



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

November 7, 2023

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### **PUBLIC HEARING: ADOPTION OF A RESOLUTION IMPLEMENTING THE REVISION OF GOLF GREEN FEES FOR THE CORONADO MUNICIPAL GOLF COURSE FOR CALENDAR YEAR 2024**

#### **RECOMMENDATION:**

Conduct a public hearing and adopt “A Resolution of the City Council of the City of Coronado Revising Fees for the Coronado Municipal Golf Course” effective January 1, 2024, implementing revised golf course green fees and tournament fees.

#### **BACKGROUND:**

The Coronado Municipal Golf Course is a public facility that resides on approximately 120 acres. 83% of this land is categorized as State of California tidelands property and is under the management of the San Diego Unified Port District. The land is leased to the City of Coronado for the operation and maintenance of the Coronado Golf Course for the use and enjoyment of the public. The remaining 17% of the land is City of Coronado property.

The administration of the golf course involves multiple entities. The maintenance of the golf course grounds is handled by City of Coronado employees. Brian Smock Golf serves as a contracted concessionaire responsible for pro shop operations, which encompass managing the tee sheet, collecting green fees, handling retail sales, offering driving range services, golf cart rentals, programming, and providing lessons. Feast & Fareway is a contracted concessionaire responsible for the food and beverage aspects of the golf course operations. Both contracted concessionaires and the maintenance employees are overseen by the Recreation & Golf Services Department with the City of Coronado.

The golf course’s budget operates from an enterprise fund, where all the revenue generated through its operations is utilized to offset the associated expenses. The sources of funding for the golf course enterprise fund include revenues from green fees, advanced booking fees, investment earnings, and concessionaire revenues.

The Coronado Golf Course green fees were last updated on July 1, 2019. Revenues generated have not kept up with the increasing costs related to personnel, utilities, and supplies and continued deferred maintenance of golf course assets over the past five years.

#### **ANALYSIS:**

On April 4, 2023, the City of Coronado engaged the services of a consultant, Next Practice Partners, to conduct a comprehensive fee study. This study encompasses an analysis of recreation program costs and associated fees, recreation facility costs and corresponding fees, facility usage policies, and golf course costs and fees.

In collaboration with City staff and the concessionaires, the consultant has successfully determined the full operational costs of running the golf course. A summarized overview of both current and projected costs extending through FY 2025 can be found in Table 1 below.

*Table 1: Coronado Municipal Golf Course Operations Expenditure Budget*

	FY23 (Actual)		FY24 (Budgeted)		FY25 (Forecast)	
Expenditures						
Personnel	\$	1,498,987	\$	1,694,425	\$	1,745,258
Services and Supplies	\$	1,918,416	\$	2,311,112	\$	2,350,723
Other Expenses	\$	295,577	\$	737,000	\$	1,111,448
<b>Total Expenditures</b>	<b>\$</b>	<b>3,712,980</b>	<b>\$</b>	<b>4,742,537</b>	<b>\$</b>	<b>5,207,429</b>

In the operating budget, the two most substantial expenses are personnel costs for maintenance and water costs for irrigation. For the Fiscal Year 2023-24, the budget allocates \$1.694 million for personnel and \$1.526 million for water. Future projections are based on historical year-over-year averages, estimating a 3% annual increase for personnel costs and a 9.6% annual increase for water expenses.

Within the cost projections for golf course operations, a significant aspect is the redesign and complete replacement of the irrigation system, with an estimated cost of up to \$9 million. The existing irrigation system, installed in 1957, has far exceeded a typical lifespan. The new system is expected to enhance water distribution efficiency, potentially saving about 20% of water usage through improved sprinkler head locations and upgraded equipment. To finance this irrigation project, staff will explore various options, including leveraging the existing fund balance and considering a potential inter-fund loan request.

Other budgeted expenses include yearly golf course maintenance and renovation projects, encompassing tee leveling, bunker renovations, cart path restoration, and tree trimming. Supplies and services, such as fertilizer, fuel, and parts are also considered. Indirect overhead costs for city support, such as support from the Public Services & Engineering Department for facility maintenance, Information Technology staff assistance for phone and network systems, and Finance and Human Resources staff support for payroll and accounts payable are included. While equipment and infrastructure depreciation have been added to cost projections, they were not included for many years. It's important to note that administrative support from the Recreation & Golf Services Department is not included as a budgeted expense but should be considered in the overall cost recovery for golf course operations.

To predict future revenue from green fees, the consultant and staff utilized historical data provided by Brian Smock Golf. They identified the percentage of rounds played by rate type (Resident Weekday, Non-Resident Prime-Time, etc.) and developed a tool to calculate projected revenues with changes to each fee per rate type.

Staff has made a conservative assumption of a 92% continued use for golf course rounds compared to the previous full year, amounting to 91,895 rounds, as well as a 92% assumption for concessionaire revenues.

### **Solicitation of Input**

During the Golf Course Advisory Committee meeting on June 22, 2023, committee members recommended minimizing increases in daily green fees, enhancing opportunities for youth access, prioritizing resident tee time access, and assessing higher rates for tournaments and group play. Next Practice Partners and City staff reviewed the Committee's input and all usage data to formulate a comprehensive proposal for consideration.

A joint meeting of the Parks and Recreation Commission and the Golf Course Advisory Committee took place on August 23, 2023 to review the consultant's findings and gather feedback on the proposed fees. Both the Committee and the Commission expressed full support for the proposed fee recommendations and the replacement of the deteriorating irrigation system. A summary of current and projected revenues, based on the proposed fees through FY 2025, is presented in Table 2 below.

*Table 2: Coronado Municipal Golf Course Operations Revenue Budget*

	FY23 (Actual)		FY24 (Budgeted)		FY25 (Proposed)	
Revenues						
Golf Concession	\$	4,127,050	\$	3,763,000	\$	4,831,088
Food/Bev. Concession	\$	378,867	\$	270,000	\$	351,480
Other	\$	40,850	\$	113,490	\$	35,025
<b>Total Revenues</b>	<b>\$</b>	<b>4,546,767</b>	<b>\$</b>	<b>4,146,490</b>	<b>\$</b>	<b>5,217,593</b>

### **Recommended Adjustments**

The recommended green fees, as outlined in Attachment 1 – Resolution Golf Green Fees Revision 2024, propose several changes, including a 15% increase for residents, a 20% increase for nonresidents, a reduction in youth rates, the introduction of a new 25-use pass for juniors to replace the Junior monthly card, and a 36% increase for tournaments and groups. These tournament/group rates apply to any group requiring more than three consecutive tee times, shotgun events, and hotel referrals of any size. Coronado nonprofit organizations hosting shotgun events that offer a clear benefit to the local community will receive a 20% reduced rate for tournaments, set at \$65 per person. Additionally, staff recommend a seven-day window for residents to secure tee times at no cost to prioritize resident tee time access.

Currently, 25% of all rounds have paid an advanced booking fee to secure their tee time. The advanced booking fee for tee times booked 3-14 days in advance is currently \$18. The City is proposing to increase this fee to \$25.

Based on projected costs, it is expected that an estimated annual increase of \$1 per round for resident rates and \$2 per round for non-resident and group/tournament rates over the next five years will help recover the identified costs. Actual expenses and revenue will be reviewed on an annual basis, and future recommendations for green fee increases will be aligned with the overall costs necessary to achieve 100% direct cost recovery.

The recommended green fees are comparable to those at Admiral Baker North, Riverwalk, and Cottonwood but remain lower than the fees charged at Carlton Oaks, Singing Hills, Steele Canyon, Torrey Pines North/South, Enagic, The Crossings, and Maderas.

The San Diego Unified Port District staff were informed of the proposed rates.

**FISCAL IMPACT:**

Assuming all cost and revenue assumptions materialize, the proposed fee recommendations are expected to enable full direct cost recovery for golf course operations. The total cost recovery percentage, inclusive of department overhead, would reach 91.5%. If revenues and the accumulated fund balance fail to adequately cover the full extent of costs by the end of the fiscal year, a request will be submitted to the City Council during the FY 2025 budget cycle to allocate funds from the General Fund to offset these expenses.

**ALTERNATIVE:**

None.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

Categorically Exempt per California Environmental Quality Act (CEQA) Guideline; Class 1, Existing Facilities.

**PUBLIC NOTICE:**

Legal notice of the Public Hearing was published in the Coronado Eagle & Journal on October 18, and October 25, 2023.

**ATTACHMENTS:**

1. Resolution No. 2023-41
2. Declaration of Publishing and Legal Notice

Submitted By: Recreation and Golf Services Department / Tim Farmer