Item No. 11(a)
October 16, 2006

# CITY COUNCIL AGENDA MEMORANDUM

**SUBJECT:** Resolution No. 7450, authorizing the execution of a four-year contract with Premier Golf Centers, LLC, for the pro shop operation of the Bellevue Golf Course.

**FISCAL IMPACT:** This agreement obligates the City to a four-year contract with Premier Golf Centers, LLC (Premier), with the option to renew the contract for one additional four-year term. Premier's base management fee is $8,000 per month for the first year, increasing by an annual inflation factor of 2.5% per year over the contract term. Under this management fee structure, the City will recognize and budget all pro shop revenues and operating expenses. If approved, additional pro shop revenues and expenditures of approximately $1.1 million per year will be included in the City's 2007-2008 Operating Budget in the Parks Enterprise Fund. Compared to the current concession agreement, staff estimates that City golf course net income (after capital project expense) will increase from approximately $67,000 per year to $249,000 per year.

**STAFF CONTACT:** Doug Sanner, Parks Fiscal Manager (x6169)

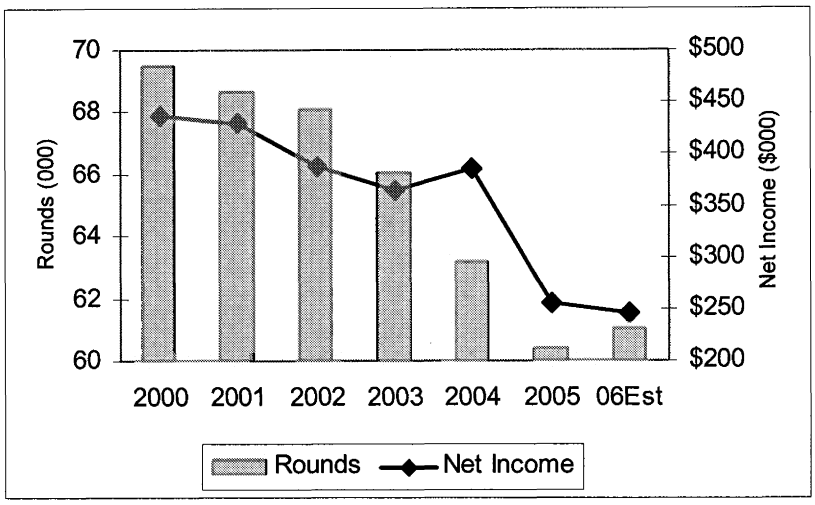
## POLICY CONSIDERATION

- City contracting policy requires an open, fair, competitive process to ensure that contracts provide the greatest attainable levels of both quality and value.
- The Parks Enterprise Fund policy requires the Bellevue Golf Course to operate on a full cost recovery basis, with user fees set to recover the operating and capital needs of the course.
- The City acknowledged that the Bellevue Aquatics Center required an annual operating subsidy of approximately $500,000 per year since the pool was acquired from King County.

## BACKGROUND

For over thirty years, the City has contracted the pro shop operation of the Bellevue Golf Course including cart rentals, restaurant, merchandise sales, range management, and lesson programs. Collectively, these pro shop revenue streams amount to approximately $1.1 million per year. Under this structure, Bellevue Parks & Community Services is responsible for maintaining and funding capital improvements at the course, and for setting key policies and procedures including pricing, customer service, and contract standards. The City's vision is to offer residents and the public a "private club experience at a public course", and is committed to offering programs to get people in the game and to continue supporting the men's and women's clubs.

The Bellevue Golf Course operates as part of the Parks Enterprise Fund, with an established fiscal policy of meeting the full cost recovery needs of the course and subsidizing aquatics programs in the City. For the past several years, the Bellevue Golf Course has been consistently losing golf rounds and net operating income as shown in the graph below. If this trend continues, it will be necessary to reduce maintenance levels at the course, limit ongoing capital improvements needed to remain competitive, or find alternative General Fund resources to subsidize the aquatics programs.




## SELECTION PROCESS

The current Bellevue Golf Course pro shop contract with MRA, Inc. has been in place since 1996 and expires December 31, 2006. Consistent with contract policy, the City conducted an open and fair competitive process to ensure that the golf contract provides the greatest attainable levels of both quality and value. City contract policies were most recently updated in 2005, including endorsement by Council, and are focused on ensuring a fair, transparent process which gives new and different vendors opportunities to work with and for the City.

On March 15, the City issued Request for Proposal (RFP) No. 06-103 Bellevue Golf Course Clubhouse and Driving Range Management. The RFP was published in the King County Journal and the Daily Journal of Commerce, and was also available on the City's website. On April 5, staff and interested vendors participated in a pre-submittal conference and site tour at the Bellevue Golf Course. Seven firms submitted proposals by 4:00 pm on May 17 as required in the RFP. Based on the evaluation of all proposals consistent with the evaluation criteria summarized in Section 4 of the RFP, the top five vendors were asked to participate in a committee presentation and interview. Interviews were conducted on July 19-20, and the interview panel included: Jane Bennett, Park Board Vice-Chair; Chris Goodman, Meadow Park Golf Course Superintendent, Tacoma Park District; Doug Sanner, Parks Fiscal Manager; Randy Leifer, Bellevue Golf Superintendent and Contract Manager; and John Lindow, Bellevue Contract Services. Based on the information obtained from the written proposals, interviews, reference checks, and visits to local courses maintained by the vendors, the selection panel recommended Premier Golf Centers, LLC as the preferred vendor for developing a contract for City Council approval.

## CONTRACT SUMMARY

Major contract provisions include the following:

- **Customer Service.** The Bellevue Pro Shop Manual (Contract Exhibit B) defines the City's standards and requirements for customer service at the course, including professional staff functions, operation of the lesson program including the junior golf program, and working with the recognized men's and women's clubs.

- **Compensation.** The City will pay the operator a fixed fee of $8,000 per month during the first year of the agreement, adjusted annually by a 2.5% inflation factor. In addition, Premier has the opportunity to earn a 5% annual bonus on those net revenues that exceed the current total of $2.2 million, adjusted annually by a 2.5% inflation factor. This incentive aligns the City and vendor interests in growing golf and packaging products, and provides the vendor no incentive to reduce service levels at the course.
- **Duration.** The initial term of the proposed contract is through December 31, 2010. Subject to City Council approval, the City has the option to renew the contract for one additional four-year term.
- **Termination.** The City has the right to terminate the proposed contract at any time during the four-year agreement, either based on a determination of public convenience or if the contractor fails to perform any of the obligations of the contract. Termination provisions for the City are outlined in Sections 15.4 and 15.5 of the proposed contract.

## EFFECTIVE DATE

If adopted, this Resolution will become effective immediately and the contract will become effective January 1, 2007, through December 31, 2010. This contract allows for one four-year extension.

## OPTIONS

1. Adopt Resolution No. 7450, authorizing the execution of a contract with Premier Golf Centers LLC, for the pro shop operation of the Bellevue Golf Course.

2. Do not adopt Resolution No. 7450, and provide alternative direction to staff.

## RECOMMENDATION

Adopt Resolution No. 7450, authorizing the execution of a contract with Premier Golf Centers LLC, for the pro shop operation of the Bellevue Golf Course.

## MOTION

Move to adopt Resolution No. 7450, authorizing the execution of a contract with Premier Golf Centers LLC, for the pro shop operation of the Bellevue Golf Course.

## ATTACHMENTS

Proposed Resolution No. 7450

## AVAILABLE IN COUNCIL OFFICE

Draft Contract
Bellevue Pro Shop Manual

1638-RES
10/4/2006

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7450

A RESOLUTION authorizing the City Manager or his designee to execute a contract with Premier Golf Centers, LLC, for the pro shop operation of the Bellevue Golf Course.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to execute a contract with Premier Golf Centers, LLC, for the pro shop operation of the Bellevue Golf Course, a copy of which contract has been given Clerk's Receiving No. _____.

Passed by the City Council this _____ day of _____, 2006, and signed in authentication of its passage this _____ day of _____, 2006.

(SEAL)

_____
Grant Degginger, Mayor

Attest:

_____
Myrna L. Basich, City Clerk