

Project Report:

Evaluation of Operating Options

Los Angeles Municipal Golf Course System

Los Angeles, California

Prepared for: City of Los Angeles, Department of Recreation and Parks

Prepared by: Tom Frost Golf, Inc.

September 2011

September 8, 2011

Mr. Jon Kirk Mukri
General Manager
Department of Recreation and Parks
City of Los Angeles
221 N. Figueroa Street
15th Floor
Los Angeles, CA 90012

RE: Evaluation of Operating Options, City of Los Angeles Municipal Golf System, Los Angeles, California

Dear Mr. Mukri:

Attached is our report which contains an evaluation of the operating options available to the City of Los Angeles Department of Recreation and Parks with regard to the City's municipal golf system. The City of Los Angeles' municipal golf course system is among the country's largest and potentially strongest in terms of utilization and revenue generation. Under the current operating structure, the City is not currently, nor likely in the foreseeable term, generating sufficient net operating income from golf operations to address its extensive current and long-term capital improvement replacement needs. The report is intended to identify and compare various golf course operating structures with the current paradigm in terms of economic and non-economic issues. However, the report does not recommend or endorse a specific model as the most appropriate operational structure will depend on the City's overall objectives and any contractual or other constraints which may influence the delivery of golf course services.

We look forward to discussing our findings with you in greater detail, and appreciate the opportunity to participate in this process.

Sincerely yours,

A handwritten signature in black ink that reads "Tom Frost". The signature is written in a cursive style with a long horizontal stroke at the end.

Tom Frost, Principal
Tom Frost Golf, Inc.

Limiting Conditions

General Limiting Conditions

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Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

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Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, Tom Frost Golf, Inc. accepts no liability in relation to the estimates provided herein.

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This report is not to be used in conjunction with any public or private offering of securities, and may not be relied upon without the express written consent of Tom Frost Golf, Inc.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions, and considerations.

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I. Introduction

The City of Los Angeles, through the Department of Recreation and Parks, Golf Division, is responsible for a municipal golf system which is comprised of ten golf facilities:

- ▶ Rancho Park
 - 18-hole regulation
 - 9-hole par-3
- ▶ Griffith Park
 - 18-hole regulation (Wilson)
 - 18-hole regulation (Harding)
- ▶ Sepulveda
 - 18-hole regulation (Encino)
 - 18-hole regulation (Balboa)
- ▶ Woodley Lakes (18-hole regulation)
- ▶ Hansen Dam (18-hole regulation)
- ▶ Harbor Park (9-hole regulation)
- ▶ Penmar (9-hole executive_)
- ▶ Roosevelt (9-hole executive)
- ▶ Los Feliz (9-hole par-3)
- ▶ Holmby Park
- ▶ Tregnan--junior golf academy

The Los Angeles system is one of the country's largest municipal systems in terms of number of facilities, utilization, and gross revenue production. Presently, the City's Golf Division manages the golf course system. The golf courses are maintained by City Recreation and Parks staff, as is the reservations, starter and, as of late 2010, the golf cart rental functions. The pro shop (merchandise and lessons), driving range, and food and beverage functions at each course are the responsibility of concessionaires.

As part of the City's continued efforts to provide high quality services to its constituents in the most cost-effective manner, the Department of Recreation and Parks is in the process of evaluating alternative forms of managing and operating its golf course system. In March 2011, the City retained Tom Frost Golf, Inc. to conduct a preliminary evaluation of the various management and operating options available to the City.

Introduction

The following report identifies the basic options available to the city, and presents an assessment of those options in terms of both economic and non-economic strengths and weaknesses. The overall study effort consisted of a series of important work tasks, including the following:

- ▶ Analysis of current and future regional golf market conditions.
- ▶ Review of Los Angeles City golf system operating history and performance.
- ▶ Identification and analysis of relevant golf course operational models.
- ▶ Review and documentation of California sample municipal operating agreement terms and conditions.
- ▶ Illustrative economic terms relative to various operating options, along with non-economic advantages and disadvantages of options.
- ▶ Financial analysis of the economics of the various operating models.
- ▶ Interview of golf system stakeholders including Department of Recreation and Parks senior management, golf operations administrative staff, representatives of the Golf Advisory Committee, organized labor representatives, and existing food and beverage concessionaires.

A summary of principal findings is presented in Section II, followed by documentation and analysis in subsequent sections of the report.

II. Summary of Findings

The following section presents a summary of key findings and other highlights relating to an analysis of potential operating options of the City of Los Angeles municipal golf course system.

Golf Market Conditions

- ▶ During the 1990s and early part of the 2000 decade, the national and Southern California golf markets exhibited exceptional strength, with most golf courses operating at close to full effective capacity and sustaining greens fees increases well above general price inflation. However, the Southern California regional public golf market, not unlike nearly every major golf market in the country, has deteriorated significantly and steadily since 2002 due to a variety of factors including:
 - The dramatic increase in the supply of public golf courses;
 - Development of high quality daily fee golf courses located within master-planned golf communities, justified by housing economics rather than golf market conditions;
 - Fundamental changes in lifestyle and entertainment/recreation pursuits affecting the demand for golf.
 - The sharp downturn in the Southern California and national economy.
- ▶ Conditions in the Southern California area generally have mirrored the national trends. Between 1996 and 2008, the inventory of public golf courses in the 7-County Southern California region increased from 158.5 to 207.5 courses (18-hole equivalents), an increase of 49 golf courses, or 31 percent, while population in this region increased only about 17% over this same period. No new golf courses have been added during the 2009-2011 period.
- ▶ Importantly, the current weak golf market condition, in large part, does not appear to be cyclical, but rather a reflection of long-term shifts in the underlying demand for golf.
- ▶ Because of the large increase in the supply of facilities, individual public courses in this region, on average, have suffered sharp declines over this period, a substantial portion of the decline occurring since 2004. Those courses which have maintained higher play levels generally have done so by discounting greens fees sharply, while those courses which have not discounted as deeply experienced more pronounced declines in play levels.
- ▶ Manifestations of the weak golf market are declining rounds and revenue, capital improvement cutbacks, excessive discounting, and financial failures, including some in the local market.
- ▶ Most, if not all, public golf courses are facing major challenges in dealing with declining revenues and increasing expenses, particularly the cost of irrigation water. Course operators typically have taken one of two alternative paths—either course maintenance and golf operations expenses have been slashed in an effort to stem losses, or operators have elected to absorb short term operating losses by limiting expense reductions so that course conditions and service levels are not materially affected. The latter strategy appears to have been more productive, even in the short term, and clearly, the outlook for those courses which have resisted making deep cuts is much brighter going forward. There are

Summary of Findings

examples throughout the State where sharp cuts in expenses have disproportionately affected revenues.

- ▶ The mid- to long-term outlook for the regional golf market is highly uncertain. The benefits relating to an aging baby boomer population (participation and frequency of play increase with age), few if any additions to the golf course inventory are expected, and an expected improvement in overall economic conditions, are likely to be partially offset by a continued decline in the overall fundamental demand for golf. Average annual growth of 1.0 to 1.5 percent is expected over the foreseeable term by most golf analysts, although any substantial growth is not likely to occur for at least a few years.
- ▶ Nonetheless, even with modest market improvement and no additional supply, a return to play levels at individual courses generated in the pre-2000 period will likely take at least 15-20 years. There is no evidence at this time which suggests that the golf market will experience a strong rebound when overall regional economic conditions improve.

Current Operations

- ▶ The City of Los Angeles public golf course system is comprised of five regulation length golf course complexes (seven 18-hole regulation length golf courses), three nine hole regulation/executive length courses, two 9-hole par-3 courses, the Tregnan Junior Golf Academy, and the Holmby Park Pony Course.
- ▶ At this time, the City Recreation and Parks Department maintains all of the golf courses, provides reservations, starting and greens fees collection services at each course, operates the golf cart rental at each course, and manages the overall system. The golf operation concession (pro shop, lessons, driving range) and food and beverage operations at the courses are the responsibility of independent concessionaires.
- ▶ Similar to the experience of public access courses in virtually every major market in the country, utilization on the City's golf courses has declined sharply over the past ten years. Over the FY2000-FY2010 period, annual play on the City's regulation length 18-hole courses has declined 14% compared with a 9% decline for the County's twelve regulation length courses over this period. In FY2011, annual play on the City's regulation length golf courses declined an additional 15% from FY2010, compared with a 3% decline on Los Angeles County's courses over the past year, primarily the result of a substantial greens fees increase which was implemented by the City of Los Angeles on July 1, 2010.
- ▶ Approximately 81% of the play on City regulation length golf courses derives from City residents and 19% from non-City (mostly Los Angeles County) residents. The percentage varies somewhat from course to course depending on the location and popularity of the golf course. The course with the lowest non-resident play is Woodley Lakes at 11%, while the highest is Rancho Park at 24% non-resident play. The mix of resident versus non-resident play does not vary significantly between weekday and weekend usage.

Summary of Findings

- ▶ Despite the significant deterioration in play, the City's golf system still operates at high utilization rates due to the extraordinary demographics of the region, a four-season climate, and relatively limited competition. City revenues derive from greens fees, cart rental fees, and concession "rents," which are based on a percentage of the concessionaire gross revenue. Annual revenue accruing to the City over the past five years has remained relatively constant in large part due to fee increases.

Department	FY2007	FY2008	FY2009	FY2010	FY2011
Greens Fees	\$17,143	\$18,372	\$19,738	\$18,748	\$18,316
Other Golf Course Revenue	416	403	346	371	182
Reservation Card Fees	566	336	595	462	326
Golf Cart Concession	1,633	1,504	1,439	1,627	2,208*
Pro Shop/Range Concession	1,048	1,001	950	891	786
Food & Beverage Concession	409	444	405	297	290
Tregnan Golf Academy	---	---	138	189	178
Interest Income	720	840	568	451	209
Other Misc. Revenue	32	29	8	8	279
Total	\$21,967	\$22,930	\$24,187	\$23,044	\$22,775

* City assumed golf cart operations in January 2011. Amount shown represents difference between total cart gross revenue of \$3,026,800, less \$818,420 reimbursement to the cart concessionaire for the first seven months of year.

- ▶ While the City of Los Angeles 12-course system generated about \$4.2 million in FY2011 from its golf system, before the indirect citywide overhead CAP Charge and Capital Improvement expenditures, the County of Los Angeles 16-course system generates approximately \$15 million which is available for capital improvements and other non-golf system uses, the City of Long's 5-course system about \$4.2 million, and the City of Pasadena's 36-hole Brookside facility about \$3 million annually. It should be noted that these three cities do not have a Living Wage ordinance.
- ▶ The City has outlined a 10-year capital improvement plan, illustrating the principal elements at each of the City's 18-hole regulation length facilities requiring capital funds. According to the City's assessment, assuming the City assumes the responsibility for improving the practice range facilities at Sepulveda, Woodley Lakes and Rancho Park, total 10-year capital improvement costs (expressed in constant 2011 dollars) is projected to total \$22.53 million. Deducting the \$7.55 million currently available in the capital

Summary of Findings

improvement account, the total requirements are indicated by the City at \$14.98 million. On an average annual basis, the requirements translate into an annual reserve level of about \$1.5 million, or approximately 8% of FY2011 greens fees revenue. The capital costs do not include any significant amounts related to clubhouse improvements.

Operating Options

- ▶ There are five basic golf course operating options that have been analyzed and could be available to the City of Los Angeles:
 - Current Model
 - Modified Management Agreement (Outsourcing, on a fee-for-service basis, Golf Operations Starter, Cart Services, Marshaling, and Green Fee Collections)
 - Facility Lease
 - Full Management Agreement
 - Full Self-Operation (not including Food and Beverage or Merchandise Sales)
- ▶ In addition to these basic options, there are numerous permutations which would create alternative hybrid models. These alternative hybrid models combine some form of self-operation, concession agreements, and/or management/contract agreement.
- ▶ The five basic models are described as follows:

Current Model: Presently, the City's courses are described as a hybrid between full self-operation and a facility lease. This model combines elements of self operation (reservations, starting, greens fees collection, cart operations and course maintenance) with elements of a facility lease (golf operations and food and beverage concession agreements). Under the current model, the City is responsible for managing, and operating some of the golf operating functions, and maintaining the course, relying on concessionaires for selected other golf operations and food and beverage functions. The City sets pricing and policies, and administers the overall program. Under the current model, the City receives 100 percent of the greens and cart fees, and a percentage of the concession (driving range, pro shop merchandise, lessons, and food and beverage) gross revenue.

The primary advantage of the current model is the level of control retained by the City in terms of setting policies, prices and standards. A case can also be made that under the current structure, the City has substantial overhead support functions at its disposal from other City departments. It also is often argued that the entrepreneurial compensation (profit for services rendered) is retained by the public agency under this model, and most of the financial upside related to better than anticipated performance accrues to the City. The validity and value of these advantages is subjective.

The principal potential disadvantages of the current model include higher wage and benefit packages related to public employment, more restrictive labor policies, the absence of "best practices" in revenue generation, and bureaucratic constraints which inhibit management's ability to adapt and respond quickly to changing market practices and conditions. In addition, the current model involves multiple providers of service other than the City which potentially may create conflicts between providers and inconsistent service levels. Most golf analysts strongly believe that there are significant

Summary of Findings

advantages to controlling the entire golfer experience through providing all of the functions at the golf course under one management entity. Under the current operation, most of the financial risk is borne by the City.

Modified Management Agreement: The Modified Management Agreement would entail the City contracting out the golf services to private operator on a fee-for-service agreement. Golf course maintenance would continue to be the responsibility of the City.

This option would provide the City with professional operational oversight by an experienced private sector specialist. Services would include marketing and promotional support, rounds and revenue optimization, and overall revenue management at each facility. Under this model, the City receives all golf course revenues and bears all, or most, of the operating expenses, paying a fee to the contractor for their service. Generally, the agreement with the golf operations contractor calls for a lower base fee than the full management model, and has performance incentives structured in the compensation. Most of the benefits and constraints discussed under the full management agreement would transfer to this option.

Golf Facility Lease: Under this option, the golf course is leased to a private golf course operator who provides course maintenance, golf operations, and overall facility management services. The food and beverage operation may be included under the golf course facility lease or provided under a separate lease to a dedicated food and beverage operator. The operator's lease payments typically are based on a minimum rental payment versus a percentage of golf, merchandise, lessons, and food and beverage departmental gross revenue. Under a typical facility lease, the lessee receives 100 percent of the revenue and is obligated to fund some required front-end capital improvements, operating expenses, and a reserve for ongoing capital improvements. As such, the financial risk is largely borne by the lessee. The term of the lease is negotiable, although the length generally is related to operator capital improvement levels and rental payment terms.

Full Management Agreement: This option relates to a fee-for-service agreement with a Director of Golf, General Manager or an outside management company. Golf and food and beverage functions may be combined or separated, but the structure is the same. All functions would be under the authority of the contract golf director, General Manager or management firm. Under a typical management agreement, the facility owner (City) receives all revenues and is responsible for funding all capital improvements, operating expenses, and reserves for ongoing capital reinvestment. The owner (City) pays the operator a fee for management of the facility. Compensation typically consists of a base fee, plus performance incentives. While there are many ways of structuring incentive agreements, it is generally more effective to key them off of net operating income, or gross revenue above established threshold levels, with incentive payments equaling anywhere from 25 to 100 percent of the base fee. Increasingly, public agencies are moving to a management contract approach to operations and maintenance.

Summary of Findings

Full Self-Operation: Full self-operation relates to the operation of all, or most, of the golf course management, operations and golf course maintenance functions by the public agency and public employees. As with the management agreement, all of the revenues accrue to the public agency as do all of the operating expenses and capital improvement requirements. As such, all of the market and financial risk is borne by the public agency, as is all of the potential upside performance participation. As noted, the City of Los Angeles structure is largely a self-operation paradigm, although presently the City retains private concessionaires for golf professional and food and beverage functions. A full self-operation model effectively represents an extension of the current model, with the City assuming additional golf operation functions currently handled by the concessionaires--specifically driving range and lessons. It may be possible to continue to concession the pro shop operation under this model. Full self-operation of municipal golf courses is relatively rare at this time throughout the country, although it is not unusual for course maintenance to be provided by public employees.

- ▶ There are economic and non-economic advantages and disadvantages of the various types of operating structures, and the most appropriate structure generally is strongly influenced by the the objectives of the owner (City). Most of the advantages and disadvantage of each approach are summarized in Table II-2 shown below. In general, there are three factors which influence the preferred structure:
 - Level of control desired by public entity in terms of fee structure, operating policies, and other procedures.
 - Ability or willingness to fund significant capital improvements required.
 - Degree of financial risk tolerance related to market and other events.

Summary of Findings

Table II-2: Strengths and Weaknesses of Golf Course Operating Options			
Current Model	Modified Management	Facility Lease	Management Agreement
		Full Self-Operation	
STRENGTHS			
<ul style="list-style-type: none"> Reasonable level of City control over rates, policies, practices, and overall golf experience Availability of City overhead support functions Participation in upside financial performance Provides opportunity to retain specialists in golf operations and food and beverage Preserves option to convert to alternative operating option 	<ul style="list-style-type: none"> Reasonable level of City control over rates, policies, practices, and overall golf experience More efficient coordination of golf operations Assigns responsibility to a single on-site manager Availability of City overhead support functions Participation in upside financial performance Provides opportunity to retain specialists in golf operations and food and beverage Preserves option to convert to alternative operating option 	<ul style="list-style-type: none"> Provides reasonably strong financial return to city Produces guarantee minimum rent payment to City Minimizes financial risk Minimizes political influence with less direct involvement of City with setting fees, policies, and practices Offers potential benefits in golf management expertise and specialized maintenance support services May provide private capital investment in facilities 	<ul style="list-style-type: none"> Provides highest level of City control over rates, policies, practices, and overall golf experience Availability of City overhead support functions Full participation in upside financial performance and potential efficiencies in retaining all golf operations functions Provides opportunity to retain specialists in golf operations and food and beverage Preserves option to convert to alternative operating option
WEAKNESSES			
<ul style="list-style-type: none"> Higher likelihood of conflicts among concessionaires Inability to control full golfer experience Involves higher public sector wage and benefit structure Constrains ability of management to adapt and respond to dynamic market conditions Entails substantial financial risk Reduces opportunity to attract private capital due to reduced lessee control Relatively high City monitoring requirements 	<ul style="list-style-type: none"> Inability to control full golfer experience Involves higher public sector wage and benefit structure Constrains ability of management to adapt and respond to dynamic market conditions Entails substantial financial risk Reduces opportunity to attract private capital due to reduced lessee control Relatively high City monitoring requirements 	<ul style="list-style-type: none"> Minimum operational and quality control May involve long-term contractual commitment Minimizes financial upside, particular in current market Current weak market for facility leases Potential conflicts over capital reinvestment responsibilities of contracting parties 	<ul style="list-style-type: none"> Requires more city involvement than facility lease option Minimizes private capital investment in facilities. Entails greatest level of city financial risk Involves higher public sector wage and benefit structure Reduces opportunity to attract private capital due to reduced lessee control Potentially difficult to retain Pro Shop and Instruction concessionaires Relatively high City monitoring requirements

Summary of Findings

Financial Projections

- ▶ Stable year operating revenue projections, shown in Table II-3, are assumed to apply uniformly to all operating options. The baseline revenues are consistent with actual operating results for FY2011, with the exception of cart revenue which is projected based on prior years cart utilization rather than FY2011 which was adversely affected by the availability of a full inventory of serviceable carts. The projections are expressed in constant 2011 dollars.

Table II-3: Projected Annual Baseline Gross Revenues (thousands of constant 2011 dollars)		
Revenue	Actual FY2011	Stable Year Baseline
Greens Fees	\$18,316	\$18,316
Cart Fees	3,027	3,365
Driving Range	2,117	2,117
Pro Shop	1,050	1,050
Lessons	411	411
Food & Beverage	3,764	3,764
Tregnan	178	178
Reservations	326	326
Other	<u>670</u>	<u>670</u>
Total	\$29,859	\$30,197

- ▶ Based on the baseline revenue projections and representative terms related to facility leases and management agreements at other California municipal facilities, Table II-4 presents a comparative analysis of net operating income for the various operating structures. Note that under each of the five operating models, operating expenses for the Tregnan Junior Golf Academy, City Reservations, Citywide Overhead (CAP) charge, and the “distribution” to the Department of Recreation and Parks remain identical.

Summary of Findings

Table II-4: Annual Net Operating Income Current Operating Model (thousands of constant 2011 dollars)					
	Current Model	Modified Management	Facility Lease	Management Agreement	Full Self-Operation
City Gross Revenue					
Greens Fees	\$18,316	\$18,316	\$5,495	\$18,316	\$18,316
Cart Rental	3,365	3,365	1,010	3,365	3,365
Range	786	786	529	2,117	2,117
Pro Shop	31	31	63	1,050	31
Lessons	20	20	25	411	411
Food & Beverage	290	290	301	290	290
Tregnan	178	178	178	178	178
Reservations System	326	326	326	326	326
Other	670	670	670	670	670
Total	\$23,982	\$23,982	\$8,597	\$26,723	\$25,704
Less: Cost of Sales	---	---	---	756	---
Gross Profit	\$23,982	\$23,982	\$8,597	\$25,967	\$25,704
Operating Expenses					
Maintenance	\$9,961	\$9,961	---	\$7,147	\$9,961
Golf Operations	4,158	3,442	---	4,142	5,358
Undistributed Clubhouse	---	---	---	520	---
Course Level Administrative	---	---	---	1,665	---
Management Fees	---	780	---	1,128	---
Golf Administration	2,597	2,100	\$1,600	1,600	2,597
Tregnan	586	586	586	586	586
Reservations System	349	349	349	349	349
Utilities	1,600	1,600	---(1)	1,600	1,600
Citywide Overhead	3,205	3,205	3,205	3,205	3,205
Distribution to RAP Dept.	1,000	1,000	1,000	1,000	1,000
Total Expenses	\$23,456	\$23,023	\$6,740	\$22,942	\$24,666
Net Operating Income Available for CIP/Other Set Aside	\$526	\$959	\$1,857	\$3,025	\$1,038
1/ Assumes lessee is responsible for utilities under terms of lease agreement.					

Summary of Findings

- ▶ Annual net cash flow from operations under the five alternative models is projected after an annual deduction for an annual capital improvement program (CIP) reserve. The CIP reserve is based on an annual set-aside equal to 10 percent of gross greens fees revenue, a rough standard applied by many other public agencies including the City of Long Beach and County of Los Angeles.

City of Los Angeles Golf System Projected Net Cash Flow By Model (thousands of constant 2011 dollars)			
Operating Model	Net Operating Income Available for CIP/ Other Set Aside	Less: Recommended CIP Set Aside	Net Cash Flow
Current Model	\$526	\$1,832	(\$1,306)
Modified Hybrid	959	1,832	(873)
Facility Lease	1,857	1,832	25
Management Agreement	3,025	1,832	1,193
Full Self-Operation	1,038	1,832	(794)

Stakeholder Interviews

- ▶ There are a number of stakeholders which participate in the City of Los Angeles golf course system. A number of these stakeholder groups were interviewed as part of this evaluation process to document their views and recommendations regarding improving the overall golf course delivery system. Recognizing that there are numerous groups involved with the system, several key stakeholder group representatives were interviewed during the course of this operations evaluations. Issues discussed included communications, areas where difficulties are encountered, and opportunities to improve overall operations.
- ▶ The comments provided by many of the stakeholders during the interviews, in general, reflect a frustration with the current system. Many of the interviewees expressed the view that there is a need for the system to be run more like a business in order to stay competitive with the other properties in the market and to be able to adjust to the rapidly changing golf environment. Over the past year, this has become more critical in light of the latest greens fees increase which put City courses at the high end of the greens fees range in their market segment. There appears to be an overall lack of confidence in the department's (i.e. City's) ability to be able to adapt to changes in the market and run the system more like a private enterprise. There is agreement among all interviewees that the maintenance of the golf courses is good and course level staff is well liked. Most of the Stakeholders

Summary of Findings

expressed a willingness to be part of the solution, but believe that the City does not respect or take into account the suggestions and or efforts of the stakeholders. Overall many interviewees stated that there needs to be more of a “we are in this all together” management style put in place.

Conclusions

Existing Model

- ▶ The performance of the City golf courses is reasonably good in terms of revenue production, although most outside independent analysts believe that there is room for substantial improvement in performance. The performance of the City golf courses over the past 10 years has declined disproportionately compared with its key market competitors. It is likely that through more aggressive revenue management to react to the dynamics of the market, and an improved operational structure, annual play and revenue would increase from current levels.
- ▶ According to City management, capital improvement requirements over the next 10 years for the golf courses, including the golf practice ranges, will require an annual funding contribution in the range of \$1.5 million (\$22.53 million less \$7.57 million in the Capital Improvement Account Balance, averaged over ten years), expressed in constant 2011 dollars. This estimate includes nominal improvements for the existing clubhouses at each facility. Once the Capital Improvement Account Balance is depleted, the annual requirement will be in the range of \$2.0 million annually.
- ▶ In its current condition and operating structure, and given the citywide overhead burden (City CAP charge), the City golf system is operating near a break-even level such that annual revenues are sufficient to fund ongoing operations, but not contribute sufficiently to capital improvement projects.
- ▶ Recovery of the economy will benefit the overall golf market and the City golf courses somewhat, but a strong recovery of the golf market is not expected as the apparent shifts in the underlying demand for golf over the past 10 years are likely to continue, thus offsetting gains from an improving economy.
- ▶ Regardless of the operating structure adopted by the City for golf, it is appropriate and necessary to establish a dedicated, ongoing funding mechanism for capital improvement reserves.
- ▶ The current operating model can be inefficient and cumbersome which produces a less than desirable experience for golfers and less revenue than achievable under alternative operating structures. The principal deficiencies include an ineffective reporting structure, insufficient communication and coordination between City representatives and concessionaires, and lack of management authority to respond and adapt to dynamic market conditions.

Operating Options

- ▶ The appropriate operating structure for the City depends on the City’s ability/willingness to fund capital improvements required to sustain the golf system, desired level of control in establishing pricing, policies, and practices, and tolerance for operating and financial risk.

Summary of Findings

- ▶ A facility lease model, similar to that employed by the County of Los Angeles, is less appealing in the current and anticipated market environment, and recent experience with public golf course lease efforts have been much less favorable to municipalities than in the past.
- ▶ For the City of Los Angeles, a “full” or “modified” management agreement would likely mitigate some of the deficiencies associated with the current model, producing sufficient net revenues from operations to fund future capital improvement obligations and provide an enhanced golfer experience.
 - In a golf market which is expected to be reasonably stable in coming years, the financial risk related to a full or modified management agreement is relatively low. As well, given the current market softness, the City would capture all of the potential upside in performance.
 - The City would continue to have substantial control over the policies, fees, quality of the golf experience and other operating decisions.
 - A full or modified management agreement structure is a relatively short term commitment. The option to convert to a longer term lease agreement or alternative form of management is not foreclosed by employing a full or modified management agreement approach.
 - A management agreement model potentially can produce sufficient annual net operating income to fund capital improvements, allowing the City’s courses to remain competitive in the Southern California market.
- ▶ The most significant draw-back of the current operating model, or full self-operation, is the inability of the system to generate sufficient funds from operations for the large capital improvement requirements facing the City’s golf system. Under the current operating structure, where public employees maintain the golf courses and provide numerous traditional golf operations functions (cart rentals, reservations, starting, greens fees collection), the higher cost related to public employee payroll and employee benefits compared with the private sector clearly impacts the cost of operations and net operating income available for capital improvements or other Recreation and Parks activities. Systemwide, this additional cost (potential savings through full privatization) is estimated at approximately \$2 to \$3 million annually, much of which is attributable to reductions in employee benefits.
- ▶ Another potential disadvantage of the current, modified management and full self-operation models may stem from the absence of golf operations professionals with sufficient experience in golf marketing, revenue management, pricing strategies and day-to-day operations to be successful. Some municipalities that self-operate, such as Phoenix, Arizona and Aurora, Colorado, have made a transition from a core of maintenance-focused staff to more operations- and revenue-oriented staff.
- ▶ The City golf system bears an overall Citywide overhead charge which is part of the Capital Allocation Plan (CAP). Most of the CAP rate charges relate directly to the employment benefits and other direct charges, but a large portion--estimated at about \$3.2 million per year-- relates to general overhead functions. This overhead component will be reduced little, if at all, under an alternative operating structure and merely be allocated to other operating departments within the City.
- ▶ The comparative analysis of operating options is based on the assumption that gross revenue is uniformly the same for each option. It is not unreasonable, however, to believe that under each of the

Summary of Findings

alternative models, which offer a more efficient and effective delivery of golfer services, gross revenue would be higher, generating \$1 million or more in additional net operating income for capital improvements.

Minimum Required Changes

- ▶ In order to generate sufficient funds from golf system operations to fully fund capital improvement requirements, revenues need to be increased and/or expenses reduced by about 6% above current levels. This cannot be achieved through fee increases.
- ▶ Even, if the City elects to continue operations in its current structure, it is recommended that:
 - The golf director be given greater autonomy and authority to make day-to-day business/operating decisions;
 - A “revenue manager” be created at the course level to coordinate all of the golf functions, including golf course maintenance practices;
 - The golf division within Recreation and Parks should be given responsibility for all concession contracts related to golf operations, including the food and beverage operations at each golf course;
 - The current policies regarding greens fees, the Friday premium rate, tournaments, fivesomes, resident versus non-resident preferential treatment, and the like should be reviewed;
 - The current reservation system should be modified to reduce barriers to attracting golfers and become more “user friendly.”
- ▶ Commitment to an annual capital improvement contribution of at least 10% of greens fees revenue, or about \$1.8 million, is required to sustain the condition and competitiveness of the City’s golf facilities once the Capital Improvement Account Balance is fully depleted, particularly in light of the limited improvements to the system over recent years.

Coordination With Stakeholders

- ▶ Improvement in the performance of the golf courses and golfer experience can be achieved through the following actions:
 - Each course should have weekly meetings with all concessionaires and maintenance to improve coordination and communication.
 - Golf courses need to be looked at as a business and steps should be taken to run them more that way in order to compete with private operators.
 - Monthly meetings with Golf Division, Concessionaires, Maintenance key management.
 - The Golf Division should work closer with concessionaires for opportunities for bundling of specials and tournaments.
 - Their needs to be more of a “partnership” attitude throughout the system.
 - Improve communication throughout the system with golfers and stakeholders.

Summary of Findings

- ▶ These changes can be accomplished within the current system, or by one or more of the operating options whereby a single operator is responsible for most, or all, of the golf functions.

III. Golf Market Overview

National Trends

Nationwide, golf play increased steadily between the mid-1980s and 2000. As shown in Table III-1, during this period, the total number of annual rounds played nationally increased at an average rate of 2.4 percent per year. Golf balls sold, perhaps the best indicator of play, increased at a similar rate (2.5 percent per year). This unprecedented growth in golf play was due to a number of factors including:

- ▶ An increase in the number of golfers,
- ▶ The increasing importance of golf-oriented real estate,
- ▶ Expansion of the golf tourism industry, and
- ▶ One of the longest economic expansions in the nation's history.

The increase in golf demand and the popularity of golf-related housing development during the 1990s stimulated extraordinary expansion of the national golf course inventory, primarily between 1995 and 2002, as summarized Table III-2. Over the full 1990-2010 period, the inventory of golf courses in the United States increased by 34 percent, while the U.S. population registered only a 17 percent gain, and golf demand (play) increased only 23 percent over this same period.

However, right after the new century started, the first signs of industry problems emerged, and have persisted for the past 8-10 years. Golf courses have experienced steep declines in utilization along with revenue contraction and falling net operating income. Further, golf course transaction prices have declined precipitously, bankruptcies and foreclosures have become routine, and new golf course construction has virtually ceased. The impact of market softness has been widespread and spread evenly over all segments of the market and all geographic areas.

The National Golf Foundation (NGF) reports that over the 2001-2010 period, annual golf play in the United States declined from 518 million to 416 million rounds, or about 10 percent. Golf ball sales, perhaps a better indicator of demand, declined by about 20 percent over this time period. The golf participation rate, after rising steadily through 1997, generally plateaued during this period, with average rounds played per golfer falling off sharply. (It should be noted that the NGF revised the definition of a golfer from a minimum age of 12 to 18 years; therefore, to facilitate comparison over the years the golf participation rates shown in the table below have been adjusted to reflect the former definition). Since 2007, the golf market has been significantly impacted by the national and regional economic recession. Annual rounds in the U.S. declined 1.8 percent in 2008, .9 percent in 2009 and 2.3 percent in 2010.

Golf Market Overview

Table III-1: Indicators of U.S. Golf Demand (1985-2010)				
Year	Rounds (millions)	Number of Golfers ¹ (millions)	Participation Rate ²	Golf Ball Sales ³ (millions of dozens)
1985	365	17.5	10.2	36.0
1990	400	27.8	13.5	42.0
1995	420	25.0	11.6	46.0
2000	518	26.7	11.7	52.2
2001	518	28.0	11.9	50.0
2002	502	29.5	12.2	46.7
2003	495	30.4	12.4	43.4
2004	499	29.5	11.5	43.4
2005	489	28.0	11.2	43.6
2006	493	27.9	11.0	44.0
2007	490	27.5	11.0	43.5
2008	481	26.7	10.9	42.2
2009	477	--	--	40.1
2010	466	--	--	--
Average Annual Growth				
1985-1990	1.8%	9.7%	---	3.1%
1990-1995	1.0%	(2.1)%	---	1.8%
1995-2000	4.3%	1.3%	---	2.6%
Subtotal	2.4%	2.8%	---	2.5%
2000-2002	(1.6%)	5.1%	---	(5.4%)
2002-2004	(1.4%)	0.0%	---	(3.6%)
2004-2010	(0.9%)	(2.8%)	---	(1.6%)
<p>1 Represents golfers over 12 years of age. 2 Estimated by PFA. 3 Estimated by PFA based on "soft goods" sales recorded by Data Tech and golf ball manufacture sales Source: National Golf Foundation; Tom Frost Golf Inc; and other sources as noted.</p>				

Golf Market Overview

Table III-2 : Number of Golf Courses ¹ - U.S.			
Year	Average Annual Courses Added	Total Golf Courses ²	Average Annual Percent Increase
1990	---	11,105.0	---
2002	305	14,772.0	2.96%
2006	120	14,968.0	0.80%
2007	113	14,960.0	(0.10%)
2008	72	14,915.0	(0.20%)
2009	50	14,840.0	(0.50%)
2010	46	14,780.0	(0.40%)

¹ 18-hole equivalents.
² Includes courses added, less courses closed., 2006-2010
 Source: National Golf Foundation.

Since 2002, the construction of new courses has declined sharply, and the rate at which courses have closed has accelerated. Between 2006 and 2010, the number of courses closed exceeded new course openings, which have been in the 90- to 120-course per year range, by 20 to 30 per year. In 2010, for example, 46 new courses opened, while 107 closed, resulting in a net decrease of 61 golf courses across the United States. Despite the slowing expansion of new supply over the past four years, golf market conditions in most markets have continued to deteriorate in 2009 and 2010.

Regional Market Trends

The Southern California regional golf market has, for the most part, mirrored national golf market trends. Between 1970 and the early 2000-period, golf demand in Southern California increased steadily, with strong growth occurring in the mid- to late-1990s time period. At the same time, there was relatively limited expansion of the inventory of golf facilities. In the early 1990s, Southern California's municipal golf courses and the limited number of daily fee golf courses were performing exceptionally well, with municipal golf course play exceeding 100,000 rounds at many courses and play on daily fee courses in the range of 60,000-80,000 annual rounds.

In response to increasing demand and a static supply situation, in addition to an extremely robust housing market where golf courses often served at the key amenity, a number of golf courses were developed. The total number of public golf courses opened in Southern California since 1995 is summarized in Table III-3.

Golf Market Overview

Table III-3: Number of Southern California Public Golf Courses Opened by Year							
	Los Angeles	Orange	Empire ¹	Ventura	San Diego	Kern	Total
Up to 1995	40.5	21.0	44.5	12.5	33.0	7.0	158.5
1996	0.0	2.0	1.0	0.0	0.0	0.0	3.0
1997	0.0	1.0	1.0	0.0	0.0	0.0	2.0
1998	0.0	0.0	1.0	0.0	1.0	0.0	2.0
1999	1.0	2.5	2.0	2.0	2.0	1.0	10.5
2000	4.0	0.0	5.0	1.0	1.0	0.0	9.0
2001	0.0	3.0	1.0	1.0	1.0	0.0	7.0
2002	0.0	0.0	1.0	2.0	0.0	0.0	3.0
2003	1.0	0.0	1.0	0.0	0.5	0.0	2.5
2004	1.0	1.0	0.0	0.5	0.0	0.0	2.5
2005	0.0	0.0	0.0	0.5	1.0	0.0	1.5
2006	0.0	(0.5)	0.0	0.0	0.0	0.0	(0.5)
2007	0.0	(1.0)	1.0	0.0	1.0	0.0	(1.0)
2008	0.0	0.0	2.0	0.5	0.0	0.0	2.5
2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	47.5	29.0	60.5	20.0	40.5	8.0	207.5
Change in Inventory (1996-2010)							
Number	7.0	8.0	16.0	7.5	7.5	1.0	49.0
Percent	17%	38%	36%	60%	23%	14%	31%
1/ Excludes Coachella Valley.							
Source: Pro Forma Advisors, Inc.; and Tom Frost Golf, Inc.							

Golf Market Overview

As shown, these additions represent a net 31 percent increase in the Southern California public golf course inventory, with the Los Angeles County public golf course supply expanding by 17%, over this period. No new golf courses entered the Southern California golf market in 2009 or 2010, and none are expected in 2011 or in the foreseeable term.

As a result of the significant increase in inventory over a relatively short period of time, coupled with a sluggish economy in 2002 and 2003, and reduction in the number of golf rounds played, the Southern California public golf market experienced a slowdown between 2002 and 2005, particularly in the upper-mid and high-end segments. Annual play on most entry level and mid-market public access golf courses in the region declined an average of about 10 to 15 percent between 2002 and 2005, with some daily fee courses experiencing reductions of 15 to 25 percent. This resulted in many high-end courses lowering their rates in an attempt to stimulate play. The rate reductions at the high-end courses, in turn, impacted mid-market daily fee and the higher quality municipal golf courses. As the economy improved, and the supply remained unchanged, play on most public courses in the 2006-2007 period, adjusted for unusual weather variations, was relatively flat.

Play at public golf courses in the region for the 2008-2010 period varied according to market positioning. High-end daily fee courses have generally experienced declines in play averaging about 15 to 20 percent from 2007 levels. Municipal golf courses, and entry level and mid-market daily fee golf courses experienced nominal (5 to 10 percent) reductions in play since 2007. Recent economic conditions have exacerbated the decline in play both from individuals and golf outings.

Regional Municipal Golf Course Rounds and Revenue

Annual rounds and revenues at selected public golf courses in Los Angeles and southeast Ventura County for 2010 are summarized in Table III-4. The gross revenue numbers shown do not include food and beverage revenues, banquet revenues, lessons, or facility rental fees. In the case of Los Angeles County, greens fees include daily greens fees, tournament fees, and the golf course improvement fund contribution at a rate of \$1.50 for 18-hole rounds and \$.75 for 9-hole rounds.

A comparison of average annual play during peak market conditions (1998-2003) and the current soft golf market period (2008-2010) for City and County of Los Angeles municipal golf courses demonstrates the relative decline in golf play, as shown in Table III-5.

Golf Market Overview

Table III-4: Rounds and Revenue at Selected Los Angeles/Ventura County Municipal Courses						
Course	FY 2010 Rounds (000)	Gross Revenue (\$000)				
		Greens	Carts	Range	Merchandise	Total
Encino/Balboa-36	148.3	\$3,420	\$775	\$455	\$171	\$4,821
Hansen Dam	81.5	1,905	504	325	180	2,891
Griffith Park-36	178.3	4,487	926	445	401	6,226
Rancho Park	103.8	2,535	510	907	317	4,254
Woodley Lakes	76.8	1,800	472	226	133	2,620
Diamond Bar	92.8	2,040	607	159	112	2,919
Knollwood	87.4	1,904	556	160	118	2,738
Lakewood	100.2	2,241	654	136	143	3,174
Los Verdes	117.8	2,753	783	234	213	3,983
Mtn Meadows	73.0	1,699	574	130	83	2,486
La Mirada	107.5	2,261	606	346	133	3,346
Santa Anita	96.9	2,126	556	245	120	3,047
Victoria	83.5	1,706	416	102	74	2,298
Washington	102.5	2,152	651	178	110	3,091
Whittier Narrows	79.0	2,203	787	118	78	3,186
El Dorado Park	82.6	2,408	556	247	146	3,357
Recreation Park	99.8	2,657	669	265	169	3,760
Skylinks	87.6	2,784	610	287	158	3,839
Simi Hills	75.1	1,926	698	169	105	2,898
Los Robles	82.0	1,919	660	213	144	2,936
RiverRidge-36	75.3	2,187	700	162	245	3,294
Olivas Links	65.4	1,750	304	258	124	2,437
Buenaventura	68.5	1,456	336	---	93	1,885
Rustic Canyon	54.1	1,993	425	124	106	2,648

Source: City of Los Angeles Department of Recreation and Parks; County of Los Angeles; and individual Cities.

Golf Market Overview

Table III-5: Historical Play at Los Angeles City and County Municipal Courses			
Golf Course	Average Annual Rounds		% Increase (decrease)
	1998-2003	2008-2010	
Regulation Length Courses			
City of Los Angeles			
Hansen Dam	101,600	82,800	(18.5%)
Sepulveda (36 holes)	187,100	156,500	(16.4)
Griffith Park (36 holes)	212,500	189,500	(10.8)
Woodley Lakes	102,100	81,900	(19.8)
Rancho Park	117,700	110,000	(6.5)
Total-City of Los Angeles	721,000	620,500	(13.9%)
County of Los Angeles Regulation Length			
Average-12 courses	110,200	100,500	(8.8%)
Executive/Nine Hole/Par 3			
City of Los Angeles			
Harbor Park	120,500	106,900	(11.3%)
Los Feliz	51,400	47,100	(8.4)
Penmar	100,600	100,500	(0.1)
Rancho-9-hole	67,200	51,100	(24.0)
Roosevelt	100,500	84,700	(15.7)
Total-City of Los Angeles	440,200	390,300	(11.3%)
County of Los Angeles Executive/Par-3			
Average-5 courses	65,800	53,000	(19.5%)
Source: City of Los Angeles Department of Recreation and Parks; County of Los Angeles Department of Parks and Recreation; and Tom Frost Golf, Inc.			

Municipal Golf Course Greens Fees

A summary of “posted” greens fees at all Southern California municipally owned golf courses is presented in Table III-6. The exhibit includes regular, senior, and twilight rates for “residents” and “non-residents”. There typically are numerous other greens fees categories which are not shown in the exhibit including “early bird”, back-nine morning, super-twilight, mid-day, and junior play. Several golf courses mandate golf cart use with the greens fees including the cart. In these cases, the greens fees shown have been adjusted to “walking” rate equivalents by deducting \$14- \$15 from 18-hole play and \$9-\$10 from twilight play rates. Note that the City of Los Angeles golf course greens fees were increased sharply to their current levels on July 1, 2010. The County of Los Angeles imposed a \$1 increase in weekday and \$2 increase in weekend greens fees effective April 1, 2011.

The table shows current greens fees on weekdays and weekends. Since demand is typically greater on Friday, many courses, including the City of Los Angeles, have introduced a “Friday” rate in recent years which is either between the weekday and weekend rate, or at the weekend rate. In other instances, a discounted rate is offered on Mondays or Tuesdays, generally the slowest play days of the week. Moreover, most courses now offer a “super-twilight” rate, which generally applies to the 2-hour period before sunset. Twilight rates generally commence 4- to 5-hours prior to sunset.

In most instances, the definition of resident is residency in the jurisdiction (city, special district, or county). However, in the following tables, the rates charged members of frequent player/loyalty clubs also are classified under resident rates. Generally, a modest annual fee is required to be eligible for discounted greens fees.

Senior rates are offered at nearly every golf course, but are generally restricted to weekday play only. The definition of a “senior” varies widely among golf courses, ranging from age 50 to 65. Both the City and County of Los Angeles define a senior as age 65, but many municipal golf courses have senior eligibility starting at age 60 or 62.

At the time of the last rate increase in July 2010, the City of Los Angeles introduced a differentiated greens fees structure at their 18-hole regulation length golf courses, designating Rancho Park and the Wilson Course at Griffith Park as “premium” courses, with the remainder of the courses grouped as “regular” or “standard” courses for pricing purposes.

Golf Market Overview

Table III-6: Comparative Greens Fees--Southern California Municipal Golf Courses												
Golf Course/Muni System	Weekday								Weekend			
	18-Hole Play				Twilight Play				18-Hole Play		Twilight Play	
	Res/Member		Non-Resident		Res/Member		Non-Resident		Res/Memb	Non-Res	Res/Memb	Non-Res
	Reg	SR	Reg	SR	Reg	SR	Reg	SR				
<i>City of Los Angeles</i>												
Premium Courses	\$33.00	\$20.00	\$38.00	\$25.00	\$20.00	\$13.00	\$23.00	\$16.00	\$43.00	\$48.00	\$25.00	\$28.00
Other Courses	\$30.00	\$19.00	\$35.00	\$24.00	\$19.00	\$12.00	\$22.00	\$15.00	\$40.00	\$45.00	\$24.00	\$27.00
County of L.A.	26.00	13.50	26.00	13.50	18.00	11.25	18.00	11.25	35.00	35.00	22.75	22.75
Industry Hills-Ike	60.00	45.00	90.00	65.00	50.00	--	70.00	---	75.00	130.00	60.00	70.00
Industry Hills-Zah	55.00	37.00	75.00	55.00	45.00	---	60.00	---	70.00	115.00	55.00	60.00
Brookside-Nay	26.00	22.00	31.00	22.00	16.00	---	22.00	---	35.00	45.00	23.00	31.00
Brookside-Koiner	28.00	26.00	38.00	26.00	18.00	---	25.00	---	40.00	60.00	26.00	34.00
Alhambra	19.00	13.00	25.00	13.00	15.00	12.00	17.00	12.00	25.00	30.00	16.00	18.00
Skylinks	33.00	17.00	42.00	---	25.00	10.00	29.00	---	43.00	56.00	30.00	35.00
El Dorado	29.00	16.00	37.00	---	19.00	10.00	25.00	---	35.00	48.00	23.00	27.00
Rec Park	26.00	14.00	33.00	---	17.00	10.00	20.00	---	32.00	44.00	20.00	24.00
De Bell	21.00	13.00	29.00	18.00	14.00	10.00	19.00	12.00	26.00	34.00	16.00	21.00
San Dimas Cyn	30.00	17.00	30.00	17.00	22.00	---	22.00	---	49.00	49.00	27.00	27.00
Montebello	19.00	12.00	31.00	21.00	13.00	---	20.00	---	24.00	41.00	15.00	28.00
Olivas Links	32.00	25.00	40/44	25.00	25.00	---	28.00	---	41.00	48/57	27.00	31.00
Buenaventura	28.00	22.00	32/35	22.00	22.00	---	22.00	---	34.00	42/43	23.00	23.00
Victoria Lakes	32.00	23.00	37.00	27.00	24.00	---	26.00	---	45.00	50.00	29.00	31.00
Vineyards	26.00	17.00	31.00	21.00	19.00	---	20.00	---	39.00	44.00	23.00	25.00
Soule Park	31.00	21.00	31.00	21.00	17.00	---	17.00	--	48.00	48.00	25.00	25.00
Rustic Canyon	39.00	25.00	39.00	25.00	24.00	---	24.00	---	63.00	63.00	36.00	36.00
Simji Hills	28.00	16.00	30.00	18.00	20.00	---	22.00	---	39.00	41.00	25.00	27.00
Anaheim Hills	28.00	22.00	34.00	22.00	19.00	---	22.00	---	42.00	52.00	23.00	30.00
Dad Miller	24.00	17.00	27.00	17.00	17.00	---	18.50	---	32.00	39.00	20.00	23.00
Meadowlark	30.00	20.00	30.00	20.00	16.00	---	16.00	---	41.00	41.00	19.00	19.00
Costa Mesa-Lagos	31.00	13.00	31.00	---	20.00	---	20.00	---	43.00	43.00	28.00	28.00
Green River	32.00	25.00	32.00	25.00	17.00	---	17.00	---	40.00	40.00	26.00	26.00
Mile Sq.-Classic	34.00	---	34.00	---	21.00	---	21.00	---	48.00	48.00	28.00	28.00
Mile Sq.-Players	38.00	22.00	38.00	22.00	22.00	---	22.00	---	48.00	48.00	28.00	28.00
Black Gold	52.00	28.00	72.00	37.00	45.00	---	45.00	---	72.00	100.00	65.00	65.00

Golf Market Overview

Table III-6: Comparative Greens Fees--Southern California Municipal Golf Courses

Golf Course/Muni System	Weekday								Weekend			
	18-Hole Play				Twilight Play				18-Hole Play		Twilight Play	
	Res/Member		Non-Resident		Res/Member		Non-Resident		Res/Memb	Non-Res	Res/Memb	Non-Res
	Reg	SR	Reg	SR	Reg	SR	Reg	SR				
El Prado	22.00	---	22.00	---	18.00	---	18.00	---	40.00	40.00	28.00	28.00
Willowwick	25.00	---	25.00	---	18.00	---	18.00	---	37.00	37.00	24.00	24.00
General Old	27.00	22.00	27.00	22.00	19.00	---	19.00	---	37.00	37.00	21.00	21.00
Shandin Hills	28.00	18.00	28.00	18.00	21.00	---	21.00	---	38.00	38.00	31.00	31.00
Whispering Lakes	16.00	12.00	19.00	12.00	8.00	---	11.00	---	19.00	23.00	11.00	15.00
Oceanside	26.00	15.00	29.00	27.00	15.00	---	18.00	---	29.00	38.00	18.00	21.00
Coronado	30.00	---	30.00	---	15.00	---	15.00	---	35.00	35.00	15.00	15.00
Carlsbad Crossing	45.00	29.00	60/75	34.00	30.00	---	35.00	---	65.00	80/95	55.00	55.00
Encinitas Ranch	58.00	---	61/81	---	45.00	---	45.00	---	75.00	78/103	60.00	60.00
Santa Barbara	30.00	25.00	40.00	40.00	20.00	---	26.00	---	34.00	50.00	22.00	30.00
Torrey Pines-South	58.00	---	174.00	---	35.00	---	104.00	---	73.00	218.00	44.00	131.00
Torrey Pines-North	38.00	27.00	95.00	---	23.00	---	57.00	---	48.00	119.00	29.00	71.00
Balboa Park	30.00	21.00	38.00	---	18.00	---	23.00	---	38.00	48.00	23.00	29.00
Chula Vista	23.00	11.00	38.00	---	13.00	---	16.00	---	29.00	38.00	16.00	19.00

Source: Pro Forma Advisors, Inc. "Analysis of Golf Course Greens Fees, City of Los Angeles Municipal Courses, Pro Forma Advisors, October 2010; and Tom Frost Golf, Inc.

Comparative Performance

The City of Los Angeles golf system is among the largest municipal systems in the country, and benefits from a number of conditions including favorable year-round climate and a full four-season golf market, excellent demographics related to population levels and densities, and relatively limited competition and minimum threat of future competition due to the exceptional barriers to entry.

Golf course options, however, are available to market area residents, primarily from the County of Los Angeles' golf course system which is comprised of 12 regulation length and 5 executive length/par-3 golf courses, but also from the City of Long Beach's four golf complexes, the City of Pasadena 36-hole Brookside complex, and municipal golf courses serving the southeast Ventura County region (Simi Valley, Los Robles, Rustic Canyon, Oxnard RiverRidge, and Buenaventura/Olivas Links), among others.

The following general observations relate to the performance of City of Los Angeles golf courses compared with other municipal golf courses serving the region, recognizing that there are vast differences among individual golf courses:

Golf Market Overview

- ▶ Up until July 1, 2010, when the City of Los Angeles implemented sharp increases in greens fees at their regulation length golf courses, the greens fees structure of the City system courses basically paralleled the County courses, and was in-line with other Southern California municipal golf courses. In recent years, some municipal courses in the region became more aggressive in increasing greens fees, but typically this occurred where course conditions/golfer experience improved sufficiently to justify such increases. Since the July 1, 2010 increases, the City's greens fees structure is well above its most competitive benchmark--County of Los Angeles courses, which has been manifest in a noticeable shift in play levels at courses in both systems.
- ▶ Historically, play levels at the City golf courses is the highest in the country and generally consistent with the higher quality, better located County golf courses. Play levels at City regulation length golf courses, however, like golf courses within virtually every major metropolitan golf market across the country, have declined substantially over the past 10 years. Compared with the County of Los Angeles, where average annual play on regulation length golf courses has declined an average of nearly 9 percent, play on City of Los Angeles regulation length courses has declined an average of nearly 14 percent over this same period. This disparity has increased markedly since the greens fees increase of July 1, 2010 went into effect, with play levels at City regulation length courses down an estimated 27% versus 13% for the County regulation length golf courses over the past 10 years. Greens fees revenue, because of the increase in fee structure, has been somewhat less affected at City versus County courses.
- ▶ Ancillary revenues at City courses generally are consistent with other similarly positioned golf courses, although cart rental gross revenue at City courses is at the low end of the range of all municipal golf courses in the region:

Regulation Length Courses	Average Annual Rounds Per 18-Hole Course	Annual Cart Revenue Per 18-Hole Course \$000	Average Revenue per Round
City of Los Angeles (regulation length)	82,885	\$455.3	\$5.49
County of Los Angeles (regulation length)	94,060	619.0	6.58
City of Long Beach	90,000	611.7	6.80
Ventura County	60,050	446.1	7.43
Total/Average	88,450	\$577.1	\$6.52

Source: City of Los Angeles Department of Recreation and Parks; County of Los Angeles Department of Parks and Recreation; City of Long Beach; other cities as noted; and Tom Frost Golf, Inc.

IV. Los Angeles Municipal Golf System

The following section provides a brief description of the facilities comprising the City of Los Angeles golf system, along with a review of historical and current performance and a discussion of future golf course capital improvement requirements. More detailed information regarding the City's current system including, facility descriptions, concession agreements, historical performance, and capital improvement needs is presented in Appendices A and B of this report.

City of Los Angeles Facilities

The City of Los Angeles, through the Department of Recreation and Parks, Golf Division, is responsible for the golf system which is comprised of the following ten golf facilities:

- ▶ Rancho Park
 - 18-hole regulation
 - 9-hole par-3
- ▶ Griffith Park
 - 18-hole regulation (Wilson)
 - 18-hole regulation (Harding)
- ▶ Sepulveda
 - 18-hole regulation (Encino)
 - 18-hole regulation (Balboa)
- ▶ Woodley Lakes (18-hole regulation)
- ▶ Hansen Dam (18-hole regulation)
- ▶ Harbor Park (9-hole regulation)
- ▶ Penmar (9-hole executive_)
- ▶ Roosevelt (9-hole executive)
- ▶ Los Feliz (9-hole par-3)
- ▶ Holmby Park
- ▶ Tregnan--junior golf academy

The golf courses are maintained by City Recreation and Parks staff, as is the reservations, starter and, as of late 2010, the golf cart rental function. The pro shop (merchandise and lessons), driving range, and food and beverage functions at each course are the responsibility of concessionaires. Performance of Los Angeles City Golf Courses

Los Angeles Golf System

Historical Performance

Utilization

Annual play, expressed as “starts,” and greens fees at the City’s golf courses for fiscal years 2007-2011 is presented in Table IV-1. As noted below, the City instituted a sharp increase in greens fees at their courses, effective July 1, 2010 (the beginning of Fiscal Year 2011). Annual play for FY2011 declined approximately 12% systemwide from FY2010. The number of golf rounds on the City’s regulation length golf courses, however, declined more precipitously from 588,800 total rounds in FY2010 to 494,900 in FY2011, or approximately 16%.

	Annual Rounds (000)					Greens Fees (\$000)				
	FY07	FY08	FY09	FY10	FY11	FY07	FY08	FY09	FY10	FY11
Regulation Length 18-Hole										
Encino-Balboa (36 holes)	176.2	164.2	150.4	148.3	125.9	\$3,229	\$3,419	\$3,618	\$3,420	\$3,283
Wilson/Harding (36 holes)	198.7	194.1	187.3	178.3	143.8	4,051	4,422	4,810	4,487	4,353
Hansen Dam	94.1	81.1	80.1	81.5	65.0	1,741	1,698	1,963	1,905	1,786
Rancho Park	120.3	113.0	109.6	103.8	97.7	2,291	2,441	2,687	2,535	2,885
Woodley Lakes	92.0	86.4	79.0	76.8	62.4	1,729	1,823	1,908	1,800	1,670
SubTotal	681.3	638.8	606.4	588.7	494.9	\$13,041	\$13,803	\$14,986	\$14,147	\$13,977
9-Hole Facilities										
Harbor Park (regulation)	122.5	118.8	96.4	102.2	95.5	\$1,322	\$1,469	\$1,566	\$1,544	\$1,434
Penmar (executive)	111.9	105.0	96.2	94.7	91.3	1,203	1,314	1,405	1,372	1,324
Roosevelt (executive)	97.5	97.3	82.2	78.5	75.2	1,051	1,220	1,165	1,093	1,038
Subtotal	331.9	321.1	274.8	275.4	262.0	\$3,576	\$4,003	\$4,136	\$4,009	\$3,796
Other										
Holmby Park (18-hole/PP)	8.2	8.0	8.3	6.4	3.8	\$14	\$17	\$25	\$19	\$11
Los Feliz (9-hole/par-3)	60.6	52.1	43.9	42.5	40.3	227	238	258	234	219
Rancho Park (9-hole/par-3)	58.9	53.7	47.1	50.7	48.3	285	311	332	339	316
SubTotal	127.7	113.8	99.3	99.6	92.4	\$526	\$566	\$615	\$592	\$546
Total	1,141	1,074	980.6	963.7	849.3	\$17,143	\$18,372	\$19,738	\$18,748	\$18,319
Source: City of Los Angeles Department of Recreation and Parks; and Tom Frost Golf, Inc.										

Los Angeles Golf System

Greens Fees

The FY2009-FY2010 and FY2010-FY2011 greens fees structure at the City's regulation length golf courses is summarized in Table IV-2 as follows:

Table IV-2: City of Los Angeles Regulation Length Golf Course Greens Fees						
Type of Round	FY2009-FY2010			FY2010-FY2011*		
	Mon-Thurs	Friday	Weekend	Mon-Thurs	Friday	Weekend
18-Hole Rounds						
Resident Standard	\$26.00	\$30.00	\$34.00	\$33.00/\$30.00	\$37.00/\$34.00	\$43.00/\$40.00
Non-Resident Standard	31.00	35.00	39.00	38.00/35.00	42.00/39.00	48.00/45.00
Resident Senior	17.00	20.00	---	20.00/19.00	23.00/22.00	---
Non-Resident Senior	22.00	25.00	---	25.00/24.00	28.00/27.00	---
Twilight/9-Hole						
Resident Standard	\$16.00	\$18.50	\$21.00	20.00/19.00	22.00/21.00	25.00/24.00
Non-Resident Standard	19.00	21.50	24.00	23.00/22.00	25.00/24.00	28.00/27.00
Resident Senior	10.00	12.00	---	13.00/12.00	15.00/14.00	---
Non-Resident Senior	13.00	15.00	---	16.00/15.00	18.00/17.00	---
Super Twilight						
Resident Standard	\$10.00	\$10.75	\$11.50	13.00/12.00	14.00/13.00	15.00/14.00
Non-Resident Standard	13.00	13.75	14.50	16.00/15.00	17.00/16.00	18.00/17.00
*Rancho Park and Griffith Park Wilson courses/all other courses.						

As noted, on July 1, 2010, greens fees were increased across the board at all of the City's 18-hole courses, and a premium rate structure was introduced for Rancho Park and the Wilson course at Griffith Park. Generally, on July 1, 2010, the 18-hole regulation length golf course greens fees at Rancho Park and Griffith Park Wilson, both considered to be premium municipal golf courses, were increased approximately 25% both for residents and non-residents, while fees at the other City courses were increased approximately 15% both

Los Angeles Golf System

for residents and non-residents. At the same time, the City also instituted a mid-day rate which is effective several hours prior to the start of twilight rates during summer months. The mid-day rates are set between the regular and twilight rates.

Lifeline rates are available to eligible senior golfers, with seniors defined as individuals 65 year of age. The greens fees are exclusive of electric golf carts which are available at \$24.00 per cart (2 players), or \$16.00 for a single rider.

The current greens fees structure at the less-than-regulation length and 9-hole Los Angeles City golf courses is summarized in Table IV-3 (note that the current greens fees for these courses remained unchanged from the FY2009-FY2010 level):

Table IV-3: City of Los Angeles Executive, Par-3, & 9-Hole Golf Course Greens Fees			
Type of Round	Mon-Thurs	Friday	Weekend
Harbor Park (9-hole regulation)			
Standard 9-hole	\$16.00	\$18.50	\$21.00
Senior 9-hole	10.00	12.00	---
Twilight	8.50	10.25	12.00
Penmar/Roosevelt (9-hole exec)			
Standard 9-hole Resident	14.50	16.75	19.00
Standard 9-hole Non-Resident	17.50	19.75	22.00
Senior 9-hole Resident	9.00	11.00	---
Senior 9-hole Non-Resident	12.00	14.00	---
Twilight Resident	8.50	10.25	12.00
Twilight Non-Resident	10.50	12.25	14.00
Rancho Nine (9-hole par-3)			
Standard 9-hole	7.00	7.50	8.00
Senior 9-hole	5.00	5.50	---
Los Feliz (9-hole par-3)			
Standard 9-hole	5.50	6.25	7.00
Senior 9-hole	4.00	4.75	---

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City Gross Revenue

The City's share of annual gross revenue by department for each of the City's golf courses is presented for fiscal years FY2007 through FY2011 in Table IV-4. The City receives 100% of the greens fees, reservation card fees, Tregnan Academy revenue, and interest income, and a share of the concessionaire (pro shop, range, food and beverage, and cart) gross revenue. Beginning in January 2011, the City assumed control of the cart operations such that cart revenue for FY2011 is comprised of both concession rent and City generated revenue. For FY2011, greens fees revenues declined by \$430,000 (2.3%) from FY2010 due primarily to the impact on play levels attributed to the significant greens fees increase instituted on July 1, 2010, with an unusually high number of rain days also contributing to decline in play. Annual greens fees on the City's 7 regulation length golf courses in FY2011 declined \$170,000 (1.2%) from FY2010. Also, the concession revenue from pro shop/range operations in FY2011 declined by about \$100,000 (12%) from FY2010. For future years, with the City assuming cart rental operations in FY2011, cart concession income will be replaced with City cart revenue.

Table IV-4: Los Angeles Golf System Gross Revenue (\$000)					
Department	FY2007	FY2008	FY2009	FY2010	FY2011
Greens Fees	\$17,143	\$18,372	\$19,738	\$18,748	\$18,316
Other Golf Course Revenue	416	403	346	371	182
Reservation Card Fees	590	358	595	462	326
Golf Cart Concession	1,633	1,504	1,439	1,627	2,208*
Pro Shop/Range Concession	1,048	1,001	950	891	786
Food & Beverage Concession	409	444	405	297	290
Tregnan Golf Academy	---	---	138	189	178
Interest Income	720	840	568	451	209
Other Misc. Revenue	8	8	8	8	279
Total	\$21,967	\$22,930	\$24,187	\$23,044	\$22,775
* City assumed golf cart operations in February 2011. Amount shown represents difference between total cart gross revenue of \$3,026,800, less \$818,420 reimbursement to the cart concessionaire for the first seven months of year.					
Sources: Source: City of Los Angeles Department of Recreation and Parks; and Tom Frost Golf, Inc.					

Los Angeles Golf System

Greens fees represent 80% of the City's share of total revenue, comprised of the product of the charges (golf greens fees) and utilization (golf rounds). The effect of the July 1, 2010 increase in the greens fees structure on play levels and greens fees revenue are illustrated in Table IV-5 below:

Table IV-5: Summary Rounds and Greens Fees By Facility --FY2010 & FY2011								
Course	Annual Rounds (000)				Greens Fees (\$000)			
	FY2010	FY2011	Difference	% Diff	FY2010	FY2011	Difference	% Diff
Encino/Balboa	148.3	125.9	(22.4)	(15.1%)	3,420	\$3,282.7	(\$137.4)	(4.0%)
Griffith Park	178.3	143.8	(34.5)	(19.3%)	4,486.7	4,353.1	(133.6)	(3.0%)
Rancho Park	103.9	97.7	(6.2)	(5.9%)	2,535.3	2,884.2	348.9	13.8%
Hansen Dam	81.5	66.0	(16.5)	(20.2%)	1,905.3	1,785.5	(119.8)	(6.3%)
Woodley Lakes	76.8	62.4	(14.4)	(18.7%)	1,799.6	1,669.8	(129.8)	(7.2%)
Harbor Park	102.2	95.5	(6.7)	(6.6%)	1,543.9	1,433.6	(110.3)	(7.2%)
Penmar	94.8	91.3	(3.5)	(3.7%)	1,372.1	1,324.0	(48.1)	(3.5%)
Roosevelt	78.5	75.2	(3.2)	(4.1%)	1,093.1	1,037.0	(56.0)	(5.1%)
Rancho 9	50.7	48.3	(2.4)	(4.7%)	338.6	316.1	(22.5)	(6.6%)
Los Feliz	42.5	40.3	(2.2)	(5.3%)	234.4	218.6	(15.9)	(6.8%)
Holmby	6.4	3.8	(2.6)	(40.1%)	19.1	10.9	(8.1)	(42.7%)
Total	963.8	849.3	(114.5)	(11.9%)	\$18,748.1	\$18,315.4	(\$432.7)	(2.3%)
Total-excluding Rancho Park	859.9	751.6	(108.3)	(12.6%)	\$16,212.8	\$15,431.2	(\$781.6)	(4.8%)

Los Angeles Golf System

Total Revenue

Total gross revenue for fiscal year 2011, by facility, is summarized in Table IV-6. The revenue includes gross revenue accruing to the City directly, as well as the gross revenue of the golf and food and beverage concessionaires.

Facility	Greens Fees	Cart Rentals	Practice Range	Pro Shop	Food & Beverage	Lessons/ Other	Total
Griffith Park	\$4,353	\$808	\$415	\$384	\$945	\$104	\$7,009
Hansen Dam	1,786	462	311	180	417	58	3,214
Harbor Park	1,434	181	---	---	---	---	1,615
Los Feliz	219	---	---	---	310	---	529
Roosevelt	1,038	---	---	---	170	---	1,208
Penmar	1,324	---	---	---	120	19	1,463
Rancho Park-18	2,884	495	810	245	673	60	5,167
Sepulveda	3,283	682	380	137	814	37	5,333
Woodley Lakes	1,670	399	200	103	315	133	2,820
Rancho-9	316	---	---	---	---	---	316
Holmby	11	---	---	---	---	---	11
Tregnan/Other	---	---	---	---	---	457*	457
Reservations	---	---	---	---	---	326	326
Total	\$18,316	\$3,027	\$2,117	\$1,050	\$3,764	\$1,194	\$29,468
* Excludes interest income.							

Capital Improvements

The City has completed numerous golf facility capital improvements over the past 5 years. The most significant project was the major renovation of the Hansen Dam Golf Course where a new irrigation system and continuous concrete cart path network was installed along with improvements to the golf course features. Major improvements were also completed on the Balboa golf course where the course routing was modified and course improvements completed, extending the length to a par-72 layout.

Los Angeles Golf System

The City has outlined a 10-year capital improvement plan, illustrating the principal elements at each of the City's 18-hole regulation length facilities requiring capital funds. According to the City's assessment, assuming the City assumes the responsibility for improving the practice range facilities at Sepulveda, Woodley Lakes and Rancho Park, total capital improvement costs (expressed in constant 2011 dollars) is projected to total \$22.53 million. Deducting the \$7.55 million currently available in the capital improvement account, the total requirements are indicated by the City at \$14.98 million. On an average annual basis, the requirements translate into an annual reserve level of about \$1.5 million, or approximately 8% of FY2011 greens fees revenue. The summary is shown below, with the detailed capital cost components presented in Appendix B. The capital costs do not include any significant amounts related to clubhouse improvements.

City of Los Angeles Estimated Annual Capital Improvement Funding Requirements (thousands of constant 2011 dollars)		
	Current Model	Full Self-Operation
Estimated 10-Year Capital Improvement Costs	\$17,530	\$22,530
Less: Capital Improvement Account Balance	(7,547)	(7,547)
Estimated Required Additional Capital Improvement Funding	\$9,983	\$14,983
Number of Years	10	10
Estimated Required Annual Golf Capital Improvement Funding	\$998	\$1,498

A review of the list of capital improvements detailed in Appendix B suggests that, in the consultant's opinion, the annual allowance more appropriately would be in the \$2.5 million annual range, equal to about 13.5% of greens fee gross revenue. By comparison, Los Angeles County reserves approximately \$3.5 million, equal to about 14.5% of gross greens fees. On a per hole basis, the County's capital improvement replacement reserve is equal to \$11,800 per hole per year. The City's proposed \$1.5 million annual allowance is equal to \$8,770 per hole per year (\$13,150 per hole per year, including the \$7.5 million in reserves spread evenly over a 10-year term).

V. Evaluation of Operating Options

The following section presents a description and information regarding various forms of golf course management and operations analyzed as part of this report. There are five basic golf course operating options that have been analyzed and could be available to the City of Los Angeles:

- ▶ Current Model
- ▶ Modified Management Agreement (Outsourcing of Golf Operations Starter, Cart Services, Marshaling, and Green Fee Collections)
- ▶ Facility Lease
- ▶ Full Management Agreement
- ▶ Full Self-Operation (not including Food and Beverage or Merchandise Sales)

In addition to these basic options, there are numerous permutations which would create alternative hybrid models. These alternative hybrid models combine some form of self-operation, concession agreements, and/or management/contract agreement. These other alternatives are discussed later in this section. All of the operating options require City oversight responsibilities including contract monitoring, budget preparation and review, management oversight, and the like. The operating models require various degrees of City participation.

Current Model

Presently, the City's courses are described as a hybrid between full self-operation and a facility lease. This model combines elements of self operation (reservations, starting, greens fees collection, cart operations and course maintenance) with elements of a facility lease (golf operations and food and beverage concession agreements). Under the current model, the City is responsible for managing, and operating some of the golf operating functions, and maintaining the course, relying on concessionaires for selected other golf operations and food and beverage functions.

The City sets pricing and policies, and administers the overall program. Under the current model, the City receives 100 percent of the greens and cart fees, and a percentage of the concession (driving range, pro shop merchandise, lessons, and food and beverage gross revenue).

The primary advantage of the current model is the level of control retained by the City in terms of setting policies, prices and standards. A case can also be made that under the current structure, the City has substantial overhead support functions at its disposal from other City departments. It also is often argued that the entrepreneurial compensation (profit for services rendered) is retained by the public agency under this model, and most of the financial upside related to better than anticipated performance accrues to the City. The validity and value of these advantages is subjective.

Operating Options

The principal potential disadvantages of the current model include higher wage and benefit packages related to public employment, more restrictive labor policies, the absence of “best practices” in revenue generation, and bureaucratic constraints which inhibit management’s ability to adapt and respond quickly to changing market practices and conditions. In addition, the current model involves multiple providers of service other than the City which potentially may create conflicts and inconsistent service levels. Most golf analysts strongly believe that there are significant advantages to controlling the entire golfer experience through providing all of the functions at the golf course under one management entity. Under the current operation, most of the financial risk is borne by the City.

Modified Management Agreement

The Modified Management Agreement would entail the City contracting out the golf services to private operator on a fee-for-service agreement. Golf course maintenance would continue to be in control of the City.

This option would provide the City with the professional operational oversight of a private operator. These services would include marketing and sales and revenue management professionals to assist in increasing rounds and revenues at each facility. The City receives all of the golf course revenues and bears most or all of the operating expenses, paying a fee to the contractor for their service. Examples of this form include Modesto’s golf courses and the Anaheim courses. Generally, the agreement with the golf operations contractor has performance incentives structured in the compensation. Most of the benefits and constraints discussed under the full management agreement would transfer to this option with a lower base fee.

Golf Facility Lease

Under this option, the golf course is leased to a private golf course operator who provides course maintenance, golf operations, and overall facility management services. The food and beverage operation may be included under the golf course facility lease or provided under a separate lease to a dedicated food and beverage operator. The operator’s lease payments typically are based on a minimum rental payment versus a percentage of golf, merchandise, lessons, and food and beverage departmental gross revenue. Under a typical facility lease, the lessee receives 100 percent of the revenue and is obligated to fund required capital improvements, operating expenses, and a reserve for ongoing capital improvements. As such, the financial risk is largely borne by the lessee. The term of the lease is negotiable, although the length generally is related to operator capital improvement levels and rental payment terms.

There are many examples of the facility lease model, although most of these leases were negotiated 15-30 years ago. All of the Los Angeles County courses, the City of Long Beach courses, and the City of Pasadena’s Brookside Golf Course are operated under a facility lease, as are numerous other courses in Southern California. The Simi Valley Recreation District, by contrast, recently elected to self-operate the Simi Hills Golf Course after years of operation under a lease agreement with American Golf Corporation.

Appendix C, Table C-2, contains a summary of golf course “turnkey” lease terms — facilities where all operations are leased to a contract operator – for selected California public properties by year negotiated since 1990.

Operating Options

There has been limited activity in recent years, with the Oceanside municipal course and the City of Pasadena Brookside Golf Course among the few agreements negotiated since 2005. In general, the facilities are leased to a management company with a minimum lease payment versus percentage rents. The contract specifies performance standards, required capital improvements and a range of contractual terms. It is important to note the agreement date, as the improving economics of the golf market and competitiveness in the golf management industry during the 1990-2000 period are reflected in more favorable lease terms to the lessor, with the most recent agreements somewhat adversely influenced by soft golf market conditions since 2001.

The various terms of the leases are interrelated and the lease payments must be considered in the context of all the terms of the lease.

- ▶ **Lease Term.** The term of the facility leases shown generally ranges from 15-30 years. When front-end lessee capital improvements are required, which generally is the case, the term of the lease must be long enough to amortize these capital expenditures. The length of the term normally is a function of the level of capital improvements. Occasionally a short-term agreement (less than five years) is negotiated, but these are generally related to the continuation of an agreement with an operator where minimum capital improvements are required or where an option is exercised to extend the lease term.
- ▶ **Minimum Rent.** The minimum rent typically is established at about 75 to 80 percent of the expected "percentage rent" amount. The minimum often is adjusted annually to reflect about 80 percent of the average of percentage rents paid during the prior three to four years operation, but never less than the preceding minimum rent level.
- ▶ **Percentage Rents.** Percentage rents vary by golf department, although often a composite rate is applied to greens fees, cart revenue, and driving range revenue. Merchandise, food and beverage, and other minor departments generally have lower individual percentage rents primarily due to the relatively small operating profit margins on these goods and services. The percentage rents are a function of the length of term, required capital improvements, utility sharing agreements, and the replacement reserve requirements. The rent percentage may increase over the term of the lease. The higher the capital expenditure requirement, replacement reserve, and costs associated with utilities and other course operations, the lower the percentage rent structure. Also, the market strength and potential profitability of the course strongly influence percentage rents. Based on the current lease terms in-place, the annual rent paid by selected Los Angeles County and City of Long Beach golf courses to their respective public agencies for FY2010 is shown in Appendix C. For Los Angeles County, the rent payments shown include contributions from the golf course revenues to the capital improvements reserve fund, consisting of 10% of gross greens fees plus \$1.50 per 18-hole and \$.75 per 9-hole round of golf. These capital improvement contributions represent between 20 and 25 percent of the total gross rent paid. For El Dorado Park in Long Beach, the rent does not include food and beverage which is operated under a separate concession agreement until recently when AGC assumed responsibility for this function as well as golf operations.

Operating Options

- ▶ Fees and Operating Policies. Under most municipal facility leases, the lessor (City) retains substantial control over setting fees and establishing operating policies. As well, specific guidelines such as maintenance standards are in-place or negotiated as an integral part of the lease terms. While changes in fees and policies normally require City approval, in practice, the lessee has greater influence in modifying fees and terms which financially benefit the lessee. Moreover, regardless of the rigor of the lease agreement, a number of “gray” areas such as level of course conditioning generally remain which often are exploited by the lessee.
- ▶ Capital Improvements. Most facility leases call for capital improvements to be funded by the lessee. A list of improvements is specified and a time frame for their implementation is established. The capital improvements requirement varies widely for the facilities shown, from less than \$1 million to over \$8 million.
- ▶ Capital Improvement Replacement Reserve. Generally, some provision for establishing a reserve for ongoing future capital improvements is stipulated. The replacement reserve is normally a percentage of greens fee revenue, with the percentage depending on anticipated future capital requirements, the age of the course, and the front-end capital expenditure requirement. Usually, the replacement reserve is in addition to percentage rents, but sometimes the reserve funds are credited against rent payments.
- ▶ Utilities. Typically, the lessee is responsible for utility costs. However, due to the high cost of water in California, there may be some cost sharing of utilities, or some protection provided the lessee in terms of ceilings or caps on utility rate increases.

For facility lease agreements, the market potentials, specific course maintenance requirements, areas of lessor/lessee responsibility, and other contract terms must all be considered in establishing an equitable lease structure. Thus, while the experience of other courses can serve as a general guideline, specific consideration should be given to the unique characteristics of the City’s golf courses, such as the excellent location and market strength benefiting the City’s courses, as well as needed capital improvements. Further, the overall objectives of the City will influence the structure of contract terms.

The market for golf leases with municipalities has been substantially affected by the soft golf market conditions experienced over recent years. The number of qualified investor/operator groups which have an interest in such agreements has declined sharply, and the rent structure has generally been modified downward. In many instances, municipalities desiring leases are faced with the option of having to select groups with limited experience in exchange for the lessee’s willingness to invest private capital and commit to reasonable rent payments.

It also should be noted that with the softening of golf markets in California, there have been a number of initiatives on the part of lessees to renegotiate lease terms, particularly relating to courses which negotiated new leases in the 1995-2000 period. Specifically, since 2001 a number of lessees have requested rent adjustments to compensate for declining golf play levels and associated revenues, and to assume continued lessee funding for capital improvement obligations. Crystal Springs in Burlingame, Metropolitan Golf Links in Oakland, and Foxtail in Rohnert Park are examples where leases have recently been renegotiated. In the cases

Operating Options

where rent concessions have been granted by the lessor, rent terms have been modified by reducing base and percentage rent levels, with significant increases in potential participation by the lessor in revenue above the current threshold.

The primary advantages of the facility lease option include a guaranteed minimum rent payment to the City, potential benefits of professional golf management, limited required participation by the lessor (City), minimum financial risk to the City, and private capital improvement funding availability. The primary disadvantages of the facility lease option include waiving some control over operating policies and procedures, commitment to longer term agreements, and limited participation in upside financial performance.

Management Agreement

This option relates to a fee-for-service agreement with a Director of Golf, General Manager or an outside management company. Golf and food and beverage functions may be combined or separated, but the structure is the same. All functions would be under the authority of the contract golf director, General Manager or management firm. Under a typical management agreement, the facility owner (City) receives all revenues and is responsible for funding all capital improvements, operating expenses, and reserves for ongoing capital reinvestment. In addition, the owner (City) pays the operator a fee for management of the facility. In effect, the professional operator serves as the City's agent in managing, operating, and maintaining the golf facility. Management compensation typically consists of a base fee, plus performance incentives.

Increasingly, public agencies are moving to a management contract approach to operations and maintenance. The City of Ventura recently retained Kemper Sports Management under a management agreement for operation of their two golf courses. Other examples of this structure include Los Robles in Thousand Oaks which is managed by EAGLE Golf Management, Green River Golf Club near Corona managed by CourseCo, Encinitas Ranch in Encinitas by JC Resorts, and Carlsbad Crossings in Carlsbad and Black Gold in Yorba Linda, both by Kemper Sports. A summary of selected management agreement terms and conditions relating to moderate and high quality municipal golf course operations in California is contained in Appendix C, Table C-3.

As previously indicated, under this structure, the City receives all revenue and is obligated to fund all maintenance, operating and administrative expenses, including a management fee. The management fee is in addition to all on-site salaries and expenses. The basic terms and conditions of the agreements are discussed below.

Term

Generally, management terms are five years in length, long enough to allow a firm to amortize its initial efforts to establish policies, procedures, and systems, and to ensure sufficient job security for key employees. Longer terms offer little advantage to the owner. The renewal of an agreement typically is for a period of three to five years. The terms may be influenced by conditions dictated by the financing instrument used such as tax-exempt bond IRS regulations. For example, the IRS has a number of stipulations imposed to ensure a management contract does not result in private business use of a bond-financed facility. Among other things,

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the IRS restricts contracts which give the service provider an ownership or leasehold interest or provide compensation for services rendered based in whole, or in part, on a share of net profits from operations of the facility. Specifically, the IRS will allow agreement terms up to 15 years, but the structure of compensation is specific to the term. With 15-year agreements, at least 95 percent of the total compensation must be fixed/guaranteed. At 10 years, at least 80 percent; and at 5 years, at least 50 percent must be fixed/guaranteed. As well, in accordance with IRS regulations, incentive compensation cannot be based, in whole or in part, on a share of net profits, and thus must be based on gross revenue or expense thresholds.

The IRS also requires the management agreement to have an agreement cancellation option for the owner, typically at the end of three years. In cases where a cancellation provision is required by the financing authority, management companies have not objected.

Compensation Structure

For moderate volume courses (\$2.0-\$2.5 million in annual golf/greens, carts, range) revenue, the base fee generally ranges from \$100,000 to \$140,000 per year. Compensation typically consists of a base, or guaranteed fee, plus an incentive fee. For high volume courses (\$3+ million in golf revenue), the base fee generally ranges from \$150,000 to \$180,000 per year for 18-hole courses. Incentive fees are structured such that expected performance would result in additional compensation of \$40,000 to \$100,000. Total compensation, assuming budgets are met or slightly exceeded, for moderate volume 18-hole public courses, generally ranges from \$130,000 to \$160,000 per year. While there are many ways of structuring incentive agreements, it is generally more effective to key them off of net operating income, or gross revenue above established threshold levels, with incentive payments equaling anywhere from 25 to 100 percent of the base fee. The base fees obtained by the City of Los Angeles could vary depending upon how the facilities are bid out. A lower base fee could be available if a operator is able to spread their cost across several properties. For this analysis we use a \$150,000 base for 36 hole facilities, \$100,000 for regulation 18 hole, \$96,000 for executive and 9hole and \$48,000 for Hombly. Incentive fees are not included.

The compensation noted above relates to agreements where all management staff, including day-to-day accounting, are onsite, and there are no reimbursements for corporate support functions, marketing, or other normal offsite management services, including routine travel. The cost of some extraordinary services (e.g., legal, specialty agronomical consulting, etc.) may be borne by the golf course owner.

Incentive compensation normally is triggered by performance which exceeds predetermined levels of net operating income (defined as "earnings before interest, taxes, depreciation, and amortization," or EBITDA) or gross revenue. Since expenses are reasonably predictable, incentive payments based on gross revenue exceeding specified threshold levels often are workable.

It should be noted that golf revenue (greens, carts, and range) has little associated variable cost, whereas merchandise and food and beverage have very high variable costs. Given this, each revenue category should

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be treated independently, such that incentive clauses should more greatly reward extraordinary golf revenue compared with merchandise, food and beverage, lessons, and other miscellaneous sources.

Overall, total compensation should represent about 4 percent of total gross revenue. The 4 percent allowance is an industry standard which most professional golf management firms utilize when allocating home office services for courses they own and operate.

It is generally desirable for at least one-quarter to one-third of total compensation to be incentive-based. Again, the type of financing may influence the structure of the compensation and limit the portion which is incentive-based.

Base Fee Adjustments

In many agreements, the base fee is inflation-adjusted. This is a negotiable point, and typically relates to the structure of incentive compensation, which often serves as an inflation hedge.

Management Services

Offsite management services covered under the management fee include, although are not necessarily limited to, the following functions:

- ▶ Personnel/Human Resources
- ▶ Training
- ▶ Payroll and Benefit Administration
- ▶ Management Reporting and Accounting Systems
- ▶ Internal Audits
- ▶ Budgeting Support
- ▶ Marketing Support
- ▶ Agronomical Support

Typically, all of these services are included under the management fee. If not, an accordingly lower management fee would be expected.

While the management company provides these services, they do so, in effect, as the agent for the City. The City determines the fee structure, establishes policies, and has the right to approve compensation, employment practices, and other similar items. Clearly, the management firms provide input and recommendations, but ultimately the City retains near-full control over all operating decisions.

Other Provisions

Daily accounting and management system reports are an integral part of the golf course operation. This daily function can be provided on-site by golf course administrative staff, or at the home office of the management company. When provided by on-site staff, the expense is borne by the course like any other operating expense. When provided off-site by the management company, there often is a separate charge to the City, in addition to the basic management fee.

There may be other services provided by the management company which are reimbursed by the City separately from the management fee. Examples include travel expenses by home-office management staff, outside agronomical evaluations, and the like. All of these elements of the management agreement are negotiable, and clearly, the overall compensation consists of the sum of the base fee, incentive fee, and reimbursements.

The primary advantages of the management agreement structure include the benefits related to professional golf course management, lower wage and benefit structure related to private sector employment, shorter term contractual commitments, full control over the overall golfer experience and operations, and full participation in upside financial performance. The major disadvantages of this form of operation include greater participation required on the part of the contractor (City), financial risk, and inability to attract private capital.

Full Self-Operation (excluding merchandise, food & beverage)

Full self-operation relates to the operation of all, or most, of the golf course management, operations and golf course maintenance functions by the public agency and public employees. As with the management agreement, all of the revenues accrue to the public agency as do all of the operating expenses and capital improvement requirements. As such, all of the market and financial risk is borne by the public agency, as is all of the potential upside performance participation. As noted, the City of Los Angeles structure is largely a self-operation paradigm, although presently the City retains private concessionaires for golf professional and food and beverage functions. A full self-operation model effectively represents an extension of the current hybrid model with the City assuming additional golf operation functions currently handled by the concessionaires--specifically driving range, and lessons. It may be possible to continue to concession the pro shop operation under this model.

Examples of full self-operation are rare, although there are many examples of public maintenance with private concession golf operations/food and beverage. The City of Mountain View (Shoreline Golf Course), the City of Pacific Grove (Pacific Grove Municipal Golf Links), and the City of Aurora (Colorado) are some of the few examples of a full self-operation.

Self-operation may be structured as a municipal operation, a Park and Recreation or other special district, or as a non-profit entity. In California, most self-operation golf systems are structured as municipalities, while in

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other parts of the country such as the Pacific Northwest, Mountain States and the upper Midwest, park districts are relatively common. In the case of municipal self-operating models, typically an “enterprise fund” is established as the legal entity, with the intent for the system to be self-sustaining and any net proceeds from operations to remain in the system for capital reinvestment. There also have been several non-profit entities created for the self-operation of golf courses. In California, the City of Antioch (Lone Tree Golf Course) created a non-profit organization, and other efforts including the City of Baltimore and City of Seattle created golf non-profits for their systems (Seattle converted to a management structure in 2006).

The primary advantages of full self-operation include retaining full control over the policies, procedures, product quality and golfer experience, maximum participation in upside financial performance, and availability of City overhead support functions. The disadvantages of this option are the same as those under the current hybrid operating model--higher wage and benefit packages related to public employment, more restrictive labor policies, the absence of “best practices” in revenue generation, and bureaucratic constraints which inhibit management’s ability to adapt and respond quickly to changing market practices and conditions. Another disadvantage to both the current model and this option can be that many Cities are not staffed with golf operations professionals who are experienced in the marketing, revenue management, pricing, and with day to day golf operations background necessary to be successful in a self operating mode. Some cities that self operate have made a transition from a core of maintenance focused staff to a more operations and revenue experienced staff. (Phoenix, AZ, Aurora, CO.)

Other Options

There are numerous alternative hybrids which consist of some combination of concession agreements and service contracts, and often such hybrids involve City-provided golf course maintenance. The most common hybrid is retention of a golf operations concessionaire, with City maintenance. Historically, there have been many public agencies which have elected to maintain the golf courses through their parks and recreation department, while retaining concessionaires for golf and food and beverage operations. However, in most of these instances, the reservations, starting, marshaling, and greens fees collection function is the responsibility of the concessionaire, unlike the City of Los Angeles which retains this responsibility. Many municipalities currently utilize this model. Examples include Santa Barbara Municipal, Balboa Park in San Diego, Manteca Park in Manteca, Harding Park and Lincoln Park in San Francisco, San Clemente Golf Course, Palo Alto Municipal, DeLaveaga in Santa Cruz, and Bing Maloney in Sacramento. Under most of these agreements, all of the maintenance is provided by City Parks and Recreation staff, and golf operations – pro shop merchandise, cart rentals, driving range, instruction – are provided by a concessionaire. Food and beverage operations may be provided by the golf operations concessionaire, but more often are the responsibility of a separate concessionaire.

Concessionaires normally pay rent to the City based on a percentage of gross revenue (percentage varies by revenue category). Sometimes, the rent categories are adjusted downward to reflect the concessionaire responsibility for reservation, greens fees collections, and starting, but in other cases a separate fee is paid to

the concessionaire by the City for these services. In these cases, the City receives rent from the concessionaire, and also pays the concessionaire a fee for services. A summary of representative golf operations concession agreements is provided in Appendix C, Table C-1, of this report.

Another variation of the traditional hybrid involves contract golf course maintenance, while retaining a golf operations concessionaire and food and beverage concessionaire. Maintenance is provided by a private landscape provider, such as Valley Crest or International Golf Management (IGM), on a fixed fee basis subject to standards and practices established by the public agency. Examples include DeBell in Burbank, Anaheim Hills and Dad Miller in Anaheim, Alhambra Municipal in Alhambra. The responsibilities of the concessionaire and the structure of the golf operations concession agreement vary considerably.

Summary of Operating Options Strengths and Weaknesses

The strengths and weaknesses of the four basic options are outlined in Table V-1. Each option offers advantages and disadvantages relative to economic performance, city control, maintenance and influence on policy-making, more responsiveness of the operator, and efficiencies relating to one operating quality, required city involvement, and other factors. As stated above the Modified Management would have the same strengths and weaknesses as the full management services.

The current hybrid model, while having some benefits in terms of quality control, support from other City departments, and upside financial participation, has many deficiencies. There are higher costs associated with public sector employment, financial risk, and absence of professional golf management “best practices.” The most significant disadvantage, at least in the current structure, is the City’s inability to operate in a business-oriented, entrepreneurial manner which allows management to adapt and respond to dynamic market conditions. As well, the absence of an on-site manager at each facility with the authority to manage and coordinate the various functions provided by multiple providers is problematic, potentially resulting in lower revenues, less efficient operations and a diminished golfer experience.

The turnkey facility lease often yields a reasonable financial return to the city and requires the least city involvement, but maintenance and golf operations service levels may be below those desired by the City. As well, the city typically relinquishes at least some control over golf practices and policies, much of which may be due to contract “gray” areas. A major advantage of the turnkey operation is that normally substantial capital funds can be attracted from the private sector for course improvements, with the amount directly related to the length of the lease term.

A fee-for-service management agreement offers many advantages such as maintaining greater authority managing the facility. Since the city would receive all revenues and expenses under this option, the financial return to the city may exceed that of a turnkey facility lease, but carries with it additional financial exposure. At present, service contracts are more prevalent in the private sector (management of daily fee golf courses). However, there is an emerging trend toward this option primarily as a result of cities seeking to maintain greater control without giving up the benefits of private sector management and operation.

Table V-1: Strengths and Weaknesses of Golf Course Operating Options

Current Model	Modified Management	Facility Lease	Management Agreement	Full Self-Operation
STRENGTHS				
<ul style="list-style-type: none"> Reasonable level of City control over rates, policies, practices, and overall golf experience Availability of City overhead support functions Participation in upside financial performance Provides opportunity to retain specialists in golf operations and food and beverage Preserves option to convert to alternative operating option 	<ul style="list-style-type: none"> Reasonable level of City control over rates, policies, practices, and overall golf experience More efficient coordination of golf operations Assigns responsibility to a single on-site manager Availability of City overhead support functions Participation in upside financial performance Provides opportunity to retain specialists in golf operations and food and beverage Preserves option to convert to alternative operating option 	<ul style="list-style-type: none"> Provides reasonably strong financial return to city Produces guarantee minimum rent payment to City Minimizes financial risk Minimizes political influence with less direct involvement of City with setting fees, policies, and practices Offers potential benefits in golf management expertise and specialized maintenance support services May provide private capital investment in facilities 	<ul style="list-style-type: none"> Provides strong financial return to city Provides high level of city control Greater potential quality assurance Opportunity to provide shorter term contracts Potentially more compatible with multiple operator options Provides opportunity to retain specialists in professional golf management Captures benefits of private sector wage and benefit structure 	<ul style="list-style-type: none"> Provides highest level of City control over rates, policies, practices, and overall golf experience Availability of City overhead support functions Full participation in upside financial performance and potential efficiencies in retaining all golf operations functions Provides opportunity to retain specialists in golf operations and food and beverage Preserves option to convert to alternative operating option
WEAKNESSES				
<ul style="list-style-type: none"> Higher likelihood of conflicts among concessionaires Inability to control full golfer experience Involves higher public sector wage and benefit structure Constrains ability of management to adapt and respond to dynamic market conditions Entails substantial financial risk Reduces opportunity to attract private capital due to reduced lessee control Relatively high City monitoring requirements 	<ul style="list-style-type: none"> Inability to control full golfer experience Involves higher public sector wage and benefit structure Constrains ability of management to adapt and respond to dynamic market conditions Entails substantial financial risk Reduces opportunity to attract private capital due to reduced lessee control Relatively high City monitoring requirements 	<ul style="list-style-type: none"> Minimum operational and quality control May involve long-term contractual commitment Minimizes financial upside, particular in current market Current weak market for facility leases Potential conflicts over capital reinvestment responsibilities of contracting parties 	<ul style="list-style-type: none"> Requires more city involvement than facility lease option Minimizes private capital investment in facilities. Entails greatest level of city financial risk Involves higher public sector wage and benefit structure Reduces opportunity to attract private capital due to reduced lessee control Potentially difficult to retain Pro Shop and Instruction concessionaires Relatively high City monitoring requirements 	<ul style="list-style-type: none"> Constrains ability of management to adapt and respond to dynamic market conditions Entails substantial financial risk Involves higher public sector wage and benefit structure Reduces opportunity to attract private capital due to reduced lessee control Potentially difficult to retain Pro Shop and Instruction concessionaires Relatively high City monitoring requirements

Operating Options

A full self-operation model, which is an extension of the current City hybrid model to include additional golf operations functions (principally the driving ranges), offers some advantages over the current model. The principal advantage is the ability to coordinate the various functions to a greater degree and potentially to achieve some operating expense efficiencies in golf operations. There are few, if any, additional disadvantages of moving from the existing hybrid to a full self-contained model, although as noted above the disadvantages of the current hybrid are numerous, as manifest in the relatively poor financial performance of the current hybrid model. As stated earlier cities who self operate and beginning to make certain that they are staffed appropriately with experienced “golf operators” in order to react to changing market conditions to drive both rounds and revenue to the facilities while maintaining the required golfer experience. Moreover, it is questionable as to the ability of the City to retain concessionaires to operate only the pro shop merchandise function.

VI. Financial Projections

Stable year financial projections for the basic operating options are presented in the following section. The economics of the following operating options are estimated:

- ▶ Current Model
- ▶ Modified Management Agreement (Outsourcing of Golf Operations, Starter, Cart Services, Marshaling, and Green Fee Collection)
- ▶ Facility Lease
- ▶ Full Management Agreement
- ▶ Full Self-Operation (not including Food and Beverage or Merchandise)

Projected Stable Year Operating Revenues

Stable year operating revenue projections, shown in Table VI-1, are assumed to apply uniformly to all operating options. The baseline revenues are consistent with actual operating results for FY2011, with the exception of cart revenue which is projected based on prior years cart utilization rather than FY2011 which was adversely affected by the availability of a full inventory of serviceable carts. The projections are expressed in constant 2011 dollars. Both the “current model” and a modified management model, based on outsourcing some of the golf operations services currently provided by the City (starting, greens/cart fee collection and marshaling), are evaluated, along with facility lease, management agreement, and full self-operation models. Revenue estimates by facility by department are contained in Appendix D, Table D-1.

Table VI-1: Projected Annual Baseline Gross Revenues (thousands of constant 2011 dollars)		
Revenue	Actual FY2011	Stable Year Baseline
Greens Fees	\$18,316	\$18,316
Cart Fees	3,027	3,365
Driving Range	2,117	2,117
Pro Shop	1,050	1,050
Lessons	411	411
Food & Beverage	3,764	3,764
Tregnan	178	178
Reservations	326	326
Other	<u>670</u>	<u>670</u>
Total	\$29,859	\$30,197

Financial Projections

Current Hybrid and Modified Hybrid Models

The annual City net income under the current operating model whereby the City continues to provide golf course maintenance, administration/reservation services, and selected golf course operations (starter, cart rental, greens fees collection), along with the modified management version of this model, is shown in Table VI-2. The modified management version is based on two strategic changes from the existing model: (1) establishing an on-site “revenue manager” position at each major facility who is responsible for coordinating all of the functions at the course; and (2) consolidating and outsourcing the golf operations (greens/cart fees collection, starting, cart services and marshaling golf) functions.

For each model, total gross revenue and gross revenue accruing to the city (including concession rents) are shown. The operating expenses are provided by the Department of Recreation and Parks based primarily on their FY2011-2012 budget.

The City’s Cost Allocation Plan (CAP) assessment is comprised of direct employee benefits and Citywide overhead. For analysis purposes, the CAP charge is segregated into direct employee burden (benefits) at 52.35% of full-time plus 8.93% of part-time direct labor costs, with 36.54% of full-time and 40.10% of part-time indirect costs regarded as Citywide overhead. These numbers were provided by City staff. The “CAP” rate which is applied to direct labor expenses to determine “indirect costs” is established by the City Controller’s Office and represents a range of costs and services including employee benefits, payroll taxes, citywide liability self-insurance, citywide overhead functions, maintenance equipment capital charges, maintenance equipment repair expenses, and other miscellaneous allocations.

Financial Projections

Table VI-2: Annual Net Operating Income Current Operating Model (thousands of constant 2011 dollars)				
	Current Model		Modified Management Model	
	Gross Revenue	City Revenue	Gross Revenue	City Revenue
Gross Revenue				
Greens Fees	\$18,316	\$18,316	\$18,316	\$18,316
Cart Rental	3,365	3,365	3,365	3,365
Range	2,117	786	2,117	786
Pro Shop	1,050	31	1,050	31
Lessons	411	20	411	20
Food & Beverage	3,764	290	3,764	290
Tregnan	178	178	178	178
Reservations System	326	326	326	326
Other	670	670	670	670
Total	\$30,197	\$23,982	\$30,197	\$23,982
Operating Expenses				
Maintenance	---	\$9,961	---	\$9,961
Golf Operations	---	4,158	---	3,442
Management Fees	---	---	---	780
Golf Administration	---	2,597	---	2,100
Tregnan	---	586	---	586
Reservations System	---	349	---	349
Utilities	---	1,600	---	1,600
Citywide Overhead	---	3,205	---	3,205
Distribution to RAP Dept.	---	1,000	---	1,000
Total Expenses	---	\$23,456	---	\$23,023
Net Operating Income Available for CIP/Other Set Aside	---	\$526	---	\$959

Financial Projections

Again, the modified management model assumes privatization of the golf operations functions, while leaving the current golf course maintenance delivery system in-place. This restructuring is estimated to result in a reduction of about \$433,000 in expenses systemwide.

Facility Lease

The facility lease option is based on the percentage rent terms set forth below. The percentage rents are consolidated system wide averages. The terms for individual facilities would vary according to the characteristics of each specific property. As noted in the section above, facility lease terms (term of the agreement, front-end capital improvements requirements, annual rent, and capital improvement replacement reserve contributions) must be viewed and considered as a package. Note that the percentage lease rates shown in the table are inclusive of contributions to the capital improvements reserve fund, and assume in the range of \$5 million in front-end lessee-funded capital improvements for the entire portfolio of courses. In the current market environment, the amount of front-end private sector capital which can be attracted for golf course is uncertain, particularly given the state of credit markets. The percentages also are based on the assumption that the lessee is responsible for all utility expenses, and reflect the requirement that the lessee conform to the City of Los Angeles Living Wage Ordinance.

Applying the percentage lease terms to the projected stable year gross revenue yields annual facility rent payments to the City, as shown in Table VI-5. City of Los Angeles stable year net operating income under the facility lease is summarized as follows:

Financial Projections

Table VI-3: Facility Lease City Net Operating Income			
(thousands of constant 2011 dollars)			
Revenue Category	Annual Gross Revenue (\$000)	Percentage Rent	Annual City Revenue (\$000)
Revenue			
Greens Fees	\$18,316	30%	\$5,495
Cart Fees	3,365	30%	1,010
Driving Range	2,117	25%	529
Pro Shop	1,050	6%	63
Lessons	411	6%	25
Food & Beverage	3,764	8%	301
Tregnan	178	0%	178
Reservations	326	0%	326
Other	<u>670</u>	0%	<u>670</u>
Total	\$30,197	---	\$8,597
Operating Expenses			
Golf Administration	---	---	\$1,600
Tregnan	---	---	586
Reservations	---	---	349
Utilities	---	---	---(1)
Citywide Overhead	---	---	3,205
Distribution to RAP Dept.	---	---	<u>1,000</u>
Total	---	---	\$6,740
Net Operating Income Available for CIP/Other Set Aside	---	---	\$1,857

(1) Assumes lessee is responsible for utility costs as part of lease agreement.

Financial Projections

Management Agreement

Stable year operating income generated under a management agreement form of operation is equal to gross revenue from all departments (excluding food and beverage), less cost of sales related to merchandise sales and operating expenses. The expenses are based on private sector staffing at the same level as provided under the current City hybrid operating model, and reflect the City's Living Wage Ordinance. Operating expenses for each facility are shown in Table VI-4 based on the current staffing levels and the wage structure contained in Appendix Table D-4 of the report. Cost of retail merchandise sales is indicated at 72% of gross sales, similar to the cost of sales typically experienced at similar municipal operations.

Stable year net operating income under the management agreement model is projected in Table VI-5 for each of the City's facilities.

Table VI-4: Management Agreement Estimated Expenses

	Encino Balboa	Woodley	Hansen Dam	Rancho 18	Griffith Park	Penmar	Harbor Park	Roosevelt	Holmby	Los Feliz	Rancho 9	Total
Maintenance												
Payroll and benefits (1)	\$981	\$527	\$519	\$498	\$1,053	\$322	\$214	\$242	\$76	\$46	\$44	\$4,522
Services Supplies	\$350	\$225	\$225	\$225	\$350	\$75	\$75	\$75	\$25	\$40	\$40	\$1,705
Utilities												\$0
Maint Equip	\$150	\$100	\$100	\$100	\$150	\$75	\$75	\$75	\$20	\$50	\$25	\$920
Sub Total	\$1,481	\$852	\$844	\$823	\$1,553	\$472	\$364	\$392	\$121	\$136	\$109	\$7,147
Golf Operations												
Payroll and benefits (1)	\$295	\$245	\$250	\$269	\$336	\$188	\$218	\$145	\$0	\$104	\$64	\$2,114
Cart Lease	\$94	\$63	\$60	\$63	\$105							\$385
Carts Ops	\$80	\$55	\$63	\$55	\$110							\$363
Range	\$175	\$100	\$100	\$175	\$150							\$700
Services Supplies	\$100	\$75	\$75	\$75	\$100	\$40	\$40	\$40	\$5	\$15	\$15	\$580
Sub Total	\$744	\$538	\$548	\$637	\$801	\$228	\$258	\$185	\$5	\$119	\$79	\$4,142
Undistributed/Clubhouse												
	\$100	\$75	\$75	\$100	\$100	\$15	\$15	\$15	\$5	\$10	\$10	\$520
G&A												
Insurance	\$60	\$50	\$50	\$60	\$60	\$20	\$20	\$20	\$5	\$10	\$10	\$365
Marketing	\$50	\$50	\$50	\$50	\$50	\$10	\$10	\$10	\$0	\$5	\$5	\$290
Services Supplies	\$150	\$150	\$150	\$150	\$150	\$75	\$75	\$50	\$10	\$25	\$25	\$1,010
Sub Total	\$260	\$250	\$250	\$260	\$260	\$105	\$105	\$80	\$15	\$40	\$40	\$1,665
Management Fees												
	\$150	\$100	\$100	\$100	\$150	\$96	\$96	\$96	\$48	\$96	\$96	\$1,128
Total	\$2,735	\$1,815	\$1,817	\$1,920	\$2,864	\$916	\$838	\$768	\$194	\$401	\$334	\$14,602
Management Fees (Golf Ops Only Option)												
	\$100	\$80	\$80	\$80	\$100	\$60	\$60	\$60	\$40	\$60	\$60	\$780

Footnote:
 (1) Labor based on current City staffing levels per Appendix Table D-4, with market wages adjusted to reflect Living Wage.

Financial Projections

Table VI-5: Annual Net Operating Income Full Management Model (thousands of constant 2011 dollars)		
	Gross Revenue	City Revenue
Gross Revenue		
Greens Fees	\$18,316	\$18,316
Cart Rental	3,365	3,365
Range	2,117	2,117
Pro Shop	1,050	1,050
Lessons	411	411
Food & Beverage	3,764	290
Tregnan	178	178
Reservations System	326	326
Other	670	670
Total	\$30,197	\$26,723
Less: Cost of Sales	---	756
Gross Operating Profit	---	\$25,967
Operating Expenses		
Maintenance	---	\$7,147
Golf Operations	---	4,142
Undistributed Clubhouse	---	520
Course Level Administrative	---	1,665
Management Fees	---	1,128
Golf Administration	---	1,600
Tregnan	---	586
Reservations System	---	349
Utilities	---	1,600
Citywide Overhead	---	3,205
Distribution to RAP Dept.	---	1,000
Total Expenses	---	\$22,942
Net Operating Income Available for CIP/ Other Set Aside	---	\$3,025

Financial Projections

Full Self-Operation

The full self-operation model is an extension of the current model, with the driving range and lessons concessions converted to City self-operation. As such, all of the driving range and instruction revenue accrue to the City, and operating expenses are adjusted to reflect their City operation. This model assumes that the pro shop and food and beverage operations continue to be performed under a concessionaire agreement. Operating expenses under this model remain the same as the current hybrid model, with the exception of golf operations expenses which are adjusted to reflect the expenses related to the driving range and lessons functions. Net operating income accruing to the City under this model is presented in Table VI-6.

Comparative Financial Summary

The consolidated summary is presented in Table VI-7. Note that under each of the five operating models, operating expenses for the Tregnan Golf Academy, City Reservations, Citywide Overhead (CAP) charge, and the distribution to the Department of Recreation and Parks remain identical.

Annual net cash flow from operations under the five alternative models is projected after an annual deduction for an annual capital improvement program (CIP) reserve. The CIP reserve is based on an annual set-aside equal to 10 percent of gross greens fees revenue, a rough standard applied by many other public agencies including the City of Long Beach and County of Los Angeles.

City of Los Angeles Golf System Projected Net Cash Flow By Model (thousands of constant 2011 dollars)			
Operating Model	Net Operating Income Available for CIP/ Other Set Aside	Less: Recommended CIP Set Aside	Net Cash Flow
Current Model	\$526	\$1,832	(\$1,306)
Modified Management	959	1,832	(873)
Facility Lease	1,857	1,832	25
Management Agreement	3,025	1,832	1,193
Full Self-Operation	1,038	1,832	(794)

Financial Projections

**Table VI-6: Annual Net Operating Income Full Self-Operation
(thousands of constant 2011 dollars)**

	Gross Revenue	City Revenue
Gross Revenue		
Greens Fees	\$18,316	\$18,316
Cart Rental	3,365	3,365
Range	2,117	2,117
Pro Shop	1,050	31
Lessons	411	411
Food & Beverage	3,764	290
Tregnan	178	178
Reservations System	326	326
Other	<u>670</u>	<u>670</u>
Total	\$30,197	\$25,704
Operating Expenses		
Maintenance	---	\$9,961
Golf Operations	---	5,358
Management Fees	---	---
Golf Administration	---	2,597
Tregnan	---	586
Reservations System	---	349
Utilities	---	1,600
Citywide Overhead	---	3,205
Distribution to RAP Dept.	---	1,000
Total Expenses	---	\$24,666
Net Operating Income Available for CIP/Other Set Aside	---	\$1,038

Financial Projections

Table VI-7: Annual Net Operating Income Current Operating Model (thousands of constant 2011 dollars)					
	Current Model	Modified Management	Facility Lease	Management Agreement	Full Self-Operation
City Gross Revenue					
Greens Fees	\$18,316	\$18,316	\$5,495	\$18,316	\$18,316
Cart Rental	3,365	3,365	1,010	3,365	3,365
Range	786	786	529	2,117	2,117
Pro Shop	31	31	63	1,050	31
Lessons	20	20	25	411	411
Food & Beverage	290	290	301	290	290
Tregnan	178	178	178	178	178
Reservations System	326	326	326	326	326
Other	670	670	670	670	670
Total	\$23,982	\$23,982	\$8,597	\$26,723	\$25,704
Less: Cost of Sales	---	---	---	756	---
Gross Profit	\$23,982	\$23,982	\$8,597	\$25,967	\$25,704
Operating Expenses					
Maintenance	\$9,961	\$9,961	---	\$7,147	\$9,961
Golf Operations	4,158	3,442	---	4,142	5,358
Undistributed Clubhouse	---	---	---	520	---
Course Level Administrative	---	---	---	1,665	---
Management Fees	---	780	---	1,128	---
Golf Administration	2,597	2,100	\$1,600	1,600	2,597
Tregnan	586	586	586	586	586
Reservations System	349	349	349	349	349
Utilities	1,600	1,600	---(1)	1,600	1,600
Citywide Overhead	3,205	3,205	3,205	3,205	3,205
Distribution to RAP Dept.	1,000	1,000	1,000	1,000	1,000
Total Expenses	\$23,456	\$23,023	\$6,740	\$22,942	\$24,666
Net Operating Income Available for CIP/Other Set Aside	\$526	\$959	\$1,857	\$3,025	\$1,038
1/ Assumes lessee is responsible for utilities under terms of lease agreement.					

VII. Stakeholder Interviews

There are a number of stakeholders which participate in the City of Los Angeles golf course system. A number of these stakeholder groups were interviewed as part of this evaluation process to document their views and recommendations regarding improving the overall golf course delivery system. Recognizing that there are numerous groups involved with the system, several key stakeholder group representatives were interviewed during the course of this operations evaluations. Issues discussed included communications, areas where difficulties are encountered, and opportunities to improve overall operations. The highlights of the interviews are summarized in the paragraphs below.

Food & Beverage Concessionaires

The food and beverage concessionaires operating at the City's golf courses were interviewed on June 9, 2011. The following salient comments were offered:

- ▶ Decisions are made in a vacuum with no input from concessionaires;
- ▶ The resident versus non-resident reservation/play policies is affecting total golf rounds which, in turn, is adversely affecting concession business;
- ▶ Friday rates are not effective and have hurt business;
- ▶ There is no interaction with golf administration or other providers of golf services;
- ▶ There is a "civil service" attitude at the golf courses which is adversely affecting the condition of the courses, perceived by many of the concessionaires as a "we don't sweep on that side of the tree;"
- ▶ It is essential to break the barrier of a civil service attitude and operate more like a business;
- ▶ Concessionaires feel like the City administration is trying to tell them how to run their business instead of asking how they can help improve the business;
- ▶ Concessionaires believe that it would be more productive if they worked closer with the golf division on issues rather than the concessions division of the Recreation and Parks Department;
- ▶ There is no packaging with golf for tournaments or to promote business;
- ▶ The City only looks for problems rather than searching for solutions;
- ▶ Communications between the City and concessionaires is generally poor, and limited to when Only there is a problem;
- ▶ The absence of responses and actions, such as "waiting 2 years 4 months to get a new menu and pricing approved" creates a difficult environment in which to work;
- ▶ The group of concessionaires gets punished for one bad operator;

Stakeholder Interviews

- ▶ The City implements policies without understanding how it may affect each operator. For example, the two nines at Hansen were reversed without consulting the concessionaires, which caused a 50% drop in food and beverage revenues;
- ▶ There is a need to address issues on a facility-by-facility basis.
- ▶ Being on short term agreements (in limbo) hampers concessionaires from investing or making long term commitments to the property. It is necessary to know one way or the other the status of their contracts in order to make both short and long term commitments;
- ▶ Concessionaires are willing to work together to make things better;
- ▶ The City does not look at the overall operations, and the food and beverage operations specifically, as a partnership; and
- ▶ There is a need to work together for a resolution to issues.

Department of RAP

Administrative staff from the Department of Recreation and Parks, including RAP management, golf division management, administrative staff and maintenance representatives were interviewed regarding their observations and current practices regarding the overall golf system. The highlights of the interviews are summarized in the paragraphs below.

- ▶ Golf course maintenance levels and the basic infrastructure/building construction is considered very good;
- ▶ One of the primary impediments to improving the overall health of the system and generating higher revenues for the system is a weak marketing program;
- ▶ Tree maintenance requires extensive maintenance resources and is lagging behind day-to-day course maintenance;
- ▶ The reservation system is efficient, effective and fair;
- ▶ The workforce at the courses generally involves more seasoned, long tenured workers, resulting in relatively higher burden;
- ▶ The current jobs/work rules related to operations and maintenance need to be revised to fit golf better;
- ▶ Management feels an obligation to strongly support the existing public work force and retain jobs;
- ▶ There is a philosophy among management that municipal golf is unique in that it should not, and does not, have to compete with for-profit public daily fee golf courses. Making money at a municipal golf course is not necessarily the highest priority;
- ▶ The demographics of the City's golfing client base is changing, and the City must adapt to this dynamic marketplace;
- ▶ The City can operate the golf courses better than the private sector by virtue of utilizing extensive other City departments and resources;
- ▶ The golf system will resume positive growth and benefit substantially from improvement in the overall economy;

Stakeholder Interviews

- ▶ The City needs to improve in its ability to move quickly to adjust to market trends;
- ▶ Currently there is a lack of sufficient CIP funds, with an estimated need of \$2.0 to \$3.0 million annually;
- ▶ There are a number of Americans With Disability Act (ADA) issues throughout the system;
- ▶ There is a need to develop a maintenance plan and staffing level and stick to it, and a need to do labor-tasking by course for maintenance; and
- ▶ Major repairs to the structures at the City's facilities are being performed by General Services.

Golf Advisory Committee

Attendees at the general session of the City of Los Angeles Golf Advisory Committee (GAC) nominated a small group of its representatives to provide input in the evaluation of the City golf course system operations review. The City of Los Angeles Golf Advisory Committee was created in 1996 to act in an advisory capacity to the Department of Recreation and Parks General Manager and the Board of Recreation and Park Commissioners regarding matters concerning the operation and maintenance of the City golf facilities. Specific duties of this volunteer committee include advising the General Manager regarding adoption of specific rules and regulations pertaining to the use of City golf facilities; changes in the golf rates and fees; physical changes or improvements to municipal golf courses that would be beneficial to the golfing public; adoption and implementation of golf surcharge fund projects and schedules; duties and obligations of golf facility concessionaires and lessees; policies and procedures affecting golfers, marshals, and public relations; and capital improvements. Representatives to the Golf Advisory Committee are from the City's golf course clubs, the Municipal Golf Association, Women's Public Links Golf Association, Southern California Golf Association, and the Los Angeles Junior Chamber of Commerce. The highlights of the interviews are summarized in the paragraphs below.

- ▶ The current operating system is inefficient and ineffective, "operating in a time warp" compared to contemporary practices and standards within the golf industry;
- ▶ The golf division should be responsible for overseeing all contracts and concessionaires operating at the courses;
- ▶ Decisions made at the administrative level are linked to historical rather than contemporary practices and standards;
- ▶ The golf division needs to be run like a business in order to maintain long term health of the system and fund capital improvement needs;
- ▶ The City Council is not educated as to the benefits of golf within their communities;
- ▶ The Golf Division and other Recreation and Parks Department appears unwilling/unable to make any positive changes to the golf system;
- ▶ The City and Recreation and Parks Department administrators feel that golfers are "elite" or economically privileged such that fee increases are acceptable and tolerable;

Stakeholder Interviews

- ▶ Implementation of fee increases are made purely for economic reasons with no consideration of the consequence to the overall market and competition.
- ▶ City-oriented golf clubs are not respected; and
- ▶ Input from GAC is not taken seriously by the City's Golf staff.
- ▶ The City golf management's strength is in maintenance, not golf management and operations;
- ▶ The City/Department has no credibility with golfers;
- ▶ There is no accountability for performance in the department;
- ▶ The absence of coordination and integration of the various concessionaires at the courses puts the City golf courses at a disadvantage compared with other competing courses in the marketplace;
- ▶ There is poor communication between City golf management and the golfing public;
- ▶ The overall system is user unfriendly with too many rules and restrictions, therefore driving away customers. Examples include the existing structure of the City Golf Resident/non resident policies, the reservation rules (ABC), and the like;
- ▶ Golf operations need to be separated out of, and operated independently from, Recreation and Parks;
- ▶ The golf course system operation reflects a "City acumen" approach rather than a "business" approach by staff;
- ▶ The Golf Department needs to be restructured to work better;
- ▶ Purchasing and other decisions are too slow and bureaucratic, costing the Golf System money (carts);
- ▶ Golf course maintenance is satisfactory; and
- ▶ Course level staff is good and want to do better but they feel they do not have the authority to make simple changes.

SEIU

Representatives of the Service Employees International Union (SEIU) were interviewed on May 13, 2011 to discuss the views of organized labor in improving the overall efficiency of the City's municipal golf system. The SEIU represents employees who provide golf course maintenance services on all of the City's golf courses. Golf course maintenance is the responsibility of a force of approximately 100 full time and 40 part time maintenance staff. The highlights of the interview are summarized in the paragraphs below.

- ▶ The various parties and disciplines which jointly provide golf recreational services and course maintenance need to work together in order to deliver a superior product.
- ▶ Golf course duties and responsibilities, in many ways, are distinctly different from landscape maintenance at other public facilities within the City.
- ▶ There is a willingness to work under the direction and supervision of private sector management.
- ▶ Representatives of SEIU are not fully confident that the current golf management structure provides a sufficient platform for implementing the types of changes needed to improve the efficiency of the golf system. There is a desire to have the management model shifted away from public recreation and more toward operation of a business.

Stakeholder Interviews

- ▶ SEIU representative expressed a willingness to participate in creating long term solutions in improving the quality of the golf product and generating additional funding for needed improvements.

Summary of Stakeholder Interviews

The comments provided by the stakeholders during the interviews, as enumerated above, in general reflect a frustration with the current system. In our opinion, many of the interviewees believe that there is a need for the system to be run more like a business in order to stay competitive with the other properties in the market and to be able to adjust to the rapidly changing golf environment. Over the past year, this has become more critical in light of the latest greens fees increase which put City courses at the high end of the greens fees range in their market segment. There appears to be an overall lack of confidence in the department (i.e. City) to be able to adapt to changes in the market and run the system more like a private enterprise. There is agreement among all interviewees that the maintenance of the golf courses is good and course level staff is well liked. All of the Stakeholders want to work to be part of the solution but believe that the City does not respect or take into account the suggestions and or efforts of the stakeholders. Overall there needs to be more of a “we are in this all together” management style put in place. Based on these interviews the following changes are recommended:

- Each course should have weekly meetings with all concessionaires and maintenance to improve coordination and communication.
- Golf courses need to be looked at as a business and steps should be taken to run them more that way in order to compete with private operators.
- Monthly meetings with Golf Division, Concessionaires, Maintenance key management.
- The Golf Division should work closer with concessionaires for opportunities for bundling of specials and tournaments.
- Their needs to be more of a “partnership” attitude throughout the system.
- Improve communication throughout the system with golfers and stakeholders.

These changes can be accomplished within the current system, or by one or more of the operating options whereby a single operator is responsible for most, or all, of the golf functions.

Appendix A

Los Angeles Municipal Golf Course System

Appendix A: Los Angeles Municipal Golf System

A brief description of each of the City of Los Angeles’ golf facilities is presented below.

Rancho Park--The Rancho Park golf complex consists of an 18-hole championship golf course and a 9-hole par-3 course located near the intersection of West Pico Boulevard and Overland Avenue in the Westwood-Cheviot Hills area of Los Angeles. The 18-hole golf course originally designed by William Bell, Senior, was developed in 1927. After the clubhouse was constructed in 1935, the Rancho Park facility was conveyed to the City of Los Angeles in 1948, operating as a municipal golf course since that time. In 1948, W.H. Johnson redesigned the golf course. The course has hosted nearly 30 professional golf tournaments over the years, including the Los Angeles Open on numerous occasions.

The 18-hole championship course has the following characteristics:

Tee	Par	Distance (yards)	Slope	Rating
Blue	71	6,630	121	71.2
White	71	6,308	117	69.7
Red	71	6,021	125*	74.7*
* Women's slope and rating.				

The golf features extensive mature tree cover and gently rolling terrain, and is the most popular of the City’s golf courses, and one of the most desirable public-access courses in Southern California.

Rancho Park has a relatively small double-deck golf practice range with 43 tee stations. The range is night-lighted. While there have been plans for renovating the range dating back to 2004-2005, with potential funding by the current concessionaire, there have been no significant improvements to the range and it remains in relatively poor condition.

The clubhouse, built in 1935, is a California Spanish design and encompasses approximately 10,000 square feet. The structure includes a pro shop, dining room with seating for 90, bar, banquet room with seating for 75, small locker rooms, and a manager’s office. There is a halfway house located at the #12 tee. Due to its age and absence of continuous refurbishment, the clubhouse requires significant capital improvements in the near- to mid-term.

Limited on-site parking is a major constraint at Rancho Park. Including the 18-hole regulation length course and adjoining 9-hole par-3 course, there are 240 parking spaces. While this number of spaces is adequate for accommodating golfers, there is insufficient parking for concurrent non-golf clubhouse activities such as banquets.

Carts are stored in a freestanding building near the clubhouse. The maintenance facility is a concrete block structure located near the #6 tee.

The 9-hole par-3 (982 yards±) golf course adjoins the regulation length course on the northeast portion of the property, along Pico Boulevard. The course golf tees are designed with concrete pads covered with artificial turf mats. A small (1,000 square feet) starter house services the short course.

There are two concessions at Rancho Park:

	Pro Shop & Driving Range	Food & Beverage												
Concession	Steve Oh, Rancho Golf Center, Inc.	Rancho Park Garden Rent												
Lease Start	1/02/02	---												
Lease Term	15 years	month-to-month												
Expiration Date	1/02/17	---												
Minimum Annual Rent	\$450,000	---												
Percentage Rent	<table border="0"> <tr> <td>Pro Shop</td> <td>7.0%</td> </tr> <tr> <td>Lessons</td> <td>7.0%</td> </tr> <tr> <td>Range up to \$1.5 M</td> <td>35.0%</td> </tr> <tr> <td>\$1.5-\$2.0 M</td> <td>37.5%</td> </tr> <tr> <td>\$2.0+ M</td> <td>40.0%</td> </tr> </table>	Pro Shop	7.0%	Lessons	7.0%	Range up to \$1.5 M	35.0%	\$1.5-\$2.0 M	37.5%	\$2.0+ M	40.0%	<table border="0"> <tr> <td>Food & Beverage</td> <td>9.0%</td> </tr> </table>	Food & Beverage	9.0%
Pro Shop	7.0%													
Lessons	7.0%													
Range up to \$1.5 M	35.0%													
\$1.5-\$2.0 M	37.5%													
\$2.0+ M	40.0%													
Food & Beverage	9.0%													
Rent Paid-2010	\$450,600	\$24,900												

Power cart rentals also was operated as a private concession until January 2011 when it was converted to City self-operation.

Griffith Park--There are four golf facilities located within Griffith Park, the City's largest park, which is located near the intersection of the Ventura (101) and Golden State (I-5) freeways in the east San Fernando Valley area of Los Angeles.

- ▶ Griffith Park--Two 18-hole regulation length golf courses (Wilson and Harding)

- ▶ Roosevelt- A 9-hole executive length golf course
- ▶ Los Feliz-A 9-hole par-3 golf course
- ▶ Marty Tregnan Golf Academy- A state-of-the-art training and practice facility designed for junior golfers.

Griffith Park--The Griffith Park golf complex consists of two 18-hole regulation length golf courses--The Harding and Wilson courses-- both located within the park. The golf course parameters are as follows:

Tee	Wilson Course				Harding Course			
	Par	Distance	Slope	Rating	Par	Distance	Slope	Rating
Blue	72	6,947	123	72.8	72	6,536	123	70.8
White	72	6,695	121	71.5	72	6,317	121	69.8
Red	72	6,436	132*	77.0*	72	6,137	125	75.1*
* Women's slope and rating.								

The Wilson course is a par-72 layout with the par-37 front nine comprised of one par-3, six par-4 and two par-5 holes, and the par-35 back nine consisting of two par-3, six par-4, and one par-5 hole. The par-72 Harding course also has a par-37 front nine and a par-35 back nine with the same mix of holes. The Wilson course is the most popular because of its course design and features, and is regarded as a “premium” course, along with Rancho Park, by the City in setting its greens fees structure.

The double deck golf practice range has 45 tee stations and is night-lighted. The range features an artificial turf landing area.

The clubhouse, constructed in 1933, serves both golf courses. Facilities include a large pro shop which was remodeled in 1993. While the clubhouse is relatively large, the design is very dysfunctional, with the second-level space having limited use potential. This clubhouse, because of its age and lack of ongoing refurbishment, requires significant capital improvements.

Roosevelt--The 9-hole executive length Roosevelt golf course is located in the southern portion of Griffith Park on the east side of Vermont Avenue, across from the Greek Theatre. The par-33 course measures 2,400 yards with a slope of 108 and rating of 31.3. Amenities include a snack bar, practice net, and practice putting green.

Los Feliz--the Los Feliz course is a 9-hole par-3 course located just northeast of Griffith Park, off of Los Feliz Boulevard. The course measures just over 1,000 yards. Amenities include a putting green and small coffee shop.

Marty Tregnan Golf Academy--the Tregnan Golf Academy is open to girls and boys ages 7 to 18. The primary focus of the facility is to introduce juniors to the game of golf by offering progressive levels of instruction. The academy offers a 15-tee, 200-yard deep practice range; three practice holes; practice putting green; chipping area; practice sand bunker; and a 1,500-square-foot learning center with classroom space, a starter window, and club repair workshop.

There are four concessionaires at Griffith Park--including the Harding/Wilson pro shop and driving range concession, Harding/Wilson food and beverage concession, the Los Feliz food and beverage concession and the Roosevelt food and beverage concession. The two Harding/Wilson concessions are summarized as follows:

	Pro Shop & Driving Range		Food & Beverage	
Concession	Tom Barber		Monterey Concessions Group	
Lease Start	5/05/10		4/1/02	
Lease Term	3 years		month-to-month	
Expiration Date	5/04/13		---	
Minimum Annual Rent	\$250,000		\$70,000	
Percentage Rent	Pro Shop	5.0%	Food & Beverage	10.0%
	Lessons	10.0%	Liquor	12.5%
	Range	30.0%		
Rent Paid-2010	\$156,800		\$108,700	

As with all of the City courses, the cart rental operation was assumed by City staff in early 2011.

Sepulveda--The Sepulveda golf complex consists of two 18-hole regulation length golf courses--the Encino and Balboa courses. The complex is located on the north side of Burbank Boulevard, between Balboa Boulevard and Woodley Avenue in the west San Fernando Valley. The Balboa course, designed by William Bell, was developed in 1953, and the Encino course, also designed by Mr. Bell, was developed four years

Appendix A

later in 1957. Significant renovation work on the Balboa course was completed in 2008 which resulted in a lengthening of the course to 6,600 yards.

The two golf courses have the following characteristics:

	Encino Course				Balboa Course			
Tee	Par	Distance	Slope	Rating	Par	Distance	Slope	Rating
Blue	72	6,863	112	70.8	72	6,609	117	70.7
White	72	6,458	109	69.3	72	6,328	114	69.4
Red	75*	6,192	118*	74.3*	73*	6,099	124*	74.5*
* Women's par, slope and rating.								

The golf practice range is located west of the clubhouse. The range has 45 tee stations and is night-lighted. The clubhouse is approximately 8,000 square feet and has a restaurant, snack bar, and a banquet room. The pro shop/starter house is a separate structure totaling about 3,000 square feet.

There are two concessionaires at Encino/Balboa:

	Pro Shop & Driving Range		Food & Beverage	
Concession	Ready Golf, Inc.		Monterey Concessions Group	
Lease Start	2/17/01		5/17/07	
Lease Term	month-to-month		5 years (+ 5-year City option)	
Expiration Date	---		5/16/12	
Minimum Annual Rent	---		none	
Percentage Rent	Pro Shop	5.0%	Food & Beverage --Bar	10.5%
	Lessons	5.0%	Coffee Shop/Snack Bar	8.0%
	Range	30.0%	Banquet	10.0%
Rent Paid-2010	\$91,800		\$88,100	

Golf cart rentals are the responsibility of City staff.

Woodley Lakes--Woodley Lakes Golf Course is an 18-hole regulation length golf course located on the west side of Woodley Avenue, just south of Victory Boulevard in the West San Fernando Valley. The course, designed by Ray Goates, opened for play in 1977, and thus is the newest golf course in the City's golf system.

The golf course parameters are as follows:

Tee	Par	Distance (yards)	Slope	Rating
Blue	72	6,805	119	71.9
White	72	6,528	117	70.5
Red	76*	6,224	120*	74.6*
* Women's par, slope and rating.				

The golf practice range has 28 tee stations, with the option to use natural turf tees or artificial mats. The range was renovated in 1997, with night lighting added at that time. The Woodley Lakes clubhouse was completed in 2002. The clubhouse is approximately 6,000 square feet, and has restaurant seating capacity for about 200.

There are two concessions at Woodley Lakes:

	Pro Shop & Driving Range		Food & Beverage	
Concession	Golf L.A. Partners		Omni Ent	
Lease Start	10/1/97		---	
Lease Term	10 years		---	
Expiration Date	9/30/07		---	
Minimum Annual Rent	\$85,000			
Percentage Rent	Pro Shop	7.0%	Food & Beverage	8.0 %
	Lessons	7.0%	Liquor	8.0 %
	Range	35.0%		
Rent Paid-2010	\$69,200		\$26,000	

Hansen Dam--The Hansen Dam Golf Course is an 18-hole regulation length facility located off Glenoaks Boulevard, near the confluence of the Simi Valley (118) and Foothill (210) freeways in the north San Fernando Valley area of Los Angeles. The course was developed in 1972 on U.S. Army Corps of Engineers property within the Hansen Dam Recreation Area. A major renovation of the Hansen Dam Golf Course was completed in 2008 which included a complete new irrigation system and construction of a continuous cart path network.

The 18-hole regulation length golf course has the following characteristics:

Tee	Par	Distance (yards)	Slope	Rating
Black	72	6,669	121	71.8
Blue	72	6,358	116	69.9
White	72*	6,098	124*	74.3*
* Women's par, slope and rating.				

The Hansen Dam practice range is located on the north side of the clubhouse. The range has 31 tee stations and is night-lighted. The golf course benefited from a significant capital improvements completed in recent years, including a new irrigation system, drainage infrastructure, new cart path network and other golf course improvements.

There are two concessions at Hansen Dam:

	Pro Shop & Driving Range	Food & Beverage
Concession	±John Wells Golf Shops	JL Dining Service
Lease Start	7/23/09	2/6/08
Lease Term	2 years	2 years (interim agreement)
Expiration Date	7/22/11	---
Minimum Annual Rent	\$85,000	None
Percentage Rent	Pro Shop 7.0% Lessons 7.0% Range 35.0%	Food & Beverage 4.0%
Rent Paid-2010	\$71,900	\$18,000

Harbor Park--Harbor Park Golf Course is a 9-hole regulation length facility located immediately west of the Harbor (110) Freeway between Pacific Coast Highway and Anaheim Street in the Harbor City/Wilmington area

of Los Angeles. The golf course was initially constructed in 1957, undergoing renovations in 1994. The golf complex is situated adjacent to Los Angeles Harbor Community College.

The 9-hole golf course has the following characteristics:

Tee	Par	Distance (yards)	Slope	Rating
Blue	36	3,155	115	34.5
Red	36	3,003	126	37.0*
* Women's par, slope and rating.				

The golf course is relatively flat, except for the east end which slopes downward toward Harbor Park Lake. The site has a relatively dense and mature tree cover. There are two par-3, five par-4, and two par-5 holes on the course. The golf course does not have a practice range, although the privately operated Harbor Golf Practice Center is located about one-quarter mile from the golf course.

There are two large (12,000 square foot) practice putting greens and four golfer “warm-up stations” with netting. Parking is contained in a dedicated east lot (80 spaces) and shared community college south parking lot (120 spaces).

The clubhouse facilities, built in the mid-1970s, include a small 1,200 square foot restaurant/snack bar (35 seats) and a 2,500 square foot structure containing a starter office, restrooms, and a small card room. Cart storage for about 20 carts is provided below the clubhouse building. The maintenance yard is located off Anaheim Street.

The golf operations, including cart rental, is self-operated by the City. The food and beverage service was provided by R & T Food Service, but currently there is no concessionaire in place.

Penmar--Penmar Golf Course is a 9-hole executive length facility located on Rose Avenue, one-quarter mile west of Lincoln Boulevard in the Venice area of Los Angeles. The course is directly east of the Santa Monica Municipal Airport. The golf course was originally constructed in 1963, with substantial renovations occurring in 1996.

The 9-hole golf course has the following characteristics:

Tee	Par	Distance (yards)	Slope	Rating
White	33	2,496	99	63.9
Gold	34	2,311	104*	66.0*
* Women's par, slope and rating.				

The golf course is relatively flat and appeals to senior golfers. There are three par-3 and six par-4 holes on the course. Penmar currently does not offer electric cart rentals. There is no practice range, although there is an enclosed chain link practice area for golfer warm-up.

The clubhouse at Penmar was built in 1980 and contains about 3,000 square feet. The maintenance facility is located on the course, and is in very poor condition.

There are two concessions at Penmar--one concession which is responsible for the food and beverage service, and offers golf club and pull cart rentals, along with a very limited merchandise inventory; and a lessons concession. The food and beverage/pro shop concession is summarized as follow:

	Pro Shop/Food & Beverage	
Concession	Campus Cuisine	
Lease Start	8/1/00	
Lease Term	month-to-month	
Expiration Date	---	
Minimum Annual Rent	\$9,000	
Percentage Rent	Pro Shop	6.0%
	Food & Beverage	7.0%
Rent Paid-2010	\$11,100	

Holmby Park: Holmby Park is a small multi-use park complex located off of Beverly Glen Boulevard, about one-mile north of Wilshire Boulevard in West Los Angeles. Facilities include the Armand Hammer/Holmby Pony Golf Course, picnic tables, barbecue pits, a children’s play area, and lawn bowling courts. The golf course is an 18-hole pitch and putt course with a length of 832 yards. The individual holes range in length from 28 to 68 yards. Greens fees are \$3.00 Monday-Thursday, \$3.50 on Friday, and \$4.00 on weekends. The City is responsible for operating and maintaining the golf course and other park facilities.

Annual play at the City’s five facilities with regulation length golf courses for FY2010, by type of round by course, is summarized in Table III-2. The percentage of non-resident play at the 18-hole regulation length courses varies by course from about 10 percent at Woodley Lakes to 21 percent at Rancho Park, averaging about 16 percent systemwide (see Table A-1).

Table A-1: City of Los Angeles Annual Play By Type of Round--FY2010 (thousands of rounds)						
Type of Round	Sepulved a	Hansen	Rancho	Griffith	Woodley	Total
Weekday						
18-Hole Regulation						
Non-resident	5.3	5.2	8.3	11.6	2.5	32.9
Resident	29.4	14.5	18.2	48.3	16.7	127.1
18-Hole Senior						
Non-resident	3.1	2.4	2.3	3.6	1.2	12.6
Resident	16.4	6.7	11.5	16.4	8.2	59.2
Twilight/Super Twi-/9-Hole						
Non-resident	1.8	1.9	3.2	2.9	1.0	10.8
Resident	26.6	12.4	13.7	21.4	12.5	86.6
Juniors	<u>4.3</u>	<u>1.7</u>	<u>2.2</u>	<u>3.9</u>	<u>2.3</u>	<u>14.4</u>
Subtotal-Weekday	86.9	44.8	59.4	108.1	44.3	343.5
Weekend						
18-Hole Regulation						
Non-resident	6.3	4.6	6.6	8.0	2.5	28.0
Resident	30.5	14.5	16.5	36.7	16.7	114.9
Twilight/Super Twi-/9-Hole						
Non-resident	0.9	1.6	1.5	1.7	0.5	6.2
Resident	14.3	8.5	7.4	10.4	7.6	48.2
Subtotal-Weekend	52.0	29.2	32.0	56.8	27.3	197.3
Tournament/Club	4.8	2.6	10.2	8.5	2.9	29.0
18-Hole Regulation-other	<u>2.6</u>	<u>2.4</u>	<u>1.6</u>	<u>2.5</u>	<u>1.3</u>	<u>10.4</u>
Total	146.3	79.0	103.2	175.9	75.8	580.2
Source: City of Los Angeles Department of Recreation and Parks; and Tom Frost Golf, Inc.						

Table A-2: City of Los Angeles FY2010 Play Distribution--Residents Vs. Non-Residents (percentage distribution)						
Type of Round	Sepulveda	Hansen	Rancho	Griffith	Woodley	Total
Weekday						
Non-Resident	12.2%	21.8%	24.2%	16.9%	11.0%	16.9%
Resident	<u>87.8%</u>	<u>78.2%</u>	<u>75.8%</u>	<u>83.1%</u>	<u>89.0%</u>	<u>83.1%</u>
Subtotal-Weekday	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weekend						
Non-Resident	12.6%	20.8%	25.3%	16.7%	12.1%	17.1%
Resident	<u>87.4%</u>	<u>79.2%</u>	<u>74.7%</u>	<u>83.3%</u>	<u>87.9%</u>	<u>82.9%</u>
Subtotal-Weekend	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total						
Non-Resident	12.4%	21.4%	24.6%	16.9%	11.4%	17.0%
Resident	<u>87.6%</u>	<u>78.6%</u>	<u>75.4%</u>	<u>83.1%</u>	<u>88.6%</u>	<u>83.0%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Source: City of Los Angeles Department of Recreation and Parks; and Tom Frost Golf, Inc.						

Appendix B

City Golf Course Capital Cost Estimates

ATTACHMENT B

City of Los Angeles Department of Recreation and Parks (RAP)
Golf Division
Course Improvements
Ten Year Outlook

FACILITY	PROJECT DESCRIPTION	ESTIMATED COST	FUNDING SOURCE	OTHER FUNDING	GOLF DIVISION FUNDING
18-Hole Courses					
Griffith Golf Complex	Install tee to green concrete cart paths	\$ 1,500,000	Golf	\$ -	\$ 1,500,000
(36-Holes)	Install new irrigation system (Controller Package & Upgrades)	500,000	Golf	-	500,000
	Classic course restoration to include fairway sculpting/rough renovation	5,000,000	Private	5,000,000	-
	Remodel clubhouse and restrooms to meet ADA requirements	200,000	Golf	-	200,000
	Repace asphalt patron parking lots	100,000	Golf	-	100,000
	Replace maintenance staff office and storage structures	125,000	Golf	-	125,000
	Install maintenance equipment shelters	75,000	Golf	-	75,000
	Replace perimeter fencing	150,000	LADWP	150,000	-
Subtotal Griffith Golf Complex		\$ 7,650,000		\$ 5,150,000	\$ 2,500,000
Hansen Dam	Clubhouse renovation	\$ 50,000	Golf	\$ -	\$ 50,000
	ADA restroom remodel including path of travel access	150,000	Golf	-	150,000
	Starter office remodel: relocate service window and install tee camera at #1 tee	40,000	Golf	-	40,000
	Cart barn remodel and installation of new clarifier	60,000	Golf	-	60,000
	Repace asphalt patron parking lot	100,000	Golf	-	100,000
	Relocate trash enclosure area at clubhouse	20,000	Golf	-	20,000
	Replace maintenance staff office and storage structures	30,000	Golf	-	30,000
Subtotal Hansen Dam		\$ 450,000		\$ -	\$ 450,000
Rancho Park	Remove alternate greens on various holes	\$ 50,000	Golf	\$ -	\$ 50,000
	Install new "recycled water" irrigation system (Retrofit & Upgrades)	500,000	Golf	-	500,000
	Remodel and expand driving range including new ADA restrooms	2,500,000	Concession	2,500,000	-
	Clubhouse modernization and expansion including ADA restrooms	375,000	Golf	-	375,000
	Install tee to green concrete cart paths	750,000	Golf	-	750,000
	Stormwater concrete swale removal and drainage installation	100,000	Golf	-	100,000
	Repair/Replace perimeter fencing	50,000	Golf	-	50,000
	Replace retaining wall at 16th green	25,000	Golf	-	25,000
	Repace patron parking lot	100,000	Golf	-	100,000
	Remodel all field restrooms to meet ADA requirements	175,000	Golf	-	175,000
	Install new fencing to screen West Area facility from course view along #5 fairway	30,000	Golf	-	30,000
Subtotal Rancho Park		\$ 4,655,000		\$ 2,500,000	\$ 2,155,000
Sepulveda Golf Complex	Install maintenance equipment shelters	\$ 150,000	Golf	\$ -	\$ 150,000
(36 Holes)	East parking lot redesign and traffic signal project; repave lot	850,000	Golf	-	850,000
	Remodel driving range	2,000,000	Concession	2,000,000	-
	Redesign and renovate practice putting greens and chipping areas	75,000	Golf	-	75,000
	Replace maintenance staff office and storage structures	75,000	Golf	-	75,000
	Replace main electrical distribution panels and upgrade facility electrical system	100,000	Golf	-	100,000
	Install electronic display facility sign on Burbank Blvd.	75,000	Golf	-	75,000

ATTACHMENT B

City of Los Angeles Department of Recreation and Parks (RAP)
 Golf Division
 Course Improvements
 Ten Year Outlook

FACILITY	PROJECT DESCRIPTION	ESTIMATED COST	FUNDING SOURCE	OTHER FUNDING	GOLF DIVISION FUNDING
	Install new irrigation system (Upgrades to System)	1,000,000	Golf	-	1,000,000
	Install tee to green concrete cart paths	1,500,000	Golf	-	1,500,000
	Remodel field restrooms	Complete	Golf	-	Complete
Subtotal Sepulveda Golf Complex		\$ 5,825,000		\$ 2,000,000	\$3,825,000
Woodley Lakes	Redesign and renovate course including construction of new short 6 hole course on undeveloped property	\$ 1,000,000	Golf/Grant	\$ 500,000	\$ 500,000
	Renovate driving range	500,000	Concession	500,000	-
	Refurbish clubhouse and field restrooms	75,000	Golf	-	75,000
	Install tee to green concrete cart paths	750,000	Golf	-	750,000
	Install new clarifier on east side of cart barn adjacent to driving range tee line	25,000	Golf	-	25,000
	Repave patron parking lot	50,000	Golf	-	50,000
	Refurbish clubhouse exterior and patio trellis	20,000	Golf	-	20,000
	Install maintenance equipment shelters	50,000	Golf	-	50,000
Subtotal Woodley Lakes		\$ 2,470,000		\$ 1,000,000	\$ 1,470,000
9-Hole/Special Courses					
Harbor Park	Construct new golf cart barn at clubhouse for existing golf cart fleet	\$ 80,000	Golf	\$ -	\$ 80,000
	Refurbish clubhouse buildings	75,000	Golf	-	75,000
	Install maintenance equipment shelters	50,000	Golf	-	50,000
	Install tee to green concrete cart paths	200,000	Golf	-	200,000
	Install new "recycled water" irrigation system. (Retrofit & Upgrades)	100,000	Golf	-	100,000
Subtotal Harbor Park		\$ 505,000		\$ -	\$ 505,000
Penmar	Construct new service yard and crew quarters facilities	\$ 225,000	Golf	\$ -	\$ 225,000
	Install new perimeter fencing	100,000	Golf	-	100,000
	Remodel clubhouse and restrooms to meet ADA requirements	150,000	Golf	-	150,000
	Install new "recycled water" irrigation system. (Retrofit & Upgrades)	100,000	Golf	-	100,000
Subtotal Penmar		\$ 575,000		\$ -	\$ 575,000
Roosevelt	Reconstruct all greens and tees	\$ 800,000	Golf	\$ -	\$ 800,000
	Recontour fairways on holes #6 and #8	75,000	Golf	-	75,000
	Install new "recycled water" irrigation system	750,000	Golf	-	750,000
	Repave patron parking lot	50,000	Golf	-	50,000
	Redesign parking lot ingress/egress at Vermont Ave for safety reasons	75,000	Golf	-	75,000
	Relocate maintenance yard to Commonwealth nursery property	N/A		-	N/A
Subtotal Roosevelt		\$ 1,750,000		\$ -	\$ 1,750,000
Rancho 9-Hole/Par 3 Course	Install new "recycled water" irrigation system. (Retrofit & Upgrades)	\$ 50,000	Golf	\$ -	\$ 50,000

ATTACHMENT B

City of Los Angeles Department of Recreation and Parks (RAP)
 Golf Division
 Course Improvements
 Ten Year Outlook

FACILITY	PROJECT DESCRIPTION	ESTIMATED COST	FUNDING SOURCE	OTHER FUNDING	GOLF DIVISION FUNDING
	Remodel starter window	50,000	Golf	-	50,000
	Remodel clubhouse and field restrooms to meet ADA requirements	100,000	Golf	-	100,000
	Reconstruct golf greens to meet USGA specifications	400,000	Golf	-	400,000
	Returbish concrete tee slabs	75,000	Golf	-	75,000
	Install new perimeter fencing including protective safety netting and baffles	25,000	Golf	-	25,000
	Subtotal Rancho 9-Hole	\$ 700,000		\$ -	\$ 700,000
Los Feliz 9-Hole/Par 3 Course	Install new "recycled water" irrigation system	\$ 1,000,000	LADWP	\$ 1,000,000	\$ -
	Remodel starter window	50,000	Golf	-	50,000
	Reconstruct golf greens to meet USGA specifications	400,000	Golf	-	400,000
	Install maintenance equipment shelter	25,000	Golf	-	25,000
	Install new perimeter fencing including protective safety netting and baffles	10,000	Golf	-	10,000
	Subtotal Los Feliz	\$ 1,485,000		\$ 1,000,000	\$ 485,000
Tregnan Golf Academy	Install new "recycled water" irrigation system (Retrofit & Upgrades)	\$ 50,000	Golf	\$ -	\$ 50,000
	Install new driving range netting	Complete	Griffith Trust	-	Complete
	Subtotal Tregnan	\$ 50,000		\$ -	\$ 50,000
Armand Hammer/Holmby Park	Remove and replace existing asphalt pathways throughout facility	\$ 250,000	Quimby	\$ 250,000	\$ -
	Install trash can enclosures throughout facility	75,000	Quimby	75,000	-
	Resurface golf greens	15,000	Golf	-	15,000
	Subtotal Holmby Park	\$ 340,000		\$ 325,000	\$ 15,000
General Requirements at All Courses	Construction of forward /express tees	\$ 300,000	Golf	\$ -	\$ 300,000
	Tee Leveling	1,000,000	Golf	-	1,000,000
	Bunker Restoration	750,000	Golf	-	750,000
	Tree Trimming	1,000,000	Golf	-	1,000,000
	Subtotal General Requirements	\$ 3,050,000		\$ -	\$ 3,050,000
TOTAL		\$ 29,505,000		\$ 11,975,000	\$ 17,530,000

Appendix B

Appendix C

Summary of Operating Agreement Terms

Table C-1 – Regulation Length Public Golf Course Golf Operations Concession Agreements, Selected California Courses

Course	Santa Barbara GC	Dad Miller & Anaheim Hills	San Clemente	Alhambra	Encino/Balboa	Rancho Park
Location	Santa Barbara	Anaheim	San Clemente	Alhambra	(36 holes)	Los Angeles
Lessor	City of Santa Barbara	City of Anaheim	City of San Clemente	City of Alhambra	City of L. A.	City of L. A.
Lessee	Chris Talerico Golf	Bob Johns Golf	Dave Cook	Jerry Wisz	Ready Golf	Rancho Golf Ctr., Inc.
Agreement Date	2008	2006	2005	1995	2008	2002
Lease Term (years)						
Initial	5	5	10	5	10	15
Options	1 / 5-year	None	None	2 / 5-year	2 / 5-year	---
Discretion	City	---	---	Lessee	City	---
Concession Services						
Reservation	X	X	X	X	O	O
Starter	X	X	X	X	O	O
Green Fee Collect	X	X	X	X	O	O
Marshals	X	X	X	X	O	O
Range	X	X	X	X	X	X
Carts	X	X	X	X	O	O
Pro Shop	X	X	X	X	X	X
Lessons	X	X	X	X	X	X
Food and Beverage	O	O	X	O	O	O
Minimum Rent	\$150,000	None	n.a.	n.a.	None	\$450,000
CPI Adjusted	Yes	---	---	---	---	No
Percentage Rent						
Carts	36%	80%	20-30% ³	10/20/40/40%	36%	35.0/37.5/40.0 %
Range	36%	49/60% ²	25%	20/25/35/45%	5%	7%
Merchandise	5%/6% ¹	6%	5%	0/4/4/4%	5%	7%
Lessons	5%	0%	10%	---	---	---
Food and Beverage	---	---	13%	---	---	---
Liquor	---	---	13%	---	5%	---
Other	5%	---	---	---	---	---
Investment Requirements	\$115,000	None	None	\$500,000	\$1,000,000	\$2,000,000
Utilities	Lessor	City	Lessee	City	Lessee	Lessee
Incentive / Lessor Payments	---	\$115,000/yr. + CPI	None	\$34,000/yr. for marshal services	None	None
Reinvestment/ Reserve	None	None	None	None	\$10,000/year	None

Table C-1 (continued)

Course	Griffith Park (36 holes) Los Feliz	Hansen Dam Sylmar	Woodley Lakes Van Nuys	Palo Alto Muni Palo Alto	Diablo Creek Concord	Creekside/ Dryden/ Muni Modesto
Lessor	City of L. A.	City of L. A.	City of L. A.	City of Palo Alto	City of Concord	City of Modesto
Lessee	Tom Barber	John Wells Golf Shops	Golf LA Partners	Brad Lozares	Joseph Fernan- dez	FM Golf
Agreement Date	5/1993	10/1997	10/1997	2003	1998	2000
Lease Term (years)						
Initial	10	10	10	5	5	5
Options	None	None	Nonre	1-year	2 / 5-year	1 / 5-year
Discretion	Currently Mo.-Mo.	Currently Mo.-Mo.	Currently Mo.-Mo.	City	Lessee	City
Concession Services						
Reservation	O	O	O	X	X	X
Starter	O	O	O	X	X	X
Green Fee Collect	O	O	O	X	X	X
Marshals	O	O	O	X	X	X
Range	X	X	X	X	X	X
Carts	X	X	X	X	X	X
Pro Shop	X	X	X	X	X	X
Lessons	X	X	X	X	X	X
Food and Beverage	O	O	O	O	O	O
Minimum Rent	\$250,000	None	\$85,000	None	None	\$22,000 (yr. 1) \$32,000 (yr. 2+)
CPI Adjusted	No	---	No	---		
Percentage Rent						
Carts	---	---	---	60%	35% (0-450K)	
Range	30%	35%	35%	60%	25% (450K+)	10% of total
Merchandise	5%	7%	7%	4%	30% (0-400K)	gross over
Lessons	10%	7%	7%	0%	25% (6-500K)	Year 1 – \$ 800K
Food and Beverage	---	---	---	---	5% (0-500K)	Year 2+-- \$1,000K
Liquor	---	---	---	---	---	3 courses com- bined
Other	---	---	---	---	---	
Investment Require- ments	---	\$125,000	\$200,000	\$100,000	None	None
Utilities	Lessee	Lessee	Lessee	Lessor	Lessor	Lessee
Incentive / Lessor Payments	None	None	None	\$322,000 Base Fee ⁴	Per Round ⁵	10% of differ- ence in actual gross vs budget

¹ 5% for years 1-3; 6% for years 4-5. ²49% up to \$400,000 from both courses/60% above \$400,000. ³Years 1-5 at 20%; increases 2% points annually beginning in year 6. ⁴City pays operator base fee, CPI adjusted. Incentives include \$3/rounds above 87,000 rounds, 20% cart revenue above \$250,000, and range revenue above \$440,000. ⁵\$1/round 93,000-98,000; \$2/round 98,000-103,000; \$3/round 103,000-108,000; \$4/round (108,000+). Source: Pro Forma Advisors

Table C-2 – Percentage Rent Survey by Contract Year, Municipally Owned Golf Courses in California

Contract Year	Course	Golf Percentage Rent					F&B	Merchandise	CIP	Initial Cap Investment (millions)	Term (years)
		Year 3	Year 6	Year 11	Year 16	Year 21					
1991	Mountain Meadows	35%	36%	38%	40%	40%	8/10%	5%	---	\$ 0.5	10
1991	Simi Valley	30%	30%	30%	30%	30%	5/10%	5%	5% T	1.0	15
1992	Santa Anita	30%	32%	34%	36%	38%	---	5%	---	1.0	28
1992	Costa Mesa CC	30%	31%	32%	33%	33%	11%	6%	5% G	2.2	18
1993	Meadowlark	10%	10%	18%	18%	25%	3%	0%	---	3.5	25
1993	Spring Valley	10.5%	10.5%	10.5%	10.5/15/20% 13/	10.5/15/20% 13/	10.5% 14/	10.5% ^{14/}	---	2.5	30
1994	Lakewood	40% ^{1/}	40%	40%	40%	40%	8/12%	5%	---	2.4	30
1994	Los Verdes	40% ^{1/}	40%	40%	40%	40%	10/12%	5%	---	0.8	15
1995	Presidio	30%	35%	37% ^{8/} 9/	37% ^{8/9/}	37% ^{8/9/}	13% ^{8/}	13% ⁸	---	7.2	25
1995	La Mirada	40% ^{1/}	40%	40%	40%	40%	10/12%	5%	---	0.7	15
1996	Crystal Springs	35%	40%	40%	40%	40%	8%	12%	6% ^{2/} T	2.0	20
1996	Black Horse/ Bayonet	5% ^{3/}	5%	5%	5%	5%	5%	5%	---	1.6	40
1997	Monarch Bay	25%	27%	30%	30%	30%	5%	5%	2% T	8.1	35
1999	Mile Square	30%	30%	35%	35%	40%	6%	6%	---	7.5	40
1999	Long Beach Muni	30% ^{4/}	30%	30%	30%	30%	8/12%	8%	11% ^{7/} G	1.0	15
1999	Victoria	30%	30%	34%	37%	40%	8/12%	5%	---	4.3	30
2000	Ventura Muni	37%	37%	37%	37%	37%	3%	0%	---	---	2
2001	Rohnert Park	13%	14%	15%	20%	20%	6%	6%	3% ^{5/} T	3.0	30
2001	Metropolitan	15%	18%	20%	23%	25/28% ^{6/}	4%	4%	4% T	8.0	40
2004	Long Beach	30% 11/	30% ^{1/}	30% ^{1/}	30% ^{1/}	---	8/12%	8%	11% G	2.6	20
2005	Brookside ¹⁰	38.4%	38.4%	---	---	---	---	---	4% G	---	5
2007	Oceanside Municipal	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	---	2.0 ^{12/}	30

T = Total G = Golf Related

1/ 30% driving range.

2/ Declines to 2% in Year 6+.

3/ \$11 million in pre-paid rent, plus 5% of total gross, less \$100,000 per year.

4/ 35% carts.

5/ Declines to 2% in Year 11.

6/ Years 21-25 / 26+

7/ 10% for capital improvements; 1% for junior golf.

8/ Includes supplemental fee.

9/ Carts at 27% and driving range at 17%.

10/ Represents 5-year option period.

11/ 35% on carts; 30% on driving range.

12/ An additional \$2.0 million is proposed in years 5-8.

13/ Total gross revenue from all departments up to \$3.0 million/\$304 million/\$4.0 million and over.

14/ Applies to initial 15 years, then to stepped up percentages as defined for golf-related revenue. Source: Pro Forma Advisors.

Table C-3: Selected Golf Facility Lease Rent Payments--FY2010				
Course	Gross Revenue (\$000)			Rent (\$000)
	Golf*	Other	Total	
Diamond Bar	\$2,807	\$1,323	\$4,130	\$1,283
Knollwood	2,619	1,741	4,360	1,268
Lakewood	3,031	1,392	4,423	1,429
Los Verdes	3,775	2,229	6,004	1,821
La Mirada	3,213	999	4,212	1,456
Chester Washington	2,983	847	3,830	1,325
Santa Anita	2,927	867	3,794	1,385
Mountain Meadows	2,404	1,118	3,522	1,290
Victoria	2,224	402	2,626	806
Whittier Narrows (36 holes)	3,008	587	3,595	1,509
El Dorado Park	3,208	156	3,364	1,003
Recreation Park--18	3,590	1,149	4,739	1,212
Skylinks	3,859	1,046	4,905	1,296
* Includes greens fees, cart rentals and driving range revenue.				

Table C-4: Management Agreement Terms at Selected California Public Golf Courses

Golf Course	Buenaventura/Olivas Links	Los Robles	Carlsbad Crossings	Green River	Black Gold
Location	Ventura	Thousand Oaks	Carlsbad	Corona	Yorba Linda
Course Type	Mid-market Muni	Municipal	Upscale Municipal	Mid-mkt Daily Fee	Upscale Municipal
Number of Holes	36	18	18	36	18
Owner	City of Ventura	City of Thousand Oaks	City of Carlsbad	County of Orange	City of Yorba Linda
Manager	Kemper Sports	EAGLE Golf	Kemper Sports	CourseCo	Kemper Sports Mgmt.
Agreement Date	2009	2006	2006	2006	2006
Term (years)	5	10	5	5	5
Options	One 5-year	Four 5-year	None	None	None
Options Holder	City	City	---	---	---
Annual Gross Revenue	\$4,500,000	\$4,000,000	\$4,000,000	\$5,000,000(36 hole)	\$5,000,000
Base Annual Fee	\$150,000	\$100,000	\$100,000	\$165,000	\$195,000
CPI Adjusted	Yes	2%/year	No	Yes	Yes
Incentive Structure	5% of gross "golf revenue exceeding \$4,800,000	12% of NOI ¹	5.0% of gross revenue in excess of \$4,500,000	None	5.0% of gross revenue in excess of \$5,800,000, subject to maximum of 25% of fixed fee
Management Functions					
Course Maintenance	X	X	X	X	X
Golf Operation	X	X	X	X	X
Food and Beverage	X	X	X	X	X
Annual Compensation					
Base	\$150,000	\$100,000	\$150,000	\$165,000	\$250,000
Incentive	---		---	---	---
Total	\$150,000		\$150,000	\$165,000	\$250,000
% of Total Gross Rev	3.3%		3.8%	3.3%	3.9%
Reimbursements	None	Accounting	None	None	None
Performance/Other	None	None	None	None	\$50,000
Deposit					
Non-Compete Restrictions	None	None	None	None	No

Table C-4: (Continued)

Golf Course	Golf Resort at			
	Indian Wells	SilverRock	Desert Willow	Encinitas Ranch
Location	Indian Wells	La Quinta	Palm Desert	Encinitas
Course Type	Upscale Municipal	Upscale Municipal	Upscale Municipal	Municipal
Number of Holes	36	18	36	18
Owner	City of Indian Wells	City of La Quinta	City of Palm Desert	Encinitas Ranch Golf Auth.
Manager	OB Sports	Landmark Golf Mgmt.	Kemper Sports	J.C. Resorts
Agreement Date	2005	2004	2006	2002
Term (years)	5	5	2	10
Options	None	None	Two 1-year	None
Options Holder	---	---	City	---
Annual Gross Revenue	\$7,000,000	\$3,500,000	\$7,500,000	\$4,500,000
Base Annual Fee	\$120,000	\$90,000	\$300,000	\$150,000 ^{2/}
CPI Adjusted	Yes	No	No	Yes
Incentive Structure	3% of gross revenue exceeding gross revenue threshold (\$6M) ²	None	5% of gross revenue in excess of \$6,000,000	.75% of gross golf revenue Accounting reimbursement direct
Management Functions				
Course Maintenance	X	X	X	X
Golf Operation	X	X	X	X
Food and Beverage	X	X	X	X
Annual Compensation				
Base	\$120,000	\$90,000	\$300,000	\$162,000
Incentive	<u>30,000</u>	<u>---</u>	<u>75,000</u>	<u>35,000</u>
Total	\$150,000	\$90,000	\$375,000	\$198,000
% of Total Gross Rev	2.2%	2.6%	5.0%	4.4%
Reimbursements	Accounting/Payroll – 2.0% of payroll	None	None	Accounting - \$24K/year
Performance/Other Deposit	None	\$25,000	None	None
Non-Compete Restrictions	None	None	2 years	None

^{1/}Fee is equal to 12 percent of net operating income (NOI). NOI is defined as all revenues less expenses (excluding contingent management fee and actual capital expenditures. If NOI is less than \$800,000 contingent fee is then 10 percent.

^{2/} Direct accounting expenses reimbursement in addition to base fee.

Appendix D

Financial Projections Documentation

Table D-1: Projected Annual Baseline Gross Revenues (thousands of constant 2011 dollars) ^{1/}								
Facility	Greens Fees	Cart Rentals ^{2/}	Practice Range	Pro Shop	Food & Beverage	Lessons	Other	Total
Sepulveda	\$3,283	\$775	\$380	\$139	\$814	\$37	---	\$5,428
Woodley	1,670	472	200	103	315	133	---	2,893
Hansen Dam	1,786	504	312	180	417	58	---	3,257
Rancho-18	2,884	510	810	232	540	60	---	5,036
Griffith Park	4,353	926	425	384	945	104	---	7,137
Penmar	1,324	---	---	---	110	19	---	1,453
Harbor Park	1,434	179	---	---	---	---	---	1,613
Roosevelt	1,038	---	---	---	300	---	---	1,338
Holmby	11	---	---	---	---	---	---	11
Los Feliz	219	---	---	---	347	---	---	566
Rancho-9	316	---	---	---	---	---	---	316
Tregnan	---	---	---	---	---	---	178	178
Reservations	---	---	---	---	---	---	326	326
Other	---	---	---	---	---	---	670	670
Total	\$18,318	\$3,366	\$2,127	\$1,038	\$3,788	\$411	\$1,174	\$30,222

1/ Based on 2010-2011 actual gross revenue unless otherwise noted.

2/ Based on 2009-2010 actual gross revenue due to cart transition to City in 2010-2011.

Table D-2: Comparable Golf Course Operating Expenses--18-Hole Courses						
	Municipal Golf Courses		Mid-Mkt Daily Fee			
	Olivas Links	Los Robles	Course A	Course B	Course C	Course D
Provider	Private	Private	Private	Private	Private	Private
Course Maintenance						
Payroll and Benefits	\$460	\$415	\$550	\$490	\$388	\$477
Services and Supplies	65	175	175	175	165	165
Utilities	280	60	350	100	325	354
Maintenance Equipment	---	---	50	---	---	---
Subtotal	\$805	\$650	\$1,125	\$765	\$878	\$996
Golf Operations						
Payroll and Benefits	\$170	\$300	\$185	\$86	\$141	\$105
Cart Leasing	70	70	101	---	74	79
Cart Operation	85	140	45	128	110	65
Range	30	25	20	30	10	6
Services and Supplies	25	100	35	57	6	13
Subtotal	380	\$635	\$386	\$301	\$341	\$268
Undistributed/ Clubhouse	40	\$500	\$65	\$35	\$14	\$86
General and Admin						
Payroll and Benefits	\$175	\$150	\$255	\$130	\$20	\$167
Insurance	---	40	55	35	35	49
Property Taxes	---	5	122	82	99	106
Marketing/Promotion	60	60	25	165	2	72
Services and Supplies	165	145	154	130	155	60
Management Fee	90	200	--	150	120	96
Subtotal	\$490	\$600	\$611	\$692	\$478	\$550
Total	\$1,715	\$2,385	\$2,187	\$1,792	\$1,711	\$1,900
<small>1 Excludes food and beverage. Source: Individual Cities Golf Operations.</small>						

Table D-3: Comparable Golf Course Operating Expenses--36-Hole Courses				
Provider	Municipal Golf Courses		Mid-Mkt Daily Fee	
	River Ridge	Brookside	Course A	Course B
	Private	Private	Private	Private
Course Maintenance				
Payroll and Benefits	\$919	\$783	\$850	\$654
Services and Supplies	551	228	425	354
Utilities	125	785	160	325
Maintenance Equipment	10	119	25	---
Subtotal	\$1,605	\$1,915	\$1,460	\$1,333
Golf Operations				
Payroll and Benefits	\$232	\$167	\$470	267
Cart Leasing	119	169	150	214
Cart Operation	70	172	110	23
Range	16	---	10	12
Services and Supplies	9	14	10	73
Subtotal	\$446	\$522	\$363	\$390
Undistributed/Clubhouse	\$216	\$301	\$190	\$162
General and Admin				
Payroll and Benefits	\$290	\$186	\$246	\$397
Insurance	34	32	36	41
Property Taxes	18	68	120	201
Marketing/Promotion	17	---	53	23
Services and Supplies	108	238	110	206
Management Fee	---	---	173	107
Subtotal	\$467	\$524	\$618	975
Total	\$2,734	\$3,262	\$3,138	\$3,059
<p>1 Excludes food and beverage. Source: Individual Cities Golf Operations.</p>				

Table D-4: City of Los Angeles Current Staffing Levels

CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS
Golf Division Staffing_Direct
Fiscal Year 2011-12

Classifications	Wilson/ Harding	Encino/ Balboa	Rancho Park	Woodley Lakes	Hansen Dam	Harbor Park	Penmar	Roosevelt	Rancho 9	Los Feliz	Holmby / Armand Hammer	Tregnan	Reservation Office	Total
Full-Time (Positions)														
Gardener Caretaker	8	8	4	4	4	3	3	2	1	1	1	1	-	40
Golf Starter	4	3	3	2	2	2	2	2	1	1	-	-	-	22
Golf Starter Supervisor I	1	1	1	1	1	1	1	-	-	-	-	-	1	8
Irrigation Specialist	2	1	-	1	1	-	1	-	-	-	-	-	-	6
Irrigation Specialist_Trainer	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Light Equipment Operator	2	1	1	1	-	-	-	-	-	-	-	-	-	5
Park Maintenance Supervisor	2	2	1	1	1	-	1	1	-	-	-	-	-	9
Senior Gardener	5	5	3	3	3	1	1	1	-	1	1	-	-	23
Senior Gardener_Lead	2	2	1	1	1	1	1	1	-	-	-	-	-	10
Senior Gardener_Pesticide	1	1	-	-	-	-	-	-	-	-	-	-	-	2
Senior Recreation Director I	-	-	-	-	-	-	-	-	-	-	-	1	-	1
Total Direct Full-Time Employees	27	24	15	14	13	8	10	7	2	2	2	2	1	127
Seasonal / Part-Time (Hours)														
Assistant Park Services Asst I	12,000	11,000	9,300	9,600	9,900	7,800	5,850	5,850	2,600	5,140	-	-	-	79,040
Clerk Typist	-	-	-	-	-	-	-	-	-	-	-	-	5,200	5,200
Recreation Assistant	-	-	-	-	-	-	-	-	-	-	-	2,080	-	2,080
Recreation Instructor	-	-	-	-	-	-	-	-	-	-	-	5,200	-	5,200
Special Program Asst II	18,720	18,720	9,360	9,360	11,440	4,160	4,160	4,160	1,040	1,040	3,120	2,080	-	87,360
Total Direct Seasonal / Part-Time Hours	30,720	29,720	18,660	18,960	21,340	11,960	10,010	10,010	3,640	6,180	3,120	9,360	5,200	178,880

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Table D-5

**CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS
Golf Division Staffing_Administrative
Fiscal Year 2011-12**

<u>Position</u>	<u>No. of Employees/H ours</u>
<u>Full-Time</u>	
Accountant II (Finance)	1
Clerk Typist	1
Financial Analyst II	1
Golf Manager	1
Golf Operations Supervisor	1
Golf Starter	1
Golf Starter Supervisor II	2
Management Analyst II (Concessions)	2
Pr Grounds Maintenance Supervisor II	1
Secretary	1
Sr Park Maintenance Supervisor	2
Structural Engineer Associate IV	1
Systems Analyst II (Systems)	1
Total Administrative Full-Time Employees	<u>16</u>
<u>Part-Time</u>	
Admin Intern I (Systems)	1,040
Clerk Typist	2,080
Electrician	2,080
Special Program Asst II	1,040
Total Administrative Part-Time Hours	<u>6,240</u>

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Table D-6

CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS
Golf Division Staffing_Direct
Fiscal Year 2011-12

Classifications	20%	Wilson/ Harding	Full-Time (Positions)			Erchino/ Baiboa			Rancho Park			Total			
			Hours	Wage	Net wages	Hours	Wage	Net wages	Hours	Wage	Net wages	Hours	Wage	Net wages	Burden
Gardener Caretaker		8	\$12.50	\$208,000	\$41,600	8	\$12.50	\$208,000	4	\$12.50	\$208,000	2080	\$104,000	\$20,800	\$124,800
Golf Starter		4	\$12.00	\$99,840	\$19,968	3	\$12.00	\$74,880	3	\$12.00	\$74,880	2080	\$74,880	\$14,976	\$89,856
Golf Starter Supervisor I (Rev. Mgr)		1	\$23.00	\$47,840	\$9,568	1	\$23.00	\$47,840	1	\$23.00	\$47,840	2080	\$47,840	\$9,568	\$57,408
Irrigation Specialist		2	\$15.00	\$62,400	\$12,480	1	\$15.00	\$31,200	-	-	-	2080	\$31,200	\$6,240	\$37,440
Irrigation Specialist_Trainer		-	-	\$0	\$0	-	-	\$0	1	\$14.00	\$28,000	2080	\$28,000	\$5,600	\$33,600
Light/Equipment Operator		2	\$15.00	\$62,400	\$12,480	1	\$15.00	\$31,200	1	\$15.00	\$31,200	2080	\$31,200	\$6,240	\$37,440
Park Maintenance Supervisor		2	\$30.00	\$124,800	\$24,960	2	\$30.00	\$124,800	1	\$34.00	\$115,600	2080	\$115,600	\$23,120	\$138,720
Senior Gardener		5	\$13.50	\$104,400	\$21,080	5	\$13.50	\$104,400	3	\$13.50	\$84,240	2080	\$84,240	\$16,848	\$101,088
Senior Gardener_Lead		2	\$14.50	\$60,320	\$12,064	2	\$14.50	\$60,320	1	\$14.50	\$57,384	2080	\$57,384	\$11,476	\$68,860
Senior Gardener_Pesticide		1	\$15.00	\$31,200	\$6,240	1	\$15.00	\$31,200	-	-	-	2080	\$31,200	\$6,240	\$37,440
Senior Recreation Director I		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Full-Time Employees		27	-	\$837,200	\$167,440	24	-	\$749,840	15	-	\$312,000	11,000	\$112,000	\$22,320	\$133,920
Total Full Time Wages				\$837,200	\$167,440			\$749,840			\$312,000			\$22,320	\$133,920
Seasonal / Part-Time (Hours)		12,000	\$12.00	\$144,000	\$28,800	11,000	\$12.00	\$132,000	9,300	\$12.00	\$111,600	9,300	\$111,600	\$22,320	\$133,920
Assistant Park Services Asst I (Golf)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clerk Typist		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Assistant		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Instructor		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Program Asst I (Main)		18,720	\$12.00	\$224,640	\$44,928	18,720	\$12.00	\$224,640	9,360	\$12.00	\$112,320	9,360	\$112,320	\$22,464	\$134,784
Total Direct Seasonal / Part-Time Hours		30,720	-	\$224,640	\$44,928	28,720	-	\$224,640	18,660	-	\$112,320	9,360	\$112,320	\$22,464	\$134,784
Total Part Time Seasonal Wages				\$224,640	\$44,928			\$224,640			\$112,320			\$22,464	\$134,784
Total Payroll				\$1,205,840	\$241,168			\$1,106,480			\$427,968			\$85,216	\$655,296
Labor Management Adjustment	4%	Payroll	Adjust	Total	Payroll	Adjust	Total	Payroll	Adjust	Total	Payroll	Adjust	Total	Payroll	Adjust
Maintenance Payroll		\$1,040,992	\$41,890	\$1,082,882	\$1,020,112	\$40,884	\$1,061,000	\$984,238	\$39,184	\$1,023,422	\$984,238	\$39,184	\$1,023,422	\$984,238	\$39,184
Golf Operations Payroll		\$350,016	\$14,001	\$364,017	\$305,664	\$12,227	\$317,891	\$293,437	\$11,884	\$305,321	\$281,184	\$11,247	\$292,431	\$281,184	\$11,247

Table D-6 (continued)

Classifications	Penmar		Hours		Net wages		Burden		Payroll		Roosevelt		Wage		Hours		Net wages		Burden		Payroll		Rancho 9		Wage		Hours		Net wages		Burden		Payroll					
	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours	Wage	Hours				
Payroll Burden Percentage	20%																																					
Full-Time (Positions)																																						
Gardener Caretaker	3	\$12.50	2080	2080	\$79,000	\$15,600	\$93,600					2	\$12.50	2080	\$26,000	\$10,400	\$36,400						1	\$12.50	2080	\$26,000	\$10,400	\$36,400										
Golf Starter	2	\$12.00	2080	2080	\$49,920	\$9,984	\$59,904					2	\$12.00	2080	\$49,920	\$9,984	\$59,904						1	\$12.00	2080	\$24,960	\$9,984	\$34,944										
Golf Starter Supervisor I (Rev. Mgr)	1	\$21.00	2080	2080	\$43,680	\$8,736	\$52,416																															
Irrigation Specialist	1	\$15.00	2080	2080	\$31,200	\$6,240	\$37,440																															
Irrigation Specialist_ Trainer	-																																					
Light Equipment Operator	-																																					
Park Maintenance Supervisor	1	\$30.00	2080	2080	\$62,400	\$12,480	\$74,880					1	\$22.00	2080	\$45,760	\$9,152	\$54,912																					
Senior Gardener	1	\$13.50	2080	2080	\$28,080	\$5,616	\$33,696					1	\$13.50	2080	\$28,080	\$5,616	\$33,696																					
Senior Gardener_Lead	1	\$14.50	2080	2080	\$30,160	\$6,032	\$36,192					1	\$14.50	2080	\$30,160	\$6,032	\$36,192																					
Senior Gardener_ Pesticide	-																																					
Senior Recreation Director I	-																																					
Senior Recreation Director I	-																																					
Total Direct Full-Time Employees	10										7												2															
Total Full Time Wages					\$323,440	\$64,688	\$388,128								\$205,920	\$41,784	\$247,704																					
Seasonal / Part-Time (Hours)																																						
Assistant Park Services Asst I (Golf)	5,850	\$12.00	5,850	5,850	\$70,200	\$14,040	\$84,240				5,850	\$13.00	5,850	\$76,050	\$15,210	\$91,260						2,600	\$12.00	2,600	\$31,200	\$6,240	\$37,440											
Clerk Typist	-																																					
Recreation Assistant	-																																					
Recreation Instructor	-																																					
Special Program Asst II (Maint)	4,160	\$12.00	4,160	4,160	\$49,920	\$9,984	\$59,904				4,160	\$13.00	4,160	\$54,080	\$10,816	\$64,896						1,040	\$12.00	1,040	\$12,480	\$2,496	\$14,976											
Total Direct Seasonal / Part-Time Hours	10,010									10,010												3,640																
Total Part Time Seasonal Wages					\$120,120	\$24,024	\$144,144								\$130,130	\$26,026	\$156,156																					
Total Payroll					\$443,560	\$88,712	\$532,272								\$336,050	\$67,210	\$403,260																					
Labor Management Adjustment	4%																																					
Golf Maintenance Payroll		\$335,712			\$13,428	\$322,284					\$252,096	\$10,084	\$242,012									\$46,176	\$1,847	\$44,329														
Golf Operations Payroll		\$196,560			\$7,862	\$188,698				\$151,164	\$6,047	\$145,117			\$67,392	\$2,696	\$64,696					\$67,392	\$2,696	\$64,696														

Table D-6 (concluded)

Classifications	20%				20%				Holmby / Armand Hammer			
	Los Feliz	Wage	Hours	Net wages	Burden	Total Payroll	Wage	Hours	Net wages	Burden	Total Payroll	
Full-Time (Positions)												
Gardener Caretaker	1	\$12.50	2080	\$26,000	\$5,200	\$31,200	1	2080	\$26,000	\$5,200	\$31,200	
Golf Starter	1	\$12.00	2080	\$24,960	\$4,992	\$29,952	-	-	-	-	-	
Golf Starter Supervisor I (Rev. Mgr)	-	-	-	-	-	-	-	-	-	-	-	
Irrigation Specialist	-	-	-	-	-	-	-	-	-	-	-	
Irrigation Specialist_Trainer	-	-	-	-	-	-	-	-	-	-	-	
Light Equipment Operator	-	-	-	-	-	-	-	-	-	-	-	
Park Maintenance Supervisor	-	-	-	-	-	-	-	-	-	-	-	
Senior Gardener	-	-	-	-	-	-	1	2080	\$26,120	\$5,824	\$34,944	
Senior Gardener_Lead	-	-	-	-	-	-	-	-	-	-	-	
Senior Gardener_Pesticide	-	-	-	-	-	-	-	-	-	-	-	
Senior Recreation Director I	-	-	-	-	-	-	-	-	-	-	-	
Total Direct Full-Time Employees	2			\$50,960	\$10,192	\$61,152	2		\$55,120	\$11,024	\$66,144	
Seasonal / Part-Time (Hours)												
Assistant Park Services Asst I (Golf)	5,140	\$12.00	5,140	\$61,680	\$12,336	\$74,016	-	-	-	-	-	
Clerk Typist	-	-	-	-	-	-	-	-	-	-	-	
Recreation Assistant	-	-	-	-	-	-	-	-	-	-	-	
Recreation Instructor	-	-	-	-	-	-	-	-	-	-	-	
Special Program Asst II (Maint)	1,040	\$12.00	1,040	\$12,480	\$2,486	\$14,976	-	-	-	-	-	
Total Direct Seasonal / Part-Time Hours	6,180			\$74,160	\$14,822	\$88,982	3,120		\$37,440	\$7,488	\$44,928	
Total Part Time Seasonal Wages				\$74,160	\$14,822	\$88,982			\$37,440	\$7,488	\$44,928	
Total Payroll				\$125,120	\$26,024	\$150,144			\$92,560	\$18,512	\$111,072	
Labor Management Adjustment	0											
Total Golf Maintenance Payroll	\$46,176	\$0.00	\$46,176	\$0.00	\$46,176	\$0.00	\$76,128	\$0.00	\$76,128	\$0.00	\$76,128	
Total Golf Operations Payroll	\$103,968	\$0.00	\$103,968	\$0.00	\$103,968	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	

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