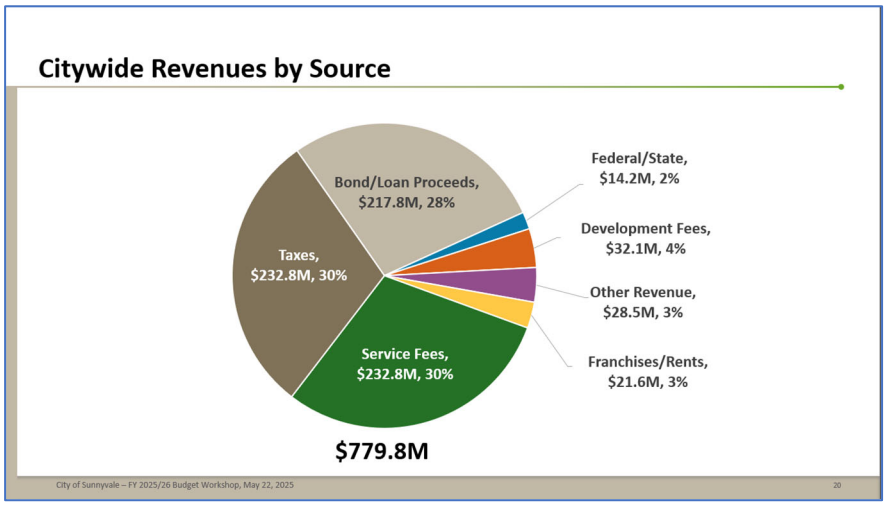
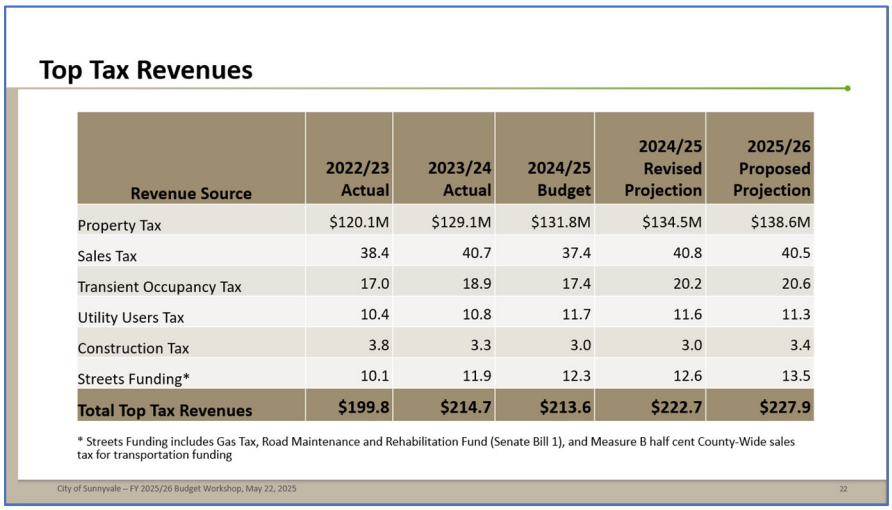
RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

Council Question/Request: On Budget Workshop slide 20 it shows $232.8M Tax Revenue but slide 22 shows $227.9M – Look into difference?

Staff Response: The difference is slide 20 shows all City-wide tax revenue where slide 22 shows the top five tax revenues.





Top Tax Revenues

Revenue Source	2022/23 Actual	2023/24 Actual	2024/25 Budget	2024/25 Revised Projection	2025/26 Proposed Projection
Property Tax	$120.1M	$129.1M	$131.8M	$134.5M	$138.6M
Sales Tax	38.4	40.7	37.4	40.8	40.5
Transient Occupancy Tax	17.0	18.9	17.4	20.2	20.6
Utility Users Tax	10.4	10.8	11.7	11.6	11.3
Construction Tax	3.8	3.3	3.0	3.0	3.4
Streets Funding*	10.1	11.9	12.3	12.6	13.5
Total Top Tax Revenues	**$199.8**	**$214.7**	**$213.6**	**$222.7**	**$227.9**

* Streets Funding includes Gas Tax, Road Maintenance and Rehabilitation Fund (Senate Bill 1), and Measure B half cent County-Wide sales tax for transportation funding

City of Sunnyvale – FY 2025/26 Budget Workshop, May 22, 2025 22

Council Question/Request: I would like a list of Unfunded Projects that could use Park Dedication Fund in the future?

Staff Response: Currently, no unfunded projects qualify for Park Dedication Funds. As part of a comprehensive review, staff assesses all proposed new and changes in scope projects, including their potential funding sources. In most cases for projects eligible for Park Dedication funding, approval for funding is granted.

Regarding funding priorities and if currently funded projects have unfunded features, the practice is to plan for renovation of parks on an in-kind basis. Staff does outreach to the community on desired features and feedback on design. While budget assumptions strive to keep up with cost escalation, the current budgets don't consider park enhancements when individual facilities are renovated. Examples of new features

RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

include new sports facilities, dog parks, or additional infrastructure like secondary restrooms. Within the currently planned budget, golf infrastructure is not being funded at the expense of park renovations.

Council Question/Request: Do we have a breakdown of Revenue/Expenditures for Golf (Rounds, Restaurant, Pro Shop, etc.)

Staff Response: Golf Revenue for FY 2023/24 was $5,357,091; Golf Expenditures was $4,881,819.

A copy of the Golf and Tennis Operations Fund revenues and expenditures reports have been attached to this response as Exhibit A.

Council Question/Request: Is there a breakdown of the 141K Rounds of Golf between the two Golf courses?

Staff Response: The total rounds of golf are 141,586.

The total rounds breakdown is as follows:

1. Sunken Gardens Golf Course – 59,975
2. Sunnyvale Golf Course – 81,611

Council Question/Request: Wanted an update to Council and when Utility Rates come in front of Council – What the SFPUC/Valley Water Rates were – having a history for new council members, maybe 5-10 years, that includes the Base cost or Actual Cost of Water, Rate Increase Projections and actual Rate Increases.

Staff Response: Tables/figures presenting the actual versus proposed wholesale water rates between Valley Water and SFPUC has been attached to this response as Exhibit B.

Council Question/Request: Do we have data on Rounds of Tennis provided to residents versus tournaments? How many courts and data on how they are utilized? Any data on Pickleball? We receive a flat fee for Tennis based on a contract – when does that contract come up?

Staff Response: Tennis Tournaments are not a significant portion of their business. In 2025 Lifetime Activities hosted one senior tournament and one junior tournament. Neither of the tournaments are a profitable activity, and neither generates significant revenue. Lifetime Activities is going to discontinue the senior tournament going forward. The largest percentage of their business is instruction followed by court fees.

Lifetime has 13 tennis courts and 12 pickleball courts at the Tennis Center. Revenue is also generated on the satellite courts in Sunnyvale parks. Most of this activity is league play, their academy partner (court fees), and some private lessons.

Lifetime has provided an attachment as Exhibit C with data on the 12 pickleball courts. The data reflects the percentage of courts in use for the various times of the day with totals at the bottom and right side of the sheet. As mentioned, Saturday is the most utilized day with all 12 courts in use 85% of the day. The period for this data is 01/01/2025 – 05/31/2025.

The current contract with Lifetime Activities expires on March 31,2032.

RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

Council Question/Request: What is status of Quick Build Projects? Streets next to Poplar Avenue?

Staff Response: The Quick Build project that included improvements on Eleanor Way at Ramon Drive was completed in August 2024. CalWater currently has a project in progress in the same area that required the temporary removal of some of the quick build devices. Those devices will be put back as originally installed once the project is complete. Current schedule shows the CalWater project completion by September 2025.

Council Question/Request: In regard to Pedestrian Signaling, I do not see Wolf/Old SF Road on the list?

Staff Response: The existing light pedestrian crossing system at Old San Francisco and Central is currently in design for upgrade to a Rectangular Rapid Flashing Beacon (RRFB) system. Construction is anticipated to start late 2025.

Council Question/Request: Has the Tree Trimming backlog been addressed?

Staff Response: In FY 2023/24 approximately 1,475 trees were pruned, and approximately 248 new or replacement trees were planted to enhance the City's urban forestry.

Page 307 in the FY 2025/26 Recommended Budget:

	General Plan Goal	FY 2021/22 Actual*	FY 2022/23 Actual*	FY 2023/24 Actual*	FY 2024/25 Target	FY 2024/25 Estimate	FY 2025/26 Target
Performance Indicators							
Number of street trees scheduled for safety pruning due to damage, disease or other hazardous conditions and percent pruned within 120 days.	CC-2	2,117 100%	1,475 70%	1,675 80%	1,500 75%	1,600 90%	1,600 90%
Number of trees scheduled for structural pruning on a seven (7) year average pruning cycle and percent completed.[3]	CC-2	0 0%	5,430 0%	5,430 66%	5,430 100%	5,430 100%	5,430 100%

The City trims trees based on an established Council goal of every seven years. The City has approximately 38,000 street trees. The amount per year is calculated as 38,000 trees divided by seven years which equals approximately 5,429 trees per year – DPW rounded to 5,430. The target of 5,430 every year was established by Council.

An additional $1.1M in funding has been added to project 836640 – Tree Pruning Backlog to address the tree trimming backlog. The backlog was 15,000 trees. The backlog contract cleared 8,000 trees. Each tree cost approximately $150. The $1.1M amount would prune approximately 7,300 trees.

RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

Council Question/Request: Can you talk about the scope of the Lakewood Safe Routes to School Project?

Staff Response: The City's 2020 Active Transportation Plan identified and prioritized locations, such as Lakechime Drive/Meadowlake Drive for safety improvements. Improvements include curb radius reductions, curb extensions with ADA curb ramps, high visibility crosswalks, and pedestrian safety signs and striping, pavement improvements, and street signs and utilities relocation. Streetlights will be modified to enhance lighting conditions and improve visibility for the public. Green storm water infrastructure may also be implemented to better facilitate storm water runoff in the area.

Project Location:

- Lakechime Drive and Meadowlake Drive (50ft north, east and west of the intersection)
- Along Meadowlake Drive between Lakechime Drive and Lakefair Drive

Improvements:

- curb radius reductions
- curb extensions to reduce crossing distances
- ADA curb ramps
- high visibility crosswalks
- pedestrian safety signs and striping
- green stormwater infrastructure (GSI)
- street light improvements

Council Question/Request: For the Bernardo Undercrossing, how short are we regarding funding?

Staff Response: The FY 2023/24 estimate for the project is $65M. We currently have $5.63M awarded ($126,724 remaining OBAG2, $3M 2016 Measure B, $2.5M Federal earmark), $7M in Sunnyvale CIP 823911 budget and $21.65M ($15M 2016 B, $6.65M city of Mountain View) anticipated for a total potentially secured funding of $34.28M. A revised Caltrain estimate places the project at approximately $70.1M. There is a current funding gap of $35.28M. Staff is in the process of preparing an application for the Federal Safe Streets and Roads for All (SS4A) program, which has a maximum award of $25M.

RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

Council Question/Request: Can you provide an update on where the ARKs are in our Community? Do we need to add ARKs?

Staff Response: The ARKs are strategically placed at various city sites and high-traffic locations to ensure that essential supplies are readily available in the event of an emergency. At this time, there does not appear to be a need for additional ARKs; however, future needs will continue to be assessed and evaluated.

List of current Sunnyvale ARK locations:

1. Peterson Middle School
2. Ponderosa Elementary School
3. Sunnyvale Community Center
4. Lakewood Elementary School
5. Columbia Middle School
6. Fremont High School
7. Sunnyvale Middle School
8. Cupertino Middle School
9. The King's Academy
10. Corporation Yard (Community Point of Distribution or C-POD Supplies)
11. Olive Ave (City Employee Supplies)

Council Question/Request: Golf – Redistribute the most recent golf study and last Council actions.

Staff Response: Some of the needs identified in the recently completed Golf Study include:

- Rebuilding of features (greens, tees, and bunkers).
- Re-grassing both courses.
- Arbor management.
- Clubhouse replacement/refurbishment.
- Maintenance facility repairs/upgrades.

The Golf Course Assessment Study will begin upon the completion of the Golf Irrigation Study. Staff anticipates this to start in FY 2025/26.

A copy of the Sunnyvale Golf Courses Study report has been attached to this response as Exhibit D.

RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

Council Question/Request: Can staff provide the breakdown of golf use by category? Unique user data too?

Staff Response: The courses don't differentiate unique plays for the categories; hence, if a category has 400 plays, theoretically it could be the same person playing 400 times, 400 different people, or any variation.

Category	# of Plays
Back 9 Weekday Fee	144
Weekday Senior	13,782
Weekday Non- Resident Green Fee	14,929
Weekday Resident Green Fee	11,378
Weekday Super Twilight Green Fee	5,628
Weekday Twilight Green Fee	8,456
Back 9 Weekend Fee	1,074
Resident Weekend Twi Walk	445
Weekday Junior Fee	772
Weekend Non-Resident Green Fee	19,731
Weekend Non-Resident Twilight Green Fee	3,561
Weekend Resident Green Fee	10,464
Weekend Resident Twilight Green Fee	2,153
Weekend Super Twilight	2,227
Member Green Fee	24,012
Weekend Junior Fee	5,060
Replay Fee	1,131
School Play	1,018

RESPONSE TO COUNCIL QUESTIONS RE: BUDGET WORKSHOP & PUBLIC HEARING

Council Question/Request: Please provide additional clarification on Section 7.11 Civil Penalties for Parking Violations.

Staff Response:

- 10.16.140 Parking for certain purposes prohibited is defined as "unlawful for any person to park a vehicle upon any roadway for the purpose of washing, greasing or repairing such vehicle, except repairing necessitated by an emergency."
- BB. Bicycle Parking pertains to "No person shall leave a bicycle lying on its side on any sidewalk or shall park a bicycle on a sidewalk in any other position, so that there is not an adequate path for pedestrian traffic. Local authorities may, by ordinance or resolution, prohibit bicycle parking in designated areas of the public highway, provided that appropriate signs are erected."
- Council also asked about the difference between CC. Park, Stop, Stand Violation (CVC 22500 (A-H)) and EE. Park, Stop, Stand Violation (CVC 22500 (J-K). CC (A-H) focuses on violations in common urban and residential settings, such as intersections, crosswalks, driveways, and sidewalks, and EE (J-K) focuses on violations in specific infrastructure settings, such as tubes, tunnels, and bridges.
- For OO. Parking on Railroad Track staff compared parking violation fines for railroad tracks in nearby cities. Sunnyvale's fine of $53 typically aligns with neighboring agencies where specified. However, the City Council may set higher penalties if deemed reasonable. Per California Vehicle Code Section 40203.5, the governing body establishes parking violation penalties and recommends agencies within the same county to standardize fines where feasible.

Council Question/Request: Please provide additional clarification on Section 1.07 Credit Card Convenience Fee.

Staff Response: The 2.7% fee is for all credit card transactions regardless of the type of card. The percentage was based on the total percentage the City currently pays in service fees. Since fees depend on the type of card used, staff are recommending the average percentage charged for fees.

Credit card fees will apply to digital payments such as Apple Pay or Google Pay. A nominal fee will be charged to the City for e-checks, but the City is not passing along that cost at this time.

Staff checked with the City's credit card vendors, and they are unable to implement dollar thresholds for service fees.

EXHIBIT A

6200. GOLF AND TENNIS OPERATIONS FUND
REVENUES BY SOURCE

	ACTUAL 2023/2024	CURRENT 2024/2025	BUDGET 2025/2026	PLAN 2026/2027	PLAN 2027/2028	PLAN 2028/2029	PLAN 2029/2030	PLAN 2030/2031	PLAN 2031/2032	PLAN 2032/2033	PLAN 2033/2034	PLAN 2034/2035	FY 2024/2025 TO FY 2034/2035 TOTAL
Tennis Pro Shop Concession	156,692	160,000	165,000	170,000	175,000	180,000	185,000	190,000	195,000	200,000	205,000	210,000	2,035,000
Sunken Garden Concession	31,667	32,000	35,200	36,608	38,072	39,595	41,179	42,826	44,539	46,321	48,174	50,101	454,615
Lease Revenue	24,612	30,000	30,000	22,500	0	0	0	0	0	0	0	0	82,500
Tower/Antenna Rental	37,630	38,000	41,800	43,472	45,211	47,019	48,900	50,856	52,890	55,006	57,206	59,494	539,855
TOTAL RENTS AND CONCESSIONS	250,600	260,000	272,000	272,580	258,283	266,615	275,079	283,682	292,430	301,327	310,380	319,595	3,111,970
Golf Operations Fees	4,961,515	5,100,000	5,610,000	5,834,400	6,067,776	6,310,487	6,562,907	6,825,423	7,098,440	7,382,377	7,677,672	7,984,779	72,454,261
Golf Infrastructure Fee	0	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	748,000
TOTAL GOLF FEES	4,961,515	5,168,000	5,678,000	5,902,400	6,135,776	6,378,487	6,630,907	6,893,423	7,166,440	7,450,377	7,745,672	8,052,779	73,202,261
Miscellaneous Revenue	1,091	0	0	0	0	0	0	0	0	0	0	0	0
Merchandise Sales	143,886	145,000	134,280	138,309	142,458	146,732	151,134	155,668	160,338	165,148	170,102	175,206	1,684,375
TOTAL GOLF AND TENNIS SHOP REVENUE	144,976	145,000	134,280	138,309	142,458	146,732	151,134	155,668	160,338	165,148	170,102	175,206	1,684,375
Transfers In	2,135,000	0	0	0	0	0	500,000	520,000	540,800	562,432	584,929	608,326	3,316,488
TOTAL TRANSFERS IN	2,135,000	0	0	0	0	0	500,000	520,000	540,800	562,432	584,929	608,326	3,316,488
FUND TOTAL	7,492,091	5,573,000	6,084,280	6,313,289	6,536,517	6,791,833	7,557,119	7,852,773	8,160,007	8,479,284	8,811,084	9,155,906	81,315,094

Budget Monitoring - Program Summary by SDP

14000 - Golf Course Operations

2023 - 24

	Current Budget	Current Actual	Budget vs Actual	% Spent
14000 - Golf Course Operations				
14001 - Management, Supervisory, and	$881,480.20	$928,124.06	($46,643.86)	105.29%
14002 - Golf Course Maintenance	$2,205,323.95	$2,319,960.53	($114,636.58)	105.20%
14003 - Golf Shop Services	$674,956.76	$659,183.24	$15,773.52	97.66%
14004 - Sunken Garden Golf Course	$332,470.76	$510,783.46	($178,312.70)	153.63%
14005 - Sunken Garden Golf Shop Services	$175,635.40	$373,668.91	($198,033.51)	212.75%
14006 - Tennis Center Administration	$117,426.32	$90,098.41	$27,327.91	76.73%
14007 - Barrel 19 Contract Administration	$0.00	$0.00	$0.00	0.00%
14098 - Program-Wide Allocation - Golf Course	$0.00	$0.00	$0.00	0.00%
14000 - Golf Course Operations Total	**$4,387,293.39**	**$4,881,818.61**	**($494,525.22)**	**111.27%**

EXHIBIT B

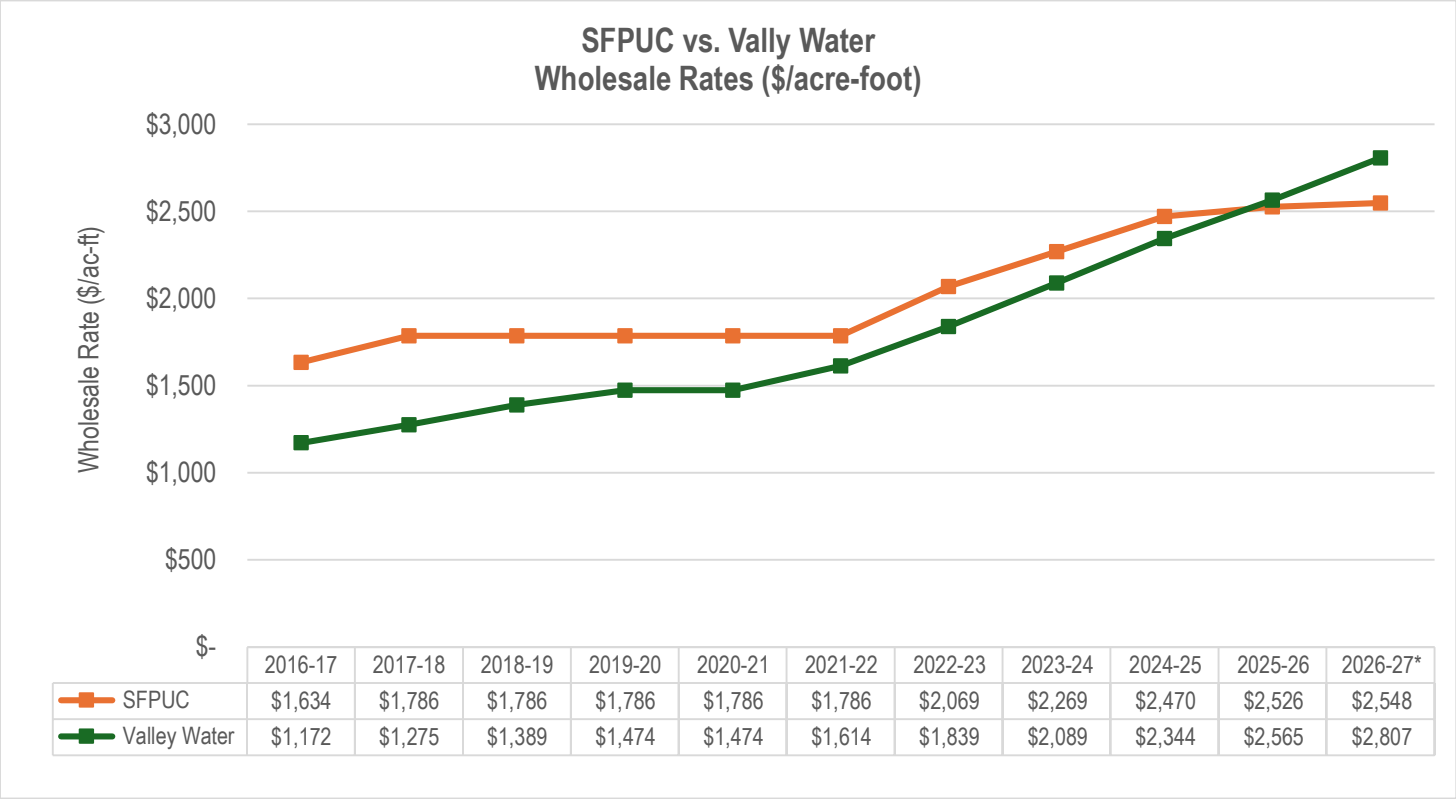
Table 1: SFPUC vs. Valley Water Wholesale Rates

Fiscal Year	SFPUC ($/ac-ft)	Valley Water ($/ac-ft)
2016-17	$ 1,634	$ 1,172
2017-18	$ 1,786	$ 1,275
2018-19	$ 1,786	$ 1,389
2019-20	$ 1,786	$ 1,474
2020-21	$ 1,786	$ 1,474
2021-22	$ 1,786	$ 1,614
2022-23	$ 2,069	$ 1,839
2023-24	$ 2,269	$ 2,089
2024-25	$ 2,470	$ 2,344
2025-26	$ 2,526	$ 2,565
2026-27*	$ 2,548	$ 2,922

* Projected

1 acre foot = 325,829 gallons

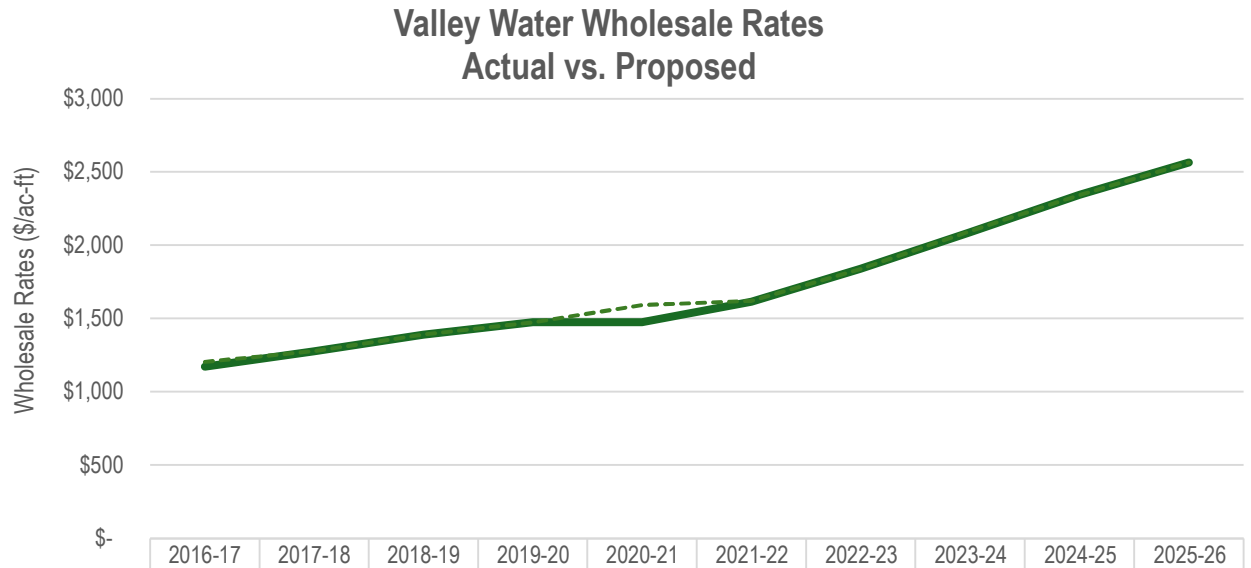
Figure 1: SFPUC vs. Valley Water Wholesale Rates



* Projected

1 acre foot = 325,829 gallons

Figure 2: Valley Water Wholesale Rates

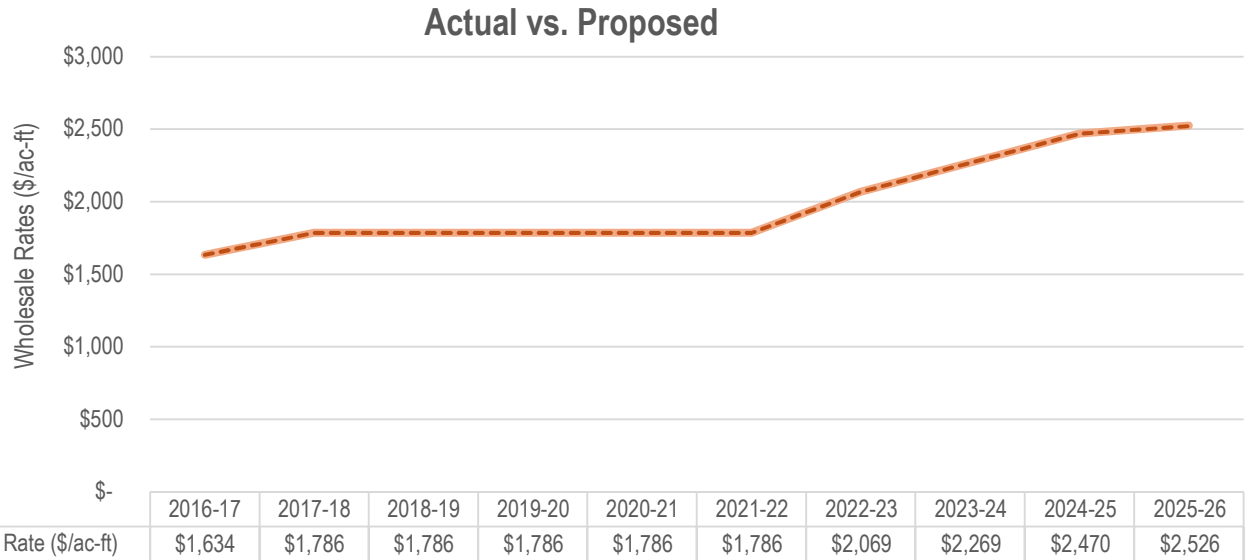


	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Actual Rate ($/ac-ft)	$1,172	$1,275	$1,389	$1,474	$1,474	$1,614	$1,839	$2,089	$2,344	$2,565
Actual Increase (%)		9.6%	9.7%	6.6%	0.0%	9.1%	15.0%	14.5%	12.9%	9.9%
Max Proposed ($/ac-ft)	$1,205	$1,278	$1,391	$1,474	$1,592	$1,621	$1,839	$2,098	$2,344	$2,565
Max Proposed %		9.9%	9.9%	6.6%	8.6%	9.6%	15.0%	15.0%	12.9%	9.9%

* Projected

1 acre foot = 325,829 gallons

Figure 3: SFPUC Wholesale Rates



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Actual Rate ($/ac-ft)	$1,634	$1,786	$1,786	$1,786	$1,786	$1,786	$2,069	$2,269	$2,470	$2,526
Actual Increase (%)		9.3%	0.0%	0.0%	0.0%	0.0%	15.9%	9.7%	8.8%	2.3%
Max Proposed ($/ac-ft)	$1,634	$1,786	$1,786	$1,786	$1,786	$1,786	$2,069	$2,269	$2,470	$2,522
Max Proposed %		9.3%	0.0%	0.0%	0.0%	0.0%	15.9%	9.7%	8.8%	2.1%

* Projected

1 acre foot = 325,829 gallons

EXHIBIT C

Start Date: 1/1/2025; End Date: 5/31/2025; Reservation Types: Recreational Play - Pickleball; Events, Camps, And Class Categories: ALL; Court Types: Pickleball; Courts: ALL; Computed by Utilized Courts

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Total
8:00 AM - 8:30 AM	74.6 %	42.46 %	68.18 %	35.98 %	81.44 %	85.98 %	84.92 %	67.65 %
8:30 AM - 9:00 AM	86.51 %	48.81 %	78.03 %	43.18 %	84.85 %	96.21 %	86.51 %	74.87 %
9:00 AM - 9:30 AM	88.1 %	84.13 %	80.68 %	71.59 %	84.47 %	92.42 %	88.49 %	84.27 %
9:30 AM - 10:00 AM	85.71 %	85.71 %	79.55 %	75.76 %	87.5 %	91.67 %	88.89 %	84.97 %
10:00 AM - 10:30 AM	87.3 %	87.7 %	79.92 %	73.86 %	84.85 %	103.79 %	89.29 %	86.67 %
10:30 AM - 11:00 AM	90.87 %	87.3 %	86.74 %	77.27 %	84.47 %	92.05 %	89.29 %	86.86 %
11:00 AM - 11:30 AM	39.29 %	56.35 %	34.85 %	46.21 %	42.42 %	84.85 %	82.14 %	55.16 %
11:30 AM - 12:00 PM	31.35 %	46.03 %	28.79 %	38.64 %	42.42 %	81.06 %	81.75 %	50.01 %
12:00 PM - 12:30 PM	30.95 %	26.19 %	10.61 %	22.73 %	24.62 %	77.27 %	78.57 %	38.71 %
12:30 PM - 1:00 PM	26.98 %	26.59 %	7.2 %	19.32 %	18.94 %	74.62 %	79.37 %	36.15 %
1:00 PM - 1:30 PM	19.05 %	20.63 %	5.68 %	7.2 %	23.86 %	75.76 %	80.95 %	33.3 %
1:30 PM - 2:00 PM	18.25 %	7.94 %	4.17 %	6.44 %	21.97 %	78.41 %	84.52 %	31.67 %
2:00 PM - 2:30 PM	24.6 %	3.57 %	3.41 %	10.23 %	32.2 %	75 %	88.49 %	33.93 %
2:30 PM - 3:00 PM	27.38 %	7.54 %	4.55 %	13.64 %	45.83 %	75.38 %	88.49 %	37.54 %
3:00 PM - 3:30 PM	29.76 %	14.29 %	14.02 %	19.7 %	62.5 %	79.92 %	91.27 %	44.49 %
3:30 PM - 4:00 PM	34.52 %	51.98 %	42.05 %	46.21 %	75.76 %	79.17 %	90.87 %	60.08 %
4:00 PM - 4:30 PM	70.24 %	69.84 %	64.39 %	59.09 %	78.03 %	84.09 %	93.65 %	74.19 %
4:30 PM - 5:00 PM	83.33 %	75.79 %	74.62 %	67.05 %	79.17 %	85.23 %	94.44 %	79.95 %
5:00 PM - 5:30 PM	89.68 %	84.52 %	79.92 %	76.89 %	81.44 %	90.53 %	95.24 %	85.46 %
5:30 PM - 6:00 PM	90.87 %	86.9 %	84.47 %	81.06 %	82.58 %	91.29 %	94.44 %	87.37 %
6:00 PM - 6:30 PM	91.27 %	90.87 %	86.36 %	85.98 %	82.95 %	88.64 %	94.44 %	88.64 %
6:30 PM - 7:00 PM	89.29 %	89.29 %	89.02 %	85.61 %	81.06 %	91.29 %	94.84 %	88.63 %
7:00 PM - 7:30 PM	91.27 %	87.3 %	88.64 %	85.98 %	79.17 %	93.94 %	94.84 %	88.73 %
7:30 PM - 8:00 PM	90.87 %	89.68 %	88.64 %	86.74 %	91.29 %	93.56 %	77.38 %	88.31 %
8:00 PM - 8:30 PM	86.11 %	82.94 %	77.27 %	90.15 %	91.67 %	89.77 %	4.76 %	74.67 %
8:30 PM - 9:00 PM	86.51 %	83.33 %	75.76 %	89.77 %	91.29 %	87.5 %	4.76 %	74.13 %
9:00 PM - 9:30 PM	79.76 %	83.33 %	73.11 %	89.39 %	90.53 %	86.74 %	4.76 %	72.52 %
9:30 PM - 10:00 PM	48.81 %	25.4 %	53.79 %	29.17 %	85.61 %	55.68 %	4.76 %	43.32 %
Total	**64.04 %**	**58.8 %**	**55.87 %**	**54.82 %**	**68.32 %**	**85.06 %**	**76.15 %**	**66.15 %**

EXHIBIT D

Golf Subsidy Analysis for City of Sunnyvale, CA

Prepared For:

City of Sunnyvale
456 W. Olive Avenue
Sunnyvale, CA 94086

Prepared By:

NGF CONSULTING
NATIONAL GOLF FOUNDATION

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Table of Contents

INTRODUCTION & PURPOSE **1**

EXECUTIVE SUMMARY **2**

Purpose 2
Situation Summary 2
Golf & Tennis Operations Enterprise Fund Overview 3
Golf & Tennis Operations Enterprise Fund 3
Sunnyvale FY 2020/21 Adopted Budget and 20-Year Financial Plan 4
Capital Improvement Funding 4
Sunnyvale Golf Operations 4
Management / Operating Structure 5
Recent Operating Results Summary 5
Golfer Survey Results 7
Sunnyvale GC 7
Sunken Gardens GC 8
Physical Evaluation of Sunnyvale Golf Courses 8
Golf Market Overview 8
Golf Subsidy Analysis 9
Comparison to other Regional Municipal Golf Systems 9
Golf Cost Recovery Percentage vs. other City Programs 11
Subsidy Analysis - Conclusion 12
Potential Approaches to Improving Golf Revenue Model 12
Potential Operational Revenue Enhancement Opportunities 13
Golf Fund Financial Projections and Sensitivity Analysis 14
Model Scenarios 14
Pro Forma Models Summary 15
Summary Conclusion 17

CITY OF SUNNYVALE GOLF SYSTEM **19**

Situation Summary 19
Golf and Tennis Operations Enterprise Fund 19
What is an Enterprise Fund? 20
Enterprise Fund Accounting for Golf Operations - Overview 20
Sunnyvale FY 2020/21 Adopted Budget and 20-Year Financial Plan 21
Capital Improvement Funding 21
NGF-Observed Trends with Respect to Enterprise Fund Accounting for Golf 21
Implications of Sunnyvale Transitioning Golf & Tennis Operations to General Fund 22
Sunnyvale Golf Operations 23
Operating / Management Structure 23
Facilities Overview 24
Summary Operations Review 25

Recent Operating Results Summary 30
NGF Golfer Survey Results 33
Sunnyvale Golf Course 34
Sunken Gardens Golf Course 39

PHYSICAL EVALUATION OF THE GOLF COURSES 43

Introduction 43
Sunnyvale Golf Course 43
General Overview & History 43
Current Conditions 44
Aviation Constraints 45
Facility Capital Improvement Needs 46
Sunken Gardens Golf Course 48
General Overview & History 48
Current Conditions 48
Facility Improvement Needs 49

GOLF MARKET OVERVIEW 50

National Golf Industry Overview 50
Golf Course Supply 51
Other Measures of Health 51
Local / Regional Market 52
Defining the Primary Trade Area for Sunnyvale Golf Courses 52
Demographics 52
Local Economic & Climate Factors Affecting Demand for Golf 53
Local Golf Demand Indicators 54
Local Golf Supply Indicators 54
Bay Area Market 55
Sunnyvale Golf Course Competitive Golf Market 56
Sunken Gardens GC Competitive Golf Market 60

GOLF SUBSIDY ANALYSIS 63

Comparison to other Regional Municipal Golf Systems 64
Methodology 64
Summary Financial Results - Comparable Set 65
Significant Findings 66
Per-Unit Metrics 67
Golf Cost Recovery Percentage vs. other City Programs 68
Cost to Maintain as Park Space 68
NGF Summary Conclusion – Subsidy Analysis 69

POTENTIAL APPROACHES TO IMPROVING SUNNYVALE GOLF REVENUE MODEL 70

Potential Facility Improvement Approaches – Sunnyvale GC 70
Baseline Approach — 18-Hole Regulation Course & Full-Length Practice Range 70

More Intensive Approaches to Improvements and Enhanced Revenue Opportunities 72
Approach Comparisons 76
Potential Facility Improvement Approach – Sunken Gardens 77
Potential Operational Revenue Enhancement Opportunities 78

GOLF & TENNIS FUND FINANCIAL PROJECTIONS AND SENSITIVITY ANALYSIS 81

Baseline Scenario – 'Steady State' - FY 2021/22 - FY 2030/31 82
Key Assumptions 82
Financial Model Summary Results: Baseline Scenario - FY 2021/22 – FY 2030/31 83
Sensitivity Scenario 1 – Baseline + Addition of Driving Range 83
Assumptions 83
Other Sensitivity Scenarios 84
Scenario 2 - Increased Rounds 84
Scenario 3 – Higher Average Green & Cart Fees 84
Scenario 4 – Higher Rounds and Average Rate 84
Scenario 5 – 'Best Case': Higher Rounds & Rate / Sunnyvale GC Range + F&B Service 85
Financial Pro Forma Models Summary 85

APPENDICES 87

Appendix A – Golf Course Playing Fees 88
Appendix B – Golf Discount & Advantage Card Analysis 89
Appendix C – Existing Conditions and Potential Facility Improvement Approaches 90
Exhibit 1 – Sunnyvale Golf Course Existing Conditions 90
Exhibit 2 – Known Aviation Zones (Moffett Field) 91
Exhibit 3 – Sunken Gardens Golf Course Existing Conditions 92
Exhibit 4 – Sunnyvale Golf Course: Baseline Approach 93
Exhibit 5 – Sunnyvale Golf Course: Conceptual Approach A 94
Exhibit 6 – Sunnyvale Golf Course: Conceptual Approach B 95
Appendix D - National Rounds Played Report 96
Exhibit 1 – Year End 2019 96
Exhibit 2 – Year-End 2020 National Rounds 99
Appendix E – Local Demographic, Demand and Supply Data 102
Sunnyvale Golf Course 102
Sunken Garden Golf Course 105
Appendix F – Sunnyvale Golf Fund Financial Projection Scenarios 108
Baseline 'Steady State' Scenario 108
Sensitivity Scenario 1 110
Sensitivity Scenario 2 112
Sensitivity Scenario 3 114
Sensitivity Scenario 4 116
Sensitivity Scenario 5 118
Appendix G - Golf Course Expected Life Cycle Chart 120

Introduction & Purpose

The City of Sunnyvale, California ("City") retained National Golf Foundation Consulting ("NGF") to perform a Golf Subsidy Analysis for the City's municipal golf system, comprising two facilities - 18-hole regulation-length Sunnyvale Golf Course ("Sunnyvale GG"), and 9-hole executive-length Sunken Gardens Golf Course ("Sunken Gardens GC"). The City seeks a comprehensive evaluation of the general fund subsidies that the City's Golf & Tennis Operations Enterprise Fund ("Golf Fund") has required in recent years to "address the structural deficit and keep the fund in balance".

NGF's undertaking included: analysis of recent financial results of the Golf Fund; benchmarking the Sunnyvale Golf Fund's operating results to those of similar northern California municipal golf systems; comparing golf's cost recovery to other City services and programs; and, surveying Sunnyvale golfers to gauge their opinions about the golf courses. ***The City's overriding goals of the consulting study are to provide the Council with applicable information to take the next step in determining the appropriate action as envisioned in the 20-Year Financial Plan, to determine the "appropriate" level of golf subsidy going forward, and to make recommendations to improve the financial performance of the golf courses and greatly reduce or eliminate the subsidies.***

Key questions to be answered by this study include:

- What is a reasonable expectation for the City to have regarding the level of operating subsidy going forward? Are the City's 20-Year Plan projections achievable?
- Beyond money already committed from the Park Dedication Fund, how will necessary capital improvements at the golf courses be funded?
- How does the Sunnyvale municipal golf system compare to other regional municipalities with similar golf course operations in terms of level of golf enterprise fund deficits?
- How does the level of subsidy / cost recovery percentage for golf in Sunnyvale compare to that of other City programs?
- Are there potentially viable and sustainable opportunities to increase revenues and/or reduce expenses to the point where the annual subsidy is greatly reduced or no longer required?
- What is an appropriate and realistic long-term vision for Sunnyvale Golf?

The study effort was managed by NGF Director of Consulting Services Ed Getherall, with assistance from: NGF Senior Director of Consulting, Richard Singer; NGF Director of Research, Clark Brown; and NGF Research and Consulting Administrator, Jodi Reilly. Golf Course architect Forrest Richardson, ASGCA, performed the physical golf course assessments of Sunnyvale and Sunken Gardens golf courses and worked with NGF to create potential facility capital improvement scenarios. Activities conducted in completion of this report included, but were not limited to:

- Videoconference and phone meetings with City and golf course staff
- Golfer surveys
- Market analysis: demographic; economic; golf supply-demand dynamics; competitive
- High-level review of Sunnyvale GC and Sunken Gardens GC operations
- Analysis of recent financial performance of the City golf courses
- Assessment of golf course current conditions and needs by ASGCA architect; preparation of improvement plan options (including potential new revenue sources)

Executive Summary

This section comprises NGF Consulting's summary of key findings related to the subsidy analysis of the City of Sunnyvale's Golf & Tennis Operations Enterprise Fund ("Golf Fund'). Findings and conclusions are based on the consulting team's analysis conducted in 2020. *Full detail, along with supporting narrative and exhibits, are found in the body of the report and appendices.*

PURPOSE

The City of Sunnyvale, California retained National Golf Foundation Consulting ("NGF") to perform a Golf Subsidy Analysis for the City's municipal golf system, comprising two facilities - 18-hole regulation-length Sunnyvale Golf Course and 9-hole executive-length Sunken Gardens Golf Course. The City seeks a comprehensive evaluation of the general fund subsidies that the City's Golf & Tennis Operations Enterprise Fund ("Golf Fund") has required in recent years to "address the structural deficit and keep the fund in balance".

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- Are there potentially viable and sustainable opportunities to increase revenues and/or reduce expenses to the point where the annual subsidy is greatly reduced or no longer required?

The results and conclusions of the NGF analysis will be used to help determine the appropriate course of action regarding the Sunnyvale golf system going forward.

SITUATION SUMMARY

The finances of the City's two golf courses, the Sunnyvale Golf Course and the Sunken Gardens Golf Course, and Sunnyvale Municipal Tennis Center, are accounted for in the City's Golf and Tennis Operations Fund ("Golf Fund"). Golf and tennis have been accounted for within the Enterprise Fund framework (more on this accounting method later in this section) since FY 2012/13, following the dissolution of the Community Recreation Fund.

Because golf and tennis are accounted for as an enterprise fund, operations activities are intended to be self-supporting. However, as a result of rounds played and revenues declining at the same time that operating expenses (esp. labor and irrigation water) have been rising, golf operations have required an increasingly-high subsidy from the General Fund each year, and approximately $4.0 million in transfers-in were made or approved from FY 2014/15 to FY 2018/19. The FY 2020/21 Adopted Budget includes General Fund contributions of between $1.5 and $2.0 million annually until FY 2023/24 when substantial contributions are planned to end, though this will be revisited pending the results of this report.

In the face of the continuing large-scale annual subsidies of the Golf Fund, the City hired NGF Consulting in the spring of 2020 to conduct a golf subsidy analysis of the municipal golf system. City leadership has tasked staff and the NGF with analyzing the level of subsidies that the golf courses have required, and benchmarking them to other City services, as well as to similar northern California facilities and systems. The goals of the analysis are to identify an "appropriate" and achievable level of annual subsidy, and to make recommendations that could potentially reduce the subsidies.

GOLF & TENNIS OPERATIONS ENTERPRISE FUND OVERVIEW

Following is a summary overview of the City's Golf & Tennis Operations Enterprise Fund, including general description of enterprise fund accounting for municipal golf, summaries of the FY 2020-21 Adopted Budget and capital improvement funding, and brief discussion of observed national trends with respect to accounting for municipal golf operations.

Golf & Tennis Operations Enterprise Fund

As an enterprise fund, all activities of the Golf Fund are intended to be self-supporting. However, as the City's FY2020/21 Adopted Budget notes, "*the golf operations of the Golf and Tennis Enterprise Fund has struggled to operate as a true enterprise fund due to a number of reasons including the overall decline in popularity in golf, the closure of the golf course restaurants while the City transitioned to new operators, and the quality of the golf buildings. This has affected the number of rounds played at the golf courses, which have been on a declining trend for the last decade*".

A community may account for a certain service in the general fund, special revenue fund or an enterprise fund. Among the advantages of using enterprise fund accounting are:

- **Transparency** – All the direct, indirect (e.g., interdepartmental charges for services provided) and capital costs of providing the service are in a consolidated fund, making the true cost of providing a service transparent to the public.
- **Provision of information for decision-making** – Stakeholders can readily analyze the level of cost recovery for the enterprise service and the extent of needed support, if any, in the form of tax dollars or other available revenues.
- **Retain net income** – Unlike services operating in the general fund or a special revenue fund, all operating surplus (and investment earnings, if any) are retained in the enterprise fund rather than closed to the general fund at year-end.

Though a significant percentage of municipal golf courses across the US and in California are operated as enterprise funds, it is not commonly used locally in the San Francisco Peninsula / South Bay area. With the spring 2020 closure of Santa Clara Golf and Tennis, Sunnyvale is now the only municipality in the Peninsula/South Bay area to use enterprise fund accounting for its golf operations. The City of San Mateo, prior to FY 2018-19, accounted for golf operations of its 18-hole Poplar Creek Golf Course as an enterprise fund. Beginning with FY 2019, "**in recognition of the annual subsidy of golf operations from the City's General Fund, the City moved its enterprise Golf Fund to the General Fund as a sub-fund"** (source: City of San Mateo FY 2020 Comprehensive Annual Financial Report).

The accounting for golf enterprise funds varies across municipalities. While only a small percentage of municipalities charge for rent of the golf course land, a majority of municipalities charges their golf fund 'indirect' costs for services provided, such as insurance, legal, human resources, finance, and IT. In addition to allocating indirect service costs, the municipality may also allocate a portion of salaries for positions involved in oversight and administration of the golf enterprise fund, such as the Parks and Recreation Director, Finance Director, City Manager, etc. Indirect charges are generally allocated based on a measure such as the number of employees, budget or some other basis.

With a majority of golf enterprise funds across the U.S. struggling to cover all operating and capital costs associated with their golf operations, NGF has observed a decided trend of public agencies converting from enterprise fund to general fund or special revenue fund accounting for their golf course assets. In the body of the report, we talk about trends (pre-pandemic) we are observing nationally with respect to municipal golf finances and the accounting thereof. We also discuss potential financial implications of Sunnyvale Golf converting to general fund accounting for the golf courses.

Sunnyvale FY 2020/21 Adopted Budget and 20-Year Financial Plan

The City's FY 2020/21 Adopted Budget assumes an increase in the required subsidy of the Golf Fund over the next four years of $890,000, due to expected lingering impacts of COVID-19. The budget notes that the fund will "*continue to face challenges over the twenty-year financial plan (increasing operational costs, deferred capital maintenance, seasonality due to its dependence on favorable weather conditions, the continued decline in the interest in golf nationally, etc.'). The FY 2020/21 Adopted Budget includes General Fund contributions of between $1.5 and $2.0 million annually until FY 2023/24 when substantial contributions are planned to end. In FY 2020/21, $1.7 million is programmed for transfer to the Golf and Tennis Fund and reflects cost-savings adopted by Council in Budget Supplement 2. Given the revenue uncertainty related to the impacts of COVID-19, however, subsidy amounts will be revisited during the next budget cycle*".

Capital Improvement Funding

Another financial issue with the Golf Fund – beyond the continued need to fund operational deficits with large-scale transfers-in, is that the golf courses, as NGF discusses in the body of the report, are in need of significant capital investment to address aging infrastructure and remain competitive. From the Adopted Budget: "An additional concern over the longer term is that capital improvement projects needed at the golf courses are significantly underfunded. Fiscal strategies are required beyond FY 2023/24 to maintain a positive financial position and to continue funding operations and deferred infrastructure maintenance".

When the Golf and Tennis Enterprise Fund was established, the City Council determined that no future additional Park Dedication Fund funding would be used for the golf courses and tennis center beyond those items that were already in the budget. At this time. Park Dedication Fund support is scheduled to decrease substantially after FY 2023/24, with only minor improvements thereafter, until funding is completely discontinued in FY 2034/35. *NGF concludes that, given the aforementioned large-scale operating deficits - and with no retained earnings in the Golf Fund - the golf courses will continue to require an external source of funding for ongoing capital investment needs, which are substantial due to the aged infrastructure of the golf courses*.

SUNNYVALE GOLF OPERATIONS

While a comprehensive review of operations was not a key part of the NGF study, in the body of the report we provide a high-level overview of the Sunnyvale Golf System, based on prior visits to the facilities, NGF interviews and virtual meetings with golf course and City staff, and review of project materials supplied by the City. The overview includes a general description of the two City golf facilities, a summary review of operations (e.g., fees, marketing, programming, clubhouse operations, staffing) and an analysis of recent operating performance for the Golf and Tennis Fund.

For purposes of brevity, below we present a summary discussion of the current operating structure of the Sunnyvale golf courses, as well as potential alternatives and their implications for the financial results of the Golf Fund. We also provide a summary of recent rounds played and financials of the golf courses.

Management / Operating Structure

The Parks, Golf and Street Trees Division oversees Golf Course and Tennis Center operations. The golf courses are fully self-operated with City employees, with the exception of the food & beverage concessionaire at Sunken Gardens. NGF has noted a decided trend over the last 10 to 15 years away from full municipal self-operation, with cities, counties, etc. turning to a variety of partial or full privatization structures, such as concession arrangements, operating leases, or fee-for-service management agreements.

The City of Sunnyvale has indicated to NGF that outsourcing or privatizing operations for its municipal golf courses is not a consideration at this time, and that the City gives strong priority to keeping services "in-house". (The contracting out of City services to outside vendors is addressed in the Council Policy Manual section 7.3.06).

Our experience has shown there is no ideal operating scenario that fits all situations, and each public agency must arrive at its own unique approach to operation and maintenance. In the body of the report, we provide a summary discussion of the most common management structures for municipal golf facilities. Following are NGF's summary conclusions regarding potential change in operating structure:

Even if the City were inclined to "contract out" the management of the golf courses, we do not believe the "privatization" alternatives available for the golf courses offer the likelihood of significantly reducing operating deficits for the Golf Fund. The City could attempt to **lease** Sunnyvale and Sunken Gardens golf courses to a third party, theoretically relieving the City of financial risk with the golf course operations. However, NGF's experience tells us that, given the condition and economics of the golf facilities, they likely would not draw any legitimate, financially stable suitors, especially if significant contribution toward capital improvements was required. And, if significant capital investment was not required, there would be risk that a lessee would come in, attempt to squeeze short-term profit out of the facilities, and then vacate the lease and leave further deteriorated assets with the City.

Entering into a **Fee-for-Service Management Agreement** for the golf Sunnyvale golf facilities may result in significant savings on labor/benefits costs, while also providing other benefits (e.g., marketing strategies, purchasing programs, customer service training) that come from having one of the established national operators run the golf courses. In our experience, the change in net financial position resulting from the change from self-operation to management contract will be positive even after cost of the annual management fee, which generally will fall within the effective range of 4% to 6% of total gross revenue (for Sunnyvale, this equates to the approximately $140,000 to $200,000 based on recent historical revenues). ***However, while we believe the change to outsourced management would improve the financial results of the Golf Fund (especially if indirect / allocated City charges were also reduced due to fewer required City resources), we do not think the change would prevent continued large-scale operating deficits and subsidies of the Golf Fund***.

Recent Operating Results Summary

Below we summarize the operating performance of the Sunnyvale Golf System over the last several years through FY 2018/19. (**Source**: official audited City CAFRs and Budgets, along with supplemental spreadsheets sent by City and golf course staff). More detail can be found in the body of the report.

Rounds Played

- For the 10-year period of FY2010 through FY2019, peak activity for the City's two golf facilities was achieved in 2012, when 136,121 total rounds were played. Since that year, rounds have been on a steady decline, falling by 28.1% to less than 98,000 rounds in FY19. Rounds have decreased by just under 20% in just the last five years.
- For **Sunken Gardens**, total rounds played averaged about 60,500 from FY11 to FY13, before declining to a three-year average of about 51,500 for the subsequent three-year period, and

41,800 in the FY17 through FY19 period. Overall, rounds played at Sunken Gardens GC fell by 34.5% between FY13 and FY19, when 39,523 rounds were played.

- For **Sunnyvale GC**, total rounds played averaged 72,344 from FY11 to FY15, before decreasing to a four-year average of 62,304 for the subsequent period - bottoming out at just 58,352 rounds in FY19 (decrease of 12.1% in FY19 alone).

Operating Revenues

NGF pulled Sunnyvale Golf operating results from City CAFRs and Adopted Budgets for the period of FY15 through FY19. Largely because of variations in availability – and structure - of food & beverage service at Sunnyvale GC, making apples to apples comparisons of results over various years is impractical. For context, we note that City documents provided to NGF indicate that total revenues for Sunnyvale Golf were as high as $4.5 million in 2003, with annual profits reportedly as high as ±$2 million. The system was reportedly profitable through 2010 (enterprise fund was created in 2011).

With that framework in mind, here are NGF observations regarding golf system revenues (**excluding transfers**) over the subject period:

- Four-year average **total system operating revenue** through FY18 (FY19 excluded because F&B revenues at Sunnyvale were gross that year, rather than net lease payments or no service at all in prior years) was $3.3 million. FY19 revenue rose to just under $3.6 million, due to nearly ten-fold increase in rents and concession revenue.
- Revenues related to **food & beverage service** have been highly variable due to the sporadic availability – and changing nature – of service at Sunnyvale GC. In FY15 and FY16, when service was confined to the concession at Sunken Gardens, rent revenues averaged about $6,500. For FY17 and FY18, when Barrel 19 was open at Sunnyvale GC, average concession rent was $63,000. In FY19, when the lease of Barrel 19 became a fee-for-service management agreement and then City self-operation, *gross* revenues rose to $431,000.
- **Total operating revenue per round**, including the tennis concession, fell within a tight range and averaged $29.24 from FY15 through FY18, rising to $30.67 in FY18 and $36.64 in FY19 (included ***gross*** F&B revenue that year).
- *Excluding* food & beverage revenue, **total revenue per round** averaged just under $29 from FY15 through FY18, increasing about 4% to $30.24 in FY18.

Operating Expenses

Golf courses are high fixed-cost businesses. In California, this is exacerbated by the high cost of labor and, typically, irrigation water, which is certainly the case for Sunnyvale. When City direct and indirect charges are added on to the true cost to operate the golf course, it becomes even more difficult to cover all costs through user fees. Compounding this situation in the case of Sunnyvale Golf is that the golf facilities are positioned as 'value' golf courses and cater to a generally price-sensitive clientele, meaning that fee increases cannot be expected to keep up with rising expenses (i.e., 'elastic' demand).

- As with revenues, yearly variations in the availability of **food & beverage service** at Sunnyvale GC have contributed to year-to-year variability in operating expenses. F&B has been a significant cost center at Sunnyvale GC in recent years as the City took back management of the operation from the former private operator. Expenses totaled about $603,000 in FY19 and $660,000 in FY20, resulting in net losses of about ($256,000) and ($354,000) in those two years, respectively.
- **Total operating expenses** (excluding depreciation), including ±$100,000 annual cost of goods sold, increased from $3.64 million in FY15 to $4.35 million in FY18, or by 19.4%.

- The **cost of producing a round** of golf for the Sunnyvale Golf system rose from $29.86 in FY15 to $39.61 in FY18, or by just under 33%. (The cost increased to $51.13 in FY19 with the extra food & beverage related expenses).
- Annual City plus Program **In-Lieu charges** increased by 19% over this time period, totaling more than $466,000 in FY18. In combination with Department-wide Allocations, City General Fund charges to the Golf Fund are $600,000+ annually, or about 15% of total operating expenses.
- The **cost to irrigate** the City golf courses has increased aggressively in recent years, more than doubling from about $272,000 in FY 15 to more than $568,000 in FY18. **Together, City general fund charges and irrigation water cost add up to nearly $1.2 million annually**. For context, the Net Operating Loss in FY18 was **$982,000**.
- **Total labor expense** increased by 13% in FY18, from $2.04 million in FY15 to $2.3 million. As a percentage of total expenses, labor actually decreased from about 56% to 53%, though this is misleading due to the run-up in other expenses, such as irrigation and In-Lieu charges.

GOLFER SURVEY RESULTS

NGF implemented an internet-based golfer survey in July/August 2020, distributed via email by the Golf Operations Manager, at both Sunnyvale courses to gauge customer opinions and overall satisfaction with the facilities. The NGF survey is used by hundreds of courses across the country, allowing us to compare results from Sunnyvale and Sunken Gardens with other courses nationwide. Summary findings follow, with much more detail provided in the report.

Sunnyvale GC

The robust survey response tells NGF that Sunnyvale GC customers are highly engaged in the golf course. Customers generally value the friendliness and helpfulness of golf course staff, the convenience of the location and the affordability of green fees. However, the facility received very poor ratings across many measures, especially when benchmarked against other public golf courses of similar type that NGF have surveyed over many years. The strongest negative ratings relate to food & beverage service, as well as the condition of the golf course overall and of individual course components, with greens, tees, bunkers, and fairways all being rated at 6 or below by respondents.

NGF believes that a key finding from the survey is that the long-term trend of declines in rounds and revenues at Sunnyvale GC may be due largely to playing conditions that have deteriorated over time due to aging infrastructure, deferred maintenance / capital improvements, and overstretched maintenance budgets. Aside from better course conditions, open-ended comments made about "what needed improvement at Sunnyvale GC" revealed several recurring themes, including adding food & beverage amenities, building a driving range, and improving pace of play. The custom question specific to the type of food & beverage service respondents would prefer revealed that more than half would like to see a full-service bar/grill or "19th hole" type venue, while just under half indicated they would be fine with more of a minimalist operation serving pre-made items, hot dogs, beverages, snacks, etc.

Finally, despite what customers perceive to be a product in need of significant improvement, about 3 out of 4 responding golfers surveyed would be willing to pay some level of fee increase in order to help with the viability of the golf course. About one-third said they will pay $2 to $3 more per round, 23% would pay $4 to $5, another 6% would pay $6 to $7 more, and 12% would pay "whatever the fees are". In short, it looks like demand for golf will be relatively inelastic with nominal fee increases aimed at keeping up with rising expenses.

Sunken Gardens GC

As NGF often observes with "alternative length" facilities, the level of survey response was muted for Sunken Gardens GC compared to Sunnyvale GC. Still, the response was enough to provide directional guidance on customer opinions and satisfaction. Sunken Gardens rated (scale of 1 to 10) generally well on course location, friendliness/helpfulness of staff (common theme in open-ended comments), tee time availability, food & beverage service, and affordability. Unfortunately, the facility received poor to very poor ratings across many measures, especially when benchmarked against other facilities of a similar type. While satisfaction measures were low for areas such as the pro shop and facility amenities, the stronger negative ratings related to golf course conditions - especially tees and greens.

As was the case with Sunnyvale GC, survey results indicate that improving the golf course physical product will be a key to increasing rounds and revenue. NGF believes that a key positive takeaway from the survey – despite what customers perceive to be a product in need of significant improvement – is that nearly 4 out of 5 golfers surveyed would be willing to pay some level of fee increase in order to help with the viability of the golf course.

PHYSICAL EVALUATION OF SUNNYVALE GOLF COURSES

In the body of the report, NGF and golf course architect Forrest Richardson, current president of the American Society of Golf Course Architects (ASGCA), provide a summary assessment of both Sunnyvale GC and Sunken Gardens GC. Specifically, for each course, we provided:

- Brief overview and history of the golf courses
- Assessment of current conditions
- Preliminary capital improvement recommendations
- Concepts that may generate incremental net revenues

Based on the evaluation, the consulting team concluded that - at both Sunnyvale and Sunken Gardens golf courses - extensive capital expenditure is necessary to bring the assets up to competitive standards, and to ensure their continued viability as recreation amenities. The concepts provided by the consulting team to the City take into account the reality that major improvement work is needed at both facilities, due to the age and the condition of nearly all infrastructure, and the lack of capital investment that has effectively constrains the golf courses to competing primarily on the basis of affordability. ***We believe that a major level of capital investment is required in the facilities regardless of any new amenities or reconfiguration that may be deemed beneficial to the City in terms of increasing revenue and reducing the annual subsidy from the General Fund***. In other words, major investment is needed simply to remain viable and to compete effectively beyond the short term.

GOLF MARKET OVERVIEW

To assess potential market opportunities for either Sunnyvale GC or Sunken Gardens GC to increase rounds played and revenues, the environment in which the facilities operate must be understood. In the body of the report, NGF Consulting provides a summary of key "external" factors that characterize the trade areas in which the Sunnyvale golf courses operate, including NGF's macro perspective of the U.S. golf industry. The overview includes an analysis of local demographic and economic factors, as well as golf supply / demand indicators, that have the potential to affect the demand for golf. Finally, we completed a Competitive Analysis for each Sunnyvale golf course.

In terms of the potential long-term impacts of the Covid-19 pandemic, it is way too soon to tell what, if any, lasting effects on golf participation and demand will be. With less competition from other sports and activities, the pandemic, at least in the short term, has had a very positive effect on golf demand, with

core golfers playing more rounds due to factors such as flexible work schedules, as well as a significant rise in new and returning golfers, manifesting in fuller tee sheets across the U.S. Another outcome has been higher average green/cart fees for those facilities that are able to practice dynamic pricing.

GOLF SUBSIDY ANALYSIS

For the subsidy analysis, NGF compared and analyzed the FY 2018-19 general fund subsidy of the Sunnyvale Golf Fund to the experience of other Bay Area / northern California municipal golf systems for that year. Because annual transfers-in from a public agency's general fund will often not match the actual operating loss for the enterprise fund from that year, ***we have used net operating income (loss) before depreciation as a basis for comparison between the City of Sunnyvale and other municipalities***.

In addition to comparing Sunnyvale Golf to other municipal golf systems, we compare the Golf Fund to other City programs in terms of cost recovery percentage achieved through user fees / other operating revenues. Finally, in the body of the report, we examine the cost of maintaining the golf facilities as open space, should the City decide it no longer desired to subsidize the golf operations.

Comparison to other Regional Municipal Golf Systems

NGF researched FY 2018/19 operating results for fourteen (14) northern California municipal golf systems for comparison to the City of Sunnyvale golf system on the measure of what we have defined as Net Operating Income before Transfers (excluding depreciation). *The comparison was reduced to five (5) other facilities, as explained below.* According to the FY 2018/19 Comprehensive Annual Financial Reports (CAFRs), the net operating loss before transfers for the Sunnyvale Golf Fund was $1,613,411, while the transfer-in / subsidy from the City's General Fund was $1,455,755.

Methodology

The information and data sources used for this analysis included public records such as CAFRs, facility operators, municipal administrators, and a regional Municipal Golf Survey NGF created and distributed for this project. Identifying direct apples-to-apples comparisons to Sunnyvale across multiple variables / system characteristics was impossible. However, we utilized a set of criteria to match Sunnyvale as closely as possible, including:

- Northern California location (greater Bay Area preference)
- Transparency of accounting - all but one golf system is enterprise or special revenue fund
- Similar golf inventory - preference one 18H regulation course plus one 9H short course
- City of similar mid-size population (exception to this rule among final list is San Jose)

Based on these criteria, NGF curated the original list of public agency golf systems down to five (5) other "comparables" for purposes of our analysis. These are listed in the table on page 65, along with information about golf course inventory, city population, accounting method, and management structure, as well as summary financial information for FY 2018-19.

Significant Findings

Following are NGF Consulting's key findings from the comparison of Sunnyvale Golf FY 2018-19 operating results to the five other systems:

- In terms of net operating loss (excl. depreciation), Sunnyvale had the second highest loss at more than $1.6 million, trailing only Hayward Area PRD, which lost $1.72 million on its 18H regulation Skywest Golf Course (now closed permanently) and 9H executive Mission Hills GC. San Jose also had a $1 MM+ loss for 18H regulation Los Lagos GC and 9H executive Rancho del

Pueblo GC. In addition to the $1.1 million operating loss on these two facilities, San Jose had a debt service payment of $1.9 million for construction of Los Lagos and other improvements.

- Four of the five systems that had either enterprise or special revenue fund accounting (Hayward Area RPD is general fund) for golf reported a 'Transfer In' from the general fund for FY19 operations, ranging from $466,000 for Santa Clara (golf course now permanently closed) to $2.7 million for San Jose. Sunnyvale had the second highest transfer in, at $1.445 million.
- In comparison to the other five systems in our comparable set, Sunnyvale has high utility (predominately irrigation water) costs, as well as high "indirect" fixed costs, such as In-Lieu charges and allocated departmental expenses. For Sunnyvale, these indirect charges plus utility costs totaled more than $1.1 million in FY19, or 21% of the total expenses listed for the Golf Fund in the City's CAFR. *In other words, the expenses for Sunnyvale Golf are "fully loaded in".*
    - For comparison, of the other four enterprise or special revenue fund golf systems, two (San Jose and Santa Clara) **did not** allocate general fund indirect charges to the golf fund, while for the other two (Modesto and Pleasanton), the charges – about $143,000 and $28,000, respectively - were much lower than Sunnyvale's total of ~ $408,000 in FY19. *We note that all four of these golf systems were operated via private management contract, an operating structure that NGF has observed generally results in a lower level of indirect charges from the general fund to the golf fund in comparison to systems operated with staff employed by the public agency*.
    - Likewise, in terms of utilities cost (again, mostly irrigation water), the average annual cost for the other 5 systems was $312,000, or 123% lower than Sunnyvale's cost of just under $700,000 in FY19.
    - The Golf Fund results have also been dragged down to significant losses from food & beverage operations at Sunnyvale GC in recent years as the City took back management of the operation from the former private operator. Expenses totaled about $603,000 in FY19 and $660,000 in FY20, resulting in net losses of about ($256,000) and ($354,000) in those two years, respectively
    - ***After subtracting out general fund charges and utility costs for Sunnyvale and the five comparative systems, Sunnyvale's net operating deficit would be just ($507,000) in FY19, compared to an average loss of ($332,000) for the other five systems***.
- Another contributing factor to **Sunnyvale's** continuing large annual operating losses are high labor costs. At nearly $2.5 million in FY19, the Golf Fund's labor expense, including benefits, was more than twice the average cost of labor for Santa Clara and Pleasanton, and about 23% higher than San Jose. Only Hayward Area RPD, with more than $2.8 million in personnel costs, was higher than Sunnyvale.

Per-Unit Metrics

NGF summary observations of where Sunnyvale ranks on the metrics of net operating loss per: 1) Resident; 2) Round of Golf; and 3) Golf Hole.

- For net *operating loss per resident*, **Sunnyvale** ranked as the second highest among the subset of 6 public agencies, at $10.36 per resident. HAPRD had the highest loss per resident at $10.74, while the other four cities ranged from a loss of $0.45 (Pleasanton) to $2.31 (Modesto) per resident.
- For net *operating loss per round of golf*, **Sunnyvale** ranked as the third highest among the subset of 6 public agencies, at $16.48 per resident. HAPRD had the highest loss per resident at $26.47

and San Jose was second at $16.60. The other three cities ranged from a loss of $0.77 (Pleasanton) to $2.31 (Modesto) net operating income (loss) per round.

- For net *operating loss per golf hole*, **Sunnyvale** ranked as the second highest among the comparable set, at $59,756 per golf hole. Once again, HAPRD had the worst metric, losing $63,720 per golf hole in FY19. San Jose was third highest at a loss of $30,623, while the other three cities had much lower losses per hole, ranging $2,004 (Pleasanton) to $11,302 (Modesto).

Summary Subsidy Metric Rankings

Public Agency	Net Operating Income before Transfers	Subsidy* Rankings (highest to lowest)	NOI per Resident	NOI per Resident Rank	NOI per Round	NOI per Round Rank	NOI per Golf Hole	NOI per Golf Hole Rank
Hayward Area RPD	-$1,720,453	1 of 6	-$10.74	1 of 6	-$26.47	1 of 6	-$63,720	1 of 6
City of Sunnyvale	-$1,613,411	2 of 6	-$10.36	2 of 6	-$16.48	3 of 6	-$59,756	2 of 6
City of San Jose	-$1,102,441	4 of 6	-$1.06	4 of 6	-$16.60	2 of 6	-$30,623	3 of 6
City of Modesto	-$508,587	3 of 6	-$2.31	3 of 6	-$6.78	4 of 6	-$11,302	4 of 6
City of Santa Clara	-$66,285	5 of 6	-$0.52	5 of 6	-$1.41	5 of 6	-$3,683	5 of 6
City of Pleasanton	-$36,067	6 of 6	-$0.45	6 of 6	-$0.77	6 of 6	-$2,004	6 of 6

*Defined as Net Operating Income before Transfers

Golf Cost Recovery Percentage vs. other City Programs

NGF Consulting was also asked to compare the cost of golf to other City of Sunnyvale programs. Our experience in working with hundreds of municipal golf systems has been that, even in cases where golf does not operate at breakeven or a profit, it typically has among the highest - and usually the highest - cost recovery percentages among a given municipality's recreational programs, services and amenities. The table below summarizes this comparison of "cost recovery" for the City of Sunnyvale. As we can see, the Golf Fund had a substantially higher cost recovery percentage compared to the other City programs referenced, despite the fact that Golf is "fully costed", including City "In-Lieu" and allocated overhead charges, while certain costs such as City overhead and facilities maintenance expenses are not included in the calculation for the other programs.

Comparative Cost Recovery Percentages: Golf vs. Other City of Sunnyvale Programs – FY 2019

Program	Cost Recovery Ratio*
Golf & Tennis Fund (excl. depreciation)	69%
Golf & Tennis Fund (including depreciation)	65.7%
Community Services Division (Prog. 527 & 626)	51.8%
527 Youth and Family Services	21.4%
626 Arts and Recreation Programs	56.2%

*City: Ratio Does Not Include Overhead, Capital, All Maintenance, or All Utility Costs

Subsidy Analysis - Conclusion

NGF believes the Sunnyvale Golf & Tennis Operations Fund's continued annual operating losses and general fund subsidies – totaling more than $3.7 million, cumulatively, for the FY 2016-17 through FY 2018-19 period – are on the high end of the range for a golf enterprise fund of this size, based on NGF experience. The results of our regional benchmarking analysis bear this out, as do the results of NGF's recent national municipal benchmarking survey (*results not released*). *However, Sunnyvale Golf's FY19 operational deficit compared more favorably to those of the other five municipal systems in our comparable set when equalized for irrigation water costs and City indirect charges to the Golf Fund.*

Of course, the magnitude of the subsidy is subjective, based on the public policy of how municipal golf is viewed within a community – i.e., self-sustaining business vs. public recreation amenity. Also, as we just saw, the Golf Fund's recent annual financial results *can be viewed within the context of cost recovery, with golf & tennis recovering about 69% of its operating costs in FY19, which compared favorably to the other City programs noted above.* Finally, in the context of potential alternate uses of the golf course land, we saw that the City estimates the current annual cost to maintain the golf courses as parkland to be about $4.24 million, <u>or nearly three times the actual subsidy amount for the Golf Fund in FY 2018/19</u>.

There are certainly mitigating factors causing these large-scale deficits for Sunnyvale Golf, such as: market competitive factors; aging infrastructure and deferred capital at each golf course; the lack of a driving range and food & beverage service at Sunnyvale GC; the golf system's high cost of public labor; and, the fact that the Golf Fund starts each year with well over $1 million dollars in fixed expenses related to irrigation water and various City charges and allocations. Also, we noted how large operating losses on food & beverage operations at Sunnyvale GC in recent years have contributed significantly to the poor performance of the Golf Fund.

Whatever the reasons for these continuing large-scale operating deficits and general fund subsidies, our experience has been that when losses and subsidies become recurring – and are even budgeted for as in the case of Sunnyvale – it generally portends a conversion to general fund accounting for golf. California cities that have recently made this change include Livermore, San Mateo, and Ventura. NGF believes this should be studied carefully by the City, especially in light of the large-scale capital investment needed to improve the golf courses and keep them competitive for the longer-term future.

POTENTIAL APPROACHES TO IMPROVING GOLF REVENUE MODEL

In the report, NGF presents potential revenue enhancement opportunities for Sunnyvale Golf, broken down by two components: (1) Physical Facility Improvements (potential approaches presented for both Sunnyvale GC and Sunken Gardens GC); and (2) Potential Operational Revenue Enhancement Opportunities.

The NGF team believes that if the City wants to continue to provide residents the golf and tennis recreation amenities, regardless of the likelihood of ongoing subsidies, the most likely path to meaningfully reducing annual operating deficits is to invest in the facilities. We have noted longstanding deferred capital needs resulting from infrastructure that is well past expected useful life, as well as deferred maintenance due to tight operating budgets.

Improving the facilities should allow the City to increase rounds played and the average golf fee revenue per round, and potentially create a new revenue center with the addition of a driving range at Sunnyvale GC. In short, extensive facility improvements will make the golf courses more competitive and economically viable, and help ensure their sustainability for the long term. The NGF team identified preliminary cost estimates for the potential facility improvement scenarios for Sunnyvale Golf Course that range from $3.2 million on the low end of these least intensive approach, to $12 million for the more intensive approaches. For Sunken Gardens GC, needed improvements are estimated to total $2.5 million or more. (All estimates in 2020 dollars).

Potential Operational Revenue Enhancement Opportunities

Aside from enhancing the golf course products through a capital improvement program, we do not believe there is any "low hanging fruit" in terms of additional revenue generation at the Sunnyvale golf courses that will significantly reduce the level of ongoing operational deficits requiring City subsidy.

On the expense side, we have previously noted the very high fixed costs associated with irrigation water and general fund charges to the Golf Fund. Additionally, the cost of labor is high and cannot realistically be trimmed, as staffing is already very lean and to reduce personnel or hours would likely make the golf courses less competitive. One way an increasing number of municipalities shave anywhere from 15% to 20% or more from their labor budget is to enter into a third-party management agreement; due to the California minimum wage legislation, most savings are attributable to replacing the public labor benefit structure with a private one.

In terms of potential operational revenue enhancement opportunities, NGF makes recommendations in the report centered on the following strategies, some or all of which may improve golf facility financials to some degree:

- **Raise Green Fees Modestly** – NGF's golfer surveys undertaken as part of this project indicated that most golfers would be willing to pay moderately higher green fees so that the City can help defray some of the rapidly rising costs necessary to operate the golf courses. Even a $2 increase in average green + cart fee revenue across all rounds – assuming no decline in demand – could add close to $200,000 in annual revenue, with very little associated variable cost.
- **Add Driving Range at Sunnyvale Golf Course** – As we discussed in our approaches to physical improvements to Sunnyvale GC, adding a 30 to 35-station driving range at Sunnyvale GC appears to be site-feasible. Based on a favorable location, the loss of the Santa Clara G&T driving range, and revenue figures attained for San Mateo's Poplar Creek, Palo Alto's Baylands Golf Links, and San Jose Muni, we have estimated year 1 gross revenue of $17,000 per tee station for a new driving range at Sunnyvale GC, in addition to potentially driving other revenues.
- **Themed Programming & Events** – Creative golf-themed events, on both the golf course and the driving range, are becoming popular with operators looking to make golf more fun for less committed golfers, including many young adults who want their recreation to be 'experiential'. The Sunnyvale/Mountain View/Silicon Valley area is rich in prospects for various types of events (examples provided in report.
- **Food & Beverage Service –**At public golf courses, having some level food & beverage offering is typically more about providing a service to golfers - and not giving them a reason to golf elsewhere - than it is about generating profits. Recognizing that the City has not budgeted any type of F&B at Sunnyvale GC going forward, NGF recommends the City consider at least the following:
    - Repurpose part of the pro shop area and equip it sufficiently so that the facility can offer **grab and go items**, such as fresh premade sandwiches, as well as hot dogs, beverages, snacks, etc. Also, make coffee, juice, Danish, etc. available for early morning golfers.
    - Run an outside **barbecue grill** during busier times, league play, etc., with items such as hamburgers, hot dogs, and grilled chicken at the ready.
    - Hire a part-time salesperson (base plus commission, if permitted) to market **rentals of the upper floor space at Sunnyvale GC** for events, corporate team-building events, etc. Perhaps invest in a golf simulator or two on this floor or in the pro shop area for rentals, leagues, contests, etc.

- For Sunken Gardens, the private vendor can create events such as Sunday Brunch, 50-cent Wing Night; Monday Night Football/college football Saturday/NFL Sunday events; Trivia Night (buffet menu); Pub Night, with light fare menu.
- See if the Sunken Gardens concessionaire would be interested in bringing a food truck to Sunnyvale as well, as least during busier times (this would have dual benefit of having a liquor license at Sunnyvale GC).

- **Enhanced Integration of Technology** - More comprehensive use of the POS system could help management better understand its customer profile segments, while also providing assistance in marketing, yield management and customer tracking. Technology is one of the most important tools available to a golf course management team to build a larger customer database, create customer loyalty and boost revenue.

GOLF FUND FINANCIAL PROJECTIONS AND SENSITIVITY ANALYSIS

Using actual FY 2018/19 rounds played and revenues as a baseline, and assuming some interim growth in revenues per round, NGF Consulting modeled a number of financial projection scenarios for the City of Sunnyvale **Golf and Tennis Operations Fund** ('Golf Fund') for the 10-year period of FY 2021/22 through FY 2030/31. All models use City projections for operating expenses, as presented in the FY 2020/21 Adopted Budget. All operating revenue and expense figures are expressed in 2020 dollars.

We assumed that facility improvements will be made as needed (repairs and replacement as needed to remain competitive - nothing 'transformative' in nature) over this time, but no debt service or cost of capital has been incorporated into the models. For purposes of this analysis, we have not assumed golf course closure for any improvements during the 10-year subject timeframe.

We note that a key consideration, which is not captured by the financial models, is the potential "cost of doing nothing" in addressing the deferred capital needs of the Sunnyvale golf courses. Due to a variety of factors, rounds and revenues has already been on a downward trajectory. Deferring the highest priority improvements will likely continue to result in rounds played attrition and worsening performance. There may also be a cost in terms of product quality when maintenance resources and staff time are frequently diverted to making emergency or stop-gap repairs.

Model Scenarios

The Baseline and Sensitivity scenarios are as follows (*model assumptions are presented in the body of the report, and attendant financial model spreadsheets can be found in Appendix F*):

1. **Baseline Scenario** - 'Steady State' operation and no major capital improvements; assumes annual rounds (both courses) played constant at 98,000 throughout period.
2. **Sensitivity Scenario 1** - Baseline inputs but assumes operation of a 35-station driving range at Sunnyvale GC beginning in FY2022/23.
3. **Sensitivity Scenario 2** - Baseline inputs but annual system *rounds increased* to 108,000 (approximate average total rounds played over FY17 and FY18).
4. **Sensitivity Scenario 3** - Baseline inputs but higher average green fee and cart fee revenue-per-round.
5. **Sensitivity Scenario 4** - Baseline inputs but higher rounds **and** higher average green fee and cart fee revenue-per-round. Assumes 90% margin – additional expenses for part-time staff time, supplies, repairs, etc.

6. **Sensitivity Scenario 5** – 'Best Case' scenario with higher rounds, higher rates, modest food & beverage/room rental revenue at Sunnyvale GC, **and** operation of a 35-station driving range at Sunnyvale GC beginning in FY2022/23

All of the NGF financial model scenarios assume continued self-operation of the golf facilities with City employees, with the exception of the Sunken Gardens GC food & beverage operation and contract teaching professionals. Based on direction from City staff, none of the scenarios include a private management structure, nor do any include a private food & beverage concession at Sunnyvale GC.

Pro Forma Models Summary

The table below summarizes key variables and operating measures for the Baseline financial model and the five sensitivity scenarios discussed in this section. Cumulative 10-year losses for the FY 2021/22 through FY 2030/31 period - utilizing City projected expenses from the Adopted FY 2020/21 Budget and NGF rounds played and revenue assumptions – range from about $11.7 million for the best-case scenario, to nearly $21.5 million for the base-case (expected) outcome.

NGF's main takeaway from this exercise is that without some 'game-changing' major investment in the Sunnyvale golf facilities (especially Sunnyvale GC), there is no reason to believe that annual operating losses will not continue to be as high as $1.5 million or more. There do not appear to be any significant upside revenue opportunities for these golf courses that can meaningfully change the overall dynamics of their financial situations, and golf course staffing is already very thin.

Sustainable green fee increases are constrained by the quality of the golf experiences offered relative to key competitors, while the lack of driving range and food & beverage amenities at Sunnyvale GC present additional revenue constraints. Even with the closures of key competitor Santa Clara Golf & Tennis, as well as other recent regional public golf course closures such as 36-hole Sunol Valley and 18-hole Skywest GC in Hayward, rounds have continued to decline in Sunnyvale (FY20 results not available).

On the expense side, the high and quickly rising cost of public labor, large-scale expense in irrigation water, and significant level of indirect expenses (i.e., City charges to the Golf Fund) make it very difficult, if not impossible, for these golf courses to operate anywhere close to breakeven. Even if rounds played were to return to the ~130,000 level last achieved in 2013, the Golf Fund would still be significantly in the red based on the current and projected expense structure. With the continued demand surge related to the pandemic over the 2020-21 period, the City may find that FY 2020-21 net losses may represent a de-facto best case scenario for the Golf Fund with the courses in their current condition.

Sunnyvale Golf & Tennis Operations Fund - 10-Year Pro Forma Scenarios Summary

SENSITIVITY SCENARIO	Base Model - 'Steady State'	Higher Rounds	Higher Rate	Higher Rounds + Higher Rate	Base Model + Driving Range at SGC	Best Case' = Higher Rds., Higher Rate + F&B + Driving Range at SGC
Total Annual System Rounds Played	98,000	108,000	98,000	108,000	98,000	108,000
Ave. FY 2021/22 Green Fee Rev. per Round - SGC	$28.42	$28.42	$30.56	$30.56	$28.42	$30.56
Ave. FY 2021/22 Green Fee Rev. per Round - Sunken Gardens GC	$14.43	$14.43	$15.15	$15.15	$14.43	$15.15
Total Cart Fee Revenue through FY 2030/31	$4,142,600	$4,565,300	$4,349,700	$4,793,600	$4,142,600	$4,793,600
Total Driving Range Revenue through FY 2030/31	$3,348,300	$3,661,800	$3,348,300	$3,661,800	$9,393,100	$9,393,100
Total Adj. Gross Operating Rev. through FY 2030/31	$36,998,783	$40,561,175	$38,884,575	$42,643,575	$42,591,075	$48,731,655
Cost of Capital – Driving Range					$1,942,590	$1,942,590
Total Expenses through FY 2030/31	$58,463,511	$58,463,511	$58,463,511	$58,463,511	$60,406,101	$60,406,101
Cumulative Loss through FY 2030/31	**($21,464,728)**	**($17,902,336)**	**($19,578,936)**	**($15,819,936)**	**($15,872,436)**	**($9,731,856)**
Cumulative Loss after Debt Service (Range scenarios)					**($17,815,026)**	**($11,674,446)**

SUMMARY CONCLUSION

As NGF understands it, one of the City of Sunnyvale's key goals with respect to the Golf & Tennis Fund is to reduce the amount of the annual subsidy to as close to zero as possible over the coming several years. Based on our analysis of the golf courses and market in which they operate, as well as 5+ decades of experience with municipal golf consulting, NGF does not view this as a realistic goal, barring major, transformative investment in the golf courses (primarily Sunnyvale GC), potentially in conjunction with a change to the operating structure of the golf courses.

Put another way, we see no apparent "silver bullet" for the Golf Fund. Sunnyvale Golf faces a number of challenges and constraints that we believe will preclude significant improvement to the economics of the Golf Fund. These constraints include:

- The relative lack of investment in Sunnyvale GC and Sunken Gardens GC over the years means that all golf course infrastructure is essentially past its expected useful life, resulting in maintenance inefficiencies and inconsistent conditions, and forcing the courses to compete on the basis of value-priced golf, rather than quality of golf experience, in a highly competitive market.
- The lack of two key amenities and revenue centers at Sunnyvale GC that are expected services for a public golfer:
  - Driving range
  - Food & beverage service (i.e., "19th Hole"/grill or snack bar)
- The relatively high cost of In-Lieu and other City "indirect" charges, as well as high utility (i.e., irrigation water) costs, that total more than $1.1 million and continue to increase.
- The high and growing cost of public labor, as well as inflation in other expenses.

NGF's base-case or "steady state" pro forma prepared for this analysis represents what we think the most likely scenario is for the Golf Fund <u>if no fundamental changes are made to the golf courses and/or the way they are operated</u>. NGF projections, utilizing City-provided expenses, shows more than $21 million in net operating losses over the 10-year period through FY 2031. Further, the sensitivity scenarios (e.g., higher fees, higher rounds, etc.) are potentially achievable, though not expected, and even these show large annual deficits.

Only the driving range addition scenario represents carries a level of confidence, based on comparable historical performance of ranges at Baylands, Poplar Creek, and San Jose Muni, as well as recent closure of key competitor Santa Clara G&T. However, even NGF's "best case" scenario, which includes the new driving range at Sunnyvale, shows 10-year losses of just under $10 million, and losses of $11.7 million after the cost of debt for construction of the range. Further, though we show the driving range to be profitable from an operating standpoint, the associated capital cost will carry through the 10-year period.

In short, there are several obstacles and no apparent "low hanging fruit" strategies that NGF believes have realistic potential to meaningfully reduce the annual deficit for Sunnyvale Golf. If the City continues without major capital investment that could have a transformative effect on the Sunnyvale golf courses, we expect the annual operating deficits to continue to grow, any lifts due to the pandemic-related surge in golf demand notwithstanding.

And while facility renovation - particularly at Sunnyvale GC - has the potential to change the economic calculus of Sunnyvale Golf, break-even or profitability of the Golf Fund would not be certain and such investment would also have significant associated capital costs and potential risk, though this risk is significantly mitigated when golf facilities have reached the point at which they will soon have to replace aged out infrastructure, as is the case with the Sunnyvale golf courses. (In other words, there is a significant "cost of doing nothing", as maintenance inefficiencies will persist and increase, and, at some point, the deteriorating infrastructure will simply not support an enjoyable golf experience).

NGF sees little or no reason to expect substantial improvement in the financial results of the Golf Fund and, in fact, we project the deficits to deepen, absent major investment and perhaps structural changes regarding how the golf courses are operated and accounted for, such as outsourcing management and reducing indirect, allocated charges to the Golf Fund. The City enquires as to the "reasonableness" of the annual deficits and requisite subsidies from the general fund, or what an "appropriate" subsidy for the Sunnyvale Golf Fund would be. Through our analysis and financial projections, we can only answer what we believe should be realistic expectations regarding the level of the subsidy. *What the subsidy "should be" is subjective (i.e., public policy) and can be answered only by City staff and officials through the prism of factors such as the value placed on the golf courses as recreation amenities, cost recovery percentage vs. other services and programs, etc*.

In closing, it has been NGF's experience - as the industry organization most closely associated with municipal golf - that most public agencies faced with ongoing significant golf enterprise fund deficits (especially when transfers in are budgeted each year) will eventually consider a change of accounting for golf operations to general fund or special revenue fund, such as the City of San Mateo did in recent years.

City of Sunnyvale Golf System

In this section, NGF provides an overview of Sunnyvale Golf, based on our review in the spring and summer of 2020. This chapter is divided into the following sections: (1) Situation Summary; (2) Golf and Tennis Operations Fund (including discussion of recent fund performance and 20-Year Financial Plan); and, (3) Sunnyvale Golf Operations. NGF recommendations for operations and physical plant improvements follow later in the report.

SITUATION SUMMARY

The finances of the City's two golf courses, the Sunnyvale Golf Course and the Sunken Gardens Golf Course, and Sunnyvale Municipal Tennis Center, are accounted for in the City's Golf and Tennis Operations Fund ("Golf Fund"). Golf and tennis have been accounted for within the Enterprise Fund framework (more on this accounting method later in this section) since FY 2012/13, following the dissolution of the Community Recreation Fund.

Because golf and tennis are accounted for as an enterprise fund, operations activities are intended to be self-supporting. However, as a result of rounds played and revenues declining at the same time that operating expenses (esp. labor and irrigation water) have been rising, golf operations have required an increasingly-high subsidy from the General Fund each year, and approximately $4.0 million in transfers-in were made or approved from FY 2014/15 to FY 2018/19. The FY 2020/21 Adopted Budget includes General Fund contributions of between $1.5 and $2.0 million annually until FY 2023/24 when substantial contributions are planned to end, though this will be revisited pending the results of this report.

In the face of the continuing large-scale annual subsidies of the Golf Fund, the City hired NGF Consulting in the spring of 2020 to conduct a golf subsidy analysis of the municipal golf system. The City must also identify a way to fund longer-term capital/infrastructure projects at the golf courses ("current" planned capital projects are funded by Park Dedication Fees through FY 2037/38). City leadership has tasked staff and the NGF with analyzing the level of subsidies that the golf courses have required, and benchmarking them to other City services, as well as to similar northern California facilities and systems. As noted earlier, the goals of the analysis are to identify an "appropriate" and achievable level of annual subsidy, and to make recommendations that could hopefully "greatly reduce or eliminate the subsidies".

GOLF AND TENNIS OPERATIONS ENTERPRISE FUND

As an enterprise fund, all activities of the Golf Fund are intended to be self-supporting. However, as the City's FY2020/21 Adopted Budget notes, "*the golf operations of the Golf and Tennis Enterprise Fund has struggled to operate as a true enterprise fund due to a number of reasons including the overall decline in popularity in golf, the closure of the golf course restaurants while the City transitioned to new operators, and the quality of the golf buildings. This has affected the number of rounds played at the golf courses, which have been on a declining trend for the last decade*".

In this section, we discuss several key issues related to enterprise fund accounting for golf, in general, and Sunnyvale's Golf Fund, specifically. Our discussion includes the 20-Year Financial Plan as delineated in the Sunnyvale FY 2020/21 Adopted Budget, capital improvement funding, municipal golf trends that NGF has observed in the last 10 to 15 years with respect to golf enterprise funds, and potential implications of the City of Sunnyvale switching to General Fund accounting for its golf and tennis operations.

What is an Enterprise Fund?

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements, rather than commingled with the revenues and expenses of all other governmental activities. An enterprise fund is established by a municipality to account for operations of a business-like activity such as a water utility, airport, or recreation such as a golf course. Less commonly, a golf course may be operated as a "special revenue" fund, particularly in cases where full cost recovery is not anticipated.

Enterprise accounting ensures transparency, allowing a public agency to demonstrate to the public the portion of total costs of a service that is recovered through user fees and that which is supported by tax dollars and/or some other source of funds. At year-end, positive net income is retained in the fund (e.g., for purpose of funding future deficits, capital improvements, etc.). Conversely, if the enterprise fund incurs an operating loss and does not have sufficient fund balance to cover it, the general fund may have to execute a “transfer in” to cover the deficit.

What are the Advantages of Enterprise Fund Accounting?

A community may account for a certain service in the general fund, special revenue fund or an enterprise fund. Among the advantages of using enterprise fund accounting are:

- **Transparency** – All the direct, indirect (e.g., interdepartmental charges for services provided) and capital costs of providing the service are in a consolidated fund, making the true cost of providing a service transparent to the public.
- **Provision of information for decision-making** – Stakeholders can readily analyze the level of cost recovery for the enterprise service and the extent of needed support, if any, in the form of tax dollars or other available revenues.
- **Retain net income** – Unlike services operating in the general fund or a special revenue fund, all operating surplus (and investment earnings, if any) are retained in the enterprise fund rather than closed to the general fund at year-end.

Enterprise Fund Accounting for Golf Operations - Overview

Though a significant percentage of municipal golf courses across the US and in California are operated as enterprise funds, it is not commonly used locally in the San Francisco Peninsula / South Bay area. With the spring 2020 closure of Santa Clara Golf and Tennis, Sunnyvale is now the only municipality in the Peninsula/South Bay area to use enterprise fund accounting for its golf operations. (Though, as we’ll see in the Benchmarking section of this report, this structure is not uncommon in the overall Bay Area). The City of San Mateo, prior to FY 2018-19, accounted for golf operations of its 18-hole Poplar Creek Golf Course as an enterprise fund. Beginning with FY 2019, “in recognition of the annual subsidy of golf operations from the City’s General Fund, the City moved its enterprise Golf Fund to the General Fund as a sub-fund” (source: City of San Mateo FY 2020 Comprehensive Annual Financial Report).

The accounting for golf enterprise funds varies across municipalities. A minority levy an asset charge/rent for the use of the property; examples include the City of San Diego and the City of Ventura. While only a small percentage of municipalities charge for rent, a strong majority of municipalities charges their golf fund ‘indirect’ costs for services provided, such as insurance, legal, human resources, finance, and IT. In addition to allocating indirect service costs, the municipality may also allocate a portion of salaries for positions involved in oversight and administration of the golf enterprise fund, such as the Parks and Recreation Director, Finance Director, City Manager, etc. Indirect charges are generally allocated based on a measure such as the number of employees, budget or some other basis. While our observed range has varied widely, NGF Consulting’s vast body of work with public sector clients has shown that, for municipalities with a single18-hole golf course, the indirect cost allocation most commonly falls in the range of between $75,000 and $150,000 per year.

Sunnyvale FY 2020/21 Adopted Budget and 20-Year Financial Plan

Following are edited excerpts from the City's FY 2020/21 Adopted Budget, as it pertains to the 20-Year Financial Plan for the Golf & Tennis Operations Enterprise Fund. We note that, compared to the FY 2019/20 budget, the current Adopted Budget assumes an increase in the required subsidy over the next four years of $890,000, due to expected lingering impacts of COVID-19.

From FY 2020/21 Adopted Budget:

"While golf and tennis operations continue to face challenges over the twenty-year financial plan (increasing operational costs, deferred capital maintenance, seasonality due to its dependence on favorable weather conditions, the continued decline in the interest in golf nationally, etc.), revenues have been expected to grow modestly each year. With the COVID-19 shelter in place orders, however, revenue growth has been interrupted in FY 2019/20 and revenue projections for the current year were adjusted down. Projections for FY 2020/21 and FY 2021/22 have also been revised due to the continued uncertainty regarding the length of the impacts of the COVID-19 pandemic. The twenty-year financial plan assumes base levels of golf play return in FY 2022/23.

The FY 2020/21 Adopted Budget includes General Fund contributions of between $1.5 and $2.0 million annually until FY 2023/24 when substantial contributions are planned to end. In FY 2020/21, $1.7 million is programmed for transfer to the Golf and Tennis Fund and reflects cost-savings adopted by Council in Budget Supplement 2. Given the revenue uncertainty related to the impacts of COVID-19, however, subsidy amounts will be revisited during the next budget cycle".

Capital Improvement Funding

Another financial issue with the Golf Fund – beyond the continued need to fund operational deficits with large-scale transfers-in, is that the golf courses, as NGF discusses later in this report, are in need of significant capital investment to address aging infrastructure and remain competitive. From the Adopted Budget: "An additional concern over the longer term is that capital improvement projects needed at the golf courses are significantly underfunded. Fiscal strategies are required beyond FY 2023/24 to maintain a positive financial position and to continue funding operations and deferred infrastructure maintenance".

The City's **Golf & Tennis Sub-Fund** provides for projects related to golf and tennis infrastructure and is funded mainly with Park Dedication Fee revenue. Funds were budgeted in FY 2019/20 for golf courses' protective netting replacement, driving range lights replacement, minor renovation of golf buildings and tennis center court repairs, and replacement of the irrigation system at Sunnyvale GC (deferred). When the Golf and Tennis Enterprise Fund was established, the City Council determined that no future additional Park Dedication Fund funding would be used for the golf courses and tennis center beyond those items that were already in the budget. At this time. Park Dedication Fund support is scheduled to decrease substantially after FY 2023/24, with only minor improvements thereafter, until funding is completely discontinued in FY 2034/35. **NGF concludes that, given the aforementioned large-scale operating deficits - and with no retained earnings in the Golf Fund - the golf courses will continue to require an external source of funding for ongoing capital investment needs**.

NGF-Observed Trends with Respect to Enterprise Fund Accounting for Golf

Over the last two decades, NGF has observed some changing dynamics for municipal golf, especially as it relates to the public policy of taxpayer support for municipal golf assets that are supposed to be self-supporting through user fees and other operating income. Related issues of converting the accounting for golf from enterprise fund to special revenue fund or general fund, and writing off of accumulated golf fund deficits, have been particularly salient of late.

The primary reason these issues have come to the forefront is that it has become increasingly difficult for the majority of municipal golf courses - in the face of factors such as stagnant golf participation and increasing expenses - to cover all operating and non-operating expenses, as well as debt/capital related

costs, through user fees. An additional constraint to profitability –even for those systems that are set up as enterprise operations – is that some of the 'public accommodation' aspects of municipal golf courses (e.g., resident and/or senior discounts, 'below-market' fees, complimentary rounds for schools, etc.) are generally at odds with maximizing financial return.

Increasingly, NGF has seen municipalities that place high value on their golf assets and view them as recreational amenities for their residents - but which face continual operating deficits and/or a large accumulated fund deficit – are making the public policy decision to "forgive" accumulated golf fund "loans" from the general fund. In many cases, policymakers concurrently change golf from enterprise fund accounting to general fund (or special revenue fund) accounting.

In comparing municipal recreational amenities and other programs/services offered, NGF has found that in the vast majority of cases, golf courses have much higher 'cost recovery' than other municipal recreational offerings, even when the golf courses are losing money each year on an operating basis. So, perhaps the more important public policy question regarding the economics of municipal golf is the opportunity cost of potential alternative land use, such as residential or commercial development, rather than taxpayer support, which is generally very small on a per-capita basis and does not take into account the overall economic and non-economic benefits that accrue to a community as a result of the presence of the golf courses.

Implications of Sunnyvale Transitioning Golf & Tennis Operations to General Fund

NGF's experience has shown that municipal auditors may advise that golf courses should ***not*** be accounted for as an Enterprise Fund if they continually operate (and are even budgeted) at a loss and require General Fund subsidy each fiscal year. While we cannot speak specifically to whether this is the case in Sunnyvale, for purposes of thoroughness we will provide a brief discussion of the potential implications of transitioning golf and tennis operations to general fund accounting.

Using Budget FY 2020/21 as an example, if the Sunnyvale golf courses and Tennis Center were to be switched to General Fund accounting, the golf courses' annual operating costs could be reduced by approximately $497,500 for Program and Citywide In-Lieu charges. Transitioning from Enterprise Fund to General Fund accounting would eliminate the In-Lieu and overhead charges as golf course operating expenses but would not have a net impact—either positive or negative—on the General Fund. In subsequent years, the In-Lieu and allocated overhead charges from the Golf Fund would not be factored into General Fund projected revenues, but the golf course budget would be reduced by a like amount.

SUNNYVALE GOLF OPERATIONS

While a comprehensive review of operations was not a key part of the NGF study, below we provide a high-level overview of the Sunnyvale Golf System, based on prior visits to the facilities, NGF interviews and virtual meetings with golf course and City staff, and review of project materials supplied by the City. The section begins with a discussion of the management and accounting structure of Sunnyvale Golf, followed by general description of the two City golf facilities, a summary review of operations. and an analysis of recent operating performance for the Golf and Tennis Fund.

Operating / Management Structure

The Parks, Golf and Street Trees Division oversees Golf Course and Tennis Center operations. The golf courses are fully self-operated with City employees, with the exception of the food & beverage concessionaire. (The City's Tennis Center is a 16-court facility with a pro-shop, locker rooms, and cafe is operated under a private license agreement; it is not a focus of this study).

NGF Consulting has noted a decided trend over the last 10 to 15 years away from full municipal self-operation, with cities, counties, etc. turning to a variety of partial or full privatization structures, such as concession arrangements, operating leases, or fee-for-service management agreements. The City of Sunnyvale has indicated to NGF that outsourcing or privatizing operations for its municipal golf courses is not a consideration at this time, and that the City prefers to keep services "in-house". *For illustration purposes, following is a high-level summary of the most common municipal golf operating structures*.

In our experience, there is no ideal operating scenario that fits all situations, and each public agency must arrive at its own unique approach to operation and maintenance. The most common management options are shown below (these are not intended to be exhaustive, as there are hybrids and variations thereof), presented in order from <u>most</u> direct City involvement to the <u>least</u> direct City involvement:

1. **Self-Operation.** This essentially represents the status quo for the City of Sunnyvale, with all aspects of golf operations and maintenance done with City employees, with the exception of the food & beverage concession at Sunken Gardens and the Tennis concession. The key challenge in this structure is related to labor, both in the expense of staff and benefits and in finding and retaining qualified personnel, especially in today's tight labor market. The key advantage to this structure is direct control of the operation for maximum benefit to the local community, while the disadvantage is mostly economic, as the City must absorb the potential risks, such as uneven revenue performance and rising operating expenses.

2. **Full-Service Management Contract.** This option involves the City contracting with a single, independent third-party to manage all aspects of the golf facilities in exchange for a pre-determined fixed management fee (typically equivalent to about 4-6% of total gross revenue). Increasingly, fee-for-service management agreements comprise a lower fixed fee plus an additional incentive (usually gross or net revenue-based) that allows the operator and municipality to share in the risk of the operation. The City earns all revenues, is responsible for all expenses (salaries, maintenance, liabilities, capital) and pays a management fee to an operator, with key performance standards spelled out in the contract. Some advantages to this strategy are lower labor expense (especially with respect to benefits) under a private structure, and the benefit of professional management, including access to national purchasing and marketing programs. The potential disadvantages are some loss of control and the obligation of the fixed fee for service, regardless of variations in performance.

3. **Operating Lease.** Some municipalities lease their golf course(s) to a private operator in exchange for an annual (or monthly / quarterly) lease payment. Operating leases usually stipulate requirements such as minimum capital investment and maintenance standards, and/or restrictions on green fees. The advantage of this option is a total privatization of the golf operation and the shifting of economic risk away from the public agency and onto the

private operator. (This is not a realistic option for many municipalities that have money-losing golf operations as their will generally be no reputable interested companies responding to lease RFPs). The key disadvantage is loss of control on the operation, including policies, procedures, fee-setting, etc. This structure is quite common in California, especially southern California, where examples include the city of Long Beach and County of Los Angeles golf systems. In the greater Bay Area, examples include the City of Alameda (Corica Park GC) and City of San Jose (San Jose Muni). ***IRS regulations may preclude this operating model if tax-exempt debt was issued to acquire the golf course and/or construct the improvements.***

4. **Concession Agreements**: These are similar to lease agreements and can come in several types or combinations. Concessions may allow the City to shift some risk and payroll to a private entity. The key areas of operation include Pro Shop, Food and Beverage, and/or Maintenance, and involve the City contracting for one, some, or all of these services. One subset of this concept includes multiple concessions, a system in which the City creates separate contract agreements for each facet of the operation. The most common concession agreements for municipal golf include:

   a) **Contract for Pro Shop and Food / Beverage Services** involves direct City control of golf course maintenance while contracting merchandise and/or F&B operations (usually separate vendors).

   b) **Multiple Concessions** involves creating multiple agreements for separate entities to cover each facet of the golf operation (pro shop, F&B, maintenance), with contracts usually managed by a senior municipal employee. This structure, which can result in misaligned interests, is not common.

Even if the City were inclined to "contract out" the management of the golf courses, we do not believe the "privatization" alternatives available for the golf courses offer the likelihood of significantly reducing operating deficits for the Golf Fund. The City could attempt to **lease** Sunnyvale and Sunken Gardens golf courses (assuming there is no tax-exempt debt tied to the properties), theoretically relieving the City of financial risk with the golf course operations. However, NGF's experience tells us that, given the condition and economics of the golf facilities, they probably wouldn't draw any legitimate, financially stable suitors, especially if significant contribution toward capital improvements was required. And, if significant capital investment was not required, there would be risk that a lessee would come in, attempt to squeeze short-term profit out of the facilities, and then vacate the lease and leave further deteriorated assets with the City.

Entering into a **fee-for-service Management Agreement** may result in significant savings on labor/benefits costs, and provide other benefits (e.g., marketing strategies, purchasing programs, customer service training) that come from having one of the established national operators run the golf courses. In our experience, the change in net financial position resulting from the change from self-operation to management contract will be positive even after cost of the annual management fee, which generally will fall within the effective range of 4% to 6% of total gross revenue (for Sunnyvale, this would be approximately $140,000 to $200,000 based on recent historical revenues). However, we do not believe this change would prevent continued large-scale operating deficits and subsidies of the Golf Fund.

Facilities Overview

The City operates two golf courses, 18-hole regulation length Sunnyvale Golf Course and 9-hole executive length Sunken Gardens Golf Course. Sunnyvale GC is located about 4.5 miles north-northwest of Sunken Gardens via Central Expressway. Together, the golf courses comprise 175 acres of land. Later in the report, we provide some more detail on the history of each course, along with an analysis of current conditions.

Sunnyvale Golf Course

The Sunnyvale Golf Course, an 18-hole course built in 1968, is located at 605 Macara Avenue in Sunnyvale. Bordered on north by the 101 Freeway, and is bisected southwest to northeast by the 237 Freeway. Surrounding land uses are largely commercial, with some residential south of Macara. The golf course totals about 127 acres, 35.4 acres of which are owned by NASA and leased to Google/Planetary Ventures, which in turn leases the property to the City. Aside from the golf course, the facility includes:

- Clubhouse – the two-story clubhouse with a footprint of ~ 16,000 sf is original, with some upgrades over the years. It has a fully stocked Pro-Shop and a full-service bar/restaurant (now closed).
- "Snack Shack" near holes #3, #8, and #13 (now closed)
- Cart Barn
- Maintenance Yard

Sunken Gardens Golf Course

The Sunken Gardens Golf Course, a 9-hole, 1502-yard executive course with a driving range, is located at 1010 South Wolfe Road, just east and north of SR 82, E. El Camino Real. Immediate surrounding land uses are largely residential. Sunken Gardens is a friendly course for beginners, juniors, shorter hitters, and seniors; Footgolf is also accommodated. In addition to the golf course, the facility includes:

- An ~ 3,000 square foot clubhouse
- Practice Facilities: 27-bay lighted driving range (18 for public use and 9 for private lessons); dedicated lesson area; large practice putting green
- Driving range building
- Maintenance building

Summary Operations Review

Green Fees / Market Position

Golf playing fees are set annually in accordance with a "documented methodology that depicts a relationship to cost recovery, market forces, and adjustments based on such factors as perceived benefit to the community, resident status, and promotional and marketing considerations". Proposed fees must be included in the City's Annual Fee Schedule and adopted by Council resolution. Special pricing such as promotions must be approved by the Superintendent of Parks, and the only form of discounting off of published rack rates is through EZLinks and Golfnow trade times.

Green fees at both City golf courses have undergone little change in recent years, at least partly due to condition issues related to deferred maintenance and capital. Golf course playing fees are shown in the tables in Appendix A, with summary NGF observations below. (We will discuss playing fees in context of the competitive market later in the report).

Sunnyvale GC: Sunnyvale GC is positioned as low-to-mid-market public golf course, with non-discounted walking green fees of $37 weekdays / $49 weekends for residents (Sunnyvale and Santa Clara), and $41 / $55 for non-residents. Cart rental is an additional $16 per rider (shared cart). The facility also offers twilight and Super twilight rates (1 pm and 4 pm, respectively, in longer months), as well as other discount categories such as Junior and Back 9. Discounted fees are also available via Golfnow and EZLinks (barter times). While the golf course has a good location, is proximate to a high density of golfers, and benefitted from the recent closure of key competitor Santa Clara Golf & Tennis, we believe that the ability to command higher green fees is constrained by several factors, including the lack of driving range and food & beverage service, and golf course conditions that

reflect old infrastructure and deferred maintenance due to staffing and budget considerations. As a result of these dynamics, Sunnyvale GC is essentially forced to compete on value.

Sunken Gardens GC: Sunken Gardens GC, as would be expected of the majority of municipal 9-hole "short" courses, features very low fees, with resident 9-hole walking green fees of $18 weekdays / $21 weekends, and $20 / $24 for non-residents. Cart rental is an additional $12 per rider. The facility also offers Junior and Replay. Sunken Gardens GC has a generally price-sensitive customer base, including a lot of junior and senior play.

Monthly Play Cards: Sunnyvale Golf offers two types of monthly play cards (analysis of revenue per round vs. daily fee play provided later in this section):

- GDC (Golf Discount Card) - allows unlimited play, Monday - Friday, for 1 calendar month. Card is sold to seniors (60+), juniors (17 & under), & disabled. The Sunnyvale Card costs $175 and allows play at both courses, while Sunken Gardens Card is $110.
- SAC (Sunnyvale Advantage Card) - allows unlimited play, Monday - Friday, for 1 calendar month. Card is sold to Sunnyvale or Santa Clara Residents aged 18 to 59. The Sunnyvale Card costs $200 and allows play at both courses, while Sunken Gardens Card is $125. The Non-Resident Card allows play at both courses for $235 per month.

Player Development & Programming

Both private and semi-private lessons are offered at Sunken Gardens GC, by two PGA Class A professionals – the staff golf professional and Director of Instruction, as well as an LPGA Class B member. In addition, group lessons are offered, including Junior age 5-16 (Level 1 Beginner) over the course of five winter weekends, as well as several levels of Adult 5-week programs, including Level 1 Beginner, Level 1 Ladies Only, and Level 2 Intermediate. The City also offers Junior Camps and golf classes, and hosts children from Sunnyvale schools, which pay an approved fee for each season.

Building up the instruction program activity and revenues has been a pointe of emphasis, as evidenced by the 61% increase in revenue between FY17 and FY18. Revenues, at $53,000+ for FY19, have essentially tripled since FY15.

Marketing Plan & Current Activities

Following is NGF's summary of key components of a draft 2020/21 marketing plan for Sunnyvale Golf provided to NGF by the Golf Operations Manager.

- **Overall Vision**:
  - "Sunnyvale Golf Course is a par-70 regulation 18-hole course with numerous bunkers, dog legs and water holes. Sunnyvale is a well-manicured test of the player's skill stretching out to 6,255 yards".
  - "Sunken Gardens Golf Course is a 9-hole, 1,502-yard executive course. Sunken Gardens is ideal for the beginner golfer with ample practice facilities and shorter length holes. Residents of Sunnyvale are making it their course of choice because Sunnyvale courses will provide golfers with a warm and friendly golf experience unmatched in the Silicon Valley public course market".
- **Brand Positioning Statement** (will serve as an internal guidepost for Sunnyvale brand):
  - "To golfers in the Heart of Silicon Valley, Sunnyvale/Sunken Garden Golf Courses are the public golf course that offers an exceptional experience because of its location, well-manicured course conditions and design, friendly staff and accommodating program offerings".

- **SWOT Analysis**:
  - **Strengths** – included location in heart of Silicon Valley; accessibility; price/value relationship; walkability of the course, and friendly staff.
  - **Weaknesses** – staffing levels; lack of practice facility at Sunnyvale GC; buildings/fixtures at both courses need to be updated; aesthetics of both courses need updating
  - **Opportunities** - email marketing; cross-marketing between Sunnyvale and Sunken Gardens to promote daily play and tournaments; create partnerships with local hotels and large businesses (including Big Tech) to promote community involvement and cross marketing with both courses; open a teaching/fitting bay inside of Sunnyvale GC pro shop; take advantage of Santa Clara Golf Course closure.
  - **Threats** – these *focused mainly on uncontrollable, external factors* such as weather patterns; state of the local economy; increasing costs for fuel and equipment; high cost of living; less disposable time and money for golf consumers; and, the land lease for the Moffett Field land.
- **Plan Components and Strategies**:
  - **Website** – The marketing plan proposed an update of the sunnyvalegolfcourse.com website in 2020. The current website, part of the City's agreement with EZLinks, contains most of the essentials we recommend for public golf course sites, including tee time booking portal, rate information, E-Club signup, information about instruction, etc.
  - **Email marketing** – Management reported to NGF that the Sunnyvale golf courses have access to 11,000+ email addresses through EZLinks. However, management's goal for 2020 was to greatly increase the golf courses' proprietary email database to 5,000+, utilizing tactics such as creating an Email Club on the website, capturing addresses during reservations, capturing Golfnow addresses, and manning Expo booths at the Santa Clara Golf Show and Sunnyvale Business Expo. The bolstered database would help management take advantage of Golfnow web marketing services and allow targeted email campaigns, including to those customers who had not played at the Sunnyvale courses in the prior 6 months.
  - **Social Media** – Golf course management cites time constraints to NGF as the primary reason that the golf courses aren't more active on social media platforms. They do report posting regularly on Facebook (~400 likes/followers), and planned to reactivate a dormant Twitter account and update the Sunnyvale Golf listing on Yelp.
  - **Advertising** - including creation of a Rack Card to be distributed at Santa Clara Chamber/CVB Visitors Center, Bay Area Golf Show, hotel lobbies, etc. Newspaper - Trade options explored for newspaper inserts for an annual membership for the Sunnyvale Sun.
  - **Public Relations** – Stated goal for 2020 was to get Sunnyvale Golf Courses back to being "Top of Mind" and "Best Value Golf Courses in the Heart of Silicon Valley". Planned tactics included Sunnyvale GC hosting a NCGA Associate Club day in late Spring 2020 (canceled) to showcase course condition improvements, continued membership and active participation in the Santa Clara Chamber of Commerce, Santa Clara CVB, and Sunnyvale COC.

Clubhouse Operations

Sunnyvale Golf Course features a 2-story clubhouse building; the 1st floor comprises a large pro shop, old locker rooms, offices and restrooms; the 2nd floor features the (now closed) restaurant/bar, banquet area, commercial kitchen. **Sunken Gardens** has a much smaller clubhouse building that comprises the Old Greenwood BBQ restaurant, small pro shop/retail area, restrooms and office. Following is NGF's summary of clubhouse operations at the two facilities.

Pro Shop / Merchandising – Selling merchandise has not been a big focus for the Sunnyvale golf courses. At **Sunnyvale GC**, only about 20% to 25% of the ~6,500 square feet of pro shop space is utilized

for retail displays. **Sunken Gardens** has only a small space for apparel and impulse items. Over the last couple of fiscal years, total sales for both golf courses have averaged about $1.25 per round, mostly comprising "impulse" items such as balls, gloves, tees, etc.

NGF notes that it is not uncommon for golf course retail sales to be relatively limited, due to several factors, including the strong rotation to online, big box retail, and specialty golf retail channels. Being successful at the golf course level – especially with "hard goods" such as clubs, balls and bags - takes a strong commitment, a "personal touch", and employees with strong incentive to grow the business. Having a driving range and technology such as launch monitors also contributes to success in today's "green grass" retail environment, as an increasingly large percentage of clubs are custom-fit.

The 2020-21 Marketing Plan did outline strategies for increasing merchandise sales, including manufacturer Demo Days for clubs, balls, and shoes; bringing in demo clubs for golfer trial; periodic specials across merchandise segments; and, reaching out to local companies to market customized products for them. Additionally, actions planned for increasing merchandise sales to outings and tournaments include a program promoting logoed merchandise for events; up-selling each event on their merchandise credit to try to increase the prize fund spend.

Food & Beverage Service: F&B service at the Sunnyvale golf courses has had a very choppy history over the last decade, as evidenced by the following summary of events:

- Beginning in FY 2011/12, the operator of Sunnyvale and Sunken Gardens restaurants began missing monthly rent payments of $5,565. In August 2012 the City terminated the agreement and both restaurants closed.
- In June 2013, a new operator opened both restaurants; in May 2014, the operator stopped making monthly rent payments of $8,160 and the City closed the restaurants in December 2014.
- A new concession operator opened Barrel 19 at Sunnyvale GC in May 2017 (the restaurant had been vacant for 2 years, 5 months). When the operator could not make a profit, the concession agreement was changed from lease to fee-for service management for FY 2019, but the contract was terminated. The City self-operated the restaurant, reportedly at a large monthly loss of about $25,000, but closed it in April 2020.
- There has been no food service since at **Sunnyvale GC**, while the Gold Rush Eatery (now rebranded) reopened at **Sunken Gardens GC** in April 2016 after it was vacant for 1 year 4 months (more below).

The City is not seeking a new private operator for food & beverage at **Sunnyvale GC**, and the long-term financial plan assumes minimal service. The golf course offers no F&B service as of this writing, including no on-course beverage cart service; the 'Snack Shack' near holes #3, #8, and #13 was open on weekends under KemperSports management but was closed due to lack of profitability and hasn't been open since. NGF's discussions with management indicated that plans are to add some tables in the pro shop area and have grab-n-go items such as snacks available, supplemented by vending machines. Coolers will be allowed on the course, and the City does not currently plan to hold an alcohol license (cost $6,000).

Sunken Gardens GC features a small pro shop with minimal inventory – comprising primarily tees, balls, gloves, along with a handful of golf bags. The Old Greenwood BBQ at the Gold Rush Saloon, which seats about 40 people indoors and another 40 or so on the outdoor patio. The eatery is leased to a private operator, who uses the kitchen to prepare food for the food truck he parks at SG as part of the lease agreement. Old Greenwood receives favorable online reviews and was rated well by the respondents to the golfer survey. The eatery hosts a fairly strong non-golf lunch business.

While F&B service is often not a profit center at public golf courses (or at private clubs), it is a service that is expected level by golfers on at least some minimum. In a competitive public golf market like the South Bay, having adequate service can be the difference for some golfers in choosing a place to play, or at least in choosing their preferred golf course at which they play the most rounds. In the golfer survey

administered as part of this study (detailed findings later in the report), food & beverage service at Sunnyvale GC was among the most mentioned aspects of the facility that needed improvement. In response to a custom question about F&B service at Sunnyvale GC, only 1 in 5 respondents chose "Full food & beverage service at the golf course is not important to me as long as I can grab a snack and a beverage there". While the full-service restaurant venue has not been a success at Sunnyvale GC in the past, NGF will make some recommendations later in the report on what might work for F&B service that should meet the needs of most golfers while not being overly expensive for the City to offer.

Customer Service

NGF is unaware of formal customer service programs at either of the Sunnyvale golf courses, though the marketing plan did make note of conducting post-round surveys and plans to utilize NGF's GolfSAT online golfer survey program. (Please see separate section on golfer survey implemented for this study.)

Staffing

Several maintenance positions are effectively shared with Sunken Gardens. In total, there were thirteen (13) full-time equivalent (FTE) positions for the two golf courses in FY19, down from 24 the previous three years and 25 for FY13 through FY15.

- On the Operations side, there are three full-time, benefited positions – the Golf Operations Manager, Golf Professional (Sunken Gardens), and Assistant Golf Professional (Sunnyvale).
- Part-time, benefited operations staff comprises three (3) Golf Service Assistants (GSA) at Sunnyvale, two (2) GSAs at Sunken Gardens, and one Staff Office Assistant that is shared.
- Golf course Maintenance staff for both golf courses totals nine (9) full-time workers and one (1) part-time Mechanic who is shared with the City Facilities Department. Full-time staff breaks down as follows:
    - One (1) Senior Greenskeeper at Sunnyvale GC (helps out as needed at Sunken Gardens GC)
    - One (1) Senior Park Utility Worker plus five (5) Utility Workers at Sunnyvale GC
    - One (1) Greenskeeper at Sunken Gardens
    - One (1) Senior Park Utility Worker plus one (1) Utility Worker at Sunken Gardens GC
    - One (1) Equipment Mechanic for both courses (also works for City Fleet Department)
- Part-time "Casual Staff" totals 20; most work 2 or 3 days per week on average. (Parameters include fewer than 900 hours per year and 25 hours or less weekly).

Benchmark "standards" for maintenance staffing can be increasingly difficult to cite due to shifting trends towards more part-time and seasonal. In the Bay Area, with a full-year golf climate and often unionized workforces for municipal golf courses, full-time staffing is more often reduced through natural attrition. In the case of a golf course such as Sunnyvale GC, NGF would expect that maintenance staffing would be in the range of ±10 full-time equivalent (FTE) positions. Sunnyvale has only about 7.5 FTEs, including the Senior Greenskeeper who has some responsibilities at Sunken Gardens, and shared Mechanic. Compounding the relatively short staff is that personnel is costly - all full-time, unionized maintenance employees have reportedly been in their positions for 18+ years.

On the operations side, given that Sunken Gardens is a relatively simple operation with a private food & beverage concession, and that Sunnyvale GC has no food & beverage service and no driving range, staffing levels appear to be *adequate, though perhaps not sufficient to enact many of the aspirational marketing initiatives from the marketing plan*.

Recent Operating Results Summary

Below we summarize the operating performance of the Sunnyvale Golf System over the last several years through FY 2018/19. (**Source**: official audited City CAFRs and Budgets, along with supplemental spreadsheets sent by City and golf course staff. We note that expenses for the two golf courses are combined together (not segregated by the City).

Rounds Played

- For the 10-year period of FY2010 through FY2019, peak activity for the City's two golf facilities was achieved in 2012, when 136,121 total rounds were played. Since that year, rounds have been on a steady decline, falling by 28.1% to less than 98,000 rounds in FY19. Rounds have decreased by just under 20% in just the last five years.
    - **Sunken Gardens** accounted for an average of about 44% of total system rounds played between FY10 and FY16; that average fell to about 40% for the FY17 to FY 19 period.
- Looking at **systemwide** FY19 rounds played more closely, we note the following observations regarding rounds by category:
    - **Monthly play cards** accounted for just under 20,000 total rounds, or just over 20%, which was down slightly from FY18. (Play cards account for a modestly higher percentage of rounds at Sunken Gardens than at Sunnyvale GC).
    - There is a significant component of **complimentary rounds** (includes Golfnow and EZLinks trade rounds, donation rounds, employees and PGA rate), which totaled about 7,500, or 7.7% of total rounds, up from 6.9% in FY18.
    - Outings/tournaments accounted for fewer than 300 rounds.
    - Management reports that about 10% of paid daily fee rounds are discounted through the Golfnow platform, and that the goal is to move a lot of these bookings to the Sunnyvale GC website.
- For **Sunken Gardens**, total rounds played averaged about 60,500 from FY11 to FY13, before declining to a three-year average of about 51,500 for the subsequent three-year period, and 41,800 in the FY17 through FY19 period. Overall, rounds played at Sunken Gardens GC fell by 34.5% between FY13 and FY19, when 39,523 rounds were played (includes 224 Footgolf rounds).
- For **Sunnyvale GC**, total rounds played averaged 72,344 from FY11 to FY15, before decreasing to a four-year average of 62,304 for the subsequent period - bottoming out at just 58,352 rounds in FY19 (decrease of 12.1% in FY19 alone).

Operating Revenues

NGF pulled Sunnyvale Golf operating results from City CAFRs and Adopted Budgets for the period of FY15 through FY19. Largely because of variations in availability – and structure - of food & beverage service at Sunnyvale GC, making apples to apples comparisons of results over various years is impractical. For context, we note that City documents provided to NGF indicate that total revenues for Sunnyvale Golf were as high as $4.5 million in 2003, with annual profits reportedly as high as ±$2 million. The system was reportedly profitable through 2010 (enterprise fund was created in 2011).

With that framework in mind, here are NGF observations regarding golf system revenues (**excluding transfers**) over the subject period:

- The main sources of revenue for the Sunnyvale golf system are daily green & cart fees, monthly play card sales, driving range sales (Sunken Gardens only), merchandise sales, lessons, and concession payments (Sunken Gardens only).

- Four-year average **total system operating revenue** through FY18 (FY19 excluded because F&B revenues at Sunnyvale were gross that year, rather than net lease payments or no service at all in prior years) was $3.3 million. FY19 revenue rose to just under $3.6 million, due to nearly ten-fold increase in rents and concession revenue.
- For FY18, **golf playing fee revenues** (green & cart fees, monthly cards) accounted for 80% of total operating revenues for the system, while **driving range sales** accounted for 7% and **merchandise sales** 3.7%. Total **golf playing fees** declined by 16% from FY 15 to FY 19 (we will look at on a per-round basis later in this section).
- As noted, revenues related to **food & beverage service** have been highly variable due to the sporadic availability – and changing nature – of service at Sunnyvale GC. In FY15 and FY16, when service was confined to the concession at Sunken Gardens, rent revenues averaged about $6,500. For FY17 and FY18, when Barrel 19 was open at Sunnyvale GC, average concession rent was $63,000. In FY19, when the lease of Barrel 19 became a fee-for-service management agreement and then City self-operation, *gross* revenues rose to $431,000. The City reported losing about $256,000 on the F&B operation in FY19, and $354,000 in FY20.
- The **Tennis Concession** produced an average of about $124,000 in rent payments between FY15 and FY18, rising to $140,000 in FY19.
- '**Other'** revenue, including parking lease and tower lease revenue, totaled ±$75,000 in FY18 and FY19; this total represented about 2% of total revenue in FY18 (FY19 percentage was lower due to much higher gross food & beverage revenue included in total revenue).

Revenues per Round

In addition to reviewing total revenues, NGF looked at per-round trends for Sunnyvale Golf, and did a comparative analysis of daily green fee revenue per round vs. monthly play card revenues per round. Summary findings follow.

- **Total operating revenue per round**, including the tennis concession, fell within a tight range and averaged $29.24 from FY15 through FY18, rising to $30.67 in FY18 and $36.64 in FY19 (included ***gross*** F&B revenue that year).
- *Excluding* food & beverage revenue, **total revenue per round** averaged just under $29 from FY15 through FY18, increasing about 4% to $30.24 in FY18.
- **Total golf fee (green / cart / monthly play cards) revenue per round** fell within a tight range and averaged just under $24 from FY15 through FY18, increasing by 3% to $24.68 in FY18 and another 2% to $25.13 in FY19.
- Other revenue centers:
  - **Driving range** (Sunken Gardens only) revenue per round has been on a significant upswing of late, averaging $4.23 between FY15 and FY18, before increasing by 23% to $5.39 in FY18, and by another 36% to 7.30.
  - **Merchandise sales** – As has become the case with many "green-grass" golf retail operations, merchandise sales are not a primary focus of the Sunnyvale Golf operations. On a per-round basis, merchandise sales have fallen in the range of $1.14 to $1.43 over the 5-year period, with a 25% year-over-year increase shown in FY19.
  - **Golf lessons –** Lesson revenues have been increasing aggressively since FY15, when only $0.15 per system round was realized; the number has subsequently grown by 262%, to $0.55 in FY19. When factoring only Sunken Gardens rounds (lessons are not offered at Sunnyvale GC), the 5-year growth was 285%, to $1.36 per round in FY19.

Daily Fee vs. Monthly Card Revenue per Round

Monthly and annual cards/passes are popular at many municipal golf courses. While they can produce a reliable and predictable source of revenue, they also tend to produce rounds of golf that are highly discounted off of regular daily fee rates. NGF did a revenue analysis of daily green fees vs. Monthly Play Cards (Cart fees are not included in this analysis). Supporting tables can be found in Appendix B.

Summary findings:

- **At Sunnyvale GC**, paid daily fee rounds accounted for a little over 73% of the 58,000+ rounds played in FY19, while monthly play cards accounted for 18.5%, and complimentary rounds 8.2%.
- Average green fee revenue per daily fee round at **Sunnyvale GC** was $32.61. A total of 915 monthly play cards were sold, generating just under $157,000 in revenue and 10,786 rounds of play (11.8 average per card), or $14.55 per round. This equates to an *effective discount of 55.4% off of the average daily fee round.*
- **At Sunken Gardens GC**, paid daily fee rounds accounted for 70.8% of the 39,000+ rounds played in FY19, while monthly play cards accounted for 22.4%, and complimentary rounds 6.8%.
- Average green fee revenue per daily fee round at **Sunken Gardens** was $16.90. A total of 638 monthly play cards were sold (91% of which were the Senior GDC, Sunken Gardens Only Card), generating $64,665 in revenue and 8,869 rounds of play (13.9 average per card), or $7.29 per round. This equates to an *effective discount of 56.9% off of the average daily fee round.*

NGF does not take a negative view of these deep discounts that are realized through various forms of prepaid, unlimited green fees in the municipal golf industry (these programs are particularly valuable to fixed-income seniors and other avid golfers that have limited discretionary funds). However, we believe that stakeholders should recognize that these types of programs are more aligned with municipal golf that is considered a public recreation amenity, rather than as a self-sustaining enterprise, as offering them at such deep effective discounts would not be considered a best business practice in the private sector.

Operating Expenses

Golf courses are high fixed-cost businesses. In California, this is exacerbated by the high cost of labor and, usually, irrigation water, which is certainly the case for Sunnyvale. When City direct and indirect charges are added on to the true cost to operate the golf course, it becomes even more difficult to cover all costs through user fees. Compounding this situation in the case of Sunnyvale Golf is that the golf facilities are positioned as 'value' golf courses and cater to a generally price-sensitive clientele, meaning that fee increases cannot be expected to keep up with rising expenses (i.e., 'elastic' demand).

As we noted earlier in the context of revenues, yearly variations in the availability of food & beverage service at Sunnyvale GC have contributed to year-to-year variability in operating expenses. Also, expenses provided to NGF by the City were for **system totals**, so no breakdown between Sunnyvale GC and Sunken Gardens GC is provided below. NGF's key observations regarding operating expenses for Sunnyvale Golf for the period provided:

- **Total operating expenses** (excluding depreciation), including ±$100,000 annual cost of goods sold, increased from $3.64 million in FY15 to $4.35 million in FY18, or by 19.4%.
- The **cost of producing a round** of golf for the Sunnyvale Golf system rose from $29.86 in FY15 to $39.61 in FY18, or by just under 33%. (The cost increased to $51.13 in FY19 with the extra food & beverage related expenses).
- Annual City plus Program **In-Lieu charges** increased by 19% over this time period, totaling more than $466,000 in FY18. In combination with Department-wide Allocations, City General Fund charges to the Golf Fund are more than $600,000 annually, or about 15% of total operating expenses.

- The cost to **irrigate** the City golf courses has increased aggressively in recent years, more than doubling from about $272,000 in FY 15 to more than $568,000 in FY18. Together, City general fund charges and irrigation water cost add up to nearly $1.2 million annually, equivalent to about 28% of total operating expenses in FY18. For context, the Net Operating Loss in FY18 was $982,000.
- **Food & beverage operations** have been a large cost center at Sunnyvale GC in recent years as the City took back management of the operation from the former private operator. Expenses totaled about $603,000 in FY19 and $660,000 in FY20, resulting in net losses of about ($256,000) and ($354,000) in those two years, respectively.
- **Total Labor Expense** increased from $2.04 million in FY15 to $2.3 million in FY18, or 13%. As a percentage of total expenses, labor actually decreased from about 56% to 53%, though this is misleading due to the run-up in other expenses, such as irrigation and In-Lieu charges. NGF has observed that, in California, state and local minimum/living wage laws have made it more difficult for golf courses to remain profitable.
- **Tennis Center operations**, though a private concession, have significant expenses for the City. From FY15 through FY18, annual expenses averaged just under $72,000, before jumping to more than $106,000 in FY19 (tennis concession revenue was $140,000).
- The City also makes an **annual rent payment** of ~$60,000 for lease of part of the Sunnyvale Golf Course land that is owned under leasehold by Google (dba Planetary Ventures).

NGF GOLFER SURVEY RESULTS

As part of the study process, NGF implemented a golfer survey at both Sunnyvale and Sunken Gardens Golf Courses to gauge customer opinions and overall satisfaction with the facilities. The NGF survey is used by hundreds of courses across the country, allowing us to compare results from Sunnyvale and Sunken Gardens with other courses nationwide. It is important to note that survey responses are from current customers, whose ratings will generally be more favorable than former course patrons.

NGF's web-based Golfer Survey Program was fielded by in July/August 2020, with distribution by the Golf Operations Manager through an email campaign to the Sunnyvale/Sunken Gardens customer database. A total of 399 completed surveys were submitted for Sunnyvale Golf Course, comfortably above the 200+/- threshold NGF seeks in order to make meaningful inferences. For Sunken Gardens Golf Course, 187 surveys were submitted, which we believe is sufficient to gauge customers opinions. Summary results and findings are presented below.

Sunnyvale Golf Course

Satisfaction Scores

Sunnyvale Golf Course - 2020 Customer Survey - Satisfaction Factors			
Total Responses	**399**		
Factors	**Average Score (Scale 1-10)**	**Standard Percentile[1]**	**National Percentile[1]**
Overall Value	7.5	27	29
Overall Course Conditions	7.1	17	14
Pace of Play	6.7	21	16
Friendliness/Helpfulness of Staff	8.5	59	47
Golf Course Design/Layout	7.5	6	5
Convenience of Course Location	8.7	82	78
Tee Time Availability	6.8	2	3
Condition of Greens	7.3	23	20
Scenery and Aesthetics of Course	6.8	3	3
Condition of Golf Cars	7.7	26	20
Amenities (clubhouse, pro shop, locker room)	5.8	4	4
Food and Beverage Service	4.3	-	0
On-course Services (restrooms, drinking water)	5.8	2	2
Overall Experience	7.6	16	13
Affordability	7.6	48	56
Condition of Tees	6.9	12	10
Condition of Bunkers	5.4	6	5
Condition of Fairways	7.1	13	10
Overall Quality of Golf Shop	6.8	15	10
Overall Quality of Golf Shop Apparel	6.3	4	3
Overall Quality of Golf Shop Merchandise	6.5	5	3

1. Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than your facility. ‘Standard’ is for public golf courses with peak 18-hole riding fees of $40 to $70. ‘National’ is for all US public courses.

Key Survey Takeaways

In reviewing the results of the golfer survey completed August 2020, the NGF has noted several key takeaways to share with the City and Sunnyvale GC management:

1. Overall customer satisfaction at Sunnyvale Golf Course is well below average compared to other 'Standard' price point (green fees $40-$70) courses and to the national benchmark percentile for all participating public golf courses.
2. In terms of the absolute score (**scale of 1 to 10**), the highest satisfaction scores at Sunnyvale GC were recorded for items such as convenience of course location (8.7), friendliness/ helpfulness of staff (8.5), condition of golf cars (7.7), affordability and overall experience (each 7.6). However, relative to benchmarks, only convenience of course location (78th) and affordability (56th) rated above 50 in terms of national percentile for all public golf courses surveyed.
3. The lowest satisfaction scores were related to the food and beverage service (zero percentile of benchmark facilities), conditions of bunkers, on-course services (restrooms, drinking water) and facility amenities (clubhouse, pro shop, locker room). Other areas that were rated relatively low by surveyed players are the overall quality of the golf shop apparel and golf shop merchandise
4. The high level of deferred maintenance and capital improvements at Sunnyvale GC resulted in respondents rating course conditions low, with overall course conditions rating 7.1 (14th national percentile) and individual course components ranging from 5.4 for bunkers (5th national percentile) to 7.3 for greens (20th national percentile).
5. Sunnyvale GC golfers chose the following four local courses as "another course they play":
    - San Jose Municipal Golf Course (34%)
    - Santa Teresa Golf Club (26%)
    - Spring Valley Golf Course (24%)
    - Golf Club at Moffett Field (22%)
6. Among the sample of golfers who filled out this survey:
    - Over 86% are age 50+
    - 85% are male
    - 52% estimated they play at Sunnyvale GC between 1-7 rounds per year
    - 32% play 8-24 rounds per year
7. The respondent sample comprised golfers from the immediate local area, with over 36% of respondents from the 94087, 94086, 95070, 94040, 94024 and 95051 zip codes. (*See respondent origin map on following page*).

General Open-Ended Comments

1. In review of the general open-ended comments survey respondents made about **what they like most about Sunnyvale**, the NGF noted several key themes in common, including:
    - Convenience – close to home
    - Reasonably priced
    - Course layout (just the right amount of challenge and fun)
    - Friendly people and staff
    - Flat, very walkable
2. General open-ended comments survey respondents made about **what needed improvement at Sunnyvale GC** included:
    - More food and beverage amenities/open snack bar
    - Add a driving range
    - Increased time between tee times
    - Marshal to help with pace of play
    - More available early tee times
    - Course conditions

Custom Questions

1. When asked "how much additional green fee would you be willing to pay per round of golf to ensure the continued viability of municipal golf in Sunnyvale?" NUMBERING
    - 34% of respondents indicated they are willing to pay $2 to $3 more
    - 23% are willing to pay $4 to $5 more
    - 6% are willing to pay $6 to $7 more
    - 25% indicated they are *not* willing to pay more
    - 12% indicated they will pay whatever the fees are
2. When golfers were asked what programs, events and features they would be interested in participating in if they were available at Sunnyvale GC, the four most popular choices were: equipment demo days (27%), Technology (such as Trackman launch monitor/simulator, 20%), and individual lessons and club fitting services (14%). Golfers also suggested the following additional programs, events and features:
    - Driving range/hitting cage
    - Youth golf camps
    - Men's and Women's clubs
    - Golf tournaments/night golf
3. A question noted consideration of adding other features, amenities and/or programming to support the overall experience at Sunnyvale GC. These could include golf simulators, new food & beverage venues/service, interactive games, music, events and contests, etc. When surveyors were asked "how do you think the addition of some or all of these features would affect your envisioned frequency of visits to the golf facility?" 57% said their usage would not be affected, 39% said the addition of some or all of these amenities would lead them to utilizing Sunnyvale GC more frequently, and the remaining 4% said the addition of some or all of these amenities would lead them to utilize the golf course less frequently.
4. Survey respondents were asked to choose the phrase below that best describes their expectations or desires related to F&B service at the golf course? Below is a summary of the responses:
    - Small kiosk-style venue with pre-made grab-n-go items, hot dogs, beverages is enough for me. (95 responses – 26%)
    - Prefer a full-service bar/grill/restaurant. (60 responses – 16%)
    - Prefer a "19th hole" type venue for socializing after a round of golf. (136 responses – 37%)
    - Full food & beverage service at the golf course is not important to me as long as I can grab a snack and a beverage there. (74 responses – 20%)
5. In consideration of the COVID-19 pandemic, golfers were asked how they think the situation will affect how often they play golf in at least the near-term future, 63% don't anticipate that it will affect their frequency of play, while 21% think there are too many unknowns involved and don't think they can predict with any accuracy how it will affect their golf play frequency. 10% anticipate having more discretionary time than they did prior to the pandemic, so they will probably play more frequently.
6. Respondents were asked "what would you like to see at Sunnyvale GC that would increase your enjoyment and/ or frequency of use of the golf facility?" These responses mirrored answers given under the "what would you improve" section of the survey.

Sunnyvale GC – NGF Summary Conclusion

The robust survey response tells NGF Consulting that Sunnyvale GC customers are highly engaged in the golf course. Customers generally value the friendliness and helpfulness of golf course staff, the convenience of the location and the affordability of green fees. However, the facility received very poor ratings across many measures, especially when benchmarked against other public golf courses of similar type that NGF have surveyed over many years. The strongest negative ratings relate to food & beverage service (or, lack thereof), as well as the condition of the golf course overall and of individual course components, with greens, tees, bunkers, and fairways all being rated at 6 or below by respondents.

NGF believes that a key finding from the survey is that the long-term trend of declines in rounds and revenues at Sunnyvale GC may be due largely to playing conditions that – despite a yeomanlike effort from the current superintendent and crew – have deteriorated over time due to aging infrastructure, deferred maintenance / capital improvements, and overstretched maintenance budgets. Improving the golf course product seems essential to building market share and revenues, though this will likely not be sufficient to make the golf fund self-sustaining, given the size of the operating deficits and subsidies.

Aside from better course conditions, open-ended comments made about "what needed improvement at Sunnyvale GC" revealed several recurring themes, including adding food & beverage amenities, building a driving range, and improving pace of play. Answers to another custom question that sought to elicit the potential effect on frequency of play of adding new features, amenities and programs to support the overall experience at Sunnyvale GC revealed that about 4 in 10 would utilize the golf course more frequently with the addition of some or all of the listed amenities. The custom question specific to the type of food & beverage service respondents would prefer revealed that more than half would like to see a full-service bar/grill or "19th hole" type venue, while just under half indicated they would be fine with more of a minimalist operation serving pre-made items, hot dogs, beverages, snacks, etc.

Finally, another potential positive can be gleaned from the results of the survey's "custom questions". Despite what customers perceive to be a product in need of significant improvement, about 3 out of 4 responding golfers surveyed would be willing to pay some level of fee increase in order to help with the viability of the golf course. About one-third said they will pay $2 to $3 more per round, 23% would pay $4 to $5, another 6% would pay $6 to $7 more, and 12% would pay "whatever the fees are". In short, it looks like demand for golf will be relatively inelastic with nominal fee increases aimed at keeping up with rising expenses.

Sunken Gardens Golf Course

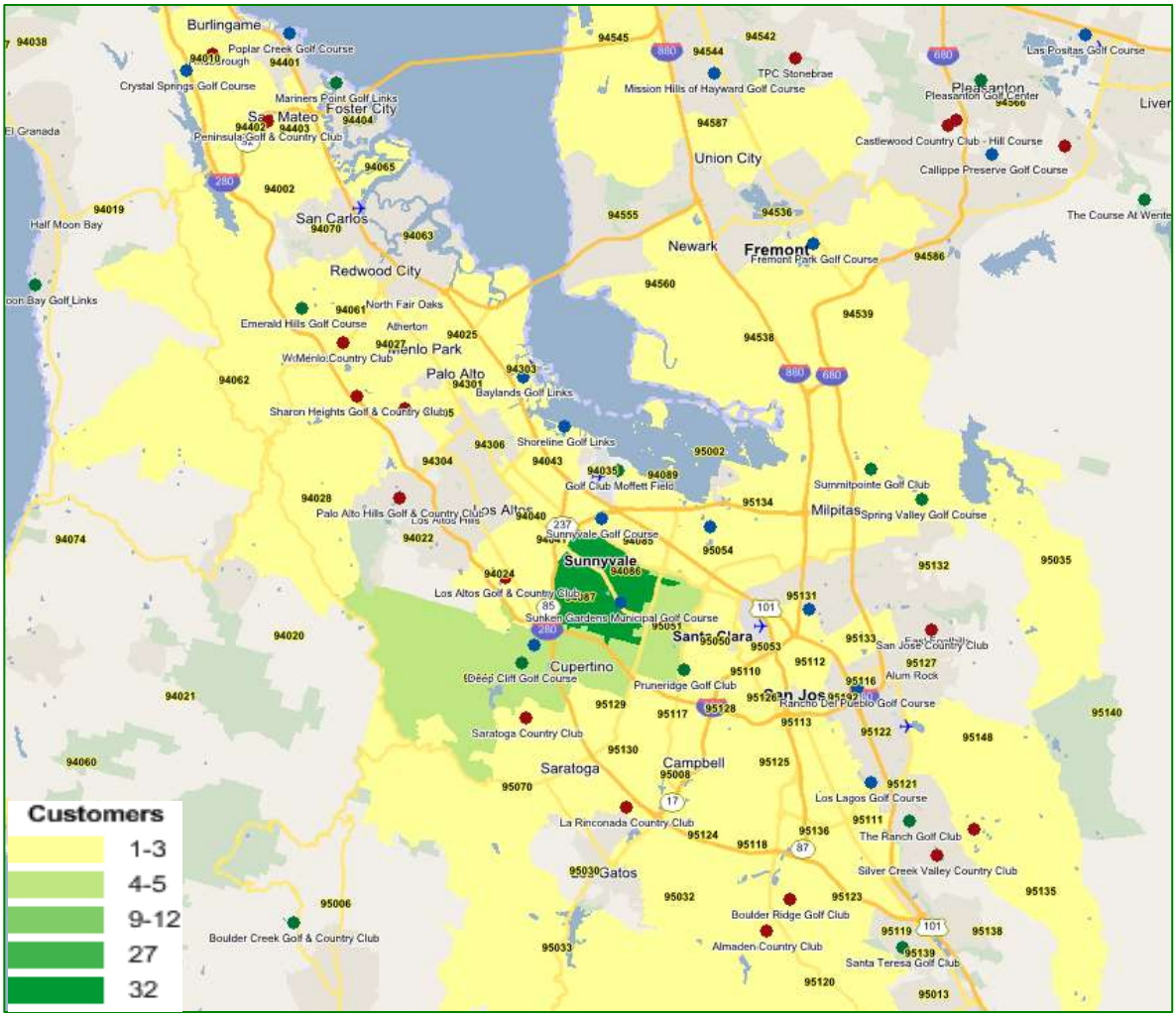
Satisfaction Scores

Sunken Gardens Golf Course - 2020 Customer Survey - Satisfaction Factors			
Total Responses	**187**		
Factors	**Average Score (Scale 1-10)**	**Value Percentile[1]**	**National Percentile[1]**
Overall Value	8.0	37	69
Overall Course Conditions	6.9	21	9
Pace of Play	6.9	22	25
Friendliness/Helpfulness of Staff	8.4	36	42
Golf Course Design/Layout	7.9	36	17
Convenience of Course Location	8.7	53	78
Tee Time Availability	8.3	46	71
Condition of Greens	6.1	8	3
Scenery and Aesthetics of Course	7.9	53	25
Condition of Golf Cars	7.1	8	4
Amenities (clubhouse, pro shop, locker room)	5.5	4	2
Food and Beverage Service	8.0	85	80
Overall Experience	7.8	32	21
Affordability	8.2	39	83
Condition of Tees	5.8	1	0
Condition of Bunkers	7.1	67	41
Condition of Fairways	7.3	30	15
Overall Quality of Practice Facility	6.9	36	24
Overall Quality of Golf Shop	5.6	-	1
Overall Quality of Golf Shop Merchandise	5.7	-	1
1. Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than your facility			

Key Survey Takeaways

For Sunken Gardens GC, NGF notes the following key takeaways from the golfer survey completed in July / August 2020:

1. Overall customer satisfaction at Sunken Gardens is well below average compared to other 'value' price point (peak green fees <$40) courses and to the national benchmark percentile for all participating public golf courses.
2. In terms of the absolute score (**scale of 1 to 10**), the highest satisfaction scores at Sunken Gardens GC were recorded for items such as convenience of course location, friendliness/ helpfulness of staff, tee time availability, food & beverage service, affordability, and overall value. Relative to benchmarks, food & beverage service (80th percentile), convenience of course location (78th) and affordability (56th) rated above 50 in terms of national percentile.
3. Again, in terms of the absolute scores, the lowest satisfaction scores were related to the golf course amenities, condition of tees, and overall quality of the golf shop and its merchandise (well below benchmarks). Respondents rated these areas in the 5.5 to 5.8 range on the 10-point scale, which places the facility at the bottom of the pack for value-price participating facilities and also at the bottom for all participating public golf courses.
4. As with Sunnyvale GC, course conditions were rated poorly, with overall course conditions rating 6.9 (9th national percentile); individual course components also fared poorly, ranging from 5.8 for tees (0 percentile) to 7.3 for fairways (15th percentile), and the all-critical greens averaging a 6.1 rating (3rd percentile).
5. Similar to Sunnyvale, Sunken Garden respondents are largely local golfers, with over 43% of respondents from the 94087, 94086, 95051 and 95014 zip codes. (*See map following page*).
6. Sunken Gardens GC golfers named the following four local courses as "another course they play":
    - Deep Cliff Golf Course (38%)
    - Pruneridge Golf Club (26%)
    - Los Lagos Golf Course (20%)
    - Blackberry Farm Golf Course (16%)
7. Among the sample of golfers who filled out this survey:
    - 69% are age 50+
    - 72% are male
    - 45% of the customers estimated they play at Sunken Gardens GC between 1-7 rounds per year
    - 33% play between 8-24 rounds per year



General Open-Ended Comments

In review of the general open-ended comments survey respondents made about **what they like most about Sunken Gardens**, the NGF noted several key themes in common, including:

- Friendly staff
- Convenience – close to home
- Reasonably priced
- Course layout (easy to walk and a fun, quick 9)
- Pretty, quiet setting

General open-ended comments survey respondents made about what **needed improvement at Sunken Gardens GC** focused on course conditions:

- Improve golf course conditions, especially greens and tees
- More efficient check-in process (more staff)
- Less ground coverage under trees

Custom Question

When asked "How much additional green fee would you be willing to pay per round of golf to ensure the continued viability of municipal golf in Sunnyvale?"

- 44% of respondents indicated they are willing to pay $1 to $2 more
- 19% are willing to pay $3 to $4 more.
- About 1 in 5 indicated they are not willing to pay more
- 15% indicated they will pay whatever the fees are.

Summary

As NGF often observes with "alternative length" facilities, the level of survey response was muted for Sunken Gardens GC compared to Sunnyvale GC. Still, the response was enough to provide directional guidance on customer opinions and satisfaction. Sunken Gardens rated (scale of 1 to 10) generally well on course location, friendliness/helpfulness of staff (common theme in open-ended comments), tee time availability, food & beverage service, and affordability. Unfortunately, the facility received poor to very poor ratings across many measures, especially when benchmarked against other facilities of a similar type. While satisfaction measures were low for areas such as the pro shop and facility amenities, the stronger negative ratings related to golf course conditions - especially tees and greens.

As was the case with Sunnyvale GC, survey results indicate that improving the golf course physical product will be a key to increasing rounds and revenue. NGF believes that a key positive takeaway from the survey – despite what customers perceive to be a product in need of significant improvement – is that nearly 4 out of 5 golfers surveyed would be willing to pay some level of fee increase in order to help with the viability of the golf course, perhaps in recognition that green fees have been raised only modestly in recent years.

Physical Evaluation of the Golf Courses

In this section, the NGF team - including golf course architect and current President of the American Association of Golf Course Architects (ASGCA), Forrest Richardson – provides a summary physical evaluation of the Sunnyvale and Sunken Gardens golf courses. For each course, we provide:

- Brief overview and history of the golf courses
- Assessment of current conditions
- Preliminary capital improvement recommendations

INTRODUCTION

The City of Sunnyvale owns two golf course assets. The Sunnyvale Golf Course is an 18-hole, par-70 regulation length layout. The other facility, Sunken Gardens, is a 9-hole, par-29 layout. The two facilities are located about 10 miles apart, both within the Sunnyvale city limits. NGF Consulting subcontracted Golf Course Architect, Forrest Richardson, ASGCA, to provide an overview of existing conditions, improvement needs, and concepts that may generate additional revenues and lead to reductions in the annual subsidy for the Golf & Tennis Fund. For the latter aspect, the consulting team focused on possibilities that that may provide the City an opportunity to realize greater use and associated revenue from the facilities, but which would require further study.

At both facilities, as summarized below, the findings are significant with regard to the needs of capital expenditure to bring each of these golf facility assets up to competitive standards, and to ensure their continued benefit to residents and visitors. The concepts provided to the City take into account the reality that major improvement work is needed at both facilities, due to the age and the condition of nearly all infrastructure, and the lack of capital investment in these facilities by the City that has effectively allowed the golf courses to compete primarily on the basis of price. ***As a result, we believe that a major level of capital investment is required in the facilities regardless of any new amenities or reconfiguration that may be deemed beneficial to the City in terms of increasing revenue and reducing the annual subsidy from the General Fund***. In other words, major investment is needed simply to remain viable and to compete effectively beyond the short term.

Efficiencies may be realized when fully renovating these park facilities to also simultaneously develop new elements and amenities. Accordingly, we believe that study of new elements that may be beneficial are best studied and planned now as the City considers other aspects of the overall golf operation.

The consulting team has visited both subject properties within 12 months of this assignment. In addition to previous on-site visits, Mr. Richardson consulted with George Young, GCSAA, and other key City staff regarding current conditions, needs and nuances of the facilities. Mapping and other background information was provided and reviewed, including the August 2017 “Sunnyvale Golf Irrigation Design & Driving Range Feasibility Study” prepared by Verde Design.

SUNNYVALE GOLF COURSE

General Overview & History

Sunnyvale is an 18-hole, par-70 course. The back tee yardage is just over 6,200 yards. The mid-range rating is 67.9 with a SLOPE rating of 110 (men). The terrain is mostly flat and generally parkland in nature. Large mature trees have been removed in the Runway Protection Zone of Moffett Field, which is located directly north of the golf course across the 101 Freeway. This area of the course has been replanted with lower growing indigenous tree varieties. The balance of the site is planted with now mature eucalyptus, pine and other common varieties.

The total acreage is approximately 132± with 82± acres north of the 237 Freeway and the remaining 50± acres to the south. A tunnel that runs under the 237 Freeway connects the two main parts of the course and is used by golfers and maintenance staff. The course comprises multiple land parcels and is traversed by a major water line of the Bay Area's Hetch Hetchy potable water delivery system. Turf coverage is nearly "wall to wall" with a few areas not covered by the irrigation system. These include areas of dense tree cover and some areas along the perimeters.

The course is bordered primarily by corporate office buildings. To the north is the 101 Freeway and north of the freeway is Moffett Field, now leased by Google as its main campus and research center.

The course opened in 1968 to a design of David W. Kent, a course architect who primarily worked in California. Kent is credited with 13 completed projects. Kent was born in Brooklyn, New York in 1913. In 1955 he established his practice in Northridge, California. Kent transformed agriculture fields into what is now Sunnyvale Golf Course.

Although never a major player in the business, Kent did bring some new ideas to golf design. He was among the pioneers in developing precision-length courses in the 1960s to provide smaller, shorter, quicker courses for busy golfers. He told reporters he was designing them for "executives on the run," and the phrase "executive course" soon became the most common term used by the media to describe such courses. He was also among the first golf architects to embrace the notion that golf courses could be built on city dump sites, dismal pieces of land that were later termed landfills and brownfields. He also built a few courses that doubled as flood-control projects, long before most communities even thought about utilizing golf course property in such a manner.

Among Kent's course designs are Desert Hills (Yuma, AZ), El Niguel Country Club (Laguna Niguel, CA), Hansen Dam (Pacoima, CA), Palos Verdes Country Club (Palos Verdes Estates, CA), and Bellevue Municipal (Bellevue, WA).

Current Conditions

(please see Appendix C, Exhibit 1)

Conditions at Sunnyvale are average to good with primary obstacles to higher quality being a small maintenance crew and deteriorating infrastructure across all areas of the site. At the time of this writing, the total maintenance (grounds) staff count reported to NGF for both City golf assets was just nine (9), including the primary supervisor (Senior Greenskeeper). A facility the size and turf footprint of Sunnyvale Golf Course alone would generally have a maintenance staff of 8-12 individuals plus a supervisor. At the time or our interview with management in May 2020, it was reported that only 5-6 staff are available daily at Sunnyvale due to situations such as the course being open every day, light duty, vacations or illness. Personal time off that is accrued by the staff, many of whom have been employed for 15 or more years, contributes to the staffing problem at any given time. Further compounding the staffing issue is that some maintenance staff is shared between the Sunnyvale and Sunken Gardens courses.

In terms of the golf course proper, turf suffers from a variety of conditions such as excessive shade (dense and tall trees), an inadequate irrigation system and a lack of site drainage. All features - tees, bunkers and greens-— are essentially past their lifecycle. No course-wide capital investment plan has been implemented in the past 30 or more years.

The **irrigation system** is indicative of this with multiple patches and replaced components, none of which are consistent. The irrigation system has two water sources, one for greens and the larger for the balance of the turf areas. The greens system comes directly off of the Hetch Hetchy water delivery system, providing ample pressure with no significant issues. There is no booster pump for this greens system as the pressure is acceptable. The larger system is recycled water and is used for the majority (90± acres) of the turf area. This system is connected to the recycled delivery line from three tap points. It also operates without a booster pump, relying on the ambient pressure from the water treatment plant. Unfortunately, this pressure is not consistent and at many times the system will not function properly.

The irrigation system was partially replaced in the 1980s, although staff is not certain of the extent of this project as there are few records. The most recent upgrades have been to the above-ground control system. Obvious issues to the system involve main lines and valves, many of which appear to be sized and configured improperly. There is no accurate mapping of the system, making some repairs more difficult. Staff replaces parts as needed and the result is a hodge-podge of components from various manufacturers. When there is an issue, the source of the problem has to be located and, without mapping, this is a frustrating process resulting in delays and significant time. Staff does a good job of managing the old, outdated system.

Ponds on the course add strategy to the layout, with a degree of **drainage** benefit. One pond exists between Hole Nos. 1 and 2; a second is at Hole No. 7; a third series is located at Hole No. 8; and a fourth is at Hole No. 18. The pond at No. 18 accepts water that is pumped from the tunnel under the 237 Freeway to keep this passageway from flooding. Some surface drainage is collected in the ponds. Except for the pond at No. 18, most are seasonal and dry up in the summer months when rainfall and groundwater is not present.

Greens are in good condition, but several greens require different management protocols due to being rebuilt with varying methods. This takes more time and resources. Most greens are the original (c. 1968) "push up" type greens, which means they were generally built on native soils with sand applied regularly thereafter as a result of topdressing. Poa annua is the primary turf cover with underlying bentgrass. The staff does a very good job of managing greens; as a result, they are among the best conditioned parts of the golf course.

Tees are in need of leveling and alignment. Tee surface area is generally ample, but flexibility in yardage is lacking. Forward tees render a course of 5,200 yards. Ideal yardage for less skilled players, beginners and some seniors should be in the 4,000 to 4,400-yard range.

Bunkers are well past their lifecycle. Sand is added without any reconstruction of essential drainage systems. As noted, all features (tees, greens and bunkers) are "old and tired" and show a decline in quality compared to several competitive public golf courses in the area.

ADA compliance appears acceptable with some areas of cart path curbing and slopes potentially contrary to ADA guidelines. No review of the parking and clubhouse areas was made with respect to ADA compliance. A full inventory of ADA deficiencies and needs should be addressed as part of any future planning.

While located in a pleasant setting and benefiting from a great location, we believe the Sunnyvale Golf Course at present offers a rather ordinary **overall golf experience**. Some holes are more strategic than others, but none are particularly outstanding. The parkland theme remains its best asset and should be preserved, but with an eye toward opening some areas for better sunlight and air circulation to turf areas, especially around green sites.

The current **routing** of the course is somewhat awkward with the 9th and 10th holes remote from the clubhouse. Some holes along the perimeter are aligned close to adjacent land. Errant balls to these areas, as well as the adjoining freeways, are of concern. Netting and trees have helped to mitigate some conditions.

Aviation Constraints

Moffett Field imposes important restrictions on the golf course. In turn, the golf course provides an excellent land use that is compatible with the various safety zones that extend outward from the airfield. These restrictions and land use considerations are well covered in the Windus report as adopted by the Santa Clara County Airport Land Use Commission (November 2012, by Walter B. Windus, PE).

The restrictions include height limitations for buildings, poles and vegetation. Certain guidelines are provided relative to noise and the types of development (residential, commercial, etc.) appropriate depending on how proximate the land use will be to the airfield. The safety zones noted above constitute

the most onerous of the restrictions as they prohibit certain uses regardless of height and noise aspects. On Exhibit 2 in Appendix C, these have been shown in their approximate location relative to the golf course with mapping extracted from the Windus report.

In summary, the golf course occupies land on which three safety zones necessary for the airfield are needed. These include a *Runway Protection Zone* where existing Hole Nos. 10, 11, 12 and 13 are located, as well as portions of Hole Nos. 3, 4, 5 and 9. A second zone, the *Inner Safety Zone*, is occupied by portions of Hole Nos. 1, 2, 3, 8 and 9; the area where Hole Nos. 14 through 18 are located; and the clubhouse, parking and cart storage building. The third - the *Turning Safety Zone* - is occupied by all or portions of Hole Nos. 1, 2, 6, 7 and 8, plus the golf maintenance facility.

The safety zones as outlined are progressively more restrictive, beginning with the *Runway Protection Zone*. The general land uses and restrictions for each zone are abbreviated below as extracted from the above noted report:

Runway Protection Zone:	Uses for agricultural, open landscapes (parks) and roadways; no structures
Inner Safety Zone:	Nonresidential uses that serve a maximum of 120 people per acre on a regular basis; 30% open space; no hazardous materials storage
Turning Safety Zone:	Nonresidential uses that serve a maximum of 200 people per acre on a regular basis; 20% open space; no hazardous materials storage

This report does not attempt to ascertain any absolute permitted uses on the golf course parcels. What we have done is to interpret the aviation study and general limitations, and to offer concepts that need to be further vetted and studied in the context of their suitability to the airfield proximity. An assumption made is that the golf facility, notwithstanding improvements in obvious conflict to safety zones or maximum permitted heights, is a viable and reasonable use based on its proximity to Moffett Field. Golf courses are land uses often evident at the ends of runways for their obvious open space benefit that meets the requirements for the various safety zones while allowing the land to be used for productive purposes. The fact that a relatively small number of users is concentrated to one particular location across the site of a golf course at any given time makes them an ideal land use near active airfield operations on land restricted by such safety zones.

The golf course is home to a ground-mounted Approach Lighting Systems (ALS) for the southern approach to Moffett Field. Across Hole Nos. 10 and 11, and adjacent to No. 12 and 13, a series of nine ALS lights are spaced at 100-foot intervals as a navigation aid for the airfield.

Facility Capital Improvement Needs

Because Sunnyvale GC is aging and has not seen significant capital investment in more than 30 years, nearly all areas are in need of full replacement or full refurbishing/renovation. Golf courses have components that wear out at varying intervals, but at Sunnyvale there is no single category on the course itself that could be considered “light” in terms of needs. The following are areas of the facility that appear valuable to preservation and integration to a facility-wide improvement project, followed by a second list of essential needs based on our assessment:

Valuable Assets

- Parking and entry access (from Benecia Ave.)
- Trees and "corridors" formed by tree groupings
- General site terrain (pushed-up soils, such as at existing green sites)
- Ponds (locations and general relationship to the site)
- Maintenance Facility (with nominal upgrades)

Essential Needs

- Irrigation System Replacement
- Drainage Improvements (dewatering system for certain areas)
- Features Rebuilding (tees, bunkers, greens)
- Safety Analysis (errant balls to adjacent land and freeways)
- Golf Course "Theme" (concentrated style for features and overall design)
- Re-grassing (rootzone replacement as needed, following drainage and irrigation improvements)
- Arbor Management (selective tree removal and replacement with more appropriate varieties)
- Clubhouse Replacement

Independent of any course-wide improvement work, the NGF team strongly recommends that the City initiate an irrigation mapping project to provide staff with needed information on the current system in use. This undertaking is likely a small investment, in the range of $10,000 to $15,000, and would immediately lead to return on investment as staff would spend less time dealing with irrigation issues because they would have a "roadmap" to more quickly and efficiently source where the problem exists and make the necessary repairs.

We recommend that the City, in addition to putting a plan together to address the list of essential needs, also continue its planned effort to reduce the managed turf footprint. This was covered in the Verde Design Report, which concludes several benefits for having less managed turf. The Verde Report provides specific irrigation solutions for the current "as-is" course layout. These solutions would obviously not be directly applicable to a reconfiguration of the course layout, but are worthwhile in their overall assessment and approach.

SUNKEN GARDENS GOLF COURSE

(please see Appendix C, Exhibit 3)

General Overview & History

This 9-hole "executive length" course" is a par-29 layout measuring just over 1,500 yards from the back set of tees. The course rating is 56.8 with a slope rating of 88 (men). A practice range accompanies the course, along with a single large putting green. There is a small practice bunker near the range tee. Players enjoy the course for many reasons including its "inclusive" quality that can appeal to players of all abilities. It also takes less time to play, due to both its 9-hole format and shorter overall length. There are only two par-4 holes with the balance all being par-3s of varying lengths.

The terrain is mostly flat with some site undulation that adds interest. Dense trees line all fairways. The total acreage is just 28± acres. The turf coverage is "wall to wall" although the primary areas of the practice range have been allowed to die in order to conserve water use.

The course was designed by Clark Glasson, a native of San Jose, California. Glasson, who passed away in 1994 at the age of 81, caddied at the Los Altos Hills Country Club, where he developed a passion for the game. He later earned a degree in engineering from San Jose State College. In 1950 he established a golf course construction firm and in the mid 1950s began offering design services. Over the next 15-20 years he designed and constructed several golf facilities, and even operated many of these completed projects.

Current Conditions

Conditions at Sunken Gardens are average to good with the predominant issue being turf quality across the full site. Staff reports the primary obstacles to better conditions are the aging irrigation system and excessive shade as a result of the large, mature trees lining virtually every golf hole and surrounding three sides of every green site. As with Sunnyvale GC, understaffing is an issue, and the facilities share staff and supervision. While Sunken Gardens is relatively small in terms of acreage, there are still 10 greens and golf holes to maintain, and the associated details of mowing, trimming and care.

Safety is perhaps the most noticeable deficiency, and this is related to errant balls. The course laid out in the late 1950s (opening in 1959) when safety set-backs and best practices were not as formalized as they became in the 1970s and later. Glasson was more of a self-taught golf designer. A review of his work shows that consolidating golf holes into often smaller areas than needed is one of the common traits among his work. This is especially evident on shorter courses, as is the case at Sunken Gardens.

Some holes are aligned very near to neighboring homes and land uses. Screening and trees do a decent job of helping to guide players and reduce errant balls. Staff reports that balls do leave the premises and this has been a chronic issue. Studies by Verde design and supported by Tanner Consulting Group (a specialized sports trajectory consultant) provide detailed mitigation for the practice range. This work has not been initiated by the City, although repairs to the netting were in process as of late May 2020. Staff has reportedly been using reduced flight "floater" golf balls in an effort to reduce errant balls from leaving the range area, both prior to netting replacement and in lieu of more significant changes to increase pole and netting heights along with reconfiguration recommended in the Verde Design report.

NGF recommends an updated safety analysis, and suggests that this be handled by a member of the American Society of Golf Course Architects (ASGCA). Armed with such an analysis, the City can weigh course improvements that may help reduce errant balls. This would also help reduce conflicts between golf holes as the current situation has several areas where play on holes overlaps due to tight spacing.

Irrigation water is potable and comes directly from the municipal water system. Pressure is boosted by a pump. The potable water is costly and would ideally be replaced by an alternative source, such as recycled water. Turf reduction was recommended by Verde Design. NGF supports this approach with the caveat that a suitable cover be installed to prevent dust and erosion, and which does not lead to a

heightened situation of players losing golf balls. Mulch, a recommendation of Verde Design, may prove to be a reasonable cover and should be studied further.

The irrigation system was partially replaced in the 1980s, although staff does not know the extent. As with Sunnyvale GC, an accurate mapping of the system is needed so staff can pinpoint issues and know where to trace lines, wires and valve connections.

All course features are past their expected lifecycle. Greens remain in good condition as a result of staff's persistence. Surfaces are mostly poa annua, with underlying bentgrass. Still, now past its 60th year, course features, including the now nearly 40-year old irrigation system, are simply worn out and in need of refurbishment. Approaches to replacement are discussed below.

ADA compliance appears acceptable with some areas potentially needing to be updated or retro-fitted. No review of the parking and clubhouse areas was made with respect to ADA compliance. A full inventory of ADA deficiencies and needs should be addressed as part of any future planning.

Staff notes that the maintenance facility needs some repair, including roofing. This should be further evaluated and integrated to an overall Master Plan for the full facility.

Facility Improvement Needs

Because the facility is aging and has not seen significant capital investment in many years, nearly all areas are in need of full replacement or refurbishing/renovation in the shorter-term future. Following are areas of the facility that appear valuable to preservation and integration to a facility-wide improvement project, and a list of essential needs.

Valuable Assets

- Parking and entry access (although surface improvements are needed)
- Trees and "corridors" formed by tree groupings
- General site terrain (pushed-up soils, such as at existing green sites and site undulations)

High-Priority Needs

- Irrigation System Replacement
- Drainage Improvements (de-watering system for certain areas)
- Features Rebuilding (tees, bunkers, greens)
- Golf Course "Theme" (concentrated style for features and overall design)
- Re-grassing (rootzone replacement as needed, following drainage and irrigation improvements)
- Arbor Management (selective tree removal and replacement with new varieties)
- Clubhouse Replacement/Refurbishment
- Maintenance Facility Repairs/Upgrades

Independent of any course-wide improvement work, the NGF team recommends that the City initiate an irrigation mapping project to provide staff with needed information on the current system in use. This undertaking likely requires a small investment, in the range of $5,000 to $7,500, and would immediately lead to return on investment as staff would spend less time dealing with intense investigation in order to make repairs. There is likely an efficiency should a mapping contract for both facilities go to one qualified golf irrigation design consultant.

Golf Market Overview

Below, NGF Consulting provides a summary of key "external" factors that characterize the trade area in which the Sunnyvale golf courses operate, including NGF's macro perspective of the U.S. golf industry. On a local/regional basis, the overview includes an analysis of basic demographic measures, as well as golf supply and demand indicators, that have the potential to affect green fee tolerances and the economic performance of public golf facilities.

NATIONAL GOLF INDUSTRY OVERVIEW

While some participation headwinds persist for golf, the industry continued its macro stabilization trend over the 2016 – 2019 period. The game remains popular and has a deep well of interested prospects. While golf's pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains ***getting more of those non-golfers who express interest in playing ('latent demand') to actually give golf a try, and converting more beginners into committed participants.*** Golf is also having trouble attracting and retaining young adults (i.e., Millennials); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment.

Key Trends in Demand

Participation - The national golfer number (defined as those people that had played at least one round of golf the prior 12 months) showed net attrition since 2012, declining by about ±1.2 million to 23.8 million people in both 2016 and 2017 before rebounding to 24.2 million in 2018. Overall, the number of golfers has declined by nearly 7 million since peaking at 30.6 million in 2003. Research shows that this attrition was primarily among occasional/less committed golfers. However, the vast majority of "core" golfers remain in the game.

Rounds Played 2018-2020 – Nationally, about 434 million rounds were played in 2018, representing a 4.8% decrease year-over-year, according to Golf Datatech. For California, rounds were *up* 3.3%**.** For 2019, rounds played (year-over-year) were up by 1.5% nationally, while California was *down* by 4.7% *(see Appendix D, Exhibit 1).* Remarkably, despite nationwide Covid-19-related golf course shutdowns beginning in March, national rounds played surged in 2020 after reopening, finishing 13.9% (about 60 million rounds) **ahead** of 2019's numbers *(see Appendix D, Exhibit 2).* California, with generally more restrictive measures in response to the pandemic as well as a severe wildfire year, finished up 5.6% ahead of 2019.

Baby Boomer Effect and Generation G (the "Golf Generation") – As Baby Boomers age and retire over the next 15 years or so, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 55 to 74 years old. About 6 million of them are golfers; that's approximately 1/4 of all golfers, and they currently play about 1/3 of all rounds. While not technically a generation, the 46-65 age cohort is the most vital group for the golf industry, accounting for the most golfers, rounds and spend in the industry – more than $9 billion in total annually. Gen G includes younger Boomers and older members of Generation X.

Golf Course Supply

The number of course closures has outweighed new openings for 14 consecutive years during the ongoing balancing of supply and demand. According to NGF data, since the market correction in golf course supply began in 2006, there has been an 10% cumulative reduction of U.S. golf courses in terms of 18-hole equivalents (18HEQ). In 2019 there were 279.5 permanent closures (18HEQ), about 40% higher than the level experienced in the prior two years. For perspective, golf supply grew by 44% from 1986-2005. The demand for land to develop residential and commercial real estate is influencing the supply correction in golf. Closures tend to be more value-oriented, public facilities in the best-supplied areas; Florida, Texas, Ohio, California and New York had the most closures in 2019 and all rank among the top six states with the most golf courses.

Other Measures of Health

Other metrics to consider when measuring the health and trajectory of golf include:

Investment in Facilities: Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked about 1,300 major renovations completed since 2006, totaling more than $3.75 billion in spending.

Increasing Diversity: The junior golf population showed moderate attrition, dropping from 2.7 million in 2017 to 2.5 million in both 2018 and 2019. Junior golfers continue to show a transformation in diversity. About 34% of golfers age 6-17 are females, up from 17% in 1995 (23% of **all** golfers are women). Also, about 1 in 4 junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which about a quarter are female and a quarter non-Caucasian. The highest diversity is among beginning golfers (see below).

Beginners: The number of beginners rose to a record 2.6 million in 2017 and 2018, surpassing the record set in 2016 and representing an increase of about 600,000 since 2014 (beginners fell slightly to 2.5 million in 2019). The last two years have set records and exceeded the year 2000, when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. About 35% of beginning golfers are women, and 26% are non-Caucasian (compares to 18% of total golf population).

Off-Course Participation: Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 23 million off- participants course (involves only those activities that involve hitting a ball with a golf club) in 2019, up by 2 million from 2017. About 40% of these participants did not play on a golf course.

Latent Demand: Overall interest in playing golf remains very high. NGF survey research indicates that the number of non-golfers who say they are “very interested” in taking up golf – which had doubled between 2014 and 2018 (CAGR of ±15%), increased by an additional 1 million in 2019 to 15.7 million people.

Dedicated: Several years ago, NGF developed a scale to gauge participant engagement/ passion for golf. NGF annual golfer survey research indicates that the number of dedicated golfers has remained steady at 20 million for the past 8 years. These dedicated golfers are responsible for ±95% of rounds played and spending. Those who are more engaged are significantly more likely to continue playing.

National Golf Industry Overview Summary – Potential Implications for Sunnyvale Golf

It is difficult to conclude how the national trends discussed above will affect any particular golf course, as we cannot definitively predict which, if any, of these trends will continue. Likewise, it is way too early to understand what, if any, the long-term impacts of the Covid-19 pandemic will be. On balance, however, we believe that a continuation in the growth of beginning golfers, successful activation of the large cohort of non-golfers that have expressed interest in playing ("latent demand") by golf operators and organizations such as National Golf Foundation (through its "Welcome2Golf" program), and the continued golf course supply correction towards equilibrium should have a positive effect on golf courses such as Sunnyvale and Sunken Gardens.

LOCAL / REGIONAL MARKET

Below we provide an overview of recent and emerging trends with respect to golf participation and municipal golf, as well as a summary of golf demand and supply indicators in the Bay Area region and local Sunnyvale/South Bay market. NGF Consulting utilizes predictive models as benchmarks for estimating potential market strength.

Defining the Primary Trade Area for Sunnyvale Golf Courses

A number of factors assist in determining the expected market area for a golf facility. In addition to the quantity, quality, and nature of the subject facility and competitive facilities in the area, the availability of highway and major thoroughfare infrastructure, traffic patterns, economic and demographic factors, and the propensity for golfers to travel to play golf all play a role in establishing the primary market area for a golf facility.

Based on NGF's analysis of the subject facility and the factors cited above, as well as zip code analysis from the golfer surveys, we expect that Sunnyvale GC draws the majority of its play from a market comprising a 10-mile radius of the course. This area includes Sunnyvale, Santa Clara, Cupertino, Mountain View, Palo Alto, Los Altos, and at least parts of Campbell, Milpitas, and San Jose. For the alternative length Sunken Gardens, the primary trade area is likely somewhat smaller, as short courses at this low price point tend to draw very local clientele.

Demographics

Below, NGF provides key observations regarding the population, median age, and median household income trends for the 5-mile, 10-mile and 30-minute market rings surrounding Sunnyvale and Sunken Gardens golf courses, as well as Santa Clara County, California and the U.S. (See Appendix E for source tables). Data sources: Applied Geographic Solutions and Tactician Corporation.

- **Sunnyvale GC** is supported by a dense population base, with 2019 estimates of 1.2 million residents in the 10-mile market, and 2.62 million residents in the 30-mile drive time market around the facility. Population growth in the subject markets is projected to be minimal, at about 0.07% annually through 2024.
    - For **Sunken Gardens**, 2019 estimates show a population of about 516,000 within 5 miles of the course, 1.37 million residents in the 10-mile market, and 2.43 million in the 30-mile drive time market. Population growth in the subject markets is projected to be ± 0.05% annually through 2024.
- *Median Household Incomes* in the area are more than twice the 2019 national median of $60,523:
    - **Sunnyvale GC**: the 5-mile market median income of more than $137,000 is 127% higher than the national median income of $60,523, and 83% higher than the California median of $75,100. For the 30-minute drive-time, household incomes in

these two markets are 83% and 63% higher than the corresponding national and state median incomes, respectively.

- **Sunken Gardens GC**: the 5-mile market median income of more than $134,000 is 122% higher than the national median income, and 79% higher than the California median of $75,100. For the 30-minute drive-time, household incomes in these two markets are 79% and 63% higher than the corresponding national and state median incomes, respectively.
- *In general, higher income people are more likely to participate in golf, and they play more frequently than lower income residents*. (Locally, these high figures are mitigated by the very high cost of living in the Bay Area).

- The *Median Ages* in the subject markets for both Sunnyvale GC and Sunken Gardens are similar to the national median of 38.2 years. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facility operators, all factors being equal.

Local Economic & Climate Factors Affecting Demand for Golf

With a location in the heart of the Silicon Valley, the Sunnyvale/South Bay area benefits from a very strong economy marked by low unemployment and high wages. (*At this writing, it is impossible to tell what the lasting effects of the Covid-19 pandemic will have on the area economy and/or on golf demand and participation*).

- Supplementing golf demand from permanent residents are: (1) The area's large number of major corporate and public employers, including many high-tech companies; (2) Visitors to the South Bay area: though visitation numbers were not available for Sunnyvale specifically, Longwoods Travel cited about 19 million trips to nearby San Jose in 2018 (including 6+ million overnight). Additionally, about 17 million people visit San Francisco each year. NGF research shows that roughly one-third of all golfers participate in the activity while traveling.
- In the last five years, annual passenger traffic has jumped 25 percent to 55.8 million at San Francisco International, 31 percent to 13.1 million at Oakland International and a robust 51 percent to 12.5 million at Norman Y. Mineta San Jose International Airport, which is now the nation's fastest growing airport
- Golf courses in the Sunnyvale area benefit from year-round golf play. The South Bay has a warm-summer Mediterranean climate; summers are warm and dry, while winters are mild and wet. Average annual rainfall is only ±15 inches, with about 60 days of measurable precipitation.
- Located about 10 miles from San Jose International Airport, Sunnyvale (2019 population of 155,567) is an integral part of the Silicon Valley's innovation and success. Sunnyvale's top private employers include Google (14,228 employees), Apple (4,500), Lockheed Martin (4,093), Amazon (3,748), and LinkedIn (3,548).
- Nearby San Jose is also a major hub for technology, with a major presence from companies such as Cisco, PayPal, eBay, and Adobe Systems. These large employers and others are prime targets for are golf courses soliciting tournament/outing play, which are generally strong revenue generators and expose a number of golfers to a facility for the first time.
- The Sunnyvale-San Jose area was experiencing historically low unemployment rates prior to the coronavirus outbreak, with 2019 showing only a 2.2% jobless rate. For some golf course owners, very low unemployment was a double-edged sword, as low jobless rates make it harder to find and retain quality workers, and also result in upward pressure on wages.

Local Golf Demand Indicators

Below is a summary of key findings regarding the public golf demand in the Sunnyvale trade area. This information is derived from the NGF Demand Model (based on ongoing NGF golf participation research), NGF U.S. Golf Facilities Database, and NGF Golf Market Analysis Platform (GolfMAP).

- Household golf participation rates in the subject markets around Sunnyvale GC and Sunken Gardens GC are estimated to be in the range of 12% to 13% (moderately higher in the Sunnyvale submarkets), and are generally 5% to 10% lower than the national benchmark; the measure of rounds demanded per household is moderately higher in the local markets than for the nation overall.
- Based on facility self-reported and modeled activity levels, average annual rounds played per 18 holes of public golf in this regional market is in the range of 55,000 to 60,000, placing it among the most active golf markets in the country.
- People who express an interest in playing golf but have not yet started include former golfers and those who have never tried. The demographic profile of latent demand tends to be more female and younger than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). NGF research estimates that nearly 220,000 interested non-golfers live in Sunnyvale GC 's 10-mile market, while an estimated 245,000 live within 10 miles of Sunken Gardens. This represents a rich well of "prospects", some of whom can be activated with creative programming aimed at inviting and "onboarding" them into the game.
- With less competition from other sports and activities, the Covid-19 pandemic, at least in the short term, has had an effect on golf demand, with a significant rise in new and returning golfers manifesting in fuller tee sheets across the U.S. Another outcome has been higher average green/cart fees for those facilities that are able to practice dynamic pricing. Research shows that a strong percentage of public golf courses are catching up to, or even ahead of, last year's pace on rounds and golf revenues. Of course, those facilities with large food & beverage and, especially, banquet operations have suffered the most, though reduction in expenses has helped to somewhat mitigate loss in revenue.

Local Golf Supply Indicators

Source: NGF U.S. Golf Facilities Database and NGF Golf Market Analysis Platform (GolfMAP).

- **Sunnyvale GC**: With the closure of Santa Clara Golf & Tennis, there are 14 total (9 public) golf facilities in the 10-mile market area, and 30 total facilities, including 19 public, within 30-minute drive time of Sunnyvale Golf Course. Of the 9 public facilities 7 operate at peak golf/cart fees of less than $70.
- **Sunken Gardens GC**: There are 15 total (10 public) golf facilities in the 10-mile market area, and 28 total facilities, including 18 public, within 30-minute drive time of Sunken Gardens GC. Of the 10 public facilities 8 operate at peak golf/cart fees of less than $70. Note number alternative length.
- The NGF database reveals no new golf course projects in the primary trade area for either subject facility currently in planning or under construction.
- *Due to the density of the population, the trade areas for both Sunnyvale and Sunken Gardens golf courses have significantly more golfing households per 18 holes of golf than the nation overall.* For example, in both the 10-mile primary trade area and the 30-minute drivetime markets for Sunnyvale GC there are ***four times as many households available (favorable) to support each 18 holes of public golf than we observe in the overall U.S***. (benchmark = 100). The ratios are only moderately less

- Below we discuss the level of golf course closures in the Bay Area over the last five years; the closure most directly benefiting market share for Sunnyvale GC is that of Santa Clara Golf & Tennis Club, formerly a primary competitor. Other recent regional public golf course closures include 36-hole Sunol Valley GC in 2016 and The Ranch Golf Club in San Jose (2019). Another public course, 18-hole Skywest in Hayward, is closed at least temporarily, as The Hayward Area Recreation and Park District will not be renewing its lease on the property (expires September 30) with the City of Hayward.

Bay Area Market

As was the case with nearly every golf market NGF examined nationally, average annual rounds played at San Francisco Bay Area public golf courses dropped significantly between the late 1990s / 2000 and the early-2010s, with some stabilization in playable-day adjusted activity levels noted in the last several years. Even with the sharp decline off of peak activity levels, average rounds played per 18 holes of public golf remain high compared to the national average, though overall utilization is still well below capacity considering the year-round climate for golf.

A key factor contributing significantly to the decline in average rounds played from its peak, both nationally and regionally, was the decline in the number of golfers (±20% national decrease from peak of about 30 million in 2003). Another contributing factor was the aggressive run-up in golf course supply during that time, especially in the public segment. Though the supply increase was not as notable as NGF observed in many other parts of the country (perhaps due to land cost and availability issues), ***the nine-county Bay Area region added 27 total golf facilities between 1997 and 2006.*** This included 6 private (comprising 90 holes) and 21 public (360 holes) facilities.

The last decade plus has seen a contraction in golf course supply in the Bay Area. For example, looking at only the five-county area comprising Santa Clara, San Mateo, San Francisco, Alameda and Contra Costa counties, we see that 12 golf facilities, totaling 207 holes, have permanently closed since just the middle of 2015 (*includes Santa Clara Golf & Tennis Club, a former primary competitor to Sunnyvale GC that closed in fall 2019*). All of these facilities except for The Institute LLC, a private club in Morgan Hill, were public access facilities, including the 36-hole Sunol Valley Golf Courses in Sunol.

Conversely, in those same counties, only TPC Stonebrae – an 18-hole private club in Hayward – has been added to the market in the last 12+ years. With a contraction in supply and an increasing population base, activity levels appear to have stabilized. (The closure of 18-hole Skywest Golf Course in Hayward further enhances the regional demand-supply dynamic). NGF believes that the next few years will provide a stronger indication of whether playable day-adjusted rounds have truly stabilized, and whether the increasing population, coupled with the standstill in new course development, will result in increasing activity levels at area golf courses.

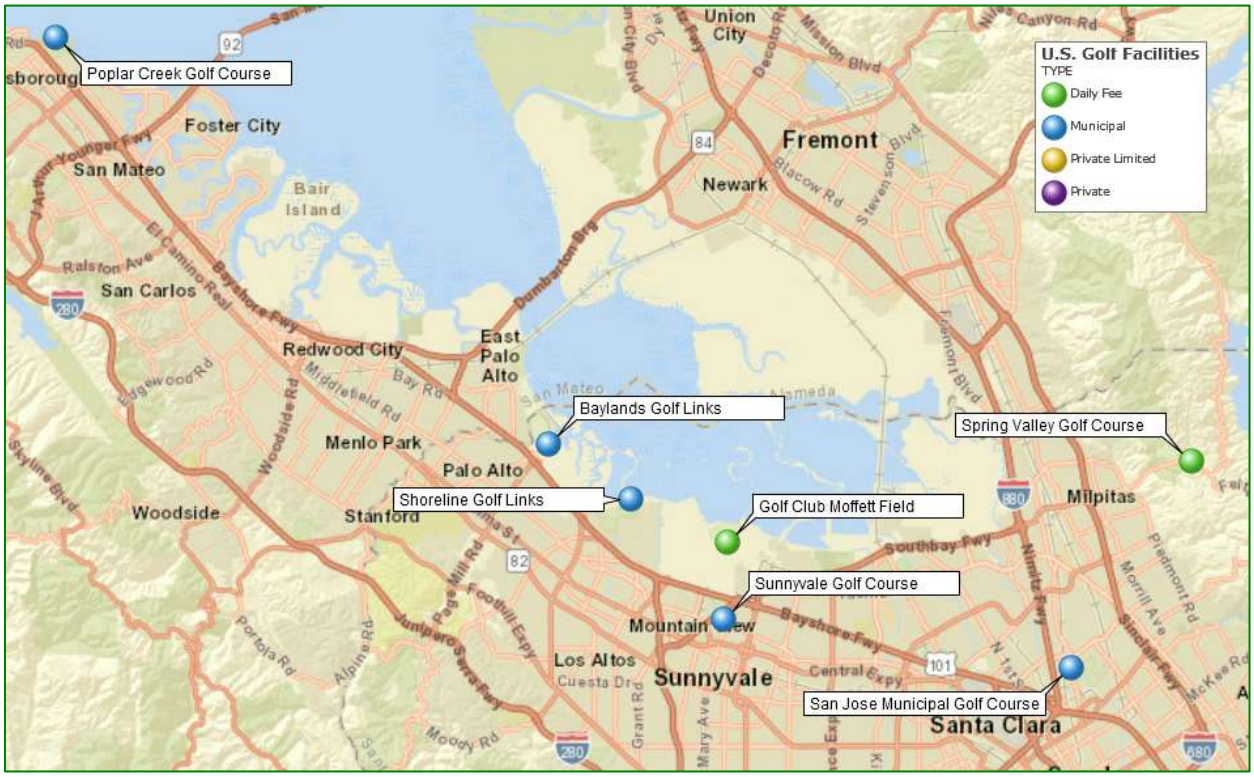
An additional dynamic in many markets across the country, including the Bay Area as documented in this report, is that municipal golf courses – even those set up as enterprise funds - are increasingly having to rely on general fund (i.e., taxpayer) support to make up for operating deficits, fund capital needs and/or meet debt service requirements. This external source of funding is a remedy not available to private operators of golf facilities.

Sunnyvale Golf Course Competitive Golf Market

NGF reviewed the public access golf market in which Sunnyvale GC operates, with a focus on key competitors identified through NGF market experience and input from golf course management. The list is intended to be a representative subset – based on factors such as price point, quality, and amenities offered - and is not totally exhaustive. For example, we consider the city of San Jose's "Muni" golf course to be a primary competitor (note #1 in golfer survey), while the city's other 18-hole offering – the shorter-length, more distant and much less popular Los Lagos – is considered a secondary competitor. Other examples of secondary competitors to Sunnyvale GC include Santa Teresa Golf Club in San Jose, Coyote Creek Golf Club in Morgan Creek. and Cinnabar Hills Golf Club in San Jose.

The map below shows the location of the identified primary competitors in relation to the Sunnyvale golf courses. Following the map, NGF notes key observations about the competitive public golf market in which Sunnyvale GC operates.

Competitive Facility Location Map



Summary Information – Primary Competitors

The table below provides summary information regarding the golf courses we have identified as Sunnyvale Golf Course's primary competitors.

Sunnyvale Golf Course & Key Competitors – Summary Information

Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee / Back Tee	Location Relative to Sunnyvale GC*
Sunnyvale Golf Course	Sunnyvale	MU 18H	1969	70 / 117	5,170 / 6,248	-
Golf Club of Moffett Field	Mountain View	DF 18H	1956	72 / 122	5,386 / 6,338	2 miles North
Shoreline Golf Links	Mountain View	MU 18H	1983	72 / 129	5,437 / 6,996	3.5 miles NW
Baylands Golf Links at Palo Alto	Palo Alto	MU 18H	2017	72 / 125	4,821 / 6,680	8 miles NW
San Jose Municipal Golf Course	San Jose	MU 18H	1968	72 / 123	4,200 / 6,700	8.5 miles E/SE
Spring Valley Golf Course	Milpitas	DF 18H	1956	70 / 115	5,294 / 6,143	11.5 miles E/NE
Poplar Creek Golf Course	San Mateo	MU 18H	1933	71 / 115	4,768 / 6,042	22 miles NW

*Air miles from subject site, rounded to half-mile; actual driving distances will likely be greater.
Type: DF – Daily Fee; MU – Municipal

The table below shows summary rounds trends and green fee information regarding Sunnyvale GC and its primary competitors.

Summary Operating Data – Sunnyvale Golf Course and Primary Competitors

Golf Facility	Est. Annual Rounds Played	18-Hole Resident Green Fee (WD/WE)	18-Hole Non-Resident Green Fee (WD/WE)	Per Person 18-Hole Cart Fee	18-Hole Twilight Green Fee (WD/WE)	18-Hole Super-Twi Green Fee (WD/WE)
Sunnyvale Golf Course	58,356	$37/$49	$41/$55	$16	$30/$35 ($30 Res.)	$20/$25
Golf Club of Moffett Field	46,000	$33/$47 Flight card	$44/$68	$16	$21/$30 Flight Card $26/$35 public	$17/$20 Flight Card $19/$24 public
Baylands Golf Links at Palo Alto	54,619	$60/$85 Bay Area $54/$72 Palo Alto	$65/93	$16	$33/$41 Bay Area res $32/$39 Palo Alto res. $36/$47 n/r	$33/$38 Bay Area res. $32/$36 Palo Alto res. $36/$43 n/r
Poplar Creek Golf Course	70,000	$34/$47	$39/$55	$17	$28/$35	$20/$27
San Jose Municipal GC	62,000	DNA	$40/$55	$16	$26/$33	$20/$24
Santa Clara Golf & Tennis	47,000					
Shoreline Golf Links	60,541	$36/$52	$43/$59	$15	$23/$26 res $30/$33 n/r	$15/$15 res $22/$22 n/r
Spring Valley Golf Course	56,000	DNA	$43/$63	$17	Midday $38/$51 Afternoon $31/$36	Late afternoon $23/$28 Evening $12/$15

*NGF Consulting estimate N/A – Information not available, DNA – Does not apply / Not offered.
Source: Area golf operators; City CAFRs and other public records.

Key Findings – Competitive Market

- Golf Club Moffett Field sits on land leased by Google (dba 'Planetary Ventures'), and operated under management agreement by OB Sports. GCMF has undergone a series of improvements over recent years, and has become a stronger competitor to Sunnyvale GC and other local public golf courses that have failed to keep up with capital investment, such as Shoreline Golf Links, Poplar Creek GC (though did add a driving range), and San Jose Muni.
- Baylands Golf Links at Palo Alto (formerly Palo Alto Muni), which reopened in 2018 after a complete multi-year renovation, is a high-end municipal golf course in the regional golf market, though its price points are a tier higher than Sunnyvale GC. Still, NGF believes that the reopening of Baylands should not have materially affected market share for Sunnyvale due to the different market positioning between the two facilities.
- Though this regional market is down 25% or more from peak activity achieved in the late 1990s, this competitive set is active, with an average of more than 58,000 annual rounds played (excluding now-closed Santa Clara Golf & Tennis), or about 84% higher than the national average. There are few submarkets in the nation that produce activity levels this high, largely attributable to the year-round golf season and the high number of golfers per 18 holes in the area.
- Baylands Golf Links, which utilizes dynamic pricing, is positioned as the premier public golf course among this competitive set, with peak weekend non-resident riding green fees topping $100 even for Bay Area residents (though Palo Alto residents are further discounted).
    - The second tier of facilities from a pricing standpoint comprises Golf Club Moffett Field and Spring Valley GC, each with $60 weekday riding fees, and both at $80 or higher on weekends (GCMF offers lower fees with its 'Flight Card').
    - The lower tier of facilities includes four muni tracks - **Sunnyvale GC**, Shoreline Golf Links, Poplar Creek, and San Jose Muni, which are bunched within a narrow range in terms of 'rack' green fees, with 18-hole weekday non-resident riding rates ranging from $56 at Poplar Creek and San Jose Muni to $58 at Shoreline; weekend non-resident riding rates ranging from $71 at Sunnyvale GC and San Jose Muni, to $74 at Shoreline. NGF experience in this market reveals that posted green fees, as well as average daily green + cart revenues per round, have risen only very modestly over the last several years.
- The combination of growing population and decreasing golf course supply in recent years has made the per capita golf course supply ratios more favorable in the local and regional market. The recent closure that most directly affects Sunnyvale GC market share is nearby Santa Clara Golf & Tennis, which closed in October 2019 (mixed use City Center concept). Additional regional public golf course closings have included 36-hole Sunol Valley GC, 18-hole The Ranch in San Jose, and 18-hole Skywest Golf Course in Hayward. This dynamic should benefit Sunnyvale GC in terms of market share for daily fee play, though the facility is not suited to compete for whatever outings/tournaments are up for grabs, due to the lack of a driving range and food & beverage service.

Sunken Gardens GC Competitive Golf Market

Sunken Gardens' direct competition is from other alternative length golf courses in the market. Summary information for these short courses follows. The list is not exhaustive; other broader market 9-hole short courses that may be secondary competitors include the Santa Teresa executive 9H course, Links 9 Par-3 at Las Positas in Livermore, and Valley Gardens (9H Exec) in Scotts Valley.

The table below shows summary information for Sunken Garden GC and key competitors.

Sunken Gardens Golf Course & Key Competitors – Summary Information							
Golf Facility	**Type**	**Location**	**Year Open**	**Par**	**Back Tee**	**Foot Golf**	**Location Relative to Sunken Gardens GC***
Sunken Gardens Municipal Golf Course	9H Exec-MU	Sunnyvale	1955	29	1,502	Yes	-
Blackberry Farm Golf Course	9H Exec-MU	Cupertino	1962	29	1,544	Yes	3.5 miles SW
Deep Cliff Golf Course	18H Exec-DF	Cupertino	1960	60	3,358	No	4 miles SW
Pruneridge Golf Club	9H Exec-DF	Santa Clara	1967	30	1,770	Yes	3.5 miles SE
Rancho Del Pueblo Golf Course	9H Exec-MU	San Jose	2000	28	1,338	Yes	9 miles East
*Air Miles MU = Municipal DF = Daily Fee							

Sunken Gardens Golf Course & Key Competitors – Summary Fee Information								
Facility	**Type**	**WD/WE 9-Hole**	**Replay WD/WE**	**WD/WE Senior**	**WD/WE Junior**	**Cart Fees**	**Annual/ Multi-Play Program**	**Driving Range**
Sunken Gardens Golf Course	9H Exec-MU	$20/$24 $18/$21 RES.	$12/$14	-	$12/$12	$12	Golf Discount Card (sen./ jun.) $110 month - SAC - $15; unlimited play Mon-Friday	18 tee stations; lighted
Blackberry Farm Golf Course*	9H Exec-MU	$17/$19	-	$16/$19	$16/$16	$7 Two carts available for hndcp. only)	Unlimited Play Weekdays only and Every-day Passes offered Multi-play round cards offered.	2 artificial mats netted hitting cage $1 / $3
Deep Cliff Golf Course	18H Exec-DF	$22/$25	$15 / $24	$15 / $25	$15 / -	$15	Player Club Member Receive $5 off primetime rates	11- station netted hitting area, 35-yard driving range; $3.50
Pruneridge Golf Club	9H Exec-DF	$22/$24	-	$17/ NA	$12/$12	-	Players Pass $29 per month - single $59 per month - family + special rate of $6 WD/ $11 WE	Covered, two tier, lit facility. VIP members use grass range. Indoor & outdoor high-tech, stop motion video instruction. $8/$13/$17/$21
Rancho Del Pueblo Golf Course	9H Exec-MU	$15/$17	$8/$8	$11/NA	$7/$8	-	Not true membership; different clubs available	25 stations; 10,000 sq-ft bent grass putting green. Night-lit. $5/$7/$10: discount range key Pay $20 for $25 worth of balls. Pay $40 for $50 worth of balls. Pay $75 for $100 worth of balls
* Cupertino residents receive a $2.00 discount with proper identification of residency								

Key Findings – Competitive Market

- Sunken Gardens GC's most direct competitors include two 9-hole municipal executive golf courses, the city of San Jose's Rancho del Pueblo GC and the City of Cupertino's Blackberry Farm Golf Course, as well as daily fee Pruneridge Golf Club (9H Exec) in Santa Clara and 18H executive Deep Cliff Golf Course in Cupertino. Other regional secondary or tertiary market competitors include the Short Course at Santa Teresa Golf Club (9H Par 3), the Links 9 (9H Par 3) at Las Positas in Livermore, and Valley Gardens (9H Exec) in Scotts Valley.
- Most of Sunken Gardens GC's competitive set comprises older courses with varying levels of playing conditions and amenities offered. San Jose's Rancho del Pueblo is the newest of the courses, as it was a former 18-hole course renovated by the City after its acquisition and reopened in 2000 in its current configuration.
    - Sunken Gardens, Pruneridge, and Rancho del Pueblo all have lighted driving ranges, while Blackberry Farm and Deep Cliff offer netted hitting areas. All but Deep Cliff offer footgolf.
    - Pruneridge has the most extensive amenities, including a lighted, covered 2-tier driving range, VIP practice area, and both indoor/outdoor high-tech practice opportunities. The facility also has a fully stocked pro shop.
    - In terms of food & beverage services, most of these short courses have quality offerings. Sunken Gardens features the Old Greenwood BBQ at the Gold Rush Saloon, while Pruneridge has the new Aces Icehouse bar & grill, and Deep Cliff features the renovated DC Taphouse. Rancho del Pueblo has a café open on Friday, Saturday and Sunday, and a snack bar within the clubhouse, while Blackberry Farm golfers must rely on service from the separate Blue Pheasant restaurant above the small pro shop.
- These market alternative length courses are characterized by low fees, generally in the $15 to $25 range for 9-hole play, depending on day of the week. Based on relative quality and other market factors, NGF believes that green fees at Sunken Gardens are appropriate in the context of the fees for the market competitive short courses.
- At about 40,000 annual rounds, Sunken Gardens is the most active of the 9-hole short courses, which are estimated (based on recent history) to host between 20,000 (Blackberry Farm and Rancho del Pueblo) and 35,000 (Pruneridge) annual rounds.
- Par 3 and Executive courses – especially those of the 9-hole variety – tend to draw from very local markets and appeal primarily to certain segments of golfers, including beginners, juniors and seniors, as well as those that have constraints with respect to discretionary time and/or money. These facilities tend to have difficulty gaining traction among avid golfers. Also, green fees and revenues are generally constrained due to the nature of the golf courses, and active programming is often key to enhancing revenues.

Golf Subsidy Analysis

In this section, NGF compares and analyzes the FY 2018-19 general fund subsidy of the Sunnyvale Golf & Tennis Operations Fund ("Golf Fund") to the experience of other Bay Area / northern California municipal golf systems for that year. Because annual transfers-in from a public agency's general fund will often not match the actual operating loss for the enterprise fund from that year, ***we have used net operating income (loss) before depreciation as a basis for comparison between the City of Sunnyvale and other municipalities***. Examples of why an annual transfer-in may not match the operating loss in a given year: a city may have a built-up reserve in the golf enterprise fund that helps partially or even fully offset the year loss; or, a city may choose a certain year to "write off" accumulated loans to the general fund at the same time they fund that year's operating deficit.

In addition to comparing Sunnyvale Golf to other municipal golf systems, we compare the Golf Fund to other City of Sunnyvale programs and services in terms of cost recovery percentage achieved through user fees / other operating revenues. Finally, we examine the cost of maintaining the golf facilities as open space, should the City decide it no longer desired to subsidize the golf operations.

While one of the City's primary goals for this study is to establish what an "appropriate" or "reasonable" subsidy level is going forward for Sunnyvale Golf, we note that this is a subjective measure based on City objectives relative to the ideas of golf as a public recreation amenity vs. a self-sustaining enterprise. The consultant, meanwhile, is constrained to presenting what we believe is actually achievable by the Sunnyvale golf courses, based on objective facility and market analyses.

The following abridged excerpts from the City's FY 2020/21 Adopted Budget present the appropriate background and context for the subsidy analysis:

"While golf and tennis operations continue to face challenges over the twenty-year financial plan (increasing operational costs, deferred capital maintenance, seasonality due to its dependence on favorable weather conditions, the continued decline in the interest in golf nationally, etc.), revenues have been expected to grow modestly each year. With the COVID-19 shelter in place orders, however, revenue growth has been interrupted in FY 2019/20 and revenue projections for the current year were adjusted down. Projections for FY 2020/21 and FY 2021/22 have also been revised due to the continued uncertainty regarding the length of the impacts of the COVID-19 pandemic. The twenty-year financial plan assumes base levels of golf play return in FY 2022/23.

"The FY 2020/21 Adopted Budget includes General Fund contributions of between $1.5 to $2.0 million annually until FY 2023/24 when substantial contributions are planned to end. In FY 2020/21, $1.7 million is programmed for transfer to the Golf and Tennis Fund and reflects cost-savings adopted by Council in Budget Supplement 2. Given the revenue uncertainty related to the impacts of COVID-19, however, subsidy amounts will be revisited during the next budget cycle.

"Although positive strides in reducing operating costs are being made, operating expenses related to labor costs and the Fund's portion of rent for the new civic center will drive costs at a rate greater than the 2% revenue increase projected throughout the twenty-year plan. An additional concern over the longer term is that capital improvement projects needed at the golf courses are significantly underfunded. Fiscal strategies are required beyond FY 2023/24 to maintain a positive financial position and to continue funding operations and deferred infrastructure maintenance".

COMPARISON TO OTHER REGIONAL MUNICIPAL GOLF SYSTEMS

NGF researched FY 2018/19 operating results for fourteen (14) northern California municipal golf systems for comparison to the City of Sunnyvale golf system on the measure of what we have defined as Net Operating Income before Transfers (excluding depreciation). The comparable comparison was reduced to five (5) other facilities, as explained below. According to the City of Sunnyvale's FY 2018/19 Comprehensive Annual Financial Reports, or CAFR, the net operating loss before transfers for the Sunnyvale Golf Fund was $1,613,411, while the transfer-in / subsidy from the City's General Fund was $1,455,755.)

Methodology

The information and data sources used for this analysis included public records such as Comprehensive Annual Financial Reports (CAFR, such as was used for Sunnyvale), facility operators, municipal administrators, and a regional Municipal Golf Survey NGF created and distributed for this project. When selecting the other golf systems, finding direct apples-to-apples comparisons to Sunnyvale across multiple variables / system characteristics was impossible. However, we utilized a set of criteria to match Sunnyvale as closely as possible; these criteria included:

- Northern California location (greater Bay Area preference)
- Transparency of accounting - all but one golf system is enterprise or special revenue fund
- Similar golf inventory - preference one 18H regulation course plus one 9H short course
- City of similar mid-size population (exception to this rule among final list is San Jose)

Based on these criteria, NGF winnowed the original list of public agency golf systems down to five (5) other "comparables" to Sunnyvale Golf for purposes of our analysis. These are listed in the table on the following page, along with information about golf course inventory, city population, accounting method, and management structure, as well as summary financial information for FY 2018-19.

Summary Financial Results - Comparable Set						
Public Agency	**Hayward Area RPD**	**City of Modesto**	**City of Pleasanton**	**City of San Jose**	**City of Santa Clara**	**City of Sunnyvale**
Golf Course Inventory	18H + 9H (E)	Two 18H + 9H	18H	18H + 9H (E)[1]	18H	18H + 9H (E)
Accounting Structure	General Fund	Enterprise Fund	Enterprise Fund	Special Rev. Fund	Enterprise Fund	Enterprise Fund
Management Structure	Self-Operated by RPD through sublease	Management Contract	Management Contract	Management Contract	Management Contract	Self-Operated
Estimated Annual Rounds Played	65,000	75,000	46,826	66,403	47,000	97,875
Total Oper. Revenue/Charges for Serv.	$2,101,410	$2,419,938	$3,237,437	$2,843,987	$2,001,086	$3,586,593
Total Operating Exp. excl. Depreciation	$3,821,863	$2,928,525	$3,273,504	$3,946,428	$2,067,371	$5,200,004
Indirect / Admin./ Allocated Charges	$0	$142,779	$27,600	$0	$0	$407,692
Labor/Personnel Cost	$2,812,199	n/a	$1,289,184	$2,000,000**	$1,135,000	$2,467,528
Labor % of Total Expense	74%	n/a	39%	51%	55%	47%
Labor % excl. City Charges & Util.	76%	n/a	48%	57%	69%	60%
Utilities Expense	$120,000	$53,580	$550,359	$450,000**	$431,000	$698,741
Net Operating Income before Transfers	**-$1,720,453**	**-$508,587**	**-$36,067**	**-$1,102,441**	**-$66,285**	**-$1,613,411**
NOI Excluding City Charges & Utilities	**-$1,600,453**	**-$312,228**	**$541,892**	**-$652,441**	**$364,715**	**-$506,978**
Transfer In	n/a	$981,616	-$199,248	$2,700,000	$466,266[2]	$1,455,755
City Population*	160,197	220,126	79,392	1,047,871	127,401	155,766

*Population estimates are for 2019 and are provided by the California Department of Finance; **Estimate based on available data
Key: E = Executive length; n/a = information not available
1 Numbers include Los Lagos and Rancho del Pueblo golf courses; San Jose Muni, which is leased and provides ~$400,000 in annual rent to City, not included.
2 Santa Clara G&TC Fund had $4.22 million advance from general fund outstanding at time of golf facility closure (in addition to $3MM accumulated fund deficit).

Significant Findings

Following are NGF Consulting's key findings from the comparison of Sunnyvale Golf FY 2018-19 operating results to the five other systems:

- In terms of net operating loss (excl. depreciation), Sunnyvale had the second highest loss at more than $1.6 million, trailing only Hayward Area PRD, which lost $1.72 million on its 18H regulation Skywest Golf Course (now closed permanently) and 9H executive Mission Hills GC. San Jose also had a $1 MM+ loss for 18H regulation Los Lagos GC and 9H executive Rancho del Pueblo GC (San Jose Muni not included because it is leased to a private operator). In addition to the $1.1 million operating loss on these two facilities, San Jose had a debt service payment of $1.9 million related to the construction of Los Lagos and other improvements.
- Four of the five systems that had either enterprise or special revenue fund accounting (Hayward Area RPD is general fund) for golf reported a 'Transfer In' from the general fund for FY19 operations, ranging from $466,000 for Santa Clara (golf course now permanently closed) to $2.7 million for San Jose. Sunnyvale had the second highest transfer in, at $1.445 million.
- In comparison to the other five systems in our comparable set, the City of Sunnyvale Golf System has high utility (predominately irrigation water) costs, as well as high "indirect" fixed costs, such as In-Lieu charges and allocated departmental expenses. For Sunnyvale, these indirect charges plus utility costs totaled more than $1.1 million in FY19, or 21% of the total expenses listed for the Golf Fund in the City's CAFR. *In other words, the expenses for Sunnyvale Golf are "fully loaded in".*
    - For comparison, of the other four enterprise or special revenue fund golf systems, two (San Jose and Santa Clara) **did not** allocate general fund indirect charges to the golf fund, while for the other two (Modesto and Pleasanton), the charges – about $143,000 and $28,000, respectively - were much lower than Sunnyvale's total of ~ $408,000 in FY19. *We note that all four of these golf systems were operated via private management contract, an operating structure that NGF has observed generally results in a lower level of indirect charges from the general fund to the golf fund in comparison to systems operated with staff employed by the public agency*.
    - Likewise, in terms of utilities cost (again, mostly irrigation water), the average annual cost for the other 5 systems was $312,000, or 123% lower than Sunnyvale's cost of just under $700,000 in FY19.
    - The Golf Fund also showed a loss of nearly $256,000 on food & beverage operations alone in FY 19.
    - ***After subtracting out general fund charges and utility costs for Sunnyvale and the five comparative systems, Sunnyvale's net operating deficit would be just ($507,000) in FY19, compared to an average loss of ($332,000) for the other five systems***.
- Another contributing factor to **Sunnyvale's** continuing large annual operating losses (and, hence, required subsidies) are high labor costs. At nearly $2.5 million in FY19, the Golf Fund's labor expense, including benefits, was more than twice the average cost of labor for Santa Clara and Pleasanton, and about 23% higher than San Jose. Only Hayward Area RPD, with more than $2.8 million in personnel costs, was higher than Sunnyvale (Modesto labor cost information not available, but if 50% of total operating expenses, would be less than $1.5 million). NGF research over the years, including survey data compiled for municipal golf courses in 2020, has consistently shown that average labor costs for municipal golf courses (equalized per hole and by region) that are operated under fee-for-service management agreements are generally about 15% to 20% lower than for those operated with public employees.

Per-Unit Metrics

The table below summarizes where Sunnyvale ranks on the metrics of net operating loss per: 1) Resident; 2) Round of Golf; and 3) Golf Hole. (**Note**: Number of unique users for the Sunnyvale golf courses was not made available to NGF, so this metric unavailable).

NGF summary observations:

- For net *operating loss per resident*, **Sunnyvale** ranked as the second highest among the subset of 6 public agencies, at $10.36 per resident. HAPRD had the highest loss per resident at $10.74, while the other four cities ranged from a loss of $0.45 (Pleasanton) to $2.31 (Modesto) per resident.
- For net *operating loss per round of golf*, **Sunnyvale** ranked as the third highest among the subset of 6 public agencies, at $16.48 per resident. HAPRD had the highest loss per resident at $26.47 and San Jose was second at $16.60. The other three cities ranged from a loss of $0.77 (Pleasanton) to $2.31 (Modesto) net operating income (loss) per round.
- For net *operating loss per golf hole*, **Sunnyvale** ranked as the second highest among the comparable set, at $59,756 per golf hole. Once again, HAPRD had the worst metric, losing $63,720 per golf hole in FY19. San Jose was third highest at a loss of $30,623, while the other three cities had much lower losses per hole, ranging $2,004 (Pleasanton) to $11,302 (Modesto).

Summary Subsidy Metric Rankings

Public Agency	Net Operating Income before Transfers	Subsidy* Rankings (highest to lowest)	NOI per Resident	NOI per Resident Rank	NOI per Round	NOI per Round Rank	NOI per Golf Hole	NOI per Golf Hole Rank
Hayward Area RPD	-$1,720,453	1 of 6	-$10.74	1 of 6	-$26.47	1 of 6	-$63,720	1 of 6
City of Sunnyvale	-$1,613,411	2 of 6	-$10.36	2 of 6	-$16.48	3 of 6	-$59,756	2 of 6
City of San Jose	-$1,102,441	4 of 6	-$1.06	4 of 6	-$16.60	2 of 6	-$30,623	3 of 6
City of Modesto	-$508,587	3 of 6	-$2.31	3 of 6	-$6.78	4 of 6	-$11,302	4 of 6
City of Santa Clara	-$66,285	5 of 6	-$0.52	5 of 6	-$1.41	5 of 6	-$3,683	5 of 6
City of Pleasanton	-$36,067	6 of 6	-$0.45	6 of 6	-$0.77	6 of 6	-$2,004	6 of 6

*Defined as Net Operating Income before Transfers

GOLF COST RECOVERY PERCENTAGE VS. OTHER CITY PROGRAMS

NGF Consulting was also asked to compare the cost of golf to other City of Sunnyvale programs. Our experience in working with hundreds of municipal golf systems has been that, even in cases where golf does not operate at breakeven or a profit, it typically has among the highest - and usually the highest - cost recovery percentages among a given municipality's recreational programs, services and amenities. The table below summarizes this comparison of "cost recovery" for the City of Sunnyvale. As we can see, the Golf Fund had a substantially higher cost recovery percentage compared to the other City programs referenced, despite the fact that Golf is "fully costed", including City "In-Lieu" and allocated overhead charges, while these costs and others such as facilities maintenance expenses are *not* included in the calculation for the other programs.

Comparative Cost Recovery Percentages: Golf vs. Other City of Sunnyvale Programs – FY 2019

Program	Cost Recovery Ratio*
Golf & Tennis Fund (excl. depreciation)	69%
Golf & Tennis Fund (including depreciation)	65.7%
Community Services Division (Prog. 527 & 626)	51.8%
527 Youth and Family Services	21.4%
626 Arts and Recreation Programs	56.2%

*City: Ratio Does Not Include Overhead, Capital, All Maintenance, or All Utility Costs

COST TO MAINTAIN AS PARK SPACE

A final consideration if the City were to decide that continuing to provide the golf amenities to its residents at or near the current level of annual subsidy is not financially feasible, is maintaining the Sunnyvale GC and/or Sunken Gardens GC acreage as park space. In a document provided to NGF by the City called *Responses to Council Questions from the FY 2020/21 Budget Workshop*, staff responded to a Council question about the average cost per acre to maintain the golf courses vs. the average cost per acre to maintain parks. Following are the conclusions / takeaways:

- The annual cost to maintain an acre of Park is approximately $34,704, based on the portion of Program 267.05 (Parks and Open Space Management) that is centered on Maintenance Activities.
- Based on this estimate, the total cost to maintain the 91.87 acres of Sunnyvale GC not being leased from NASA as open park space would be roughly $3,188,256, while the cost to maintain Sunken Gardens GC would be about $1,049.102.
- In total, the acreage of the two City golf courses, minus the NASA land, would cost about $4.24 million annually to maintain as park space, with no revenue attached to the land use (except, perhaps, for tower rent revenue of about $33,000, growing annually at 2%. For comparison, the annual subsidy for golf was $1.455 million in FY 2018-19, and is projected to be between $1.5 to $2.0 million annually through FY 2023-24.
- Another consideration when comparing cost to operate as passive park space vs. golf would be the cost of any noncancelable leases for the golf operation during the duration of the lease.

NGF SUMMARY CONCLUSION – SUBSIDY ANALYSIS

NGF believes the Sunnyvale Golf & Tennis Operations Fund's continued annual operating losses and general fund subsidies – totaling more than $3.7 million, cumulatively, for the FY 2016-17 through FY 2018-19 period – are high for a golf enterprise fund, based on NGF experience. The results of our regional benchmarking analysis bear this out, as do the results of NGF's recent national municipal benchmarking survey (*results not released as of this report*). *However, Sunnyvale Golf's FY19 operational deficit compared more favorably to those of the other five municipal systems in our comparable set when equalized for irrigation water costs and City indirect charges to the Golf Fund.*

Of course, the magnitude of the subsidy is subjective, based on the public policy of how municipal golf is viewed within a community – i.e., business vs. public recreation amenity (or even a combination of both). Also, as we just saw, the Golf Fund's recent annual financial results can be viewed within the context of cost recovery, with golf & tennis recovering about 69% of its operating costs in FY19, which compared favorably to the other City programs noted above. Finally, in the context of potential alternate uses of the golf course land, we saw that the City estimates the current annual cost to maintain the golf courses as parkland to be about $4.24 million, *or nearly three times the actual subsidy amount for the Golf Fund in FY 2018/19*.

There are certainly mitigating factors causing these large-scale deficits for Sunnyvale Golf, such as: market competitive factors; aging infrastructure and deferred capital at each golf course; the lack of a driving range and food & beverage service at Sunnyvale GC; the golf system's high cost of public labor; and, the fact that the Golf Fund starts each year with well over $1 million dollars in fixed expenses related to irrigation water and various City charges and allocations. Also, food & beverage operations at Sunnyvale GC contributed about $256,000 to the overall operations deficit in FY19, and more than $354,000 in FY20.

Whatever the reasons for these continuing large-scale operating deficits and general fund subsidies, our experience has been that when losses and subsidies become recurring – and are even budgeted for as in the case of Sunnyvale – it generally portends a conversion to general fund accounting for golf. California cities that have recently made this change include Livermore, San Mateo, and Ventura. NGF believes this should be studied carefully by the City, especially in light of the large-scale capital investment needed to improve the golf courses and keep them competitive for the longer-term future.

Potential Approaches to Improving Sunnyvale Golf Revenue Model

In this section, NGF Consulting organizes potential revenue enhancement opportunities for Sunnyvale Golf into two components: (1) Physical Facility Improvements (potential approaches presented for both Sunnyvale GC and Sunken Gardens GC); and (2) Potential Operational Revenue Enhancement Opportunities.

The NGF team believes that if the City wants to continue to provide residents the golf and tennis recreation amenities, regardless of the likelihood of ongoing subsidies, the most likely path to meaningfully reducing annual operating deficits is to invest in the facilities. We have noted longstanding deferred capital needs resulting from infrastructure that is well past expected useful life, as well as deferred maintenance due to tight operating budgets.

Improving the facilities should allow the City to increase rounds played and the average golf fee revenue per round, and potentially create a new revenue center with the addition of a driving range. In short, extensive facility improvements will make the golf courses more competitive and economically viable, and help ensure their sustainability for the long term. Of course, the proposed improvements will cost multiple millions of dollars. As NGF understands it, the Park Dedication Fund is a potential source of financing.

Below we present potential facility improvement scenarios for addressing capital needs, including discussion of approaches the NGF consulting team believes would make Sunnyvale GC and Sunken Gardens GC more attractive to area golfers and potentially result in a reduction of the annual subsidies of the Golf & Tennis Fund.

POTENTIAL FACILITY IMPROVEMENT APPROACHES – SUNNYVALE GC

Baseline Approach — 18-Hole Regulation Course & Full-Length Practice Range

(See Appendix C, Exhibit 4)

Of the potential options for improving the Sunnyvale GC facility to enhance revenue that the NGF team analyzed, the "**Baseline Approach**" - a limited reconfiguration to achieve a full-length practice range - represents the lowest level of changes to the golf facility, and hence the lowest cost. While other smaller footprint amenities can be considered, such as a short game area, putting course, indoor simulators, etc., none in our opinion would generate revenues close to the level of what a full-length driving range would. Other Bay Area courses have proven this amenity to not only be a profit center, but highly used as a recreation offering to residents and visitors. This opportunity requires reconfiguration of the course to "make room" for such a practice facility.

The "Baseline Approach" looks at the minimum investment for reconfiguration to achieve this objective. The approach retains a par-70, 6,200-yard layout, which we feel is the threshold that should be maintained, and involves building five (5) new green sites and transforming golf holes to yield a front nine with a par-33 and a back nine with a par-37. (*In all of the potential approaches presented in this section, we have retained the regulation length par-70 course, feeling that this remains the most viable and marketable course type for the City to own and operate in this market*).

A full-length range is accommodated where existing Hole Nos. 1 and 2 are currently situated. The pond at that location would be removed. A new pond is shown at new Hole No. 18. While retaining golf holes in

this area along with developing a new range facility has been studied, this does not appear to be feasible. Even if land were able to be devoted to golf holes in this area with a range addition, the area would essentially be "orphaned" and the resulting golf holes would not articulate to the balance of the course. Also problematic would be pole and netting heights relative to nearby offices and the 237 Freeway. The design analysis shows that the area is basically efficient to house a range of customary width and length, and would not necessarily need a dual level tee area as the tee could be 300 feet or more in width. This is a significant savings over building a decked system at the tee area.

Overlaid to this approach (plan) are known aviation (FAA) safety zones. Also shown is the approximate location of the main water line easement that traverses the course. This exhibit shows conceptual golf holes as they would be routed to take advantage of existing green sites, tree corridors and ponds. The plan establishes vast improvements to many areas relative to safety (errant ball potential) compared to the existing course routing. Of note is removal of existing Hole Nos. 1, 5, and 18, where current setbacks are most problematic from a safety standpoint.

Another benefit of this approach is getting the two nines to return generally to the clubhouse area, which should promote 9-hole rounds and offer a level of flexibility to the operation and to customers.

For the baseline approach we have provided a preliminary probable cost range for developing the range and the associated bare minimum golf hole reconfiguration work, based on recent consultant experience in market, prevailing wage assumptions, etc. A replacement clubhouse site is shown along with future practice greens of which one could be a dedicated short game area, though the cost of these elements is not included in the preliminary cost estimates.

Key Golf Benefits:

- 18-Hole Regulation Course
- 6,200-yards (back tee length)
- Par-70 (33 + 37)
- Returning Nines (Nos. 9 and return to the clubhouse area)
- Full-length Practice Range

Key Revenue Enhancements:

- Direct practice range revenues
- Potential additional revenues from complementary uses/services, such as events, programs, merchandise sales/club-fitting, demo days

Cost Range (preliminary ranges provided based on conceptual approaches; 2020 dollars):

- Golf Re-configuration* (new tees and greens as required): $1.7 – $2.0 million
- Golf Practice Range** $1.5 – $2.5 million

*Assumes irrigation retro-fitting, tee and green work to facilitate the re-routing to free up area of existing Hole Nos. 1 and 2. **Assumes single-level; 30-35 tee stations; steel poles 80' to 100' high; netting; concrete hitting area. High end of cost range includes artificial turf landing area, target greens, lighting.

NGF Consulting provides the very preliminary cost range of $3.2 million to $4.5 million in today's dollars for the "Baseline Approach" plan. (Lower end of the cost range could be realized without the synthetic turf and the lighting). This range is limited to the conceptual approach provided as part of this study and our understanding of golf facility (prevailing wage) construction in the Silicon Valley region. *Of course, prior to acting, the City should more formally study the potential site and financial feasibility of adding the practice range at Sunnyvale GC.*

NOTE: An option evaluated for Sunnyvale GC was to look at the possibility of establishing some type of practice area/range that may be configured in less space than a traditional full-length range (perhaps occupying 8-12 acres). One method of allowing "full shots" by players is to use a golf ball with a significantly reduced weight, translated to a much shorter distance. One such ball, the "Point Five", allows full shots with the result being approximately 35% of the distance of a standard ball. Some facilities are converting to such balls to reduce liability, especially those where the practice area adjoins residential or other land uses.

Many older golf facilities were not laid out with what are now considered adequate set-backs, or enough acreage devoted to the range footprint. In some cases, poles and netting are simply not able to be raised to heights necessary to contain standard flight golf balls. With reduced-flight balls, these facilities have been able to retain practice uses. At Sunnyvale GC, this approach could work, although our experience shows that many avid golfers have an aversion to using such limited flight balls. So, a reduced-footprint range may not draw the level of demand necessary to produce a positive return-on-investment, or perhaps require a long payback period. This possibility, taken together with the cost to make changes to the course to accommodate a range of perhaps 4-5 acres, would, in our opinion, make this option infeasible.

More Intensive Approaches to Improvements and Enhanced Revenue Opportunities

NGF Consulting believes that the Sunnyvale Golf Course has a strong potential to become more than just an ordinary golf facility with "customary" conditions and an "expected" guest experience. Because of its location within Silicon Valley, and with great access from all directions, we feel that the facility, following a well-planned reconfiguration and renovation program, would be well-positioned to compete among the higher quality municipal golf courses in the area, such as Baylands Golf Links.

To accomplish the goal of elevating the golf facility and experience we recommend a strong design theme be a part of any improvement/reconfiguration program. Forrest Richardson, ASGCA, has provided conceptual ideas demonstrating a design theme where Sunnyvale is treated as a more natural landscape, while maintaining the rich parkland heritage of mature trees and its urban setting.

Treatments, such as simplified bunkering and greens with formal (rectangular) tees, will give the appearance of a classic golf facility that looks as if has been around for much longer than its 1960s origination. The combination of tree management, naturalized zones and classic features will collectively create an ambiance to "put Sunnyvale on the map" in terms of must-play public golf courses in the Bay Area. Sunnyvale Golf Course is literally at the heart of Silicon Valley. This attribute, if carefully combined with the theme and certain approaches, could render a win-win project of tremendous value to the City and its residents.

The "look and feel" expressed in the Richardson theme will also help reduce certain maintenance efforts, allowing staff to shift resources to more crucial areas, such as greens, tees and fairways. We would expect that the intensely managed turfgrass footprint could be reduced to approximately 65-70 acres, well below its present coverage of 90± acres. Water usage and irrigation investment would be reduced, a long-term savings to the City.

To be met, the opportunities require the following goals:

- Retain 18 holes
- Maintain Par-70 (regulation length ≥6,000 yards)
- Add full-length Practice Range
- Enhance the facility (all areas, conditions and quality)
- Plan for Non-golf Revenue sources

Two specific approaches are provided with respect to Sunnyvale Golf Course improvements that go considerably beyond the less-intensive Baseline Approach presented earlier. In the exhibits in Appendix C, each has been put into a simplified plan format in order to demonstrate potential site feasibility. Golf holes are shown with simple stick-figure representation. New green sites are distinguished from existing sites with a green infill. Each approach ("A" and "B") allows for significant revenue increases, and each also allows the City to expand the site opportunities to include uses beyond the golf course itself. This is intended to make the facility - even though a golf course - more attractive to non-golfers by adding amenities and development that has a broader appeal and will include even more residents and visitors.

Since virtually all infrastructure (irrigation, drainage and rootzones), course features and the clubhouse are in need to be refurbished or fully replaced, a complete reconfiguration may be managed within virtually the same investment cost that would be required to leave all golf holes in their same location with no changes and effectively "repair / renovate in place". The benefits of a full reconfiguration are many as further explained below.

Approach "A" — 18-hole Regulation Course, Full-length Practice Range

Approach A involves re-routing golf holes, including establishing (6) new green sites. The reconfiguration renders an essentially "new" golf course in terms of all infrastructure and features. The approach is depicted in Appendix C, Exhibit 5, which generally shows known aviation (FAA) safety zones. Also shown is the approximate location of the main water line easement that traverses the course. This exhibit shows conceptual golf holes as they would be routed to take advantage of existing green sites, tree corridors and ponds. The plan establishes vast improvements to many areas relative to safety (errant ball potential) compared to the existing course routing.

Benefits of this approach are having Hole No. 1 and No. 10 both near to the clubhouse, at the exit of the tunnel leading from the clubhouse area. Hole No. 9 returns and is immediately near to Hole No. 10, allowing golfers playing 9 holes to quickly get to the clubhouse. Hole No. 18 finishes as it currently does, at the clubhouse area. The plan conceptually shown has a variety of hole lengths among par-3s, 4s and 5s. It is unusual in that there are three par-5s and four par-3s on the front nine, with only two par-4s. This feature, which allows retention of par-70, would be an unusual characteristic but highly enjoyable as par-3 and par-5s are among the holes types where all player types are often able to post good scores.

We envision under this approach that all golf features will be fully reconstructed with all new infrastructure (irrigation, drainage, etc.) and that a full re-grassing of the course would take place.

A new pond would be constructed near the existing pond at Hole No. 18. Adding this pond would effectively replace the pond that currently exists between Hole Nos. 1 and 2, and would be filled in to allow for the new practice range (see below). Two new practice greens would also be constructed, of which one may be a dedicated short game amenity. There is ample space to also consider a public putting course that could serve area corporations, perhaps becoming a lunchtime activity that would further the Parks Department goals to provide outdoor activities for residents and visitors.

A new, full-length practice range will occupy the far southwest portion of the site where current Hole Nos. 1 and 2 are now located. This range will require full perimeter enclosure with poles and netting to protect both the 237 Freeway and adjacent corporate offices. The range is angled away from the 237 Freeway with a set-back along the right side. Netting height is assumed to be in the 80-100 feet range based on known FAA surface thresholds, although this requires further study. The range tee is shown at approximately 260-feet in width, capable to handle 25± users at any given time. This tee area may also be studied to be two levels, translating to 50± users at any given time. The maintenance facility would remain in its present location, and would have direct access to the new range for maintenance purposes.

A new clubhouse site is shown in roughly the same location as the existing clubhouse. Flexibility in this plan would allow options to place a new clubhouse, and also the size and overall programming for this facility. Access and parking for golf is shown in its present location. Phasing of a new clubhouse,

including razing the existing structure and placement of a temporary facility, could easily be accommodated by using the existing parking, proposed range and/or other areas.

Key Golf Benefits:

- 18-Hole Regulation Course
- 6,100 yards (back tee length)
- Par-70 (35 + 35)
- Returning Nines (Nos. 9 and return to the clubhouse area)
- Full-length Practice Range
- All New Golf Features
- Short Game Area

Potential Revenue Enhancements:

- More Competitive Golf Asset (i.e., more rounds and/or higher average green fees)
- Practice Range Revenues
- Short Game Area Amenity
- New Golf Clubhouse & Grill (±8,000 s.f.)

Cost Range (preliminary ranges provided based on conceptual approaches):

- Golf Re-building/Reconfiguration (18 holes): $5.5 – $6.0 million
- Golf Practice Range (single-level; ~30-35 stations): $1.5 – $2.5 million
- New Clubhouse*: $2.5 – $3.0 million
- Site Improvements (other): $0.5 – $1.0 million

*Not including equipment and furnishings.

NGF Consulting provides the very preliminary cost range of $10 million to $12.5 million (2020 dollars) for a complete overhaul of the golf facility based on Approach A. This range is intended only as a guidepost. It is limited to the conceptual approach provided as part of this study and our understanding of golf facility (prevailing wage) construction in the Silicon Valley region. The next step to addressing feasibility will be an in-depth master plan and feasibility analysis that would further address golf facility improvements, including a new clubhouse.

Approach "B" — 18-hole Regulation Course, Full-length Practice Range

Approach B also involves re-routing golf holes, including establishing (8) new green sites. The reconfiguration also renders completely new infrastructure and features. The approach is depicted in Appendix C, Exhibit 6, which generally shows known aviation (FAA) safety zones. The approximate location of the main water line easement that traverses the course is also depicted. This exhibit shows conceptual golf holes as they would be routed to take advantage of many existing green sites, tree corridors and existing ponds. Approach B makes significant improvements to some areas relative to safety (errant ball potential) compared to the existing course routing.

To facilitate the range, holes are shown in the conceptual plan to be re-routed and creatively positioned to take advantage of the available land. Not only does the plan permit a full-length range, but frees up space (currently where Hole Nos. 1 and 2 exist) for potential future other golf or recreation uses.

One hole, No. 4, is shown in an area identified as an archeological site. Depending on what restrictions may be applicable, this hole could be configured with no disturbance between tees and green (as a short par-3), or the hole may be relocated. If relocated, changing what is shown as Hole No. 5 into a shorter par-5 with Hole No. 4 shifted eastward from where it is shown on Approach B would be a potential solution. Ideally, if this plan were to be implemented, the aforementioned method of leaving the archeological site intact with the golf features of Hole No. 4 to either side of the site would be best.

Approach B also has the unusual characteristic on the front nine of three par-5s and four par-3s. The two par-5s on the back nine (Nos. 10 and 15) would be very interesting holes defined by trees, bunkers and naturalized areas. This routing has just five par-4 holes, whereas "typical" golf courses have ten. As noted, the higher number of par-3s and 5s is appealing in that players of all abilities will enjoy these holes and the associated ability to have scoring success.

All golf features will be fully reconstructed with new infrastructure (irrigation, drainage, etc.) and a full re-grassing of the course would take place. Two new practice greens would also be constructed, of which one may be a dedicated short game amenity. As with Approach A there is ample space to also consider a public putting course to serve the area's dense residential and corporate neighborhoods.

A new, full-length practice range is shown in the area now occupied by Hole Nos. 15 and 16. The re-routing provides returning nines with 15 holes north of the 237 Freeway and three holes remaining south. Netting height is assumed to be in the 80-foot range based on known FAA surface thresholds, although this requires further study. The range tee is shown at approximately 320-feet in width, capable of hosting 35± golfers at any given time. This tee area may also be studied to be two levels, translating to 70± users at any given time. This range location is likely to require less perimeter height as it borders no roadways or adjacent property owners.

Key Golf Benefits:

- 18-Hole Regulation Course
- 6,000 yards (back tee length)
- Par-70 (35 + 35)
- Returning Nines (Nos. 9 and 18 return to the clubhouse area)
- Full-length Practice Range
- All New Golf Features
- Short Game Area

Potential Revenue Enhancements:

- More Competitive Golf Asset (i.e., more rounds and/or higher average green fees)
- Practice Range Revenues
- Short Game Area Amenity
- New Golf Clubhouse & Grill

Cost Range (preliminary ranges provided based on conceptual approaches):

- Golf Re-building/Reconfiguration (18-holes): $5.8 – $6.2 million
- Golf Practice Range (single level tee area): $1.5 – $2.5 million
- New Clubhouse: $2.5 – $3.0 million
- Site Improvements (other): $0.5 – $1.0 million

NGF Consulting provides the very preliminary cost range of ~$10 million to $12 million for a complete overhaul of the golf facility based on **Approach B.** This range is intended only as a guidepost. It is limited to the conceptual approach provided as part of this study and our understanding of golf facility (prevailing wage) construction in the Silicon Valley region. The next step to addressing feasibility will be an in-depth planning and feasibility analysis to further address golf facility improvements.

Approach Comparisons

NGF offers both approaches so that each may be compared and weighed further, against each other and the less-intensive **Baseline Approach** presented at the beginning of this section. Under **Approach B**, there appears to be a significant benefit in freeing up more land for potential other golf uses, such as a pitch -n- putt course (not studied), or other recreation use. Approach B also reduces the overall turf footprint of the golf course, which can result in minor maintenance and/or water cost savings.

While the resulting golf course of **Approach B** is slightly less in length (6,000 yards as compared to Approach "A" at 6,200 yards) we do not view this as an obstacle to creating a marketable golf offering. Given the design theme and approach provided by Forrest Richardson, we see Sunnyvale GC as being a more marketable 18-hole course. The renovated and reimagined course would not rely on length as its primary attribute. Rather, we see the "new" Sunnyvale GC as a fun, enjoyable golf experience that has elements of classic era courses. Strategy and interest would be the main hallmarks, as opposed to an emphasis on length. This approach also results in a routing with returning nines, which may become increasingly important in the future as shorter-duration golf rounds continue to gain popularity.

POTENTIAL FACILITY IMPROVEMENT APPROACH – SUNKEN GARDENS

NGF Consulting, together with Forrest Richardson, ASGCA, recommends that the Sunken Gardens golf asset be further evaluated in the context of determining the best and most viable option to renovation weighed against full replacement. While land use restrictions preclude development into non-golf uses, there may be opportunities along with a clubhouse renovation to add space for enhanced food and beverage, golf simulators, or other amenities that could be realized with a relatively small footprint.

The format for such evaluation and analysis should be a master plan, incorporating as much revenue enhancement and other improvements as is reasonably warranted. While the facility may be able to continue to operate for the short term given the low fees and attendant expectations of its customers, we believe that most all of the golf features and infrastructure (irrigation being the primary system) needs to be fully replaced in the coming years. Whether certain infrastructure, such as main lines (larger diameter pipes) and greens rootzones, can be preserved would be determined by such study. A qualified golf course architect, together with a team comprising a golf agronomic consultant, golf irrigation consultant and clubhouse designer, would prepare a master plan and then submit findings for financial analysis. The plan would include probable costs, sequencing and phasing, with associated improvements and facility enhancements.

The outcome is likely a series of options, each with a corresponding benefit analysis. The focus points of a master plan analysis are recommended to include the following:

- Preservation of the 9-hole format and routing (with safety mitigations)
- Safety Analysis (errant balls)
- Agronomic Evaluation and Recommendations
- Irrigation Assessment (retro-fit or replacement options)
- ADA Compliance Evaluation
- Practice Range Work (mitigation of errant balls, other improvements)
- Expanded Short Game Area
- Golf Clubhouse Enhancements

The “Master Plan” would be used by the City to determine how best to move forward, and under what funding mechanism, such as the Park Dedication Fund. While we cannot predict a total required investment at Sunken Gardens without further study, we believe the range of anticipated costs, without the parking and clubhouse areas included, is in the range of $2.5 million to $3.5 million in 2020 dollars. This represents only a very high-level, preliminary estimate based on the site acreage, number of holes, conditions as reported, and what we view as the most pressing issues.

Sunken Gardens, because it does not hold the potential to become a regional “must play” golf facility, can be thought of as a neighborhood golf “park” that caters mostly to locals, including strong contingents of juniors and seniors. However, this does not mean that necessary facility improvements can be ignored indefinitely. The deferred capital, if left to escalate, will become more difficult and costly to correct, so we believe now is the time to plan how best to improve and renovate this pleasant 9-hole facility.

POTENTIAL OPERATIONAL REVENUE ENHANCEMENT OPPORTUNITIES

Aside from enhancing the golf course products through an improvement program such as those recommended in this section, NGF does not believe there is any "low hanging fruit" in terms of additional revenue generation at the Sunnyvale golf courses that will significantly reduce the level of ongoing operational deficits requiring City subsidy. Because of the competitive nature of the local public golf market and the level of deferred maintenance / capital at Sunnyvale GC and Sunken Gardens GC, they are essentially confined to competing as 'value' golf courses.

On the expense side, we have previously noted the very high fixed costs associated with irrigation water and general fund charges to the Golf Fund. Additionally, the cost of labor is high and cannot realistically be trimmed, as staffing is already very lean and to reduce personnel or hours would likely make the golf courses less competitive. One way an increasing number of municipalities shave anywhere from 15% to 30% from their labor budget is to enter into a third-party management agreement; due to the California minimum wage legislation, most savings are attributable to replacing the public labor benefit structure with a private one. (A typical annual management fee in this market would be equivalent to about 4% to 6% of facility gross revenues). The City has indicated to NGF that it does not want to outsource management at this time.

NGF has not identified any feasible "fiscal policies" – short of a high level of capital investment in the golf facilities– that will be game-changing in terms of eliminating or even meaningfully reducing the level of general fund subsidies for golf. However, we recommend the City consider the following strategies, some or all of which may improve golf facility financials to some degree:

- **Raise Green Fees Modestly** – NGF's golfer surveys undertaken as part of this project indicated that most golfers would be willing to pay moderately higher green fees so that the City can help defray some of the rapidly rising costs necessary to operate the golf courses. Of Sunnyvale GC survey respondents, 3 out of 4 indicated they would be willing to pay some level of fee increase in order to help with the viability of the golf course, while nearly 4 out of 5 Sunken Gardens respondents indicated the same. (Increases could be presented as capital surcharges, with associated revenues going into a set-aside fund). Even a $2 increase in average green + cart fee revenue across all rounds – assuming no decline in demand – could add close to $200,000 in annual revenue, with very little associated variable cost.
- **Add Driving Range at Sunnyvale Golf Course** – As we discussed in our approaches to physical improvements to Sunnyvale GC, adding a 30 to 35-station driving range at Sunnyvale GC appears to be site feasible. Based on a favorable location, the loss of the Santa Clara G&T driving range, and revenue figures attained for San Mateo's Poplar Creek, Palo Alto's Baylands Golf Links, and San Jose Muni, we have estimated year 1 gross revenue of $17,000 per tee station for a new driving range at Sunnyvale GC.
    - If a driving range was added at Sunnyvale, there will be additional revenue opportunities related to adding a technology component (e.g., launch monitors, TopTracer Range, etc.) and aggressively programming around it. This is a growing trend NGF is observing across the US. An example in California is the City of Sacramento's Haggin Oaks Golf Course, which is open 24 hours in season and features The Hangout food truck, raised synthetic turf target greens, music, games & contests, and Trackman on several stalls. Another example NGF observed on a recent consulting assignment is the programming around the driving range at the City of Loveland, Colorado's Mariana Butte GC: https://www.golfloveland.com/city-government/departments/parks-recreation/golf-courses/mariana-butte-golf-course/games-on-the-range
    - Adding a driving range at Sunnyvale GC should also enhance lesson revenue (now essentially zero) and merchandise/club fitting revenue.

- **Themed Programming & Events** – Creative golf-themed events, on both the golf course and the driving range, are becoming popular with operators looking to make golf more fun for less committed golfers, including many young adults who want their recreation to be 'experiential'. The Sunnyvale/Mountain View/Silicon Valley area is rich in prospects for various types of events. Examples of events that NGF has observed include:
  - Weekly **9-Hole Scrambles** that generate green/cart fees, entry fees, merchandise sales and food & beverage revenues before and after the event.
  - **Wine & Nine** – combines 9 holes of golf with a wine social; these types of events have become ubiquitous at golf courses and are particularly popular among women, including beginning golfers.
  - **'Balls & Beers'** at the driving range. Participants pay a small fee for the event, which can feature a keg (or craft beers from local brewers) and unlimited range balls for an hour, with a golf pro walking the range giving quick lessons and tips.
  - **'Car Wars' / 'Bar Wars' –** over time, recruit local car dealerships, bars, and other businesses to participate in weekly or bi-weekly afternoon leagues.
  - Sacramento's **Haggin Oaks GC driving range**, noted above, is open 24/7 from May through October. It features a Power Tee system, radio sound system, and putting course, which is utilized for contests and tournaments. Various events are held at the venue, which also has The Hangout food truck. These events attract many young adults and, as with Topgolf, golfers are recruiting some of their non-golfing friends to come along.
- **Food & Beverage Service –**At public golf courses, having some level food & beverage offering is typically more about providing a service to golfers - and not giving them a reason to golf elsewhere - than it is about generating profits. Recognizing that the City has not budgeted any type of F&B at Sunnyvale GC going forward, NGF recommends the City consider at least the following:
  - Repurpose part of the pro shop area and equip it sufficiently so that the facility can offer **grab and go items**, such as fresh premade sandwiches, as well as hot dogs, beverages, snacks, etc. Also, make coffee, juice, Danish, etc. available for early morning golfers.
  - Run an outside **barbecue grill** during busier times, league play, etc., with items such as hamburgers, hot dogs, and grilled chicken at the ready.
  - Hire a part-time salesperson (base plus commission, if permitted) to market **rentals of the upper floor space at Sunnyvale GC** for events, corporate team-building events, etc. Perhaps invest in a golf simulator or two on this floor or in the pro shop area for rentals, leagues, contests, etc.
  - For Sunken Gardens, the private vendor can create events such as Sunday Brunch, 50-cent Wing Night; Monday Night Football/college football Saturday/NFL Sunday events; Trivia Night (buffet menu); Pub Night, with light fare menu.
  - See if the Sunken Gardens concessionaire would be interested in bringing a food truck to Sunnyvale as well, as least during busier times (this would have dual benefit of having a liquor license at Sunnyvale GC).

- **Enhanced Integration of Technology** - More comprehensive use of the POS system could help management better understand its customer profile segments, while also providing assistance in marketing, yield management and customer tracking. Technology is one of the most important tools available to a golf course management team to build a larger customer database, create customer loyalty and boost revenue. The efficiency of software for tee time reservations, operations / accounting reporting, retail point-of-purchase reporting, and overall management information systems continues to advance dramatically and can help improve overall facility performance.
    - Use the POS system to identify specific customers and spending patterns to help effective implement targeted email marketing campaigns (i.e. data mining), rather than one-size-fits-all email blasts that are largely informational.
    - Integrate social media tools into email marketing. This can be done automatically through delivery tools that automatically integrate to the leading social media forums, such as Facebook, Twitter, Instagram, etc.
    - There are also vendors that don’t necessarily provide POS but offer comprehensive services that manage all aspects of online marketing efforts. For example, they provide software that integrates information collected from the POS, tee sheet, website, mobile applications, booking engine and social media networks to help golf course managers better understand and market to their customers.

Golf & Tennis Fund Financial Projections and Sensitivity Analysis

Using actual FY 2018/19 rounds played and revenues as a baseline, and assuming some interim growth in revenues per round, NGF Consulting has modeled a number of financial projection scenarios for the City of Sunnyvale **Golf and Tennis Operations Fund** ('Golf Fund') for the 10-year period of FY 2021/22 through FY 2030/31. All models use City projections for operating expenses, as presented in the FY 2020/21 Adopted Budget. All operating revenue and expense figures are expressed in 2020 dollars.

We have assumed that facility improvements will be made as needed (repairs and replacement as needed to remain competitive - nothing 'transformative' in nature) over this time, but no debt service or cost of capital has been incorporated into the models. For purposes of this analysis, we have not assumed golf course closure for any improvements during the 10-year subject timeframe.

We note that a key consideration, which is not captured by the financial models, is the potential "cost of doing nothing" in addressing the deferred capital needs of the Sunnyvale golf courses. Due to a variety of factors, rounds and revenues has already been on a downward trajectory. Deferring the highest priority improvements will likely continue to result in rounds played attrition and worsening performance. There may also be a cost in terms of product quality when maintenance resources and staff time are frequently diverted to making emergency or stop-gap repairs.

The Baseline and Sensitivity scenarios are as follows (*more detailed model assumptions presented later in this section, and attendant financial model spreadsheets can be found in Appendix F*):

1. **Baseline Scenario** - 'Steady State' operation and no major capital improvements; assumes annual rounds (both courses) played constant at 98,000 throughout period.
2. **Sensitivity Scenario 1** - Baseline inputs but assumes operation of a 35-station driving range at Sunnyvale GC beginning in FY2022/23.
3. **Sensitivity Scenario 2** - Baseline inputs but annual system *rounds increased* to 108,000 (approximate average total rounds played over FY17 and FY18).
4. **Sensitivity Scenario 3** - Baseline inputs but higher average green fee and cart fee revenue-per-round.
5. **Sensitivity Scenario 4** - Baseline inputs but higher rounds **and** higher average green fee and cart fee revenue-per-round. Assumes 90% margin – additional expenses for part-time staff time, supplies, repairs, etc.
6. **Sensitivity Scenario 5** – 'Best Case' scenario with higher rounds, higher rates, modest food & beverage/room rental revenue at Sunnyvale GC, **and** operation of a 35-station driving range at Sunnyvale GC beginning in FY2022/23

All of the NGF financial model scenarios assume continued self-operation of the golf facilities with City employees, with the exception of the Sunken Gardens GC food & beverage operation and contract teaching professionals. Based on direction from City staff, none of the scenarios include a private management structure, nor do any include a private food & beverage concession at Sunnyvale GC.

BASELINE SCENARIO – 'STEADY STATE' - FY 2021/22 - FY 2030/31

NGF has created a 10-year pro forma model for the Golf Fund fiscal years FY 2022 through FY 2031 that illustrates what we think Sunnyvale Golf will look like from an operating standpoint under "steady state" conditions. This baseline scenario is intended to capture "as is" or "expected" operations, with no substantive changes in operations, green fee levels, rounds played, or facility capital investment.

Key Assumptions

The NGF revenue estimates for the "steady state" financial pro forma have been crafted based on the overriding assumptions of continuation of the current operating structure at the Sunnyvale golf courses, similar market conditions, and no significant degradation in playing conditions. This baseline scenario assumes completion of infrastructure improvements as needed to maintain the current quality of the golf experience, such as the already-funded irrigation system at Sunnyvale GC, etc.

The Base assumptions in preparing the projected financial performance estimates cover several categories, including: rounds played activity; average revenue per round across the various revenue centers (green fee, cart, driving range, and 'other'); concession revenues; tower lease revenue; and, operating expenses, broken down by golf, tennis, and City charges.

Following **are rounds played, revenue, and expense assumptions** (based on FY 2018-19 actual):

- Sunnyvale Golf System is projected to host a total of 98,000 **rounds played** each year through FY 2030/31, with Sunnyvale GC at 58,500 and Sunken Gardens at 39,500. (Just under 98,000 total rounds were hosted in FY 2018/19.
- Average FY22 **revenues per round** in the various revenue centers all reflect 6% increases over actual FY19 results, and all are projected at 2% annually through FY 2030/31:
  - Golf / Green Fees - Sunnyvale - $21.82 per round
  - Golf / Green Fees – Sunken Gardens - $13.62 per round
  - Golf Cart Rentals - $3.64 per round
  - Driving Range (Sunken Gardens GC only) – $7.30 per round
  - Other Golf Revenue - $2.41 per round
- **Rents and Concessions**, as well as **tower lease**, revenues are based directly on the City's FY 2020/21 budget and are as follows:
  - Rents & Concessions Tennis Center - $145,000 in FY22, growing @ $5K / year
  - Rents & Concessions Golf - $25,000 in FY22, growing by 2% annually
  - Tower Lease Revenue - $33,771 in FY22, growing by 2% annually
- **Transfers** from the General Fund are not included in the model.
- All **operating expenses** are taking directly from City's FY 2020/21 budget; FY 2021/22 expenses are as follows (varying annual growth rates through FY 2030/31):
  - Golf Course Operations - $4,217,045
  - Tennis Center Operations - $111,639
  - Program In-Lieu Charges - $137,961
  - Citywide In-Lieu Charges - $369,748
  - Project Operating – ($4,667)

Financial Model Summary Results: Baseline Scenario - FY 2021/22 – FY 2030/31

Utilizing the above assumptions and activity/revenue/expense estimates for the Baseline scenario, NGF Consulting crafted a 10-year pro forma financial model for the City of Sunnyvale Golf Fund for the period of FY 2021/22 through FY 2030/31. The Baseline scenario shows total gross system operating revenues of just under $37 million and a **cumulative net operating loss** for the Golf Fund of about **$21.5 million** over the subject 10-year period through FY 2030/31, based on City expense projections.

SENSITIVITY SCENARIO 1 – BASELINE + ADDITION OF DRIVING RANGE

In addition to the baseline/'steady state' financial model, we have modeled five alternate scenarios, as summarized below. We note that operating expenses remain the same in all scenarios, though the two models that include a driving range include a 'cost of sales' adjustment against revenues.

Assumptions

Same as Baseline, with following exceptions:

- Addition of 35-station driving range at Sunnyvale GC, operational beginning in FY 2022/23.
- Annual capital cost/debt service through FY31 is included in this scenario to account for the cost of adding the driving range. We have assumed the lower end of our preliminary cost estimate for adding the driving range, $3.2 million, which includes the cost of the partial course reconfiguration to accommodate the range. For simplicity, we assumed a simple interest 20-year loan with 2% interest and no coverage requirements. This amounts to annual debt service payments of $194,259. (We've also assumed no lost revenue during construction).
- Based on market comparables at Poplar Creek, San Jose Muni, and Baylands Golf Links, revenues have been estimated at $17,000 per station in FY 23, growing at 3% annually. NGF believes our revenue projections are conservative and has a high level of confidence that they are achievable, especially given the recent closure of the Santa Clara Golf & Tennis range.
- A cost of sales – to account for additional labor associated with maintaining the range – has been estimated at 7.5% of revenues and is recorded as an adjustment to revenue rather than an expense.
- For purposes of simplicity, we have *not* assumed disruption to the operating model during FY 2021/22, the presumed year of construction of the range and other course modifications. While there likely will be disruption due to mobilization and construction, it may be possible for Sunnyvale GC to be net revenue-neutral through some creative routing and cost savings (e.g., temporary suspension of In-Lieu and other indirect charges, reduction of part-time labor and other golf course maintenance expenses).
- No additional lesson or merchandise/club fitting revenue has been assumed, though both of these revenue centers should be enhanced with the addition of a driving range.

Results:

The addition of the driving range at Sunnyvale GC, with all other variables held constant, results in a total 10-year system adjusted gross operating revenue increase of just under $5.6 million over the base scenario, and the **cumulative net operating loss** for the Golf Fund is **$17.8 million** through FY 2030/31, including the cost of capital/debt. We note that while the debt service / capital cost will not be retired for an additional 10 years under these financing assumptions, *the increased net cash flow resulting from the driving range at Sunnyvale GC should continue long after the debt is paid off*.

OTHER SENSITIVITY SCENARIOS

In addition to the steady state/expected and driving range addition financial models, we have created four alternate model scenarios, as summarized below. (Operating expenses remain the same under each). For these additional "what if" scenarios, we are presenting what the financial outcomes *could be* by manipulating variables, *not what we expect to be reasonably achievable based on the current and expected quality of the Sunnyvale golf courses (absent major improvements) and the market*. For example, raising green fees beyond a modest amount may have a negative impact on rounds played and perhaps overall green fee revenues.

Scenario 2 - Increased Rounds

Assumptions:

- Same as Baseline, with exception that annual total system rounds played are projected at 108,000, broken down by 64,800 at Sunnyvale GC and 43,200 at Sunken Gardens GC. The 108,000 represents an approximate average of the activity levels in FY17 and FY18.
- There is no variable expense associated with producing these additional rounds of golf.

Results

With the addition of 10,000 annual rounds over the Baseline scenario, total 10-year gross system operating revenue increases by more than $3.6 million over the base scenario, and the **cumulative net operating loss** for the Golf Fund is **$17.9 million** over the 10-year period through FY 2030/31.

Scenario 3 – Higher Average Green & Cart Fees

Assumptions:

- Same as Baseline, with following exceptions:
  - Average green fee revenue per round at Sunnyvale GC in FY 21/22 increases by 7.5% over Baseline, to $30.56.
  - Average green fee revenue per round at Sunken Gardens GC in FY 21/22 increases by 5% over Baseline, to $15.15.
  - Average cart fee revenue per round (system) in FY 21/22 increases by 5% over Baseline, to $4.05.

Results

With moderately higher average rates, total 10-year gross system operating revenue increases by about $1.9 million over the base scenario, and the **cumulative net operating loss** for the Golf Fund is **$19.6 million** over the 10-year period through FY 2030/31.

Scenario 4 – Higher Rounds and Average Rate

Assumptions:

- Same as Baseline, with exceptions that annual total system rounds played are increased to 108,000 **and** average rates are increased as in Scenario 2.

Results

With higher rounds **and** moderately higher average rates, total 10-year gross system operating revenue increases by about $5.64 million over the base scenario, and the **cumulative net operating loss** for the Golf Fund total about **$15.8 million** over the 10-year period through FY 2030/31.

Scenario 5 – 'Best Case': Higher Rounds & Rate / Sunnyvale GC Range + F&B Service

Sensitivity scenario 5 represents the 'best case' among NGF Consulting's models. Obviously, the Sunnyvale golf system could obviously outperform – or underperform – all of these scenarios based on the outcome of many variables.

Assumptions:

- Combines the various sensitivity assumptions of higher rounds, higher rates, and addition of a 35-station driving range at Sunnyvale GC.
- In addition, we have assumed some modest food & beverage revenue at Sunnyvale GC, at $1.00 per round in FY22, and growing at 2% annually. This revenue is intended to reflect the addition of 'grab and go' type food & beverage offerings, operating the barbeque occasionally for busier times, plus rentals of the upstairs area of the clubhouse etc. A cost of sales of 30% has been assumed, as an adjustment to revenue.
- Same loan provisions as under alternative scenario 1 to account for construction of range.

Results

The 'Best Case' scenario results in 10-year total revenue (adjusted for cost of sales) that is about $11.73 million higher than the Baseline model. The **cumulative 10-year net operating loss** for the Golf Fund is more than **$4.15 million** more favorable than the next best sensitivity scenario, **Higher Rounds + Higher Rate,** at about **$11.7 million** (after debt service) through FY 2030/31.

Financial Pro Forma Models Summary

The table below summarizes key variables and operating measures for the Baseline financial model and the five sensitivity scenarios discussed in this section. Cumulative 10-year losses for the FY 2021/22 through FY 2030/31 period - utilizing City projected expenses from the Adopted FY 2020/21 Budget and NGF rounds played and revenue assumptions – range from about $11.7 million for the best-case scenario, to nearly $21.5 million for the base-case (expected) outcome.

NGF's main takeaway from this exercise is that without some 'game-changing' major investment in the Sunnyvale golf facilities (especially Sunnyvale GC), there is no reason to believe that annual operating losses will not continue to be as high as $1.5 million or more. There do not appear to be any significant upside revenue opportunities for these golf courses that can meaningfully change the overall dynamics of their financial situations, and golf course staffing is already very thin.

Sustainable green fee increases are constrained by the quality of the golf experiences offered relative to key competitors, while the lack of driving range and food & beverage amenities at Sunnyvale GC present additional revenue constraints. Even with the closures of key competitor Santa Clara Golf & Tennis, as well as other recent regional public golf course closures such as 36-hole Sunol Valley and 18-hole Skywest GC in Hayward, rounds have continued to decline in Sunnyvale (FY20 results not available).

On the expense side, the high and quickly rising cost of public labor, large-scale expense in irrigation water, and significant level of indirect expenses (i.e., City charges to the Golf Fund) make it very difficult, if not impossible, for these golf courses to operate anywhere close to breakeven. Even if rounds played were to return to the ~130,000 level last achieved in 2013, the Golf Fund would still be significantly in the red based on the current and projected expense structure.

Sunnyvale Golf & Tennis Operations Fund - 10-Year Pro Forma Scenarios Summary

SENSITIVITY SCENARIO	Base Model - 'Steady State'	Higher Rounds	Higher Rate	Higher Rounds + Higher Rate	Base Model + Driving Range at SGC	Best Case' = Higher Rds., Higher Rate + F&B + Driving Range at SGC
Total Annual System Rounds Played	98,000	108,000	98,000	108,000	98,000	108,000
Ave. FY 2021/22 Green Fee Rev. per Round - SGC	$28.42	$28.42	$30.56	$30.56	$28.42	$30.56
Ave. FY 2021/22 Green Fee Rev. per Round - Sunken Gardens GC	$14.43	$14.43	$15.15	$15.15	$14.43	$15.15
Total Cart Fee Revenue through FY 2030/31	$4,142,600	$4,565,300	$4,349,700	$4,793,600	$4,142,600	$4,793,600
Total Driving Range Revenue through FY 2030/31	$3,348,300	$3,661,800	$3,348,300	$3,661,800	$9,393,100	$9,393,100
Total Adj. Gross Operating Rev. through FY 2030/31	$36,998,783	$40,561,175	$38,884,575	$42,643,575	$42,591,075	$48,731,655
Cost of Capital – Driving Range					$1,942,590	$1,942,590
Total Expenses through FY 2030/31	$58,463,511	$58,463,511	$58,463,511	$58,463,511	$60,406,101	$60,406,101
Cumulative Loss through FY 2030/31	**($21,464,728)**	**($17,902,336)**	**($19,578,936)**	**($15,819,936)**	**($15,872,436)**	**($9,731,856)**
Cumulative Loss after Debt Service (Range scenarios)					**($17,815,026)**	**($11,674,446)**

Appendices

APPENDIX A – Golf Course Playing Fees

APPENDIX B – Golf Discount & Advantage Card Analysis

APPENDIX C – Existing Conditions and Potential Facility Improvement Approaches

APPENDIX D – National Rounds Played Report

APPENDIX E – Local Demographic, Demand and Supply Data

APPENDIX F – Sunnyvale Golf Fund Financial Projection Scenarios

APPENDIX G – Golf Course Items Expected Life Cycle

APPENDIX A – GOLF COURSE PLAYING FEES

Sunnyvale Golf Course 2020 Rates				
Green Fees	**Weekday**	**Weekends**	**Golf Cart per Rider**	**Monthly Play Cards (M-F)**
Sunnyvale Resident	$37	$49	Single - $20 Shared - $16	$200
Non-Resident	$41	$55		$235
Junior	$12	$20		DNA
Senior (Age 60+)	$30	DNA		$175
Twilight	$30	Res. $30/ Non- Res. $35	$14	
Super Twilight	$20	$25	$12	
Replay Rate	$19	$19		
Back 9 - first hour of AM	$30	$32		

Sunken Gardens Golf Course 2020 Rates				
Green Fees	**Weekday**	**Weekends**	**Golf Cart per Rider**	**Monthly Play Cards (M-F)**
Sunnyvale Resident	$18	$21	$12	$125
Non-Resident	$20	$24		DNA
Junior	$12	$12		$110
Senior	DNA	DNA		$110
Range Balls	Small $5 / Medium $8 / Large $11			

APPENDIX B – GOLF DISCOUNT & ADVANTAGE CARD ANALYSIS

The tables below provide supporting data for the summary analysis provided in the report narrative.

Sunnyvale GC - FY 19 from EZLinks				
	Rounds	Revenue	Rev./Round	
Paid Daily Fee	42,747	$1,393,869	$32.61	
Monthly Cards	10,786	$156,939	$14.55	
Complimentary	4,823	$ -	$ -	
Total	**58,356**	**$1,550,808**	**$26.57**	
			$28.97	Paid
Note: Cart revenue not included				

Sunken Gardens GC - FY 19 from EZLinks			
	Rounds	Revenue	Rev./Round
Paid Daily Fee	27,962	$472,486	$16.90
Monthly Cards	8,869	$64,665	$7.29
Complimentary	2,672	$ -	$ -
Total	**39,503**	**$537,151**	**$13.60**
Note: Cart revenue not included			

Total Monthly Cards - FY19							
	# Sold	Revenue	Rounds	Rev./Round	Rev./Card	Rds./Card	Eff. Discount
Sunnyvale	915	$156,939	10,786	$14.55	$171.52	11.8	55.4%
Sunken Gardens	638	$64,665	$8,869	$7.29	$101.36	13.9	56.9%

APPENDIX C – EXISTING CONDITIONS AND POTENTIAL FACILITY IMPROVEMENT APPROACHES

Exhibit 1 – Sunnyvale Golf Course Existing Conditions

Exhibit 2 – Known Aviation Zones (Moffett Field)

Exhibit 3 – Sunken Gardens Golf Course Existing Conditions

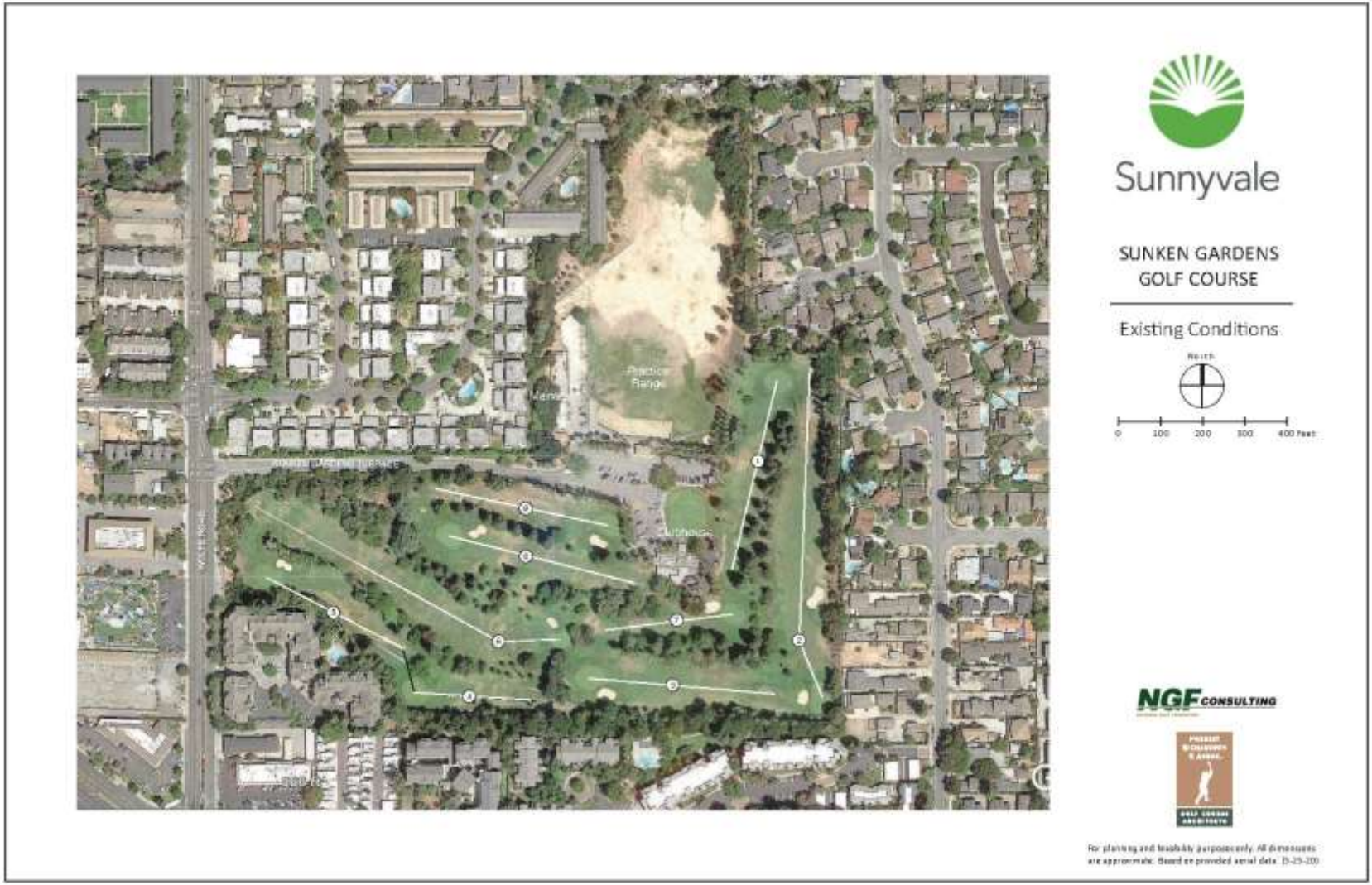


Exhibit 4 – Sunnyvale Golf Course: Baseline Approach

Exhibit 5 – Sunnyvale Golf Course: Conceptual Approach A

Exhibit 6 – Sunnyvale Golf Course: Conceptual Approach B

APPENDIX D - NATIONAL ROUNDS PLAYED REPORT

Exhibit 1 – Year End 2019

National Golf Rounds Played Report

DECEMBER 2019

	DEC	YTD
PACIFIC	**-8.7%**	**-3.4%**
CA	**-12.6%**	**-4.7%**
Los Angeles	-13.9%	-3.6%
Orange County	-7.7%	-6.7%
Palm Springs	-0.2%	-0.4%
Sacramento	-21.8%	-5.5%
San Diego	-14.6%	-4.9%
San Francisco/Oakland	-24.8%	-4.9%
HI	**4.6%**	**2.4%**
OR	**17.7%**	**-1.8%**
Portland	12.4%	-1.0%
WA	**8.2%**	**-0.5%**
Seattle	13.4%	2.2%
MOUNTAIN	**-8.4%**	**-2.4%**
AZ	**-7.4%**	**0.5%**
Phoenix	-4.2%	0.9%
CO	**-33.3%**	**-3.1%**
Denver	-35.1%	-3.0%
ID, WY, MT, UT	**3.6%**	**-4.9%**
NM	**9.0%**	**-3.7%**
NV	**-1.7%**	**-0.7%**
Las Vegas	-1.9%	-3.8%
WEST NORTH CENTRAL	**35.7%**	**2.0%**
KS, NE	**37.8%**	**2.7%**
ND,SD	**NA**	**5.8%**
MN	**NA**	**1.4%**
Minneapolis/St.Paul	NA	4.2%
IA, MO	**34.1%**	**0.9%**
St Louis	17.4%	-0.1%
Kansas City	14.7%	-0.2%

	DEC	YTD
UNITED STATES	**8.3%**	**1.5%**
PUBLIC ACCESS	6.5%	1.1%
PRIVATE	13.4%	2.2%
EAST NORTH CENTRAL	**55.8%**	**4.0%**
IL	**98.3%**	**0.8%**
Chicago	116.7%	-0.5%
IN	**56.1%**	**7.2%**
MI	**23.1%**	**3.2%**
Detroit	16.2%	4.9%
OH	**18.6%**	**7.6%**
Cincinnati	32.6%	4.0%
Cleveland	23.9%	5.4%
WI	**NA**	**1.1%**
SOUTH CENTRAL	**33.8%**	**-0.1%**
AL	**37.5%**	**-1.0%**
AR, LA, MS	**33.2%**	**-4.8%**
KY	**38.9%**	**-0.8%**
OK	**43.4%**	**-2.7%**
TN	**53.0%**	**6.3%**
TX	**29.9%**	**0.9%**
Dallas/Ft. Worth	37.8%	2.9%
Houston	39.3%	1.6%
San Antonio	18.5%	5.8%

	DEC	YTD
SOUTH ATLANTIC	**10.9%**	**3.4%**
DE, DC, MD	**17.5%**	**12.6%**
Washington/Baltimore	16.3%	15.8%
FL	**1.5%**	**0.5%**
Jacksonville	4.1%	1.8%
Orlando	4.6%	3.7%
Tampa	17.0%	0.5%
Palm Beach	-10.2%	-0.7%
Naples/Ft Myers	1.9%	1.4%
Miami/Ft.Lauderdale	-9.8%	-0.2%
GA	**43.7%**	**3.3%**
Atlanta	69.4%	5.4%
NC	**38.5%**	**3.4%**
Greensboro/Raleigh	53.8%	7.0%
SC	**23.9%**	**0.9%**
Charleston	30.4%	2.8%
Hilton Head	14.4%	1.5%
Myrtle Beach	27.5%	3.6%
VA, WV	**23.9%**	**12.8%**
MID ATLANTIC	**-1.3%**	**6.5%**
NJ	**0.9%**	**12.1%**
NY	**-4.2%**	**2.5%**
New York City	1.7%	9.6%
PA	**0.9%**	**8.2%**
Philadelphia	10.3%	9.7%
Pittsburgh	12.0%	11.1%
NEW ENGLAND	**-9.5%**	**3.7%**
CT	**-5.5%**	**7.2%**
MA, RI	**-10.5%**	**2.4%**
Boston	-31.6%	0.7%
ME, NH, VT	**NA**	**3.7%**

The percentages represent the differences in number of rounds played comparing December 2019 to December 2018
For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116

National Golf Rounds Played Report

Page 3 of 3

US TOTAL YEAR 2019 vs. 2018

+1.5%

LEGEND:
Outline colors represent regions. Round percentages compares total year 2019 to total year 2018.

1º WARMER Temp YOY = 0.76% Increase in Rounds Played*
1" RAIN increase YOY = 2.2% Decrease in Rounds Played*
*Based on WTI's historical analysis of weather conditions for all US markets. Results may vary by region

	+ 2.0% and higher
	between -1.9% and + 1.9%
	- 2.0% and lower

Exhibit 2 – Year-End 2020 National Rounds

National Golf Rounds Played Report

DECEMBER 2020

	DEC	YTD
PACIFIC	**53.9%**	**4.8%**
CA	**58.3%**	**5.6%**
Los Angeles	45.6%	*
Orange County	32.3%	*
Palm Springs	19.2%	*
Sacramento	106.8%	*
San Diego	60.0%	*
San Francisco/Oakland	130.9%	*
HI	**-8.4%**	**-32.7%**
OR	**79.8%**	**22.2%**
Portland	87.1%	*
WA	**67.0%**	**3.6%**
Seattle	87.6%	*
MOUNTAIN	**30.2%**	**14.3%**
AZ	**25.9%**	**12.2%**
Phoenix	29.9%	*
CO	**43.3%**	**19.9%**
Denver	5.9%	*
ID, WY, MT, UT	**52.9%**	**20.4%**
NM	**25.5%**	**2.0%**
NV	**36.8%**	**-3.6%**
Las Vegas	36.9%	*
WEST NORTH CENTRAL	**84.6%**	**23.1%**
KS, NE	**87.9%**	**20.0%**
ND,SD	**NA**	**24.4%**
MN	**NA**	**23.6%**
Minneapolis/St.Paul	NA	*
IA, MO	**72.5%**	**24.6%**
St Louis	70.3%	*
Kansas City	147.5%	*

	DEC	YTD
UNITED STATES	**37.3%**	**13.9%**
PUBLIC ACCESS	**34.7%**	**12.4%**
PRIVATE	**45.2%**	**19.9%**

	DEC	YTD
EAST NORTH CENTRAL	**16.8%**	**14.5%**
IL	**28.6%**	**15.4%**
Chicago	16.9%	*
IN	**47.1%**	**23.5%**
MI	**-9.1%**	**7.1%**
Detroit	-5.5%	*
OH	**3.0%**	**14.0%**
Cincinnati	29.2%	*
Cleveland	-26.6%	*
WI	**NA**	**19.9%**
SOUTH CENTRAL	**33.5%**	**20.3%**
AL	**37.6%**	**5.0%**
AR, LA, MS	**36.8%**	**19.4%**
OK	**33.3%**	**24.3%**
KY, TN	**38.2%**	**22.5%**
TX	**30.7%**	**21.4%**
Dallas/Ft. Worth	37.9%	*
Houston	20.0%	*
San Antonio	37.7%	*

* Not reporting YTD 2020

	DEC	YTD
SOUTH ATLANTIC	**26.9%**	**8.4%**
DE, DC, MD	**56.1%**	**7.7%**
Washington/Baltimore	75.2%	*
FL	**19.0%**	**6.9%**
Jacksonville	27.1%	*
Orlando	23.7%	*
Tampa	20.3%	*
Palm Beach	12.5%	*
Naples/Ft Myers	19.8%	*
Miami/Ft.Lauderdale	10.5%	*
GA	**47.7%**	**14.6%**
Atlanta	51.8%	*
NC	**29.5%**	**5.8%**
Greensboro/Raleigh	50.9%	*
SC	**31.6%**	**-0.2%**
Charleston	55.7%	*
Hilton Head	63.4%	*
Myrtle Beach	15.6%	*
VA, WV	**56.9%**	**21.3%**
MID ATLANTIC	**66.6%**	**18.0%**
NJ	**80.8%**	**15.8%**
NY	**72.7%**	**20.6%**
New York City	77.5%	*
PA	**52.1%**	**16.3%**
Philadelphia	52.3%	*
Pittsburgh	11.9%	*
NEW ENGLAND	**101.1%**	**17.1%**
CT, MA, RI	**100.3%**	**18.0%**
Boston	80.8%	*
ME, NH, VT	**NA**	**15.0%**

The percentages represent the differences in number of rounds played comparing December 2020 to December 2019
For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116

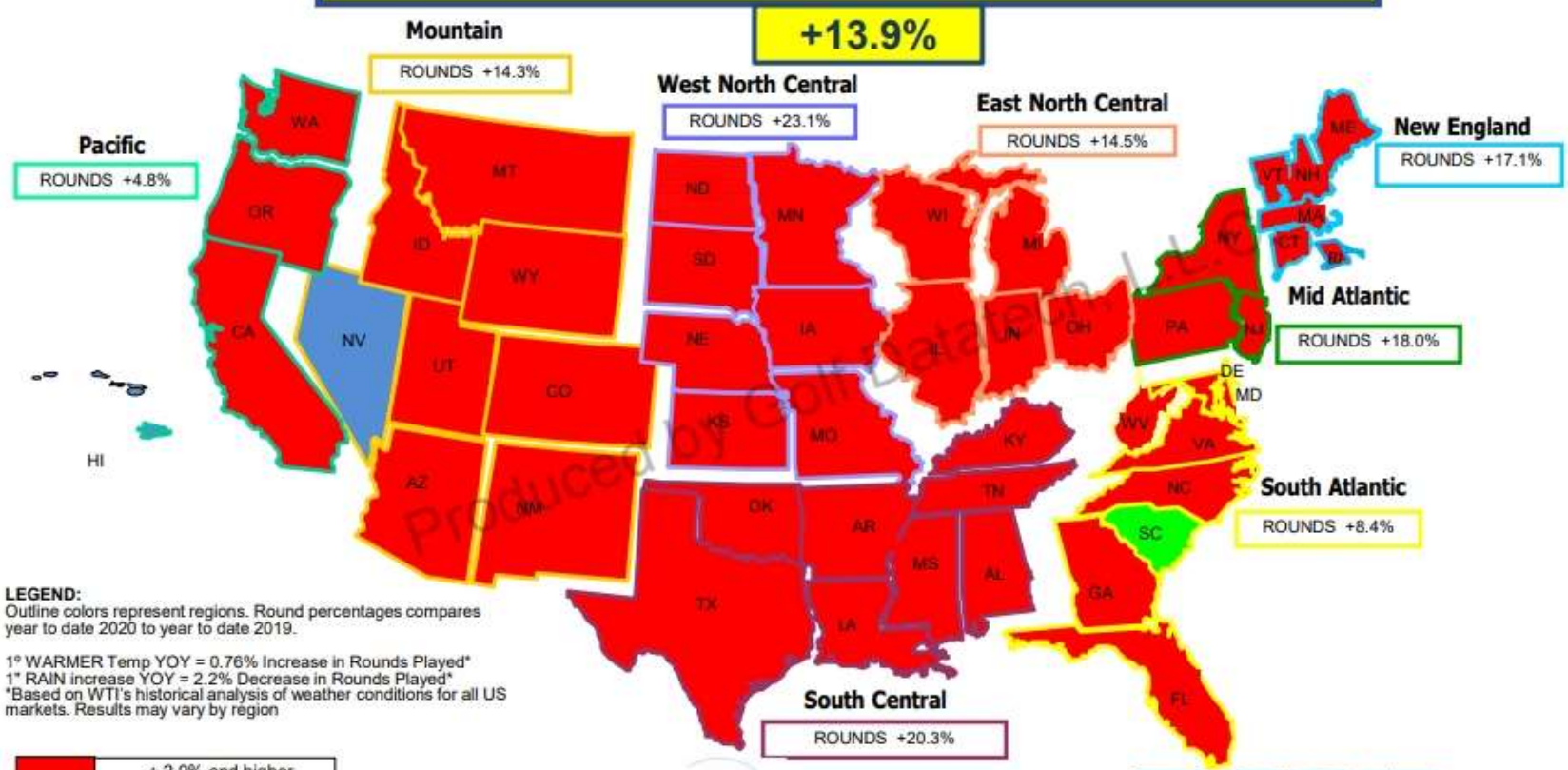
Produced by Golf Datatech, LLC

National Golf Rounds Played Report

Page 3 of 3

US 2020 vs. 2019 YTD THROUGH DECEMBER

+13.9%



LEGEND:
Outline colors represent regions. Round percentages compares year to date 2020 to year to date 2019.

1° WARMER Temp YOY = 0.76% Increase in Rounds Played*
1" RAIN increase YOY = 2.2% Decrease in Rounds Played*
*Based on WTI's historical analysis of weather conditions for all US markets. Results may vary by region

	+ 2.0% and higher
	between -1.9% and + 1.9%
	- 2.0% and lower

weathertrends360

NGF

Produced by Golf Datatech, LLC

APPENDIX E – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

Sunnyvale Golf Course

Sunnyvale Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	2019 U.S.
Summary Demographics						
Population 1990 Census	295,515	916,060	2,035,600	1,496,700	29,724,503	248,584,652
Population 2000 Census	325,337	1,012,820	2,279,340	1,682,590	33,871,650	281,399,034
CAGR 1990-2000	0.97%	1.01%	1.14%	1.18%	1.31%	1.25%
Population 2010 Census	349,881	1,076,623	2,384,392	1,781,642	37,253,956	308,745,538
CAGR 2000-2010	0.73%	0.61%	0.45%	0.57%	0.96%	0.93%
Population Estimate 2019	387,688	1,203,559	2,621,391	1,964,685	39,889,786	326,955,948
Population 2024 Projected	388,980	1,207,687	2,629,757	1,967,216	40,974,819	338,366,389
CAGR 2019-2024	0.07%	0.07%	0.06%	0.03%	0.54%	0.69%
CAGR 2010-2024	0.82%	0.89%	0.76%	0.77%	0.73%	0.71%
Median HH Income (2019)	$137,489	$128,184	$122,432	$121,416	$75,100	$60,523
Median Age (2019)	37.4	37.3	38.0	37.8	37.0	38.2
Ethnicity						
White	41.5%	41.4%	42.1%	42.4%	54.8%	70.1%
African American	2.8%	3.5%	3.3%	3.0%	6.6%	13.4%
Asian	43.8%	41.1%	37.6%	37.6%	15.1%	5.8%
All Other	12.0%	14.1%	16.9%	17.0%	23.4%	10.7%
Hispanic Population						
Hispanic	15.5%	18.7%	23.5%	25.1%	38.6%	17.6%
Not Hispanic	84.5%	81.3%	76.5%	74.9%	61.4%	82.4%

CAGR = Compound Annual Growth Rate

Sunnyvale Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	U.S.
Golf Demand Indicators						
Total Households	149,997	435,637	891,589	665,668	13,700,586	125,541,798
Number of Golfing Households	19,871	54,262	110,320	84,466	1,520,613	17,484,590
Projected Golfing Households (2024)	20,948	56,273	113,163	87,328	1,552,972	18,258,060
Projected Annual Growth Rate	1.10%	0.70%	0.50%	0.70%	0.40%	0.90%
Seasonal Golfing Households	130	343	553	436	44,242	748,477
Latent Demand/Interested Non-Golfers	80,017	218,974	431,553	325,213	5,817,387	47,425,600
Household Participation Rate	13.20%	12.50%	12.40%	12.70%	11.10%	13.90%
Number of Golfers	33,452	97,386	203,744	157,714	2,770,445	24,241,030
Rounds Potential (resident golfers)	542,623	1,503,512	3,015,771	2,297,922	44,644,700	434,080,100
Estimated Course Rounds (in-market supply)	474,387	758,645	1,521,241	1,625,849	43,882,520	434,084,100
Demand Indices						
Golfing Household Participation Rate	97	92	91	93	82	100
Seasonal Golfing Households	15	14	11	11	55	100
Latent Demand/Interested Non-Golfers	143	126	114	115	101	100
Rounds Potential per Household (resident golfers)	107	102	100	102	96	100

Sunnyvale Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	U.S.
Golf Supply						
Golf Facilities						
Total	8	15	31	32	856	14,604
Public	7	10	20	21	586	10,896
Public: Daily Fee	1	3	9	12	406	8,377
Public: Municipal	6	7	11	9	180	2,519
Private	1	5	11	11	270	3,708
Public Golf Facilities by Price Point						
Premium (>$70)	2	2	6	8	169	1,428
Standard ($40-$70)	3	5	7	7	240	4,081
Value (<$40)	2	3	7	6	177	5,387
Golf Holes						
Total	126	234	504	558	15,282	247,815
Public	108	153	306	360	10,143	179,760
Public: Daily Fee	18	45	144	225	7,002	137,760
Public: Municipal	90	108	162	135	3,141	42,000
Private	18	81	198	198	5,139	68,055
Non-Regulation (Executive & Par-3)	18	45	99	81	2,295	19,872
Net Change*						
Net Change in Holes past 5 years	0	0	18	-18	-990	-14,346
Percentage Total Holes Past 5 Yrs	0.00%	0.00%	3.70%	-3.10%	-6.10%	-5.50%
Net Change in Holes past 10 Years	0	0	0	-18	-1,359	-21,888
Percentage Total Holes Past 10 Yrs	0.00%	0.00%	0.00%	-3.10%	-8.20%	-8.10%

*Numbers may include courses under construction and temporarily closed at the end of the year.

Sunnyvale Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	U.S.
Supply-Demand Ratios						
Households per 18 Holes						
Total	21,428	33,511	31,842	21,473	16,137	9,119
Public	25,000	51,251	52,446	33,283	24,313	12,571
Public: Daily Fee	149,997	174,255	111,449	53,253	35,220	16,404
Public: Municipal	29,999	72,606	99,065	88,756	78,513	53,804
Private	149,997	96,808	81,054	60,515	47,988	33,205
Premium (>$70)	74,999	217,819	137,168	66,567	69,370	72,630
Standard ($40-$70)	49,999	87,127	127,370	95,095	53,206	28,779
Value (<$40)	149,997	290,425	254,740	221,889	126,273	32,225
Golfing Households per 18 Holes						
Total	2,839	4,174	3,940	2,725	1,791	1,270
Public	3,312	6,384	6,489	4,223	2,699	1,751
Public: Daily Fee	19,871	21,705	13,790	6,757	3,909	2,285
Public: Municipal	3,974	9,044	12,258	11,262	8,714	7,493
Private	19,871	12,058	10,029	7,679	5,326	4,625
Premium (>$70)	9,936	27,131	16,972	8,447	7,699	10,115
Standard ($40-$70)	6,624	10,852	15,760	12,067	5,905	4,008
Value (<$40)	19,871	36,175	31,520	28,155	14,015	4,488
Household Indices						
Total	232	362	344	232	175	100
Public	196	402	412	261	191	100
Private	446	288	241	180	143	100
Premium (>$70)	99	286	180	88	91	100
Standard ($40-$70)	169	295	432	322	180	100
Value (<$40)	472	913	801	698	397	100
Golfing Household Indices						
Total	226	332	313	217	142	100
Public	191	368	374	244	156	100
Private	434	263	219	168	116	100
Premium (>$70)	96	262	164	82	74	100
Standard ($40-$70)	165	270	392	300	147	100
Value (<$40)	459	836	728	650	324	100
Rounds per 18 Holes						
Rounds Potential (resident golfers)	77,518	115,655	107,706	74,127	52,585	31,530
Estimated Course Rounds (in-market supply)	67,770	58,357	54,330	52,447	51,687	31,530

Sunken Garden Golf Course

Sunken Garden Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	2019 U.S.
Summary Demographics						
Population 1990 Census	400,105	1,063,884	1,883,350	1,496,700	29,724,503	248,584,652
Population 2000 Census	438,878	1,166,966	2,106,470	1,682,590	33,871,650	281,399,034
CAGR 1990-2000	0.93%	0.93%	1.13%	1.18%	1.31%	1.25%
Population 2010 Census	473,042	1,240,354	2,204,572	1,781,642	37,253,956	308,745,538
CAGR 2000-2010	0.75%	0.61%	0.46%	0.57%	0.96%	0.93%
Population Estimate 2019	516,324	1,373,818	2,425,426	1,964,685	39,889,786	326,955,948
Population 2024 Projected	517,462	1,377,032	2,432,155	1,967,216	40,974,819	338,366,389
CAGR 2019-2024	0.04%	0.05%	0.06%	0.03%	0.54%	0.69%
CAGR 2010-2024	0.69%	0.81%	0.76%	0.77%	0.73%	0.71%
Median HH Income (2019)	$134,358	$123,877	$122,547	$121,416	$75,100	$60,523
Median Age (2019)	37.4	37.6	37.8	37.8	37.0	38.2
Ethnicity						
White	39.3%	41.9%	42.2%	42.4%	54.8%	70.1%
African American	2.7%	3.1%	3.3%	3.0%	6.6%	13.4%
Asian	46.5%	40.0%	37.6%	37.6%	15.1%	5.8%
All Other	11.6%	15.0%	17.0%	17.0%	23.4%	10.7%
Hispanic Population						
Hispanic	14.8%	21.1%	23.8%	25.1%	38.6%	17.6%
Not Hispanic	85.2%	78.9%	76.2%	74.9%	61.4%	82.4%

CAGR = Compound Annual Growth Rate

Sunken Garden Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	U.S.
Golf Demand Indicators						
Total Households	193,944	490,046	823,613	665,668	13,700,586	125,541,798
Number of Golfing Households	24,709	59,614	101,692	84,466	1,520,613	17,484,590
Projected Golfing Households (2024)	26,027	61,712	104,437	87,328	1,552,972	18,258,060
Projected Annual Growth Rate	1.00%	0.70%	0.50%	0.70%	0.40%	0.90%
Seasonal Golfing Households	150	321	502	436	44,242	748,477
Latent Demand/Interested Non-Golfers	102,125	244,668	400,029	325,213	5,817,387	47,425,600
Household Participation Rate	12.70%	12.20%	12.30%	12.70%	11.10%	13.90%
Number of Golfers	43,270	107,542	188,059	157,714	2,770,445	24,241,030
Rounds Potential (resident golfers)	665,477	1,631,590	2,771,208	2,297,922	44,644,700	434,080,100
Estimated Course Rounds (in-market supply)	412,189	807,313	1,413,480	1,625,849	43,882,520	434,084,100
Demand Indices						
Golfing Household Participation Rate	94	89	91	93	82	100
Seasonal Golfing Households	13	11	10	11	55	100
Latent Demand/Interested Non-Golfers	137	124	115	115	101	100
Rounds Potential per Household (resident golfers)	102	99	100	102	96	100

Sunken Garden Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	U.S.
Golf Supply						
Golf Facilities						
Total	8	16	29	32	856	14,604
Public	7	11	19	21	586	10,896
Public: Daily Fee	3	3	9	12	406	8,377
Public: Municipal	4	8	10	9	180	2,519
Private	1	5	10	11	270	3,708
Public Golf Facilities by Price Point						
Premium (>$70)	0	2	5	8	169	1,428
Standard ($40-$70)	4	5	7	7	240	4,081
Value (<$40)	3	4	7	6	177	5,387
Golf Holes						
Total	117	243	468	558	15,282	247,815
Public	99	162	288	360	10,143	179,760
Public: Daily Fee	45	45	144	225	7,002	137,760
Public: Municipal	54	117	144	135	3,141	42,000
Private	18	81	180	198	5,139	68,055
Non-Regulation (Executive & Par-3)	45	54	99	81	2,295	19,872
Net Change*						
Net Change in Holes past 5 years	0	0	18	-18	-990	-14,346
Percentage Total Holes Past 5 Yrs	0.00%	0.00%	4.00%	-3.10%	-6.10%	-5.50%
Net Change in Holes past 10 Years	0	0	0	-18	-1,359	-21,888
Percentage Total Holes Past 10 Yrs	0.00%	0.00%	0.00%	-3.10%	-8.20%	-8.10%

*Numbers may include courses under construction and temporarily closed at the end of the year.

Sunken Garden Golf Course	5-mile ring	10-mile ring	30-minute drive time	Santa Clara County	State of California	U.S.
Supply-Demand Ratios						
Households per 18 Holes						
Total	29,838	36,300	31,677	21,473	16,137	9,119
Public	35,263	54,450	51,476	33,283	24,313	12,571
Public: Daily Fee	77,578	196,018	102,952	53,253	35,220	16,404
Public: Municipal	64,648	75,392	102,952	88,756	78,513	53,804
Private	193,944	108,899	82,361	60,515	47,988	33,205
Premium (>$70)	0	245,023	149,748	66,567	69,370	72,630
Standard ($40-$70)	48,486	98,009	117,659	95,095	53,206	28,779
Value (<$40)	129,296	245,023	235,318	221,889	126,273	32,225
Golfing Households per 18 Holes						
Total	3,801	4,416	3,911	2,725	1,791	1,270
Public	4,493	6,624	6,356	4,223	2,699	1,751
Public: Daily Fee	9,884	23,846	12,712	6,757	3,909	2,285
Public: Municipal	8,236	9,171	12,712	11,262	8,714	7,493
Private	24,709	13,248	10,169	7,679	5,326	4,625
Premium (>$70)	0	29,807	18,489	8,447	7,699	10,115
Standard ($40-$70)	6,177	11,923	14,527	12,067	5,905	4,008
Value (<$40)	16,473	29,807	29,055	28,155	14,015	4,488
Household Indices						
Total	323	393	343	232	175	100
Public	277	427	404	261	191	100
Private	576	323	245	180	143	100
Premium (>$70)	0	322	197	88	91	100
Standard ($40-$70)	164	332	399	322	180	100
Value (<$40)	406	770	740	698	397	100
Golfing Household Indices						
Total	302	351	311	217	142	100
Public	259	382	367	244	156	100
Private	539	289	222	168	116	100
Premium (>$70)	0	288	179	82	74	100
Standard ($40-$70)	154	297	362	300	147	100
Value (<$40)	381	689	671	650	324	100
Rounds per 18 Holes						
Rounds Potential (resident golfers)	102,381	120,859	106,585	74,127	52,585	31,530
Estimated Course Rounds (in-market supply)	63,414	59,801	54,365	52,447	51,687	31,530

APPENDIX F – SUNNYVALE GOLF FUND FINANCIAL PROJECTION SCENARIOS

Baseline 'Steady State' Scenario - 'Steady State' operation and no major capital improvements; assumes annual rounds (both courses) played constant at 98,000 throughout period.

CITY OF SUNNYVALE
GOLF AND TENNIS OPERATIONS FUND
NGF FINANCIAL MODEL BASED ON ACTUAL FY19 AND CITY FY20 BUDGET
JULY 1, 2021 TO JUNE 30, 2031

Fiscal Year	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2021/2022 To 2030/2031 TOTAL
TOTAL ROUNDS PLAYED	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	
Sunnyvale GC	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	
Sunken Gardens GC	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	
PER ROUND											
Golf Fees - Sunnyvale	28.42	28.99	29.57	30.16	30.77	31.38	32.01	32.65	33.30	33.97	
Golf Fees - Sunken Gardens	14.43	14.72	15.02	15.32	15.62	15.94	16.25	16.58	16.91	17.25	
Golf Cart Rentals	3.86	3.94	4.02	4.10	4.18	4.26	4.35	4.43	4.52	4.61	
Driving Range Fees	7.74	7.90	8.05	8.22	8.38	8.55	8.72	8.89	9.07	9.25	
Other Golf Revenue	2.55	2.60	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	
REVENUES:											
Rents and Concessions - Tennis Center	145,000	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000	1,675,000
Rents and Concessions - Golf	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	273,500
Golf Fees - Sunnyvale	1,662,800	1,696,100	1,730,000	1,764,600	1,799,900	1,835,900	1,872,600	1,910,100	1,948,300	1,987,200	18,207,500
Golf Fees - Sunken Gardens	570,100	581,500	593,100	605,000	617,100	629,400	642,000	654,900	668,000	681,300	6,242,400
Golf Cart Rentals	378,300	385,900	393,600	401,500	409,500	417,700	426,100	434,600	443,300	452,100	4,142,600
Driving Range Fees	305,800	311,900	318,100	324,500	331,000	337,600	344,400	351,300	358,300	365,400	3,348,300
Other Golf Revenue	250,200	255,200	260,300	265,500	270,800	276,300	281,800	287,400	293,200	299,000	2,739,700
Tower Lease Revenue	33,771	34,446	35,135	35,838	36,555	37,286	38,032	38,792	39,568	40,360	369,783
TOTAL REVENUES	**3,370,971**	**3,440,546**	**3,511,235**	**3,583,438**	**3,656,855**	**3,731,686**	**3,808,032**	**3,885,792**	**3,964,968**	**4,045,260**	**36,998,783**

EXPENSES:											
Golf Course Operations	4,217,045	4,524,190	4,812,622	4,963,350	5,124,891	5,282,325	5,445,065	5,613,280	5,778,642	5,877,571	51,638,981
Tennis Center Operations	111,639	113,314	115,014	117,889	121,426	125,068	128,820	132,685	136,666	140,766	1,243,287
Program In-Lieu Charges	137,961	143,566	149,241	151,484	149,595	153,784	157,629	161,808	165,608	169,998	1,540,674
Citywide In-Lieu Charges	369,748	379,313	389,117	333,770	409,465	420,023	430,844	441,936	453,305	464,958	4,092,479
Project Operating	(4,667)	(4,760)	(4,855)	(4,953)	(5,052)	(5,203)	(5,359)	(5,520)	(5,685)	(5,856)	(51,910)
TOTAL EXPENSES	**4,831,726**	**5,155,623**	**5,461,139**	**5,561,540**	**5,800,325**	**5,975,997**	**6,156,999**	**6,344,189**	**6,528,536**	**6,647,437**	**58,463,511**
NET OPERATING INCOME	**-1,460,755**	**-1,715,077**	**-1,949,904**	**-1,978,102**	**-2,143,470**	**-2,244,311**	**-2,348,967**	**-2,458,397**	**-2,563,568**	**-2,602,177**	**-21,464,728**

Sensitivity Scenario 1 - Baseline inputs but annual system *rounds increased* to 108,000 (approximate average total rounds played over FY17 and FY18).

CITY OF SUNNYVALE
GOLF AND TENNIS OPERATIONS FUND
NGF FINANCIAL MODEL BASED ON ACTUAL FY19 AND CITY FY20 BUDGET
JULY 1, 2021 TO JUNE 30, 2031

Fiscal Year	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2021/2022 To 2030/2031 TOTAL
TOTAL ROUNDS PLAYED	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	
Sunnyvale GC	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	
Sunken Gardens GC	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	
PER ROUND											
Golf Fees - Sunnyvale	28.42	28.99	29.57	30.16	30.77	31.38	32.01	32.65	33.30	33.97	
Golf Fees - Sunken Gardens	14.43	14.72	15.02	15.32	15.62	15.94	16.25	16.58	16.91	17.25	
Golf Cart Rentals	3.86	3.94	4.02	4.10	4.18	4.26	4.35	4.43	4.52	4.61	
Driving Range Fees	7.74	7.90	8.05	8.22	8.38	8.55	8.72	8.89	9.07	9.25	
Other Golf Revenue	2.55	2.60	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	
REVENUES:											
Rents and Concessions - Tennis Center	145,000	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000	1,675,000
Rents and Concessions - Golf	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	273,500
Golf Fees - Sunnyvale	1,841,900	1,878,700	1,916,300	1,954,600	1,993,700	2,033,600	2,074,300	2,115,800	2,158,100	2,201,200	20,168,200
Golf Fees - Sunken Gardens	623,500	636,000	648,700	661,700	674,900	688,400	702,200	716,200	730,500	745,100	6,827,200
Golf Cart Rentals	416,900	425,300	433,800	442,500	451,300	460,300	469,500	478,900	488,500	498,300	4,565,300
Driving Range Fees	334,400	341,100	347,900	354,900	362,000	369,200	376,600	384,200	391,800	399,700	3,661,800
Other Golf Revenue	275,800	281,300	286,900	292,600	298,500	304,500	310,500	316,800	323,100	329,600	3,019,600
Tower Lease Revenue	33,771	34,446	35,135	35,838	36,555	37,286	38,032	38,792	40,360	40,360	370,575
TOTAL REVENUES	**3,696,271**	**3,772,346**	**3,849,735**	**3,928,638**	**4,008,955**	**4,090,786**	**4,174,232**	**4,259,392**	**4,346,660**	**4,434,160**	**40,561,175**

EXPENSES:											
Golf Course Operations	4,217,045	4,524,190	4,812,622	4,963,350	5,124,891	5,282,325	5,445,065	5,613,280	5,778,642	5,877,571	51,638,981
Tennis Center Operations	111,639	113,314	115,014	117,889	121,426	125,068	128,820	132,685	136,666	140,766	1,243,287
Program In-Lieu Charges	137,961	143,566	149,241	151,484	149,595	153,784	157,629	161,808	165,608	169,998	1,540,674
Citywide In-Lieu Charges	369,748	379,313	389,117	333,770	409,465	420,023	430,844	441,936	453,305	464,958	4,092,479
Project Operating	(4,667)	(4,760)	(4,855)	(4,953)	(5,052)	(5,203)	(5,359)	(5,520)	(5,685)	(5,856)	(51,910)
TOTAL EXPENSES	**4,831,726**	**5,155,623**	**5,461,139**	**5,561,540**	**5,800,325**	**5,975,997**	**6,156,999**	**6,344,189**	**6,528,536**	**6,647,437**	**58,463,511**
NET OPERATING INCOME	**-1,135,455**	**-1,383,277**	**-1,611,404**	**-1,632,902**	**-1,791,370**	**-1,885,211**	**-1,982,767**	**-2,084,797**	**-2,181,876**	**-2,213,277**	**-17,902,336**

Sensitivity Scenario 2 - Baseline inputs but higher average green fee and cart fee revenue-per-round.

CITY OF SUNNYVALE
GOLF AND TENNIS OPERATIONS FUND
NGF FINANCIAL MODEL BASED ON ACTUAL FY19 AND CITY FY20 BUDGET
JULY 1, 2021 TO JUNE 30, 2031

Fiscal Year	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2021/2022 To 2030/2031 TOTAL
TOTAL ROUNDS PLAYED	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	
Sunnyvale GC	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	
Sunken Gardens GC	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	
PER ROUND											
Golf Fees - Sunnyvale	30.56	31.17	31.79	32.43	33.08	33.74	34.41	35.10	35.80	36.52	
Golf Fees - Sunken Gardens	15.15	15.46	15.77	16.08	16.40	16.73	17.07	17.41	17.76	18.11	
Golf Cart Rentals	4.05	4.13	4.22	4.30	4.39	4.48	4.56	4.66	4.75	4.84	
Driving Range Fees	7.74	7.90	8.05	8.22	8.38	8.55	8.72	8.89	9.07	9.25	
Other Golf Revenue	2.55	2.60	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	
REVENUES:											
Rents and Concessions - Tennis Center	145,000	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000	1,675,000
Rents and Concessions - Golf	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	273,500
Golf Fees - Sunnyvale	1,787,500	1,823,300	1,859,800	1,897,000	1,934,900	1,973,600	2,013,100	2,053,300	2,094,400	2,136,300	19,573,200
Golf Fees - Sunken Gardens	598,600	610,600	622,800	635,200	648,000	660,900	674,100	687,600	701,400	715,400	6,554,600
Golf Cart Rentals	397,200	405,200	413,300	421,600	430,000	438,600	447,400	456,300	465,400	474,700	4,349,700
Driving Range Fees	305,800	311,900	318,100	324,500	331,000	337,600	344,400	351,300	358,300	365,400	3,348,300
Other Golf Revenue	250,200	255,200	260,300	265,500	270,800	276,300	281,800	287,400	293,200	299,000	2,739,700
Tower Lease Revenue	33,771	34,446	35,135	35,838	36,555	37,286	38,032	38,792	40,360	40,360	370,575
TOTAL REVENUES	**3,543,071**	**3,616,146**	**3,690,435**	**3,766,138**	**3,843,255**	**3,921,786**	**4,001,932**	**4,083,392**	**4,167,360**	**4,251,060**	**38,884,575**
EXPENSES:											

Golf Course Operations	4,217,045	4,524,190	4,812,622	4,963,350	5,124,891	5,282,325	5,445,065	5,613,280	5,778,642	5,877,571	51,638,981
Tennis Center Operations	111,639	113,314	115,014	117,889	121,426	125,068	128,820	132,685	136,666	140,766	1,243,287
Program In-Lieu Charges	137,961	143,566	149,241	151,484	149,595	153,784	157,629	161,808	165,608	169,998	1,540,674
Citywide In-Lieu Charges	369,748	379,313	389,117	333,770	409,465	420,023	430,844	441,936	453,305	464,958	4,092,479
Project Operating	(4,667)	(4,760)	(4,855)	(4,953)	(5,052)	(5,203)	(5,359)	(5,520)	(5,685)	(5,856)	(51,910)
TOTAL EXPENSES	**4,831,726**	**5,155,623**	**5,461,139**	**5,561,540**	**5,800,325**	**5,975,997**	**6,156,999**	**6,344,189**	**6,528,536**	**6,647,437**	**58,463,511**
NET OPERATING INCOME	**-1,288,655**	**-1,539,477**	**-1,770,704**	**-1,795,402**	**-1,957,070**	**-2,054,211**	**-2,155,067**	**-2,260,797**	**-2,361,176**	**-2,396,377**	**-19,578,936**

Sensitivity Scenario 3 - Baseline inputs but higher rounds **and** higher average green fee and cart fee revenue-per-round. Assumes 90% margin – additional expenses for part-time staff time, supplies, repairs, etc.

CITY OF SUNNYVALE
GOLF AND TENNIS OPERATIONS FUND
NGF FINANCIAL MODEL BASED ON ACTUAL FY19 AND CITY FY20 BUDGET
JULY 1, 2021 TO JUNE 30, 2031

Fiscal Year	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2021/2022 To 2030/2031 TOTAL
TOTAL ROUNDS PLAYED	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	
Sunnyvale GC	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	
Sunken Gardens GC	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	
PER ROUND											
Golf Fees - Sunnyvale	30.56	31.17	31.79	32.43	33.08	33.74	34.41	35.10	35.80	36.52	
Golf Fees - Sunken Gardens	15.15	15.46	15.77	16.08	16.40	16.73	17.07	17.41	17.76	18.11	
Golf Cart Rentals	4.05	4.13	4.22	4.30	4.39	4.48	4.56	4.66	4.75	4.84	
Driving Range Fees	7.74	7.90	8.05	8.22	8.38	8.55	8.72	8.89	9.07	9.25	
Other Golf Revenue	2.55	2.60	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	
REVENUES:											
Rents and Concessions - Tennis Center	145,000	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000	1,675,000
Rents and Concessions - Golf	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	273,500
Golf Fees - Sunnyvale	1,980,000	2,019,700	2,060,000	2,101,200	2,143,300	2,186,100	2,229,900	2,274,500	2,319,900	2,366,300	21,680,900
Golf Fees - Sunken Gardens	654,700	667,800	681,100	694,800	708,600	722,800	737,300	752,000	767,100	782,400	7,168,600
Golf Cart Rentals	437,800	446,500	455,500	464,600	473,900	483,300	493,000	502,900	512,900	523,200	4,793,600
Driving Range Fees	334,400	341,100	347,900	354,900	362,000	369,200	376,600	384,200	391,800	399,700	3,661,800
Other Golf Revenue	275,800	281,300	286,900	292,600	298,500	304,500	310,500	316,800	323,100	329,600	3,019,600
Tower Lease Revenue	33,771	34,446	35,135	35,838	36,555	37,286	38,032	38,792	40,360	40,360	370,575
TOTAL REVENUES	**3,886,471**	**3,966,346**	**4,047,535**	**4,130,438**	**4,214,855**	**4,300,686**	**4,388,432**	**4,477,892**	**4,569,460**	**4,661,460**	**42,643,575**

EXPENSES:											
Golf Course Operations	4,217,045	4,524,190	4,812,622	4,963,350	5,124,891	5,282,325	5,445,065	5,613,280	5,778,642	5,877,571	51,638,981
Tennis Center Operations	111,639	113,314	115,014	117,889	121,426	125,068	128,820	132,685	136,666	140,766	1,243,287
Program In-Lieu Charges	137,961	143,566	149,241	151,484	149,595	153,784	157,629	161,808	165,608	169,998	1,540,674
Citywide In-Lieu Charges	369,748	379,313	389,117	333,770	409,465	420,023	430,844	441,936	453,305	464,958	4,092,479
Project Operating	(4,667)	(4,760)	(4,855)	(4,953)	(5,052)	(5,203)	(5,359)	(5,520)	(5,685)	(5,856)	(51,910)
TOTAL EXPENSES	**4,831,726**	**5,155,623**	**5,461,139**	**5,561,540**	**5,800,325**	**5,975,997**	**6,156,999**	**6,344,189**	**6,528,536**	**6,647,437**	**58,463,511**
NET OPERATING INCOME	**-945,255**	**-1,189,277**	**-1,413,604**	**-1,431,102**	**-1,585,470**	**-1,675,311**	**-1,768,567**	**-1,866,297**	**-1,959,076**	**-1,985,977**	**-15,819,936**

Sensitivity Scenario 4 - Baseline inputs but assumes operation of a 30-station driving range at Sunnyvale GC beginning in FY2022/23.

CITY OF SUNNYVALE
GOLF AND TENNIS OPERATIONS FUND
NGF FINANCIAL MODEL BASED ON ACTUAL FY19 AND CITY FY20 BUDGET
JULY 1, 2021 TO JUNE 30, 2031

Fiscal Year	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2021/2022 To 2030/2031 TOTAL
TOTAL ROUNDS PLAYED	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	**98,000**	
Sunnyvale GC	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	
Sunken Gardens GC	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500	
RANGE TEE STATIONS - SUNNYVALE		30	30	30	30	30	30	30	30	30	
PER ROUND											
Golf Fees - Sunnyvale GC	28.42	28.99	29.57	30.16	30.77	31.38	32.01	32.65	33.30	33.97	
Golf Fees - Sunken Gardens	14.43	14.72	15.02	15.32	15.62	15.94	16.25	16.58	16.91	17.25	
Golf Cart Rentals	3.86	3.94	4.02	4.10	4.18	4.26	4.35	4.43	4.52	4.61	
Driving Range Fees - Sunken Gardens	7.74	7.90	8.05	8.22	8.38	8.55	8.72	8.89	9.07	9.25	
Driving Range Fees - Sunnyvale GC	Construction	17,000	17,510	18,035	18,576	19,134	19,708	20,299	20,908	21,535	
Other Golf Revenue	2.55	2.60	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	
REVENUES:											
Rents and Concessions - Tennis Center	145,000	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000	1,675,000
Rents and Concessions - Golf	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	273,500
Golf Fees - Sunnyvale	1,662,800	1,696,100	1,730,000	1,764,600	1,799,900	1,835,900	1,872,600	1,910,100	1,948,300	1,987,200	18,207,500
Golf Fees - Sunken Gardens	570,100	581,500	593,100	605,000	617,100	629,400	642,000	654,900	668,000	681,300	6,242,400
Golf Cart Rentals	378,300	385,900	393,600	401,500	409,500	417,700	426,100	434,600	443,300	452,100	4,142,600
Driving Range Fees - Sunken Gardens	305,800	311,900	318,100	324,500	331,000	337,600	344,400	351,300	358,300	365,400	3,348,300
Driving Range Fees - Sunnyvale	0	510,000	525,300	541,100	557,300	574,000	591,200	609,000	627,200	646,100	5,181,200
Other Golf Revenue	250,200	255,200	260,300	265,500	270,800	276,300	281,800	287,400	293,200	299,000	2,739,700
Tower Lease Revenue	33,771	34,446	35,135	35,838	36,555	37,286	38,032	38,792	40,360	40,360	370,575
TOTAL REVENUES	**3,370,971**	**3,950,546**	**4,036,535**	**4,124,538**	**4,214,155**	**4,305,686**	**4,399,232**	**4,494,792**	**4,592,960**	**4,691,360**	**42,180,775**

Sunnyvale Driving Range Cost of Sales	0	38,300	39,400	40,600	41,800	43,100	44,300	45,700	47,000	48,500	
ADJUSTED GROSS REVENUES	**3,370,971**	**3,912,246**	**3,997,135**	**4,083,938**	**4,172,355**	**4,262,586**	**4,354,932**	**4,449,092**	**4,545,960**	**4,642,860**	**42,180,775**
EXPENSES:											
Golf Course Operations	4,217,045	4,524,190	4,812,622	4,963,350	5,124,891	5,282,325	5,445,065	5,613,280	5,778,642	5,877,571	51,638,981
Tennis Center Operations	111,639	113,314	115,014	117,889	121,426	125,068	128,820	132,685	136,666	140,766	1,243,287
Program In-Lieu Charges	137,961	143,566	149,241	151,484	149,595	153,784	157,629	161,808	165,608	169,998	1,540,674
Citywide In-Lieu Charges	369,748	379,313	389,117	333,770	409,465	420,023	430,844	441,936	453,305	464,958	4,092,479
Project Operating	(4,667)	(4,760)	(4,855)	(4,953)	(5,052)	(5,203)	(5,359)	(5,520)	(5,685)	(5,856)	(51,910)
TOTAL EXPENSES	**4,831,726**	**5,155,623**	**5,461,139**	**5,561,540**	**5,800,325**	**5,975,997**	**6,156,999**	**6,344,189**	**6,528,536**	**6,647,437**	**58,463,511**
NET OPERATING INCOME	**-1,460,755**	**-1,243,377**	**-1,464,004**	**-1,477,602**	**-1,627,970**	**-1,713,411**	**-1,802,067**	**-1,895,097**	**-1,982,576**	**-2,004,577**	**-16,282,736**

Sensitivity Scenario 5 – 'Best Case' scenario with higher rounds, higher rates, modest food & beverage/room rental revenue at Sunnyvale GC, **and** operation of a 30-station driving range at Sunnyvale GC beginning in FY2022/23

CITY OF SUNNYVALE
GOLF AND TENNIS OPERATIONS FUND
NGF FINANCIAL MODEL BASED ON ACTUAL FY19 AND CITY FY20 BUDGET
JULY 1, 2021 TO JUNE 30, 2031

Fiscal Year	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2021/2022 To 2030/2031 TOTAL
TOTAL ROUNDS PLAYED	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**	
Sunnyvale GC	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	64,800	
Sunken Gardens GC	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	
RANGE TEE STATIONS - SUNNYVALE	0	30	30	30	30	30	30	30	30	30	
PER ROUND											
Golf Fees - Sunnyvale GC	30.56	31.17	31.79	32.43	33.08	33.74	34.41	35.10	35.80	36.52	
Golf Fees - Sunken Gardens	15.15	15.46	15.77	16.08	16.40	16.73	17.07	17.41	17.76	18.11	
Golf Cart Rentals	4.05	4.13	4.22	4.30	4.39	4.48	4.56	4.66	4.75	4.84	
Driving Range Fees - Sunken Gardens	7.74	7.90	8.05	8.22	8.38	8.55	8.72	8.89	9.07	9.25	
Driving Range Fees - Sunnyvale GC	Construction	17,000	17,510	18,035	18,576	19,134	19,708	20,299	20,908	21,535	
F&B Sales/Room Rentals - Sunnyvale GC	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20	
Other Golf Revenue	2.55	2.60	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	
REVENUES:											
Rents and Concessions - Tennis Center	145,000	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000	1,675,000
Rents and Concessions - Golf	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	273,500
Golf Fees - Sunnyvale	1,980,000	2,019,700	2,060,000	2,101,200	2,143,300	2,186,100	2,229,900	2,274,500	2,319,900	2,366,300	21,680,900
Golf Fees - Sunken Gardens	654,700	667,800	681,100	694,800	708,600	722,800	737,300	752,000	767,100	782,400	7,168,600
Golf Cart Rentals	437,800	446,500	455,500	464,600	473,900	483,300	493,000	502,900	512,900	523,200	4,793,600
Driving Range Fees - Sunken Gardens	334,400	341,100	347,900	354,900	362,000	369,200	376,600	384,200	391,800	399,700	3,661,800
Driving Range Fees - Sunnyvale GC	0	510,000	525,300	541,100	557,300	574,000	591,200	609,000	627,200	646,100	5,181,200
F&B Sales/Room Rentals - Sunnyvale GC	64,800	66,100	67,400	68,800	70,100	71,500	73,000	74,400	75,900	77,400	709,400
Other Golf Revenue	275,800	281,300	286,900	292,600	298,500	304,500	310,500	316,800	323,100	329,600	3,019,600

Tower Lease Revenue	33,771	34,446	35,135	35,838	36,555	37,286	38,032	38,792	40,360	40,360	370,575
TOTAL REVENUES	**3,951,271**	**4,542,446**	**4,640,235**	**4,740,338**	**4,842,255**	**4,946,186**	**5,052,632**	**5,161,292**	**5,272,560**	**5,384,960**	**48,534,175**
Cost of Sales											
Sunnyvale GC Food & Beverage	19,440	19,830	20,220	20,640	21,030	21,450	21,900	22,320	22,770	23,220	
Sunnyvale GC Driving Range	0	38,300	39,400	40,600	41,800	43,100	44,300	45,700	47,000	48,500	
ADJUSTED GROSS REVENUES	**3,931,831**	**4,484,316**	**4,580,615**	**4,679,098**	**4,779,425**	**4,881,636**	**4,986,432**	**5,093,272**	**5,202,790**	**5,313,240**	**47,932,655**
EXPENSES:											
Golf Course Operations	4,217,045	4,524,190	4,812,622	4,963,350	5,124,891	5,282,325	5,445,065	5,613,280	5,778,642	5,877,571	51,638,981
Tennis Center Operations	111,639	113,314	115,014	117,889	121,426	125,068	128,820	132,685	136,666	140,766	1,243,287
Program In-Lieu Charges	137,961	143,566	149,241	151,484	149,595	153,784	157,629	161,808	165,608	169,998	1,540,674
Citywide In-Lieu Charges	369,748	379,313	389,117	333,770	409,465	420,023	430,844	441,936	453,305	464,958	4,092,479
Project Operating	(4,667)	(4,760)	(4,855)	(4,953)	(5,052)	(5,203)	(5,359)	(5,520)	(5,685)	(5,856)	(51,910)
TOTAL EXPENSES	**4,831,726**	**5,155,623**	**5,461,139**	**5,561,540**	**5,800,325**	**5,975,997**	**6,156,999**	**6,344,189**	**6,528,536**	**6,647,437**	**58,463,511**
NET OPERATING INCOME	**-899,895**	**-671,307**	**-880,524**	**-882,442**	**-1,020,900**	**-1,094,361**	**-1,170,567**	**-1,250,917**	**-1,325,746**	**-1,334,197**	**-10,530,856**

APPENDIX G - GOLF COURSE EXPECTED LIFE CYCLE CHART

GOLF COURSE ITEMS
EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

No two golf courses are alike except for one thing: deferring replacement of key items can lead to greater expense in the future, as well as a drop in conditioning and player enjoyment. The following information represents a realistic timeline for each item's longevity.

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. The American Society of Golf Course Architects (ASGCA) encourages golf course leaders to work with an ASGCA member, superintendents and others to assess their course's components.

ITEM	YEARS
Greens (1)	15 – 30 years
Bunker Sand	5 – 7 years
Irrigation System	10 – 30 years
Irrigation Control System	*10 – 15 years*
Pump Station	*15 – 20 years*
Cart Paths – asphalt (2)	5 – 10 years (or longer)
Cart Paths – concrete	15 – 30 years (or longer)
Practice Range Tees	5 – 10 years
Tees	15 – 20 years
Corrugated Metal Pipes	15 – 30 years
Bunker Drainage Pipes (3)	5 – 10 years
Mulch	1 – 3 years
Grass (4)	Varies

NOTES: *(1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations).* ***(2)*** *Assumes on-going maintenance beginning 1 - 2 years after installation.* ***(3)*** *Typically replaced because the sand is being changed – while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well.* ***(4)*** *As new grasses enter the marketplace – for example, those that are more drought and disease tolerant — replanting may be appropriate, depending upon the site.*

ASGCA thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:

For more information, contact ASGCA at (262) 786-5960 or visit www.ASGCA.org

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