



CITY OF SANTA BARBARA
COUNCIL AGENDA REPORT

AGENDA DATE: July 28, 2015
TO: Mayor and Councilmembers
FROM: Golf Division, Parks and Recreation Department
SUBJECT: Council Direction On Operating Options For Santa Barbara Golf Club

RECOMMENDATION: That Council:

- A. Receive a report on three operating models evaluated for Santa Barbara Golf Club; and
- B. Direct staff to proceed with Option B, to include a Request for Proposals for professional golf management services for golf course management, Pro Shop, and course maintenance operations; and negotiate contractual terms with the existing operators of Mulligan's Café and Bar to provide food and beverage services at the golf course.

EXECUTIVE SUMMARY

The Santa Barbara Golf Club (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. Over the last year, staff 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. On March 10, 2015, Council prioritized the need for the golf course to remain a self-supporting enterprise not dependent upon the General Fund, and directed staff to move forward with contracting out course maintenance, effective June 2016, to reduce on-going golf expenses. With the contracts for the two existing concession agreements (Pro Shop and Restaurant) coming to an end in June 2016, the City has the opportunity to consider an alternate operating model for the golf course that would better position the City to make the golf course financially sustainable and self-sufficient over the long term.

Staff identified three alternate operating models that met City Council priorities for long-term financial sustainability of the golf course, and City control over policy, fees and course maintenance standards. Under Option A, the City would contract through a Management Agreement with one company to provide Course Management, Maintenance, Pro Shop, and Food and Beverage services. In Option B, the City would contract with two companies - one Management Agreement for Course Management, Maintenance, and Pro Shop and a separate Food and Beverage Concession. In Option C, the Parks and Recreation

Department would continue to manage the course, with three separate contracts for Maintenance, Pro Shop, and Food and Beverage services.

The Parks and Recreation Commission formed the Golf Operating Options Committee (Committee) comprised of two Parks and Recreation Commissioners and three Golf Advisory Committee members. The Committee reviewed alternate operating models and recommended that Option A was in the best interests of the City and Golf Club. In a June 15, 2015, joint meeting between the Commission and Golf Advisory Committee, the options and the Committee recommendation were presented. Voting separately, the Parks and Recreation Commission concurred with the Committee's recommendation, and recommended that City Council pursue Option A as being in the best interests of the City and Golf Club. The Golf Advisory Committee was unable to come to agreement on a recommendation, with two split votes (2/2) for both Options A and C.

DISCUSSION:

Background

The Santa Barbara Golf Club (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 Club has never received General Fund support, but has been below policy reserves since Fiscal Year 2008. Over the last year, staff 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.

On March 10, 2015, Council prioritized the need for the golf course to remain a self-supporting enterprise not dependent upon the General Fund, and directed staff to proceed with proposals to increase marketing and refinance golf course debt with the Fiscal Year 2016 budget. To reduce on-going golf expenses, Council also directed staff to move forward with contracting out course maintenance with the application of the Living Wage Ordinance effective June 2016. In considering possible changes to the golf course operation, Council prioritized the need for long-term financial sustainability of the golf course, and for the City to retain control over policy, fees, and course maintenance standards.

Alternative Golf Operating Options Considered

Under the current operating structure, the Parks and Recreation Department manages the full golf course operation, provides course maintenance, and manages the two private concession agreements for the operation of the Pro Shop and Food and Beverage services. With the terms for the two existing concession agreements coming to an end in June 2016, the City has the opportunity to consider an alternate operating model, including contracting out for the course maintenance, which might improve the fiscal sustainability of the golf course over the long term. Working with the Pro Forma

Advisors Golf consultant, staff evaluated various golf course operating models and reviewed existing golf operations contracts of other California communities, such as Ventura, Mountain View, Los Robles, Anaheim, Long Beach, and Walnut Creek. Given the priorities set by City Council, staff identified three options for consideration.

OPTION A: The City contracts with one company through a Management Agreement to provide Course Management, Maintenance, Pro Shop, and Food and Beverage operations.

OPTION B: The City contracts with two companies – one Management Agreement for Course Management, Maintenance, and Pro Shop operations, and a separate Food and Beverage Concession.

OPTION C: The Parks and Recreation Department continues to manage the course, with three separate contracts for Maintenance, Pro Shop, and Food and Beverage operations.

In all three options, the Parks and Recreation Department would continue to have primary oversight for the operation of the golf course. In weighing the three options, there are three primary considerations: operational changes, the potential to reduce annual Golf Club expense, and the potential to increase Golf Club revenue above Status Quo over the long-term. Please refer to Attachments 1 – 4 for additional background on the three options.

Golf Course Management Services – What is the Benefit to the City?

Options A and B entail the City contracting for professional golf course management services, often referred to as a management agreement. For a predetermined fee, and acting as the City's agent, the service provider manages the Golf Club daily operation and oversees the specific services included in the contract, i.e., Maintenance, Pro Shop, and Food and Beverage. The City Council retains budget and fee authority, no different from the status quo. The contract typically includes performance incentives, which augment the pre-determined management fee. All revenues and expenses associated with the Golf Club operation (management, maintenance, pro shop, food and beverage) are retained by the City. (Currently, the City does not see revenue and expense for the Pro Shop or Food and Beverage operations. Instead, the City receives a negotiated rent from those two concessions.)

It is increasingly common for municipal golf courses to employ the management agreement/contract management model in order to decrease operational costs and enhance revenue potential over the long term. There are four primary benefits to contracting for comprehensive golf course management:

1. The contractor's professional experience in golf course management is assumed to exceed that of City staff. Given the continuing changes in the golf industry and increased competitive market, this professional experience should enhance both golf course operations and financial performance.

2. The contractor would have direct oversight for Maintenance, Pro Shop and Food and Beverage (Option A) or Maintenance and Pro Shop (Option B). In today's competitive golf market, this consolidated approach for managing and marketing the golf course better positions the course to provide the highest level of golfer services at the most competitive price, and ensures a more dynamic and timely response to changing golf market needs.
3. The service provider assumes services currently provided by the City, such as Personnel, Payroll, Marketing, Accounting, etc. Typically, those services are provided at a reduced cost compared to the City's. The City's administrative and overhead burden associated with operation of the golf course is reduced, resulting in decreased annual operational expense compared to Option C without contract management.
4. Under Options A or B, staff anticipates a strong response from qualified vendors to Requests for Proposals, thus providing the best opportunity for the City to negotiate a favorable contract for the Golf Club. In contrast, Option C will have a very limited qualified vendor pool for Pro Shop and Maintenance operations, which will limit the City's opportunities.

Comments from the public have raised concerns about lack of City involvement or control if the Golf Club were to operate under a Management Agreement, citing references to the Las Positas Tennis Courts lease agreement with Elings Park. It is important to understand that there are significant differences between the two types of contracts. In a Management Agreement, the contractor is working as the City's agent, and Parks and Recreation staff would continue to be involved in oversight and direction of the work conducted by the contractor. The Golf Advisory Committee would continue to function as it currently does, providing input to the Department, Parks and Recreation Commission, and City Council. A survey of other municipalities who successfully operate golf courses in this model shows that agencies have staff dedicated to managing the contract and overseeing the golf operations; however, that time is significantly reduced from the agency self-operating the course.

In contrast, the Parks and Recreation Department oversees a number of lease agreements, including the Zoo, Elings Park, Elings Park/Las Positas Tennis Courts, Police Activities League/Twelve35 Teen Center, and the YMCA/Haley Youth Sports Center, etc. Those lease agreements define the use and purpose of the facility, scope of services or activities that will be provided, hours of operation, etc. The City does not get involved in the daily operation of the programs and services unless a significant issue is raised related to the lease.

Long Term Financial Benefits of Options A, B and C

Each of the three options will reduce the Golf Club annual operating expenses, primarily as a result of contracting out City maintenance of the golf course. Options A and B will result in an estimated annual savings of \$368,000, and Option C an estimated savings

of \$318,000. Options A and B have higher savings due to reduced City administration and overhead expense as discussed above. Looking at long-term financial sustainability, Options A and B also have increased potential for stronger financial performance, with Option A having the highest potential. It is assumed that the professional management and consolidated management of operations will result in increased financial performance over time. Option C performance would be the same as the status quo.

Option B – Separate Food and Beverage Concession

In Option B, the City has the opportunity to achieve most of the benefits of Option A; however, it allows for a separate Food and Beverage Concession. The annual savings for Options A and B are the same (\$368,000) compared to the status quo. In terms of revenue potential, Option A offers the greatest revenue potential for the golf course over the long term. However, the revenue potential with Option B, while less than Option A, is still an improvement over Option C (Status Quo).

If desired, Council can direct staff to negotiate a new concession agreement with the current operators of Mulligan's Café, Mario and Lani Medina. There has been substantial public comment in support of the Medina's and Mulligan's Café, citing their history of operating a successful family business in that location for 23 years. Noting the challenging restaurant business environment in Santa Barbara, the Medina's have talked about how they have grown their business year over year, and have increased revenues paid to the Golf Club and City every year.

Staff recognizes that there is risk to the City with a change in restaurant operators. Mulligan's Café is a tenant in good standing with a history of timely payments. A look at gross receipts performance shows Mulligan's has done well over the years. Over the period 2009 to 2014, a difficult financial period for the golf course, Mulligan's gross receipts and rent payments to the City increased by 28%. In contrast, over the same period, the City's Greens Fees revenues declined by 13%. Pro Shop concession gross receipts declined by 2%, while Pro Shop rent paid to the City declined even further, by 19%, due to renegotiated contract terms. Throughout this process, people, particularly golfers, have talked about the need for the restaurant to improve how it serves and benefits the golfers and golf course. In recent meetings with staff, the Medina's have offered ways the restaurant can promote and improve services to golfers and contributions to the overall financial performance of the golf course. Such opportunities could be discussed further in contact negotiations.

Limitations of Option C

Under Option C, the Parks and Recreation Department would continue to manage the Golf Club, and operations would be provided through a Maintenance Contract, a Pro Shop concession agreement, and a restaurant concession agreement. Option C does show annual cost savings of \$318,000 compared to Status Quo, from the outsourcing of golf course maintenance. Administrative costs are increased for Parks and Recreation

due to the addition of a third contract, and Option C does not have the City administration and overhead savings of Options A or B as the City retains those on-going costs, including marketing. In terms of increased revenue potential over the long term, Option C does not offer the golf course what Option A or B provides. Challenges that the Department has experienced in working and negotiating with two operators (Pro Shop and Restaurant) will increase since there will now be three operators providing services at the course. Staff is concerned that this will further limit the City's ability to act in a timely manner to promote play in this increasingly competitive local golf market.

In discussing Option C with the Golf consultant and City staff, the greatest limitation of Option C is that there will be a very limited qualified vendor pool for Pro Shop and Maintenance operations, which will limit the City's opportunities. With Options A or B it is anticipated that the qualified vendor response to Requests for Proposals will be very strong, providing the best opportunity for the City to negotiate a favorable contract for the Golf Club over the long term.

Golf Operating Options Committee Review and Recommendations

The Parks and Recreation Commission established a Golf Operating Options Committee to work with staff to evaluate operating options and develop recommendations for the Golf Advisory Committee and the Parks and Recreation Commission. The Committee included two Parks and Recreation Commissioners and three Golf Advisory Committee members. The Committee met on May 26, 2015, and June 3, 2015. On June 3, 2015, the Committee recommended (5/0) that the City pursue one contract with a professional golf management company to operate all services at Santa Barbara Golf Club. Attachment 5 lists key considerations the Golf Operating Options Committee identified for the Request For Proposals process for golf operations.

Golf Advisory Committee and Parks and Recreation Commission Recommendations

The Parks and Recreation Commission and Golf Advisory Committee held a joint meeting on June 15, 2015, to review the alternate operating options, consider the Golf Operating Options Committee's recommendation and make their own recommendations to City Council. Thirteen people spoke at public comment with most speaking in favor of retaining the services provided by the operators of Mulligan's Café and Bar.

The Golf Advisory Committee was unsuccessful in delivering a recommendation. A motion for Option A failed (2/2) and a motion for Option C also failed (2/2). A motion for Option B with a strong recommendation that Mulligan's be considered for the Food and Beverage concessionaire also failed (2/2). While some Committee members felt strongly that Option A was the best financial outcome for the long-term sustainability of the golf course, other Committee members expressed concerns for people employed at the Pro Shop and Mulligan's.

The Parks and Recreation Commission voted 4/1 to recommend Option A to City Council. The focus of most commissioner comments was a decision that provides the

best long-term financial outlook for the municipal golf course given the Council direction for the golf course to remain self-sustaining.

For more information on comments by Golf Advisory Committee and Parks and Recreation Commission members, a copy of the draft June 15, 2015, Joint Meeting minutes are included with this report as Attachments 6.

Staff Recommendation

Staff concurs with the Golf Operating Options Committee and the Parks and Recreation Commission that Option A would provide the strongest opportunity for the City's municipal golf course to achieve long-term financial sustainability. Option A reduces on-going expenses by \$368,000 and provides the strongest potential for increased financial performance over Status Quo.

However, staff recognizes the community value and successful financial track record of Mulligan's over the last 23 years. Option B, which would allow Mulligan's to continue to operate under a separate concession, has the same annual cost savings as Option A. Although Option B provides a slightly reduced potential for increased financial performance compared to Option A, that potential is still greater than Option C or Status Quo. If directed to enter into contract negotiations with Mulligan's, staff believes that contract terms to improve outcomes for the golfers and the golf course can be achieved. The downside of Option B is that the City will likely continue to have conflicts between operators when it comes to decisions on golf course marketing, promotions, and tournament services.

Staff recommends that City Council determine that Option B is in the best long-term interests for the municipal golf course. With that, direct staff to proceed with a Request for Proposals for professional golf management services, including golf course management, golf operations/Pro Shop and course maintenance with the goal of having a new contract in place by July 1, 2016. Additionally, staff recommends that Council direct staff to enter into negotiations with the existing operators of Mulligan's Café and Bar to provide food and beverage services at the golf course.

BUDGET/FINANCIAL INFORMATION:

Current Pro Shop and Restaurant concession contracts expire on June 30, 2016. Staff expects no impact to the Fiscal Year 2016 Adopted Budget. Any changes in budgeted operating costs and revenue from the adopted Fiscal Year 2017 due to new contracts at the Golf Club will be addressed as part of the mid-cycle budget process.

- ATTACHMENTS:**
1. Golf Operating Options
 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 RFP contract(s) as Identified by Golf Options Committee
 6. Minutes from the Special Joint Meeting of Golf Advisory Committee and Parks and Recreation Commission June 15, 2015

PREPARED BY: Mark Sewell, Parks and Recreation Business Manager

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

APPROVED BY: City Administrator's Office

GOLF OPERATING OPTIONS

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

Attachment 2. Financial Summary of Operating Options

	<u>Status Quo</u> <u>(FY2017)</u>	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>
Greens Fees Revenue	\$ 1,783	\$ 1,783	\$ 1,783	\$ 1,783
Golf Operations Revenue	-	\$ 620	\$ 620	-
Facility/Golf Ops Concession Rent	\$ 166	\$ 30	\$ 30	\$ 144
Food & Beverage Rent	\$ 159	\$ 159	\$ 159	\$ 159
Other Revenue	\$ 8	\$ 8	\$ 8	\$ 8
Total Gross Revenue	\$ 2,116	\$ 2,600	\$ 2,600	\$ 2,094
Operating Expenses				
Course Maintenance	\$ 1,549	\$ 1,060	\$ 1,060	\$ 1,060
Golf Operations	-	\$ 373	\$ 373	-
Maintenance Fee	-	-		\$ 106
Management Fee	-	\$ 130	\$ 120	-
G & A	-	\$ 240	\$ 240	\$ 110
Total	\$ 1,549	\$ 1,803	\$ 1,793	\$ 1,276
City Contract Administration	\$ 114	\$ 100	\$ 110	\$ 154
Citywide Overhead Allocation	\$ 178	\$ 54	\$ 54	\$ 72
City Costs	\$ 293	\$ 154	\$ 164	\$ 226
Total Costs	\$ 1,841	\$ 1,957	\$ 1,957	\$ 1,501
Net Operating Income (EBITDA)	\$ 275	\$ 643	\$ 643	\$ 593
Less: Debt Service	\$ 85	\$ 85	\$ 85	\$ 85
Capital	\$ 256	\$ 256	\$ 256	\$ 256
Net Cash flow	(\$ 66)	\$ 302	\$ 302	\$ 253
Comparison to Status Quo	-	+ \$ 368	+ \$ 368	+ \$ 318
RANK	3	1		2
Revenue upside potential	Same	Highest	Higher	Same

Attachment 3. List of Responsibilities by Operating Option

RESPONSIBILITIES AND CITY STAFFING	STATUS QUO	OPTION A	OPTION B	OPTION C
City Maintenance Staff - perm	9.80			
City Maintenance Staff - hourly	4.36			
City Mgt / Supervisory Staff	0.60	0.70	0.75	1.00
Total FTE	14.76	0.70	0.75	1.00
<u>Item</u>	<u>Responsibility</u>	<u>Responsibility</u>	<u>Responsibility</u>	<u>Responsibility</u>
Fees, Policy, Maintenance standards	City	City	City	City
Capital	City	City	City	City
General Management	City	Mgt Company	Mgt Company	City
Marketing	City	Mgt Company	Mgt Company	City
Vehicles	City	City	City	Maintenance Contract
Computers - Pro Shop	City	Mgt Company	Mgt Company	Concession/City
Computers - Maintenance	City	Mgt Company	Mgt Company	Maintenance Contract
Computers - F&B	Concession	Mgt Company	Concession	Concession
Telephones - Pro Shop	Concession	Mgt Company	Mgt Company	Concession
Telephones - Maintenance	City	Mgt Company	Mgt Company	Maintenance Contract
Telephones - F&B	Concession	Mgt Company	Concession	Concession

Attachment 4- List of Golf Course Operating Options Employed at Local Golf Courses

<u>OPTION A</u>	<u>OPTION B</u>	<u>OPTION C</u>
Glen Annie, Goleta	Green River, Corona	Anaheim Hills, Anaheim
Olivas Links, Ventura	Buenaventura, Ventura	Dad Miller, Anaheim
River Ridge, Oxnard	De Bell , Burbank	Palo Alto
Walnut Creek, Bay Area		
Los Robles, Thousand Oaks		
River Course, Solvang		
Soule Park, Ojai		

June 15 2015

Attachment 5, Key Considerations for the RFP and Contract(s) as identified by the Golf Operating Options Committee

FOOD AND BEVERAGE

Full restaurant with
Breakfast, Lunch and Dinner
and Banqueting Facilities

Liquor License

Investment to expand
banquet facilities in support
of Tournaments

Improved Tournament
services and marketing

Beverage Cart Service – on
demand availability especially
in warm conditions

Excellent Customer Service: -
evaluations – secret shopper
– reporting to advisory group

Healthy options on menu to
promote well-being

Allow proposers to identify
capital improvements

PRO SHOP

High Quality Products – with
a variety of brands

Experienced Professionals for
Lessons and Programs

Customer Service a priority –
Consideration, recognize
people, build loyalty,
evaluations and surveys to
feedback.

Motivated Counter Staff -
Easy Check in

Tournament innovations and
program ideas to be
requested.

Program ideas for SGBC.

COURSE MAINTENANCE

Establish and maintain
standards – auditing and
correction protocol to be
explicit and have teeth.

Demonstrable experience
with multiple golf courses

Clear communication with
golfers and pro shop
regarding conditions

Leverage Economy of scale

Industry leading agronomy

Class A Superintendent
dedicated to the course

IPM Program remains a
requirement

MANAGEMENT

City retain Control over –
Pricing, Policy and Capital

Increased cohesion between
maintenance, proshop and
F&B

Continuation of GAC and
PIFSC

Joined up marketing and
pricing strategy to the
primary benefit of the golfers

Allow Proposers to propose
incentive plans that may
benefit City



**CITY OF SANTA BARBARA
PARKS AND RECREATION DEPARTMENT**

**PARKS AND RECREATION COMMISSION
GOLF ADVISORY COMMITTEE
SPECIAL JOINT MEETING**

Monday, June 15, 2015

MINUTES

CALL TO ORDER: The meeting was called to order at 5:32 p.m. at City Council Chambers.

PLEDGE OF ALLEGIANCE: Parks and Recreation Commission Chair Wiscomb

ROLL CALL:

Commissioners Present

Lesley Wiscomb (Chair)
Beebe Longstreet (Vice-Chair)
Nichol Clark (Arrived at 6:13 pm)
Jim Heaton
Mark Rincon-Ibarra

Golf Advisory Committee Members Present

Dominic Namnath
John Craig
Bryant Henson – Recused himself
Maureen Masson
Gretchen Ostergren

Commissioners Absent

LeeAnne French
Intern Andrew Rodriguez

Golf Advisory Committee Members Absent

Bob Garcia

Staff Present

Assistant City Administrator Bob Samario
Parks and Recreation Director Nancy Rapp
Assistant Parks and Recreation Director Jill Zachary
Parks & Recreation Business Analyst Mark Sewell
Golf Superintendent Simon Herrera
Executive Assistant Karla Megill

PUBLIC COMMENT:

None

1. Golf Operating Options Recommendation to City Council – For Action

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.

Documents:

- Staff Report dated June 15, 2015

Speakers:

- Staff:
 - Nancy Rapp, Parks and Recreation Director
 - Mark Sewell, Business Analyst
- Members of the public:
 - Bryant Henson
 - Mario Medina
 - Lani Medina
 - Jessica Karsan
 - Melissa Osuna
 - Daneille Munoz
 - Meghan Dewey
 - Valerie Ekern
 - Elaine Hewes
 - Mike Thompson
 - Cody Free
 - Kathy Leer
 - Cynthia Goena, SEIU Local 620

Commissioner/Committee Comments:

Commissioner Rincon-Ibarra, who served on the Golf Options Committee, said the Committee had no preconceived notions, no agenda, except to make the golf course an exceptional golfing experience. He said that regardless of the Option, a Management Contractor will need to engage the services of a food provider; he said he see no imminent threat. Mr. Rincon-Ibarra stated that the only goal is to look for the best value for the golf course; it is an Enterprise Fund, and has to be self-sufficient, and going forward the objective is to make it sustainable. He said suggested that any Management Company who does not already have a food and beverage company under their control, would consider engaging the services of a vendor such as Mulligans; however, there are no guarantees. Mr. Rincon-Ibarra reiterated that the primary objective is to make the golf course an

exceptional golfing experience, and sometimes that means engaging the services of a food and beverage vendor for larger production rather than your day-to-day operation, to attract larger, outside events.

Committee Member Ostergren, who also served on the Golf Options Committee, said they spent countless hours trying to make the best decision for the golf course. She said she has known Mario and Lani Medina and Chris Talerico for years. Ms. Ostergren said it is not about trying to replace or displace them, but to make the golf course profitable and make it run well so there is good cooperation between the three entities. She said that is why she felt Option A was the best, because you have one person providing oversight. Ms. Ostergren commented that when the matter moves forward to City Council they can decide whether they want to include a provision, if the Commission recommends Option A, requesting that Mulligan's remain, and the same for the Pro Shop. She said that if there is an entity overseeing things, it seems that everyone is in it for the same reason, to become profitable and give the most rounds possible.

Commissioner Longstreet commented that it's important the City maintain control over golf course policies and fees. She stated that the City is trying to maintain this as Santa Barbara's Community Golf Course that is affordable, and that means that things will have to change. She said she believes with what has been said about the current contractors. She concurred with the comments about them, but also expressed her belief that when dealing with a public entity, contract negotiations for public property need to be open and available to all contractors—it needs to be a fair playing field. She said it is a public resource, not anyone's private fiefdom. Ms. Longstreet stated that she is pleased to see living wage and Integrated Pest Management included. Ms. Longstreet said the City is operating a hybrid right now, and Option A has the most benefits and she believes it will shake out in the RFP process, but it has to be open and fair to all. She said she hopes they will keep the known entities. She said the City has to protect the resources it has. Ms. Longstreet stated that Option A is most beneficial to the Golf Course Enterprise Fund and to keeping golf affordable in our community.

Commissioner Clark commented that it seems as though people think that this is profit versus community, but it's not really about that; it is not profit for profit's sake, but profit for the community's sake. She stated that if the golf course is not fiscally responsible, there will be no golf course left, and the whole community will lose. Ms. Clark said that as much as she would like to see Mulligan's stay, she believes they need to go with the most fiscally responsible solution for the golf course, which she believes is Option A.

Committee Member Craig read this statement: "On May 10th, the City Council directed staff to, I quote, 'pursue contracting for golf course maintenance services following living wage requirements.' Three months later, we are here. With the only financial disability coming from course maintenance, I

find it hard to throw out the whole system when it appears we only need a minor fix. Over the last three calendar years, Mulligans has paid an average annual rent of \$135K, and the Pro Shop has paid \$184K. The recommendation from the Options Committee, of which I was a part, was Option A, guaranteeing the City \$368K, but offers no guarantees to the workers of the two establishments. Option C guarantees \$318K. Option C guarantees the supporters of Muni will not be affected. As reflected in the minutes of the Options Committee on June 3rd, the four other members voted to, and I quote, 'refine the focus of the discussion to the Management Contract to Options A and B, by rejecting Option C. I descedented.' Wasn't Option C what we were directed to pursue?"

Commissioner Heaton commented that looking at it from a business perspective of the overall golf course and what is the best overall option profit-wise, he said he kept focusing on the question is the goal a municipal golf course overhaul or is it to improve the economical situation and make it a more sustainable golf course. Mr. Heaton stated that he went back and watched the City Council meeting and deliberations on the issue, and what were looking for is to ensure the golf course remains self-sustaining, the City controls policy, maintenance quality, and fees. He further said that their direction was to pursue a golf course maintenance service agreement with living wage requirements, and Option C meets the goals of City Council and the Community in making it more sustainable and solving the problems. He said there were other actions that were taking, refinancing the debt, increased marketing, that altogether should make it a more viable business. Mr. Heaton stated it may not be the most profitable one, but it will solve the problem and create financial sustainability. Mr. Heaton commented that he believes that Option C is the best solution and Option B would be the alternative. He said that projections and trends provide good information, but not enough for him to recommend an overhaul of the structure that is working. Mr. Heaton said the City has already committed to outsourcing the maintenance, and that is projected to ensure the golf course continues without the support of the General Fund; a long-term maintenance commitment is not needed. He suggested it is something that could be pursued and, if for some reason the course is not doing as well as it projected with the maintenance agreement, or not following other national trends, it could be revisited. Mr. Heaton stated that he believes that Option C is the best solution.

Committee Member (Chair) Namnath commented that the Golf Course has been fighting this fiscal problem for a number of years and at 60K rounds, the golf course is not sustaining, and at that pace, the golf course only has about 18 months to go before it is out of business. Mr. Namnath said the maintenance contract will decrease costs. He said he is unsure whether raising revenue is the right idea; at 60K rounds you can pretty much get a tee time whenever you want. Mr. Namnath stated that when rounds were at 90K, he got turned away, and selfishly, he is annoyed with the concept of trying to raise rounds. Mr. Namnath said he does not believe the City wants 90K rounds being played at the golf course for maintenance and similar reasons. Mr. Namnath stated that when the

Options Committee got into the discussion, the fiscal factor was the primary driver of the discussion. He said looking at Option C, he sees the City leaving \$300k on the table over the course of five years. He said he has been leaning towards Option A, because it gives the City that control and the extra \$50K to address financial concerns, but additionally, \$300k reinvested into the golf course will surely make it one of, if not the best golf course in California over the next decade. He did say that because of what he has heard tonight, and read in the emails, he is wavering between Options A and B because of Mulligan's and the service they provide to the community.

Chair Wiscomb said that Commissioner Clark had a really good point regarding community and fiscal policy. She said the direction from City Council is the sustainability of the municipal golf course; there are no General Funds for the Golf Course. Ms. Wiscomb stated that the choice has become much more limited. She said that being a member of the Golf Operating Options Committee, they had three goals: sustainability—the ability to operate independently; City control over policies and fees and keeping it a public golf course; and keeping it an excellent full-service experience for both golfers and visitors. Ms. Wiscomb acknowledged that Mulligan's has done a fantastic job in becoming a destination restaurant, but whoever goes there, from dining, to check-in, to golf, the desire is that it be a really great experience. Ms. Wiscomb said she liked Ms. Longstreet's comment that it is public property and there is a need for a fair playing field. She stated the everyone here knows that on June 30, 2016, the contracts are going to expire, there are no more options. She said it is not new news, and it is not about rejecting the current vendors, but about the fact that it is a contract, and it should be a fair process and competitive playing field to get the best product the City can get at the municipal golf course, and make sure it is sustainable for the long-term. She expressed the hope that if City Council goes with Option A, that there will be opportunities for the people who have worked so hard at the golf course to build their businesses to have an opportunity to be part of that. Ms. Wiscomb said she is in favor of Option A; it has the strongest potential to increase financial performance, revenue projections are significantly higher than Option C; and it offers the most benefits to the community and the fairest way to move forward.

GOLF COURSE ADVISORY COMMITTEE ACTION:

Golf Advisory Committee Member Ostergren moved, seconded by Golf Advisory Committee Member Namnath, to recommend City Council adopt Option A. The motion failed 2 / 2.

Absent: Garcia Recused: Bryant Opposed: Craig/Masson

Golf Advisory Committee Member Craig moved, seconded by Golf Advisory Committee Member Masson, to recommend City Council adopt Option C. The motion failed 2 / 2.

Absent: Garcia Recused: Bryant Opposed: Namnath/Ostergren

Golf Advisory Committee Member Namnath moved to recommend City Council adopt Option B and to retain Mulligans as the food and beverage concessionaire and extend their contract.

This motion died due to the lack of a second.

Golf Advisory Committee Member Craig moved, seconded by Golf Advisory Committee Member Ostergren, and passed 4/0 to table the Golf Advisory Committee decision until after the Parks and Recreation Commission takes a vote on the matter.

Absent: Garcia Recused: Bryant

PARKS AND RECREATION COMMISSION ACTION:

Commissioner Rincon moved, seconded by Commissioner Clark, and passed 4/1 to recommend Option A to City Council.

Absent: French Opposed: Heaton

GOLF COURSE ADVISORY COMMITTEE ACTION:

Golf Advisory Committee Member Ostergren moved, seconded by Golf Advisory Committee Member Namnath, to recommend City Council adopt Option A.

The motion failed 2 / 2.

Absent: Garcia Recused: Bryant Opposed: Craig/Masson

Golf Advisory Committee Member Namnath moved, seconded by Golf Advisory Committee Member Masson, to recommend City Council adopt Option B.

Committee Member Masson commented...if there were some way to maintain Mulligan's, and asked if the term of the agreement is five years. Ms. Rapp said that the term of the contract would be decided by City Council. She said a management contract is typically for three to five years, but it has not been determined. She said if it is a separate restaurant concession and it is the current restaurant with a good history of working with the City, the term could be longer.

Committee member Masson said that it is difficult for her since it was City Council who negotiated the unsustainable contract with SEIU to begin with.

Committee Member Craig said that since two of the Golf Advisory Committee members have been excluded due to a conflict of interest because they are marshalls, and knowing they would support Option C, he would urge the other members of the Golf Advisory Committee to maybe lean that way.

Ms. Rapp expressed that Committee Member Craig's comment was inappropriate and asked that the Committee members disregard what was said. She stated that the two members recused themselves because of their conflict, and she does not believe it is appropriate for someone else to speak on their behalf, and she is not comfortable having someone speak for them when they are not a part of the discussion. Ms. Rapp stated that she would not want their action to be overturned later by the City Attorney.

Golf Course Advisory Committee Chair Namnath amended his motion as follows, to which Member Masson agreed.

Golf Advisory Committee Member Namnath moved, seconded by Golf Advisory Committee Member Masson, to recommend City Council adopt Option B with a strong recommendation that Mullignas be considered as the Food and Beverage concessionaire.

The motion failed 2 / 2.

Absent: Garcia Recused: Bryant Opposed: Craig/Ostergren

Ms. Rapp stated that the Committee appears to be at an impasse and staff will move forward with what has been provided.

ADJOURNMENT

At 7:52 p.m., with no further business to be addressed by the Commission, the meeting was adjourned.

Respectfully submitted,

Nancy L. Rapp
Parks & Recreation Director



**Parks
& Recreation**
Enriching People's Lives

Golf Operating Options

City Council July 28, 2015

Overview

- Golf revenue not keeping pace with costs
- Council direction: Golf Course to remain self-sustaining, not rely on GF; contract out maintenance
- Existing concession agreements terminate June 2016
- Opportunity to further improve golf course long-term fiscal sustainability by changing operating model
- 3 options proposed

Discussion to Date

- Oct 7, Nov 18, 2014 – Finance Committee
- Nov 19, 2014 – P & R Commission
- Dec 9, 2014 – City Council
- Jan 27, 2015 – Finance Committee
- Mar 10, 2015 – City Council
- Apr 22, 2015 – P&R Commission
- May 26, June 3, 2015 – Golf Operating Options Comm.
- Jun 15, 2015 – P&R Comm., GAC Joint Meeting

Priorities – City Council

- Golf to remain self-sustaining enterprise fund, not rely on GF support
- Contract out maintenance (with LWO)
- City to retain control:
 - Fees
 - Policy
 - Course maintenance quality

Priorities – Golf Course

- Exceptional golfer experience for all operations, to retain and attract golfers
 - Customer service
 - Course quality
 - Quality services and programs
- Improved ability to succeed in today's golf market
 - Much more competitive than 5-8 years ago
 - Requires dynamic and time sensitive marketing
- Golf Advisory Committee continues

Three Models Recommended

- Option A – One Contract
 - Management Agreement for course mgmt, Pro Shop, Maintenance and F & B Operations
- Option B – Two Contracts
 - Management Agreement for course mgmt, Pro Shop and Maintenance operations with separate F & B concession
- Option C – Three Contracts
 - City manages course, contract maintenance, Pro Shop and F&B concession agreements

A Look at Other Public Courses

Option A	Option B	Option C
Glen Annie, Goleta	Green River, Corona	Anaheim Hills
Olivas Links, Ventura	Buena Ventura, Ventura	Dad Miller, Anaheim
River Ridge, Oxnard	De Bell, Burbank	Palo Alto
River Course, Solvang		
Soule Park, Ojai		
Los Robles, Thousand Oaks		
Walnut Creek, Bay Area		

What is a Management Agreement?

- City pays a set fee for a professional golf course operator to manage the golf course
 - Serves as the City's agent
 - Management plus 2 or 3 operations (Pro Shop, Maint., Food & Beverage)
 - Contractor provides personnel, payroll, marketing, accounting, services etc.
 - Negotiated contract, typically 5 years, with performance incentives
- Annual budget determined by City through contract
 - All Golf revenues and expenses are City responsibility
 - Company invoices City for services provided (maintenance, pro shop, etc.) per contract
 - Regular performance review meetings with City staff

What are the Benefits?

- Professional golf course management experience
 - Improved opportunity to enhance golf operations and financial performance
 - More important in today's competitive market
- Greater efficiency and improved business practices with consolidated management of operations
- Reduced City (Golf Club) administrative and overhead costs – annual cost savings
- Anticipate strong response by qualified vendors – best opportunity for City

Overview of Options

Option A	Option B	Option C
<p><i>“Synergy” for effective decision making:</i> Highest</p>	<p>Improved; likely conflicts with golf events, marketing</p>	<p>None - Increased potential for conflicts with 3 contracts</p>
<p>Contractor incentivized to maintain course quality</p>	<p>Contractor incentivized to maintain course quality</p>	<p>Maintenance costs fixed</p>
<p>Reduced Admin/Overhead: \$50,000 savings</p>	<p>Reduced Admin/Overhead: \$50,000 savings</p>	<p>No reductions from status quo</p>

Overview of Options

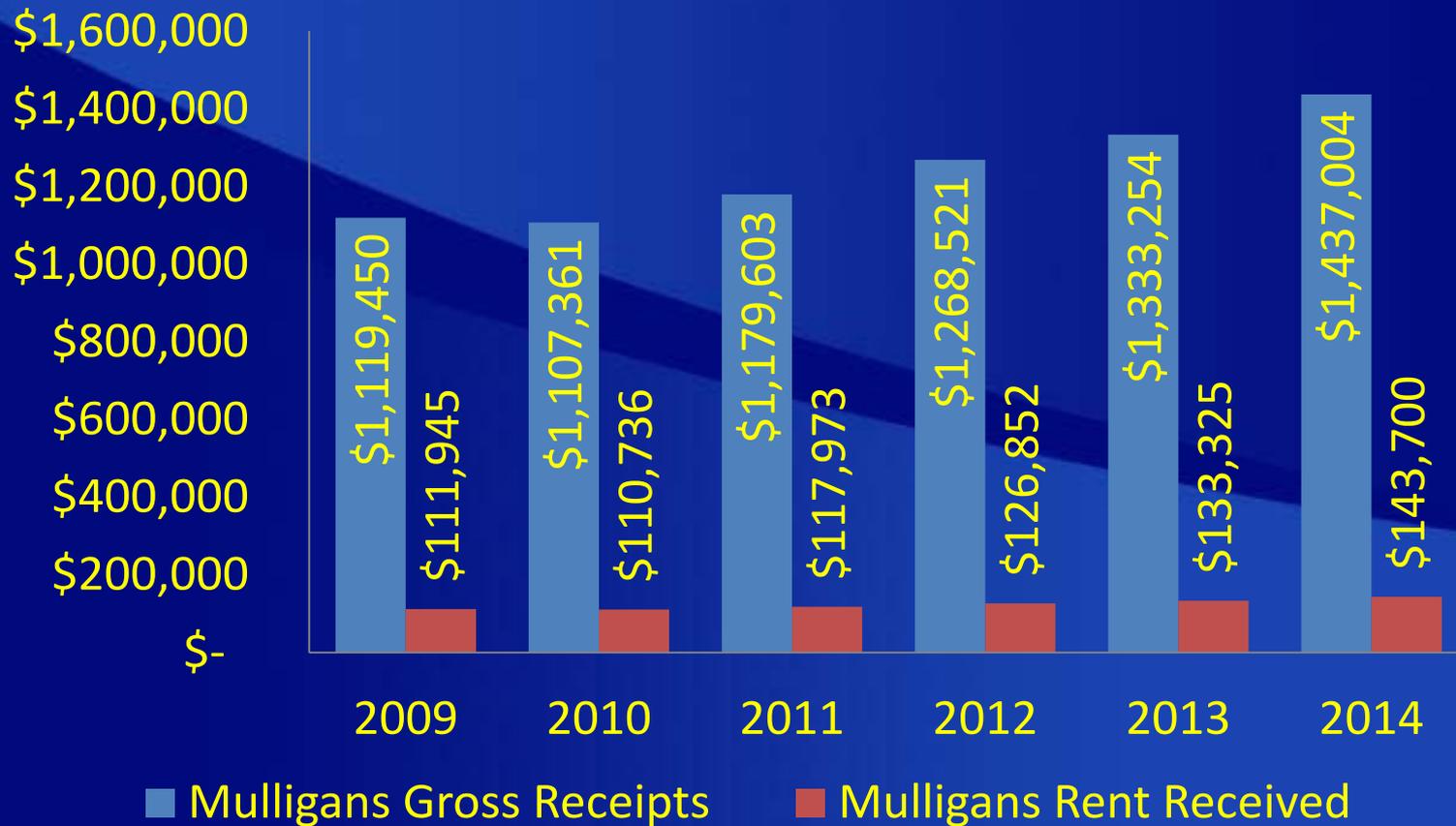
Option A	Option B	Option C
Projected fiscal benefit versus FY 2017 Status Quo: \$368,000	\$368,000	\$318,000
Strongest potential for increased financial performance	Stronger potential	No change from Status Quo

Option B: With Mulligans Café

- Strong public interest in retaining current operator
- Family owned business 23 years
- Business has steadily grown, increased rev. to Golf Course each year
- Similar to Option A, annual savings of ~\$368,000
- Revenue potential less than A, but greater than status quo or C
- Risk of new concessionaire for food and beverage
- Golfers interested in improved services; Golf Club looking for more benefits for golfers
- Medina family interested in new contract and working to improve services

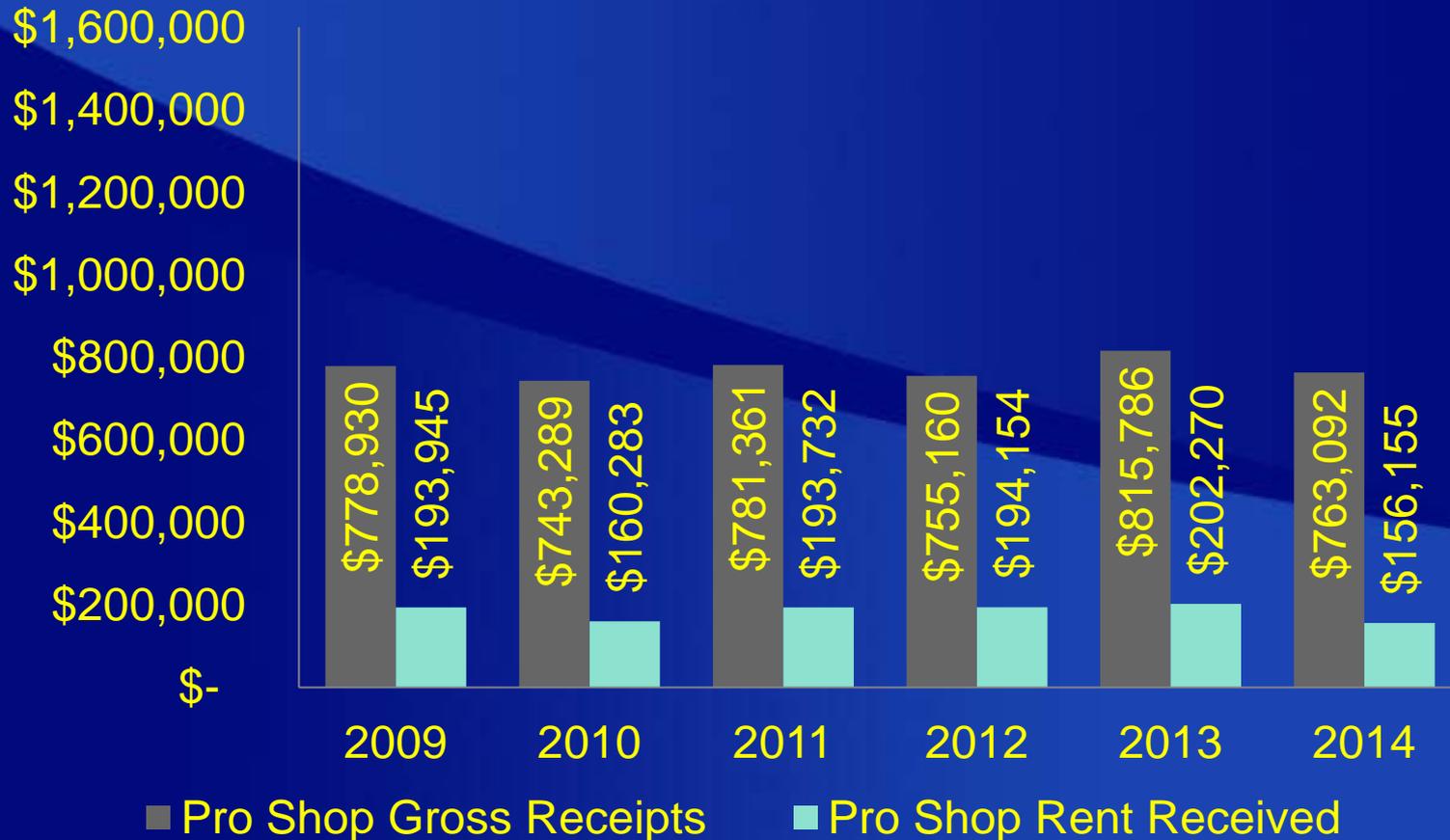
Restaurant Performance

Mulligans Revenue and City Rent



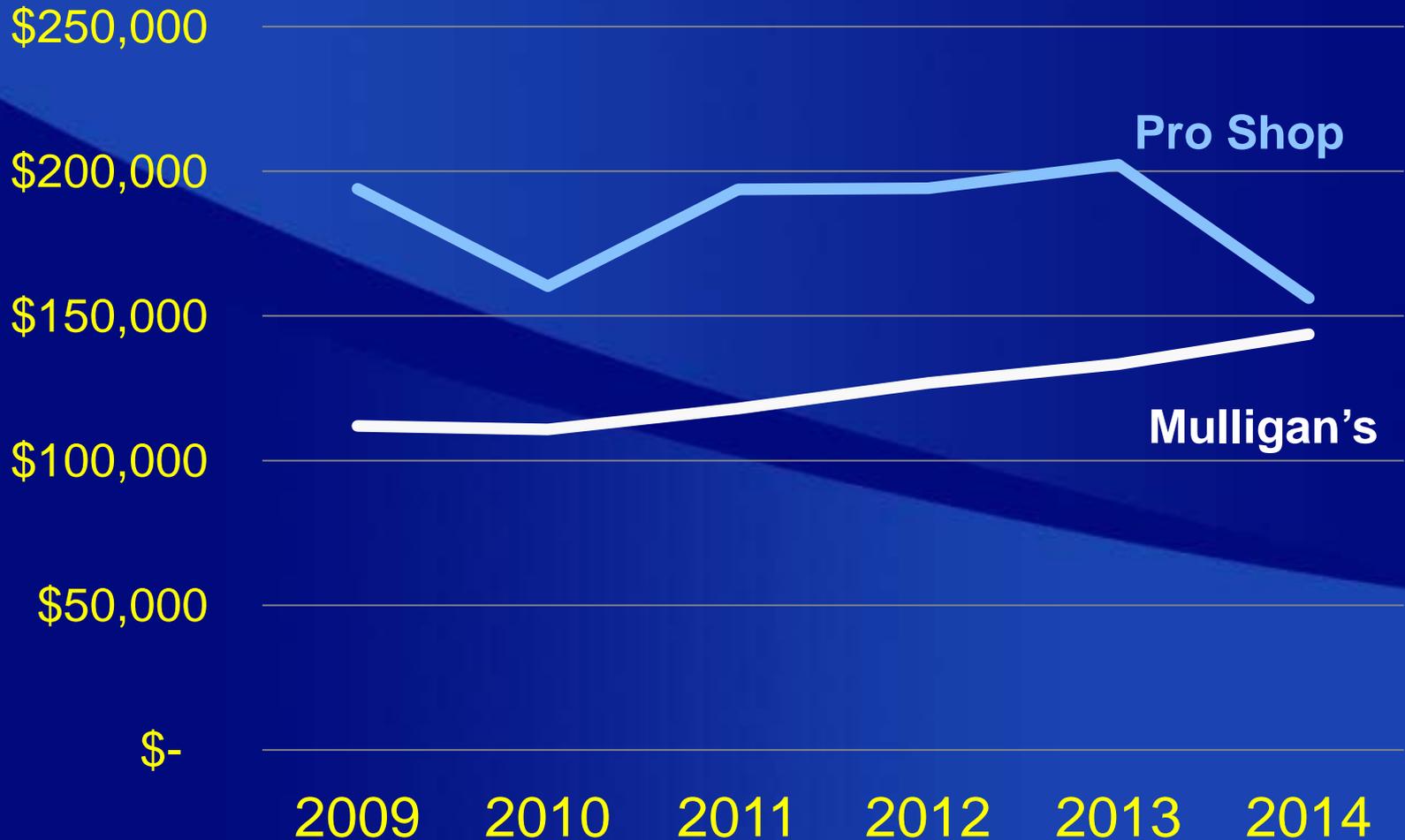
Pro Shop Performance

Pro Shop Revenue and City Rent



Financial Performance

Concession Rent to City



Limitations of Option C

- Projected annual cost savings \$318,000 compared to \$368,000 with Options A or B
 - P & R admin costs increased over A or B; no City overhead cost savings
- No long term increased revenue potential over status quo
- Increased challenges for P & R with managing the golf course and three contractors
 - Increased likelihood for conflicts between contractors
- Greatest Limitation: Limited qualified vendor response



Golf Operating Options Comm.

- Committee est. by P & R Commission to review options and make a recommendation
 - 2 P & R Commissioners
 - 3 GAC members
- 2 meetings, May 26 and June 3, 2015
- Unanimous vote to recommend Option A

Golf Operating Options Comm. Recommendation Considerations

- **Option C** least fiscally attractive, increases City admin costs, least synergy between operations.
- **Options A & B** improve synergy = longer-term financial benefit for golf course, reduce City admin, more common model
- **Option A** provides highest synergy and strongest potential for increased financial performance



Golf Operating Options Comm.

Other Priorities

- Golf course needs to market effectively (synergistic relationship between operations)
- Improved coordination of golfer services needed, (i.e., tournaments and home clubs)
- Improved customer service needed in Pro Shop and Restaurant operations
- Best interests of the Golf Course and golfers should be the highest priority



Golf Advisory Committee and Parks & Recreation Commission

- Joint meeting – June 15, 2015
- Golf Advisory Committee unable to reach a recommendation
- Parks and Recreation Commission
 - 4/1 recommendation for Option A
 - Priority should be best long-term financial outcome for golf course sustainability

Staff Recommendation

- Staff recommends Option B given the following considerations:
 - Community value and financial performance of Mulligans
 - Increased risk with a new restaurant operator
 - While Option A provides strongest financial opportunity, Option B offers slightly reduced potential, but better than Option C; concern for limited vendor response with C
 - Negotiating new contract terms to support golfer interests could reduce conflicts between operators.



QUESTIONS?