



The City of San Diego

Staff Report

DATE ISSUED: September 13, 2018

ATTENTION: Municipal Golf Committee

SUBJECT: Golf Operations Three Year Business Plan Update

REFERENCE: 2012 Golf Division Business Plan

REQUESTED ACTION:

Approve the business plan update.

STAFF RECOMMENDATION:

Approve the requested item.

SUMMARY:

Since 1919, the City has managed and operated a municipal golf program for residents and visitors in San Diego. Currently, the City operates three golf complexes: Balboa Park Golf Course, Mission Bay Golf Course and Torrey Pines Golf Course.

In 2012, City Council approved the Golf Division Business Plan (the "Business Plan"), which provides a framework that guides operation and management of City-operated golf complexes. The plan's goal is to provide excellent golfing opportunities to the public; ensure golf complexes are properly maintained and maintain the Golf Enterprise Fund's long-term financial sustainability.

The Business Plan outlines a divisional review process whereby the Municipal Golf Committee, provides advisory input on a regular basis. Additionally, the City's Park and Recreation Board is provided an update every twelve months 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.

Golf Industry

As reported by the National Golf Foundation (NGF), a leader in golf industry research and reporting, golf is an \$84 billion industry that makes significant contributions to the U.S. economy that touches one out of every 75 jobs in the country, almost two million Americans in total.

Currently, golf participation remains strong and interest in playing the game continues to increase. The number of golf courses is expected to continue to contract over the next several years nationwide as part of a needed correction of oversupply. However, acquisitions, renovations and select new course construction provides ample evidence of the confidence of capital markets in golf. Additionally, as course operators invest in their product, golfers will continue to have access to increasingly high-quality courses at reasonable rates.

Regional Golf Market

NGF reported that rounds in California have stayed stable and if current year-to-date performance holds, then the state should finish-off the year on a positive note. Rounds in the San Diego area have been trending in the right direction, after consecutive increases in each of the last few years.

City Golf Division Course Information

Balboa Park Golf Course:

Operating since 1919, 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 and an 18-hole Footgolf course.

Mission Bay Golf Course:

Built in 1955 and turned over to the City in 2003, this 46-acre facility features a 2,706 yard, executive 18-hole course with a practice driving range, new practice putting green and short game facility as well as 18-hole Footgolf and Disc Golf courses.

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 1968, this facility has hosted the Professional Golfers Association (PGA) Tour event,

The Farmers Insurance Open. Torrey Pines South hosted the United States Golf Association’s prestigious U.S. Open Golf Championship in 2008, and will host the tournament again in 2021.

Customer Satisfaction

A new customer satisfaction survey was conducted in July/August of FY2017. The overall findings from the report are listed in the table below:

Table A – Customer Satisfaction Survey Comparison

	FY 2011	FY 2015	FY 2017
Balboa Park	95%	97%	98%
Mission Bay	88%	96%	91% *
Torrey Pines North	95%	98%	96%
Torrey Pines South	95%	98%	98%

* Public Utility Sewer Project impacted playing conditions.

Overall customer satisfaction in the FY17 report 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.

Of note, Mission Bay and Balboa Park Golf Course has seen significant improvement in the customers overall experience since the last report and we believe to see an increase in customer satisfaction. In FY17 the Golf Division assumed operational control of the golf shop at Balboa Park Golf Course, which improved and streamlined the customer experience. In addition, the division leased a brand-new fleet of golf carts, which was often remarked as an area in need of significant improvement. In recent years, Mission Bay Golf Course has implemented new recreational opportunities in the form of Foot and Disc Golf. These new opportunities have allowed new users to experience the golf course, who most likely would not have come otherwise.

The next survey is schedule to be completed in FY2019.

Golf Rounds

The 2012 Business Plan identified a targeted goal for the number of golf rounds to be played at each course, which was based on historical numbers. Play at the 9-hole course at Balboa Park continues to remain static despite continuous promotions and the Division formulating additional ideas to increase play. The Golf Division recommends adjusting the target rounds from 78,000 to 60,000 which seems much more in line with golf industry trends.

Table B - Golf Division FY 2018 Annual Rounds

	Target Rounds	Actual Rounds	Difference	% of Target Met
Balboa 9 - Hole	60,000	46,380	-13,620	77%
Balboa 18 - Hole	70,000	57,704	-12,296	82%
Mission Bay	75,000	65,164	-9,836	87%
Torrey Pines North	82,800	81,889	-911	99%
Torrey Pines South	64,000	69,055	5,055	108%
Total	351,800	320,192	-31,608	91%

These goals are based on an optimal number of rounds while maintaining a quality golf experience. Through promotions and an increased focus on course conditions, Balboa Park Golf Course and Mission Bay Golf Course has noticed a marked increase in activity at both facilities in FY18.

As shown in Table C, rounds played at all City-operated courses increased from 261,940 in FY 2017 to 320,192 in FY 2018, an increase of 58,252. This increase is due to Torrey Pines North Course returning to full operation once the renovation was complete and the fact that there was virtually no inclement weather in last six month of the fiscal year. The North Course closure began with a partial closure in 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.

In FY 18 there was an increase in rounds of 5,013 (8.3%) at Mission Bay Golf Course and a 4,590 (4.4%) increase in rounds at Balboa Park Golf Course.

Table C - Annual Rounds Comparison

	FY 2015	FY 2016	FY 2017	FY 18
Balboa 9 - Hole	46,374	46,043	44,706	46,380
Balboa 18 - Hole	54,085	54,863	54,788	57,704
Mission Bay	56,039	61,576	60,151	65,164
Torrey Pines North (1)	83,026	51,594	31,169	81,889
Torrey Pines South	66,055	68,135	71,126	69,055
Total	305,579	282,211	261,940	320,192
Adjusted Total (2)	305,579	313,074	313,228	320,192
Adjusted Percentage Change		2.5%	0.0%	2.2%

(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.

(2) An average of 82,457 rounds was used for the North Course for calculation purposes.

Financial Position

Overall, the financial position of the Golf Enterprise Fund remains strong. Based on budgeted revenue and expenses, the average net income to the Golf Enterprise Fund since FY15 is more than \$3.5 million.

The \$4.33 million increase in FY18 is primarily due to the full operation at Torrey Pines North Course after completion of reconstruction, coupled with the increase in fees and rising demand. In addition, the City-operated Golf Shop at Balboa Park Golf Course generated \$991,975 in revenue.

When comparing FY 15 actual expenses with the FY 19 budget, expenses have increased by \$2,835,107 or 15% over the past four years while revenue has only increased by \$127,338 or 1%.

TABLE D – Golf Division Revenue vs. Expenses

	Revenue	Expenses	Net Revenue
FY 2019 **	\$20,475,022	\$18,856,067	\$1,618,955
FY 2018	\$23,562,764	\$17,834,396	\$5,728,368
FY 2017 *	\$18,402,418	\$17,007,701	\$1,394,717
FY 2016 *	\$18,267,631	\$15,643,184	\$2,624,447
FY 2015	\$20,347,684	\$16,020,960	\$4,326,724

(*) 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. (**) Budgeted

Source: City of San Diego SAP financial system Budget-to-Actual as of July 12, 2018

Capital Improvements Program (CIP)

The City golf courses continue to be assessed for improvements to make for a quality golf experience while helping to streamline expenses. Over the past six years, the Golf Division has invested over \$40 million in capital improvements on the golf courses, which has resulted in better course conditions and has directly impacted the quality of each of the facilities. The following is an update of current key projects at City-operated golf courses:

- Balboa Park Golf Course
 - Parking Lot Resurfacing – The entire parking lot is scheduled to be resurfaced and striped, which will regrade the parking area, improve traffic flow, better delineate parking spaces and offer a better first impression for guests. The project will include new surfaces around the clubhouse and will address safety hazards for staff and guests alike.

- Mission Bay Golf Course

- Golf Course Renovation & Reconstruction Improvements –Construction designs are near completion. The project will consist of a new state-of-the-art irrigation system which will improve course conditions and provide a more efficient use of water at the course. This project also includes infrastructure improvements for the electrical system and the driving range.
- Clubhouse Demolition and Portable Building Installation - Construction designs for a new clubhouse facility are nearly complete. This project will consist of demolition of the existing 60-year-old club house/restaurant with new modular buildings to include restrooms, café and clubhouse.
- Torrey Pines Golf Course
 - South Course Improvements -
 - Improvements to the South Course include irrigation system upgrade and installation, turf renovation, and tee-boxes, bunkers and cart path repairs and/or improvements. The project is scheduled to begin in winter of 2019 and all work will be completed by fall 2019.

Fees

Dynamic pricing is a technique that is widely used in the golf and hospitality industries to maximize participation and tee time utilization. This practice is intended to drive customers to the slower periods and help businesses maximize their revenue opportunities. The Golf Division will be implementing these techniques and will stay within the price changing flexibility provided in the 2012 Business Plan. By following these methods, staff believes it will make the City's Golf Division more competitive in the market place and improve the stability of the Golf Enterprise Fund.

To maintain appropriate funding and reserves, and in accordance with the standards set forth in the 2012 Golf Division Business Plan, the Golf Division will be implementing fee increases for the North Course on January 1, 2019 as detailed in Exhibit A. The increase will be capped at 3% (\$1) for resident and 5% (\$3 - \$7) for non-residents depending on the day of week. The only fee that will be increasing more than \$1 for residents will be the Friday through Sunday rate, which will increase by \$2. This increase is justified by the enhanced golf experience and due to year over year increasing in expenses.

In addition to the general fee increases, the Golf Division will be adjusting the tournament booking fee of \$30 to \$45 so it is in line with the advanced reservation booking fees.

Marketing and Business Development

In a collaborative effort between Golf Division staff and a Supervising Public Information Officer (PIO) with the City's Communications Department, the development and

implementation of a comprehensive marketing and business development strategy is in progress. Key elements that the Division has focused on include increased customer service and engagement via seven social media accounts, a monthly e-newsletter, a general email information line (sdcitygolf@sandiego.gov) and implementation of a new Point of Sale System, among others. Below is a synopsis of marketing initiatives implemented:

- In January and February 2016, social media accounts were launched for all three City golf courses. Each course has its own Facebook and Twitter accounts and Torrey Pines also has an Instagram account. Social media provides the public with information on maintenance and tee sheet openings in real time to maximize course play and revenue. It also provides an opportunity to market each course both locally and nationally.
 - Social media highlights:
 - 447,709 total impressions for all City golf social media accounts since the launch in January 2016
 - 5,788 unique followers on all seven City golf social media accounts since the social media accounts were implemented in January 2016
- Development of a monthly "On the Tee" e-newsletter that is emailed to the existing customer database containing more than 15,000 contacts. The newsletter informs the public about upcoming news and events, maintenance schedules and programs offered by the Golf Division to the public. The e-newsletter also averages an open rate of over 30% which is substantial. The first edition was published in September 2015.
- A SDCityGolf@sandiego.gov general email line was created to provide golfers another outlet to ask any questions they have about City golf facilities. The account has received thousands of emails since it was created in 2016 and has been helpful for the public obtain additional information when there have been challenges connecting with the courses via phone.
- Enhanced web presence for Golf Division properties:
 - The City www.sandiego.gov/golf web page also provides the customer access to the online reservation portal as well as additional opportunities to learn about City courses, obtain maintenance updates and learn other important information. Website traffic has increased significantly since the adoption of online reservations.
 - A new tee time reservation point of sale system was implemented in May 2016. This system provides customers the ability to view tee time availability and book tee times online or via mobile phones. This is a vast improvement as golfers are more familiar with looking for tee times online.
- Annual Golf Tournament Supporting General Fund Youth Initiatives–In 2019/20, the Golf Division will be creating a golf tournament to benefit Parks and Recreation general fund programs.

- Media Outreach

The Golf Division conducted media relations on a variety of stories about City courses to both local and national outlets. Some samples include:

- Press conference regarding the North Course renovation featuring designer, Tom Weiskopf turned a local story into a national story with expanded coverage on national telecast including The Golf Channel
- Secured numerous placements in a number of national and international publications utilizing the San Diego Tourism Authority to help promote and encourage tourists to play City golf courses while visiting San Diego. A small sample of placements in major publications include:
 - Alaska Airlines -What to do in San Diego - Torrey Pines
 - California Golf and Travel - Torrey Pines
 - Golf Digest - top 100 courses you can play -Torrey
 - Golf Digest Traveler (Japanese) - Torrey Pines
 - Japan Airlines - Torrey Pines
 - Southwest Airlines - Foursome of a lifetime

Youth Golf

Research shows that reaching kids at an early age in schools, or through structured programs, positively influences their perceptions about golf and generates interest in the game. These methods of introduction are found to be equally as effective as starting kids out at an actual golf course. The City has a number of initiatives designed to encourage youth to participate and get involved in the game to help create future generations of golfers in San Diego. Some of these initiatives include:

- Junior Monthly Ticket Program – Junior residents, with a valid resident ID card, can purchase a ticket for \$10.50 and play free of charge during certain times of the day and each of the Golf Division courses.
- Participate, Learn, and Appreciate Youth (PLAY) Golf program - This program is designed to introduce youth to golf, cultivate an affection for the sport that will create future players and potentially expand the City's customer base. The City has implemented an extensive effort to market the game to younger players as well as children who may have never had the opportunity to play for various reasons. Initiatives include:
 - Golf classes at City Recreation Centers – Low cost beginning golf classes have been implemented at numerous recreation centers around the City. Additionally, staff has participated in a "demo days" to give parents and

children an opportunity to learn about the PLAY Golf program in a friendly and non-intimidating environment

- City Recreation Center Summer Camp Program – program was coordinated with recreation center staff with participants receiving instruction at City courses
- Junior World Golf Championships – Torrey Pines Golf Course has been host to this event for 51 years. Many of the champions have gone on to be star PGA Tour players.
- PGA Junior Golf League – all three Golf Division courses support this National PGA Program by fielding teams and holding matches in a Citywide league.
- High School Play – the Golf Division offered discounted greens fees to boys and girls teams with approximately 170 students at 14 high schools
- Colligate Golf – the Golf Division is exploring partnering with local colleges teams to utilize Balboa Park Golf Course and Mission Bay Golf Course as their playing and practice facilities to assist them and elevate the credibility of the Division’s lesser known facilities.
- Collaboration with organizations including San Diego Junior Golf Association, Pro Kids Golf Academy, and Southern California Golf Association to expand outreach to younger audiences to generate interest in golf

Farmers Insurance Open

The Farmers Insurance Open is an annual PGA Tour event organized by the non-profit, organization, Century Club, benefiting youth in the San Diego region and hosted at Torrey Pines Golf Course. 2018 marked the 50th anniversary of the longest running sporting event in the City of San Diego.

CBS sports anchors Jim Nantz, Nick Faldo and players spoke highly of the course conditions on both the North and South courses. Tiger Woods stated that he couldn’t remember when the courses have been in better condition, even dating back to the U.S. Open in 2008. Such comments continue to build the Torrey Pines brand and the demand as a “bucket list” venue for visitors.

Some of the statistic for 2018 tournament include:

- Long-term support - Farmers Insurance, Los Angeles-based, extended their title sponsorship for another seven years through 2026.
- Media coverage - The Farmers Insurance Open hosted 115 media outlets and 316 local, national and global media members.
- Attendance - 148,786 (up 18% YOY) from all 50 states and 30 countries.
- TV broadcast on CBS and Golf Channel – San Diego's only nationally and internationally televised event.
- Economic Impact – The Farmers Insurance Open has a lasting effect on the community at large. The 2018 event had a \$34.3 million economic impact and contributed \$6.6 million through hotel revenues.

US Open Championship

The US Open Championship is one of golf's four major events of the year. In 2008 the US Open was held at Torrey Pines Municipal Golf Course and had one of the most memorable finishes in the history of the game. Due to the success of the event, the rigorous test of golf provided by the South Course, and the commitment to excellence by the City, Torrey Pines was selected to host the 2021 US Open. Preparations and planning have already begun to ensure another successful event.

Business Plan Primary Accomplishments (Oct. 2015 to Aug. 2018)

The following have been accomplished in accordance with the Business Plan since the 2015 plan update:

- 2015 - added two 18-hole FootGolf courses to at Balboa and Mission Bay.
 - In FY 18 FootGolf rounds increased by 18% to 6,131 rounds of play, which represents nearly 10% of all play at Mission Bay Golf Course.
- January - February 2016 - launched social media accounts for Facebook, Twitter, and Instagram.
- February – September 2016 - Youth Golf Initiative reached over 900 students.
- The North Course Improvements project was complete late November 2016 and has produced a world class course that is rapidly receiving positive public recognition.

- 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.
- In August 2017, significant golf course lighting maintenance/repairs were completed at the Mission Bay Golf Course. The result is a fully lighted course in time for fall activities.
- Golf Division operation of the Balboa Park Golf Course Golf Shop completed its second year in July 2018.
- Over the last three years, former President, Barack Obama, played the South Course on three different occasions and played the redesigned North Course for the first time on May 7, 2018. Torrey Pines Golf Course is a presidential must play.
- In June 2018, Mission Bay Golf Course added a new recreational opportunity for residents who enjoy Disc Golf with the installation of a new, night-lighted, disc golf course. Social media marketing efforts reached 1,400 guests in the first 24 hours the course was available.

Future Outlook

During the next 12 months, efforts will continue to enhance customer service and improve golfer experience to help retain current patrons and increase the number of new golfers at each of the three golf facilities. Year over year demand continue

Future priorities include:

- Continue to maintain the Golf Enterprise Fund's strong financial position after opening the redesigned North Course in 2017. The Golf Division will continue to responsibly manage the resources to ensure no General Fund obligations will be necessary to operate municipal golf facilities.
- Improve and invest in upgrading facility infrastructure to ensure staff has the tools necessary to provide exceptional customer service and quality golf course conditions at an affordable price.

- 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 U.S. 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

CONCLUSION:

Since its approval by City Council in Nov. 2012, the Business Plan has been the guiding document Golf Division staff have utilized to improve customer service, effectively market City golf facilities and place the division on sound financial ground. The framework and flexibility of the plan has been effective in allowing the division to adapt to market changes in a much more efficient manner. Participation from the various user groups continues to strengthen as market corrections in the supply of regional golf courses find the right balance. Long-range annual golf rounds projections over the next five years remain at 300,000 rounds across the division, which reflects the stability created from the plan.

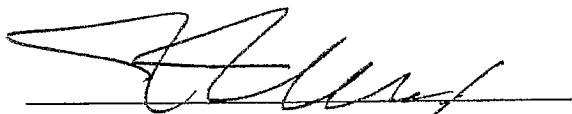
Most telling, all three courses continue to enjoy high overall customer satisfaction. The most recent 2017 customer satisfaction survey continues to show that the overall experience at all three courses is very good and the vast majority of customers are generally pleased. This is evident in the high amount of play the courses receive and the revenue they continue to generate despite increased maintenance costs and continued corrections in the overall market.

The Golf Division continues to seek opportunities to make capital investments to improve course conditions and efficiencies, as well upgrade course facilities to enhance the customer experience. When each of the components comes together, it allows us to reach our potential to be able to service clients like the PGA Tour and the USGA, which keeps Torrey Pines Golf Course, and ultimately the City of San Diego, on the map as a tourist and golfing destination.

The Division will continue to implement Business Plan recommendations in its continuing effort to provide a world class golf experience that caters to golfers of all ages and skill levels.

We ask that you approve the update to the business plan as proposed and we thank you for your time and consideration.

Respectfully submitted,



Mark Marney
Deputy Director, Golf Operations Division

cc: Scott Bentley, Assistant Deputy Director, Golf Operations Division
Shelly Stowell, Supervising Management Analyst, Golf Division

EXHIBIT A

TORREY PINES PROPOSED FEE INCREASES FOR NORTH COURSE			
TYPE OF FEE	Current Fees	New Fees Eff. 1/1/2019	Change
RESIDENT			
18 Holes – Weekdays (Mon. - Thurs.) Adult	\$41	\$42	\$1
18 Holes - Weekdays (Mon. - Thurs.) Junior	\$41	\$42	\$1
18 Holes - Weekdays (Mon. - Thurs.) Senior	\$29	\$30	\$1
18 Holes - Weekends (Fri. - Sun.) / Holidays	\$52	\$54	\$2
Twilight Weekdays (Mon. - Thurs.)	\$25	\$26	\$1
Twilight Weekends (Fri. - Sun.)	\$31	\$32	\$1
9-Hole Only (back 9) - Weekends (Fri. - Sun.)/ Holidays	\$31	\$32	\$1
NON-RESIDENT			
18 Holes – Weekdays (Mon. - Thurs.) Adult	\$110	\$116	\$6
18 Holes – Weekdays (Mon. - Thurs.) Junior	\$77	\$81	\$4
18 Holes - Weekdays (Mon. - Thurs.) Senior	\$110	\$116	\$6
18 Holes - Weekends (Fri. - Sun.) / Holidays	\$138	\$145	\$7
Twilight Weekdays (Mon. - Thurs.)	\$66	\$69	\$3
Twilight Weekends (Fri. - Sun.)	\$83	\$87	\$4
9-Hole Only (back 9) - Weekends (Fri. - Sun.)/ Holidays	\$83	\$87	\$4
TOURNAMENTS			
Tournament – Weekdays (Mon. – Thurs.)	\$110	\$116	\$6
Tournament - Weekends (Fri. – Sun.) / Holidays	\$138	\$145	\$7
1 Day Course Buy-Out (Weekday/Weekends Non-Holida	\$77,175	\$81,000	\$3,825