

STAFF REPORT
CORONADO PARKS AND RECREATION COMMISSION
CORONADO GOLF COURSE ADVISORY COMMITTEE

August 23, 2023

Section 5, Item a.

REVIEW AND PROVIDE INPUT ON PROPOSED FEE CHANGES FOR GOLF COURSE GREEN FEES

RECOMMENDATION:

Review and provide input on proposed fee changes for Golf Course Green Fees.

BACKGROUND:

Coronado Golf Course rates were last revised on July 1, 2019. The justification for rate increases were to offset rising general operating costs, increases in water per unit costs, as well as increased costs in supplies, fuel, water, and energy expenses. Additionally, the increased revenue from the rate increases would help fund ongoing equipment replacement as well as future long-term capital projects.

On April 4, 2023, the Recreation & Golf Services Department hired a consultant, Next Practice Partners, to perform a comprehensive fee study, inclusive of recreation program costs and fees, recreation facility costs and fees, facility use policies, as well as golf course costs and fees.

With support from City staff, the consultant has identified the full cost of operating the golf course, including projected costs for the next 5 years.

Golf course operations are divided among multiple entities. The maintenance of the golf course grounds is staffed and managed by City employees. The Pro Shop operations, which includes managing the tee sheet, retail sales, driving range, golf cart rentals, and instruction, is managed by a concessionaire, Brian Smock Golf. Additionally, the food and beverage operations for the Golf Course is contracted to Feast & Fareway. Both concessionaires provide revenue to the City and do not incur expenses from the Enterprise Fund.

ANALYSIS:

The two most significant expenses in the operating budget are personnel costs for maintenance and water costs for irrigation. The Fiscal Year 2023-24 budgeted allocation for personnel is \$1.694 million and the budgeted allocation for water is \$1.526 million. Personnel costs have risen on average 3% year over year and water costs over the previous 20 years have averaged 9.6% annually.

As an Enterprise Fund, the user fees should support the overall costs associated with providing the service, meaning the cost recovery rate should be 100% or greater on an annual basis. A \$170,000 annual allocation of citywide overhead is included as a budgeted line-item to offset city support such as Public Services & Engineering Department support for facility maintenance, IT staff support, and Administrative Services Department staff support; however, there is no Recreation & Golf Services Department overhead accounted for in the Enterprise Fund budget. Although not included in the total costs to calculate the green fees recommendations,

administrative support from the Recreation & Golf Services Department should be considered in the overall cost recovery percentage of providing the golf course operations.

The course suffers from deferred maintenance, including needs to replace tee boxes, renovate bunkers, repair cart paths, and trim trees. Included in the projected annual cost is a \$220,000 allocation for course projects in the first year, with 3% annual increases. Project priorities will be determined each year by the Golf Course Superintendent, in cooperation with the Golf Course Advisory Committee.

Depreciation of capital assets has not been budgeted in the Enterprise Fund for several years with no documentation explaining why it was removed from the annual budget. Depreciation will be included as a line-item expense for future cost considerations and will grow the fund balance to account for future asset replacement/repair.

Included in the total cost of operating expenses for the golf course is a redesign and total replacement of the golf course irrigation system, estimated at \$7 million. The irrigation system was installed in 1957 and is well beyond the normal life span of a golf course irrigation system. The irrigation mainlines are 66 years old, are asbestos-cement pipe requiring specialized certifications and trainings for repair or removal of the hazardous material, and, since they cannot be isolated, any failure of the mainlines would require a complete shutdown of the entire irrigation system and could be catastrophic to areas of the golf course. Our five pump stations are also 66 years old and extremely inefficient. The sprinklers and lateral pipes were updated in 1983, which, at 40 years old, is still 20-30 years past the normal life span of those components. The original sprinkler spacing layout is not sufficient and inconsistent across the golf course, resulting in poor distribution uniformity and requires more water to be used to compensate. The irrigation system is also based around a "block system" tying three irrigation heads to one station, instead of the industry standard of individual head control, resulting in limited ability to precisely control water application. A new irrigation system is anticipated to save 20% off water due to the increased efficiency of a better design and improved equipment. To fund the irrigation project, staff would recommend utilizing \$2 million from the Enterprise Fund balance and request an interfund loan of approximately \$5 million, payable over 15 years, with any additional revenues above the budgeted amount each year to go towards early repayment of the loan.

Utilizing data supplied by Brian Smock Golf, including rounds played, percentage of rounds played by classification, and utilization reports, the fee recommendations account for accurate usage from the previous six years. Brian Smock Golf has been the contracted concessionaire for the past six years and during that time, the number of rounds has averaged 93,485 annually. From February 2022-January 2023, the most recent complete year's data, there were 99,886 paid rounds of golf at Coronado Golf Course. Considering golf rounds remain in high demand, and golf course supply is holding steady, we are proposing a conservative assumption of 92% continued use for golf course rounds as well as for concessionaire revenues. This would equate to an assumption of 91,895 rounds annually to consider total cost recovery based on recommended fees.

In addition to the green fees, revenues generated by Brian Smock Golf and Feast & Fareway offset the total costs of the golf course operations. The average annual revenue received from Feast & Fareway over the previous 2 years has been about \$378,000. The average annual revenue received from Brian Smock Golf over the previous 2 years, inclusive of the incentive pay deducted from the total, is about \$357,000. Revenue assumptions for both concessionaires would

be based on calculating 92% of their average revenue the previous 2 years. For the first year, Brian Smock Golf would be estimated to generate \$328,000 and Feast & Fareway would be estimated to generate \$348,000 with a 1% assumed increase each year.

At the June 22, 2023, Golf Course Advisory Committee meeting, committee members recommended prioritizing resident tee time access, minimizing the increase of daily green fees, increasing opportunities and affordability for youth access, and assessing tournament/group rates at a higher percentage.

The recommended green fees presented here equate to a 15% increase for residents, 20% increase for nonresidents, a deduction for youth rates, inclusion of a new 25-use pass for juniors to replace the Junior monthly card, and a 36% increase for tournaments/groups.

<i>GREEN FEES</i>	Current	Proposed
Resident Weekday (Mon-Thurs)	\$38	\$44
Resident Prime-Time (Fri-Sun) & Holidays	\$43	\$49
Resident (Twilight) Weekday (Mon-Thurs)	\$23	\$26
Resident (Twilight) Weekend (Fri-Sun) & Holidays	\$26	\$30
Resident Back 9 Weekday (Mon-Thurs)	\$20	\$23
Resident Back 9 Weekend (Fri-Sun) & Holidays	\$20	\$23
NEW Junior 25 Weekday (Mon-Thurs)	N/A	\$300
NEW Junior 25 Weekend (Fri-Sun) & Holidays	N/A	*
Resident 25 Life-Line Weekday (Mon-Thurs)	\$500	\$575
Resident 25 Life-Line Weekend (Fri-Sun) & Holidays	*	*
Resident 40 Weekday (Mon-Thurs)	\$1,120	\$1,290
Resident 40 Weekend (Fri-Sun) & Holidays	*	*
Resident 80 Weekday (Mon-Thurs)	\$1,760	\$2,025
Resident 80 Weekend (Fri-Sun) & Holidays	*	*
Resident Junior Weekday (Mon-Thurs)	\$22	\$20
Resident Junior Weekend (Fri-Sun) & Holidays	\$22	\$20
Non-Resident Weekday (Mon-Thurs)	\$42	\$50
Non-Resident Prime-Time (Fri-Sun) & Holidays	\$49	\$59
Non-Resident (Twilight) Weekday (Mon-Thurs)	\$26	\$31
Non-Resident (Twilight) Weekend (Fri-Sun) & Holidays	\$31	\$37
Non-Resident Back 9 Weekday (Mon-Thurs)	\$25	\$30

Non-Resident Back 9 Weekend (Fri-Sun) & Holidays	\$25	\$30
Non-Resident 40 Weekday (Mon-Thurs)	\$1,280	\$1,535
Non-Resident 40 Weekend (Fri-Sun) & Holidays	*	*
Non-Resident 80 Weekday (Mon-Thurs)	\$1,920	\$2,305
Non-Resident 80 Weekend (Fri-Sun) & Holidays	*	*
Non-Resident Junior Weekday (Mon-Thurs)	\$27	\$24
Non-Resident Junior Weekend (Fri-Sun) & Holidays	\$27	\$24
Tournament/Groups Weekday (Mon-Thurs)	\$58.50	\$80**
Tournament/Groups Weekend (Fri-Sun) & Holidays	\$65.50	\$85
Aerification Weekday (Mon-Thurs)	\$30	20% off all rates
Aerification Weekend (Fri-Sun) & Holidays	\$35	20% off all rates
*All Pre-Paid Discount Cards require a \$5 surcharge/round for Prime-Time use		
*All Pre-Paid Discount Cards are available for California Residents only		
**Coronado Nonprofit Shotgun events receive 20% discount on tournament green fees (\$65/person)		

The tournament/group rates are charged to any group requiring more than 3 consecutive tee times, for shotgun events, and for hotel referrals of any size, and are not inclusive of mandatory carts, range balls, or food and beverage, and will be added on to the total cost by the concessionaires. Coronado Nonprofit Shotgun events that have been held for years at Coronado Golf Course, with a justifiable benefit to the local community, will have a 20% reduced rate for tournaments at \$65/person.

The recommended green fees would compare closely to Admiral Baker North, Riverwalk, and Cottonwood, yet still less than Carlton Oaks, Singing Hills, Steele Canyon, Torrey Pines North/South, Enagic, The Crossings, and Maderas.

If the proposed fees are implemented, and all rounds and revenue assumptions are realized, the direct cost recovery percentage in year 1 would be 100.71%, and the total cost recovery percentage, including the department overhead, would be 91.93%.

Based on projected future costs, it is anticipated an estimated \$1/round increase annually for every classification for the next five years would recover all identified costs, netting an estimated \$8,853 to the fund balance. The actual expenses and revenues will be reviewed annually and recommendations to green fee increases will be commensurate to the overall costs to sustain 100% direct cost recovery.

To improve resident tee time access, there will be a seven-day window for residents to secure tee times at no cost. Brian Smock Golf is exploring the most effective ways to administer these times. A resident can book one tee time at no cost, and the resident must be present at tee time

and playing in the group, or the advanced booking fee will be added to the overall green fees for all players in the group.

Currently, approximately 25% of all paid rounds have paid the advance booking fee to secure their tee time. The advanced booking fee for tee times booked 3-14 days in advance is \$18, with \$16.50 going to the City. The City is proposing increasing the advanced booking fee to \$25 with a greater revenue share, \$5, to Brian Smock Golf. It is anticipated the free access to tee times for residents and increased fees for advanced booking will lower the number of bookings. With this, we are projecting 19% of all rounds to utilize the advance booking fee.

The satellite water recycling facility (SWRF) and turf maintenance facility (TURF) costs were not included in the recommended green fees; however, the estimated cost will be at least \$65 million for the design and construction of the facilities. Assuming a potable water savings of at least \$1 million annually once the water recycling facility was operational, the overall increase to the recommended green fees, with the assumption that the number of rounds remained consistent, would be about 59% (if a loan payback was amortized for 20 years) or about 31% (if a loan payback was amortized for 30 years).

See table below for an example of selected green fees with SWRF/TURF included at both 30-year loan payback and 20-year loan payback.

<i>GREEN FEES</i>	Current	Proposed	Proposed SWRF/TURF 20-year	Proposed SWRF/TURF 30-year
Resident Weekday	\$38	\$44	\$70	\$58
Resident Prime-Time	\$43	\$49	\$78	\$64
Non-Resident Weekday	\$42	\$50	\$80	\$66
Non-Resident Prime-Time	\$49	\$59	\$94	\$77

Once City Council approves the final fee updates, the Golf Course Policies and Procedures Manual will be updated and brought back to the Golf Course Advisory Committee to review and approve.

FISCAL IMPACT:

Funding for the Golf Services Enterprise Fund is made up of revenues from green fees, advanced booking fees, concessionaire revenues, and investment earnings, and, if those revenues do not cover the entirety of the costs, then a request would be made to offset the additional expenses from the General Fund. The proposed fee recommendations are anticipated to provide for full direct cost recovery of the golf course operations.

ATTACHMENTS:

1. Estimated 5 Year Costs
2. Recommended Green Fees