

PARKS AND RECREATION COMMISSION AGENDA REPORT

May 9, 2019
Item 5

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

SUMMARY

The Commission is responsible for reviewing golf fees to determine if an increase is warranted. Callippe Preserve green fees were last adjusted in July 2017, and cart fees were adjusted in July 2016. As the golf course rebounds from several years of drought conditions and an extremely wet winter, golf industry wide rounds are tending to decline or remain flat, however, Callippe's rounds and revenue are expected to see a moderate increase this coming year. A fee increase is recommended in 2019 to help offset increased course operating, capital replacement and water costs and new golf carts with GPS units received in May. The proposed new fees include a \$1.00 increase to all resident and non-resident green fees and a \$1.00 increase to golf cart fees, effective July 1, 2019.

RECOMMENDED ACTION

That the Commission review and approve the fee structure proposed for July 1, 2019.

FINANCIAL STATEMENT

For FY 2019/2020, the annual operating costs are projected to be \$3.3M with net operating revenues of \$3.5M forecasted. The \$1.00 green fee increase will have a flow through of approximately \$.65 per round, which will equate to \$34,287 and the \$1.00 cart increase will have a flow through of approximately \$.52 per round, which will equate to \$27,430. The total increase for FY 2019/2020 is estimated at \$61,717. Additional revenue generated over cost is used to provide funds for ongoing capital replacements, thus reducing contributions from the general fund.

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 thru 14. The course is also 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 food and beverage service continue to excel and Callippe is becoming well known as a wedding venue where guests take advantage of the beautiful landscapes as their backdrop for their special occasion.

DISCUSSION

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. It has been policy to review golf fees annually, but due to overall economic conditions a fee increase is not always warranted annually.

A few challenges facing golf are that playing trends decreased in 2018 nationwide and as of February 2019 golf rounds are (-30.3%) behind prior year in the Bay Area. Although the course rebounded quite well from drought conditions, the last two winters have been extremely wet and in 2018, we experienced a second year of poor air quality due to wild fires that also impacted play. The maintenance of the golf course continues to be of highest priority and the City and CourseCo are committed to improving course conditions with improved drainage and making capital investments including, leveling par 3 tee boxes, renovating bunkers on Holes #2, #5, and #8, leveling the wedding ceremony site and painting the driving range poles totaling \$246,000.

Maintenance expenses will increase by \$106,900 (\$23,000 in water) due to the water rate increase of 6% over the prior year (\$3.70/unit in 2018 and \$3.91/unit in 2019) and another 6% in 2020. Water usage will remain around 110 million which has been consistent for the last couple of years. Increased water supply and coverage will help improve course conditions through the summer and into fall.

Using the philosophy noted above, staff and operator, CourseCo reviewed fees for 2019. Cart fees were raised in 2016 by \$1.00, and green fees, both residents and non-residents were raised by \$1.00 in 2017. Based on projected increases in operating and capital costs, we are recommending a \$1.00 increase to cart fees and all green fees including both resident and non-resident tee times, (Attachment 1). It is anticipated that the increase will result in approximately \$34,287 per year in additional revenue. Currently a cart is \$16.00 per rider and \$13.00 per rider during twilight hours. A recent review found current rates in this area comparable to nearby courses and a \$1.00 increase keeps Callippe competitive with other

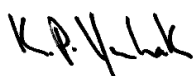
nearby course rates, the \$1.00 cart increase will have a flow through of approximately \$.52 per round, which will equate to \$27,430. Staff is not recommending an increase to range balls, current rates are \$5.00 for a small bucket, \$8.00 for a medium bucket and \$10.00 for a large bucket. Included in this report is a competitive fee survey of seven (7) golf courses within our market niche (Attachment 2).

Callippe offers a tremendous value for the dollar, a beautiful setting and a unique and competitive course design that is enjoyed by players of all ages and abilities.

ALTERNATIVE ACTION

Any other action as determined by the Parks and Recreation Commission.

Submitted by:



Kathleen Yurchak
Director of Operations and Water Utilities

Attachments:

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