



**City of Santa Barbara
PARKS AND RECREATION DEPARTMENT**

Parks and Recreation Commission Report

June 15, 2015

TO: Parks and Recreation Commission
Golf Advisory Committee

FROM: Golf Division, Parks and Recreation Department

SUBJECT: Golf Operating Options Recommendation to City Council

RECOMMENDATION: That the Commission and Committee recommend to City Council one of the following operating options that will best meet the needs of the municipal golf course and the City:

- A. One contract, a Management Agreement, whereby the City would contract for management of the course, and Maintenance, Pro Shop and Food and Beverage operations;
- B. Two contracts, one being a Management Agreement, whereby the City would contract for management of the course, plus Maintenance and Pro Shop operations, and the second being a separate Food and Beverage concession agreement; or,
- C. Three contracts, whereby the City continues management of the course, and has three separate contracts or concession agreements for Pro Shop, Food and Beverage, and Maintenance operations.

DISCUSSION:

Santa Barbara Golf Club, the City's only municipal golf course, has seen play decline since 1990 and has been further challenged by competitive pricing trends in the local golf market. Operating as an enterprise fund, the Golf Course has been below policy reserves since Fiscal Year 2008, and could deplete all of its reserves within the next 12 to 18 months. Over the last year, Staff has made a number of presentations to the Golf Advisory Committee, Parks and Recreation Commission, Finance Committee and City Council on options to improve the financial sustainability of the golf course, including changing the operating model for the course. Staff received direction from City Council on March 10, 2015 to contract out golf course maintenance, increase marketing and refinance golf course debt.

The current operating structure for the City's golf course includes Parks and Recreation Department staff providing both maintenance and management of the course. Pro Shop and Food and Beverage operations are through separate concession agreements. With the decision to contract maintenance and the fact that the two existing concession agreements will terminate in June 2016, the City has the opportunity to consider an alternate operating model going forward.

In Fall 2014, Staff worked with Pro Forma Advisors to develop a detailed report on the alternate operating models Santa Barbara might consider for its municipal golf course (Attachment 1). The City's current model is referred to as a Hybrid Model. The report contrasted the City's current model with four alternate models, including Full Self-Operation by the City, a Golf Facility Lease, a Management Agreement, and a Modified Hybrid Model whereby the City would retain the current structure and additionally contract out maintenance. Management Agreements and Maintenance Contracts are in use at many golf courses and the Pro Forma report details the main strengths and weaknesses of various models, along with financial projections as to the fiscal impact of each.

Priorities identified through various public meetings to date include the need to protect City assets, how to best meet golfer and community needs at the golf course, and how the golf course can best retain and grow engagement with the golfing public. The City Council has prioritized that the golf course remain a self-sustaining enterprise fund without the need to draw on the General Fund, and the City's ability to retain control on pricing, policy and maintenance quality.

Three Golf Course Operating Options Considered

Three of the operating models were selected for further consideration as providing the greatest financial benefit for the City while retaining the highest City control over fees, policy and quality of services.

- A. One contract, a Management Agreement, whereby the City would contract for management of the course, and Maintenance, Pro Shop and Food and Beverage operations;
- B. Two contracts, one being a Management Agreement, whereby the City would contract for management of the course, plus Maintenance and Pro Shop operations, and the second being a separate Food and Beverage concession agreement; or,
- C. Three contracts, whereby the City continues management of the course, and has three separate contracts or concession agreements for Pro Shop, Food and Beverage, and Maintenance operations.

Staff worked with the Pro Forma Advisors and the City Finance Department to review and update financial information for the three options. The financial models are now based off of the proposed Fiscal Year 2017 Golf Division budget versus the Fiscal Year 2014 information provided in the Pro Forma report. The Financial Summary of Operating Options, List of Responsibilities by Operating Option, and List of Golf Course Operating Options Employed at Local Golf Courses (Attachments 2, 3, and 4) provide helpful information about the models. The following table provides an overview of the three models.

Option A	Option B	Option C
One Contract <u>(1) Management Agreement</u> Includes Course Management, Maintenance, Pro Shop and Food and Beverage	Two Contracts <u>(1) Management Agreement:</u> Course Management, Maintenance and Proshop <u>(2) Food and Beverage Concession</u>	Three Contracts City manages course, plus <u>(1) Maintenance Contract,</u> <u>(2) Food and Beverage Concession</u> <u>(3) Pro shop Concession</u>
High City control over fees, policy, product quality	High City control over fees, policy, product quality	High City control over fees, policy, product quality
Lowest City oversight costs	Moderate City oversight costs	Increased City oversight costs
Highest synergy for decision making all 4 operations	Increased synergy between management, maintenance and golf operations, continued potential for conflicts for golf events and banqueting, marketing	Increased potential for conflict over Status Quo with three contracts.
Maintenance costs more variable	Maintenance costs more variable	Maintenance costs more fixed
Financial incentives congruent with performance	Financial incentives congruent with performance	Maintenance decisions taken in isolation to revenue performance
Anticipate larger organizations competing with experience operating many courses	Anticipate larger organizations competing with experience operating many courses	Reduced number of qualified vendors
Contractor would operate or subcontract for Food and Beverage, potentially retaining existing operator with customer loyalty to brand	City would contract for Food and Beverage, potentially retaining existing operator with customer loyalty to brand	City would contract for Food and Beverage, potentially retaining existing operator with customer loyalty to brand
OVERALL FINANCIAL BENEFIT TO CITY		
Projected fiscal benefit versus FY 2017 Status Quo: \$368,000	Projected fiscal benefit versus FY 2017 Status Quo: \$368,000	Projected fiscal benefit versus FY 2017 Status Quo: \$318,000
Strongest potential for increased financial performance compared to Status Quo	Stronger potential for increased financial performance compared to Status Quo	No change from Status Quo

Golf Operating Options Committee Recommendation

At their April 22, 2015, meeting, the Parks and Recreation Commission established the Golf Operating Options Committee to work with staff in order to evaluate the three operating models and recommend the model which would best meet the needs of the golf course and the City. The Committee included:

Lesley Wiscomb, Chair of the Parks and Recreation Commission
Mark Rincon-Ibarra, Parks and Recreation Commissioner
Dominic Namath, Chair of the Golf Advisory Committee
John Craig, Golf Advisory Committee member
Gretchen Ostergren, Golf Advisory Committee member

The Committee met twice, on May 26, 2015, and on June 3, 2015, to review the three options and develop their recommendation. At their June 3, 2015, meeting, the Golf Operating Options Committee unanimously recommended Option A as the model that best meets the needs of the golf course and the City. Option A is one contract, a Management Agreement which would include course management, and Pro Shop, Food and Beverage, and Maintenance operations.

Early in the discussion, the committee voted 4/1 to focus their comments on Option A and B, as Option C was considered to be the least fiscally attractive, would increase the City oversight costs, and offered the least synergy between operations. The Committee noted that Options A and B improve the synergy between operations providing a longer-term financial benefit for the golf course, reduce City administrative costs, and are models more commonly found in golf course operations. It was also noted that although Option A or B would entail short-term disruption due to possible change in operators, those options offer the City a longer-term benefit with greater fiscal sustainability. There was clear consensus that Option A provides the highest level of synergy and strongest potential for increased financial performance for the City.

There was considerable discussion related to the need for the golf course to market effectively; improve the coordination of golfer services such as home club events and tournaments; and the need to improve and sustain excellent customer service whereby the golfers and the golf course are a priority when it comes to service offerings. The Committee also completed an exercise where key golfer and golf course considerations were identified for the RFP and Contract(s) process. (Attachment 5.)

Next Steps

The Golf Advisory Committee and Parks and Recreation Commission are being asked to make a recommendation to City Council on which operating model best meets the needs of the municipal golf course and the City. Each body will make a recommendation, which is tentatively set to go before City Council on July 28, 2015. Following a decision by City

Council, staff will proceed with developing the RFP and commencing with the solicitation of proposals, analysis of responses, interviews, and contractor selection. It is anticipated that new contracts will be in place no later than July 1, 2016, for a smooth transition of services at the golf course.

- ATTACHMENTS:**
1. Evaluation of Operating Options Santa Barbara Golf Club prepared by Pro Forma Advisors LLC, November 2014
 2. Financial Summary of Operating Options
 3. List of Responsibilities by Operating Option
 4. List of Golf Course Operating Options Employed at Local Golf Courses
 5. Key Considerations for the RFP and Contract(s) as identified by the Golf Operating Options Committee

SUBMITTED BY: Mark D. Sewell, Parks and Recreation Business Analyst

APPROVED BY: Nancy L. Rapp, Parks and Recreation Director