

Presidio Hills Golf Course

The purpose of this document is to attempt to provide information regarding the Golf Division's understanding of the current challenges that exist in the operation of the Presidio Hills golf course.

This facility provides an opportunity for youth and others to be introduced to golf in an environment that is tailored to their needs. It is a stepping stone to lifelong golfers who advance to other more challenging courses. Without this type of facility many find starting golf at a more challenging course too intimidating. Unfortunately, these smaller course are finding it very difficult to survive in the current market place based on rising expenses and limited revenue potential.

Provided below is detailed information about some of the challenges facing the course, whether it is operated privately or by the City. Also included are opportunities that may improve the potential for the facility.

Potential issues of Operation by any group:

1. This is a great golf course with great history however, the site has several constraints that any operator must be willing and able to address in order to maximize the potential of the golf course. They include:
 - a. This is a small golf course and it has a limited potential for increasing revenue through green fees. The current price is at or very near the ceiling of what customers will pay for this experience.
 - b. A short course like this has a limited potential market. Even if the course conditioning improves dramatically and rounds improve significantly, it is unlikely that the facility would become financially self-sufficient.
 - c. The site has very limited space in the current "Pro Shop" which limits opportunities for expanded or new revenue.
 - d. The site needs capital investment. The Presidio Hills Golf Course is in a very sensitive archeological area and any capital project will be costly and time consuming. Normal construction timing cannot be anticipated and any project could be significantly extended should sensitive resources are found on site.
 - e. It is highly unlikely that there would be a return on investment for any on-course improvements (irrigation, maintenance facility, etc.).
 - f. If the course is properly maintained, expenses will exceed green fee revenues.

Potential issues of Enterprise Operation:

Assumption: If the Golf Division would take over operation of this facility, we would operate it much like Balboa Park and Mission Bay Park Golf courses. We would maintain greens, tees, collars and all other turf in a healthy and appropriate manner. The course would be set up daily with fresh cups as needed. The current course conditioning does not reflect this same level of detail.

2. The golf enterprise fund tries to balance public service while maintaining a stable financial position for the Division. The fund must cover all costs for staffing, maintenance, operations and Capital improvements through the greens fees collected at our Facilities. Due to the size and complexity of the City, certain costs are required for city operation that may not be needed by a private operator. Some of these include:
 - a. The Golf Division makes a Land Use payment to the General Fund every year. This payment has two parts, a cost per acre of land used by the Enterprise Fund and percentage of gross revenues. Currently that payment is \$1,806 per acre and 9.9% of total gross revenue. If you apply these rates to Presidio Hills it would be an estimated \$27,504 dollars per year – $(8.6 \text{ acres} \times \$1,806 = \$15,532) + (\$120,932 \text{ FY15 gross revenue} \times 9.9\% = \$11,972) = \$27,504$.
 - i. Attachment "A" provides information on total sales for Presidio for the years 2014, 2015, and 2016. (FY15 has the highest reported revenue at \$120,932)
 - ii. Attachment "B" provides information on 2017 Land Use Payment for City operated golf courses.
 - b. General Government Service Billing (GGSB) payment for city services. FY17 GGSB expense is \$1,040,562 or 6% of the total Golf Operations budget. If you apply these rates to Presidio Hills it would be an estimated \$54,420 dollars per year. $(\$907,000 \text{ City's estimated costs} \times 6\% = \$54,420)$.
 - i. Attachment "C" provides information on the FY17 GGSB Cost Allocation Plan and a list of departments that support the Golf Operations Division.
 - c. Cash Handling requirements
 - i. We must have two staff members present at all times when cash is handled by City staff.
 1. Estimated hours of operation annually 361 days at an average of 10 hours per day = 3,610 hours per year. Each full time staff member (FTE) can work 2080 – an average of 178 for sick leave and vacation = 1902 working hours/ year/ FTE. $3610 \times 2 \text{ for cash handling} = 7220 \text{ hours needed in the pro shop. } 7220/1902 = 3.8 \text{ FTE. (Attachment "D" provides information on the Estimated Presidio Hills Personnel Requirements)}$.
 - ii. A third party Supervisor must reconcile cash and credit cards and prepare deposit for pick up. One supervisor needed to oversee the pro shop staff / reconcile cash and credit cards / cover for vacation and sick etc. (0.5 FTE)
 - iii. Cash needs to be picked up by armored services on a regular basis. Minimum 5 days per week. (Contractual service).
 - iv. The site would need to be integrated into the Golf Point-of-Sale system.
 - d. Requirements for City Staff
 - i. Proper staffing levels in the proper job classifications would be needed to make sure that we are operating within the current MOU's and abiding by job

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classification requirements when performing all needed tasks. Operational staff needs are identified above (4.5 FTE). Four classifications of Maintenance staff are needed to cover the various tasks and scheduling issues that we anticipate (4 FTE).

- ii. We would need to have space for staff break areas, meetings / job assignment distribution / time card computers, etc.
- e. Based on our current understanding of the operation, staff has prepared a draft estimated cost for the City to operate the Presidio Hills Golf Course within the Golf Enterprise Fund.

ESTIMATED ANNUAL COST

Personnel/Fringe	\$529,972
Supplies/Contracts	\$250,158
Energy and Utilities	\$111,850
Other Expenses	\$1,134
Capital Expenses	\$14,000
Est. Annual Expense	\$907,113
Est. Annual Revenue	\$125,000
Est. Annual Net Expense	\$782,113

- i. Attachment "D" provides a further breakdown of the estimated annual costs.
- f. Site requirements
- i. The site needs capital improvements (irrigation, storage and maintenance shop) – currently projects are estimated to take four years to complete via the current City CIP process.
 - ii. Current irrigation system is in very poor condition which could lead to additional staff time (overtime) for hand watering.
 - iii. The facility would need storage location(s) for equipment, chemicals and bulk storage (sand, divot mix, etc.).
- g. Each of our current golf facilities offers a golf experience that is unique to the City. This facility would provide another experience that is different from our current offerings, one that is very important to the introduction of golf to youth. Unfortunately, based on the current estimates this new site would operate at a significant loss with no possibility to ever breaking even and it would serve significantly less residents than any of our other courses.

Currently, based on the goals outlined in the current business plan and the direction from the Audit Committee, we are striving to improve cost recovery at Balboa and Mission Bay. Adding a new facility that would never come close to covering costs may not be supported by this Committee and/or City Council.

Golf Facilities	Cost Recovery	Annual Rounds
Balboa Park	65-70%	105,000
Mission Bay	70-80%	60,000
Torrey Pines	Over 100%	135,000
Presidio Hills	13.8% (1)	12,500 (2)
(1) Based on \$125,000 total revenue and approx. \$907,000 in expenses		
(2) Based on \$125,000 total revenue at an average round rate of \$10		

Note: Additional customers are served at the driving ranges at the three existing Golf Operations courses.

Potential issues to investigate further:

4. Here are some of the ideas that are currently being investigated by some of the volunteers interested in trying to improve Presidio Hills Golf Course.
 - a. Investigating the agreement with Pro-kids golf regarding little or no rent and reduced or free water from the City.
 - b. Investigating increasing revenues through special events / new facilities / partnering with other existing businesses near the Golf Course.
 - c. Maximizing the use of the parking lot to offset some of the operational costs.

Golf Division staff have identified a few additional potential items should a City Council approved public /private partnership be created.

- d. The Golf Division could potentially provide agronomic services to the facility providing expertise regarding turf management and conditioning programs.
- e. The Golf Division could potentially provide specialized equipment for use during periodic maintenance (aerification, top dressing, deep tine, etc.).
- f. The General Fund section of the Park and Recreation Department may be able to provide weekly mowing of areas that can be mowed by large equipment that is currently mowing the park next door.



Presidio Hills Golf Course

4136 Wallace Street
 San Diego, California 92110
 619-295-9476

Profit & Loss

FY 2014 (7/1/2013-6/30/2014)

Sale : \$109,948.50
 Expense : \$104,687.16 + \$3,465.00 (property tax)

FY 2015 (7/1/2014-6/30/2015)

Sale : \$120,932.60
 Expense : \$111,814.72 + \$3,465.00 (property tax)

FY 2016 (7/1/2015-6/30/2016)

Sale : \$108,230.20
 Expense : \$100,737.45 + \$3,374.58 (property tax)

FY 2017 (7/1/2016-11/30/2016) + \$1,531.00 (property tax)

- Sale :included the Green Fee and Pro-shop Sale
- Expense :included the Rent, Payroll, Insurances,Water,
- Course maintenance, Utilities,Equipment cost
- And Pro-shop purchase etc.

ATTACHMENT B

Golf Course Enterprise Fund (700043) FY 2017 Land Use Payment to the General Fund	
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Torrey Pines Golf Course (1714161101)	
9.9 % of FY16 Budgeted Revenue	\$1,336,930
220 Acres at \$1,806 per acre	\$397,320
Sub-total	\$1,734,250

Balboa Park Golf Course (1714161201)	
9.9 % of FY16 Budgeted Revenue	\$286,942
160 Acres at \$1,806 per acre	\$288,960
Sub-total	\$575,902

Mission Bay Golf Course (1714161301)	
9.9 % of FY16 Budgeted Revenue	\$169,785
46 Acres at \$1,806 per acre	\$83,076
Sub-total	\$252,861

Total FY 2017 Budget Land Use Fee	\$2,563,013
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**CITY OF SAN DIEGO
COST ALLOCATION PLAN FY17
Golf Course (700043)
GOLF COURSE (700043)**

Description	FY17 GGSB	FY16 GGSB	Variance
Offices of the COO & ACOO	\$ 14,752	\$ 16,153	\$ (1,401)
City Council	70,974	70,882	92
Council Administration	13,612	11,903	1,709
Office of the City Clerk	27,144	29,368	(2,224)
Independent Budget Analyst	15,699	12,105	3,594
Office of the City Attorney	-	39,603	(39,603)
Personnel Department	83,164	83,627	(462)
Ethics Commission	6,090	6,184	(93)
Office of the City Auditor	101,567	24,052	77,515
Citywide Administration	-	-	-
Performance & Analytics	9,348	-	9,348
Human Resources	33,484	46,553	(13,069)
Office of the Mayor	29,112	26,091	3,021
Office of the CFO	4,103	3,628	475
Office of the City Comptroller	105,151	86,655	18,496
Financial Management	38,366	34,945	3,421
Purchasing & Contracting	75,600	30,876	44,724
Office of the City Treasurer	101,612	95,168	6,444
Citywide Program Expenditures	35,486	37,412	(1,926)
General City Indirect	765,264	655,205	110,059
Roll-Forward Adjustment	90,015	(94,219)	184,234
General City Indirect	855,279	560,986	294,293
Departmental Administration	159,125	149,146	9,979
Internal Service Flow-Through	186,989	112,832	74,158
Sub-Total	1,201,393	822,963	378,430
Less: Billed General City Overhead.....	(8,349)	(7,611)	(738)
Sub-Total	1,193,044	815,353	377,692
Inflation Factor Adjustment	11,887	12,523	(636)
Total	\$ 1,204,932	\$ 827,876	\$ 377,056
Five Year Average GGSB.....	\$ 1,040,562	\$ 919,548	\$ 121,014

The amount boxed above is the calculated General Government Service Bill for FY17 which will be given to Financial Management to include in the FY17 Annual Budget. The above schedule has been reviewed and agreed to.

Appointing Authority: _____

