



# REPORT

## THE CITY OF SAN DIEGO TO THE PARK AND RECREATION BOARD

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DATE ISSUED: October 5, 2015

REPORT NO: 202

ATTENTION: Park and Recreation Board Agenda of October 15, 2015

SUBJECT: Golf Division Business Plan Update

### SUMMARY

Issue - Should the Park and Recreation Board approve the Golf Division to continue golf course operations under the 2012 Business plan for an additional three (3) years?

Director's Recommendation- Continue to operate the city's golf courses for another three (3) years under the 2012 Business Plan.

#### Other recommendations-

- On September 17, 2015 the Municipal Golf Committee unanimously voted to approve the Business Plan Update with one recommendation to add to the wording in the Fees section (Page 6).
- At the same September 17<sup>th</sup> Meeting a Municipal Committee Member recommended that the wording of the document, presented to the Municipal Golf Committee, be changed in the first sentence to make mention of the Golf Division's goal of continuing to focus on affordability for all golfers.

Fiscal Impact- None

### 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-hole 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 an advisory committee, Municipal Golf Committee, will 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 Environment Committee of the City Council receives a formal update on the Business Plan every three years. The next update to the Environment Committee is scheduled for November of 2015. Should the Environment Committee propose any major Business Plan changes, these modifications would most likely trigger an update to the Business Plan that would then require review and approval by the full 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 championship course that is the home to the City of San Diego’s Annual City-Am Championship. The facility also offers a 2,175 yard, 9-hole executive course. In August of 2015, The Golf Division added a 9-hole FootGolf Course to complement the existing golf 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, new practice putting green and short game facility as well as golf carts. The executive 18-hole course is a par 58, measuring 2,706 yards and sits on 46 acres. In August of 2015, The Golf Division added an 18-hole FootGolf Course to complement the existing golf course. The FootGolf course has been received so well that it has already hosted the Annual FootGolf Southern California Championship in August of 2015.

*Torrey Pines Golf Courses:*

The Torrey Pines complex includes two 18-hole championship golf courses (North and South 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, The Farmers Insurance Open, 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. The South Course hosted the United States Golf Association’s U.S. Open Golf Championship in 2008. This facility will also host the U.S. Open Golf Championship in 2021.

**Customer Satisfaction**

A customer satisfaction survey report was most recently completed in August 2015 to assess the satisfaction of golfers’ experiences at all three City operated courses during FY 2015 (July 2014 to June 2015). Previously, the same survey was conducted for calendar year 2010 and FY 2013. The survey was initially developed by a firm that specializes in customer satisfaction surveys. City golf stakeholders were interviewed in year 2010 to determine the key drivers of golfer customer satisfaction at City courses. A statistically representative group of golfers participated by either completing an online survey using a privately issued Personal Identification Number (PIN) or through a telephone survey. The results of the surveys have a statistical margin of error of plus or minus 2.7%. The customer satisfaction report provides the ratings for 22 areas of golfer satisfaction.

The overall findings from the report are listed in the table below:

Course	2010 Calendar Year	FY 2013	FY 2015	Diff. FY 2015 vs 2010 Calendar
Balboa Park	95%	97%	97%	2%
Mission Bay	88%	93%	97%	9%
Torrey Pines North	95%	99%	99%	4%
Torrey Pines South	95%	99%	99%	4%

Overall Customer satisfaction for FY 2015 ranged between 97% and 99% for City-operated golf courses. Customer rating choices for satisfaction were: Excellent, Good, Fair, Poor, Very Poor, or Not Sure. Ratings of Excellent, Good or Fair were deemed satisfied customers.

**Golf Rounds**

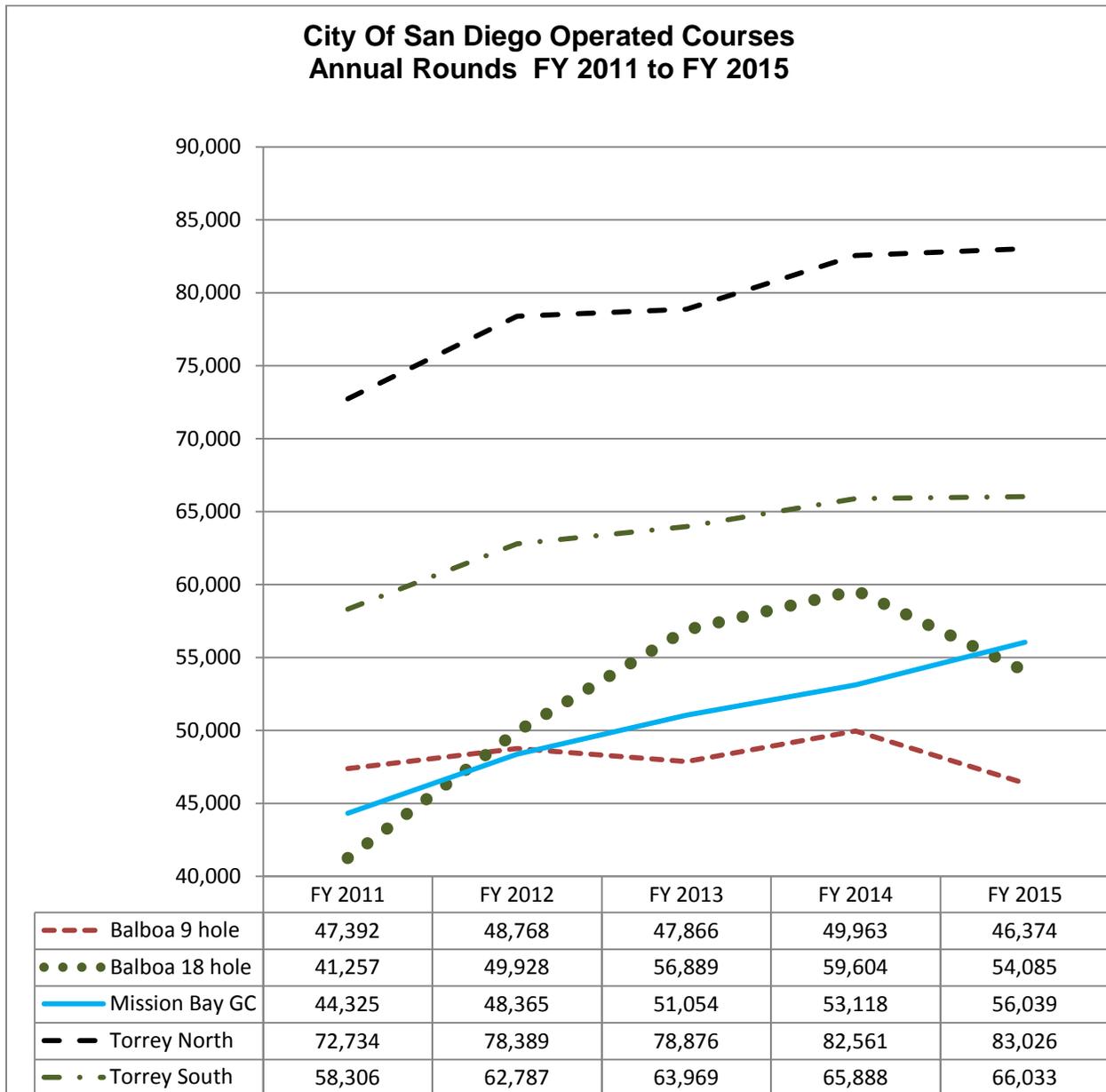
The Business Plan provides for an objective goal number of golf rounds for each of the five courses. These objective goals are based on maximizing golfer access to the courses while maintaining a quality golfer experience. The percentage of total target golf rounds played decreased from 84.1% in FY 2014 to 82.6% in FY 2015, a decrease of 1.5%

	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 2015	46,374	54,085	56,039	83,026	66,033	305,557
Difference	(31,626)	(15,915)	(18,961)	226	2,055	(64,221)

% of Target Met in FY 2015	59.5%	77.3%	74.7%	100.3%	103.2%	82.6%
% of Target Met in FY 2014	64.1%	85.1%	70.8%	99.7%	103.0%	84.1%
% of Target Met in FY 2013	61.4%	78.9%	67.8%	95.0%	99.2%	80.1%

The most recent U.S. economic recession officially ended in June 2009, which was near the start of FY 2010. Staff believes that a combination of improved course conditions and a rebounding economy resulted in annual increases in total golf rounds played at City-operated course starting FY 2012 up to the end of FY 2014. Of note, the Golf Division saw a reduction in golf rounds over a 9-month period at Balboa Golf Course due to the CIP Golf Path Project which took place in FY 2015.



Total actual golf rounds played for all City-operated course combined decreased from 311,134 in FY 2014 to 305,557 in FY 2015, a decrease of 5,577 or 1.8%.

**Financial Position**

Overall, the financial position of the Golf Enterprise Fund is currently strong. The fund generated actual revenue that exceeded operational expenses in FY 2015 by approximately \$4.3 million. A planned closure and renovation of Torrey Pines North Course is scheduled for FY 2016, which will have a negative revenue impact of \$1.6 million along with estimated revenue increase from the other City-operated courses will result in FY 2016 projected revenue of \$18,260,747, a \$720,000 or 4.1% net increase. The Golf Division FY 2016 expense budget

increased \$148,716 or 0.90% compared to the prior year's budget. The FY 2016 revenue budget is estimated to exceed FY 2016 operational expenses in the range of \$1.4 million to \$1.9 million.

Golf Enterprise Fund – Golf Division	FY 2015 Actual	FY 2015 Budget	FY 2016 Budget	Difference FY 2016 and FY 2015 Budgets
Revenue	\$20,347,684	\$17,540,747	\$18,260,747	\$720,000
Expenses	\$16,020,961	\$16,653,723	\$16,802,439	\$148,716
Operating Income	\$4,326,723	\$887,024	\$1,458,308	\$571,284

Source: City of San Diego SAP financial system Budget-to-Actual as of September 4, 2015

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 projection provides sufficient revenue to fund annual operating and capital expenses for the forecasted five-year period, but is updated annually.

**Capital Improvements Program (CIP)** (See attachment B)

Attached is a 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
- Mission Bay Golf Course
  - Golf Course Renovation & Reconstruction Improvements - the consultant contract has been finalized and project is moving forward to the bid process which will begin the end of calendar year 2105. Project will consist of a new state of the art irrigation system which will include valve in head sprinklers and a computerized central control system. New and efficient light system for night time golf use will be proposed and studied as an additional infrastructure improvement.
- 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 September 29<sup>th</sup> of 2015.

## **Fees**

Based on the projected golf rounds played and revenues for the current fiscal year, FY 2015, staff is not currently recommending any changes to the green fee rates for the next 12 months. However, the Golf Division will be working with the city attorney(s) to look into raising other non-green fee rates, such as a bucket of range balls at Mission Bay Golf Course. For example, a \$6.00 bucket of balls has remained the same over the past several years. The new increase will round the number and add an extra \$1.00 to cover the percentage of increase over a period of time. The Golf Division will also be looking into fee structures for FootGolf for things such as soccer ball rentals through city wide annual fees and charges memo process that goes through City Council on a yearly basis.

## **Marketing and Business Development**

The Golf Division is working to identify the resources necessary to execute a comprehensive marketing and business plan. In conjunction with the Communications Department, the Golf Division has begun to develop, coordinate and assist in the implementation of a complete marketing and business development strategy. The areas of emphasis are:

- Specials and Promotions
- Media Outreach
- Customer Database Development
- Customer Communication & Outreach
- Enhanced Web Presence
- P.L.A.Y. Golf (Play, Laugh, Appreciate, Youth Golf) & FootGolf

Specials and Promotions, the Golf Division has been monitoring current vacancy rates for tee time reservations and individual customer types, (seniors, juniors, etc), at all of its courses to identify potential yield management opportunities. Two examples of recent specials include a "Repeat Play" special at Mission Bay and a "Junior Golf" special at Balboa Park.

Media Outreach the focus will be to help write and distribute Golf Division related news releases, media advisories, fact sheets as well as pitch potential feature stories to local and national media, community newspapers, and golf specific publications as directed by the Golf Division.

Customer Database will consist of the organization/formation of a database collection and utilizing management companies like *Constant Contact* and *Golf Trends* to determine the most efficient and cost effective method in maintaining the City's extensive golf customer database.

Customer Communication and Outreach program will be to detail the goals and objectives for outreach to the general public, internal and external communication strategies, potential communications partners, collateral pieces, and social media outreach. Some examples of this strategy will be Twitter, Facebook and Instagram.

Enhanced Web Presence includes the development of a complete web redesign for the entirety of [www.sandiego.gov](http://www.sandiego.gov) of which all pages relating to the Golf Division reside. This redesign will

also be integrated with the division's new POS (Point of Sale) system which will improve the customer ability to book tee times via the internet.

P.L.A.Y. Golf and FootGolf, which are recent additions to the Golf Division, have been widely popular since their inductions into the Golf Division program. P.L.A.Y. Golf is a Junior Golf Initiative that is designed to introduce the youth of San Diego to the game of golf in a fun and entertaining setting at various Park & Recreation Centers throughout San Diego. P.L.A.Y. Golf takes place in an eight-session program that introduces youth to the very basics of the golf swing and inherent life skills that accompany the game. Upon completion of the program, the new young golfers are given the opportunity to enhance their abilities at one of the City golf complexes as well as learn about all the other junior golf programs with the City. FootGolf is a combination of Golf & Soccer that is played using the same rules as golf, but instead of using clubs, you kick a soccer ball towards a 21-inch cup.

### **Business Plan Primary Accomplishments (October 2014 to October 2015)**

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 revenue in FY 2015 compared to the prior fiscal year
- Torrey Pines North and South Courses continue to be nationally recognized as top municipal golf courses in golf industry publications
- Audit Committee conducted a comprehensive audit of the Golf Division in FY 2105 with just minor recommendations. These recommendations are in process and are being implemented
- A continuous concrete cart path system was installed as a CIP project in 2015 at the Balboa Park 18-hole Golf Course
- FootGolf program was established at Balboa 9-Hole Course and Mission Bay Golf Course
- P.L.A.Y. Golf youth golf program has been taking place at Park and Recreation sites across the City of San Diego
- Addition of a Junior City-Amateur Golf Championship
- Golf Course irrigation water use tracking and management on a monthly basis was implemented. To date, the Golf Division has reduced usage 28% in comparison to the same time frame in 2013
- Torrey Pines South Course was nominated by the PGA Tour Agronomists as the "best maintained golf course" on the 2015 PGA Tour calendar
- Continued growth of the Farmers Insurance Agronomy Program
- Completion of 2015 Customer Survey
- 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. It is important to note that the Golf Division has continued to show sustained growth over the past 4 years even as the overall golf market continues to show volatility and struggle.

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
- Finalize corporate sponsorship opportunities in the funding of equipment purchases
- 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 2015.

For FY 2015, the recently completed customer satisfaction survey continues to show that the overall experience on the golf courses is improving. Play and revenue also continue to increase. The Golf Division continues to invest in capital at all of the golf facilities, which aims to improve the overall health of the Golf Division system.

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,

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Golf Division Business Plan Update  
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Attachments: 1. Financial Outlook  
2. Capital Improvements Plan

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