



City of Rockville
Mayor and Council
Agenda Item

For the meeting on:	June 14, 2010
Agenda Item Type:	Presentation
Department:	Recreation and Parks
Responsible staff:	Burt Hall, Director of Recreation and Parks phone: (240) 314 - 8602 email: bhall@rockvillemd.gov

Subject

RedGate Golf Course - Request for Information (RFI) - Golf Course Operations and Management

Presentation of Responses

Recommendation

Staff recommends the Mayor and Council receive the presentation outlining the responses received for the RFI. Should the Mayor and Council wish to pursue contract management of the golf course, staff recommends issuing a Request for Proposal (RFP) to solicit responses from golf course management companies. If this is the direction from Mayor and Council, staff recommends issuing the RFP in the early fall, with the transition to contract management scheduled in the late winter of 2011.

Discussion

An RFI was issued to golf course management companies in March 2010. The purpose was to inform the ongoing development of policy directives for the management and operation of RedGate Golf Course. The RFI was issued for information and planning purposes and did not constitute a solicitation.

Six responses were received, as follows:

- Billy Casper Golf, Vienna, Virginia (Attachment A)
- Kemper Sports, Northbrook, Illinois (Attachment B)
- Raspberry Golf Management, Leesburg, Virginia (Attachment C)
- Western Golf Properties, Lake Forest, California (Attachment D)
- Mark 100, LLC, Absecon, New Jersey (Attachment E)
- Lasting Impressions Landscape and Golf Services, Bowie, Maryland (Attachment F)

The RFI (Attachment H) identified the following specific goals and challenges to be addressed by a potential management contract for operation of RedGate:

1. Achieve revenue growth for the golf course
2. Contain rate of expenditure growth by incentivizing efficient course management and operations
3. Eliminate future General Fund subsidies of RedGate
4. Institute new customer communications and marketing initiatives

5. Foster a cogent master planning process for future capital improvements
6. Construct needed capital improvements
7. Maintain discounted greens fees for Rockville City residents
8. Maintain the RedGate Tournament Players Club (RTPC) program

Respondents were requested to provide the following specific information:

- A. Provide a brief description of your company.
- B. Provide the name of the contact person from your company who will respond to questions or requests from the City for additional information.
- C. **Overview** – Provide the City with a generic understanding of your company and the services it provides, including:
 - i. Vision, Objectives, Management/Operational Philosophies
 - ii. Size, Location
 - iii. Number of years in operation
 - iv. Golf courses under management – past 5 years
 - v. Types of golf courses managed; Market segments operating within
 - vi. Level of knowledge of the golf industry, particularly the mid-Atlantic region
 - vii. Description of company's approach to environmentally-sensitive golf course and facility management
 - viii. Description of the company's philosophical approach and experience to the management of food and beverage operations
 - ix. Description of the company's philosophical approach and experience to the management of golf retail operations
 - x. Level of expertise in services offered
 - xi. Financial status of the company
 - xii. Relationship to any larger business entity
- D. **Management Services**
 - i. A detailed description of the approach the Respondent would propose to take in achieving the goals and policies as set forth in Section 4 above.
 - ii. Provide examples of how this approach has proved successful for other golf courses under management.
 - iii. Identification of any issues that require further information or discussion.
 - iv. Identification of objectives or proposals from this RFI that the Respondent believes are not feasible or otherwise not advisable.
 - v. Suggestions for alternative methods of achieving the objectives or other potential policy goals of the City and RedGate Golf Course.
 - vi. Provide, at Respondent's option, any additional information not specifically listed above which shows any experience of the Respondent that might be relevant to the City's policy discussion with regard to RedGate Golf Course.

The RFI responses were reviewed by two committees, one composed of members of the RedGate Advisory Committee and the other composed of City staff. The review was not an evaluation or grading process per se, as the responses were not proposals. The two committees met to discuss their and comments and reactions to the responses on April 27. The following is a compilation of comments from both committees.

General Information Obtained and Lessons Learned

- Two of the six respondents, Billy Casper Golf (BCG) and KemperSports (KS), are major players in the regional/national golf management industry. BCG has 100+ courses under current management and KS 90+ courses. Both companies are managing in all three major categories in the mid-Atlantic region: municipal courses, private daily fee, and private ("country") clubs.

- Two respondents are also golf management companies with smaller portfolios. Western Golf Properties has fourteen courses under current management, including four in the mid-Atlantic. Raspberry Golf Management currently manages four golf courses, all in the mid-Atlantic.
- Mark 100, LLC identifies itself as a "Process Flow Analysis company, a Logistics company." The firm has done substantial work in the golf industry over the past fifteen years. They do not have any golf course management contracts. Lasting Impressions describes their company as a "full service commercial landscape contractor founded by two former golf course superintendents." They provide management consulting services and landscape installation and maintenance services; the firm has no golf course management contracts per se.
- The four golf management companies (and the other two firms) expressed strong and enthusiastic interest in moving forward with this process to potentially either place RedGate under a golf management contract, or a management consulting arrangement.
- KemperSports states: "KemperSports has the resources, expertise and commitment necessary to achieve the City's financial, operations and community outreach goals and objectives for RedGate Golf Course. We are very exciting about the opportunity to work with you at RedGate...."
- Similarly, Billy Casper Golf (BCG) introduces their response with the statement, "BCG possesses the necessary experience, skills, and financial resources to operate the Redgate Golf Course successfully. Our management experience, marketing capabilities, and demonstrated success in competitive golf markets, combined with our current relationships with more than 65 existing municipal golf course clients, uniquely qualifies BCG to provide management and operations services for the City of Rockville."
- Western Golf Properties says "We are confident that we can greatly improve your operations and make a positive impact to delivering you the financial results you desire."
- Raspberry Golf Management states "The City of Rockville has a daunting task ahead in their effort to identify business opportunities and recommendations (revenue, expense and capital driven) to improve their existing golf business performance. It is a task that is achievable only with a well conceived and thorough plan...."
- Each of the four golf management companies offers full-service golf operations and financial management. All four have substantial, relevant experience in the mid-Atlantic. Each firm described their strong knowledge/experience base in the golf industry including the regional market in which RedGate operates. Each firm claims to offer top-quality course and facility maintenance using environmentally-sensitive practices; each firm has strong experience and strategies for marketing, customer service, golf retail, golf instruction, and food and beverage services, as well as in financial/accounting and human resource management. In other words, all four firms would generally meet or exceed the minimum qualifications the City would require for a golf management company.
- There was consensus among the RedGate Advisory Committee that the more impressive responses were those that demonstrated an already well-developed understanding of the specific problems and challenges facing RedGate, (i.e. the response was specific to RedGate and less generic). Committee members also expressed positive reactions to proposals to create additional revenue resources that are actually do-able given RedGate's physical setup, such as enhancements to the teaching and practice facilities (as opposed to a banquet facility for which there may not be enough room). They expressed that they are most interested in companies that would maintain "RedGate's brand," effectively communicate with customers, and build from RedGate's present strengths.

Leasing Contract vs. Management Contract

Staff followed up with the golf management companies in phone interviews to discuss more specific

information on the common types of contracts in use at this time. In 2009 the City entered discussions with the Montgomery County Revenue Authority (MCRA) to lease RedGate's operation, with a contract similar to MCRA's leases for operation of the four courses formerly operated by the Maryland-National Capital Park and Planning Commission. Course leases, according to the RFI respondents, are actually a rarely used type of outsource contract. Most owners do not prefer to enter into leases because they lose nearly all control over the operations, policies, customer relations, etc. Management companies are reluctant to take on full course leases as they assume 100% of the risk if the course continues to lose money.

The most common model in use is a Management Contract that is set up as follows, (with a variety of technical differences):

- After an RFP process, the owner and the selected management company enter into negotiations to develop and reach agreement on an overall business plan for management and operations of the golf course and all related facilities. The plan encompasses standards, policies, procedures, etc. for hours of operation, course and facility maintenance; environmental management; customer relations; golf instruction and other programming; marketing; golf retail; food and beverage; driving range; and all other aspects of course operations. Personnel would be employees of the management company. Also included are agreements on fees (including discount policies for residents, seniors, juniors, etc.). The two parties agree on an expenditure budget and projected revenues for (at a minimum) the first year of the management contract.
- All four golf management companies expressed interest in interviewing the current RedGate staff members should the City move to contract management for RedGate. Two of the companies stated they would have no problem with a requirement to hire the current staff, although there would be no long-term guarantee of employment.
- The owner and contractor agree on a management fee to be paid to the contractor that is commonly set up as a variable range, based on contractor performance. If the contractor is able to meet the best-case, agreed upon expenditure-revenue numbers, it is paid the maximum fee; if the expenditure-revenue numbers fall short, the contractor is paid the minimum, or an amount in between.
- Based on the fact that the management contractor takes on just about all of the administrative support tasks and services formerly provided by the City via the General Fund, the majority of the City administrative charge (or cost allocation) is eliminated as part of the budget.
- Once the contractor assumes management responsibility for the golf course, the expenditure budget remains in the City's budget (RedGate Fund) and the City makes monthly or bimonthly payments to the contractor according to the agreed-upon expenditure budget. The contractor is responsible for all financial record keeping with City oversight and audit. Revenues are collected by the contractor and deposited to City accounts. The contractor is paid the management fee according to the agreement and based on the financial performance of the golf course.
- Under these contract terms, if RedGate finishes the fiscal year in the black the City retains the net income; and of course if the golf course loses money the City must absorb the loss.
- Based on staff's conversations with these management companies, they feel that they can close the expenditure-revenue gap by a combination of operating RedGate with lower expenses and growing revenues. Expenditure reductions will be made by a combination of lower payroll costs, savings via "national accounts" on bulk purchases of materials, supplies, chemicals, and consumables, as well as on equipment leases. In addition the management fee will likely be a lower expense than the current City overhead administrative charge*. Revenues will be increased by growing the number of rounds played through enhanced and more sophisticated marketing, increasing special events and golf

outings, and by creating new revenue resources.

*The administrative charge in the adopted FY 11 RedGate Fund budget is \$165,750, which per the Business Plan is scheduled at 50% of the actual total amount. In FY 2012 the scheduled administrative charge is \$334,815, and the amount of the charge increases slightly each year thereafter.

Conclusion

By issuing the RFI the City has learned that at least four established golf management companies, including two national industry leaders, are interested in further pursuing a contract to manage RedGate. Three of the four expressed confidence in their ability to turn it around financially. The City will only know whether one of these firms can actually make significant progress toward closing the gap, or make RedGate profitable again, by choosing this option.

* * *

The two items below respond to specific requests made by members of the Mayor and Council.

Returning RedGate "Back to Nature"

Councilmember Pierzchala requested staff to analyze the costs of returning the golf course tract "back to nature." Attached is a memo (attachment H) with staff's analysis of a concept plan, and the associated costs to return RedGate Golf Course land "back to nature." The plan is based on the assumption of converting RedGate to a passive City park, open to the public. Two charts are included that outline estimated up-front costs and ongoing annual maintenance costs.

Mayor and Council History

At their December 7, 2009 meeting the Mayor and Council directed staff to distribute a Request for Information (RFI) to golf course management companies to assist in informing the policy making discussion as to the long-term future for RedGate Golf Course.

Public Notification and Engagement

The draft Request for Information document was reviewed by members of the RedGate Advisory Committee and their comments and suggestions were included in the final, publicized version. Members of the RedGate Advisory Committee also reviewed the submissions from the six firms. The Advisory Committee met with City staff on April 27, 2010 to share their review comments.

Next Steps

Should the Mayor and Council wish to pursue contract management of the golf course, staff recommends issuing a Request for Proposal (RFP) to solicit responses from golf course management companies. If this is the direction from Mayor and Council, staff will begin drafting the document with the intent of issuing the RFP in the early fall. The transition to contract management would be scheduled in the late winter of 2011.

Attachments



ATTACH A - Billy Casper Golf.pdf



ATTACH B - Kemper Sports.pdf



ATTACH C - Raspberry Golf Mgmt.pdf



ATTACH D - Western Golf Properties.pdf



ATTACH E - Mark 100 LLC.pdf



ATTACH F - Lasting Impressions.pdf



ATTACH G - Request for Information.pdf



ATTACH H - Back to Nature Cost Analysis.pdf

A handwritten signature in black ink that reads "Burt Hall". The signature is fluid and cursive.

Department Head: Burt Hall, Director of Recreation and Parks

A handwritten signature in black ink that reads "Scott Ullery". The signature is fluid and cursive.

City Manager: Scott Ullery, City Manager
Approval Date: 06/09/2010