

COUNCIL REPORT



CITY OF MOUNTAIN VIEW

AGENDA: September 27, 2011

7.1

CATEGORY: New Business

DEPT.: Community Services

TITLE: Agreement with Touchstone Golf for Management and Operation of Shoreline Golf Links

RECOMMENDATION

Authorize the City Manager to enter into a management services agreement, subject to negotiation, with Touchstone Golf for the management and operation of Shoreline Golf Links (Pro Shop and maintenance operations) for a term of five years with an option to renew for an additional term of five years at the sole discretion of the City.

FISCAL IMPACT

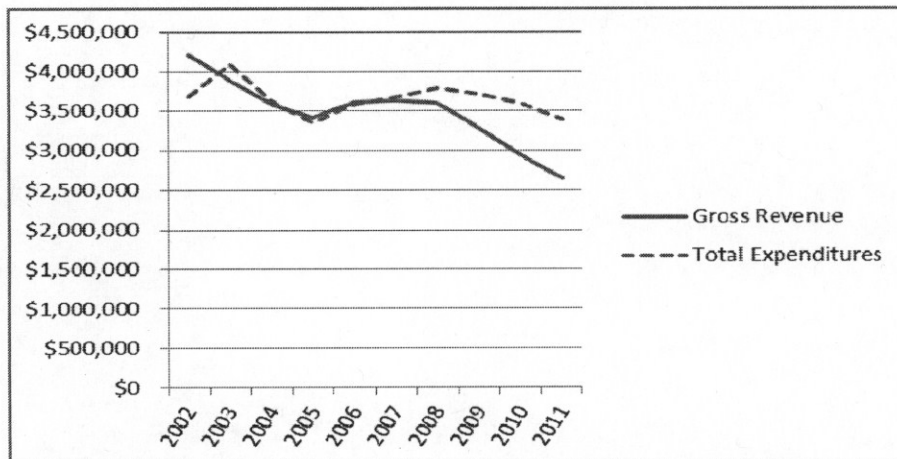
The recommended management services model is estimated to net the City approximately \$237,000 the first full year of operation based on the proposal from Touchstone Golf. Over a period of five years, the outsourced model proposed by Touchstone is projected to generate a net return to the City of \$2.5 million. This compares to the current City forecasted budget that has a projected operating deficit of \$6.3 million over a five-year period (beginning in Fiscal Year 2011-12). The net return projected by Touchstone would essentially offset the reduction in administrative overhead payments currently made by Shoreline Golf Links to the General Operating Fund to cover services provided to golf operations. On a City-wide basis, by outsourcing the golf course, projected golf revenues would cover projected operating expenditures and the General Operating Fund would no longer be negatively impacted. It is unlikely, however, that outsourcing would result in a significant net increase in funding for City services as a whole.

BACKGROUND AND ANALYSIS

The Fiscal Year 2009-10 Adopted Budget identified the need to review the long-term financial strategy for golf course operations due to ever-growing operational deficits. At the June 29, 2010 Study Session, Council directed staff to explore the feasibility of outsourcing Shoreline Golf Links (Shoreline), along with identifying possible changes to the current City-operated model to make it become more cost-effective. The evaluation of alternative operating models is in response to the growing financial operating deficit experienced by the golf course over the past five years. The City's adopted budget for Fiscal Year 2011-12 projects a net operating loss of \$1.2 million and a negative balance available of \$1.2 million, which would need to be subsidized by the General Operating Fund or another source of funds. Fiscal Year 2010-11 ended with revenues of \$568,000, or 17.7 percent below adopted budget, and \$298,000, or 10.1 percent less than the prior fiscal year audited actuals. While expenditures also came in

under budget, the fiscal year ended with expenditures over revenues of \$753,000, fully exhausting the remaining balance available and resulting in a negative \$13,000 balance (see Attachment 1 for a financial summary). As part of the Fiscal Year 2011-12 budget process, Council approved \$500,000 in funding from the Budget Contingency Reserve to allow adequate time to review alternatives for a potential new operating model for the golf course. As of August 2011, golf course revenues are down 3.7 percent compared to the prior fiscal year and 5.8 percent compared to budget for the same two-month period. Due to position vacancies, expenditures are also down and it is projected that the \$500,000 authorized from the Budget Contingency Reserve would be sufficient to cover the operating deficit and absorb the prior year's \$13,000 loss, until the course is transitioned to a new operating model or January 1, 2012, whichever comes first.

The following is a chart of revenues and total expenditures over the past 10 fiscal years.



Request for Proposal (RFP) Process

At the January 25, 2011 Study Session, Council provided staff with feedback regarding which outsourcing model would best meet the City's needs. On March 8, 2011, City Council approved the solicitation of an RFP for a management services agreement for all golf course operations (Pro Shop and maintenance) with an option for the Pro Shop only. This was one of several City initiatives to ensure long-term fiscal stability.

On March 15, 2011, invitations to submit a proposal for a management services agreement were sent to 89 golf management companies nationwide. The RFP proposed a five-year term with an option to renew for an additional five-year term at the sole discretion of the City. Eight proposals were received by the May 12, 2011 deadline; three of which also included an option for management of the Pro Shop only.

A memo updating the Council on the status of the project was sent to Council on July 12, 2011. After an extensive screening and interview process, financial analysis and background check, staff recommends the selection of Touchstone Golf to manage and operate the Pro Shop and maintenance operations at Shoreline. Touchstone Golf has been in the golf management business for six years and provides complete management services to 20 courses, including four courses in Northern California. The management team has extensive experience in reinvigorating golf courses that are in financial stress, an understanding of the Bay Area market, experience with operating a golf course over a landfill and experience in dealing with wildlife management issues.

Touchstone Golf has the experience and resources that are needed to maximize course revenues, reduce expenditures and enhance the guest experience. The management team has substantial experience in establishing marketing and promotional plans aimed at broadening market share and building community relationships. Touchstone proposes establishing a full-time Director of Sales and Marketing at the course who would focus efforts on building relationships with local businesses and member clubs, media relations, increasing use of technology, customer database management and sales, public relations and "Grow the Game" initiatives. Touchstone also believes that increasing group and tournament events and rebranding the golf course as a key asset in the community are essential to improving its profitability.

Touchstone would reduce expenditures by significantly lowering personnel costs and utilizing corporate accounts to procure equipment, merchandise and supplies at discounted rates. The company also has an established customer service program to ensure that quality customer service is delivered consistently and effectively. Through the use of staff training, service standards, guest surveys and secret shoppers, Touchstone is able to work with staff and the public to improve the guest experience and course quality. Touchstone has the expertise and knowledge of industry "Best Practices" in maintenance operations and in working with other courses that operate over a landfill.

Employee Model

Over the past fiscal year, steps have been implemented at the golf course to reduce expenditures by keeping full-time vacancies open and decreasing merchandise inventory. These cost-saving efforts were critical in reducing expenditures which partially offset revenue losses and reduced the projected operating deficit for Fiscal Year 2010-11. Most recently, staff has also begun working with an on-line golf marketing company to promote sales and tee-time reservation services.

Over the past several months, representatives from SEIU and the EAGLES have been working with City staff to develop a proposed employee-model that provides the same level of quality and customer service currently found at the golf course. In an effort to assist the City in

reducing expenditures and the City's long-term obligations, the employee groups have proposed the following budget revisions:

- Eliminate 2.0 Assistant Greenskeeper positions—\$179,000
- Eliminate 2.0 Assistant Golf Pro positions—\$177,000
- Reduce work week to 39 hours per week (2.5 percent pay cut) for all full-time positions (SEIU maintenance only)—\$12,000
- Miscellaneous savings—\$16,000

The employee-proposed reduction in the number of regular positions provides an additional savings in long-term retirees' health unfunded liability costs and administrative overhead fees of approximately \$103,000 per year, resulting in a total estimated annual savings of \$487,000 to golf course operations. The proposed reduction in regular positions reflects current staffing levels at the course. Even with the considerable savings offered by employee groups, it is not sufficient to bridge the gap between ongoing revenues and expenditures of the golf course without additional structural changes.

Financial Comparison

A five-year projection of the proposed employee model and an outsourced model (Touchstone Golf) is included as Attachment 2. This projection includes the full cost of water and City administrative overhead fees charged to the course and does not include restaurant revenue from Michaels at Shoreline, which is currently credited to the General Operating Fund. The employee model projects a deficit of \$668,000 in Fiscal Year 2011-12 and a projected loss to the City of \$3.7 million over a period of five years. Outsourcing the golf course is projected by Touchstone Golf to result in a positive net return to the City of approximately \$237,000 the first full year of operation. Over a five-year period, Touchstone's projected net return to the City is estimated at \$2.5 million. This positive return would offset the estimated loss of revenues to the General Operating Fund for reduced administrative overhead fees in the outsourced model.

Revenue projections for both models are similar, with Touchstone's revenues exceeding the City's revenue projections in Year 3 and reflect the amount of time the company has indicated it needs to establish marketing and promotional plans and increase rounds of play. Touchstone's proposal does not recommend increases to green fees for the next three years and believes that increased revenues during that period is achievable through higher utilization.

In comparing the employee model and the outsourced model, the single greatest factor is the cost of personnel. Total savings in personnel costs in the outsourced model at the end of the

first full year of operation is estimated at \$787,000 compared to the employee model (the difference is \$1.2 million if comparing the outsourced model to the current City adopted budget). There are also savings in retirees' health costs and City administrative overhead costs. These costs, while greatly reduced, are not eliminated in the outsourced model as the City would need to continue to fund health-care costs for retirees and those eligible to retire. Administrative overhead fees, while significantly reduced in the outsourced model, are also not eliminated as oversight of the contractor and management services agreement would be necessary on the part of staff.

Staffing levels, in general, are similar to currently filled positions at the course, with Touchstone proposing an increase in staffing of 1.3 FTEs assigned to the maintenance operation (compared to the employee model) to augment existing maintenance practices and help mitigate nuisance bird issues.

Touchstone's proposal also includes a management fee consisting of a base fee of \$108,000 per year, with a performance incentive equal to 10.0 percent of gross facility revenues over \$3.0 million per year, which is subject to negotiation. Based on the prospectus provided by Touchstone, incentive fees are not estimated to be realized until the second full year of operation, with total compensation (with incentives) over the five-year period estimated to range from \$108,000 to \$163,000 per year.

Policy Decisions

Concurrent with the approval to solicit an RFP for possible outsourcing of the course, the Council also asked staff to assess the potential impact of reducing golf course water costs and overhead fees and redirecting Michaels at Shoreline restaurant revenue to the golf course.

Water Costs:

Irrigation water usage for the golf course is dependent on the amount of rainfall during the fiscal year. The average cost of water for the five Fiscal Years 2004-05 through 2008-09 is \$357,000. During this time, the course used primarily a blend of potable water and well water. During Fiscal Year 2009-10, Shoreline switched to the use of recycled water for irrigation of the golf course. For Fiscal Years 2009-10 and 2010-11, water costs for the golf course were \$379,000 and \$454,000 respectively, with a budget of \$431,000. Blended water and recycled water rates are based on a reduced percentage of the potable water rates. In Fiscal Years 2009-10 and 2010-11, Council adopted a 5.0 percent rate increase each fiscal year to water rates. The rate increases, coupled with a greater demand for water, increased the cost of irrigation water to the golf course.

Although the City receives recycled water at no charge, there are costs associated with the recycled water program for maintenance of the system and the \$300,000 annual loan repayment. Approximately 45.0 percent of recycled water sales are from the golf course. The

recycled water rate charged to the golf course is the same rate charged to all recycled water users. If the golf course did not pay for recycled water, the Water Fund would be impacted with the loss of revenue of approximately \$431,000 annually. If this cost were to be absorbed by the other ratepayers, this would equate to a rate impact of approximately 2.0 percent if spread equitably across all rates.

Administrative Overhead Fees:

The administrative overhead fee for Shoreline is \$343,000 for Fiscal Year 2011-12. This amount represents the value of services received by the golf course directly charged to other operating budgets. In order to determine the full cost of operating the golf course, it is important to allocate the cost of services provided, such as payroll, human resources, telephones, information technology, attorney services, etc. The current charge also covers time spent by the Community Services Director, the Senior Administrative Analyst and the Executive Assistant in support of golf operations. The administrative overhead fee is primarily based on the number of employees and, in the employee model and outsourced model, those fees are reduced proportionately.

In an analysis of administrative overhead fees, the amount of overhead charged to the golf course appears to be proportionally comparable to other funds. If the golf course did not exist, these costs would not be eliminated, but would be reallocated to other funds and would reduce available funding for services and programs. Eliminating the overhead fees to the golf course would reduce funding to the General Operating Fund by an estimated \$275,000 annually, which would require a corresponding reduction to City services, programs and/or staff to maintain a structurally balanced budget. The reduced overhead fee in the outsourced model would also reduce funding to the General Operating Fund; however, projected annual net profit is estimated to offset this reduction.

Restaurant Revenue:

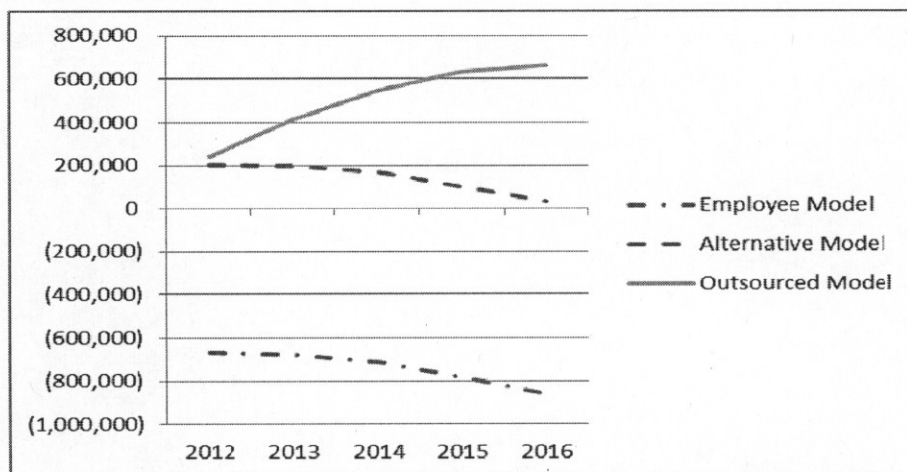
Revenue received from Michaels at Shoreline is estimated at \$150,000 per year and is accounted directly in the General Operating Fund. If restaurant revenue were to be redirected to the golf course, the revenue loss to the General Operating Fund would either require additional revenue be identified or corresponding General Operating Fund expenditure reductions.

Impact of Policy Decisions:

Were Council to decide to eliminate irrigation water costs and administrative overhead fees to the golf course and redirect Michaels at Shoreline revenue to golf operations, the resulting changes are estimated to be sufficient to cover the cost of the proposed employee model in Fiscal Year 2011-12 and the next four fiscal years. Financial trending, however, indicates that in the sixth year, golf course expenditures could again exceed revenues and may need to be

subsidized from the General Operating Fund or another funding source. This estimation is based on revenues increasing each fiscal year, minimal increases to nonpersonnel-related costs and no employee cost-of-living increases. Projected increases to PERS and health insurance costs are included. Given that the economy has not improved dramatically, these projections may be optimistic as total rounds of play are down for the first two months of the current fiscal year as compared to last fiscal year and are at historic lows. Revenues for the golf course have also decreased 26.7 percent since Fiscal Year 2005-06 and there is no remaining balance available. As such, any fluctuations from the projected budget could require a subsidy earlier than estimated.

The following is a chart of estimated net income projected over the next five years for the proposed employee model, the alternative model (which is the employee model with no irrigation water costs, administrative overhead fees and includes restaurant revenue) and the outsourced model.



Transition Plan

Should Council support the outsourcing of the golf course, the next steps in the process would be to negotiate a contract with Touchstone Golf, meet and confer with bargaining units on the impact of contracting and begin transition planning meetings with stakeholders, member clubs and staff. This process is estimated to take three months.

Over the past fiscal year, an effort has been made to keep maintenance and clerical positions vacant within the Community Services Department until such time as a decision regarding the long-term operating model for the golf course was determined. Following the completion of several internal promotional recruitments, staff believes that approximately 85.7 percent of current (regular) golf course employees may qualify for other vacant positions within the City. Touchstone Golf has also indicated a desire to hire existing staff due to their knowledge,

experience and loyalty to the City. However, as noted, pay and benefit levels are lower in the outsourced model.

Touchstone has experience in transitioning public golf courses and employees from the public to the private sector and has proposed the assignment of an on-site Transition Manager to Shoreline for the first several weeks to provide staff training, install new policies and procedures, and act as a point person for City staff, golf club members and guests.

ALTERNATIVE

Approve the proposed employee model and eliminate the costs of irrigation water and administrative overhead fees and redirect restaurant revenue from Michaels at Shoreline to golf course operations. This alternative is estimated to result in an annual loss of \$425,000 to the General Operating Fund and an estimated annual loss of \$431,000 to the Water Fund and an increase to rates of approximately 2.0 percent if spread equitably across all rates. Operational losses would be subsidized by the General Operating Fund or another source of funds and may result in reductions in services, programs and/or staff.

CONCLUSION

Staff is recommending the outsourcing of all golf course operations based on the financial projections and the operational resources, experience and expertise provided by Touchstone Golf. Touchstone specializes in managing golf courses that are in financial decline and has a history of success in increasing revenues, profitability and quality of play. Even with the elimination of golf course irrigation water costs, administrative overhead fees and redirection of restaurant revenue, the proposed employee model is unlikely to avoid operational deficits long-term. The Touchstone proposal projects a positive net return to the City the first full year of operations and estimates a net return of \$2.5 million over a period of five years, which is estimated to offset the estimated loss of administrative overhead revenues to the General Operating Fund. Should the Council authorize the outsourcing of all golf operations to Touchstone, it is anticipated that approximately 85.7 percent of regular employees may qualify for other vacant positions within the City. The \$500,000 in transition funding adopted by Council as part of the Fiscal Year 2011-12 budget is estimated to be sufficient to cover normal operating expenditures and commitments until such time as the transition is complete or until January 1, 2012.

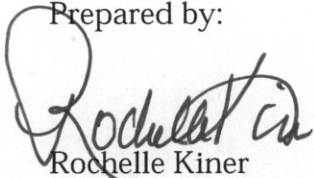
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PUBLIC NOTICING

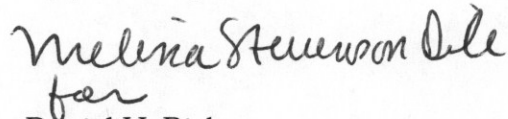
In addition to agenda posting, meeting notification was sent to the Parks and Recreation Commission, Shoreline Golf Links Advisory Greens Committee, Shoreline Park concessionaires and posted at the Pro Shop. Each of the bargaining units was also notified as was golf course staff.

Prepared by:




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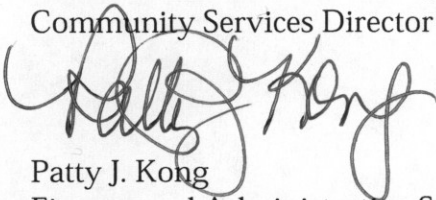


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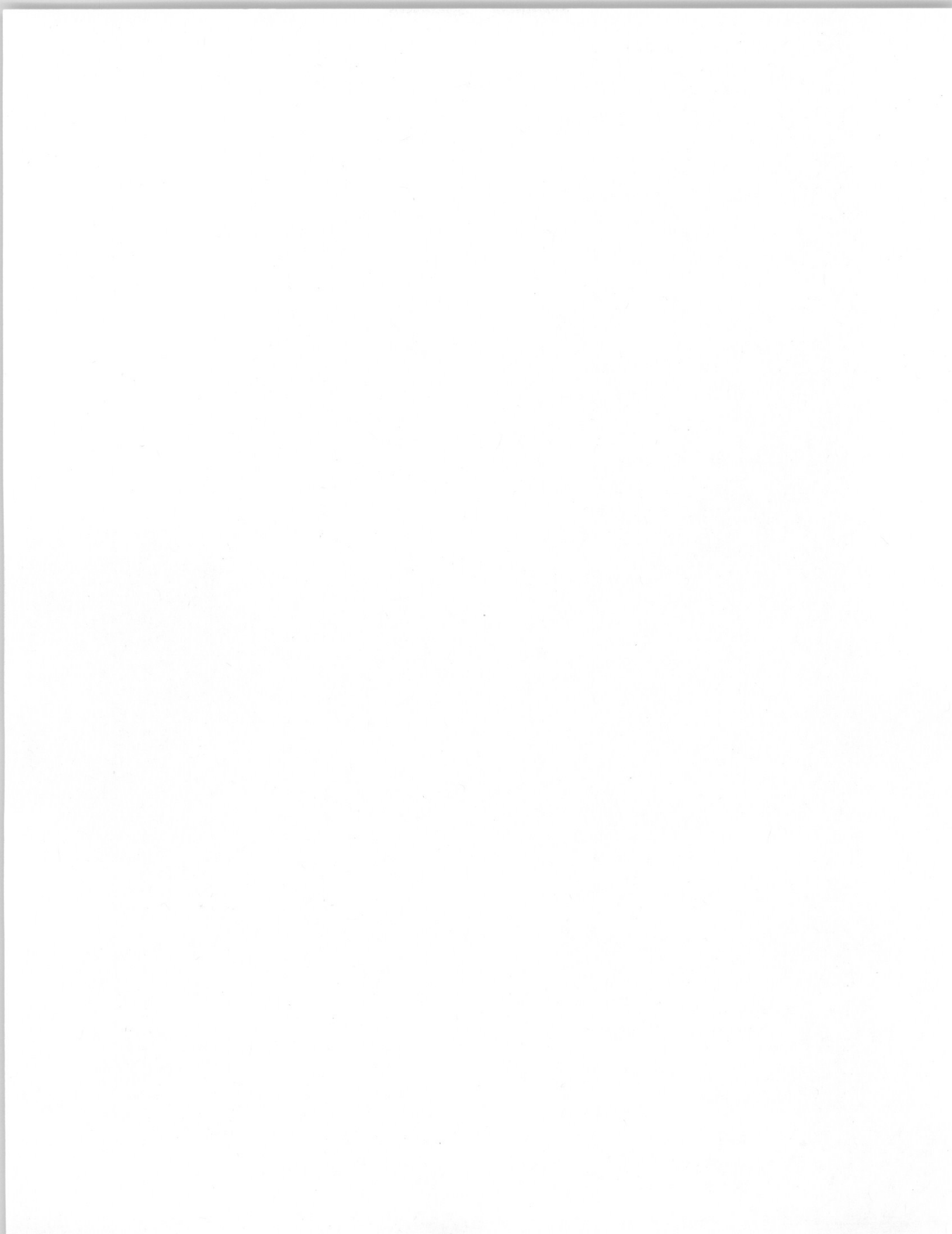
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- Attachments: 1. Shoreline Golf Links Fund
2. Comparative Net Operating Income

SHORELINE GOLF LINKS FUND

Statement of Revenue, Expenditures and Balances

	Audited Actual 2001-02	Audited Actual 2002-03	Audited Actual 2003-04	Audited Actual 2004-05	Audited Actual 2005-06	Audited Actual 2006-07	Audited Actual 2007-08	Audited Actual 2008-09	Audited Actual 2009-10	Unaudited Actual 2010-11	Adopted Budget 2011-12
Revenue											
Gross Revenue	4,204,668	3,888,126	3,582,611	3,408,102	3,597,752	3,630,907	3,587,710	3,264,456	2,935,285	2,637,532	2,942,677
Direct Expenditures											
Operations	2,851,285	2,911,371	2,717,453	2,623,567	2,847,737	2,922,994	3,021,955	3,048,469	2,891,124	2,654,337	3,354,681
Equipment Replacement Funding	145,902	164,572	159,866	149,054	146,104	146,125	156,805	170,655	178,084	204,035	205,774
Subtotal:	2,997,187	3,075,943	2,877,319	2,772,621	2,993,841	3,069,119	3,178,760	3,219,124	3,069,208	2,858,372	3,560,455
Revenue less Direct Expenditures	1,207,481	812,183	705,292	635,481	603,911	561,788	408,950	45,332	(133,923)	(220,840)	(617,778)
Indirect Expenditures											
General Fund Administration	300,000	400,000	418,550	418,550	398,298	398,267	398,037	370,967	378,400	366,490	342,839
Transfer to Recreation	250,000	250,000	0	0	100,000	0	0	0	0	0	0
Capital Projects	355,000	320,000	0	71,000	0	90,000	0	0	0	0	0
Other Indirect Expenditures*	33,830	49,175	70,026	81,906	82,993	108,399	204,029	111,713	139,192	165,556	194,346
Subtotal Indirect Expenditures:	688,830	1,019,175	738,576	571,456	581,291	596,666	602,066	482,680	517,592	532,046	537,185
Total Expenditures:	3,686,017	4,095,118	3,615,895	3,344,077	3,575,132	3,665,785	3,780,826	3,701,804	3,586,800	3,390,418	4,097,640
Revenue Over (Under) Expenditures	518,651	(206,992)	(33,284)	64,025	22,620	(34,878)	(193,116)	(437,348)	(651,515)	(752,886)	(1,154,963)
Beginning Balance, July 1	1,691,267	2,209,918	2,002,926	1,969,642	2,033,667	2,056,287	2,021,409	1,828,293	1,390,945	739,430	(13,456)
Ending Balance, June 30	2,209,918	2,002,926	1,969,642	2,033,667	2,056,287	2,021,409	1,828,293	1,390,945	739,430	(13,456)	(1,168,419)



COMPARATIVE NET OPERATING INCOME
FISCAL YEAR 2011-12
(dollars in thousands)

ATTACHMENT 2

	FY11-12 Current City Adopted	FY11-12 Employee Model ^{*2}	FY11-12 Alternative Model ^{*3}	FY11-12 Touchstone
FACILITY REVENUE				
Greens Fees/Play Cards	\$1,861	\$1,861	\$1,861	\$1,650
Cart Rentals	300	300	300	269
Practice Range	328	328	328	290
Lessons	123	123	123	117
Pro Shop Merchandise	300	300	300	300
Memberships	0	0	0	40
Other Revenue*	23	23	23	23
Snack Bar*	8	8	8	8
Restaurant Revenue	0	0	150	0
Interest*	0	0	0	0
Gross Revenue	<u>\$2,943</u>	<u>\$2,943</u>	<u>\$3,093</u>	<u>\$2,697</u>
OPERATING EXPENDITURES				
Maintenance				
Personnel Costs	\$1,141	\$930	\$930	\$502
Irrigation Water*	431	431	0	431
Refuse, Collection & Disposal*	15	15	15	15
Equip Maint & Expenditures	51	51	51	50
Equip Repl	142	142	142	120
Services & Supplies	215	215	215	185
Subtotal Maintenance	<u>\$1,995</u>	<u>\$1,784</u>	<u>\$1,353</u>	<u>\$1,303</u>
Pro Shop Operations				
Personnel Costs	\$798	\$625	\$625	\$197
Merchandise Cost	225	225	225	195
Advertising	1	1	1	14
Computer Equip & Software	6	6	6	1
Water*	7	7	7	7
Gas & Electricity	32	32	32	34
Telephone & Radio	5	5	5	4
Janitorial	10	10	10	9
Cart Lease/Rep.Res.	64	64	64	24
Cart Parts, Supplies, & Fuel	25	25	25	23
Practice Range	56	56	56	40
Services & Supplies	117	117	117	98
Subtotal Pro Shop Operations	<u>\$1,346</u>	<u>\$1,173</u>	<u>\$1,173</u>	<u>\$646</u>
Administration				
Personnel Costs - City *1	\$220	\$220	\$220	\$90
Personnel Costs	0	0	0	\$199
Insurance - Liability*	39	39	39	39
Management Fee	0	0	0	108
Incentive Fee	0	0	0	0
Subtotal Administration	<u>\$259</u>	<u>\$259</u>	<u>\$259</u>	<u>\$436</u>
Indirect Expenditures				
City Administrative/Overhead	\$343	\$287	\$0	\$65
Retirees Health	155	108	108	10
Subtotal Indirect Expenditures	<u>\$498</u>	<u>\$395</u>	<u>\$108</u>	<u>\$75</u>
Total Expenditures	<u>\$4,098</u>	<u>\$3,611</u>	<u>\$2,893</u>	<u>\$2,460</u>
NET OPERATING INCOME/(LOSS)	(\$1,155)	(\$668)	\$200	\$237

*Normalized revenue/expenditure so that it is comparable - not in contractors control

*1 Shoreline Mgr (0.2) and Parks Section Mgr (0.3) only for Management Models

*2 The Employee model includes the unfunding of 4 positions (2 Greenskeepers and 2 Asst. Golf Pros), the reduction of hourly help, and a workweek reduction to 39 hrs. (or 2.5% pay decrease) for SEIU maintenance employees. The reduction in staffing also reduces the City Admin/Overhead as well as the Retiree Health Insurance cost.

*3 The Employee Model with no irrigation water costs, no administrative overhead fees, and the inclusion of restaurant revenue.

COMPARATIVE NET OPERATING INCOME
FISCAL YEAR 2012-13 FORECAST
(dollars in thousands)

	FY12-13 Current City <u>Forecast</u>	FY12-13 Employee <u>Model</u> *2	FY12-13 Alternative <u>Model</u> *3	FY12-13 <u>Touchstone</u>
FACILITY REVENUE				
Greens Fees/Play Cards	\$1,898	\$1,898	\$1,898	\$1,683
Cart Rentals	306	306	306	296
Practice Range	334	334	334	299
Lessons	126	126	126	118
Pro Shop Merchandise	300	300	300	330
Memberships	0	0	0	120
Other Revenue	23	23	23	23
Snack Bar	8	8	8	8
Restaurant Revenue	0	0	150	0
Interest	0	0	0	0
Gross Revenue	\$2,995	\$2,995	\$3,145	\$2,877
OPERATING EXPENDITURES				
Maintenance				
Personnel Costs	\$1,181	\$966	\$966	\$505
Irrigation Water*	435	435	0	435
Refuse, Collection & Disposal*	15	15	15	15
Equip Maint & Expenditures	52	52	52	51
Equip Repl	146	146	146	100
Services & Supplies	215	216	216	189
Subtotal Maintenance	\$2,044	\$1,830	\$1,395	\$1,295
Pro Shop Operations				
Personnel Costs	\$818	\$638	\$638	\$198
Merchandise Cost	225	225	225	215
Advertising	1	1	1	14
Computer Equip & Software	6	6	6	1
Water*	7	7	7	7
Gas & Electricity	32	32	32	35
Telephone & Radio	5	5	5	4
Janitorial	10	10	10	10
Cart Lease/Rep.Res.	66	65	65	12
Cart Parts, Supplies, & Fuel	25	25	25	22
Practice Range	57	57	57	41
Services & Supplies	118	118	118	92
Subtotal Pro Shop Operations	\$1,370	\$1,189	\$1,189	\$651
Administration				
Personnel Costs - City *1	\$220	\$221	\$221	\$90
Personnel Costs	0	0	0	203
Insurance - Liability*	40	40	40	40
Management Fee	0	0	0	111
Incentive Fee	0	0	0	0
Subtotal Administration	\$260	\$261	\$261	\$444
Indirect Expenditures				
City Administrative/Overhead	\$346	\$290	\$0	\$66
Retirees Health	170	105	105	11
Subtotal Indirect Expenditures	\$516	\$395	\$105	\$77
Total Expenditures	\$4,190	\$3,675	\$2,950	\$2,467
NET OPERATING INCOME/(LOSS)	(\$1,195)	(\$680)	\$195	\$410

*Normalized revenue/expenditure so that it is comparable - not in contractors control

*1 Shoreline Mgr (0.2) and Parks Section Mgr (0.3) only for Management Models

*2 The Employee model includes the unfunding of 4 positions (2 Greenskeepers and 2 Asst. Golf Pros), the reduction of hourly help, and a workweek reduction to 39 hrs. (or 2.5% pay decrease) for SEIU maintenance employees. The reduction in staffing also reduces the City Admin/Overhead as well as the Retiree Health Insurance cost.

*3 The Employee Model with no irrigation water costs, no administrative overhead fees, and the inclusion of restaurant revenue.

COMPARATIVE NET OPERATING INCOME
FISCAL YEAR 2013-14 FORECAST
(dollars in thousands)

	FY13-14 Current City Forecast	FY13-14 Employee Model *2	FY13-14 Alternative Model *3	FY13-14 Touchstone
FACILITY REVENUE				
Greens Fees/Play Cards	\$1,936	\$1,936	\$1,936	\$1,717
Cart Rentals	312	312	312	325
Practice Range	341	341	341	308
Lessons	128	128	128	120
Pro Shop Merchandise	300	300	300	363
Memberships	0	0	0	220
Other Revenue*	23	23	23	23
Snack Bar*	8	8	8	8
Restaurant Revenue	0	0	150	0
Interest	0	0	0	0
Gross Revenue	\$3,048	\$3,048	\$3,198	\$3,084
OPERATING EXPENDITURES				
Maintenance				
Personnel Costs	\$1,229	\$1,007	\$1,007	\$507
Irrigation Water*	439	439	0	439
Refuse, Collection & Disposal*	15	15	15	15
Equip Maint & Expenditures	53	53	53	52
Equip Repl	150	150	150	100
Services & Supplies	219	220	220	192
Subtotal Maintenance	\$2,105	\$1,884	\$1,445	\$1,305
Pro Shop Operations				
Personnel Costs	\$843	\$656	\$656	\$199
Merchandise Cost	225	225	225	236
Advertising	1	1	1	15
Computer Equip & Software	6	6	6	1
Water *	7	7	7	7
Gas & Electricity	32	32	32	35
Telephone & Radio	5	5	5	4
Janitorial	10	10	10	10
Cart Lease/Rep.Res.	68	67	67	30
Cart Parts, Supplies, & Fuel	25	25	25	18
Practice Range	58	58	58	42
Services & Supplies	119	119	119	93
Subtotal Pro Shop Operations	\$1,399	\$1,211	\$1,211	\$690
Administration				
Personnel Costs - City *1	\$226	\$229	\$229	\$90
Personnel Costs	0	0	0	207
Insurance - Liability*	41	41	41	41
Management Fee	0	0	0	115
Incentive Fee	0	0	0	13
Subtotal Administration	\$267	\$270	\$270	\$466
Indirect Expenditures				
City Administrative/Overhead	\$350	\$293	\$0	\$67
Retirees Health	173	105	105	11
Subtotal Indirect Expenditures	\$523	\$398	\$105	\$78
Total Expenditures	\$4,294	\$3,763	\$3,031	\$2,539
NET OPERATING INCOME/(LOSS)	(\$1,246)	(\$715)	\$167	\$545

*Normalized revenue/expenditure so that it is comparable - not in contractors control

*1 Shoreline Mgr (0.2) and Parks Section Mgr (0.3) only for Management Models

*2 The Employee model includes the unfunding of 4 positions (2 Greenskeepers and 2 Asst. Golf Pros), the reduction of hourly help, and a workweek reduction to 39 hrs. (or 2.5% pay decrease) for SEIU maintenance employees. The reduction in staffing also reduces the City Admin/Overhead as well as the Retiree Health Insurance cost.

*3 The Employee Model with no irrigation water costs, no administrative overhead fees, and the inclusion of restaurant revenue.

COMPARATIVE NET OPERATING INCOME
FISCAL YEAR 2014-15 FORECAST
(dollars in thousands)

	FY14-15 Current City Forecast	FY14-15 Employee Model ^{*2}	FY14-15 Alternative Model ^{*3}	FY14-15 Touchstone
FACILITY REVENUE				
Greens Fees/Play Cards	\$1,936	\$1,936	\$1,936	\$1,751
Cart Rentals	312	312	312	342
Practice Range	341	341	341	317
Lessons	128	128	128	122
Pro Shop Merchandise	300	300	300	399
Memberships	0	0	0	260
Other Revenue*	23	23	23	64
Snack Bar*	8	8	8	11
Restaurant Revenue	0	0	150	0
Interest	0	0	0	0
Gross Revenue	\$3,048	\$3,048	\$3,198	\$3,266
OPERATING EXPENDITURES				
Maintenance				
Personnel Costs	\$1,266	\$1,039	\$1,039	\$510
Irrigation Water*	443	443	0	443
Refuse, Collection & Disposal*	15	15	15	15
Equip Maint & Expenditures	54	54	54	53
Equip Repl	155	155	155	100
Services & Supplies	222	223	223	196
Subtotal Maintenance	\$2,155	\$1,929	\$1,486	\$1,317
Pro Shop Operations				
Personnel Costs	\$861	\$668	\$668	\$200
Merchandise Cost	225	225	225	259
Advertising	1	1	1	15
Computer Equip & Software	6	6	6	1
Water*	7	7	7	7
Gas & Electricity	32	32	32	36
Telephone & Radio	5	5	5	4
Janitorial	10	10	10	11
Cart Lease/Rep.Res.	70	69	69	60
Cart Parts, Supplies, & Fuel	25	25	25	18
Practice Range	59	59	59	42
Services & Supplies	121	121	121	94
Subtotal Pro Shop Operations	\$1,422	\$1,228	\$1,228	\$747
Administration				
Personnel Costs - City *1	\$231	\$236	\$236	\$92
Personnel Costs	0	0	0	212
Insurance - Liability*	42	42	42	42
Management Fee	0	0	0	118
Incentive Fee	0	0	0	27
Subtotal Administration	\$273	\$278	\$278	\$491
Indirect Expenditures				
City Administrative/Overhead	\$353	\$295	\$0	\$68
Retirees Health	174	105	105	12
Subtotal Indirect Expenditures	\$527	\$400	\$105	\$80
Total Expenditures	\$4,377	\$3,835	\$3,097	\$2,635
NET OPERATING INCOME/(LOSS)	(\$1,329)	(\$787)	\$101	\$631

*Normalized revenue/expenditure so that it is comparable - not in contractors control

*1 Shoreline Mgr (0.2) and Parks Section Mgr (0.3) only for Management Models

*2 The Employee model includes the unfunding of 4 positions (2 Greenskeepers and 2 Asst. Golf Pros), the reduction of hourly help, and a workweek reduction to 39 hrs. (or 2.5% pay decrease) for SEIU maintenance employees. The reduction in staffing also reduces the City Admin/Overhead as well as the Retiree Health Insurance cost.

*3 The Employee Model with no irrigation water costs, no administrative overhead fees, and the inclusion of restaurant revenue.

COMPARATIVE NET OPERATING INCOME
FISCAL YEAR 2015-16 FORECAST
(dollars in thousands)

	FY15-16 Current City Forecast	FY15-16 Employee Model *2	FY15-16 Alternative Model *3	FY15-16 Touchstone
FACILITY REVENUE				
Greens Fees/Play Cards	\$1,936	\$1,936	\$1,936	\$1,786
Cart Rentals	312	312	312	359
Practice Range	341	341	341	326
Lessons	128	128	128	122
Pro Shop Merchandise	300	300	300	439
Memberships	0	0	0	300
Other Revenue*	23	23	23	23
Snack Bar*	8	8	8	8
Restaurant Revenue	0	0	150	0
Interest	0	0	0	0
Gross Revenue	\$3,048	\$3,048	\$3,198	\$3,363
OPERATING EXPENDITURES				
Maintenance				
Personnel Costs	\$1,305	\$1,071	\$1,071	\$512
Irrigation Water*	447	447	0	447
Refuse, Collection & Disposal*	15	15	15	15
Equip Maint & Expenditures	55	55	55	54
Equip Repl	160	160	160	100
Services & Supplies	225	226	226	201
Subtotal Maintenance	\$2,207	\$1,974	\$1,527	\$1,329
Pro Shop Operations				
Personnel Costs	\$879	\$680	\$680	\$201
Merchandise Cost	225	225	225	285
Advertising	1	1	1	16
Computer Equip & Software	6	6	6	1
Water*	7	7	7	7
Gas & Electricity	32	32	32	37
Telephone & Radio	5	5	5	4
Janitorial	10	10	10	11
Cart Lease/Rep.Res.	72	71	71	60
Cart Parts, Supplies, & Fuel	25	25	25	19
Practice Range	60	60	60	43
Services & Supplies	123	123	123	93
Subtotal Pro Shop Operations	\$1,445	\$1,245	\$1,245	\$777
Administration				
Personnel Costs - City *1	\$243	\$243	\$243	\$93
Personnel Costs	0	0	0	215
Insurance - Liability*	44	44	44	44
Management Fee	0	0	0	122
Incentive Fee	0	0	0	41
Subtotal Administration	\$287	\$287	\$287	\$515
Indirect Expenditures				
City Administrative/Overhead	\$357	\$298	\$0	\$69
Retirees Health	175	106	106	12
Subtotal Indirect Expenditures	\$532	\$404	\$106	\$81
Total Expenditures	\$4,471	\$3,910	\$3,165	\$2,702
NET OPERATING INCOME/(LOSS)	(\$1,423)	(\$862)	\$33	\$661

*Normalized revenue/expenditure so that it is comparable - not in contractors control

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*3 The Employee Model with no irrigation water costs, no administrative overhead fees, and the inclusion of restaurant revenue.