



STAFF REPORT

DATE: March 19, 2019

TO: Ronald L. Olson, City Manager

FROM: Brett Williams, Executive Director of Community Services

SUBJECT: Management Agreement with Billy Casper Golf for Stonetree Golf Club

BACKGROUND AND FINDINGS:

Stonetree Golf Club is an 18-hole public golf course that offers golfers daily access to golf play, practice facilities, dining facilities, clubhouse rentals, and pro shop merchandise. Stonetree Golf Club requires management oversight for clubhouse and pro shop operations and management oversight for the turf grass. Stonetree Golf Club is open to the public 364 days a year weather permitting.

Stonetree Golf Club has an average operating budget of \$1,436,540 over the previous five fiscal years. The average revenue for the same time period has been \$1,074,200. The statistics represent an operation that has operated with an average operating loss of \$362,430 during the same time period. These operating deficits have existed despite a rate structure that is comparable to area golf courses and a turf product that is superior to the area competition.

The golf course has operated under an organizational structure that has featured a general manager, golf pro, pro shop manager and greens superintendent and a revised structure that featured a director of golf and pro shop manager in an effort to streamline management and reduce operational costs. Despite these changes, the course still has not covered expenses. In December of 2018, staff briefed City Council on the plan to solicit management firms to operate Stonetree Golf Club.

Staff advertised the Request for Proposals in the Killeen Daily Herald on December 16 and December 23, 2018. The Request for Proposals was also listed on the City of Killeen's website between the time periods of December 16, 2018 to January 16, 2019. The Request for Proposals was also listed on Demand Star and Electronic State Business Daily on December 17, 2018.

Staff conducted a pre-proposal meeting on Thursday, January 3, 2019. Five vendors were in attendance at this meeting. Vendors in attendance included Billy Casper Golf, Kemper Sports, Orion Golf, Elite Golf, and Touchstone Golf. Community Services and Purchasing staff conducted the meeting and addressed various questions that were presented by these potential vendors. On January 16, 2019, Purchasing received five packets to be considered for the negotiations to manage Stonetree Golf Club. Submittals were received from all five vendors that attended the pre-proposal meeting.

Staff reviewed all the packets and selected the top three firms based on scoring. The firms chosen for interviews were Billy Casper Golf, Kemper Sports and Touchstone Golf. Face to face interviews were conducted with the aforementioned three firms on Thursday, January 24 and Friday January 25, 2019. The interview panel featured the same participants as the review panel.

At the conclusion of the interviews, the interview panel was unanimous in its decision to commence negotiations with Billy Casper Golf for management services for Stonetree Golf Club. Billy Casper Golf has been in the golf course management business for over 30 years. Billy Casper Golf manages 90 municipal golf courses across the United States. In addition, Billy Casper Golf presented the panel with a proposal that provided the most expeditious path to profitability.

Billy Casper Golf provides the City with an option that reduces annual operating losses significantly in comparison to previous fiscal years. The company proposes an annual management fee of \$90,000 to operate Stonetree Golf Club. Billy Casper Golf will assume full responsibility for all aspects of golf course operations to include staffing, sales and maintenance. A copy of the proposed agreement is attached without the referenced exhibits; staff anticipates having the exhibits available at the workshop discussion. The following are highlights of the proposed agreement:

- ☐ Five year contract term
- ☐ Collect all revenues
- ☐ Make all payments related to course operations
- ☐ Submit an annual operating budget for expenses and revenues for City of Killeen approval
- ☐ Profit share at a rate of 90/10; Billy Casper Golf receives 10% of profits
- ☐ Management fee increases by 3% annually
- ☐ Agree to refund the City of Killeen up to \$22,500 annually for failure to meet performance measures outlined in approved budget
- ☐ Agree to non-performance clause after two years if Billy Casper Golf fails to meet performance measures outlined in approved budget
- ☐ All rates and fees will be approved in accordance with the City of Killeen Governance Policies.
- ☐ Provide an annual review of all expenses and revenues via an independent certified public accountant that is independent of Billy Casper Golf

THE ALTERNATIVES CONSIDERED:

City Council could direct staff to end negotiations with Billy Casper Golf and revert to the next highest ranked management company and begin negotiations with that particular vendor. This would result in a delay in getting a management company in place in order to maximize the peak earnings season for golf course operations. This delay would also have an adverse impact on the pending approach of the peak usage season for tournament and daily golf. Recent retirements and resignations have left Stonetree Golf Club without a Pro Shop Manager and Greens Superintendent. Additional delays will have a significant impact on daily management of the golf course.

City Council could choose to direct staff to cease negotiations with management firms to manage Stonetree Golf Club and opt to manage the golf course with city staff. This would require staff to advertise for a golf professional, greens superintendent and seven greens keeper positions. This would result in a compromised service level for patrons of Stonetree Golf Club due to the pending approach of the peak usage season for tournament and daily golf. It would also leave the golf course without daily management for a period of 45-60 days.

Which alternative is recommended? Why?

Staff is recommending that the City Council authorize the City Manager to enter into a golf course management agreement with Billy Casper Golf to operate Stonetree Golf Club for the amount of \$90,000 annually (\$7,500 monthly). Billy Casper Golf provides the City of Killeen with the best opportunity to eliminate the current budget deficit that exists at Stonetree Golf Club.

The proposed management agreement is for a period of 65 months. The contract enables City Council to approve the annual financial allotment to operate Stonetree Golf Club. Billy Casper Golf will present an annual budget to the City Council that will outline the proposed annual expenditures and revenues for Stonetree Golf Club. Following approval of this budget, Billy Casper Golf will then manage this budget.

The proposed agreement features nonperformance measures that will result in the City of Killeen receiving up to three months of the monthly management fee refunded for failure of Billy Casper Golf to meet their proposed revenue targets. In addition, failure of Billy Casper Golf to meet their annual revenue targets after the initial two years of the agreement will result in the City having the right to terminate the agreement.

CONFORMITY TO CITY POLICY:

The City's Purchasing Policy allows departments to seek services via the Request for Proposal process.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The base management fee is \$37,500 for the remainder of FY19, and \$90,000 for FY20. Beginning in FY21, and for each subsequent year, the base management fee will increase 3%. The amount of the fee in those years will be FY21 - \$92,700, FY22 - \$95,481, FY23 - \$98,345, and FY24 - \$101,295.

Is this a one-time or recurring expenditure?

The base management fee is paid monthly based on the annual amounts above. For FY19 and FY20, the monthly fee is \$7,500.

Is this expenditure budgeted?

Funds for the contract are available within the FY19 Golf Course budget. Upon execution of this contract, funds within the FY19 Golf Course budget will be transferred to the appropriate line item account to fund the management services contract.

If not, where will the money come from?

Funds will be transferred within the existing Stonetree Golf Club line item budget to fund the management agreement.

Is there a sufficient amount in the budgeted line-item for this expenditure?

Following the execution of the contract, funds will be transferred to account 010-3020-424.50-44 (Golf Course Management Agreement) to fund the management company contract for Stonetree Golf Club.

RECOMMENDATION:

Staff recommends City Council authorize the City Manager to execute a contract with Billy Casper Golf for golf course management services for Stonetree Golf Club in the amount of \$90,000, and that the City Manager is expressly authorized to execute any and all change orders within the amounts set by state and local law.

DEPARTMENTAL CLEARANCES:

City Attorney
Purchasing
Finance

ATTACHED SUPPORTING DOCUMENTS:

Request for Proposals
Billy Casper Golf Proposal (All proposals submitted are available in the City Secretary's office)
Agreement