

TO: PARKS AND RECREATION COMMISSION

FROM: LAM DO
SUPERINTENDENT OPEN SPACE, PARKS, AND GOLF

DEPARTMENT: COMMUNITY SERVICES

DATE: JANUARY 24, 2023

SUBJECT: GOLF COURSE PERFORMANCE FISCAL YEAR 2022

RECOMMENDATION

This is an informational report on the financial performance of the City's golf course. No action is recommended.

BACKGROUND

In May 2018, the Palo Alto Municipal Golf Course re-opened as the Baylands Golf Links after a course renovation. The new course included a full reconfiguration of the 18-hole course layout to conform with a Baylands setting and some modification of practice facilities. Since re-opening, the course has been operated by OB Sports, a golf management company, on behalf of the City.

When the golf course re-opened, green fees were established with a range to accommodate dynamic pricing, where green fees fluctuate based on time of day, day of week, and demand. Green fees are also tiered with Palo Alto residency, Bay Area residency, and visitor rates. The combination of dynamic pricing, tiered pricing, and high demand during the COVID-19 pandemic has resulted in strong green fee revenue to support operating costs.

DISCUSSION

In Fiscal Year 2019, green fee revenue from course play and tournaments overachieved its financial pro-forma projection and budget. However, revenue from merchandise sales underachieved sales targets. Overall revenue from golf operations ended Fiscal Year 2019 at 6% under target.

In Fiscal Year 2020, the overall revenue target was increased in alignment with prior pro-formas. As the prior fiscal year resulted in strong green fee revenue, this revenue category was increased while the revenue target for merchandise sales was decreased. However, in Fiscal Year 2020 the golf course underperformed financially by 26% less than target. During part of the first eight months of the fiscal year, the course was impacted by poor air quality throughout the region from the 2019 fire season. The course then closed in March 2020 due to the COVID-19 pandemic's shelter in place Health Order implemented by the County and remained closed during most of the key Spring season. The fire season and COVID-19 pandemic impacts to financial performance can also be viewed from the perspective of golf rounds played at 42,429 rounds where the target was 58,449 rounds. This reflects 27% fewer rounds of golf played than targeted rounds. Similarly, overall revenue was 26% less than targeted budget.

In Fiscal Year 2021, the State and County Health Orders were relaxed from singles play to allow group foursome play and the impact on golf operations was an increase in daily capacity for golf

rounds. With few social distanced activities and options, the general public continued to choose golf throughout the fiscal year resulting in revenues 29% higher than target and the first fiscal year since course renovation that the golf course exceeded revenues above target. A comparison of rounds of golf played in Fiscal Year 2020 vs. 2021 reflects a 49% increase of 42,429 vs. 63,352 rounds. The increase in revenue and rounds of golf played were also reflected at golf courses in the region and throughout the country, each with varying degrees.

For Fiscal Year 2022, the strong revenue performance of the golf course continued throughout the fiscal year. Overall, revenue was \$5.3M and 32% above revenue target. Rounds of golf played were the highest since the opening of the renovated course at 64,157 rounds. Demand for golf during the COVID-19 pandemic paired with a high number of warm and sunny days contributed to the course's increased utilization rate and course play. In particular, the winter and spring seasons were warmer than usual with very little precipitation.

In the current Fiscal Year 2023, the summer season performed on pace with the prior fiscal year. However, the fall and winter seasons thus far have been wet with several rainstorms in December and numerous atmospheric river rainstorms January. This has resulted in almost 10% less revenue for the fiscal year to date in comparison to the prior fiscal year. If the remainder of the winter season continues to experience heavy rainfall, there will be fewer ideal dry and warm golf days. This would likely result in weaker revenue performance than the previous two fiscal years.

The following table reflects golf rounds played and player residency for the FY 2022. The course continued to draw players from Palo Alto and Santa Clara County during the COVID-19 pandemic. This is reflected in 70% of players residing in Santa Clara County, half of whom are Palo Alto residents.

Golf Rounds Played and Customer Residency		
Baylands Golf Links: Fiscal Year 2022		
Golf Rounds		64,157
Residency		
	Palo Alto	35%
	Santa Clara County, excluding Palo Alto	35%
	San Mateo County	14%
	San Francisco County	8%
	Other Areas	8%

Golf management company OB Sports remains the course operator and are under contract with the City through Fiscal Year 2024. They provide a full suite of services on behalf of the City

including course maintenance, course bookings, course play, golf practice, lessons, and golf shop sales. They also provide food and beverage service and host banquets at the Bay Café as their own business through a lease of the restaurant facility. Thus, food and beverage revenue are not factored in the golf course's operating budget.

RESOURCE IMPACT

Funding for golf operations is budgeted in the Community Services Department's General Fund budget.

PREPARED BY: _____

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