



Agenda Report

July 22, 2019

TO: Honorable Mayor and Pasadena City Council through
Economic Development and Technology Committee

FROM: Rose Bowl Operating Company (RBOC)

SUBJECT: Adjustment to Golf Fees at Brookside Golf Course

RECOMMENDATION:

The RBOC recommends that the City Council approve the following:

1. Find that action proposed herein is exempt from environmental review pursuant to State CEQA Guidelines Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have a significant effect on the environment; and
2. Authorize an amendment between American Golf Corporation (AGC) and the Rose Bowl Operating Company (RBOC) which modifies the Current Schedule of Golf Course Fees on a trial basis

EXECUTIVE SUMMARY:

Brookside Golf Course is an essential element of the RBOC. It has been a tremendous financial success since the RBOC was established in 1995, generating more than \$35M since that time. Until recently the golf course netted the RBOC approximately \$2M annually under a lease agreement with American Golf Corporation (AGC). As has occurred throughout the country, golf has been in decline since the early 2000's. The decline in golf has resulted in many golf courses closing, as well as a sharp decline in revenue at most courses around the country. Brookside has not been immune to the decline as in FY19 it netted the RBOC approximately \$1M, 50% less than from a few years ago.

BACKGROUND:

In June 2018, the RBOC and AGC entered into a management agreement for the maintenance and operation of the Brookside Golf Courses. Management agreements are now the new standard at municipal courses throughout Southern California. This has created more risk for the RBOC and the first year of

management has proven to be a challenging year as the decline of revenue coupled with increasing expenses has led to the continued decrease of net revenue resulting from the golf course property for the RBOC.

Brookside golf course users' fees are between 11 to 13 years old and the rate structure is not competitive in today's Los Angeles municipal golf market.

RBOC's recommendation to adjust rates is expected to make Brookside more competitive with the City of Los Angeles municipal golf courses, which will not only stabilize revenues, but could increase revenues substantially. RBOC's recommendation is to eliminate the unattainable high rack rates (in FY 19 less than 14,000 rounds out of 137,000 were paid at the rack rate) while increasing the discount and Players Club rates between 10 and 22% depending on category. The proposed rate structure will not only increase utilization, but also the average daily rate (ADR) players pay, which has been one of the biggest factors in the decline of net revenue from the golf course property for the RBOC.

Assuming the proposed rates are approved it is anticipated that Brookside's increased average daily rate would be about \$32 (currently the ADR is \$30.50).

Brookside Golf Course Usage Fees History

1928-1987

Single Rate Structure

For the first 60 years, Brookside Golf Course Usage Fees were similar to most of Southern California municipal golf courses. Regardless of a golfer's residency, players paid the same rates, depending on the time and day. As an example, a Burbank resident would pay the same rate as would a Pasadena resident. This was the practice at most municipal golf courses, not only in Southern California, but the entire country.

1987-2004

Resident and Non-Resident Rate Structure

During this era, municipalities began getting aggressive with their usage rates and this is when Resident and Non-Resident fees were developed. City staff believed that increasing non-resident rates at a greater percentage would gain political approval, which it did. During this time, Brookside was increasing non-resident rates at a much greater percentage than most Los Angeles Area government Golf Courses. By 2004, non-resident rates at Brookside were as much as 50% higher than resident rates. Most cities' non-resident rates were only 20% higher than their resident rates. During this time, Brookside raised rates 8 times, which was more than any other municipal course in LA County. The golf economy was soaring, and Brookside seized the opportunity.

2004-Current
Rack and Discount Rate Structure

By 2004, RBOC staff became concerned that both resident and non-resident play became stagnant. What became apparent was that many non-resident players decided to play other municipal courses where the non-residents rates were as much as 50% lower than Brookside rates because these courses discontinued the resident and non-resident fee structure. Staff also became aware that residents were leaving Brookside to play with their non-resident friends at other courses that were much less expensive for their golfing companions.

To address this, in 2004, City Council approved a discount program to allow both residents and non-residents to receive discounted rates. Residents pay \$10 annually for the discount card and non-residents pay \$100. Between 2004 and 2007, revenues increased year-over-year and peaked in 2007. However, since 2007, revenues have been in decline due to a multitude of factors, including slumping golf economy, increased competition with lower rates from courses with improved playing golf conditions, life-style changes, private clubs opening their courses for golf tournaments and dynamic (discounting) pricing through the internet to name just a few. It should be recognized that less than 15% of the current rounds played at Brookside are by Pasadena residents. In 2018, less than 350 residents purchased the annual discount card.

Brookside's current rack rate and discount rate structure (Attachment A) is antiquated because the posted rack rate is considerably more (50%) than what is charged at comparable municipal courses and the Brookside discounted rate is as much as 20% less than those courses. Because of these two factors, Brookside's revenues are not being maximized. Brookside's golf revenues have declined considerably more the past 10 years compared to golf courses that offer a simpler fee structure, i.e. LA County and LA City. LA City and County courses have seen a slight increase in revenues the past three years while Brookside revenues declined by more than 8%. Much of this difference can be contributed to Brookside rack/discount structure, as the primary customer, non-residents are not competitive with area courses.

Proposed Rate Structure
Single Rate Structure with a Frequent Players Program

Staff and AGC agree that Brookside is underutilized due to the archaic rate structure. In 2018, 137,500 rounds were played at Brookside, down from 157,850 in 2016. Brookside's peak was nearly 180,000 rounds in the mid 1990's. A major reason for the low 2018 total is due to the high (unattainable) rack rate. Because Non-resident golfers are required to purchase a \$100 annual card to get a reduced rate (similar to other municipal courses) they are not playing Brookside because other municipal courses do not require this \$100 discount card. By far, Brookside's

greatest customer base are non-residents and their play Brookside is decreasing because of the expense of the \$100 annual card. In FY 19, less than 11% of rounds played at Brookside were at the high unattainable rate. The high rate rack has resulted in non-resident golfers playing other municipal courses in the area that have a much lower rate.

It is recognized that Pasadena residents' historically received benefits of playing at Brookside. To that end there will be discounts extended to Pasadena residents in the form of reduced rates for utilization of the "Players Club," which is a loyalty program that consists of utilization of the driving range and discounts for green fees. To be in this program the costs is \$42 monthly and the proposed rates will provide Pasadena residents a \$10 monthly discount.

Rate Adjustment Process

March 27, 2019-RBOC Golf Committee approved staff recommendations of golf rate adjustment

April 4, 2019-Public Meeting at Brookside Clubhouse to discuss Golf Fee Adjustment Trial.

Notification of meeting includes:

- Notification sent to 28,000 golfers that have played golf at Brookside the past 10 years via email
- Notification sent to members of Brookside Men's Club, Brookside Women's Club and E.O. Nay Ladies Club
- Notification sent to current and past Players Club members (2,000)
- 12 golfers attended the public meeting, majority were Brookside Men's Club members and residents of Pasadena
 - Feedback from the public meeting included:
 - Residents pay a lower rate than non-residents
 - Improve golf course conditions
 - Impacts from increasing use of the golf course for Rose Bowl events

April 11, 2019-RBOC Board Approval

July 16, 2019-Economic Development and Technology Committee Presentation

July 22, 2019-Seek City Council Approval

August 1, 2019-Rates go into effect

SUMMARY:

The current 2006/2008 fee schedule is more than 11 years old and has too many rates which are either too high or too low in the current LA County area municipal

golf market. Staff believes that the proposed Fee Schedule will greatly improve Brookside's competitiveness in today's challenging golf market. Currently there are 62 golf rates that will be reduced by 50% to 31 in order to make the rate structure simpler for the golfing community. Attachment B is LA City/County municipal owned golf courses rates and how they compare to Brookside's proposed rates. Over 50% of the municipal courses in the surrounding area are owned by either LA City or LA County.

It is anticipated, should the proposed trial rates be approved, they would be effective on August 1, 2019.

FISCAL IMPACT:

It is anticipated that the proposed Brookside Usage Fee Schedule would generate approximately an additional \$160,000 annually using the same 2018 utilization. The increased revenues would help off-set rising RBOC operation costs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D R Dunn', with a long horizontal flourish extending to the right.

Darryl Dunn
General Manager