

STAFF REPORT

To: Finance Committee

Date: July 19, 2012

From: Roderick Simmons, Director
Parks, Recreation & Cultural Arts

Subject: Recommendation for Golf Course Management

Summary Statement: Consideration of a recommendation to enter into negotiations with Pope Golf for a lease agreement to manage the Asheville Municipal Golf Course.

Review: In January 2012 the Finance Committee supported a staff recommendation to issue a Request for Proposals (RFP) for management of the Asheville Municipal Golf Course and to bring back a recommendation on the best management options for the City.

Staff issued a Request for Proposals (RFP) in March 2012. A total of eight (8) firms responded to the RFP.

The RFP responses were reviewed by three committees, one composed of members of the Muni Advisory Committee and the others composed of City staff. Each of these committees ranked the proposals and made recommendation to the final review team.

The recommendation of each committee was reviewed by the final review team consisting of staff and community volunteers. The review team narrowed the proposals down to two (2) finalists. The review team then invited the two (2) finalists to Asheville to discuss their proposals with the final review team.

The final review team met on July 19, 2012 to develop a recommendation on the type of management plan to recommend to the Finance Committee. The final review committee selected Pope Golf as the firm with the strongest proposal for management of the Asheville Municipal Golf Course.

The Pope Golf proposal presented to the City outlines a lease agreement to create a Public/Private Partnership. This provides several advantages to the City:

1. **Elimination of financial risk for the City:** The lessee would be committed to pay the municipality a lease payment, pay all operating expenses, supply equipment, and likely provide some capital for investment in the golf facility. The City is guaranteed positive income from lease payments.
2. **Protection of and accessibility of the asset:** While lease arrangements are typically associated with less municipal control over golf course operations, staff is confident that Asheville can protect the quality of and accessibility to the asset by carefully developing an agreement with clear operational and maintenance standards, performance measures and provisions that address pricing, programming, capital improvements, and service.

The Pope Golf proposal addresses the following items that were major concerns from community members:

Will the City lose control of the rate structure?

A: No. The City can include language in the contract to retain control of the maximum rates charged for all goods and services. Pope Golf seeks only the ability to offer discounts to customers to increase volume at off peak times.

Q: Will current employees be retained?

A: Under a lease arrangement, all golf course employees would be employed by the lessee. Pope Golf understands the importance of local jobs and the relationship between current employees and the customer base, and recognizes that dedicated, quality employees are a valued asset. Pope has retained over 95% of all employees wishing to continue employment at the facilities Pope Golf manages. Pope is committed to interviewing all employees currently employed at the golf course.

Q: How will the City ensure that the golf course stays in good shape?

A: Specific course maintenance standards negotiated and agreed upon becomes part of the lease/management contract. Pope Golf will provide management and maintenance programs to ensure that these standards are exceeded. It is in the City's and Pope Golf's mutual best interest to provide top quality playing conditions to increase rounds and revenue. The aforementioned efficiencies typically allow Pope Golf to increase expenditures on the golf course.

Q: How can the City provide for much needed capital investment to enhance and protect the course?

A: Pope Golf is committed to comprehensive capital expenditure programs to protect assets, and make continued improvements to increase revenues, customer satisfaction, and the asset value. During contract negotiations, an agreed upon percentage of revenues will be set aside to fund capital improvements.

Q: What is Pope Golf's position on junior golf and community programs?

A: Pope Golf will develop and support programs for juniors, families, women, seniors, and individuals with special needs, which will increase playing opportunities to build a foundation for the future of the game.

Fiscal Impact: Through the RFP process, staff concluded that a public-private partnership offers the best opportunity for the City to maximize financial performance while improving the asset and continuing to offer an affordable public recreational amenity. Staff further concluded that a private company was in the best position to maximize financial performance by:

- Increasing the number of rounds played;

- Cutting overhead costs, particularly related to the costs of benefits;
- Purchasing materials and supplies in volume;
- Improving golf-course management techniques;
- Improving course conditions;
- Actively marketing programs and cooperative arrangements with golf associations;
- Reaching out to local high schools, youth groups, and community groups;
- Reinvesting revenues in capital improvements; and
- Increasing productivity by applying industry best practices and efficiency.

While the City could independently pursue some of these strategies, it is limited in some key areas, including staffing costs and the economies of scale achieved by management companies that operate multiple facilities.

Under a lease partnership model, the operational risk is shifted away from the City and to the lessee. This includes the risk associated with rising expenses, as well as downturns in rounds played and revenues. The only expenses remaining with the City will be those associated with administering the contract, oversight, and compliance, along with the longer-term capital needs of the asset. The terms of the lease payment would be negotiated and included in the contract brought forward for City Council consideration.

Recommendation: Staff recommends entering into negotiations with Pope Golf to develop a lease agreement for the Municipal Golf Course. A final agreement would be brought back to the City Council for consideration in August.