

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JEN SANTOS, DEPUTY DIRECTOR - PARKS
TRANSPORTATION & PUBLIC WORKS DEPARTMENT
SUBJECT: BENNETT VALLEY GOLF COURSE FEES
AGENDA ACTION: PUBLIC HEARING

RECOMMENDATION

It is recommended by the Transportation and Public Works Department that the Council hold a Public Hearing to increase golf fees and eliminate the existing Capital Improvement fees, and by resolution: 1) approve revised Bennett Valley Golf Course Fees to be effective January 11, 2023 to supersede and replace the Bennett Valley Golf Course Fees and requirements set forth in Resolution No. RES-2017-090, which includes an increase in some fees and elimination of other fees for the Bennett Valley Golf Course; and 2) authorize the transfer of the remaining balance from the BVGC Capital Improvement Fund 1662 to the BVGC Operations Fund 1661.

EXECUTIVE SUMMARY

The purpose of this Public Hearing is to provide an update regarding the proposed revised and eliminated fees for the Bennett Valley Golf Course (BVGC) Enterprise and for Council approval by resolution of the revised fees, effective immediately and for all remaining funds within the Capital Improvement fund be transferred to the operating fund. The Public Hearing provides citywide notification allowing members of the public to provide input as part of the City Council's consideration of the fees.

BACKGROUND

The City of Santa Rosa has operated the 150-acre, 18-hole golf course with a driving range, pro shop, and restaurant with event space for over 17 years with golf and restaurant operators. Prior to that, the BVGC has been in continual operation as a golf course since 1970.

In 2004 the city sold bonds and received loans to modernize the pro-shop and construct the restaurant and banquet rooms. Upon completion the City entered into two separate agreements for both restaurant and golf operations (including maintenance). As required per each agreement, both operators provided a small portion of their revenue to the city intended to cover the City's requirement for basic operations, improvements,

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and debt service payments. In 2017, the city added an additional fee per round of golf to assist with capital improvements.

As a result of the pandemic, the restaurant operator requested early termination of their agreement which was granted by the City in December 2020. The golf operator's agreement was renewed until July 1, 2022, and the operator was not seeking renewal or extension of the golf operations agreement.

In anticipation of the expiration of the agreement with the golf operator the city released a Request for Proposals for an independent study of the entire golf enterprise. National Golf Foundation (NGF) was approved by the city to provide the evaluation of the BVGC enterprise and make recommendations to Council for the future operations, maintenance, and improvements.

NGF thoroughly analyzed all aspects of the BVGC enterprise and presented a variety of options for future BVGC operations to the City's BVGC Ad Hoc Committee and staff for review. In January 2022, NGF and the BVGC Ad Hoc Committee's recommendation was for a single operator due to enhanced property efficiency, greater City control, better economics for the benefit of the City and the limited timeframe needed to make this change (must be in place by July 1, 2022).

Therefore, the city solicited for a single operator to manage the entire enterprise including golf, driving range, restaurant, and event center. From that solicitation process Council approved Touchstone Golf LLC (Touchstone) to provide single management, operations, and maintenance service to the BVGC enterprise on June 7, 2022.

Touchstone has operated, maintained, and managed the entire BVGC Enterprise as of July 1, 2022. As part of the Touchstone proposal and preliminary revenue budget, it was anticipated that golf fees would need to be reviewed and updated as soon as practicable.

The last time the BVGC fees were updated was in 2017 as part of a citywide fee update, and Green Fee Schedule adoption (RES-2017-090). Additionally, as part of the same action to update the BVGC fees a new BVGC Capital Improvement fee was added and a BVGC Capital Improvement fund was created to house the new Capital Improvement fees collected.

PRIOR CITY COUNCIL REVIEW

February 2, 2021 – Staff presented a study concept to Council during a study session to consider whether to pursue an evaluation of using portions of the golf course property to finance capital investments at both the golf course and the adjacent Galvin Community Park.

March 2, 2021 – Mayor Rogers established the BVGC Ad Hoc Committee and appointed Council Members Sawyer (Chair), Alvarez, and Tibbetts to serve on the

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committee and work with staff to develop a scope of work for full Council consideration to evaluate the concept presented by staff on February 2, 2021. (*Mayor Rogers served on the Ad Hoc Committee after former Council Member Tibbetts resigned from Council in December 2021*)

April 13, 2021 – Staff provided an Ad Hoc Committee update during staff briefings and explained that the Ad Hoc Committee requested that they focus on a comprehensive operational analysis rather than one that involves a potential real estate transaction.

August 17, 2021 – Council approved by motion the scope of work for the BVGC operational evaluation, release of an RFP, approval of the proposal review committee, and to delegate authority to the City Manager or designee to further modify the Scope of Work and evaluation process.

February 1, 2022 – Staff provided an Ad Hoc Committee update during staff briefings regarding the initial analysis of options available for future operations and maintenance of BVGC and restaurant.

February 15, 2022 – Council approved, by motion, the Scope of Services and release of a Request for Proposals (RFP) to solicit for a single management company to provide operations and maintenance for the BVGC and the restaurant together. Council approved the proposal Review Committee to include one Council Member, one member of the golfing community, and staff members familiar with operations and maintenance of the BVGC enterprise.

June 7, 2022 – Council approved by Resolution the Agreement with Touchstone for management of the BVGC Enterprise, and increased appropriations to the BVGC Operating Fund in the amount of \$345,000 from existing capital funds within the BVGC Enterprise, and increased appropriations in the BVGC Operating Fund in the amount of \$351,225 for the creation of reserves from the General Fund, and authorized the Chief Financial Officer to appropriate all operator fees and operating and maintenance expenditures from BVGC revenue to Touchstone, as described in the Agreement; and authorized city assumption of the responsibility for the golf cart contract with the current golf operator.

December 6, 2022 – Council received a Study Session regarding the six-month progress of Touchstone's, management, operations, and maintenance of the BVGC. The update of Touchstone's progress focused on the future update of the golf fees and the need for funding of the BVGC capital improvements. It was anticipated that staff would return in January 2023 with an update to the BVGC fees based on Council's feedback to update the fees as proposed.

ANALYSIS

Upon entering into agreement with Touchstone for a first day of golf operations on July 1, 2022, it was anticipated that Touchstone would provide an update to Council after six

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months regarding their progress and specifically focus on the need to update golf fees and capital needs.

On December 6, 2022, Touchstone presented their six-month progress in operations, maintenance, and management as part of a Study Session at Council with a detailed review of the existing and proposed golf fees. Council encouraged and supported staff to return to Council in January 2023 with an anticipated update to the BVGC fees based on Council's feedback to update the fees as proposed at Council on December 6, 2022.

In Touchstone's first six months of operations, it was determined that the existing golf operations contained over 180 different fee types, leading to significantly lower golf fees for many. It is common for a golf course to maintain approximately 30 different type of golf fees to accommodate the type, day, or other options to be manageable and competitive in the golf market. Touchstone has been working diligently to reduce the golf fee types to a more manageable level and providing consistency for golfers.

Touchstone confirmed, as part of their original proposed budget that existing golf fees are well below market rate and have not been updated since 2017. Also, in 2017, the City added a Capital Improvement fee that is applied to each round of golf per Resolution RES-2017-090. The Capital Improvement fees collected are only to be utilized for capital improvements and equipment and is not for operations, debt service or reserves.

The recommendation for this Council Item is to increase golf fees to be competitive in the local market for golf and to eliminate the reference to a Capital Improvement fee as it has been identified and actualized into the proposed fee increase as a component of the maintenance and operations agreement. Exhibit A to the attached Resolution shows the proposed fee increases and changes in comparison to existing fees. Staff are seeking Council approval for increasing golf fees to which will still be lower than the market rate to help sustain the golf course as an enterprise fund and stay current with market conditions while providing value options for youth and seniors.

Under Touchstone's management, the BVGC is being improved, and is being targeted to return to a business model that sustains itself and continues to be the jewel of the community. However, there is a known budgeted first year deficit due to the need to fund the debt services for the golf course enterprise and early costs for startup, not including any unforeseen issues. Second- and third-year budget projections show no deficit as long as the golf course stays competitive in the market and revenues exceed expenditures and sustain the BVGC.

Therefore, it's critical to the budget that the collection of increased fees begin as close to the beginning of 2023 as possible and have the flexibility to budget for all revenue collected from the BVGC. The recommendation for this Council Item includes elimination of the Capital Improvement fee, giving the city back the flexibility to determine the best and highest use for all revenue collected. Also, included as part of

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this Council Item is that the revised and eliminated fees are effective immediately upon Council's approval.

Additionally, the BVGC is holding on a complete update for those golfers seeking the Annual Fee membership rate until the fees are updated. Golfers have the option to continue their existing memberships or start new memberships under the current fee rate for the month of January 2023. February 1, 2023, the full membership with an updated fee schedule will be available upon Council's approval of the attached Resolution with Exhibit A.

FISCAL IMPACT

The proposed revised and eliminated fees will provide the necessary revenue to fund operating, management, maintenance, debt service costs and reserves associated with the BVGC enterprise. Without the additional revenue associated with the fees, maintaining the BVGC Enterprise would create an operating deficit and likely a deficit in the minimum reserve amount for BVGC, which could result in deficits to the General Fund.

Approval of the attached Resolution, with Exhibit A will increase BVGC golf fees and eliminate all existing BVGC Capital Improvement fees. All funds collected until January 11, 2023, from the Capital Improvement Fees Fund 1662 will be transferred to the Operations Fund 1661 and increase appropriations in the BVGC Maintenance Projects JL Key 09522 by the remaining funds amount in Fund 1662.

ENVIRONMENTAL IMPACT

The action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378. Any future capital projects would be subject to CEQA review.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

March 9, 2021 – Ad Hoc Committee – recommends a comprehensive operational study without any real estate considerations

March 31, 2021 – Ad Hoc Committee meeting – bond debt discussed

April 6, 2021 – Ad Hoc committee provided with update from the Save the Bennett Valley Golf Course Group regarding communication and conversations with multiple golf consultants

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April 20, 2021 – Ad Hoc Committee meeting with the Save the Bennett Valley Golf Course Group

June 1, 2021 – Ad Hoc Committee meets together with the Save the Bennett Valley Golf Course Group

July 15, 2021 – Ad Hoc Committee recommends approval of the scope of work, approval to solicit proposals and composition of the review/selection committee for the BVGC evaluation study

August 17, 2021 – Ad Hoc Committee meeting regarding solicitation for analysis of BVGC

October 28, 2021 – Ad Hoc Committee reviews proposals received to provide analysis of BVGC enterprise.

December 21, 2021 – The Ad Hoc Committee reviews preliminary analysis from NGF regarding options for future management of BVGC and restaurant.

January 20, 2022 – The Ad Hoc Committee reviews further analysis from NGF and recommends Council approval of a preparation of solicitation for a single management company to provide operations and maintenance for the BVGC and the restaurant together

April 19, 2022 – The Ad Hoc Committee received an update on the status of the RFP process and projected schedule

May 17, 2022 – The Ad Hoc Committee receives information regarding budgetary needs and strategies for FY 22/23

November 8, 2022 – The Ad Hoc Committee reviews the FY 22/23 BVGC Business Plan prepared by Touchstone in preparation for the December 6, 2022, Study Session

NOTIFICATION

Notice of the Public Hearing was provided by posting signage at the BVGC and publishing notice in a newspaper of general circulation, and bulletin board postings at City Hall and on the BVGC web site.

ATTACHMENTS

- Attachment 1 – Resolution RES-2017-090
- Resolution / Exhibit A – Proposed BVGC Fees

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CONTACT

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