ -	\$ 500,000	\$2,500,000	\$ -	\$ 3,000,000	\$ -
	Totals	\$ 15,132,887	\$ 5,100,000	\$ -	\$ 9,500,000	\$ 900,000	\$4,100,000	\$ -	\$ 14,500,000	\$ 4,000,000

(1) An allocation of \$125,000 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.

(2) 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.