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**DEPARTMENT OF PARKS  
AND COMMUNITY SERVICES**

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PARKS AND RECREATION

- NORTH
- SOUTH
- CITY-WIDE

January 8, 1991

Budget and Finance/Transportation  
and Community Development Committee

Honorable Members in Session:

SUBJECT: Golf Professional Services Lease

SUMMARY

This report provides information relating to the provision of golf professional services at Haggin Oaks and Bing Maloney/William Land golf courses and requests: (1) Authorization to negotiate concurrently with Kathken Corporation and American Golf Corporation for a period not to exceed 120 days for an agreement for Golf Professional Services at Haggin Oaks Golf Course; (2) authorization to negotiate concurrently with American Golf Corporation and the partnership of Tom Doris and Victor Pitton for a period not to exceed 120 days for an agreement for Golf Professional Services at Bing Maloney and William Land Golf Courses combined, and (3) adoption of the Negotiating Goals for the contracts for Golf Professional Services at Haggin Oaks Golf Course and Golf Professional Services at Bing Maloney and William Land Golf Courses combined.

BACKGROUND INFORMATION

Proposal Process

Golf professional services at City golf courses are provided by private entities under contractual agreements with the City. Services provided under the Golf Professional Services agreements include lessons, golf cart rentals, driving range, and full service pro shop operations with a percentage of gross receipts from these activities paid to the City as rent. These activities alone gross nearly \$2.4 million per year at Haggin Oaks Golf Course and nearly \$1.3 million a year at Bing Maloney and William Land Golf Courses combined. In addition, the professionals collect reservation and green fees and provide starter services in

exchange for a flat fee from the City as offset to the cost of providing these services. Revenue from these contracts is deposited in the Golf Enterprise Fund to offset the cost of providing golf services. Revenue from the golf professional services contract for the past five years is as follows:

Year	Haggin Oaks		Bing Maloney/William Land	
	Gross	Rent to City	Gross	Rent to City
1985	\$1,321,907	\$114,769	\$ 606,019	\$56,887
1986	1,903,740	132,299	821,524	60,053
1987	2,452,776	163,536	1,413,519	89,589
1988	2,469,524	166,839	1,308,772	87,641
1989	2,370,910	168,423	1,290,969	92,427

The contracts for Golf Professional Services at both Haggin Oaks Golf Course and at Bing Maloney and William Land Golf Courses combined expired in October 1989 with the current professionals operating on a month-to-month basis per the provisions of their agreements. In October 1989, the City Council authorized the issuance of a Request for Proposals to Provide Golf Professional Services at Haggin Oaks Golf Course as well as a Request for Proposals to Provide Golf Professional Services at Bing Maloney and Land Park Golf Courses combined. The Request for Proposals stipulated that in addition to providing the traditional golf professional services described above, under the proposed contracts, the golf professionals will be required to light the existing driving ranges at both Haggin Oaks and Bing Maloney Golf Courses and to staff the driving ranges at night once they are lit. The minimum term of the proposed contracts shall be five years with longer terms considered depending on the proposed level of investment.

In an effort to secure high quality golf professionals and to maximize the revenue to the City as well as the service to the public, following City Council authorization to issue the Request for Proposals, an advertising campaign designed to encourage proposals was implemented. Invitations to proposers were placed in various national trade publications in addition to being directly mailed to golf professionals. Interest in these proposal opportunities was extremely high with over 20 golf professionals from throughout the country requesting proposal packets within the first ten days of the proposal process. Nine individuals representing six golf professional services attended the pre-proposal conference held in November 1989.

A total of 10 proposals were received; five for Haggin Oaks Golf Course and five for Bing Maloney and William Land Golf Courses combined. Due to the magnitude of the response to the Request for Proposals and in order to ensure selection on the best qualified proposer(s), the consulting firm of Keyser Marston Associates, Inc. was retained to assist in the proposal evaluation process.

Preliminary proposal evaluation included the applicants' ability and past experience; quality of proposed equipment, merchandise and services; proposed financial return to the City and level of capital investment. The proposals were reviewed by staff from Resource Development and Management, the Budget Office, and the Golf Division as well as the consultant. Of the original 10

proposals received, two each from International Golf Management and from Glenn Stuart for Haggin Oaks Golf Course and for Bing Maloney and William Land Golf Courses combined were eliminated because they were deemed as not viable proposals. A third proposer, National Golf, who also submitted two proposals, one for each contract, later opted to withdraw from the process due to management changes at their company. Consequently, there remained two finalists for each golf professional services contract: American Golf Corporation and Kathken Corporation for Haggin Oaks Golf Course and American Golf Corporation and the partnership of Tom Doris and Victor Pitton for Bing Maloney/William Land Golf Courses combined. Kathken Corporation represented by Ken Morton and the partnership of Doris and Pitton are both locally owned and are the existing golf professionals at Haggin Oaks Golf Course and Bing Maloney/William Land Golf Courses respectively. American Golf Corporation is a large national corporation with over 100 golf course contracts.

Preliminary analysis of the finalists' proposals by the consultants and staff was completed in January 1990. As a result of this analysis, a list of clarification questions primarily dealing with the business terms including marketing and financial feasibility of the proposals was developed for each proposer. Responses to the business terms clarification questions were received in the spring of 1990 and forwarded to Keyser Marston Associates for comparative analysis and financial evaluation. In order to fully analyze the golf services component of the proposals, Keyser Marston subcontracted with a nationally recognized golf expert, the William Sherman Company. Bill Sherman then assisted Keyser Marston in developing golf service clarification questions for each of the proposers. These questions focused on such aspects of the provision of golf professional services as staffing, pro shop inventory and market orientation, advertising, lessons program, youth programs, and community services activities. Responses to the golf services clarification questions were received in October 1990. During this same period, Keyser Marston Associates conducted a reference check of the proposers.

A proposer interview panel was then assembled to provide the three proposers (American Golf Corporation, Kathken Corporation, and the partnership of Doris and Pitton) with an opportunity for a personal interview and to make a formal presentation. The panel was comprised of Debra Small-Maier, Resource Development and Management; Barbara Todd, Golf Superintendent; Mike McGrane, Senior Budget Analyst; as well as Leroy Schwank, President of the Sacramento Golf Council and Denise Conley, Principal, Keyser Marston Associates. Proposers were interviewed in November 1990.

#### Proposal Overview

Following the proposer interviews, Keyser Marston Associates completed their analysis of the proposals submitted by Kathken Corporation, Doris and Pitton, and American Golf Corporation. Key points of the proposals are as follows:

HAGGIN OAKS

PROPOSED BUSINESS TERMS

Length of Term

KATHKEN

10 years

AMERICAN GOLF

5 years with 5 yr option

Proposed Rent (% of gross)

Pro Shop Sales & Lessons

1%

6%

Driving Range

25%

25%

Cart Rentals

22%

22%

Minimum Annual Guarantee

\$150,000

\$275,000

Starter Fees

City pays \$24,000/yr. with 5% annual increase. City pays total of \$302,200 over term of lease.

Lessee absorbs this cost. No cost to City.

PROPOSED BUSINESS TERMS

Cost to Light Range

KATHKEN

City pays \$91,200 to leasee.

AMERICAN GOLF

Lessee invests \$100,000 in improvements including cost to light range. No cost to City.

ORGANIZATIONAL STRUCTURE

Local pro on site. Proven track record and experience in Sacramento market.

Pro hired by corporation

BING MALONEY/WM. LAND

PROPOSED BUSINESS TERMS

Length of Term

DORIS/PITTON

5 years with 5 yr option

AMERICAN GOLF

5 years with 5 yr option

Proposed Rent (% of gross)

Pro Shop Sales & Lessons

1%

6%

Driving Range

25%

17.5%

Cart Rentals

22%

17.5%

Minimum Annual Guarantee

\$75,000

\$125,000

Starter Fees

City pays \$36,000/yr. with CPI annual increase. City pays total of \$432,220 over term of lease.

Lessee absorbs this cost. No cost to City.

Cost to Light Range

City pays \$42,000 to leasee.

Lessee invests \$100,000 in improvements including cost to light range. No cost to City.

CUSTOMER SERVICE

Local pro on site. Proven track record and experience in Sacramento market.

Pro hired by corporation

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Following is a summary of the consulting team's analysis and comparison of the proposals:

- For each contract there is a clear distinction between the proposers in terms of potential revenue to the City. American Golf Corporation offers far greater income in terms of percentage of gross income paid to the City as rent; no city costs for reimbursement of the cost of providing starter services or for the cost of capital improvements to the driving range; and annual guaranteed minimum rents which are 67 - 80% higher than the competitive proposals.
- The projected net revenue differential amounts to \$130,000 more revenue with the American Golf proposal for professional services at Haggin Oaks and \$50,000 for professional services at Bing Maloney and William Land Golf Courses combined in the first year of the contract alone.
- The existing operators (Kathken at Haggin Oaks and Doris and Pitton at Bing Maloney and William Land) have a proven record of performance in terms of both sales volumes and commitment to the local golf community. Both have a commitment to service which is best evidenced by the high level of staff and payroll. In particular, Kathken has achieved merchandise and equipment sales levels which make Haggin Oaks one of the nation's most successful pro shop operators. Doris and Pitton's performance has been strong as well.

#### Financial Analysis

After adjusting the proposers projected number of golf rounds to allow for comparative analysis, the proposed financial return to the City from the three proposals over the proposed ten year term bears out the distinction between the proposers in terms of potential revenue to the City. American Golf Corporation offers greater income over the term of the agreement. In analyzing the financial elements of the golf professional services proposals, Keyser Marston Associates concluded the following:

1. After allowing deduction of capital improvement costs and City payment of starter fees shown in the Kathken proposal, the American Golf proposal represents 82% more net rental income to the City than does Kathken (Haggin Oaks).
2. While the percentage rents are roughly equal on a gross basis, after allowing for the recapture of capital improvement costs and the City paid starter fee, the Doris and Pitton proposal returns 55.9% less net revenue to the City (Bing Maloney and Land).
3. Although Kathken has achieved high merchandise and equipment sales levels and Doris has also done well, under the current proposals submitted by Kathken and by Doris and Pitton, the City benefits least from merchandise, equipment and lesson income in terms of rent. These proposals offer City rent at 1% of gross sales in these categories as compared to the existing contract rent which is 4% of gross sales. This category represents over 70% of gross for both of the golf professional services contracts. Consequently, regardless of whether the existing sales performance can be matched by American Golf, the City would be financially better off with American Golf's proposals, provided that there is adequate security behind its guarantees.

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Service Analysis

The golf professionals have historically been a strong complement to the City's golf program through active involvement in and promotion of golfing activities and services in particular but not exclusively youth golfing programs. Accordingly, Keyser Marston Associates, with the subcontracted assistance of golf consultant, the William Sherman Company, analyzed the service components of the golf professional services proposals. Analysis focused on pro shop operations, public services including lessons and youth programs, starter services, and staffing. A summary of the consultant findings is as follows:

1. The existing proposers offer advantages to the City in terms of assuring continued high quality of service to the golfing community. They have a proven track record of good service and have both effectively translated their commitment to service into strong sales performances.
2. The existing pros' business structure reveals their commitment to pro shop sales and service. At Haggin Oaks, Kathken has scheduled 56 employees compared to American Golf Corporation's proposal of 23 employees. By comparison, the Golf Division employs approximately 46 FTE's. At Bing Maloney/Land Park, Doris and Pitton propose 35 employees compared to American Golf's 28 employees.
3. The existing pros provide extensive description of the services to be provided. Thus, it is more clear what types and levels of services will be offered by Kathken and Doris and Pitton. The American Golf proposals have less detail on services to be offered. The fact that they cannot describe an ongoing operation at either of the proposed courses may explain why the description of services is brief. However, during their interview, American Golf expressed willingness to work with the City to define services more thoroughly.
4. Haggin Oaks and Bing Maloney pro shops, under the operation of Kathken and Doris respectively, are regularly listed among the top 100 pro shops by Golf Digest Magazine for the last three years. American Golf has been similarly honored for pro shops in Pasadena (two years) and Houston (one year).
5. Careful reference checks for seven pro shops operated across the country by American Golf confirm that the company enjoys a good reputation and performance record for delivering what was proposed, strong financial performance, responsive management, and good relationships with and meeting the needs of the golfing public.
6. American Golf does not currently operate a pro shop exclusive of also operating the golf course. They are somewhat unproven in their ability to successfully offer services under a more limited operation.
7. Service levels are difficult to quantify and also difficult to enforce regardless of contractual requirements. A proven service record provides a greater degree of assurance of continuance of that service level.

Consultant's Conclusion and Recommended Negotiating Goals

After extensive analysis of the proposals from Kathken and American Golf corporations for golf professional services at Haggin Oaks Golf Course and Doris

and Pitton and American Golf for golf professional services at Bing Maloney and William Land Golf Courses, Keyser Marston Associates concluded that, "In this situation, it is recommended that the City seek to engage in simultaneous negotiations with both proposers in order to provide a balance between the public objective of generating income to support expanded golf programs and providing excellent golf services to the public." Staff concurs with the consultant recommendation. Further, staff recommends adoption of Negotiating Goals to guide in the achievement of these objectives that the City may have golf professional services agreements that maximize both the return to the City and service to the public.

The recommended Negotiating Goals for Golf Professional Services Contracts are as follows:

1. Given that 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 professional services contracts. These golf professional services contracts should be viewed as a strong and growing source of revenue to the City.
2. Given the Department of Parks and Community Services goal of customer service, this goal shall be reflected in a maintaining quality of service for the golfing public at municipally operated golf courses.
3. The golf professional shall provide adequate staff to provide a high level of service, particularly but not exclusively in the area of starter services and range operations.
4. The golf professional services contracts shall specify youth and lessons programs which shall satisfy the public need.
5. Regarding revenue to the City, the golf professional services contracts shall be based on sound business principles.

Section 12.39(f) of the City Code authorizes the negotiation 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 Finance Department Senior Management Analyst, and a consultant from Keyser Marston Associates, together with advisory representatives from the Golf Division, City Attorney's Office and the Sacramento Golf Council, shall begin negotiations for golf professional services contracts at both Haggin Oaks Golf Course and at Bing Maloney and William Land Golf Courses combined. Staff will report back to Council within 120 days at which time any final agreements shall be presented in full to Council for approval.

#### FINANCIAL

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

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January 8, 1991

POLICY CONSIDERATIONS

The Request for Proposals and proposal selection process was conducted in accordance with City policy and procedures. Negotiation of a golf professional 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 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

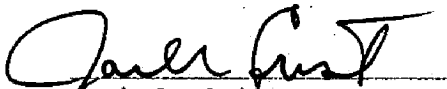
It is recommended that the joint Transportation and Community Development/Budget and Finance Committee approve this report and forward it to full City Council. Further, it is recommended that City Council, by resolution: (1) authorize staff to negotiate concurrently with Kathken Corporation and American Golf Corporation for a period not to exceed 120 days for an agreement for Golf Professional Services at Haggin Oaks Golf Course; (2) authorize staff to negotiate concurrently with American Golf Corporation and the partnership of Tom Doris and Victor Pitton for a period not to exceed 120 days for an agreement for Golf Professional Services at Bing Maloney and William Land Golf Courses combined; and (3) adopt the Negotiating Goals for Golf Professional Services Agreements.

Respectfully submitted,



Robert P. Thomas, Director  
Parks and Community Services

Recommendation Approved:



Jack R. Crist  
Deputy City Manager

RPT:ja

Staff Contact Person: Debra Small Maier, Resource Development and Management,  
449-5198

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January 8, 1991  
Districts 2, 4, & 7



# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

RESOLUTION AUTHORIZING STAFF TO NEGOTIATE CONCURRENTLY WITH KATHKEN CORPORATION AND AMERICAN GOLF CORPORATION FOR AN AGREEMENT FOR GOLF PROFESSIONAL SERVICES AT HAGGIN OAKS GOLF COURSE AND WITH THE PARTNERSHIP OF TOM DORIS AND VICTOR PITTON FOR AN AGREEMENT FOR GOLF PROFESSIONAL SERVICES AT BING MALONEY AND WILLIAM LAND GOLF COURSES COMBINED; AND ADOPTING THE NEGOTIATING GOALS FOR GOLF PROFESSIONAL SERVICES AGREEMENTS

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

1. That staff is authorized to negotiate concurrently with Kathken Corporation and American Golf Corporation for a period not to exceed 120 days for an agreement for Golf Professional Services at Haggin Oaks Golf Course; and
2. That staff is authorized to negotiate concurrently with American Golf Corporation and the partnership of Tom Doris and Victor Pitton for a period not to exceed 120 days for an agreement for Golf Professional Services at Bing Maloney and William Land Golf Courses combined; and
3. That the Negotiating Goals for Golf Professional Services Agreements are hereby adopted.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_