



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 15, 2015

**TO:** Mayor and Councilmembers

**FROM:** Golf Division, Parks and Recreation Department

**SUBJECT:** Contract With Santa Barbara Golf, LLC, For Management And Operation Of Santa Barbara Golf Club

### **RECOMMENDATION:**

That Council approve, and authorize the City Administrator to enter into, a management contract with Santa Barbara Golf, LLC, a wholly-owned subsidiary of CourseCo, Inc., to manage and operate Santa Barbara Golf Club.

### **DISCUSSION:**

#### Background

Santa Barbara Golf Club (Golf Club) provides high quality, affordable golf and recreational opportunities and is an important community asset to Santa Barbara residents and visitors. Since 1990, the Golf Club has seen play decline, and has been challenged by competitive pricing trends in the local golf market. Over the last year, the Parks and Recreation Department (Department) staff presented options to improve the financial sustainability of the Golf Club to the Golf Advisory Committee, Parks and Recreation Commission, Finance Committee, and City Council.

On March 10, 2015, Council prioritized the need for the Golf Club to remain a self-supporting enterprise not dependent upon the General Fund, and directed staff to move forward with contracting out course maintenance effective July 1, 2016, to reduce on-going golf expenses.

On July 28, 2015, the Department presented three alternate operating models that met City Council priorities for long-term financial sustainability of the Golf Club, and City control over policy, fees and course maintenance standards. Council subsequently directed staff to proceed with a Request for Proposals (RFP) for professional golf management services, including golf course management, Pro Shop, and course maintenance. Council also directed staff to negotiate new lease terms with the existing operators of Mulligan's Café and Bar to provide food and beverage services at the Golf Club. Staff

will return to Council with a recommended lease for the operation of the food and beverage concession in spring 2016.

#### RFP for Golf Management Services

On August 27, 2015, the Department issued a comprehensive RFP for the management and operations of the Golf Club. The RFP was distributed to 29 golf management firms throughout the country and published on the Professional Golfers' Association (PGA) website. Eighteen companies attended the mandatory bid walk on September 10, 2015. The City received ten proposals on September 29 and five companies were selected for interviews. The Department worked with the City Administrator's Office, Finance Department, and Pro Forma Advisors golf consultant, Gene Krekorian, to evaluate the proposals and conduct interviews. Key considerations included company depth of experience and financial stability, approach to marketing and customer service, golf maintenance and agronomic standards, fee proposal, staffing model, and proposed transition plan.

#### Golf Management Contract

The Department recommends Santa Barbara Golf, LLC, a wholly-owned subsidiary of CourseCo (CourseCo), as the best-qualified company to manage the maintenance and operations of the Golf Club. With 26 golf courses (primarily in California) representing a mix of owned, leased and managed properties in both the private and public sectors, CourseCo has well-rounded golf course operating experience. As a mid-sized golf management company, CourseCo can provide economies of scale, effective marketing strategies, and senior management oversight that meet the City's needs. Headquartered in Petaluma, California, CourseCo has full back office agronomic, financial, sales, marketing and administrative support.

In its proposal, CourseCo presented a comprehensive plan for maintaining and marketing the Golf Club, developing relationships with home clubs and the golfing community, expanding tournaments and community events, and partnering with Mulligan's Café and Bar. As part of developing their proposal, CourseCo completed local market research and met with home clubs and the current concessionaires. Moreover, through the proposal and interview process, CourseCo demonstrated a thorough approach to meeting the City's course maintenance standards.

CourseCo's operating plan and fee proposal are consistent with the City's financial sustainability objectives. The company has increased rounds and revenue at other municipal courses by creating new, innovative events, managing pricing, and working collaboratively with food and beverage partners to increase tournament sales. CourseCo considers the existing greens fees as appropriate for the Golf Club, and does not propose any significant increases.

As part of the review and evaluation of CourseCo's qualifications, Department staff conducted site visits to CourseCo-managed golf courses in Pacific Grove, Cupertino and San Jose. Staff also contacted the cities of Walnut Creek, Pacific Grove, San Jose and Redmond, Oregon to review their performance. Overall, references were highly favorable and confirmed CourseCo's ability to meet the standards for the Golf Club.

### Contract Terms and Oversight

The proposed contract will have an initial term of four years and nine months, commencing on July 1, 2016, with an option to extend for an additional five years. The first term is designed so that contract renewal would occur in spring 2021, outside the peak summer golfing season. City and CourseCo management staff will develop annual operating and capital plans, and recommend fees and charges, for approval by Council each year as part of budget review and adoption. The City will pay CourseCo an annual management fee with performance incentives based on annual revenue targets and customer service standards. No City property will be transferred to the company.

The Parks & Recreation Department will continue to have primary oversight for the operation of the Golf Club. To ensure compliance with maintenance and service standards, staff will conduct regular reviews and audits of maintenance and operations. In addition, a third party secret shopper company will be used to provide objective, comparable feedback to measure customer experience. Staff will also meet monthly with both CourseCo management and the operators of Mulligan's Café and Bar to review Golf Club revenues and foster communication and coordination for programs and services.

### Transition Plan

CourseCo has extensive experience completing transitions for both public and private golf courses and has developed preliminary plans to assume responsibility for the management and operations of the Golf Club. The goal of the transition plan is to ensure a seamless transfer of responsibilities with minimal impact to patrons. Key elements include:

- Development of a staffing plan that includes the opportunity for both maintenance and pro shop staff to consider continuing employment at the Golf Club. Under the terms of the proposed contract, all staff will have the opportunity to apply for any open position and to meet with CourseCo senior management.
- Coordination with existing concessionaires to enable seamless handover of inventory, customer balances, software, fixtures, tournament bookings, major city championships, youth and women's programming, and instructor relationships.

- Coordination with Department staff to review and develop a comprehensive maintenance plan and golf operating manual.
- Development of a sales, marketing and customer service plan for City review and approval prior to commencement of the contract.
- Identification of common goals and development of partnering opportunities with Mulligan's Café and Bar.

#### Permanent City Golf Employee Plan

Consistent with Council's policy decision to avoid involuntary layoffs of regular staff resulting from the transition of the Golf Club to a management company, the Department has met several times with Human Resources and representatives from the Service Employees International Union, Local 620 (SEIU), to implement a staffing transition plan. The plan provides for transfer opportunities to similar positions within the City as vacancies become available prior to June 30, 2016, and transfers to the Parks Division on July 1, 2016 for any remaining regular staff in an "over hire" capacity. To date, two employees have filled similar vacant positions in the Parks Division. One additional employee was offered a transfer opportunity, but declined in favor of a voluntary layoff/retirement in June 2016.

The Department currently has seven (7) remaining full-time, permanent employees employed at the Golf Club who have not yet been offered a transfer opportunity. It is anticipated that some of these employees will retire from City service, or accept a position with CourseCo before June 30, 2016. All remaining regular employees will transfer to the Parks Division in their current classification, effective July 1, 2016. Most of these employees will be absorbed into regular budgeted positions as they become available through normal turnover. In the interim, these positions will help with a backlog of grounds maintenance work.

Hourly employees are not included in the transition plan and will not be offered an automatic continuation of City employment after June 30, 2016. However, these employees have been encouraged to apply for other City Hourly jobs, and the contract with CourseCo will provide them with the opportunity to interview if they wish to remain at the Golf Club.

#### **BUDGET/FINANCIAL INFORMATION:**

The Golf Fund has been operating at a loss for many years and has held reserves below policy levels since 2008. In order to improve short term cash flow, Council approved a debt refinance as part of the Fiscal Year 2015 budget. This alone does not adequately resolve the historic or projected fiscal performance of the current operating model. Even with the benefit of reduced debt payments, Golf Fund reserves could still

be fully depleted in the next few years requiring significant ongoing financial support or reductions in costs.

Under the terms of the management agreement, the City will retain all gross revenues for golf related activity including greens fees, cart rental, range fees, lessons, and sale of merchandise. The City will pay a management fee and reimburse CourseCo for all approved direct costs related to the operation of the pro shop and golf maintenance.

Over the long-term the contract with CourseCo will improve on-going financial results by more than \$300,000 a year by reducing costs and applying CourseCo's expertise to marketing and customer focus. In the short term, costs in the General Fund will increase as a result of Council's policy to retain regular staff. Short-term "over hire" costs could be as high as \$617,000 (6.5 FTE) but will more likely initially be at most \$333,000 (3.5 FTE), due to expected retirements. These costs will decrease over time with turnover, until they are almost completely absorbed. At the historical rate of turnover, it is likely that regular budgeted vacancies will become available for these positions within a one or two-year period. There will be an ongoing cost of \$70,000 to the General Fund given the reduced need for management oversight of the Golf Club. The Department will return with a more refined plan as part of the proposed Fiscal Year 2017 budget, and as individual golf employee circumstances and choices become more certain.

Improved annual financial results will enable the City to rebuild Golf Fund reserves and increase capital investment in Golf Club infrastructure.

A copy of the contract is available for public review in the City Clerk's Office.

**PREPARED BY:** Mark D. Sewell, Parks and Recreation Business Manager

**SUBMITTED BY:** Jill E. Zachary, Acting Parks and Recreation Director

**APPROVED BY:** City Administrator's Office



**PARKS AND RECREATION DEPARTMENT**

# **MANAGEMENT AND OPERATIONS FOR SANTA BARBARA GOLF CLUB**

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City Council | December 15, 2015



## Santa Barbara Golf Club

- Key City recreation facility
- Need for financial sustainability

### Council Direction July 28, 2015

- Golf course to remain self-sustaining
- Pursue professional golf management services



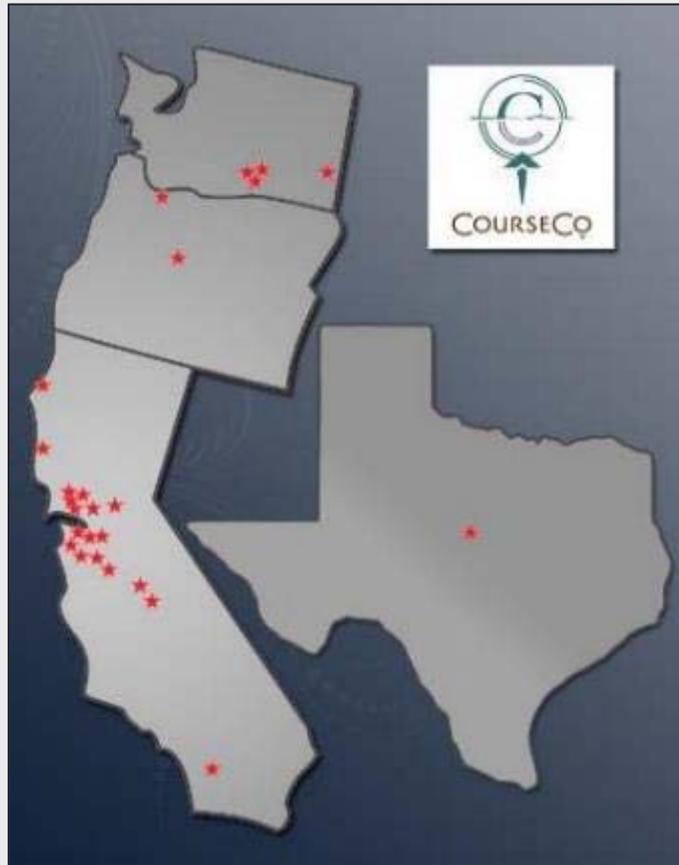
## Following Council Direction

<b>August 27</b>	Request for proposal issued
<b>September 10</b>	18 organizations at bid walk
<b>September 29</b>	Ten proposals received
<b>October 14-15</b>	Five companies interviewed

**Recommend** Santa Barbara Golf, LLC.  
Subsidiary of CourseCo Inc.



## CourseCo, LLC



- HQ in Petaluma, CA
- 26 year history
- 26-course portfolio
- 15 muni courses in CA
- Regional focus with national scale
- Home club and community focus
- Partners with food and beverage (F&B)



## Qualifications



- Operating plan consistent with City financial sustainability objectives
- Track record for growing revenue at municipal courses
- New programs and community events
- Collaborative partnerships with food and beverage
- No significant fee increases proposed
- Highly-favorable references



## CourseCo Responsibilities



COURSECO  
CELEBRATING 15 YEARS

- Maintenance of course and facilities
- Operation of pro shop
- Recruitment and training staff
- Tournaments and events
- Golf programming
- Sales and marketing
- Grow golf participation
- Capital project management



## Key Contractual Terms

<b>Initial Term</b>	4 years 9 months (July 1, 2016 to Mar 31, 2021)
<b>Mgmt. Fee</b>	\$80,000 with annual increases
<b>Incentive</b>	15% of revenue above \$2.7M (Projected \$2.6M in FY17)
<b>Customer Service</b>	30% of incentive fee contingent upon achieving target
<b>Option to Extend</b>	City may extend for five years



## Key Contractual Terms (cont.)

<b>On-Site Mgmt.</b>	Experienced Superintendent certified by GCSAA Golf Professional (PGA / LPGA) Working exclusively at the Golf Club
<b>Revenues</b>	City own all revenues for all golf operations
<b>Expenses</b>	City reimburses approved costs
<b>City Policies</b>	Living wage, IPM, Drought rules



## City Control and Oversight

- Setting of greens, cart, and range fees
- Regular audits and reviews
- Customer service standards
- Maintenance standards
- Operating and capital budgetary control



## Transition

- Contract commences July 1, 2016
- Six-month transition plan
- Staff transition and recruitment
- Collaboration with concessionaires
- Popular programs continue
- Sales, marketing, maintenance, and financial plans



## Working with Restaurant Concession

- Similar relationship at four other locations
- Setting common goals
- Strong communication
- Shared calendars and technology
- Clear policies and process
- Seamless customer service



## Permanent City Employees

- Council policy to avoid involuntary layoffs
- Several HR and Dept. meetings with SEIU
- Regular communication with staff
- Staff transition plan
- Hourly staff encouraged to apply for other City roles or continue to work at the golf course



## Seven Full-Time Permanent Employees

Options for employees not already offered a transfer opportunity

- Transfer to Parks Division July 1, 2016
- Retirement from City
- Employment with CourseCo
- Retirement from City  
**and** employment with CourseCo



## Retention Costs

### Short term “over-hire”

- Maximum 6.5 FTE,  
\$617,000 initial cost in FY17
- Likely 3.5 FTE, \$333,000 in FY17
- Anticipate absorbed in one to two years
- Assist with backlog of grounds maintenance work



## Budget/Financial

### Golf Fund

- Improved cash flow > \$300,000 a year from FY17
- Rebuild reserves and increase investment

Short term “over hire” costs, 1-2 years



## Recommendation

**That Council authorize the City Administrator to enter into a management contract with Santa Barbara Golf, LLC, a wholly-owned subsidiary of CourseCo, Inc., to manage and operate Santa Barbara Golf Club**