

TO: PARKS AND RECREATION COMMISSION

FROM: LAM DO
SUPERINTENDENT OPEN SPACE, PARKS, AND GOLF

DEPARTMENT: COMMUNITY SERVICES

DATE: AUGUST 28, 2018

SUBJECT: GOLF COURSE PERFORMANCE UPDATE

BACKGROUND

In October 2012, Council awarded a contract to Golf Group, Ltd. (Forrest Richardson & Associates) to design a reconfigured Palo Alto Municipal Golf Course and modified practice facilities. In accordance with the renovation plan, Forrest Richardson designed an 18-hole course layout to conform to a Baylands setting. The reconfigured Golf Course design incorporated or modified existing low-lying areas, raised other areas to provide contours and course views, reduced the area of managed irrigated turf, and introduced areas for native vegetation and wetland habitat.

The project design was developed to achieve the following objectives:

- Creation of a golf course providing a more interesting layout for golfers of all levels, with enhanced wildlife habitat, improved wetland areas, and reduced usage of potable water, pesticides, and maintenance labor for turf and landscaping;
- Integration of a Baylands theme into the Golf Course with a links style course;
- Improvement of Golf Course playing conditions – turf, drainage, and irrigation;
- Mitigation for impacts on the Golf Course resulting from the adjacent San Francisquito Creek Joint Powers Authority’s flood control expansion project; and
- Expansion of adjacent areas for future recreation needs.

After a number of delays in securing regulatory environmental permits, the Golf Course closed on July 1, 2016 for a full course renovation. During construction, the driving range, practice facilities, golf shop, and restaurant remained open for business under three different operators.

Prior to re-opening, the City issued a Request for Proposal to golf management companies and restaurants. After a review and interview process, OB Sports was selected to operate the course entirely, inclusive of golf course play, course maintenance, practice facilities, merchandise sales, and food and beverage services. With construction complete, the golf course re-opened on May 26, 2018 as the Baylands Golf Links.

DISCUSSION

Following City Council approval of operating agreements with OB Sports, they began renovation projects to the clubhouse facilities: golf shop, restaurant, and patio. The renovations incorporated the rebranding of the municipal course as the Baylands Golf Links. Changes started with complete interior and exterior paint in new course theme colors, new flooring throughout, and new lighting. A full selection of golf shop sales merchandise is branded with versions of the “B” course logo and the Baylands Café wall décor is themed with images of wildlife photographed in the Baylands.

Enhanced service at the golf course has been an operational goal of OB Sports and is demonstrated by their on-site management team and customer service improvements. The course has an on-site, experienced full-time General Manager, Ed Winiecki, who was named the 2017 Northern California Professional Golfers' Association Professional of the Year. Supporting Ed are a Course Superintendent, overseeing course maintenance, and a Food & Beverage Service manager.

Another key service enhancement is a change at the restaurant, which now offers table wait service to all patrons. In addition, staff at the golf shop, restaurant, and out in the field are easily identified by their matching dress attire.

The selection of OB Sports to manage the golf course on the City's behalf included assessment of their management operations as well as financial performance projections. The City reviewed OB Sports' projections, compared them to pro formas prepared by the National Golf Foundation, and asked for an assessment by an established industry consultant.

Thus far for the months of June and July 2018, financial performance of the golf course has exceeded overall budgeted revenue projections. Earned revenue from green fees and the driving range have exceeded budget projections. Upon re-opening the golf course green fees were established with a range to accommodate dynamic pricing, where green fees fluctuate based on time of day, day of week, and demand. Green fees are also tiered with Palo Alto residency, Bay Area residency, and visitor rates. The combination of dynamic pricing associated with demand and tiered residency pricing has resulted in strong green fee revenue to support operating costs.

However, revenue from golf cart fees and merchandise sales has underachieved. More players are opting to walk the course than anticipated and numerous retail vendors competing for golf related merchandise sales remains an alternative for players. Also, golf rounds played are 13% below projected rounds. It was anticipated that rounds would be lower than ideal and ramp up over several years as either golfers return to the course after a two year closure or new players discover the links style course unique to the region.

During June and July 2018, earned revenue of \$799K exceeded a \$716K revenue target for the period. For FY 2019, the golf course has a revenue budget target of \$3.6M and a direct expenditure budget of \$2.5M. The golf course will also incur \$1.1M in indirect expenses such as debt service, utilities, staff oversight, and potential contingency. As OB Sports operates the Baylands Café under a lease, food and beverage sales revenue and expenses are not factored in the golf course's operating budget.

For Fiscal Year 2019, 68,450 rounds of golf is projected for the new course. Prior to course closure, the old golf course hosted a declining 46,527 rounds, 42,048 rounds, and 35,354 rounds in Fiscal Years 2014, 2015, and 2016 respectively. With the new course, player residency has consisted of 85% from Santa Clara County and San Mateo County. Palo Alto residents make up 18% of golf rounds played on the new course compared to about 13% on the prior course.

The following two tables reflect golf rounds played, player residency, tee time utilization in comparison to capacity, and weekday versus weekend play.

Golf Rounds Played and Customer Residency		
Baylands Golf Links: June - July 2018		
Golf Rounds		11,524
Residency		
	Palo Alto	18%
	Santa Clara County, excluding Palo Alto	39%
	San Mateo County	28%
	Other Areas	15%

Tee Time Utilization Compared to Capacity and Weekday vs. Weekend Play		
Baylands Golf Links: June 2018		
Tee Time Capacity		
	Baylands Golf Links	65%
	Local Municipal Courses	56%
	Regional Courses	53%
Weekday Rounds		54%
Weekend Rounds		46%

Information in this report is based on only a two month operating period. It should not be viewed as a performance baseline until the new course is in operation longer. An initial review reflects the golf course is on pace to achieve its financial targets. There are opportunities to improve in terms of increasing rounds played and merchandise sales. From a customer service perspective, having a single operator (OB Sports) managing all aspects of course play, course maintenance, and food and beverage has resulted in a consistent player experience and service delivery at higher levels than before.

RESOURCE IMPACT

Funding for golf operations is budgeted in the Community Services Department’s General Fund budget.

PREPARED BY: _____

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