



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**99-318**

**SYNOPSIS -**

**AGENDA:**

JUNE 28, 1999

Recommendation from the Park and Recreation Board to develop a Request For Proposal (RFP) for management of the City's golf courses.

**SUBJECT:**

GOLF  
MANAGEMENT  
REQUEST FOR  
PROPOSAL

**FISCAL IMPACT -**

The estimated cost for hiring a consultant to assist the citizen-staff committee in developing and evaluating the RFP is \$7,500. The City will pay the expenses through the Golf Enterprise Fund.

**TYPE:**

RESOLUTION  
ORDINANCE  
RECEIVE/FILE

**RECOMMENDATION -**

**Approval.**

**SUBMITTED BY:**

DONALD M. TRIPP  
PARK AND  
RECREATION  
DIRECTOR

**BACKGROUND -**

The City owns and operates three public golf courses: Waveland (c.1903), Grandview (c.1908), and A.H. Blank (1972) (See Appendix I). By City Council action on January 3, 1995, the City awarded concessionaire contracts for three years with two one-year renewal options to Bob Vanscoy and Ned Chiodo, golf professionals at Waveland/Grandview and Blank, respectively, to operate the golf clubhouses. The City also awarded Mr. Chiodo a management contract to maintain the golf course at A.H. Blank. The City continues to maintain the courses at Waveland and Grandview. All contracts expire, with no option to renew, at the end of the 1999 golf season.

MANAGEMENT OPTIONS

City Council directed staff to study and recommend a management approach for the golf courses following the

expiration of the current contracts. Four methods were examined:

- 1) Concessionaire/Management contracts (current method)
- 2) Employee Manager (City-operation of all aspects of the golf courses)
- 3) Management Contract (hiring a management firm for one or more aspects of the total golf course operation)
- 4) Management Lease (hiring a management firm to run all golf course operations)

(See Appendix II for a table of the contractual obligations of each.)

To best evaluate the above management options, the Department Business Manager and a management intern from the City's Finance Department gathered background information on each option from literature, golf organizations, and the Internet. The City interviewed golf management companies and other Park and Recreation departments who employ contract managers. The City examined deeds and other legal issues, such as the City's ability to lease when the City issues non-taxable bonds to build the irrigation systems on the golf courses; the possibility of management companies who would lease the courses paying property taxes; and, the appraised value of the three courses. Some important findings relating to leases emerged from this research:

- 1) Without great effort and time, Blank Golf Course cannot be leased. Deed restrictions from Polk County and the U.S. Department of Interior prevent it. Contact with the Interior Department to waive its deed restrictions resulted in a strongly negative response.
- 2) The City would need to appraise the other golf courses if the management option was to lease at an estimated cost of \$8,000.
- 3) (a) Current bond practices prevent the golf courses from being leased, but the City can opt to call the tax-free, outstanding notes and refinance them on a taxable basis.  
  
(b) Current bond practices allow a number of options for various types of management contracts with terms up to 15 years.

(See Appendix III for a comparison of the advantages and

disadvantages of each management option.)

### CURRENT FINANCIAL STATUS

The Golf Enterprise Fund currently has two categories of outstanding debt: 1) Long-term capital improvements, and 2) Short-term operational cash flow. The long-term capital improvement debt is for the construction of fairway irrigation systems on each of the three courses, and the expansion of Blank Golf Course from a 9-hole course to an 18-hole course. As of July 1, 1999, the total remaining debt for the irrigation system is \$546,815 (principal and interest) and will be paid by June 1, 2003. Total remaining debt for the course expansion is \$422,725 (principal and interest) and will be paid by June 30, 2004.

Short-term cash flow debt as of June 30, 1998, was approximately \$533,000. Based on no further increases in either rounds or fees, this number is projected to rise to a maximum figure of \$738,000 by the end of Fiscal Year 2002. Over the following five years (by 2007), depending upon the increases made in fees and charges, and the ability to hold down costs, the entire debt, both short- and long-term, will be erased and a positive balance firmly established. The Golf Enterprise fund is then projected to net more than \$300,000 annually, which can be applied to either necessary increases in operational expenses, or to capital improvements to the courses (the present \$2 irrigation surcharge continues in effect under this scenario).

### RECOMMENDATION PROCESS

On June 2, 1999, at its regular monthly meeting, the Citizen Golf Committee unanimously approved the following staff endorsed recommendation for the management of the City's three golf courses:

**Approve the development of an RFP which seeks bids from firms or persons to manage the City's golf courses (under the concessionaire and/or management style contract) and includes appropriate information on prospective golf managers such as experience, customer service record, and references.**

This recommendation comes after a great deal of discussion between the Park and Recreation Board and the Golf Committee of the Board. The recommendation has the unanimous support of both groups, including a June 18, 1999, Park and Recreation Board action. The decision to stay with the current management structures was based on their proven success. Also, the Board, Committee, and staff proposed that Waveland and Grandview be kept together, as they currently are, due to the proven financial benefits of shared overhead.

#### PROPOSED SELECTION PROCESS

An RFP Development Committee, composed of citizens and City staff and assisted by a private consultant, will be asked to construct a Golf Management Contract proposal in which a company or an individual may bid on one or both of two possible variations. The variations include the operations of the Clubhouses at all three courses (registration, food and beverage, cart rental, and pro shop merchandising), and the maintenance of the golf course at Blank only. Grandview and Waveland will be bid together. It is not economical to offer Grandview's management separately. The variations include: 1) A management style contract in which a flat fee is paid to the company or individual for his/her services. The City pays all expenses through reimbursement to the contractor and the City receives all revenues. The current golf contract for Grandview and Waveland operates this way. 2) A concession style contract in which the contractor receives most revenues (except greens fees, badge sales, and irrigation fees which go directly to the City) and pays the City a flat fee and/or a percentage of revenues. Expenses are paid by the contractor for those items which he/she retains the revenues. 3) A combination of the two styles if bidding for all three golf courses. The City would retain maintenance responsibilities of the golf courses at Grandview and Waveland; the maintenance of the course at Blank is expected to be bid.

Once approved by City Council, the RFP will be issued by the City's Purchasing Department. Following an appropriate bidding period, the RFP Development Committee and private consultant will evaluate all proposals. Their recommendation will be reviewed by the Citizens Golf Committee and the Park and Recreation Board before being returned to City Council for final award. Contract negotiations would follow between the successful bidder(s) and appropriate City staff. The contract(s)

would then be presented to the City Council for final consideration.

### OTHER CONSIDERATIONS

The Golf Management Contract(s) between the successful bidder(s) and the City will have provisions to insure the safe and proper handling of City funds and the best possible service to golf customers. The contractor(s) will be required to pay for a "Starter" position at each golf course. The "Starters" will be hired by the City and will check all golfers entering play to see that each has paid the appropriate fees. They also will act as course "rangers," facilitating the speed of play, enforcing rules, and settling any disputes. The "Starter" will bring an increased customer service role to the golf courses.

The Business Manager for the Park and Recreation Department will work with the City's Finance Department to establish periodic audits of each golf course operation. The Golf Enterprise Budget will be split into separate budgets for each golf course to allow for the most accurate accounting. Replacement of the existing cash registers at each course with electronic cash registers which can be networked with the City's new PeopleSoft financial software package is presently being researched. Enforceable penalties for a contractor not meeting established deadlines for revenue deposits and the submission of expenses will be included in all contracts.

Attachments