



**DEPARTMENT OF PARKS
AND COMMUNITY SERVICES**

**CITY OF SACRAMENTO
CALIFORNIA**

1251 I STREET
SUITE 400
SACRAMENTO, CA
95814-2977

ROBERT P. THOMAS
DIRECTOR

916-449-5200
FAX 916-449-8584

G. ERLING LINGGI
ASSISTANT DIRECTOR

WALTER S. UEDA
DEPUTY DIRECTOR

May 14, 1991

DIVISIONS:
GOLF
CROCKER ART MUSEUM
HISTORY AND SCIENCE
METROPOLITAN ARTS
SACRAMENTO ZOO
PARKS AND RECREATION
• NORTH
• SOUTH
• CITY-WIDE

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Golf Course Restaurants Leases

SUMMARY

This report provides information relating to the restaurant facilities at Haggin Oaks, Bing Maloney, and William Land Park Golf Courses and requests: (1) Authorization to negotiate concurrently with Canteen Corporation and the Fetters Company for a period not to exceed ninety (90) days for an agreement for Restaurant Services at Haggin Oaks Golf Course; 2) authorization to negotiate concurrently with Canteen Corporation and the Fetters Company for a period not to exceed ninety (90) days for an agreement for Restaurant Services at Bing Maloney and William Land Golf Courses; and 3) adoption of the Negotiating Goals for the contracts for Restaurant Services at Haggin Oaks Golf Course and for Restaurant Services at Bing Maloney and William Land Golf Courses combined.

BACKGROUND INFORMATION

Restaurant services at City golf courses have historically been provided by private entities under contractual agreements with the City in which a percentage of the gross receipts is paid to the City as rent. These entities have the full responsibility of providing food services to golf course patrons. Additionally, the restaurateurs are the exclusive provider of catering services for tournaments at the golf courses. These activities gross nearly \$600,000 per year at Haggin Oaks Golf Course and more than \$300,000 per year at Bing Maloney and William Land Golf Courses combined. Revenue from these contracts is deposited in the Golf Enterprise Fund to offset the cost of providing golf services. Revenue from the restaurant services contracts for the past four years is as follows:

| <u>Year</u> | <u>Haggin Oaks</u> | | <u>Bing Maloney/William Land</u> | |
|-------------|--------------------|---------------------|----------------------------------|---------------------|
| | <u>Gross</u> | <u>Rent to City</u> | <u>Gross</u> | <u>Rent to City</u> |
| 1987 | \$527,375 | \$153,692 | \$345,083 | \$73,040 |
| 1988 | \$496,584 | \$144,206 | \$289,802 | \$72,158 |
| 1989 | \$592,693 | \$169,861 | \$343,352 | \$84,558 |
| 1990 | \$591,972 | \$171,744 | \$347,009 | \$85,446 |

Proposal Process

In September 1990, City Council authorized the issuance of a Request for Proposals to Provide Restaurant Services at Haggin Oaks Golf Course. The proposal stipulated that, in addition to providing the traditional restaurant services previously described under the proposed agreement, the restaurateur will be required to renovate the dining food preparation and storage areas as the existing plan is considered less than optimum. Also, the lessee will be required to develop a proactive catering service to better serve the golfing community as the catering potential is largely unrealized. The minimum term of the contract will be five years with a longer term considered dependent upon the proposed level of investment. (The contract for Restaurant Services at Haggin Oaks Golf Course expired in February 1991 with the current restaurateurs operating on a month-to-month basis per the provision of their agreements.)

In an effort to secure high quality golf course restaurant services and provide a fair return to the City as well as quality service to the public, an extensive advertising campaign designed to encourage proposals was implemented. With the assistance and expertise of food services consultant Russ Leverenz from the California State University, Sacramento Hornet Foundation, over 45 restaurant services operators were identified. Although numerous telephone inquiries were received and four potential proposers attended the pre-proposal conference, only Canteen Corporation, the current operator for all three courses, and the Fetters Company submitted proposals.

The restaurant services contract for Bing Maloney/William Land Golf Courses expired in February 1991. Given the extensive solicitation efforts for the Haggin Oaks Golf Course Restaurant Services and the subsequent limited response, it appeared that issuing request for proposal for the same services at a comparable location would have been a duplication of effort. Further, as both of the Haggin Oaks proposers appear fully capable of taking on an expanded golf course restaurant services contract, the Department invited and received from both Canteen Corporation and the Fetters Company a proposal for the Bing Maloney and William Land Golf Course Restaurant sites combined.

Each proposal was evaluated based on the applicants' ability and past experience; quality of proposed goods and services; amount of proposed financial return to the City; and level of capital investment. Following the preliminary analysis, a panel comprised of staff from Resource Development and Management Section and the Golf Division and Russ Leverenz, food services consultant interviewed both proposers in February 1991.

Proposal Overview

Following the proposer interviews, Mr. Leverenz completed his analysis of the proposals submitted by the Canteen Corporation and the Feters Company. The key points of the proposals are as follows:

HAGGIN OAKS

| | <u>CANTEEN</u> | <u>FETERS COMPANY</u> |
|------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| PROPOSED BUSINESS TERMS | | |
| Length of Term | 10 years | 5 years with 5 year option |
| Proposed Lease Rate (% of gross) | | |
| Food Sales | 30.1% | 26.6% |
| Catering | 10% | 13.5% |
| Minimum Annual Guarantee | \$130,000 | 85% of fee paid for previous year (estimated \$145,000 based on last year's revenue) |
| Proposed Remodeling Cost | up to \$80,000 | \$72,000 |
| Proposed Level of Investment (long term) | None | \$50,000 |
| Management Structure | Manager for food service covers an area from Modesto to Sacramento which includes approx. 12 operations. | Local company with the principal living in the County. Company has 3 operations. |

BING MALONEY/WILLIAM LAND

| | <u>CANTEEN</u> | <u>FETERS COMPANY</u> |
|-------------------------------------|----------------|-----------------------------------------|
| PROPOSED BUSINESS TERMS | | |
| Length of Term | 10 years | 5 years with 5 year option |
| Proposed Lease Rate (% of gross) | | |
| Food sales | 25% | 21.5% - Bing Maloney 10% - Land Park |
| Catering | 10% | 13.5% |

3

BING MALONEY/WILLIAM LAND
(Cont'd)

| | <u>CANTEEN</u> | <u>FETTERS COMPANY</u> |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Minimum Annual Guarantee | Not Provided | \$63,000 - Bing Maloney \$ 7,000 - Land Park \$70,000 - TOTAL |
| Proposed Level of Investments (long term) | reinvest any profits over 8% - Bing Maloney | \$15,000 - Bing Maloney |
| | reinvest any profits over 3% - Land Park | \$ 3,000 - Land Park \$18,000 - TOTAL |
| Proposed Remodeling Cost | No changes proposed | \$20,000 - Bing Maloney \$ 5,000 - Land Park \$25,000 - TOTAL |
| Management Structure | Manager for food service covers an area from Modesto to Sacramento which includes approx. 12 operations. | Local company with principal living in the County. Company has 3 operations. |

Financial Analysis

After adjusting the proposers' projected revenue to allow for comparative analysis, the proposed financial return to the City from both proposals for the first year of the lease bears out a distinction between the proposers in terms of potential revenue to the City. In analyzing the financial elements of the golf course restaurant services proposals, Mr. Leverenz concluded the following:

1. Based on the same receipts at each facility, in both leases, Canteen's proposed revenue to the City in the form of rent is higher.
2. The Feters Company's proposed investments in all three of the golf course restaurant facilities are higher.
3. In light of the facility improvements proposed by the Feters Company for Bing Maloney and Land Park in contrast to no changes proposed by Canteen, the consultant believed that the Feters Company would actually realize greater revenues to the City than Canteen due to these improvements.
4. Improvements and ongoing investment during the term of the agreement vary. For example, Canteen proposed up to \$80,000 as an initial investment for Haggin Oaks but offered no long term or ongoing investments in the facility. Feters Company proposed an initial investment of \$72,000 in Haggin Oaks as well as \$50,000 for long term and ongoing investments for a total investment of \$122,000.

4

Facilities Improvement Analysis

The Request for Proposals to Provide Restaurant Services at Haggin Oaks Golf Course required proposers to submit a description of proposed renovation plans for the dining room, food preparation, and storage areas for Haggin Oaks. Although not required, proposers for the Bing Maloney and William Land Golf Courses were encouraged to provide descriptions of proposed renovation plans for those facilities. Additionally, proposers were advised that the William Land Park restaurant facility would be expanded within the next two years to increase seating capacity. In analyzing the facility improvement components of the two proposals, Mr. Leverenz concluded the following:

1. Improvements offered by the Fetters Company are more comprehensive than the Canteen offering. Both by the extent of the improvements and details associated with those improvements, the Fetters Company demonstrated a greater degree of preparation to meet the expectations of the Department and the needs of the golfing public.
2. Initiative on the part of the Fetters Company to propose future plans for and anticipate them with an actual proposed design was in contrast to Canteen proposal that they would consider working with the Department in the future.
3. Both proposers offered extensive work at Haggin Oaks. While Fetters' proposed improvements are estimated at \$72,000 and the Canteen's proposed improvements are estimated at \$80,000, both are judged to be equally effective.
4. The proposals were further distinguished in addressing improvements at Bing Maloney. Fetters proposed the need for updating several elements of the decor and equipment at an initial value of \$20,000 in contrast to Canteen's perception that Bing Maloney would not require any improvements during the course of the contract term. Accordingly, the Canteen proposal pro forma budgeted no money for present or future improvements.
5. Ongoing investment in equipment and facilities at all golf course restaurants was addressed in Fetters' proposal in defined terms amounting to no less than \$68,000 during the term of the contracts. Future investments by Canteen at Bing Maloney and Land Park would be contingent upon prerequisite levels of profit earnings by Canteen. The Canteen proposal for Haggin Oaks did not identify any ongoing or long term investments in the facility.

Service and Market Awareness Analysis

Customer service is one of the primary goals of the Department; therefore the level and quality of service were key elements of the proposals. Accordingly, Mr. Leverenz evaluated each proposer's awareness of the market at each golf course restaurant. A summary of the consultant's findings is as follows:

1. The Fetters Company proposals contained a more extensive degree of preparation related to facilities, equipment and an understanding of the unique characteristics of each golf course.
2. The Canteen proposals focused primarily on increasing catering revenue while the Fetters proposals emphasized improving basic restaurant operations which encompasses nearly 90% of the business.
3. In regard to catering, Canteen proposed off-site catering services at the State Capital to increase catering revenue. Fetters proposed improving the level of catering services and increasing catering revenue at the golf courses by focusing on the relationship between the golf course restaurant operator and the golf course users.
4. Payroll cost is an indirect measure of service in that it reflects staffing levels. While both proposals are close, Fetters proposes a higher staff expense at each location as well as increased employee staffing.
5. The Manager for food service operations for Canteen is responsible for an area which includes approximately a dozen operations and encompasses the Modesto, Stockton, and Sacramento areas. Fetters Company is local and the principal lives in Sacramento County. Currently, the company has three local operations in addition to doing special events and catering.
6. The proposals submitted by each company are acceptable and meet the minimum expectations set forth in the Requests for Proposals.

Consultant's Conclusion and Recommendation

After extensive analysis of the proposals submitted by the Canteen Corporation and the Fetters Company, Mr. Leverenz concluded that "it is the recommendation of the consultant that the Fetters Company be awarded both leases" for food services at Haggin Oaks Golf Course and the Bing Maloney and William Land Golf Courses combined; however, staff recommends that the City seek to engage in concurrent negotiations with both proposers to provide a balance between generating revenue to support expanded golf programs and providing excellent restaurant services to City golf course patrons.

The recommended Negotiating Goals for the Golf Course Restaurant Services Contracts are as follows:

1. Since the Golf Division operates as an enterprise fund and rent from lease operations is a key source of revenue to this fund, the City seeks to maximize income from the golf course restaurant agreements at level which does not compromise service to the public.
2. Customer service is an important goal of the Department of Parks and Community Services and this goal will be reflected in improving the quality of service for the golfing public at municipally operated golf courses.
3. The restaurant operator will provide adequate staff to maintain a high level of service.

4. In regard to revenue to the City, the golf restaurant services contracts will be based on sound business principles.

Section 12.39(f) of the City Code authorizes the negotiations of a lease including terms and conditions when the Council finds and determines that special circumstances make the use of the bid procedure inappropriate. Pending Council authorization, a negotiating team comprised of a Department of Parks and Community Services Resource Development and Management staff person, a Golf Division management staff person, and Mr. Leverenz will begin negotiations for the golf restaurant services contracts at Haggin Oaks Golf Course and at Bing Maloney and William Land Golf Course combined. Staff will report back to Council in ninety (90) days at which time any final agreements shall be presented to Council for approval.

FINANCIAL

No additional funds are requested. Costs related to the negotiation process will be paid from the Golf Fund.

POLICY CONSIDERATIONS

The Request for Proposals and proposal selection process were conducted in accordance with City policies and procedures. Negotiations of restaurant services lease for Haggin Oaks Golf Course and for Bing Maloney and William Land Golf Courses combined is in accordance with Section 12.39(f) of the Sacramento City Code. Simultaneous negotiations are somewhat unusual but provide the best opportunity to maximize the return and services to the City.

MBE/WBE EFFORTS

All negotiated Department of Parks and Community Services agreements contain contractual language requiring lessees to make a concerted effort to employ a work force which is representative of the minority population of the City.

RECOMMENDATION

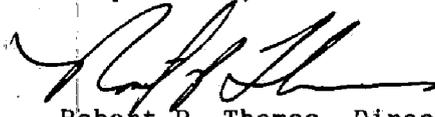
It is recommended that the Budget and Finance Committee approve this report and forward it to full City Council. Further, it is recommended that City Council, by resolution:

1. authorize staff to negotiate concurrently with Canteen Corporation and the Fetters Company for a period not to exceed ninety (90) days for an agreement for Restaurant Services at Haggin Oaks Golf Course;
2. authorize staff to negotiate concurrently with Canteen Corporation and the Fetters Company for a period not to exceed ninety (90) days for an agreement for Restaurant Services at Bing Maloney and William Land Golf Course combined; and

7

3. adopt the Negotiating Goals for Golf Restaurant Services Agreements.

Respectfully submitted,



Robert P. Thomas, Director
Parks and Community Services

Recommendation approved:



Jack R. Crist
Deputy City Manager

May 14, 1991
Districts 2, 4 & 7

Staff Contact Person: Tina Lee-Vogt, Resource Development and Management,
449-6276

RPT:ja

K:Council/TLRGolf

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING STAFF TO NEGOTIATE CONCURRENTLY WITH CANTEEN CORPORATION AND THE FETTERS COMPANY FOR AN AGREEMENT FOR RESTAURANT SERVICES AT HAGGIN OAKS GOLF COURSE AND FOR AN AGREEMENT FOR RESTAURANT SERVICES AT BING MALONEY AND WILLIAM LAND GOLF COURSES COMBINED; AND ADOPTING THE NEGOTIATING GOALS FOR GOLF COURSE RESTAURANT SERVICE AGREEMENTS

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That staff is authorized to negotiate with Canteen Corporation and the Feters Company for a period not to exceed ninety (90) days for an agreement for Restaurant Services at Haggin Oaks Golf Course; and
2. That staff is authorized to negotiate with Canteen Corporation and the Feters Company for a period not to exceed ninety (90) days for an agreement for Restaurant Services at Bing Maloney and William Land Golf Courses combined; and
3. That the Negotiating Goals for Golf Course Restaurant Services Contracts are hereby adopted.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 9