



PARKS AND RECREATION COMMISSION AGENDA REPORT

May 11, 2023
Item 5

TITLE: REVIEW OF PROPOSED FEE CHANGES FOR CALLIPPE PRESERVE GOLF COURSE

SUMMARY

As part of the City's two-year budget process and Callippe Preserve Annual Plan, golf fees are reviewed for fee adjustment consideration. The commission is responsible for reviewing golf fees to determine if an increase is warranted. Callippe Preserve green fees, cart fees and range ball fees were last adjusted in July 2021. Fee increases are recommended in 2023 and 2024 to help offset increased course operating and capital replacement costs. The proposed new fees include a \$2.00 increase to all residents and a \$3.00 increase to all non-resident green fees for both July 1, 2023 and July 1, 2024. Additionally, cart fees and range ball fees are proposed to increase \$1.00 for both July 1, 2023 and July 1, 2024. The recommendation to increase fees for two years follows the City's two-year Operating Budget cycle.

RECOMMENDED ACTION

That the Commission review and approve the fee structure proposed for July 1, 2023 and July 1, 2024.

FINANCIAL STATEMENT

For Fiscal Year (FY) 2022/23, the annual golf course operating costs are projected to be \$3.9M with net operating revenues of \$5.6M forecasted. The proposed fee increases are estimated to generate an additional \$180K in revenue for FY 2023/24 and an additional \$360K for FY 2024/25 over the current rate structure. Revenue generated over cost is allocated towards ongoing capital replacements, thus reducing contributions from the City's General Fund. The fund balance for the Golf Course Repair and Replacement Fund (517) is \$704,478. Expenditures from this fund vary from year to year. For FY 2022/23, a total of \$472,068 has been spent.

BACKGROUND

Callippe Preserve Golf Course opened for public play in November 2005, and was designed by Brian Costello, of JMP Golf Design Group. The par 72 course has five sets of tees, playing from 6,748 to 4,788 yards. The course has a variety of terrain spread throughout as the front nine is routed through the valley and the back nine sits on a higher elevation. The course is named after the Callippe Butterfly that can be spotted on holes 11 through 14. The course is designated as a Certified Audubon Cooperative Sanctuary through the Audubon Cooperative Sanctuary Program. The site is also a venue for special events, tournaments, weddings, and celebrations.

The City has contracted with Pleasanton Golf, LLC (CourseCo) since the inception of the golf course. On December 15, 2020, the Operator Agreement with Pleasanton Golf, LLC (CourseCo) was approved for a five-year extension by Council action.

At least once a year, it is good practice to review existing fees to determine if changes are necessary. There are several factors that weigh into this decision, including course utilization, comparison rates of other nearby facilities within the local market, economic conditions, and market trends. Annual nominal fee increases are considered by staff to be the preferred alternative to larger increases occurring less frequently. This philosophy is consistent with most recreation activities and is less disruptive to our customer bases.

Total rounds for FY 2021/22 were 74,466 and total rounds of 67,245 are projected for FY 2022/23. The projected decrease in rounds for FY 2022/23 compared with prior years is due to people returning to work and the amount of rain over the winter months.

Revenue generated by golf rounds, tournaments, food and beverage, and banquet and events cover all golf course maintenance, operation expenses and operator agreement fees. Any remaining revenue is placed in the golf course capital projects fund. In FY 2022/23, funding was allocated for an emergency repair when a water leak caused an electrical failure.

DISCUSSION

Using the philosophy noted above, staff and operator, CourseCo reviewed 2022 fees. Cart fees, green fees and range balls were raised by \$1.00 in 2021. Based on projected increases in operating and capital costs, staff is recommending a \$2.00 increase to all green fees for resident tee times and a \$3.00 increase to and all green fees for non-resident tee times (Attachment 1) in FY 2023/24 and 2024/25. It is anticipated that the increases will result in approximately \$180K per year in additional revenue for FY 2023/24 and approximately \$360K per year in additional revenue for FY 2024/25.

Flow through rate is the industry term used to measure how an actual rate is determined. With the proposed increases, green fees will have a flow through rate of \$1.75 per estimated 66,914 rounds for a total of \$117K for FY 2023/24 and \$1.75 per estimated 66,914 rounds for a total of \$117K for FY 2024/25. For instance, the proposed increase of \$2.00 for residents make up about 30% of the total rounds 9 (or revenue), the flow rate would be approximately 70 percent of \$23 or \$1.40. The non-resident proposed increase of \$3.00 makes up the remaining 70 percent of the total rounds, having a flow rate of \$2.10. So, the average of the two rates is \$1.75. A recent review found current rates in this area comparable to nearby

courses and these proposed increases keep Callippe competitive with other nearby course rates.

Additionally, staff is recommending a \$1.00 increase for cart fees, and range ball fees for both July 1, 2023 and July 1, 2024. Currently, a cart is \$18.00 per rider and \$14.00 per rider during twilight hours. The \$1.00 cart increase will have a flow through of approximately \$0.70 per round, which will equate to \$46,840. It is also recommended to increase range balls \$1.00. Current rates are \$6.00 for a small bucket, \$9.00 for a medium bucket and \$11.00 for a large bucket. The recommended proposal increases rates by \$1.00 per size will have an anticipated flow through rate of approximately \$0.70. In FY 2021/22 12,319 buckets were sold.

Included in this report is a competitive fee survey of seven golf courses within our market niche (Attachment 2).

Submitted by:



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Attachments:

1. Callippe Preserve Golf Course Fee Proposal
2. Competitive Fee Survey