

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 ENTERPRISE UPDATE

AGENDA ACTION: STUDY SESSION

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RECOMMENDATION

It is recommended by the Transportation and Public Works Department that the Council hold a Study Session to receive information, ask questions, discuss, provide feedback to staff regarding the Bennett Valley Golf Course Enterprise.

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EXECUTIVE SUMMARY

The purpose of this Study Session is to provide an update and receive feedback and direction from City Council regarding the status of the Bennett Valley Golf Course (BVGC) Enterprise. The BVGC Enterprise includes all aspects of the golf course such as the restaurant, event center, golf course, pro shop, driving range, maintenance yard and equipment. The update provided in this Study Session will highlight the Touchstone Golf management team, updated Business Plan, marketing and outreach strategies, golf programs, restaurant and event center status, financial results and outlook of the first 120 days, golf fee proposal, golf carts, capital improvements and equipment status. Staff is seeking general feedback from Council regarding the status and performance of the BVGC Enterprise, golf fees and capital projects funding.

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 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 (RFP) 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 the City 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, City 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.

### PRIOR CITY COUNCIL REVIEW

February 2, 2021 – Staff presented a study concept to City 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 City Council consideration to evaluate the concept presented by staff on February 2, 2021. *(Mayor Rogers is serving 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.

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August 17, 2021 – City 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 – City Council approved, by motion, the Scope of Services and release of a RFP to solicit for a single management company to provide operations and maintenance for the BVGC and the restaurant together. City 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 – City 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 (CFO) 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.

### ANALYSIS

At the time of Council approval of the BVGC Enterprise Operations and Maintenance Management Agreement with Touchstone on June 7, 2022, it was anticipated that staff return to Council with an update regarding the status of Touchstone's management of the BVGC Enterprise, discussion and direction regarding golf fees and capital improvement needs at the golf course.

This Study Session will highlight Touchstone's progress since taking on the management, operations, and maintenance of BVGC Enterprise on July 1, 2022. The Study Session will specifically focus more detailed discussion and staff will seek feedback regarding the golf fees and the capital improvements needed at the BVGC Enterprise. The attached Business Plan (Attachment 1) can be utilized for further detail regarding Touchstone's plans for the BVGC Enterprise. The following topics will be reviewed during the Study Session;

- Management Arrangement
  - The relationship with Touchstone represents a positive change in the way in which the City and the operator coordinate and work together.

Previously, the operator was required to fund operations and maintenance and the City earned net revenues and was responsible for all moderate to major maintenance and capital projects, all debt services and permits. With Touchstone, Touchstone provides the city with all revenues from the BVGC Enterprise, and those revenues will fund all expenditures, including a management fee and incentive to Touchstone. The City and Touchstone have developed a mutually beneficial way to operate, maintain, and manage the BVGC Enterprise and eliminates any uncertainty of funding responsibility for operations and maintenance since all funds for the BVGC Enterprise are city funds collected from the BVGC Enterprise.

- Touchstone Golf Team
  - Touchstone's Corporate Executive Team was already hard at work long before the transition from the previous BVGC Operator to Touchstone in June 2022
  - Touchstone now has a site-specific BVGC Executive team of seven (7) talented and skilled professionals including the General Manager, Greg Anderson
- Business Plan Overview
  - Touchstone's Business Plan (Attachment 1) includes rebuilding the Bennett Valley brand through value, community, and service.
  - Key business drivers include creating an inviting facility and restaurant; improving the golf course playing conditions; creating a destination for dining and events; enhancing the practice facility and golf instruction, elevating customer service; and defining the market for current and new customer segments
- Marketing and Outreach
  - The BVGC web site was the first item that was updated and ready to go live well before the final transition from the previous operator
  - Email marketing of the BVGC increased by over 1000 subscribers with and average open rate of 45%
  - An increase of 22% in social media activity
  - First golf tournament was sold out and others are regularly scheduled
  - Events Center is booked well into 2023
  - Upcoming BVGC events through 2022 and planning has begun for 2023
- Golf Programs
  - Touchstone has created and is participatory in golf programs that promote golf for all, especially youth golfers with the idea to create programs that assist the interested youth golfer through to adult programs
  - Lessons are available for any level of golfer
  - Touchstone fosters a culture of belonging and supports diversity, equity, and inclusion
- Restaurant and Event Center
  - Soft opening of Bennett Valley Grille on October 1, 2022
  - Rebranding in progress for a grand opening in early 2023
  - Event Center booking well this year
  - New full web site for events in December 2022

- Financial Results and Outlook
  - Budget completed for FY 22/23
  - Budget is to utilize \$250k in reserves the first year after Debt Service of \$359k and \$320k of startup expenses
  - First 120 days in operation, revenue is on target at approximately \$1 million
  - Earnings for the first 120 days of \$90k is \$88k short of budget target due to additional facility expenses to reopen and unanticipated start-up costs
  - Financial outlook shows revenue higher than anticipated in restaurant and the need for increase in overall revenue to support the BVGC as an Enterprise through golf cart and golf fees increases to market rate
  - The budget for the second half of the current fiscal year includes the golf cart and golf fee increases.
  - A lack of Tournament and League Event bookings have also contributed to the golf rounds and revenue shortfall. Reservations for these events are normally made 3-12 months in advance.
- Golf Fees (discussion and feedback from Council)
  - Existing golf fees well below market rate, include an additional capital fee, and include over 180 types of fees leading to significantly lower golf fees for many
  - Propose to increase golf fees to market rate which is below the primary competitive golf courses
  - Propose to eliminate the additional capital fee from the golf fee
  - Staff to return to Council with recommended increase to market rate golf fees in January 2023
- Golf Carts
  - Existing carts lease expired in October, utilizing a temporary lease with same company with existing carts to bridge the gap between existing and future cart lease
  - RFP to solicit for new golf cart lease underway
  - Major delays in golf cart supply chain may result in a 12–16-month delay in new carts
- Capital Improvements (discussion and feedback from City Council)
  - Golf Course highest priority project to create irrigation storage lake(s) on site instead of current holding pond method
  - There are also five (5) additional high priority needs at the golf course including a complete upgrade of the irrigation system, drainage improvements, tee leveling, pedestrian bridge repairs, and tree removals
  - Restaurant has high priority for new carpeting
  - Recommend Touchstone perform capital projects given their expertise in the industry and their extensive experience
  - Touchstone invested \$50,000 of its own funds to improve the front entry of the golf course between the restaurant and pro shop with no obligation from the City

- Equipment
  - The BVGC has existing golf course maintenance equipment and Touchstone is responsible for on-going maintenance utilizing the City's Faster Tracking system
  - Touchstone reviewed golf course maintenance and operations equipment and needs a variety of new or like new maintenance and operations equipment
  - Touchstone went to great lengths to salvage existing kitchen equipment, with success for all except a few key pieces of equipment that are a high priority for replacement

Overall, under Touchstone's management, the BVGC is being improved, and is targeted to return to a business model that sustains itself and continues to be the jewel of the community. However, there is a 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.

Options will be presented for City Council consideration and staff seek feedback for increasing golf fees to market rate to help sustain the golf course as an Enterprise and stay current with market conditions while providing value options for youth and seniors. Staff will return to City Council with a request to increase golf fees in January 2023.

Net revenue budget projections in years two (2) and three (3) show revenue gain over expenses although gains are not necessarily projected to be a source of revenue for major capital improvements due to the need to build reserves and fund debt service. The capital needs of the BVGC enterprise will be presented for City Council discussion and feedback regarding priority and funding. Staff seek City Council feedback regarding the highest priority needs for Capital Improvements and equipment.

During their presentation to City Council on February 15, 2022, NGF previously presented City Council with the following options for funding capital improvements;

- 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.

### FISCAL IMPACT

This is a Study Session, and no action will be taken.

### ENVIRONMENTAL IMPACT

The study session 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 Guidelines 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

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

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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

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – FY 22/23 BVGC Business Plan
- Attachment 2 – Agreement #F002437 Operations and Maintenance Management Agreement with Touchstone
- Attachment 3 – BVGC Golf Fee Proposal with Competitive Course Fees
- Attachment 4 – Capital Improvement Project and Equipment Priority List

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