

APPROVED

REPORT OF GENERAL MANAGER

NO. 07-126

DATE June 6, 2007

JUN 06 2007

C.D. Various

**BOARD OF RECREATION
and PARK COMMISSIONERS**

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: PROPOSED GREEN FEE INCREASES AT ALL CITY OF LOS ANGELES GOLF COURSES

*J. Combs _____	J. Kolb _____
H. Fujita _____	F. Mok _____
S. Huntley _____	K. Regan _____
R. Adams _____	M. Shull _____



 General Manager

Approved Disapproved Withdrawn

RECOMMENDATION:

That the Board:

1. Approve the proposed changes to the Schedule of Rates and Fees for Golf as outlined in the body of this report, subject to approval by the U.S. Army Corps of Engineers (COE) where applicable;
2. Instruct staff to request COE approval of the revised golf green fees for those golf courses located on COE property; and
3. Upon receiving COE's approval, authorize staff to make the changes in the Rates and Fees Manual effective July 1, 2007.

SUMMARY:

As part of the FY 07-08 budget process, the Mayor instructed all Departments to develop 5% budget reduction packages. To help reach this target, the Department is proposing green fee increases for all rate categories (except for Junior green fees) at all of the City's golf facilities. The following rates are an example of some of the more significant rate increases:

18-Hole Weekday:	\$2.00 increase (from \$22 to \$24)
18-Hole Weekend:	\$2.50 increase (from \$28.50 to \$31)
18-Hole Senior:	\$2.00 increase (from \$13 to \$15)

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All of the changes in green fees for the City of Los Angeles golf facilities are included in Exhibit A. Exhibit A also includes language that makes clear that any golfer age 12 or younger must be certified to play and must be accompanied by an adult. The age requirement does not change. The section on shotgun tournaments includes a correction to a typographical error for the previous total per person fee. The previous fee should have been \$63, not \$53, and the recommended increase is to \$65.

The fee increase is anticipated to increase green fee revenue by approximately \$1.9 million, assuming no reduction in play. Of the \$1.9 million, it is anticipated that:

1. Approximately \$1 million will be deposited into the Department's General Fund as increased revenue;
2. Approximately \$0.4 million will be deposited into the Golf Division's Surcharge Account. Presently, 24% of all golf green fees are deposited into the Golf Surcharge Account 932, Fund 302, Department 89. Funds obtained through surcharge are used to renovate and improve existing facilities and to construct new facilities at the Department's thirteen (13) golf courses;
3. Approximately \$0.5 million in additional revenue will be generated to compensate for anticipated loss of revenue at the Hansen Dam Golf Course due to an irrigation and golf cart path construction project. The project is anticipated to begin in the summer of 2007 and is estimated to last six to eight months, during which period portions of the golf course will be closed to the public, leading to an estimated loss in revenue of \$500,000.

Staff will request COE approval in order to implement the fee increase at golf courses located on COE property (Hansen Dam, Encino, Balboa, Woodley Lakes) effective July 1, 2007.

The Golf Advisory Committee concurred with the proposed green fee structure; however, they also resolved to make a separate written and oral presentation to the Board regarding the Golf Advisory Committee's concerns about the City's mechanisms for long-term capital reinvestment in the golf system.

FISCAL IMPACT STATEMENT:

Assuming no reduction in play, the increased green fee structure would increase the amount deposited to the Department's General Fund by approximately \$1 million for Fiscal Year 2007-2008.

This report was prepared by James N. Ward, Golf Manager.

EXHIBIT A

GOLF

(Revised August 2006 July 1, 2007)

Whenever the General Manager deems that a discount rate is appropriate for marketing, or due to course condition or temporary circumstances, the established twilight, super-twilight and mid-day rates will be utilized.

*\$1.00 from all 18-Hole Play fees to **MRP Special Accounts** for marshaling and golf course improvements.*

*\$.75 from Harbor, Penmar, and Roosevelt Play fees to **MRP Special Accounts** for marshaling and golf course improvements.*

*\$.50 from Rancho 3 Par Play fees to **MRP Special Account** for marshaling and golf course improvements.*

*\$.25 from Los Feliz 3 Par Play fees to **MRP Special Account** for golf course improvements.*

SECTION I STANDARD FEES

GREEN FEES

Regulation Courses (Woodley Lakes, Wilson, Harding, Hansen Dam, Encino, Balboa, Rancho)

	<u>Weekday</u>	<u>Weekends & Holidays</u>
18-Hole Play	\$22.00 \$24.00	\$28.50 \$31.00
9-Hole Play	\$13.00 \$15.00	\$17.00 \$19.00
Other Courses		
Harbor	\$11.50 \$13.50	\$15.00 \$17.00
Penmar	\$11.50 \$13.50	\$15.00 \$17.00
Roosevelt	\$11.50 \$13.50	\$15.00 \$17.00
Rancho 3 par	\$ 5.00 \$6.00	\$ 6.00 \$7.00
Holmby 3 par	\$ 2.00	\$ 3.00
Los Feliz 3 par	\$ 4.00 \$4.50	\$ 5.00 \$6.00
(Replay \$2.00 \$2.50 weekday only)		

NO SHOW PENALTY \$5.00 (per individual)

Penalty to be charged when starter cannot fill no-show vacancy from the course's call waiting sheet.

SECTION II DISCOUNTED FEES

SENIOR CITIZEN GREEN FEES (age 65 and over)

Must be ~~registered~~ **a reservation** card holder (or **for Rancho 3 par and Los Feliz**, provide identification, showing proof of age and residency within the City of Los Angeles ~~at Rancho 3 par, Los Feliz and Holmby~~) to be eligible for discounted fees. Discounted fees are only effective during non-holidays, Monday through Friday.

No replay rates at any course.

	<u>Weekday</u>	<u>Weekends & Holidays</u>
18-Hole Courses	\$13.00 \$15.00	
9-Holes on Regulation Courses	\$8.00 \$9.00	
Harbor	\$7.00 \$8.00	
Penmar	\$7.00 \$8.00	
Roosevelt	\$7.00 \$8.00	
Rancho 3 par	\$3.00 \$4.00	

GOLF - (continued)

Los Feliz 3 par	\$2.50 \$3.00 \$3.00
Holmby 3 par	No Discount Allowed

STUDENT/JUNIOR GREEN FEES (Junior rates apply until September 1 of one's year of high school graduation or one's 19th birthday, whichever comes first)

Any golfer age 13 12 or younger must be certified in order to play and **must be accompanied by an adult.** Golfers 13 12 years of age and younger at Los Feliz and Holmby do not need to be certified but must be accompanied by an adult.

Weekend/Holiday access: Junior golfers will be charged the regular weekday junior rate on weekends and holidays, on a walk-on basis only, subject to no existing reservations and no call sheet.

Weekdays only, except as above	<u>Tournament</u>	<u>Reserved Time & Permit Play*</u> Discount Rate	Stand-by Walk-on	<u>Weekday/Weekend & Permit Play*</u>
18-Hole Courses	\$9.00	\$7.00	\$5.00	
9-Holes on Regulation Course	n/a	\$5.00	\$4.00	
Harbor	\$5.00	\$5.00	\$4.00	
Penmar	\$5.00	\$5.00	\$4.00	
Roosevelt	\$5.00	\$5.00	\$4.00	

*High Schools, classes, etc.

All day	<u>Weekday</u>	<u>Weekends</u>	League w/permit & Reserved Time
Rancho 3 par	\$3.00	\$4.00	\$4.00
Los Feliz 3 par	\$3.00	\$4.00	\$4.00
Replay	\$1.50	\$2.00	
Holmby 3 par	\$1.50	\$1.50	\$1.50

SENIOR CITIZENS LIFELINE GOLF PROGRAM (65 years or older)

Green fees under the Senior Citizens Lifeline Golf program apply to all courses, except Holmby, for weekday play only. Seniors who qualify for the Department of Water and Power Lifeline Rate exemption, ~~Pacific Bell Universal Lifeline Flat Rate~~, or qualify for Supplemental Security Income (SSI) from the Social Security Administration and present additional identification, showing proof of age and residency within the City of Los Angeles, will be issued a card verifying eligibility that **will entitle Seniors to a discount equal to 50% of Weekday Green Fees.** Purchase of a Golf Registration Reservation Card is not required.

GOLF - (continued)

	<u>Weekday</u>
18-Hole Courses	\$8.00 \$12.00
9-Holes on Regulation Courses	\$6.00 \$7.50
9-Hole	
Harbor	\$4.50 \$6.75
Penmar	\$4.50 \$6.75
Roosevelt	\$4.50 \$6.75
Rancho 3 par	\$3.00
Los Feliz 3 par	\$2.25

RATE REDUCTION WHEN TEMPORARY GREENS ARE IN USE

When more temporary greens are in use than the number stated below, regular weekday and weekend green fees only will be reduced as follows:

	<u>18-Hole Rates</u>		<u>9-Hole Rates</u>	
	<u>More than 3</u>	<u>More than 6</u>	<u>More than 2</u>	<u>More than 4</u>
Standard Green Fees only	\$2.50	\$5.00	\$1.50	\$3.00

Note: Temporary Green Discount does not apply to alternate greens. Discounts also do not apply to Senior & Junior green fees or other discounted rates.

MIDDAY, TWILIGHT, AND SUPER TWILIGHT FEES

Times and fees for Midday, Twilight, and Super Twilight rates are subject to approval of the General Manager.

		<u>Weekday</u>	<u>Weekends & Holidays</u>
Midday*		(\$3.00 less than 18-hole green fees)	
Twilight**	18-Hole (9-hole rates)	\$12.00 \$15.00	\$15.00 \$19.00
	9-Hole	\$6.50 \$7.50	\$9.50 \$10.50
Super Twilight**	18-Hole	\$7.00 \$8.00	\$8.50 \$9.50

*Midday rates (\$3.00 less than 18-hole green fees) will begin, at the discretion of the General Manager.

SECTION III OTHER FEES

FEE FOR REGISTRATION CARDS

One-Year Card		
	Resident	\$20
	Non-Resident	\$40
	Non-Resident Senior	\$20
Three-Year Card		
	Resident	\$50
	Non-Resident	\$100
	Resident and Non-Resident Senior	\$50

GOLF - (continued)

TOURNAMENT FEES

	<u>Weekday</u>	<u>Weekends & Holidays</u>
18-Hole	\$28.50 \$31.00	\$38.00 \$40.00 (Griffith Park & Sepulveda courses only, see Tournament Policy)
9-Hole	\$13.50 \$15.00	(See Tournament Policy)
Rancho 3 par	\$7.00 \$8.00	
Los Feliz	\$6.00	

SHOTGUN TOURNAMENT FEES

For morning events or afternoon events as part of a "double shotgun", the package rate, per person, includes the following:

	<u>8.00 a.m. Shotgun</u>	<u>10.00 a.m. Shotgun</u>
Tournament Fee	\$33.00 \$35.00	\$53.00 \$55.00
Electric Cart Fee	1/2 regular cart fee	1/2 regular cart fee
Golf Shop Fee	\$5.00	\$5.00
Restaurant Fee	\$5.00	\$5.00
Total Per Person Fee	\$43.00 \$45.00 plus 1/2 regular cart fee	\$53.00 \$65.00 plus 1/2 Regular cart fee

* Fees effective September 1, 2006 for Wilson & Harding and October 1, 2006 for U.S. Army Corps of Engineers Property (Hansen Dam, Encino, Balboa, and Woodley Lakes).

ELECTRIC CART RENTAL - HARBOR GOLF COURSE ONLY

\$10.00
\$ 8.00 Single Rate

HAND CART RENTAL

Holmby, Los Feliz, & Rancho 3 par	\$1.00
All other courses	\$3.00

GOLF CLUB RENTAL

3 par and Holmby courses only	\$.25/each
Harbor Golf Course	\$3.00/set with bag

GOLF COURSE LOCKER RENTAL

	<u>Rancho</u>	<u>Sepulveda</u>	<u>Griffith</u>
Daily	\$2.50	\$1.50	\$2.50
Monthly	\$7.50	\$5.00	\$7.00
Annual			
Small	\$25.00	\$10.00	---
Medium	\$30.00	\$25.00	---
Large	\$42.00	\$35.00	\$40.00
Giant	\$50.00	---	---

FUND RAISING EVENTS (Non-Department Sponsored)

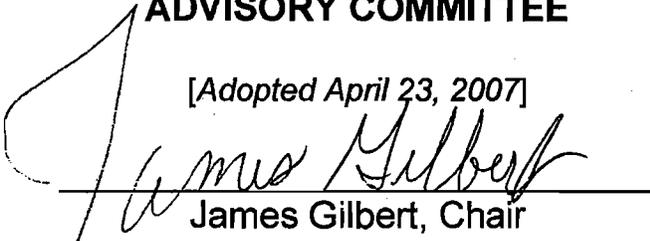
By Board Approval Only. Limited to 2 Events Per Year Per Course.

BOARD OF RECREATION & PARK COMMISSIONERS

Date: June 6, 2007
Item: General Manager's Report 07- 126
Subject: 2007-2008 Greens Fee Schedule

COMMUNICATION FROM THE RECREATION & PARK GOLF ADVISORY COMMITTEE

[Adopted April 23, 2007]



James Gilbert, Chair

During the 1st quarter of 2007 the Golf Advisory Committee conducted five (5) separate public meetings regarding the 2007-2008 greens fee schedule – three (3) meetings of the Standing Fees & Charges Subcommittee, including one conducted at the Sepulveda Golf Complex during evening hours, and two (2) meetings of the full Golf Advisory Committee.

After hours of public testimony, public debate, and the open consideration of a number of “creative” options, including the adoption of a resident / non-resident structure, the adoption of surcharges in lieu of fee increases, and the consideration of mechanisms that would bypass the Golf Surcharge Fund for one year, the Golf Advisory Committee at its March 19, 2007 meeting decided to hold the resident / non-resident structure in abeyance pending the resolution of logistical issues associated with its implementation and to jettison the surcharge, bypass and similar creative mechanisms altogether. In their stead the Golf Advisory Committee acquiesced to the \$2.00 (weekday & senior) / \$2.50 (weekend) across the board paradigm promulgated by the Golf Manager and adopted the following motion:

The Golf Advisory Committee concurs with the resultant greens fee schedule and resolves to make a separate written and oral presentation to the Board of Recreation & Park Commissioners regarding the Committee's concerns about the City's mechanisms for long-term capital reinvestment in its golf system.

The sound of one hand clapping still resonates.

The Committee acquiesced to the across the board paradigm and decided not to make a separate Board Report per the authority granted it under ARTICLE IV, Section 3 of the

Golf Advisory Committee's BYLAWS (adopted June 1996), because it did not want to give the impression that its lukewarm response was predicated upon any sense that the resultant greens fee schedule was inconsistent with the City's professed mission of providing **affordable, accessible recreational golf** to as many persons as possible within the constraints of an inherently expensive activity. It is not. Nor did the Committee want to get bogged down in an off-point debate about \$30 versus \$31 as the appropriate weekend rate or \$14 versus \$15 as the appropriate senior weekday rate. The Committee did want to communicate to the Board its frustration with the City's continued failure to employ the fee setting mechanism, or any mechanism for that matter, to reinvest in the decaying infrastructure of its golf courses. And the Advisory Committee did want to communicate to the Board its frustration with yet another business-as-usual, uncreative, reactive fee proposal in a municipal milieu that long ago rejected that model as corrosive to the needs of modern municipal golf asset management.

This fee increase is not being driven by the needs of the golf courses nor is it being used to improve the golf courses, except to the extent that about 10-12 percent of it is dedicated to a Golf Surcharge Fund best characterized as dysfunctional, i.e., no longer capable of funding capital projects in a timely, efficient and cost effective manner. It is being driven mostly by the need to raise an additional \$1 million for the Department's general fund – not necessarily an end inconsistent with sound municipal golf management were it part of an overall structure dedicated to improving the golf courses over time. It is being driven somewhat less so by the City's continuing incapacity to bring stability to its golf concessions, particularly electric carts. Inaction on the electric cart concession has resulted in poor cart condition, poor cart service and unsafe conditions.

One of the many things that distinguishes governments from businesses is businesses' recognition that they either constantly reinvest in new plant, equipment, technology, processes, and human capital, or they die. They simply lose the capacity to remain competitive and are quickly displaced by those businesses that have taken the steps necessary to keep up with the demands of the marketplace.

To the extent that government performs functions for which there are no competitors, i.e., those areas where there is no money to be made, the citizenry suffers, but government does not get displaced. But government sometimes performs functions for which there are competitors. With respect to golf, there are not only private sector competitors; there are other government competitors as well. There is money to be made in golf, even in the affordable / accessible sector. Indeed, there is often more money to be made in the affordable / accessible sector than the higher end daily fee sector, a fact easily discerned by observing the acquisition habits of golf's large management companies.

Golf is a capital-intensive activity. Irrigation systems, service yards, mowers, aeration equipment, clubhouses, cart paths, cart storage units, greens, tees, parking lots, fences, driving ranges, electric carts, etc., are expensive to maintain, build and / or acquire. They do not last forever. Particularly with respect to those items directly related to the

delivery of state-of-the-art agronomic standards, new technologies often render present equipment obsolete.

Without constant reinvestment in all of these expensive activities, golf courses lose their capacity to attract and retain paying customers, and with golf's fortunes in steady decline since 1999 there are simply fewer customers to spread among the existing stock of public golf courses. Despite its enormous population and its affordable fees, the City of Los Angeles' golf courses continue to lose play.

That is why virtually every local municipal golf system has identified breaking the business-as-usual mindset (or more accurately the government-as-usual mindset) as job one and recognized that developing steady, reliable and sustainable mechanisms of capital reinvestment are central to continued prosperity if not survival.

Long Beach has used a combination of ad hoc surcharges, contract renegotiation, and municipal (lease obligation) bonding to reconstruct all of its courses' irrigation systems, to significantly upgrade its courses, and in one case (Skylinks) to perform a complete reconstruction. Ventura has employed enterprise funds to issue bonds and management agreements to completely reconstruct its municipal golf properties. Downey has employed the same scheme – enterprise funds in conjunction with bonds. Anaheim and Alhambra have followed suit. Burbank is reconfiguring its municipal course and constructing a new \$6 million clubhouse through a combination of accumulated enterprise funds and public works monies.

The County of Los Angeles has appointed a multi-departmental, multi-stakeholder "Prudent Asset Management Task Force" to implement a series of measures calculated to bring more greens fee dollars to its "Capital Improvement Trust Fund," and it has made liberal use of State Parks Bonds (Proposition 12 primarily), Local Parks Bonds (Proposition A), District Capital Projects Funds, and State Grants to supplement its Capital Improvement Trust Fund, a fund that the County has been steadily spending on its golf properties for more than 20 consecutive years. The County has employed contract renegotiation to add improvements, in one case to rebuild an entire golf course at a cost of \$7 million. In addition, Los Angeles County will soon reveal that its envisaged July 1, 2007 greens fee increase will be unlike any other in its history. The lion's share of it will go neither to the County's management tenants nor to its own general funds, but rather to its Capital Improvement Trust Fund, a fund which cannot be diverted to other uses but can ONLY be used to finance course improvements.

Other than preliminary discussions of transforming its financially opaque, command-and-control golf system into a revolving fund, the City of Los Angeles has not taken any positive steps towards performing the kind of prudent long-term asset management that its municipal competitors are actively engaged in. There is no discussion of creating a multi-dimensional, multi-stakeholder "Task Force" parallel to the one convened in Los Angeles County. Discussion regarding surcharges was stifled, and discussion of resident / non-resident differentials was discouraged. There is no move to explore the use of State / Local Parks Bonds or to explore the use of general obligation bonds. There is no discussion of the kind of internal allocation scheme that Los Angeles County is about to reveal in its 2007-2008 greens fee structure. Everything appears to be

plodding along “government-as-usual” – none of the creative thinking evident in other municipal programs.

Whether the City’s golf system can survive this “government-as-usual” stupor while its competitors are scrambling to inject a little business wisdom into their programs is a proposition that the Golf Advisory Committee does not want to test, but one that will undoubtedly be tested unless the City can find within itself the capacity to think and act differently.

Golf communities everywhere stand prepared to self-finance improvements to their golf courses – when they are allowed to.

The men and women who labor every day in the City golf system and deliver high quality facilities despite operating in a system that fails to provide them with the modern tools routinely available to their municipal counterparts, stand prepared to deliver municipal courses second to none.

This greens fee proposal, while reasonable in its resultant schedule, does nothing to allow golfers to finance improvements to their courses in a manner that would guarantee that the monies collected for the purpose would actually go towards course improvements, and it does nothing to begin providing city employees with the same tools as their municipal competitors. It is not representative of the different “thinking” and “acting” necessary to begin reversing the status quo – a status quo that simple prudence dictates must be reversed if the Recreation & Park golf system is to remain viable.