



Date: September 27, 2004
To: Gerald R. Miller, City Manager
From: Phil T. Hester, Director of Parks, Recreation, and Marine
Subject: **2004 Golf Course Fees and Charges - Staff Recommendations**

The purpose of this report is to provide you with my recommendations regarding a proposed increase in golf fees for the year 2004-2005. As you are aware, golf fees are not necessarily set on a fiscal year basis and do not require formal action by the Mayor and City Council. The ultimate decision for approval of golf fees is given to the City Manager by way of the original lease approved by the City Council in 1984.

Background

The City's agreement with American Golf Corporation (AGC) provides them with the ability to request periodic fee increases to offset higher operational costs, ensure an acceptable level of profitability for AGC, and at the same time, compete within the marketplace, while providing additional revenue to the City. The Fourth Amendment to the lease agreement states in Section 6.7 - Fee Schedule and Changes: "Tenant may, but is not required to, annually increase fees and charges by the increase in the Consumer Price Index (All Consumers) for the Los Angeles-Riverside County Metropolitan Area ('CPI'), rounding the result down. If Tenant desires an increase that is greater than the CPI, Tenant shall request that increase in writing to the Director. The request shall name the fee and identify the new amount of that fee." **As you are aware, the last golf fee adjustments were implemented two (2) years ago, on October 3, 2002.** Since that time, the CPI for the last 24 months is approximately 5.4%.

As you know, the Municipal Golf Commission (Commission) is solely an "advisory" board to City staff on golf issues, but we have historically requested them to participate in our golf fee proposal review and recommendation process.

The roles of those involved in the golf fee proposal review and recommendation process are as follows:

1. **AGC presents their fee proposal to the Director of Parks, Recreation and Marine (Director) and the Commission.** AGC presented their fee proposal to the Director on May 19, 2004 and made their initial presentation to the Commission on June 16, 2004. AGC staff presented more detailed information and justification at the June 28, 2004 Fees and Charges subcommittee meeting.

2. **The Commission reviews the fee proposal, along with a current market average survey of comparable courses, the Consumer Price Index (CPI), and local input from public meeting and questionnaires and submits a recommendation to the Director.** City staff prepared and provided a thorough market average survey for review, staff calculated the projected CPI for the 24 months following the last fee adjustments to be approximately 5.4%, and there were five advertised public meetings. The Commission voted on their recommendation at their meeting on August 25, 2004 and it was submitted to the Director's office on August 26, 2004.
3. **Department staff manages and provides the needed support for this involved process. This includes:**
 - Thoroughly explaining the fee proposal review and recommendation process to the Commission.
 - Providing detailed direction and instruction on how to smoothly move through this process and generally how to fairly assess all related facts and information with an open and unbiased mind.
 - Reminding Commissioners to patiently work through this important process before forming quick recommendations or openly expressing their strong opinions that could circumvent the process by inadvertently influencing others to jump to premature decisions.
 - Providing market average surveys, collecting and distributing, written public comments, and advertising the public meetings.
4. **Department staff thoroughly analyzes the Commission's recommendation and all related information that is to be considered and provides the Director with an analysis about the completeness and the apparent validity of the recommendation.** All of this information is closely scrutinized and weighed by the Director before the final fee proposal recommendation is determined and submitted to the City Manager.

The Commission review, which took a couple of months to complete, included five advertised public meetings: three Fees and Charges subcommittee meetings, one monthly Municipal Golf Commission meeting, and a special evening meeting. A form was also distributed to collect public comments concerning the AGC fee proposal. This process ensured that the Commission received a wide variety of public input from resident and not-resident golfers.

The Commission's recommendation was to be guided by their newly adopted Mission Statement ("Attachment A-1"), which was created through the on-going Golf Strategic Plan development process and approved by the Commission. The Mission Statement succinctly states **"The City of Long Beach will provide a quality recreational experience that fosters the game of golf by operating our golfing assets in a welcoming manner that respects local culture and contributes to the quality of life for all of its residents and visitors."** This encompasses the commitment to lessen the burden on our senior residents and juniors, while at the same time recognizing the legitimate needs of the entire golfing community and the importance of keeping Long Beach in balance with the "market" levels, based on an average of comparable courses.

The Commission ultimately submitted two different conceptual fee recommendations to the Director as follows and included in attachment H.

The first recommendation of the Commission is to change to a level pricing system for the three regulation 18 golf courses. This recommendation may make pricing schedule simpler and it would obviously favor those playing Skylinks and El Dorado.

The second recommendation of the Commission is to use a three tiered pricing system for the three regulation courses. This is in line with the actual differences in these courses and the maintenance expenses they require. Staff agrees with this "pay in accord with the level of play" concept. This will eliminate the complaints from golfers at Recreation 18 that they are subsidizing golfers at El Dorado and Skylinks that the first recommendation would cause.

The Commission's recommendation does not thoroughly address the legal obligation of the lease agreement regarding the minimum CPI increase in fees, except for the green fees at the three regulation courses. Also, the Commission's recommendation to limit the difference between resident and non-resident fees to 20% would have actually resulted in a significant reduction in the current level of Standard (non-resident) fees, which currently make up approximately 65% of all course play.

Staff Recommendations

- Staff has determined that a 30% discount for residents below our Standard (non-resident) rates is more in line with the historic benefits resident golfers have grown accustomed to over the years.
- Staff has determined, after extensive analysis of all pertinent facts, that a reasonable fee increase at Heartwell, Recreation 9, and Recreation 18 should be approximately the 5.4% CPI only, because of the type and level of development of these courses.
- Staff recommends that green fees at El Dorado should be 25% higher than Recreation 18, and the base fees at Skylinks should be 25% higher than El Dorado. This concept is consistent with the 3-tier system that was one of the two alternatives offered by the Commission.
- Staff recommends, in line with the Commission's recommendation, that a surcharge be implemented at Skylinks to generate needed funds for the depleted Golf Capital Improvement Project Fund that were used to finance the bonds for the improvements. This surcharge could be eliminated after a number of years, when the fund builds up enough to cover the cost of anticipated capital improvement projects, in addition to covering the annual Skylinks bond payments. Staff recommends this CIP Surcharge to be \$2.00 for 18 holes and \$1.00 for 9 holes.

- Staff recommends an additional \$1.00 CIP Surcharge for tournament rounds at Skylinks only.
- Staff recommends that we recognize that we have three (3) distinct levels of courses for our City: Skylinks (Platinum), El Dorado (Gold), and Recreation 18 (Silver).
- Staff recommends that the resident senior free play on the back nine before 7 a.m. be eliminated at Skylinks. This is needed to provide more access to the course with the additional equipment and staff required to properly maintain the vastly enhanced course features. This recommendation will be re-evaluated in one year to determine the relevant impact on daily maintenance operations.

The Commission and staff recommend this concept of a surcharge dedicated to the Golf CIP Fund because a similar surcharge was very successfully used to fund the upgraded irrigation systems on all City courses several years ago.

Again, as it has now been two (2) years since the last golf fee adjustment, and since it is our goal to continue the high quality of maintenance and operations for our golf courses, we are making a recommendation for a Consumer Price Index (CPI) adjustment of approximately 5.4% for golf fees on three of our courses (Recreation 18, Recreation 9 and Heartwell) and base rates at El Dorado and Skylinks that are incrementally 25% higher sequentially, in proportion to the higher level of their developed course features and the associated higher maintenance required. The differential between Standard (non-residents) and residents would be maintained with a 30% discount for residents vs. our Standard (non-resident) rates.

This new conceptual pricing model would be maintained each year, which means that future fee adjustments would be based on the CPI, unless there are significant changes or justification that make increases imperative, like a change in our place in the golfing market. This is similar to the model we are using for our marinas.

Enclosed is "Attachment A", which presents a summary of the following information relating to the proposed fees:

1. Market average fees charged at comparable area courses
2. Municipal Golf Commission's recommendation
3. American Golf Corporation's fee proposal
4. Current golf fees and charges
5. Staff recommendation
6. Difference created by staff recommendation

In addition, the Discounted Rates Summary (Attachment B) presents summary sheets for each course that clearly show the difference between the Standard (Non-Resident) Rates, Resident 30% Discounted Rates, Resident Senior Discounted Rates and the Junior Discounted Rates. Also enclosed, for informational purposes, Resident Senior Golf Benefit Package (Attachment C), Junior Golf Benefit Package

(Attachment D), Market Fees and Charges Survey of comparable golf courses within our region (Attachment E), Golf Rate Analysis (Attachment F), the Customer Comment Card Summary (Attachment G), the Fee Recommendation Summary from the Municipal Golf Commission with their two different recommendations (Attachment H), Skylinks Surcharge Summary (Attachment I), the Skylinks Comparison Survey (Attachment J), AGC's Fee Proposal (Attachment K), and City Staff Recommendations (Attachment L).

The attached staff recommendation for Recreation 18, Recreation 9 and Heartwell, which reflects only an approximate 5.4% CPI adjustment (projected over the last 24 month period), generally rounded to the closest half or full dollar, would produce average increases as follows:

- Standard (Non-Resident) \$1.00 for 18 holes
- Residents \$1.00 for 18 holes
- Resident Seniors \$0.50 for 18 holes - 9 holes are Free before 7
- Standard (Non-Resident) \$0.75 for 9 holes
- Residents \$0.75 for 9 holes
- Juniors \$0.25 for 18 holes

In addition to green fees adjustments, staff has recommended several other miscellaneous fee adjustments. These include a \$1.00 increase in cart fees – the 5.4% CPI adjustment. This will offset the increase in maintenance and electrical charging costs. Staff has also recommended a \$5.00 increase for the annual photo/discount reservation cards. This will help to compensate for the increased cost of materials, service staff, and the newly purchased computerized equipment. This increase for these reservation discount cards results in a \$20.00 charge for our reservation cards, as compared with the \$25.00 charged by Los Angeles County and the average of \$25.71 being charged by comparable courses. Staff recommends no fee increases for League fees or Tournament surcharges this year except for an additional \$1.00 CIP Surcharge on tournaments at Skylinks only. These are charges are consistent with the recommendations of the Commission.

AGC submitted new higher maintenance standards for Skylinks Golf Course in their attached fee proposal and some of these higher standards are reflected in the Skylinks Comparison Survey of comparable local courses (Attachment J). This survey also reflects the improved pace of play tee times for Skylinks, 9 minute intervals on weekends and 8 minutes on weekdays similar to other high quality premier courses. AGC has agreed to continue their current tee time intervals at the other courses which are as follows: El Dorado - 8 minute intervals on weekdays and 9 minute on weekends, Recreation 9 and Recreation 18 alternate throughout each hour, between 7 and 8 minutes, and Heartwell - 7 minutes daily. Fivesomes will still be allowed on all of our courses, but they are on a totally voluntary basis only. Staff is also currently finalizing the development of new higher maintenance standards with AGC for the four other City courses. The establishment of these new maintenance standards, which will be incorporated into AGC's lease agreement, will provide the higher maintenance levels mutually desired by our golfing public. The new requirements will include frequency and acceptable levels of routine and seasonal maintenance, the type of equipment that must be used. i.e. walking mowers vs. riding mowers, use of adequate amounts of irrigation water, high quality

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lake maintenance, enhanced contract gopher control measures, the requirement to provide balls of quality condition on the driving ranges, new golf carts every three years and higher levels of annual contract tree pruning.

We realize there has been a lot of discussion about fees this year mainly centered around the Skylinks course. We feel that the proposed fees are more than fair to our residents while allowing AGC to provide the level of maintenance and services that the City and our golfing public expect and desire on all of our City courses.

In addition, our staff is dedicated to working more closely with AGC to increase their commitment to our golf system and the City, as a good corporate citizen.

In order to implement the new golf course fee schedule and surcharges on October 15, 2004, I respectfully request your approval to move forth with this proposal.

Thank you for your consideration.

PTH:TLL:era

Attachments

cc: Mayor and Members of the City Council
Municipal Golf Commission
Christine F. Shippey, Assistant City Manager
Reginald I. Harrison, Deputy City Manager
Keith Brown, Executive Vice-President, American Golf
Jay Carballo, Regional Director, American Golf
Tom Shippey, Manager of Maintenance Operations Bureau
Terry Lortz, Superintendent of Golf Operations

APPROVED:

 9.29.04

GERALD R. MILLER
CITY MANAGER