

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Item Number:** ITEM-2

**Item:** CITY OF SAN DIEGO GOLF OPERATIONS FIVE-YEAR BUSINESS PLAN

### OVERVIEW

The following comments were made by the Office of Independent Budget Analyst (IBA) to the Natural Resources and Culture (NR&C) Committee on Wednesday, March 8, 2006.

These comments are of a general nature in that they do not directly address the proposed Golf Division Business Plan. Given the purpose of the NR&C meeting, the IBA felt that it was appropriate to provide a few general principles that should be considered as this process continues. The IBA will release a separate report addressing the Business Plan's specific proposals prior to the Plan being heard by the full Council.

The IBA recognizes that the proposed Business Plan is concerned with two main issues: increases in golf fees and allocation of tee times. These issues are addressed separately.

### GOLF FEES

1. Golf fees should be set on the basis of total cost:
  - The approach should not be “who pays for what” but rather, “what is the total cost” and then “how should those costs be allocated” between residents and non-residents;
  - The total cost of providing one round of golf should be calculated for golf courses;
  - The total cost per-round should be the baseline upon which the rate structure is built.
  
2. Total costs should include all expenditures that are necessary to provide golf services, including but not limited to:
  - Operations
  - Maintenance
  - Debt Service

- Capital Improvements
  - Reserves (if necessary)
3. Each course should be individually self-sufficient, meaning that the fees at each course should cover the total costs of that course.
    - This ideal may be difficult to achieve initially at the Balboa Park Golf Course given the particular market conditions;
    - A plan to achieve self-sufficiency at Balboa Park should be clearly identified.
  4. Non-residents should always be charged the market rate.
    - What is the market rate? A working definition needs to be developed;
    - One possible definition for market rate is the highest rate that still allows for the desired number of non-resident rounds to be played under the 70% resident - 30% non-resident policy.
  5. If the market rate is higher than the cost of providing a round of golf, and assuming that 30% of all rounds are played by non-residents, then there becomes an option as to whether or not resident rates (using the total cost per-round as a baseline) should be subsidized.

While the IBA does not currently have a position on what would be the best option (as there are positives and negatives to each), we can assist in defining the parameters:

6. In no case should resident fees be higher than the total cost per-round; in no case should they be lower than what is necessary for the course (and possibly the whole golf system) to remain self-sufficient.
  - Again, this must take into account total costs as defined above.

#### TEE-TIME ALLOCATION

1. A periodic audit is recommended to ensure that the approved resident/non-resident split is being accurately administered.
2. The Torrey Pines Golf Course (encompassing both North and South) is an inherently congestible asset, meaning that there are simply more people that want to play than there are available rounds.
  - Even with the steps taken to free up resident rounds, it is likely that demand for golf at Torrey Pines will continue to outpace the supply of available rounds, leading to course congestion and difficulty in getting tee times;
  - This issue will likely have to be addressed in the future.

Once again, the comments that were made at the March 8, 2006 NR&C meeting were intended to be general in nature and do not directly address the recommendations made in the proposed Golf Division Business Plan. An analysis of specific recommendations will be forthcoming in a separate report from the IBA.

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