

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: JASON NUTT, ASSISTANT CITY MANAGER  
JEN SANTOS, DEPUTY DIRECTOR - PARKS  
TRANSPORTATION & PUBLIC WORKS DEPARTMENT  
SUBJECT: APPROVAL OF SCOPE OF SERVICES AND SOLICITATION  
PROCESS FOR MANAGEMENT OF BENNETT VALLEY GOLF  
COURSE ENTERPRISE

AGENDA ACTION: MOTION

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RECOMMENDATION

It is recommended by the Bennett Valley Golf Course Ad Hoc Committee and the Transportation and Public Works Department that the Council, by motion: 1) approve a scope of services for management of Bennett Valley Golf Course; and 2) authorize release of a Request for Proposals (RFP) to solicit for a single operator management organization to operate and maintain the Bennett Valley Golf Course and restaurant; 3) approve the review committee composition; and 4) delegate authority to the City Manager or designee to further modify the scope of work and/or RFP process and composition of the review committee provided such changes are consistent with or do not otherwise conflict with Council direction.

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EXECUTIVE SUMMARY

The purpose of this action is to receive approval from Council to solicit for a single management organization to operate and maintain the Bennett Valley Golf Course (BVGC), including the restaurant. On August 17, 2021, Council approved a solicitation to evaluate the BVGC operations and make recommendations for a future solicitation for operations and maintenance of the BVGC. The Bennett Valley Ad Hoc Committee and staff have worked with the National Golf Foundation (NGF) to develop options for solicitation of the future management of the BVGC and restaurant.

Approval of the motion will 1) approve the scope of work, 2) authorize staff to release a request for proposals for a single operator for the entire BVGC enterprise, 3) approve the review and selection committee, and 4) delegate authority to the City Manager or designee to further modify the Scope of Work and/or RFP process, composition of the

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 2 OF 9

review committee provided such changes are consistent with or do not otherwise conflict with Council direction.

### BACKGROUND

The BVGC is a 150-acre, 18-hole golf course with a driving range, pro shop, and restaurant with banquet rooms. The golf course is a par 72, 6,500-yard course from the tips and was built in 1969 on heavy clay soil. This is a fair-weather course and is unplayable in rainy weather due to the soil type and other site characteristics.

The golf course drainage system of swales is generally adequate, but the fairways are flat which does not allow rainwater to flow towards the swales and pipes. Lack of drainage is a problem because it severely limits play in the days following a rain event. Power is supplied by PG&E and is subject to blackouts from time to time. Irrigation water is mostly provided by a well system and directed to an irrigation system installed over 50 years ago.

The golf course is bisected by Matanzas Creek and most of the water east of the creek will percolate towards the creek. There is one original drain inlet that collects and transfers rainwater into the creek via a twelve-inch outfall pipe. The west side of the golf course drains to a twenty-four-inch storm water drain that eventually returns the water downstream to Matanzas Creek via an existing outfall pipe.

The golf course has an unlit driving range with multiple tee boxes and natural turf and artificial pads. The driving range is popular despite a design that narrows at longer distances from the tee box. There is a restroom mid-way through the course and multiple pedestrian bridges in need of repair and updating. The golf operator provides the day-to-day maintenance of the course and utilizes a large maintenance and material yard, on-site gas filling pumps, maintenance buildings and city-owned maintenance equipment.

The restaurant building was in continuous operation from 2005 until December 2020 when it was closed due to pandemic restrictions limiting and eliminating indoor gathering. The restaurant is in fair condition although reopening the site would require some moderate updates to meet current building code compliance standards.

There is also a privately operated cell tower on site and the funds collected from the cell tower lease agreement are deposited as revenue in the BVGC enterprise fund annually.

The golf course and restaurant share a large parking lot with Galvin Community Park. The Park is highly active with tennis, soccer, baseball, a dog park, playground, picnic sites and a fly-casting pond. When sports tournaments are held on the weekend the parking lot is full.

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 3 OF 9

In 2004 the city sold bonds 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 provide a small portion of their revenue to the City intended to cover the City's requirement for basic operations, improvements, and bond 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 is not seeking renewal or extension of the golf operations agreement.

#### 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 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.

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.

#### ANALYSIS

In 2021, the City approved a solicitation for a consultant to evaluate the golf course enterprise, including the restaurant to determine the best method for soliciting for the future operations of the BVGC and restaurant. 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.

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 4 OF 9

NGF has evaluated many aspects of the BVGC Enterprise, including but not limited to the following;

- Condition of the property and estimate for repairs
- Summary of current golf and restaurant operations
- Considerations for future operations of the facility
- Review of the restaurant and banquet rooms (event center)
- Overview of market conditions
- Ideas to enhance revenue and control expenses
- Analysis to establish appropriate pricing of all services offered at BVGC
- Economic projections – revenue potential and estimated expenses
- Continuity of Service

Following the final analysis of the BVGC, NGF will provide a report that includes but is not limited to the following;

- Provide clear conclusions and include recommended options for fiscal and operational needs of the entire enterprise
- Prioritize the recommendations and provide reasoning with data to back up recommendations
- Provide a framework for future operations of the top recommendation of the enterprise (outline for the draft scope of the future solicitation)
- Provide a plan to improve the physical condition of BVGC with estimated costs for all recommended enhancements
- Provide draft reports in electronic editable format to the City for review at 75%, 90% and 100% completion of the report at a minimum
- Present Final Report and recommendations to the Ad Hoc Committee and to the full City Council to receive a recommendation – Consultant to prepare most of the presentation in conjunction with City staff
- Provide final written Report, including revisions provided at City Council, if any, to the City electronically in PDF format, including all attachments within two weeks of the final Council meeting. If any Excel sheets are developed and included within the report, provide those fully editable electronic documents separately in addition to the PDF report

NGF has 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. The BVGC Ad Hoc Committee reviewed two primary options for future BVGC operations: (1) having one operator for both the golf course and the restaurant; or (2) having separate operators for each (as current). The NGF and the BVGC Ad Hoc Committee's recommendation is 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). The single operator option can be accomplished in one of two concepts:

- Full-Service Management Agreement. The concept of a management agreement is for the City to hire a private management entity to operate all aspects of BVGC Enterprises in exchange for a management fee, typically around 2-4% of total revenue. These agreements are typically short-term in nature (3-5 years). The City is earning all revenues, is responsible for all expenses (salaries, maintenance, liabilities, capital) and pays a management fee to an operator. The operator manages all aspects of the golf course, restaurant and owns and maintains all equipment necessary to operate and maintain the facility.
  - The advantages to this strategy include the expected benefit of professional management, access to national purchasing and marketing programs, retaining private-sector labor expense, and direct City strategic oversight of the BVGC operation. The city receives all revenue for the BVGC enterprise.
  - The disadvantage primarily relates to the fixed management fee for service, which must be paid regardless of yearly variations in performance. The city is responsible for all expenses
  
- Operating Lease. This involves the City leasing the entire BVGC operation (golf and restaurant) to a single private operator in exchange for a regular lease payment, or up-front contribution to complete all capital enhancements. These agreements are typically long-term in nature (10+ years). The lease can be established to include certain requirements, including defined standards and/or restrictions on golf playing fees. The operator is earning all revenues, is responsible for all expenses (salaries, maintenance, liabilities, capital) and pays a lease fee to the City. The operator manages all aspects of the golf course, restaurant and owns and maintains all equipment necessary to operate and maintain the facility.
  - The advantage of this option is that it offers the City total privatization of the golf operation and continued shifting of short-term risk away from the City of Santa Rosa. It is possible that this option could include a private entity to fund needed future site improvements. This option is also expected to provide the City with professional management and marketing.
  - The disadvantage of this option is primarily related to the challenge of finding a partner willing to absorb the risk in the BVGC operation and fund needed improvements. Finding this private partner is also a time-consuming process and the city will not find a partner by the end of June 2022. We also note that lease payments to the city are likely to be very low, especially if there is up-front private capital, and will almost certainly

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 6 OF 9

not cover all City expenses on BVGC such as existing debt service/bond payments.

Therefore, the BVGC Ad Hoc Committee and staff recommend the city solicit for a single operator with a full-service management agreement for the operation and maintenance of the golf course and restaurant. This recommendation is made for the reasons listed below that a management agreement will:

- Provide the most amount of revenue to support the golf course and restaurant as a self-sustaining enterprise
- Allow the City to use incentives to keep operations at a high level with strong accountability
- Provide for continuity of service and be ready to go on or before July 1, 2022
- Give the City time to plan for the long-term future of BVGC, including the preparation of a site master plan of improvements
- Be a short-term agreement (3 years plus options for renewal), giving flexibility to the City

A scope of services was prepared based on recommendations from the BVGC Ad Hoc Committee's review of options presented from NGF. The scope of services provides the basis for preparation of the RFP for release by the end of February 2022. See Exhibit A for the full scope of services.

NGF also worked closely with staff and the BVGC Ad Hoc Committee to consider options for continuity of services with the goal to keep the golf course continuously operational during the transition from the current operator to the new operator.

The scope of services requires the interested management organizations to provide a plan to address the continuity of services as part of their proposal. In order to provide complete continuity of service at the golf course, it will require the new operator to submit and implement a transitional operation plan prior to the expiration of the current operator's contract on July 1, 2022.

However, it is likely that the golf course will need to close for approximately three to seven days to allow for the new management operator to begin services. The ideal time for this transition is on a Monday when there are traditionally less golfers and gradually open to full service by Thursday or Friday of the same week.

Therefore, time is of the essence to place the RFP for bid on the City's bid site as soon as possible following Council's direction.

Upon receipt of all proposals to manage the BVGC enterprise, a review committee will evaluate and score each proposal received. The review committee will interview each top ranked management operations. Staff recommend establishing the same or similar

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 7 OF 9

review committee members that provided the review and analysis of the BVGC study proposals.

The proposal review committee is recommended to comprise of one Council Member, a citizen of the golf community and staff members with integral knowledge and understanding of the BVGC Enterprise.

### FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund. The initial RFP process will not have a fiscal impact on the General Fund.

However, the change to a management agreement proposed by the BVGC Ad Hoc and staff will materially change the economics of the BVGC golf enterprise.

Therefore, staff will return to Council at a later date in Spring 2022 with a review of the BVGC budget and requests to fund the necessary transitional costs of bringing on a management team if not available in the current enterprise operating budget.

NGF's initial analysis of the management of the BVGC show that beginning July 1, 2022, the City of Santa Rosa will:

- Collect total receipts in the range of +/- \$4.2 million (assuming the restaurant/event center is open) from golf facility operations (green fees, cart fees, shop sales, driving range, food & beverage, events, etc.)
- Be responsible for upwards of \$3.6 million in total expenses that will include:
  - Golf operating expenses totaling +/- \$850,000 (incl. labor, cart lease, supplies, professional services and a management fee of about +/- \$150,000)
  - Golf course maintenance expenses totaling +/- \$920,000 (incl. labor, utilities, repair & materials, supplies and equipment)
  - Restaurant (Event Center) expenses totaling +/- \$890,000 (inc. labor, variable expenses, utilities and building maintenance)
  - Pro Shop Direct cost of goods sold totaling +/- \$940,000

This will result in a net position of about +/- \$600,000 (plus additional cell tower revenue, approximately \$50,000 annually) that will be available for payment of golf bonds, any City oversight expenses and other ongoing capital improvements (equipment, course repairs, restaurant upgrades, etc.).

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 8 OF 9

Additionally, as this new management agreement is implemented in FY22/23, the city can begin planning for the necessary large-scale capital upgrades of BVGC in two phases:

- Phase 1 – completion of a full site master plan, creating a priority ranking of capital investments.
- Phase 2 – undertaking of the improvements that will likely cause some closure of golf operations for 6 - 9 months to complete the improvements.

The initial estimate of all necessary and high priority capital improvements at the golf course, driving range and restaurant total approximately \$6,800,000. NGF has presented financing options for the BVGC Ad Hoc committee and staff consideration;

- General Fund Investment with phased investment strategy.
- Bonding for the capital improvements to occur as soon as possible which would close the golf course for extended periods of time.
- Net gains collected from the BVGC enterprise are saved and utilized for major capital improvements.

Staff will return to Council at a later date in Spring 2022 to discuss the details of a funding mechanism for necessary capital improvements at the golf course, driving range and restaurant.

### ENVIRONMENTAL IMPACT

The activity is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15601(b)(3) in that CEQA only applies to projects or activities which have the potential for causing a significant effect on the environment.

### 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

April 20, 2021 – Ad Hoc Committee meeting

APPROVAL OF SCOPE OF SERVICES AND SOLICITATION PROCESS FOR  
MANAGEMENT OF BENNETT VALLEY GOLF COURSE ENTERPRISE  
PAGE 9 OF 9

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

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 management company to provide operations and maintenance for the BVGC and the restaurant together.

#### NOTIFICATION

Not applicable.

#### ATTACHMENTS

- Attachment 1 – Preliminary Scope of Work
- Attachment 2 – Preliminary Photos from NGF with captions of Golf Course Conditions

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