

**TO: PARKS AND RECREATION COMMISSION**

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

**DEPARTMENT: COMMUNITY SERVICES**

**DATE: DECEMBER 10, 2019**

**SUBJECT: GOLF COURSE PERFORMANCE UPDATE**

**RECOMMENDATION**

This is an informational report. No action is recommended.

**BACKGROUND**

In October 2012, City 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 Francisco Creek Joint Powers Authority’s flood control expansion project; and
- Expansion of adjacent areas for future recreation needs.

After several 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. Upon City Council approval of operating agreements with OB Sports, they began renovation projects to clubhouse facilities including the golf shop, restaurant, and patio. With course construction and facility renovations complete, the golf course re-opened on May 26, 2018 as the Baylands Golf Links.

## **DISCUSSION**

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.

When the golf course re-opened, 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 and tiered residency pricing has resulted in strong green fee revenue to support operating costs.

In Fiscal Year 2019, green fee revenue from course play and tournaments overachieved its financial pro-forma projection and budget. However, revenue from merchandise sales underachieved sales targets. Numerous retail and online vendors competing for golf related merchandise sales remains an alternative for players. Although green fee revenue overachieved, when considered in combination with low merchandise sales, overall revenue from golf operations ended FY 2019 at 6% under target. As OB Sports operates the Baylands Café under a lease, food and beverage revenue and expenses are not factored in the golf course's operating budget.

Also, golf rounds played were 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. Although 54,619 rounds played were lower than projected, it is higher than each of the three years 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 consisted of 80% from Santa Clara County and San Mateo County. Palo Alto residents were 27% of golf rounds played on the new course compared to about 13% on the prior course.

For the current Fiscal Year 2020, the overall revenue target was increased in alignment with prior pro-formas. As the prior fiscal year resulted in strong green fee revenue this revenue category was increased while the revenue target for merchandise sales was decreased. Overall revenue is budgeted at \$3.8M and expenses (including debt service) is budgeted at \$3.6M. Through the first five months (July – November 2019) of FY 2020, overall golf revenue is tracking at approximately 11% behind. This will continue to be observed by staff and our golf course operator, OB Sports.

To promote more golf play and affinity to our course, a membership rewards and green fee discount program has been extended for a longer period with pricing discounted. This program is marketed as the Links Card. In addition, select tee-time slots are being discounted for non-members without the Links Card.

The following two tables reflect golf rounds played, player residency, tee time utilization in comparison to capacity, and weekday versus weekend play for the current FY 2020. Weekend course play is at a high capacity, but weekday play is under-utilized. This reflects the lack of time for players during weekdays and the difficulty in driving to and from the course due to congested highway traffic on weekdays which is a common feedback from players.

<b>Golf Rounds Played and Customer Residency</b>		
<b>Baylands Golf Links: July - October 2019</b>		
<b>Golf Rounds</b>		21,238
<b>Residency</b>		
	Palo Alto	27%
	Santa Clara County, <b>excluding Palo Alto</b>	37%
	San Mateo County	24%
	San Francisco County	7%
	Other Areas	5%

<b>Tee Time Utilization Compared to Capacity</b>		
<b>Baylands Golf Links: July - September 2019</b>		
<b>Tee Time Utilization Overall</b>		
	Baylands Golf Links	72%
	Local Municipal Courses	56%
<b>Weekend (Fri - Sun)</b>		
	Baylands Golf Links	81%
	Local Municipal Courses	64%
<b>Weekday (Mon - Thurs)</b>		
	Baylands Golf Links	67%
	Local Municipal Courses	50%

Fiscal Year 2020 information in this report is based on available, but limited year to date data. It should not be viewed as performance results for the full year. 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.