

APPROVED

MAY 02 2012

**BOARD OF RECREATION
and PARK COMMISSIONERS**

REPORT OF GENERAL MANAGER

NO. 12-124

DATE May 2, 2012

C.D. Various

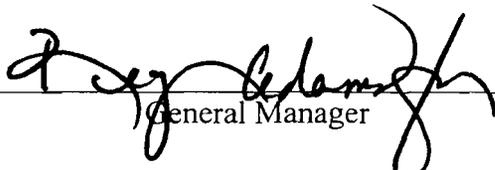
BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: STATUS REPORT ON GOLF'S FIRST YEAR AS A SPECIAL FUND OPERATION AND ALLOCATION OF FISCAL YEAR 2010-11 GOLF OPERATING INCOME

R. Adams _____
H. Fujita _____
V. Israel _____

*K. Regan _____
M. Shull _____
N. Williams _____





General Manager

Approved

Disapproved

Withdrawn

RECOMMENDATIONS:

That the Board:

1. Authorize the Department's Chief Accounting Employee to transfer \$500,000 from Golf Operation Account 89G401, Fund 52H, Department 89, to Recreation and Parks (RAP) General Fund, Fund 302, Department 88, to support RAP operations;
2. Authorize the Department's Chief Accounting Employee to transfer \$2,142,329 from Golf Operation Account 89G401, Fund 52H, Department 89, to Golf Division's Capital Improvement Account 89G402, Fund 52H, Department 89, to fund golf capital improvement projects; and
3. Authorize the Department's Chief Accounting Employee to make necessary technical corrections.

SUMMARY:

On July 1, 2010, the City of Los Angeles (City), Department of Recreation and Parks (RAP), Golf Division ceased receiving RAP General Fund support and began operating as a self-sustaining Division within the Department of Recreation and Parks. The Golf Division became responsible for all costs, including indirect costs, related to the operations and maintenance of the

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City's fourteen (14) golf facilities. The Golf Division also no longer receives City subsidy for its operations.

I. About the Golf Division

The Golf Division maintains and operates seven 18-hole golf courses, three 9-hole golf courses, two 9-hole pitch and putt golf courses, an 18-hole pony course and a golf training academy. The training academy provides golf instruction to youth under the age of eighteen and performs significant outreach to inner city, underprivileged children. The 18-hole pony course is located within Holmby Park and the Golf Division staff is responsible for maintenance of the golf course as well as bowling greens, children's play area, and the park's grounds.

City employees perform all maintenance, starter, and electric cart duties on each golf facility. In October and November 2011 the Golf Division also began self-operation of the driving ranges at Rancho Park and Woodley Lakes Golf Courses. Concessionaires provide pro shop, driving range and lessons services at Sepulveda Golf Complex (Encino/Balboa), Griffith Golf Complex (Wilson/Harding), and Hansen Dam Golf Course as well as food and beverage services at most golf facilities. The Golf Division currently is authorized 143 full-time and 250 part-time employees. All salary costs, including indirect costs of employees, are funded through revenue generated by the Golf Division. The Golf Division also funds all utility, supplies and contract services expenses related to Golf.

II. Challenges of First Year's Operation as a Special Fund

The Golf Division began self-sustaining operations as a Special Fund on July 1, 2010. On January 1, 2011, Golf Division employees began self operation of the electric golf cart rental fleet at all 18-hole golf courses, previously provided by a concessionaire who gave its vacate notice. Electric golf cart services were provided with pre-owned golf carts, operating at approximately 60% of the fleet normally available. At busier facilities, such as Griffith Park and Rancho Park, many times golf carts were sold out by 9:00 a.m., leading to decreased revenue not only related to golf cart rentals but also green fees, as many patrons chose not to play a round of golf without a golf cart. A new fleet of 500 golf carts began in June 2011.

On March 20, 2011, the Sepulveda Basin golf courses (Encino, Balboa and Woodley Lakes) were flooded due to heavy rain. As a consequence, the three courses were closed for several days and the Encino Golf Course operated as a 9-hole facility for six weeks during cleanup and refurbishment. The closure of the golf courses and interruption in service led to decreased revenue and increased costs of the cleanup, including extensive fence repairs.

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III. Golf Revenue

Despite the challenges of the first year of operation, the Golf Division generated net income of \$2,642,329 for Fiscal Year 2010-11, before any reimbursements to the Department (Attachment A). Through significant cost cutting measures, income generation was achieved, which included reassigning fifteen golf employees to other special funded projects in the Department and holding ten or more position vacancies throughout the year. Of the \$2,642,329, it is proposed that \$500,000 be reimbursed to the RAP General Fund, Fund 302, Department 88 to support RAP operations. It is proposed that the remaining \$2,142,329 be transferred to Golf's capital improvement Account 89G402, Fund 52H, Department 89, to help fund necessary golf related capital projects.

IV. Electric Golf Carts

In March 2010 the Golf Division began collecting golf cart revenue at the starter's window. Previously, golf cart fees had been collected by the concessionaire at the cart barn. On January 1, 2011, the Golf Division began self operation of the golf cart services on the 18-hole golf courses. Operation commenced with a fleet of 340 pre-owned carts at the five cart locations, where the desired fleet for all five golf courses was 500 carts. Even with a smaller cart fleet, the Golf Division generated \$757,992 in net income from electric cart rentals between January 2011 and June 2011. In June 2011, the Golf Division leased 500 new Club Car golf carts. The net income generated was 59% of gross cart revenue, as compared to the 47% of gross revenue paid in rent to the City by the previous concessionaire. With the new fleet of carts, the Golf Division generated \$1,021,913 of net income (63% of gross revenue) related to golf cart operations from July 2011 to December 2011 (Attachment B).

V. Capital Improvement Program

Golf's capital improvement program includes a list of large and small projects to be completed within the next ten years (Attachment C). It is estimated that the Golf Division will require \$20.4 million in capital improvement funding in the next ten years. It is proposed that \$2.1 million be transferred to Golf's capital improvement Account 89G402, Fund 52H, Department 89, to help fund necessary golf related capital projects.

FISCAL IMPACT STATEMENT:

There is no negative impact on the RAP General Fund, as all reimbursements and transfers will be paid from the Golf Operations Special Fund. Through its reimbursement to RAP, the Golf Division is contributing \$500,000 to the RAP General Fund.

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

**CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS
Golf Division
Fiscal Year 2010-11 Operating Income**

REVENUE:	<u>FY 2010-11</u>
Green Fees	\$ 18,316,103
Other Golf Course Revenue	181,703
Electric Golf Carts	3,026,813
Less: Reimbursement to Cart Concessionaire	(818,404)
Golf Cart Concession	-
Driving Range/Pro Shop/Lessons Concessions	785,516
Food & Beverage Concessions	290,455
Reservation Office	326,460
Tregnan Junior Golf Academy	177,903
Interest Income	209,451
Armand Hammer Trust	-
Other	278,934
Total Gross Revenue	<u>\$ 22,774,934</u>
 EXPENSES:	
<u>Labor</u>	
Full-Time Salaries	\$ 7,495,319
Full-Time Indirect Costs	6,569,771
Part-Time Salaries	2,337,536
Part-Time Indirect Costs	1,146,094
Subtotal: Labor	<u>\$ 17,548,719</u>
Supplies & Contract Services	1,178,029
Concession Expenses	126,214
Utilities	<u>1,279,643</u>
Total Expenses	<u>\$ 20,132,605</u>
 OPERATING INCOME (LOSS)	 \$ 2,642,329
 GOLF CONTRIBUTION TO SUPPORT RAP OPERATIONS	 <u>(500,000)</u>
 OPERATING INCOME (LOSS)	 <u><u>\$ 2,142,329</u></u>
 GOLF CONTRIBUTION TO CAPITAL IMPROVEMENT ACCOUNT	 \$ 2,142,329

**CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS
Golf Division
Golf Cart Operating Income Statement**

	<u>January 2011 to June 2011</u>	<u>July 2011 to December 2011</u>
<u>Revenue From Golf Cart Rentals</u>	\$ 1,281,764	\$ 1,633,925
<u>Golf Cart Rental Expenses</u>		
Salary Expense	\$ 182,858	\$ 207,223
Indirect Costs (@ 49.03%)	89,655	101,601
Golf Carts Lease	133,430	196,272
Insurance	31,610	26,891
Utilities	48,870	48,870
Supplies and Contract Services	37,348	31,155
Total Expenses	<u>\$ 523,772</u>	<u>\$ 612,012</u>
Operating Income	<u><u>\$ 757,992</u></u>	<u><u>\$ 1,021,913</u></u>
Operating Income As a Percentage of Gross Revenue	<u><u>59%</u></u>	<u><u>63%</u></u>

CITY OF LOS ANGELES
 DEPARTMENT OF RECREATION AND PARKS
 Golf Division
 Proposed Course Improvements (10-Year Plan)

FACILITY	PROJECT DESCRIPTION	ESTIMATED COST	FUNDING SOURCE	OTHER FUNDING	GOLF DIVISION FUNDING
18-Hole Courses					
Rancho Park	Remodel driving range (fencing/artificial turf/stall dividers), remodel ball house including new Americans With Disabilities Act (ADA) restrooms and pro shop/starters window addition.	\$ 2,500,000	Golf	\$ -	\$ 2,500,000
	Remodel Clubhouse lobby and construct new ADA restrooms	875,000	Golf		875,000
	Install tee to green concrete cart paths	750,000	Golf		750,000
	Clubhouse modernization of banquet facilities	650,000	Golf		650,000
	Remodel all field restrooms to meet ADA requirements	475,000	Golf		475,000
	Sub-total	\$ 5,250,000			
Sepulveda Golf Complex (36 Holes: Encino & Balboa)	Install electronic display facility sign on Burbank Blvd.	\$ 75,000	Golf	\$ -	\$ 75,000
	Install maintenance equipment shelters	150,000	Golf		150,000
	Install tee to green concrete cart paths	1,500,000	Golf		1,500,000
	Redesign and renovate practice putting greens and chipping areas	275,000	Golf		275,000
	Sub-total	\$ 2,000,000			
Griffith Golf Complex (36-Holes: Wilson & Harding)	Install tee to green concrete cart paths	\$ 1,500,000	Golf	\$ -	\$ 1,500,000
	Install new irrigation system Controller Package & Upgrades	500,000	Golf		500,000
	Remodel clubhouse and restrooms to meet ADA requirements	700,000	Golf		700,000
	Sub-total	\$ 2,700,000			
Woodley Lakes	Renovate driving range	\$ 850,000	Golf	\$ -	\$ 850,000
	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	85,000	Golf		85,000
	Sub-total	\$ 1,685,000			
Hansen Dam	Clubhouse renovation and ADA restroom remodel	\$ 700,000	Golf	\$ -	\$ 700,000
	Cart barn remodel and installation of new clarifier	160,000	Golf		160,000
	Starter office remodel: relocate service window and install tee camera at #1 tee	85,000	Golf		85,000
	Relocate trash enclosure area at clubhouse	80,000	Golf		80,000
	Repave asphalt patron parking lot	300,000	Golf		300,000
	Sub-total	\$ 1,325,000			
9-Hole/Special Courses					
Harbor Park	Construct new golf cart barn at clubhouse for existing golf cart fleet	\$ 180,000	Golf	\$ -	\$ 180,000
	Install tee to green concrete cart paths	450,000	Golf		450,000
	Install new "recycled water" irrigation system (Retrofit & Upgrades)	100,000	Golf		100,000
	Sub-total	\$ 730,000			

CITY OF LOS ANGELES
 DEPARTMENT OF RECREATION AND PARKS
 Golf Division
 Proposed Course Improvements (10-Year Plan)

FACILITY	PROJECT DESCRIPTION	ESTIMATED COST	FUNDING SOURCE	OTHER FUNDING	GOLF DIVISION FUNDING
9-Hole/Special Courses (continued)					
Penmar	Construct new service yard and crew quarters facilities Remodel clubhouse and restrooms to meet ADA requirements Install new perimeter fencing Sub-total \$ 775,000	\$ 425,000 150,000 200,000 775,000	Golf Golf Golf	\$ -	\$ 425,000 150,000 200,000
Roosevelt	Install new "recycled water" irrigation system Redesign parking lot ingress/egress at Vermont Ave for safety reasons Reconstruct all greens and tees to meet United States Golf Association (USGA) specifications Sub-total \$ 2,275,000	\$ 1,250,000 225,000 800,000 2,275,000	Golf Golf Golf	\$ -	\$ 1,250,000 225,000 800,000
Rancho 9-Hole/Par 3 Course	Reconstruct golf greens to meet USGA specifications Remodel clubhouse and field restrooms to meet ADA requirements Remodel starter window Refurbish concrete tee slabs Sub-total \$ 775,000	\$ 400,000 250,000 50,000 75,000 775,000	Golf Golf Golf Golf	\$ -	\$ 400,000 250,000 50,000 75,000
Los Feliz 9-Hole/Par 3 Course	Install new "recycled water" irrigation system Reconstruct golf greens to meet USGA specifications Install maintenance equipment shelter Sub-total \$ 1,475,000	\$ 1,000,000 400,000 75,000 1,475,000	LADWP Golf Golf	\$ 1,000,000	\$ - 400,000 75,000
Tregnan Golf Academy	Install new "recycled water" irrigation system (Retrofit & Upgrades)	\$ 50,000	Golf	\$ -	\$ 50,000
Armand Hammer/Holmby Park	Resurface golf greens Remove and replace existing asphalt pathways throughout facility Install trash can enclosures throughout facility Sub-total \$ 340,000	\$ 15,000 250,000 75,000 340,000	Golf Quimby Quimby	\$ 250,000 75,000	\$ 15,000 - -
General - All Courses	Construction of forward /express tees Tee Leveling Tree Trimming Sub-total \$ 2,300,000	\$ 300,000 1,000,000 1,000,000 2,300,000	Golf Golf Golf	\$ -	\$ 300,000 1,000,000 1,000,000
TOTAL		\$ 21,680,000		\$ 1,325,000	\$ 20,355,000