

Sunnyvale Golf Program



Golf Study Session to Council
Sept 29, 2015

Agenda

- Golf Industry Overview
- Golf Revenues, Expenditures, and Profitability
- Golf as Recreation
- Other Sunnyvale Recreation Services
- Continuing Golf and Other Options
- Next Steps

Golf Industry Overview

- Golf grew in popularity in the 1990's, peaking at 30 million golfers in 2005
- Nationally, golf play has declined since 2005 – worsened during the recession of 2008
 - Long pace of play
 - Image
 - Costs
 - It's hard to play
 - Tiger, Tiger, Tiger
 - Currently 25 million golfers (pre Tiger Woods levels)
- National Golf Foundation predicts flat or minimal growth for 2015.

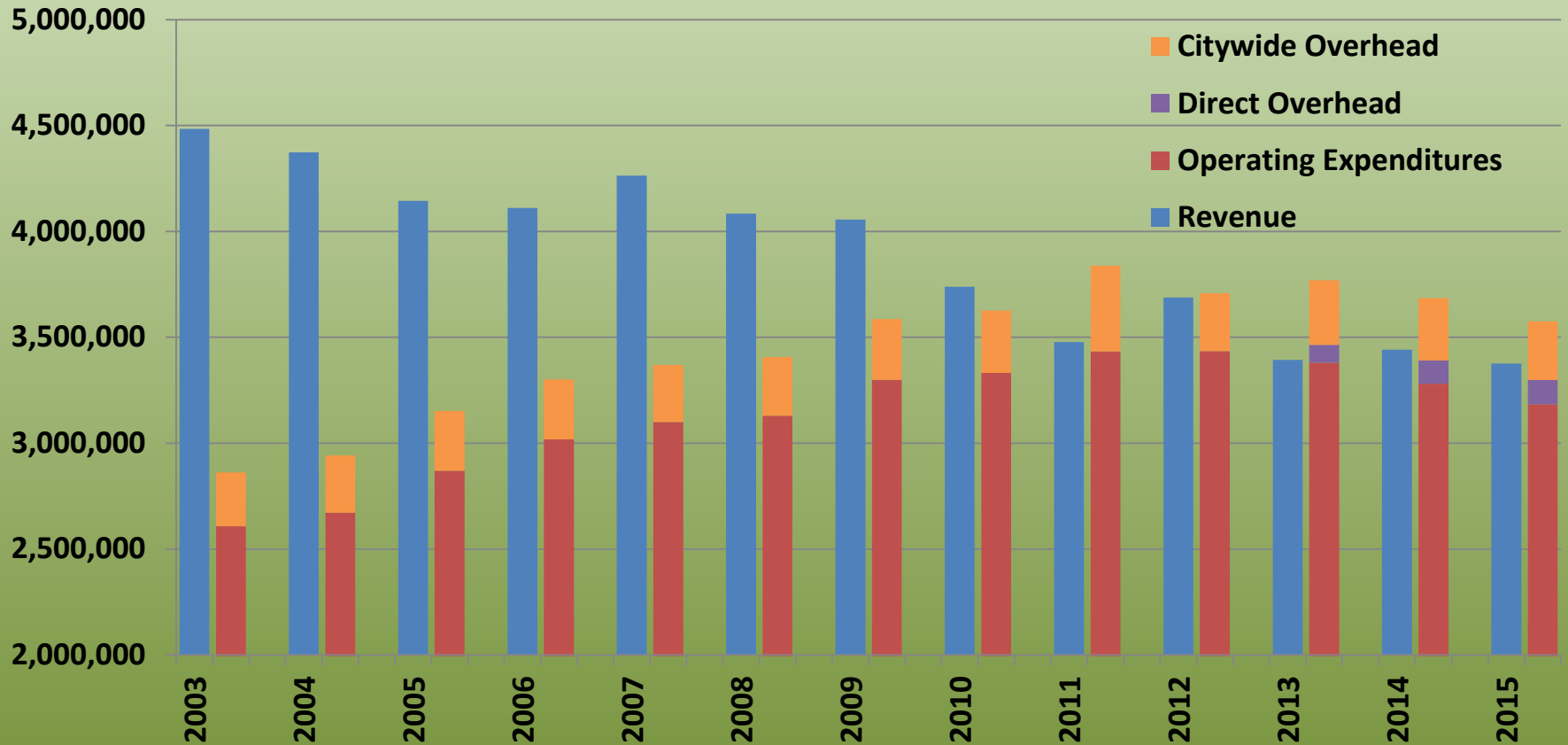


Sunnyvale Golf Courses

- Sunnyvale Has 2 Golf Courses
 - Sunken Gardens – 9 hole 30 acres
 - Sunnyvale Golf Course – 18 hole 145 acres (35 acres leased)
- Was Part of Community Recreation Fund (CRF) – Recreation Like a Business
 - Some Services in the CRF were not Recreation
 - Reduce General Fund Contribution
- Golf and Tennis Converted to Enterprise Fund In 2011 (Study Issue)
- This Presentation Focused on Golf Only – Not Tennis



Revenue \ Expenditures



Comparisons to Other Courses

- Sunnyvale (City Operated) – \$105,000 Deficit
- San Mateo Poplar Creek (Privately Operated) – \$95,000 Deficit
- Mountain View Shoreline (Privately Operated) –\$25,000
Return to General Fund
- Palo Alto (Privately Operated) -- \$600,000 Deficit (Includes
Debt Service)
- San Jose (Three Courses – Privately Operated) - \$2.2 Million
Deficit (Includes Debt Service)

Golf Profitability

- Historically The Golf and Tennis Fund Subsidized Other Recreation Programs
- Provided up to a high of \$2.0 M to a low of \$120,000
- Enterprise Fund Created in 2011
 - Intended to be full cost recovery
 - Other recreation/community services would continued to subsidized by the General Fund
- Today the Tennis Program makes approximately \$60,000 a year
- This Past Year the Enterprise Fund Required Approximately \$105,000 from the General Fund (3% of Total Revenue)



Golf Profitability

- Summary Fund Balance for Last Five Years

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Revenue	\$ 3,477,753	\$ 3,687,706	\$ 3,393,813	\$ 3,441,118	\$ 3,376,751
Expenditures	\$ 3,433,101	\$ 3,434,368	\$ 3,380,079	\$ 3,293,986	\$ 3,183,430
Overhead	\$ 404,334	\$ 273,230	\$ 389,455	\$ 403,483	\$ 391,684
Difference	\$ (359,682)	\$ (19,892)	\$ (375,721)	\$ (256,351)	\$ (198,363)
Net of Overhead	\$ 44,652	\$ 253,338	\$ 13,734	\$ 147,132	\$ 193,321

- 20 year Plan

	FY 2015/16	FY 2020/21	FY 2025/26	FY 2030/31	FY 2034/35
Revenue	\$ 3,386,191	\$ 3,829,875	\$ 4,233,071	\$ 4,672,951	\$ 5,057,602
Expenditures	\$ 3,418,217	\$ 3,866,309	\$ 4,337,765	\$ 5,004,744	\$ 5,570,462
Overhead	\$ 400,707	\$ 448,505	\$ 504,941	\$ 581,807	\$ 651,808
Difference	\$ (432,733)	\$ (484,939)	\$ (609,635)	\$ (913,600)	\$ (1,164,668)
Net of Overhead	\$ (32,026)	\$ (36,434)	\$ (104,694)	\$ (331,793)	\$ (512,860)

- Key Findings

- Golf has been at a deficit the last few years
- In the near term if you remove indirect overhead golf would be close to breaking even – the overall fund would operate at a profit
- 20 year budget requires a subsidy, increases significantly by 2035
- Does not include Capital Costs

Golf Recreation Benefits

- Approximately 122,500 Rounds of Golf This Past Year
- 52,500 Rounds at Sunken Gardens
- 70,000 Rounds at Sunnyvale Golf Course
- Approximately 380,000 Hours of Recreation
- Mix of Users with Many Seniors
- Prices as Low as \$17, Special Senior Prices, Kids 16 and Under Play Free
- 94% Cost Recovery (\$3.4 M in Expenditures - \$3.2 M in Revenues)
- How Does it Compare to Other Recreational/Community Services?



Other Recreation

- Library and Community Services

Program	Cost Recovery Ratio
Community Services Division (Prog. 527 & 626)	53%
527 Youth and Family Services	21%
626 Arts and Recreation Programs	57%



Other Recreation

- Golf Cost Recovery Ratio is Competitive

Art and Recreation Programs	Cost Recovery Ratio*
After School Programs and Summer Recreation	56%
Senior Classes, Activities, and Services	29%
Visual Performing Arts Programs	68%
Sports Classes	111%
Recreation Facility Rentals	104%

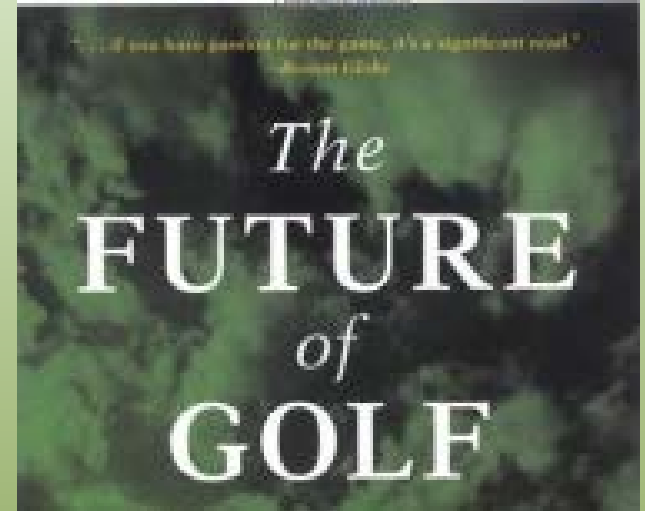
* Notes

- Ratio Does Not Include Overhead, Capital, All Maintenance, or All Utility Costs
- Example - If field maintenance costs are included the ratio is 15%
- However fields are available for open recreational uses



Moving Forward

- Successful Food/Beverage Vendor
- Golf Course Building Needs to Be Updated
- Staff Costs Will Continue to Increase
 - Optimized staffing levels
 - Reduced from 20 to 14 FTE
 - Reduced from 3 managers to 1 manager
 - Focused funding on operations and services
- If Current Golf Trends Continues Golf Will at Best Break Even – Implement New Ideas to Generate Revenue
- Current Budget Plan Forecasts a General Fund Subsidy In All Out Years
- Three Options Moving Forward
 - Continue to operate as-is
 - Use a private operator (explore viability of option)
 - Explore other uses



Three Options

1. Maintain Current Operations

- Update golf building
- New food and beverage operator (estimate a 4%-7% increase in revenue)
- Implement programs to increase use (estimate a 3%-5% increase in revenue)
 - Implement a Player Development Program
 - Marketing Program
 - Increase Customer Service
 - Community Involvement Program
- Consider change to overhead contributions (subsidize)



Three Options

2. Private Operator

- Policy 7.3.6 Service Delivery Options
- Update golf building
- New food and beverage operator
- Study options, benefits, and finances
- Would require a selection process
- Transition period for City resources
- Staff to other PW sections



3. Explore Other Uses at the Golf Course



Other Uses

- Options to Study Further
 - Convert both golf courses to other uses
 - Convert only Sunken Gardens to other uses
- Other Use Types
 - Park uses
 - Sports fields
 - Private sports fields (e.g. – twin creeks)
 - Non-recreation uses
- Other Alternatives?
- Full Study Required



Study Cost and Scope

- Council Policy Priority/Proposed Study Issue?
- Cost
 - \$400,000 - \$500,000 (estimate)
 - Study would also include maintaining golf
- Analyze Opportunities
 - What can the land be used for?
 - What are the community needs/interest?
- Community Outreach
 - Current golfers – 125,000 rounds a year
 - Community Priorities
- Financial Analysis
 - Land value analysis
 - Capital costs (environmental, design, construction)
 - Maintenance costs (\$15,000-\$22,000 an acre) - If you convert 100 acres to park uses = \$1.5-\$2.2 Million a year to maintain (2015 dollars)
 - Private use options
- Timeframe
 - Multi-year study

Next Steps

- Complete Lease Negotiations
 - Lease agreement with ZGolf
 - Costs
 - Construction Risk
 - If lease not feasible pursue another RFP for food/beverage service
- Upgrade Golf Building
 - Required for golf service
 - Could building be used for other purposes?
- Continue Current Golf Operations As-Is
- Other Options Study
 - Council proposes Study Issue for Jan 2016 consideration

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