



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** October 28, 2008

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Introduction Of Ordinance For Golf Professional Concession Agreement

**RECOMMENDATION:** That Council:

- A. Introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a Five-Year Golf Professional Concession Agreement Between the City of Santa Barbara and Channel Islands Golf Enterprises, Inc., with an Option for an Additional Five-Year Term at the Santa Barbara Golf Club; and
- B. Authorize the Parks and Recreation Director to execute the Golf Professional Concession Agreement with Channel Islands Golf Enterprises, Inc., subject to approval of the form of the Agreement by the City Attorney.

### **DISCUSSION:**

The Golf Professional Concession at the City's municipal golf course, the Santa Barbara Golf Club, includes operation of the pro shop, starter function, driving range, cart rentals, instruction, club rentals and repairs, and other golf related services. The current Golf Professional Concession agreement with Richard Chavez will conclude as of December 1, 2008, and Mr. Chavez will be retiring after 28 years serving as the City's Director of Golf, a position title designated by the Professional Golf Association (PGA). Following a competitive bid process, Christopher Talerico has been selected as the next Director of Golf to operate the Golf Professional Concession at the Santa Barbara Golf Club. The Concession agreement is for 5 years with an option for an additional 5-year term. Mr. Talerico will perform these services under the name of Channel Islands Golf Enterprises, Inc.

### **Selection Process**

To initiate the search for the next Golf Professional Concessionaire, the Parks and Recreation Department contracted with golf consultants Economics Research Associates (ERA), a firm the City has used over the years to review and evaluate golf operations, revenue, and contractual relationships. ERA conducted an Analysis of Operating Options for the Santa Barbara Golf Club in May 2008. The report included a review of current national and regional trends in golf, history of rounds and revenue at the Santa Barbara Golf Course, and options and recommendations the City might consider for changes to the golf concession agreement going forward.

Highlights from the report include that, although national and regional trends show an overall decline in golf rounds since 2002, the Santa Barbara Golf Club has fared better than most in recent years, and that continuing with a golf operations concession versus contracting with a fee-for-service management company would better meet the expectations of the City and the municipal golfers. It was further recommended that the City make changes to the concession terms for the Request for Proposals (RFP) as shown in the table below.

The RFP issued in June 2008 stipulated that the term of the concession would be 5 years with the potential for extension at the City's option, improvements to the pro shop funded by the concessionaire, concession rent structured as the greater of an annual minimum base rent or a percentage of concession gross revenues, with designated annual minimum base rent amount and minimum percentage rent formulas. Proposers were allowed the option to propose a higher minimum base rent amount or percentage rent formulas.

Six proposals were received and deemed complete. In August 2008, ERA reviewed and evaluated the golf operations proposals, including proposed capital improvements and terms, revenue projections, proposer qualifications and financial capability. Five proposers were invited to a panel interview; the sixth, representing a fee-for-service management company, was not interviewed, as the terms were not as favorable for the City. The 6-person interview panel consisted of representatives from the Golf Advisory Committee, Santa Barbara Golf Club home clubs, a local golfer with merchandizing background, the Parks and Recreation Business Manager, and the Parks and Recreation Golf Manager. Three finalists, all current employees with Richard Chavez, were selected and invited to a second interview with the Parks and Recreation Director, Assistant Director, and Business Manager. Chris Talerico was selected for recommendation to the City Council as the next Director of Golf.

### **Chris Talerico**

Chris Talerico, a PGA golf professional, is a long-time employee with the Santa Barbara Golf Shop under Richard Chavez. Over the last 17 years, he has served 8 years as First Assistant Golf Professional, and 11 years before that as Assistant Golf Professional. Additional teaching responsibilities include the Russ Morrison Junior Golf Program and Executive Women's Golf Association. Chris also served as the Golf Varsity Head Coach at Bishop Diego Garcia High School from 2000-2005.

### **Proposed Concession Agreement Terms**

The agreement term is for 5 years with an option for an additional 5 year term provided the City is satisfied with the quality and level of services as determined through a written Performance Report and as determined by the City Council. A Market Level Survey will also be conducted at that time to review fees, base rent, and percentage rent to determine whether any changes should be considered with the second term.

The following table shows the various rents as they are under the current contact, base terms as presented in the RFP, and terms proposed by Chris Talerico.

	<b>Current</b>	<b>RFP</b>	<b>Proposed</b>
Minimum Concession Rent (+ annual CPI)	\$120,000	\$150,000	\$150,000
Percentage Rents:			
Carts	25%	30%	36%
Driving Range	35%	30%	36%
Merchandise	5%	5%	5%*
Lessons	5-10%	5%	5%
Equipment rental, repair	5%	5%	5%

\* Increases to 5.5% in 2010 and 6% in 2012.

Additionally, Mr. Talerico will be making capital improvements to the Golf Pro Shop, including relocation of the customer service counter (starter area) and Golf Professional's Office, communication and electrical upgrades, installation of a video monitor to display rates and other information of interest to golfers, new carpeting, fixtures, and energy saving lighting fixtures. Improvements are expected to be completed by mid-May 2009.

Per negotiations with Mr. Talerico and the Parks and Recreation Department, there are a few other minor changes to the concession agreement from the previous agreement to improve marketing and operation of the golf course facilities.

**BUDGET/FINANCIAL INFORMATION:**

The Golf Professional Concession Agreement provides annual revenue to the Golf Course. Projected revenues are budgeted in the Fiscal Year 2009 budget. Provided annual golf rounds remain at current levels, total annual revenue from the Golf Professional Concession is projected to increase from around \$200,000 to approximately \$246,000 per year under the new agreement.

**SUSTAINABILITY:**

The proposed capital improvements to the Golf Pro Shop include updating electrical, lighting, and certain computer/video systems which will provide increased energy efficiency.

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

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