



Sunnyvale

DPW 18-11 Analysis of Sunnyvale Golf Program

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Golf Review

- City operates two golf courses and one tennis center that make up the Golf and Tennis Fund since 2013.
- City's 20-year plan shows an annual average of \$1,400,000 transfer from the General Fund to the Golf and Tennis Fund.
- In 2018, Council recommended a Study Issue to address the transfers and determine an appropriate level of subsidy.





Sunnyvale

Sunnyvale Golf Program Analysis

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NGF Consulting, 11/09/2021



National Golf Foundation

Company Background

- Founded 1936 in Chicago
- At forefront of Golf Industry participation / other proprietary research (e.g., Titleist, TaylorMade, PGA)
- Facility Consulting division formed in late 1980s
- Municipal golf consulting industry leader – 350+ public sector clients
- Independence – do not design or manage golf courses

Purpose of Golf Subsidy Analysis

- Retained to provide independent analysis
- City goal is to identify analysis-based estimates of golf future program revenues, expenses and subsidies.
- ID potential revenue enhancement opportunities.
- Identify a more viable business model that helps minimize General Fund subsidy?
- Financial pro forma analysis under various scenarios.

Key Study Activities

- Meetings with golf course & City staff
- Facility review for Sunnyvale & Sunken Gardens
- Review of Golf System Performance & Subsidy
- Market Analysis
- Subsidy Benchmarking
- Golf Surveys/ Community Engagement
- Pro Forma Financial Sensitivity Modeling



Sunnyvale Golf System – 2 Facilities

- Sunken Gardens GC
 - ◆ 9 holes, 30 acres
- Sunnyvale Golf Course
 - ◆ 18 holes, 145 acres (35 leased)
- Golf and Tennis converted to enterprise fund in 2011
- FY19 subsidy was \$1.45 million



Golf Facility Capital Needs

- Aging Infrastructure
- High-Priority Needs:
 - ◆ Safety analysis
 - ◆ Irrigation system replacement
 - ◆ Drainage improvements
 - ◆ Rebuild features – tees, greens, bunkers, etc.
 - ◆ Arbor management
 - ◆ Clubhouse enhancement or replacement
 - ◆ Maintenance facility repair / upgrades (Sunken Gardens)



Golf Facility Improvement Scenarios

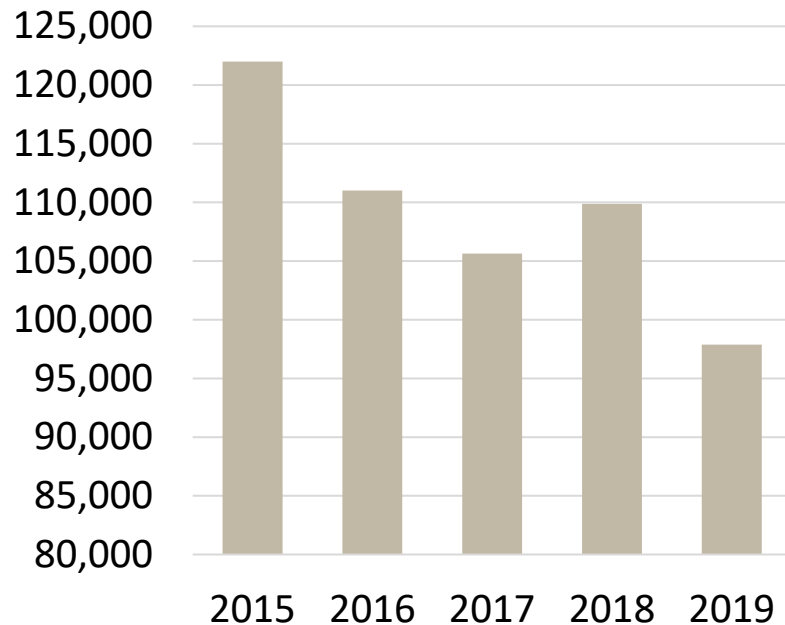
- Sunnyvale GC
 - ◆ ‘Baseline’: Lower Intensity – limited reconfiguration (including 5 new green sites) to allow for full-length driving range; retains par-70, 6,200 yards; estimated \$3+ million
 - ◆ More Intensive Approaches: redesign-oriented renovation aimed at repositioning in market (e.g., Palo Alto’s Links at Baylands); also includes range; \$10+ million
- Sunken Gardens GC – master plan approach to facility renovation
 - ◆ Requires in-depth safety analysis
 - ◆ Preliminary cost estimate of \$3+ million (excl. clubhouse)

Recent Performance

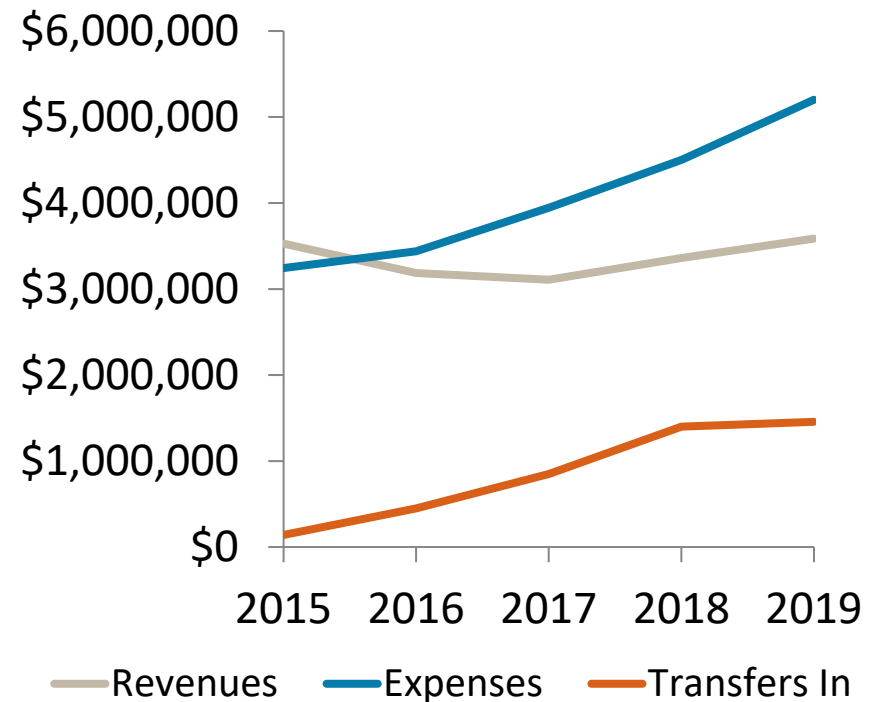
Sunnyvale Golf

Rounds

Totals



Revenues vs. Expenses (\$)



(1) City supplied data

National Trends

Mix of Good and Bad

- Number of golfers has declined by about 6 million (~20%) since early 2000s.
- Golf course supply correction continues.
- Surge in capital investment for existing facilities.
- Increasing diversity of juniors and beginners.
- Increase in 'off-course' participation (Topgolf).
- Covid-19 Surge – 2020 rounds up by 61 million (14%).

Key Local / Regional Market Findings

- Per-capita supply of public golf courses is favorable as regionally some public courses have closed.
- Average rounds per 18 holes of public golf of 55,000+ - one of most active in country.
- Bay Area – many courses were built during the golf boom and have since closed or been re-developed due to demand.
- Sunnyvale golf courses have fallen behind key competitors due to deferred maintenance and capital, lack of amenities.

Sunnyvale GC Golfer Survey (N=396)

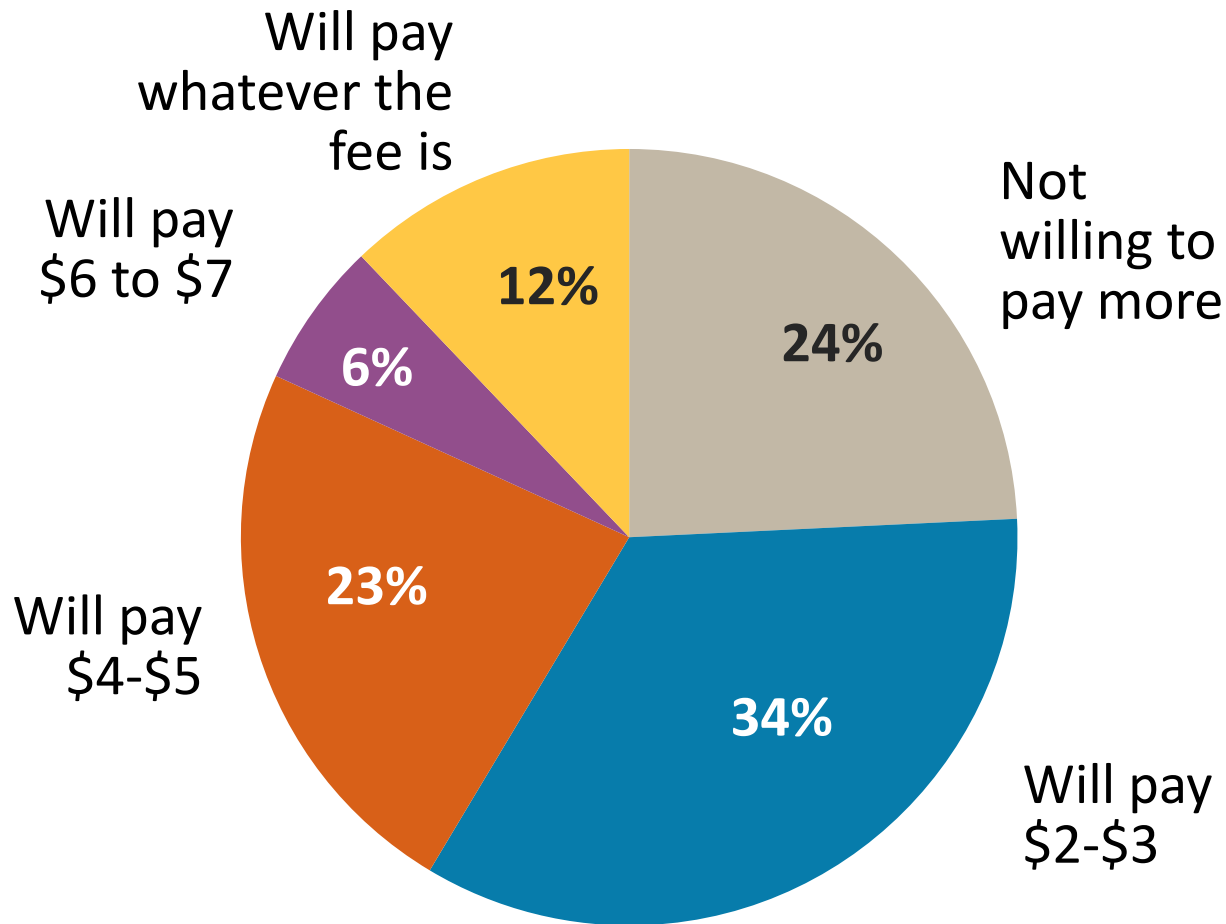
- **Customer satisfaction** low compared to benchmarks.
- **Like most:** Friendly staff, location, golf course design/layout, tee time availability, affordability.
- **Lowest ratings:** Condition of golf course playing areas; on-course services; amenities.
- **Improved course condition** top factor that would prompt them to play more at SGC.
- **Food & Beverage Service preference:** “19th Hole” (36%); small kiosk with grab-n-go, hot dogs, etc. (25%); full-service restaurant (16%)

Sunken Gardens GC Golfer Survey (N=187)

- **Customer satisfaction** low compared to benchmarks.
- **Like most:** Friendly staff, convenient location, food & beverage service, tee time availability, affordability.
- **Lowest ratings:** Condition of golf course playing areas, especially the tees and greens; quality of pro shop inventory; on-course services; amenities.
- **Improved course condition** (greens, tees, fairways, bunkers) top factor that would prompt them to play more at Sunken Gardens.

Customers Willingness to Pay More

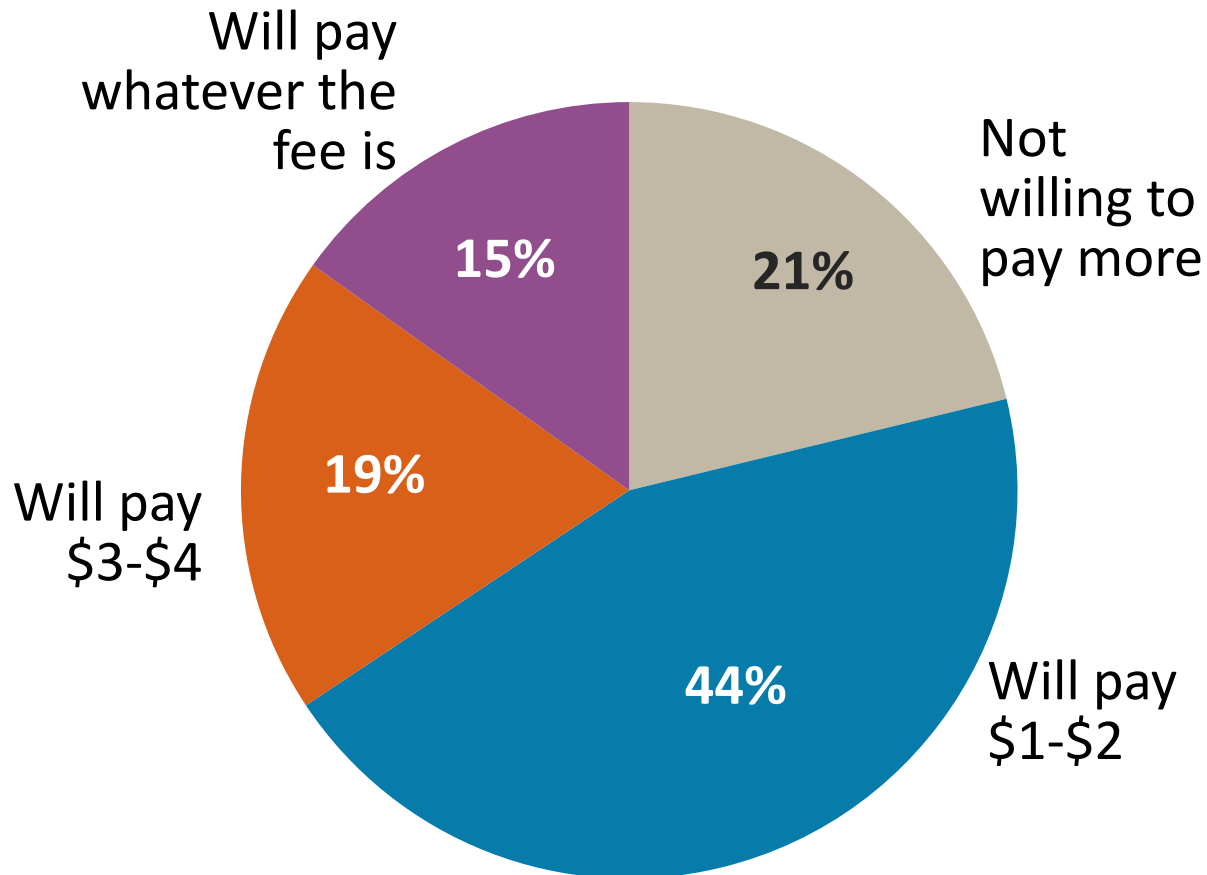
Sunnyvale Golf Course



1) NGF GolfSAT survey to former Sunken Gardens GC customers

Customers Willingness to Pay More

Sunken Gardens Golf Course



(1) NGF GolfSAT survey to former Sunken Gardens GC customers

Municipal Golf Trends

NGF Survey Research

- About half Enterprise Fund; trending down.
- More than half self-operate with public employees.
- About 1/3 municipal courses losing money operationally; about 2/3 require General Fund support after “other costs”.
- 70% deferring capital improvements; 50% have reduced FT staffing.



(1) NGF 2020 Muni Golf Study (2019 data)

Sunnyvale Golf Subsidy Analysis – FY2019

- Utilized Net Operating Income (NOI) for accurate comparison to benchmark subset.
- Sunnyvale Golf & Tennis Fund NOI for FY2019 was ~\$1.6 million (subsidy/transfer in \$1.45 million).
- Bay Area/northern Cal benchmarking subset of 14 chosen on several criteria, including population, golf inventory, and accounting method.
- List curated to 5 based on established criteria.
- Comparison to other City programs on cost recovery.

Sunnyvale Golf Subsidy Benchmarking

- Sunnyvale had the second highest loss at \$1.6 million.
- Regional benchmarking – all 14 of facility benchmarking subset had negative NOI in FY19.
- Sunnyvale Golf has comparatively high irrigation costs, as well as high “indirect” fixed costs, totaling more than \$1.1 million in FY19.
- ***Equalizing for these costs, Sunnyvale’s net operating deficit would be (\$507,000) in FY19, compared to an average loss of (\$332,000) for the other five systems.***

Benchmarking – Per Unit Metrics

Summary Subsidy Metric Rankings

Public Agency	Net Operating Income before Transfers	Subsidy* Rankings (highest to lowest)
Hayward Area RPD	-\$1,720,453	1 of 6
City of Sunnyvale	-\$1,613,411	2 of 6
City of San Jose	-\$1,102,441	4 of 6
City of Modesto	-\$508,587	3 of 6
City of Santa Clara	-\$66,285	5 of 6
City of Pleasanton	-\$36,067	6 of 6
*Defined as Net Operating Income before Transfers		

Subsidy Analysis - Other City Programs

- Cost Recovery Comparison to other City services / programs / amenities.
- Golf & Tennis Fund cost recovery significantly higher than other programs.
- Golf Fund “fully costed”, including “In-Lieu” and allocated overhead charges.
- Estimated annual cost to maintain golf course acreage as park space (minus NASA land) is about \$4.24 MM.

Cost Recovery – Other City Programs

Comparative Cost Recovery Percentages:
Golf vs. Other City of Sunnyvale Programs – FY 2019

Program	Cost Recovery Ratio*
Golf & Tennis Fund (excl. depreciation)	69%
Golf & Tennis Fund (including depreciation)	65.7%
Community Services Division (Prog. 527 & 626)	51.8%
527 Youth and Family Services	21.4%
626 Arts and Recreation Programs	56.2%
*City: Ratio Does Not Include Overhead, Capital, All Maintenance, or All Utility Costs	



Financial Projections and Sensitivity Analysis

- For period of FY 2021/22 through FY 2030/31.
- Baseline ('steady state') plus 5 alternate scenarios.
- Assume no major facility capital improvements other than addition of range at SGC in 2 scenarios.
- Continued self-operation; minimal F&B at SGC.
- Without "transformative" investment, continued high subsidy.
- Cumulative 10-year losses ranges from \$11.7 MM "best case" to \$21.5 "base case".

Potential Revenue Enhancement Opportunities

- Raise green fees modestly.
- Add 35-station driving range at Sunnyvale GC: NGF estimate of \$17,000 annual gross revenue per station.
 - ◆ Cost of Sales = 7.5%
 - ◆ Estimated Construction Cost = \$3.2 million
 - ◆ Approximate 6-year “payback period”, excluding debt
- Themed programming & events aimed at drawing less-committed golfers and even non-golfers.
- Food & Beverage - reintroduce minimal level of service (plus space rentals) at Sunnyvale GC.

Summary Conclusions

- Popular venues highly valued by many residents despite need for facility improvements.
- Analysis showed net operating losses and subsidies were large compared to regional subset, and based on NGF experience in other parts of country.
- High cost recovery vs. other City programs.

Summary Conclusions

- Constraints to financial improvement:
 - ◆ Infrastructure age & condition
 - ◆ Insufficient budget & staffing
 - ◆ Lack of driving range and food & beverage service at Sunnyvale GC
- Tremendous FY21 demand surge due to pandemic: Sunnyvale GC + nearly 28,000 rounds; Sunken Gardens + 27,000 rounds.
- Absent major facility investments, Golf Fund not likely to be self-sustaining.

Fiscal Years 2020/2021 and 2021/2022

Fiscal Year 2020/2021

- Golf exceeds Projected Revenue by approx. \$1,700,000 (approved GF transfer \$1.715M).
- Sunnyvale Golf Courses record 152,637 rounds – the most since 2004/2005 and 54,943 more rounds than the previous year.

Fiscal Year 2021/2022 – the first three months through September

- Total Revenue is over \$120,000 from last fiscal year.

Next Steps

Plan for sustainable Golf Course Operations

- Continue to monitor revenues and update as part of the budget process.
- Continue subsidy through FY 23-24, as shown in the 20-year financial plan, to provide reserve funds for future subsidy and capital needs.
- Begin to program capital projects into the budget during next capital cycle evaluating Park Dedication Funds as a potential source.