



GOLF COURSE MANAGEMENT AGREEMENT

RS-19-032

March 19, 2019

Background

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- ❑ Stonetree Golf Club has been subsidized by the General Fund at an average amount of \$317,957 over the past 5 years
- ❑ Expenses have averaged at \$1,400,000 annually over the past 5 years
- ❑ Revenues have averaged at \$1,075,000 annually over the past 5 years
- ❑ FY18 reorganization efforts did not solve fiscal challenges
 - ▣ In-House cost cutting measures could compromise course conditions & overall quality

Background - Process

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- ❑ City Manager provided update to City Council on December 11, 2018 regarding intent to seek management services for Stonetree Golf Club
- ❑ Staff advertised Request for Proposals December 16, 2018 – January 16, 2019
 - ▣ Advertised in Killeen Daily Herald on December 16 and 23
 - ▣ Advertised on COK website, Demand Star and Electronic State Business Daily
- ❑ Staff conducted a Pre Bid Meeting on January 3, 2019

Background - Process

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- 5 potential management companies attended Pre-Proposal Meeting
 - ▣ Kemper Sports
 - ▣ Elite Golf
 - ▣ Touchstone Golf
 - ▣ Billy Casper Golf
 - ▣ Orion Golf

Background - Process

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- Staff reviewed all proposals
- Committee selected the following three companies to interview:
 - ▣ Kemper Sports
 - ▣ Billy Casper Golf
 - ▣ Touchstone Golf

Background - Process

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- Staff committee conducted face to face interviews on Thursday, January 24, 2019 and Friday, January 25, 2019
- Staff committee ranked Billy Casper Golf as top candidate and commenced contract negotiations on January 29, 2019

Billy Casper Proposal Highlights

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- ❑ Experience and Qualifications – over 150 courses
- ❑ Profit Sharing – 10% and non performance clause
- ❑ Proposed Operating Budget – aligns best with historical expenses
- ❑ Timeline for Break Even – Year two break even
- ❑ Rate Structure – No rate increase in year one
- ❑ Any future rate increases would comply with city policy
- ❑ Transition Plan – Within 30 days

Background - Proposal

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- Billy Casper Golf manages over 150 golf courses (90 municipal)
 - ▣ Would assume financial responsibilities for golf course operations
 - ▣ Revenue collection
 - ▣ Bill payments (utilities, lease agreements)
- City of Killeen will have no day to day responsibilities at Stonetree Golf Club
- All staff will be employees of Billy Casper Golf

Background - Proposal

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- ❑ Proposed annual management fee of \$90,000
 - ▣ Management fee is included in the annual operating budget
 - ▣ Proposed management fee increases of 3% every fiscal year starting in FY21
 - ▣ Proposed five year contract term
- ❑ When the course becomes profitable, Billy Casper Golf receives 10% percent of profits
- ❑ In case of their failure to meet revenue projections, Billy Casper Golf would refund to City up to \$22,500 annually for failure to meet revenue projections for any fiscal year

Background - Proposal

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- ❑ Billy Casper Golf submission of annual operating budget to the City Manager to include the following:
 - ▣ Maximum expenditure budget
 - ▣ Proposed revenue budget
 - ▣ Profit / loss margin for the proposed FY
- ❑ After initial two (2) years, failure to meet revenue targets of agreement will result in default of agreement
- ❑ No rate increase for FY20

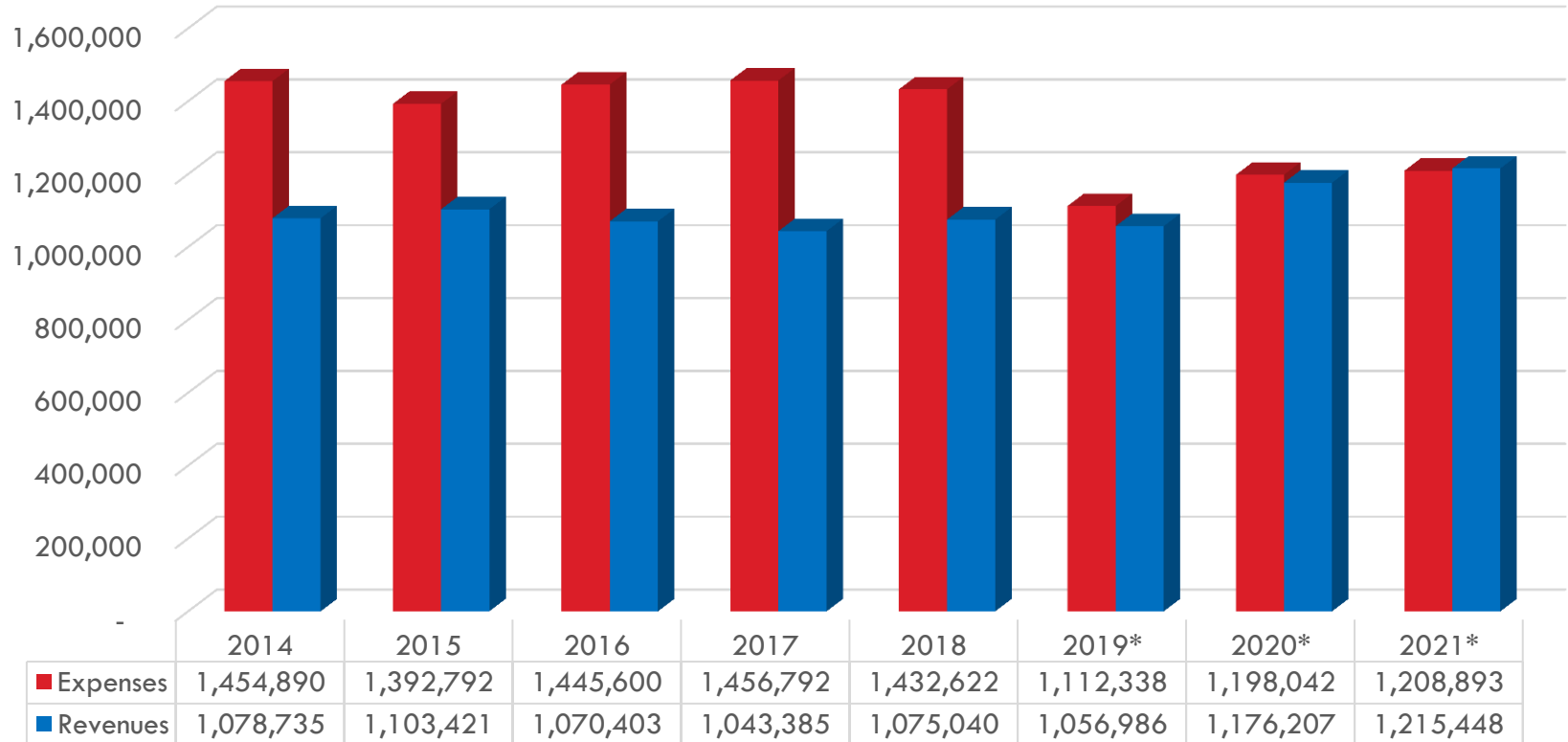
How City Will Manage the Contract

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- Contract Manager, Executive Director of Community Services w/appropriate support
 - ▣ Financials reviewed with annual City audit
 - ▣ Weekly inspections of golf course
 - ▣ Customer satisfaction reports to include mystery shopping and comment cards
 - ▣ Semi annual guest satisfaction survey

Projected Financials

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Alternatives

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- ❑ Not enter into a management agreement for golf course services and continue to subsidize the golf course
- ❑ Not enter into a management agreement with Billy Casper Golf and negotiate with the next highest ranked management company
- ❑ Enter into a management agreement for golf course management services with Billy Casper Golf

Recommendation

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- Staff recommends City Council authorize the City Manager to execute a contract with Billy Casper Golf for management services for Stonetree Golf Club, and that the City Manager is expressly authorized to execute any and all change orders within the amounts set by state and local law