
CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**Council Meeting Date: 05/26/2016**
Agenda Item: 5B7

ACTION: Approve a three-year and one-month contract renewal with Millenium Golf Management, LLC to provide golf, food, and beverage services at the City's Rolling Hills and Ken McDonald Golf Courses.

FISCAL IMPACT: Total cost of this contract renewal will not exceed \$850,000. Sufficient funds have been appropriated in Golf Fund cost centers 2513 (Ken McDonald Business Operations) and 2517 (Rolling Hills Business Operations) for the anticipated expenditures in the current fiscal year.

RECOMMENDATION: Approve the contract renewal.

BACKGROUND INFORMATION: (T11-129-01) City Council approved a contract with Millenium Golf Management, LLC (MGM) on June 2, 2011 for an initial three-year term that allowed for renewal periods of up to seven additional years. On May 22, 2014, Council approved a two-year renewal that extended the agreement through June 1, 2016. Staff is now requesting a 37-month renewal term that will extend the agreement through June 30, 2019.

Renewal Negotiations

The City entered into formal discussions with MGM in January of this year to negotiate the terms of a possible contract extension. Both parties identified areas where changes could be made to improve Golf Tempe and the overall golfing experience for its patrons while increasing operating revenue. The following bullet points represent key changes that are part of this renewal recommendation:

- Adjust the renewal term by one month to align the contract end date with the fiscal year end for internal tracking and monitoring efficiencies;
- Increase the annual management fee based on the change in the Consumer Price Index (CPI) each July 1st. For 2015/2016 the management fee increased 1.3% from \$207,000 to \$209,688. For 2016/2017 the management fee will increase by 1.8% from \$209,688 to \$213,462.36;
- Restructure the bonus provision to allow for additional recommended performance incentives. The current bonus provision allows for the bonus payment equal to the 13th month of the management fee if MGM meets the aggregate fiscal year Golf fund revenue target consisting of greens fees, driving range fees, golf cart fees, tournament fees, and loyalty card fees. The restructured recommended performance incentives are as follows:
 - Meets revenue target and up to 2.9% over, MGM gets a bonus payment equal to the 13th month
 - 3% to 4.9% over revenue target, MGM gets a bonus payment equal to the 13th month plus 5% of excess
 - 5% or more over revenue target, MGM gets a bonus payment equal to the 13th month plus 15% of excess;
- Implement golf cart compensation allowance in order to extend the life of golf fleet. The City's lease payments for the golf cart fleet ends October 2016. By maintaining the existing fleet of carts and not immediately entering into a new lease, the Golf Fund will realize an annual savings of over \$125,000. As recognition and compensation to MGM for their additional efforts required to maintain the aging fleet of 120 golf carts, the City will provide a compensation of 10% of the monthly lease payment, or \$1,043, per month for each month after October 2016 that the fleet is maintained in a workable, usable condition;
- Starting with the renewal term, MGM will provide the City quarterly inventory reports for food and beverages and quarterly profit and loss statements;
- Implement payment terms of 45 days from notice for reimbursables due from both parties; and
- Extend advanced notice required by City for termination of convenience option from 60 days to six months.

Contractor Performance

The performance of MGM was rated by City staff on the following criteria:

Criteria	Millenium Golf Management, LLC
Personnel are responsive, cooperative and available	B
Overall quality of products or services delivered	B
Timeliness of performance	B
Quality of follow-up in resolving complaints or problems	B
Firm's promptness in submitting accurate invoices	B

A = Exceeds standards; B = Meets standards; C = Below standards

Recent turnover in City staff and MGM staff provides new opportunities for a fresh look at golf operations. Staff believes the changes outlined above are fair and reasonable and represent beneficial changes that will ensure the continued growth and fiscal sustainability of the City's golf program while providing affordable community-based golf.

ATTACHMENTS: Renewal Agreement

STAFF CONTACT(S): Tony Miano, Deputy Public Works Director – Field Operations, (480) 350-8297

Department Director: Renie Broderick, Internal Services Director

Legal review by: David Park, Assistant City Attorney

Prepared by: Lisa Goodman, CPPO, Procurement Officer