



STAFF REPORT

CITY of YORBA LINDA

PARKS AND RECREATION DEPARTMENT

DATE: DECEMBER 21, 2021

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: MIKE KUDRON, DIRECTOR OF PARKS AND RECREATION
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SUBJECT: 2020-2021 BLACK GOLD GOLF CLUB FISCAL YEAR IN REVIEW

RECOMMENDATION

It is recommended that the City Council receive and file this report.

BACKGROUND

Annually, a report is provided to the City Council to review the performance of Black Gold Golf Club for the previous fiscal year.

DISCUSSION

As mentioned in last year's report, COVID-19 created situations and circumstances that most Americans have never dealt with, especially how to operate a business under pandemic conditions. KemperSports and the team at Black Gold focused on operating within regulations, while providing special attention to maintaining a safe, clean, and sanitized facility for both guests and staff. Day to day operation of the property was challenging since COVID guidelines would change on a regular basis. In addition, the ebbs and flow of the pandemic did not always coincide with the financial performance due to a latency in business returning.

The COVID-19 Pandemic caused supply chain issues for all departments, which included food and beverage, golf merchandise, golf course maintenance, and janitorial. Not only was the supply chain impacted, but the cost of many items increased dramatically. Furthermore, the cost of labor has outpaced the normal annual increases, on top of the California minimum wage increases.

Looking at it from a strictly annual perspective on a budgetary basis, the actual revenues for FY 2020-2021 were \$6,526,689 and a net income profit of \$607,586 before capital expenditures, which included driving range equipment, large plotter printer, exterior storage, and a completely new HVAC system. The net income after all Capital expenditures was \$123,578.

2020-2021 BLACK GOLD GOLF CLUB FISCAL YEAR IN REVIEW

Page | 2

Golf Operations- In April of 2020 the Federal and State governments, along with health officials, declared golf a safe COVID activity based on the natural distancing the sporting activity was played. With limited activities available, golf became the outlet many Americans needed, and golf's popularity soared. Demand began to outpace availability as current golfers played more, golfers who left the game returned, and new golfers were being introduced to the game at record levels.

With the total number of golf rounds dramatically increasing, it was challenging to host so many players while still maintaining all COVID-19 protocols. The golf department added golf cart dividers into each golf cart per the state recommendations. Golf carts were sanitized after each use before returning to service. Water coolers and bunker rakes were removed from the golf course, as well as coolers on the golf carts. Staffing shortages also added to the significant challenges as a result of COVID.

With golf becoming so popular overnight, practice facilities and the driving range were positively impacted. To meet COVID-19 regulations, the driving range was set up with golfers ten feet apart. Eventually, golfers began waiting in their cars or off to the side until space became available. The range was flooded with new golfers, returning golfers, and entire families. Black Gold added a full-time practice facility staffer just to keep up with the demand.

Golf operation highlights include:

- Green fee revenues were \$3,998,988 representing an increase of \$1,185,475 over the prior year and an increase of \$859,500 over budget. The renewed interests in golf and declaration of a safe COVID-19 activity assisted in the incredible green fee revenue increase.
- Driving range revenues exceeded the prior year by \$146,752 and budget by \$103,123.
- Although tournament rounds were impacted by COVID-19, they still finished with 6,926 rounds versus a budget of 10,300 and prior of 7,077. Total outing revenues were \$591,780 versus a budget of \$693,496 and prior of \$455,227.
- Rounds played increased by 14,447 rounds over the prior year and 8,123 over budget. The average rate per player finished at \$68, which was an increase of \$10 over the prior year and \$11 over budget.
- Payroll for the department was 11.5% over budget, while operating expenditures were 56% over budget. The increased expenses over budget were a direct result of COVID-19 cleaning and sanitizing. More than \$180,000 was spent on COVID-19 during the fiscal year.
- Black Gold is the host facility for boys & girls golf teams for the following schools: CSUF, Yorba Linda HS, Esperanza HS, El Dorado HS, and Orange Lutheran HS.

F&B Operations- The biggest challenge during the 2020/2021 fiscal year was the F&B departments at both Black Gold and YLCC. When the State basically shut down all normal operations for restaurant and banquet facilities, business owners/operators had to make drastic changes to their operating models. During this time period, the Black Gold team set

2020-2021 BLACK GOLD GOLF CLUB FISCAL YEAR IN REVIEW

Page | 3

up an outdoor kitchen for the golfers, while providing food programs for residents through the grocery box program, takeout orders, ready to eat holiday meal program, and by participating in the Meal Gap program offered at the Yorba Linda Community Center. To offer these programs efficiently, the staffing pool was reduced and scheduled shifts were rotated each week, which helped maintain a core of employees that would be ready to reopen full F&B operations once indoor dining restrictions were lifted.

Additionally, the sales team stayed in contact with their clients, moving some groups five or six times to future dates. It was certainly heartbreaking that some wedding couples couldn't have the dream wedding they had planned. So, based on the COVID rules, the team started hosting outdoor weddings and events, which allowed for many couples, families, and religious groups to complete their events.

As part of the plan to elevate Derricks Grille from the perception of just a golfer's amenity to a standalone restaurant, Black Gold's management team made several managerial, operational, and service changes to the F&B Department. The goal was to change the overall look, feel, and menu options to attract residents from Yorba Linda and the surrounding cities. With the best view in Yorba Linda, guests could now enjoy the best food, service, and environment. Even with all the COVID-19 challenges, total a la carte revenues exceeded the prior year by \$261,532 and the budget by \$232,694. Most of the meals were served outdoors on the patio due to the COVID-19 restrictions.

All the previous year's programs like Taco Tuesday, Western Wednesday, etc. were either cancelled, scaled back, postponed, or altered to meet COVID-19 regulations. Once the COVID-19 indoor service was once again permitted, the staff instituted sneeze guards, no touch drink dispensers, no touch payment processes, etc. Obviously, the pandemic had a major impact on gatherings, which severely impacted the wedding, event, and banquet business. Notable F&B statistics include:

- Derricks Grille revenues exceeded the prior year by \$261,532 and budget by \$232,694.
- Weddings, events and banquet revenues were down dramatically due to the pandemic. Total event revenues were \$246,391 less than the prior year and \$169,978 less than budget.
- Total revenues for the F&B Department were 101% of the budget and 98% of prior year.
- Total operating expenses were 87% of budget, and payroll for the department was 121% of the budget.
- Food & beverage cost of goods was 12% over budget due to the supply chain issues and pricing increases. Some items nearly tripled in price, while other products were unavailable.
- EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization) in this department was \$325,008, which is 70% of the budgeted amount and 6% less than the prior year.
- KemperSports proprietary customer service (TrueService 2.0) training program continued to be utilized to train all incoming staff members.

2020-2021 BLACK GOLD GOLF CLUB FISCAL YEAR IN REVIEW

Page | 4

Center Weddings & Events (YLCC)- Due to the COVID-19 Pandemic, YLCC was closed for the entire fiscal year. With Center Weddings & Events operating from YLCC, the Catering Sales Manager was reassigned to other duties, which included supporting Black Gold, special projects and became the COVID-19 Captain. Due to the complexities associated with COVID-19 and how it impacted both daily lives and the operations of the business, the COVID-19 Captain was responsible for a highly focused review of daily news briefings from the Governor, updated rules for Alcohol Beverage Control, updated rules and regulations from the state and Orange County and updating the KemperSports daily COVID-19 operating guidelines. Because of a highly focused approach, Black Gold maintained very high COVID-19 standards throughout the fiscal year.

Sales and Marketing- The 2020/2021 fiscal year impacted the Sales & Marketing Department differently than other departments. Golf became so popular with waiting lists to make golf reservations there was no need to market through traditional avenues, and the highly restrictive rules and regulations regarding the restaurant and events all but eliminated the need to advertise. However, when Black Gold made the decision to produce holiday meals to go and take-out meals, this message needed to be clearly communicated to all current and potential guests. Most of the marketing would be accomplished through social media and the website, but clubhouse posting/signage and instruction on how to order and utilize the no contact pick-up service would require daily updating.

Additionally, Black Gold staff was producing all their own signage, posters, notices, operating guidelines, etc. for the entire clubhouse and golf carts. Each time an update was required, the staff reproduced all necessary posting in-house and reposted the information. The COVID-19 rules and regulations were changing daily and required the team to stay alert and move decisively to meet all required operating rules and regulations.

As the COVID-19 rules and regulations began to ease in February of 2021 the Sales & Marketing team began refocusing their efforts on traditional forms of advertisements to begin the process of rebuilding the Food & Beverage revenue streams, especially the wedding and event business for the next fiscal year of 2021/2022. Marketing requires forethought and planning far into the future, which required a mixed approach of blending the current COVID-19 rules and regulations with assumptions of fewer restrictions six to twelve months into the future.

Awards- Black Gold and Center Weddings & Events received the following awards, recognitions, and ratings during FY 2020 - 2021: Best of Orange County; Top Three Public Golf Course, Wedding Wire, 4.8 Stars; The Knot, 4.7 Stars; Golf Range Association of America, Top 50 Public Ranges; Yelp, 4 Stars; KemperSports, and True Service Excellence Award.

State of the Golf Industry- For more than two decades golf participation was flat with nearly the same number of new golfers replacing those leaving the game. The reasons for leaving the game included a change to demographics, less available time, and children became more interested in electronic based activities. However, the popularity of golf exploded during the pandemic as golf was recognized as a safe outdoor activity coupled with people

having more time to participate. Across the entire county golf courses are seeing demand at levels like the 1997 Tiger Woods' affect. Nationwide, depending on regions, golf is up between 12% - 20%. The significance of the renewed interest in golf is that after the COVID-19 Pandemic ends, the number of new golfers introduced to the game will help continue the growth of the game.

Looking to the future- The golf industry uses the term Honeymoon Period when opening a new golf facility or when a large spike in business is observed. The Tiger Woods impact is an example of a honeymoon period, but it ended just three years after it started. All honeymoons come to an end, and the current massive spike in golf demand will come to an end once COVID is officially over and demand levels off. The golf department is now tasked with the goal of keeping the highest number of new and returning participants to the game post COVID-19. One of the major indicators that golf will continue to see a high demand for a short period is the amount of new golf equipment orders. The total amount of new golf equipment being ordered is still at record levels with backorders up to six months. Once the orders are filled, new orders will likely fall back to pre-COVID periods.

In looking to the future, the team at Black Gold will continue to strive to pay down the negative cash that was incurred during years when the golf course lost money. The enterprise fund is still in debt and the goal is to pay off this negative balance and then establish a Capital Improvement Project Fund.

In November of 2021, Black Gold celebrated its twenty-year anniversary. After two decades of operation, the facility is beginning to show its age and will require updating and replacement of furniture, fixtures, and equipment (FF&E). During the 2020/2021 fiscal year, one of the most important clubhouse issues, the HVAC system, was addressed and replaced with a high efficiency system. In addition, Black Gold's new golf cart fleet is now equipped with lithium batteries, which greatly reduces their overall utility requirements. The management team is always monitoring new trends and technologies that will maintain Black Gold's competitive position in Southern California. Areas that have been identified for improvement in the short term include the kitchen hood system, main waterfall pump, interior painting, interior lighting, wedding venue lawn, driving range equipment, ice machine relocation, and banquet room audio upgrades. Additionally, the golf course irrigation system will need to be replaced in 5-10 years, which will be a large scale project.