



REPORT

THE CITY OF SAN DIEGO TO THE PARK AND RECREATION BOARD

DATE ISSUED: October 19, 2017

REPORT NO. 201

ATTENTION: Park and Recreation Board
Agenda of October 19, 2017

SUBJECT: Golf Operations Division 2017 Business Plan Update

SUMMARY

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

BACKGROUND

The City has operated a municipal golf program since 1919 and currently operates three City golf complexes: Balboa Park Golf Course, Mission Bay Golf Course, and Torrey Pines Golf Course. The Golf Division Business Plan (the "Business Plan"), approved by City Council in 2012, provides a structure that guides the operation and management of these City-operated golf complexes. The goal is to 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 outlines a review process whereby the Municipal Golf Committee, provides advisory input. Each year, the Park and Recreation Board receives an annual update and the City Council's Environment Committee receives a formal update on the Business Plan every three years.

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:

Operating since 1919, this 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 and a 9-hole Footgolf course.

Mission Bay Golf Course:

Built in 1955 and turned over to the City in 2003, this 46 acre facility features a 2706 yard, executive 18-hole course with a practice driving range, new practice putting green and short game facility and an 18-hole Footgolf Course.

Torrey Pines Golf Courses:

Operating since 1957, this 220 acre facility features two internationally renowned 18-hole championship courses that regularly rank as two of the best public courses in the country. Since 1962, this facility has hosted the Professional Golfers Association (PGA) Tour event, The Farmers Insurance Open. The City will host the United States Golf Association's U.S. Open Golf Championship again in 2021.

Customer Satisfaction

A new customer satisfaction survey was conducted in July/August 2017. The overall findings from the report are listed in the table below:

Course	2010 Calendar Year	FY 2015	FY 2017	Diff. FY 2017 vs 2010 Calendar
Balboa Park	95%	97%	98%	3%
Mission Bay	88%	96%	91%	3%
Torrey Pines North	95%	98%	96%	1%
Torrey Pines South	95%	98%	98%	5%

Overall Customer satisfaction for FY 2017 ranged between 91% and 98% 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 identifies an ultimate targeted goal for number of golf rounds for each course. These goals are based on an optimal number of rounds 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 (Ultimate Target)	78,000	70,000	75,000	82,800	64,000	369,800
Actual Rounds FY 2017	44,706	54,788	60,151	31,169	71,126	261,940
Difference	-33,294	-15,212	-14,849	-51,631	7,126	-107,860
% of Target Met in FY 2017	57.3%	78.3%	80.2%	37.6%	111.1%	76.3%

Golf Division Annual Rounds FY13 - FY17							
Fiscal Year	Balboa 9-Hole	Balboa 18-Hole	Mission Bay	Torrey Pines North	Torrey Pines South	Total	Percent Increase
FY 2013	47,866	55,251	50,879	78,634	63,600	296,230	
FY 2014	49,963	59,604	53,118	82,561	65,888	311,134	5.0%
FY 2015	46,374	54,085	56,039	83,026	66,055	305,579	-1.8%
FY 2016 (1)	46,043	54,863	61,576	51,594	68,135	282,211	-7.6%
FY 2017 (1)	44,706	54,788	60,151	31,169	71,126	261,940	-7.2%

(1) Torrey Pines North Course closed for renovations in February 2016, re-opened for limited play in December 2016 with full operation beginning in June 2017.

The golf rounds played for all City-operated courses decreased from 282,211 in FY 2016 to 261,940 in FY 2017, a decrease of 20,271 or 7.2%. This decrease is due to the closure of the Torrey Pines North Course for re-construction. The North Course closure began with a partial closure February 2015 followed by a full closure on April 18, 2016. The North Course re-opened with limited access in December 2016 with incremental increases in usage to June 2017.

Following a 9.9% increase in rounds in FY16, Mission Bay Golf Course rounds decreased by 1,425 (2%) rounds in FY17. Rounds for Balboa Golf Course decreased by 1,412 (1%) in FY17.

Financial Position

Overall, the financial position of the Golf Enterprise Fund is currently strong. Based on budgeted revenue and expenses, the net income to the Enterprise Fund is projected to exceed \$2.2 million in FY 2108.

In FY 2017, revenue exceeded operational expenses by approximately \$1.39 million. This represents a \$1.2 million reduction from FY 2016 due to the Torrey Pines North Course closure through June 2017. Implementation of the City-operated Pro Shop at Balboa increased revenue by \$492,800 in FY 2017. (After deducting operating costs, the net income for the Balboa Pro Shop was \$139,500.)

Golf Operations Division Revenue and Expenses FY 14 - FY18					
	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Budget
Revenue	\$19,949,901	\$20,347,684	\$18,267,631	\$18,402,418	\$20,470,347
Expense	\$15,455,418	\$16,020,960	\$15,643,184	\$17,007,701	\$18,229,823
Net Revenue	\$4,494,483	\$4,326,724	\$2,624,447	\$1,394,717	\$2,240,524

Source: City of San Diego SAP financial system Budget-to-Actual as of September 8, 2017

Capital Improvements Program (CIP)

The following is an update of current key projects:

- Mission Bay Golf Course
 - Golf Course Renovation & Reconstruction Improvements – the construction designs are near completion and construction bids are expected to be issued in 2018. Project will consist of a new state of the art irrigation system. This project also includes infrastructure improvements for the electrical system and the driving range.
 - Club House Demolition and Portable Building Installation - the construction designs are near completion and construction bids are expected to be issued in 2018. This project will consist of replacing the

60 year old club house/restaurant with new modular buildings to include restrooms, a café, and a club house.

- Torrey Pines Golf Course
 - South Course Improvements – this project is scheduled to begin in spring 2018 and all work will be completed in winter 2019. It includes upgrading the irrigation system, turf renovation, and improve/repair of Tee-boxes, bunkers, and cart paths.

Fees

In comparing FY14 actual expenses with FY18 budget, expenses have increased by \$2,774,400 or 18% over the past four years while revenue has only increased by \$504,400 or 3%. In January 2017, the Division implemented modest fee increases for the first time in five years. This increase (3% residential and 5% non-residential) only affected Torrey Pines Golf Course. To maintain appropriate funding and reserves, the Golf Division is proposing some fee increases on January 1, 2018, in accordance with the Golf Division Business Plan.

In a conservative effort the try to keep pace with rising costs, management proposes a 5% fee increase for non-resident users for the North Course only. The cost for a non-resident to play a round of golf will increase by \$5-7 depending on the day of week and is projected to generate approximately \$190,000 annually. The enhanced golfing experience created by the \$14 million investment in this course supports this fee increase.

TORREY PINES PROPOSED FEE INCREASES FOR NORTH COURSE			
TYPE OF FEE	Current Fees	New Fees Eff 1/1/2018	Change
NON-RESIDENT			
18 Holes - Weekdays (Mon. - Thurs.)	\$105	\$110	\$5
18 Holes - Weekends (Fri. - Sun.)/Holidays	\$131	\$138	\$7
9-Hole Only (back 9) - Weekends (Fri. - Sun.)/ Holidays	\$79	\$83	\$4
Twilight Weekdays (Mon. - Thurs.)	\$63	\$66	\$3
Twilight Weekends (Fri. - Sun.)	\$79	\$83	\$4
Junior 18 Daily Rate - (Mon. - Thurs. only)	\$74	\$77	\$4

Marketing and Business Development

In a collaborative effort between Golf Division staff and a Senior Public Information Officer (PIO) with the City's Communications Department, the development and implementation of and comprehensive marketing and business development strategy is in progress. Key elements that the Division focused on over the past twelve months include the Youth Golf Initiative, a new Point of Sale System, Social Media, Monthly Newsletter, and Sponsorships. (Specific accomplishments listed below.)

Business Plan Primary Accomplishments (October 2016 to August 2017)

The following have been accomplished in accordance with the Business Plan since the 2016 plan update:

- The North Course Improvements project was complete late November 2016 and has produced a world class course that is rapidly receiving positive public recognition. This project has received rave reviews from amateurs and PGA TOUR pros alike. Tiger Woods noted, "The greens are absolutely perfect."
- Torrey Pines North and South Courses continue to be nationally recognized as top municipal golf courses in golf industry publications. The Torrey Pines North Course Improvement Project has been nominated for Golf Digest magazine's 2017 "Best New Remodel" award in the public golf course category.
- Golf Division operation of the Balboa Park Golf Course Pro Shop completed its first year in July 2017. This project operated within budget (\$353,300) and generated \$716,900 in revenue. After deducting the loss of the prior year lease payments, program produced a net revenue of \$139,500 and provided enhanced the customer services.
- In January 2017, the Division entered into a 12 year contract (\$14 million) to lease golf course maintenance equipment for all three (3) of its golf complexes. The new equipment will help to improve golf course conditions and increase patron's enjoyment of the City's golf courses.
 - The Corporate Marketing Partnership element will provide financial and in-kind support for the Agronomy Program. The combined value of the marketing rights fee and in-kind support will total over \$7.5 million.
- The Agronomy Program is a key element that supports the Farmers Insurance Open. This program has continued to grow and is also expected to provide significant support for the 2021 US Open.

- In August 2017, significant golf course lighting maintenance/repairs were completed at the Mission Bay Golf Course. The result is a fully light course in time for fall activities.
- During FY2017, the FootGolf rounds increased by 23% to 5,034 rounds of play and generated \$74,500 in new revenue.
- The “On The Tee” e-newsletter continues to be published monthly. The email goes out to more than 16,500 subscribers and still garners an average “open rate” of more than 30%.
- The use of social media accounts to post information regarding City golf courses continues for Facebook, Twitter, and Instagram. To date, these social media pages have nearly 3,400 followers.
- Staff have increased focus and improve response times for the Golf Division email account. This has improved customer service to resident and non-resident golfers and has also helped non-residents book advance tee times more quickly.
- The youth PLAY Golf Program has been re-invented with a three (3) tiered approach with the goal of teaching beginners the ability to play golf with competency. Junior Golfers are receiving personized PGA instruction and golf equipment. Nearly 100 junior golfers have completed Levels 1 and 2 of the program. Level 3 classes will begin early in FY18.

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:

- Continue the implementation of ongoing capital improvement projects at golf course facilities.
- Issue a new long term contract for a new food and beverage operation at the Balboa Park Golf Course. The Division anticipates that a new contract will result in improvements in the restaurant and club house area.

- Continue preparations for the 2021 US Open Golf Championship to include completion of deferred maintenance and renovation on the South Course within the next two years.
- The Division will assess ways to increase the number of social media followers and/or re-position its accounts for more engagement and effectiveness in the future.
- The Division continues to look for ways to engage new players. The 2017 National Golf Foundation Participation Report found that the number of new golfers increased by 14% over 2015 and that the interest by non-golfers in playing golf has doubled. This reports also showed that 33% of junior golfers are girls and that the pool of young golfers is significantly more ethnically diverse (27%).

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 near 300,000 annually.

The most recent customer satisfaction survey continues to show that the overall experience is very good. Play and revenue are stable. The Golf Division continues to invest in capital at all of the golf facilities, which aims to improve course conditions and the overall health of the Golf Division system.

The Golf Division has begun its efforts to prepare for the 2021 U.S. Open Golf Championship to be hosted at Torrey Pines Golf Course.

Respectfully submitted,



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