

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Parks and Recreation	Amy Williams and Corey Myers	Alex Rouse

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to Seattle Parks and Recreation; authorizing the Superintendent of Seattle Parks and Recreation to enter into a golf course management agreement with Premier Golf Centers, L.L.C. for the operation of the City of Seattle’s municipal golf courses located at Jackson Park Golf Course, Bill Wright Golf Complex at Jefferson Park, Interbay Golf Center, and West Seattle Golf Course and their related facilities; authorizing the Superintendent of Seattle Parks and Recreation to set golf fees consistent with that golf course management agreement; and authorizing Premier Golf Centers, L.L.C. to charge and collect fees on behalf of Seattle Parks and Recreation.

**Summary and Background of the Legislation:** The City of Seattle’s Department of Parks and Recreation (SPR) has a current agreement with the existing golf course operator, Premier Golf Centers, L.L.C. (Premier) to operate its four public golf courses.<sup>1</sup> SPR provides course maintenance and the operator provides full management of all other operations including retail pro shop operations, merchandise purchasing and sales, food and beverage operations, banquets and events, alcoholic beverage licensing and operation, golf instruction programs including adult and junior golf programs and clinics, and management of other amenities such as miniature golf. This agreement has been in place since 2011. In anticipation of the current contract ending, a Request For Proposal (RFP) process was issued in 2024 to determine a successor operator for the golf courses and related amenities.

#### ***Operator Selection and Award***

Four golf course management firms submitted responses to the RFP, and they were evaluated on experience and qualifications<sup>2</sup>, management structure and training, financial management and marketing (including plans to market the courses to non-golfers), transition and quality assurance, their overall financial proposal, and the required SPR equity and inclusion plan.

Based on their scores from both the RFP reviewers and the interview team, Premier received the highest overall rating and was selected as the successful bidder for the new golf management

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<sup>1</sup> Premier is a dedicated operating brand of their parent company, Troon Golf, L.L.C., the world’s largest professional golf club management company operating in over 925 locations in over 45 U.S. states and 35 countries, including local municipal golf courses in Everett and Lynnwood.

<sup>2</sup> The RFP stipulated that a new Operator must meet the City’s Tier 1 PCI compliance requirements by holding their own Tier 1 PCI Attestation of Compliance (AOC). Under the current contract, Premier is under the City’s Attestation of Compliance (AOC).

contract. In addition to exhibiting strong experience and commitment to expanding community access to the golf courses, Premier also demonstrated a strong financial commitment as part of the long-term partnership with SPR to continue the existing operating financial model while also committing to invest a total of **\$1.5 million in capital improvements**<sup>3</sup> to the golf facilities to be paid at \$100,000 annually over the initial 15-year term. The agreement also includes an optional five-year extension conditioned on an additional capital contribution from Premier continuing at \$100,000 annually, or an additional \$500,000 over the five-year extension. Historically, the golf program has been responsible for covering all operating and capital costs and has not received additional capital funding outside of golf revenues. This capital contribution commitment from Premier represents a critical and much needed investment in the City's golf courses and facilities with the potential for additional future investments.

### ***Key Financial Terms: Comparing Current and New Agreements with Tables 1 and 2***

The new agreement is substantially similar to SPR's current agreement with Premier in terms of the financial structure of the golf program with a few noted modifications. It retains the Golf Financial Policies adopted by City Council in [Resolution 30926](#) to ensure that the Golf Program is operated in an efficient and effective manner and provides the resources needed to maintain its self-sufficiency. Table 1 summarizes and compares the key financial components or assumptions in both the current and new agreement, and Table 2 provides context on what these components mean in terms of the golf budget.

***Current Agreement:*** SPR provides on-course maintenance for golf courses (including 23.0 FTE/24 positions in *019 - PSIE Local 1239 - Laborers BU* and 1.0 fulltime Golf Manager), while the day-to-day management and operations of the facilities, clubhouses, and restaurants falls to the golf operator. As such, the current financial model for SPR's golf program requires Premier to generate enough revenues annually to fully cover their expenses as well as cover the city's maintenance and direct administration costs.<sup>4</sup> The agreement includes a management fee for Premier to cover their indirect costs to operate the courses. Similarly, it also requires Premier to contribute 3.5% of net revenues to support a portion of SPR's indirect administration expenses that support the overall program (e.g., accounts receivable, payroll, contracting, payment card industry compliance support (PCI), etc.). Finally, the agreement provides an annual incentive fee to Premier based on actual revenue performance after meeting the expenditure obligations. Any excess revenues net of these expenses contribute to golf capital improvements.

***New Agreement:*** Apart from the aforementioned annual capital investment by Premier, the new contract will continue the current financial model, such as continuing the 3.5% SPR overhead contribution, with slight modifications that are not anticipated to significantly impact Golf's 2025 Adopted Budget. Specifically, the new agreement slightly adjusts the annual management fee and incentive fee structure to allow for more predictable financial planning by both SPR and Premier.

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<sup>3</sup> Capital improvement means any additions, alterations, or changes to the buildings, facilities, golf course, or other amenities at the Golf Courses.

<sup>4</sup> Note that the 2025 budget shifts approximately \$1 million in debt service payments from previously issued bonds back to the Golf Program based on golf's ability to sustain sufficient revenues to cover the expense through the duration of the bonds (2035).

- **Management Fee - Premier retains a predictable fee for service.** The new agreement sets the Management Fee at \$375,000 in year 1 of the agreement and increases that amount by 2.5% each year. In the current agreement, the Management Fee was initially set at \$285,000 for the first two years of the agreement (2011-2012). Starting in 2013, it authorized the Superintendent to increase the annual fee by no more than 4% subject to annual review. The fee increased to \$318,375 in 2019 and has remained at this amount since then and through 2024.
- **Incentive Fee - Premier receives incentive pay based on revenue performance** for meeting an agreed upon ‘threshold’ annually. In the new agreement the Incentive Management Fee is 10% of the difference between a revenue threshold of \$16.5 million and actual annual revenues beginning in year 1 of the agreement. The revenue threshold increases by 2.5% annually thereafter. In the current agreement, the Incentive Fee from revenue performance is also 10%, however, the ‘threshold’ is set by and at the sole discretion of the Superintendent each year, taking into account the historic and anticipated revenue growth. Table 2 includes the annual amounts of the incentive fee from 2021-2024 and the estimated fee in 2025 under the new agreement.

**Table 1: Summary of Key Financial Terms - Comparing Current and New Agreements**

Financial Detail	Current Agreement	New Agreement
<b>Golf Program Revenues*</b>	Total annual revenues must cover all direct and indirect Operator and City expenses to run the four golf courses and related amenities.	No change.
<b>Golf Program Expenses</b>	Total annual expenses capture all direct and indirect operator costs including management fee and direct City costs including program management, golf course maintenance, and related non labor expenses (i.e., golf debt service, utilities, materials and supplies, etc.)	No change.
<b>SPR Overhead Support</b>	3.5% of net revenues support SPR’s indirect/overhead costs not included in golf expenses (i.e., accounting, contracting, IT, HR, etc.)	No change.
<b>Operator Management Fee<sup>5</sup></b>	Subject to Superintendent discretion and up to 4 % annually to support Premier’s indirect costs to operate the courses.	Baseline set in Year 1 of Agreement and increases by 2.5% annually to support Premier’s indirect costs to operate the courses.
<b>Operator Incentive Fee<sup>6</sup></b>	10% of the difference between revenue ‘threshold’ and actual revenues <b>AFTER</b> meeting above commitments.  ‘Threshold’ subject to Superintendent discretion based on historical revenue performance annually.	10% of the difference between revenue ‘threshold’ and actual revenues <b>AFTER</b> meeting above commitments. (No change.)  ‘Threshold’ set at \$16.5 million in Year 1 of Agreement; escalates by 2.5% annually.

<sup>5</sup> Per Premier, the functions that are covered by the management fee include the professional management and operation of all facilities; coordination with all industry associations; setting industry best practices and programming; providing hiring and training of personnel and all HR functions; taking on liability associated with employee base; coordinating with all vendors and third-party partners; accounting for all revenues and expenses, including the payment of B&O and Use taxes, as well as coordinating tax filings for the city, providing compliance oversight, developing programs to market and promote the facilities; and providing savings to city through buying power with industry vendors.

<sup>6</sup> Per Premier, the Operator Incentive Fee, the annual report will include an invoice from Premier that details the calculation of the Incentive Fee which will be allocated to key staff members at each Golf Course as an annual bonus distribution.

<b>Public Benefits</b>	No formal public benefits required.	Agreement includes new Public Use and Access section with clear goals and reporting requirements.
<b>Capital Investment</b>	No capital investment required.	Agreement requires an annual capital investment of \$100,000 for a total of \$1.5 million over the initial 15-year term.
<i>*Per the current and new agreements, any revenues net of the above obligations are intended to support capital improvements of the courses and facilities.</i>		

**Table 2: Summary of Golf Actuals 2021-2024 and Estimated 2025 under New Agreement**

<b>Year</b>	<b>Revenues: Actuals and Estimated</b>	<b>Expenses*: Actuals and Estimated</b>	<b>SPR Overhead:</b>	<b>Incentive Fee:</b>	<b>Contribution to Capital Improvements</b>
2021	\$16,928,155	\$12,857,454	\$592,485	\$320,915	\$3,157,301
2022	\$16,758,071	\$13,973,727	\$586,532	\$243,790	\$1,954,022
2023	\$18,789,319	\$14,782,697	\$657,626	\$398,936	\$2,950,060
2024	\$19,102,447	\$16,409,106	\$668,586	\$260,235	\$1,764,520
2025 (est.)	\$18,973,460	\$18,298,062	\$664,071	TBD**	TBD

\* Expenses include Operator Management Fee which was \$318,375 from 2021-2024 and \$375,000 per the new agreement starting in 2025 and increasing by 2.5% annually thereafter.

\*\* 2025 Incentive Fee estimated at ~\$247,000 contingent on actual revenues exceeding threshold of \$16.5 million in 2025.

### ***Public Benefits***

A central element of this new agreement with Premier is the formalization and transparency of public benefit requirements to ensure the Golf Program provides both access to Seattle’s underserved populations as well as non-golf benefits to the community. While Premier provides public benefits now, it does not have formal requirements (examples below). The agreement includes a new Section 6.9 on public benefit reporting, requiring the establishment of annual target metrics; a public benefit report within 60 days after the end of each fiscal year including a description of public benefits as measured against annual target metrics which include the value, scale, and impact of those services; and an annual review for potential adjustments to the annual public benefits and metrics for the subsequent fiscal year.

As examples, Premier prioritizes low-cost access to the courses through programs like the First Tee of Greater Seattle youth development program and the Hi-Tee Little League program. Premier also offers discounted fees for youth, seniors and veterans as well as hosts non-golf uses of the golf facilities for community gatherings and events. With 2025 fees ranging from \$21-\$50 for 18-hole play and \$8-\$18 for driving range buckets, the courses provide one of the few low-cost opportunities to access golf in the city, with other venues limited to private golf clubs that charge thousands of dollars in fees. Additionally, Premier will offer non-golf access such as free musical concerts, winter activities like cross-country skiing and sledding when the courses are closed, free use of the clubhouse meeting rooms for community groups and schools, and other opportunities to provide access to the golf courses throughout the year.

## **2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?**

☐ Yes ☒ No

### 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City?

☐ Yes ☒ No

#### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.** SPR does not anticipate that the new agreement with Premier will have significant financial impacts on the 2025 Adopted Budget as the agreement is substantially similar to the current agreement. However, all fee-based programs using city employees are subject to labor changes, economic conditions and other factors like the weather. As an example, the cost increases associated with the Collective Bargaining Agreements, passed by City Council in 2024 included both cost of living adjustments and additional market adjustments on all the golf groundskeeper titles, which resulted in about \$700,000 of ongoing labor increases on city golf management and maintenance positions. While Premier has been able to absorb the increased labor expenses with golf revenues, capital contributions may be limited as a result. The same goes for other inflation-based escalations such as utilities, health care, etc. As such, SPR will continue to annually evaluate golf revenues and expenses as part of all future budget processes to identify any issues that may impact the longer-term financial sustainability of its Golf Program.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.** N/A

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

A decision not to implement this legislation would require SPR to develop an alternative management model for the golf courses. Such a decision would require additional financial and staffing resources should the department continue offering these recreation services to the public or convert the courses to other uses. The four courses total approximately 440 acres, or 7% of the total acreage under SPR preview. SPR overhead costs and fixed costs like the drainage utility fee would be incurred regardless of how the land is used. As an example, converting a course into natural open space would require funding to pay for the maintenance and utility costs with no clear revenue source to cover these costs. Such a change could also require capital investments and continued payment of debt service. A change in use would also result in a reduction in tax collection. The City's 5% admission tax is collected on rounds of golf, driving range activities, food sales, and pro-shop sales, as is the 10.35% sales tax (6.5% to the State and 3.85% to the City). These taxes paid by the golf program totaled about \$2.5 million in 2024.

**Please describe how this legislation may affect any City departments other than the originating department.** N/A

#### 4. OTHER IMPLICATIONS

- a. **Is a public hearing required for this legislation?** No
- b. **Is publication of notice with The Daily Journal of Commerce and/or The Seattle Times required for this legislation?** No
- c. **Does this legislation affect a piece of property?** Yes, this legislation affects properties owned by the City. It seeks authority to enter into a management agreement with Premier Golf Centers, L.L.C. for the operation of the City owned municipal golf courses located at Jackson Park Golf Course, Bill Wright Golf Complex at Jefferson Park, Interbay Golf Center, and West Seattle Golf Course, as depicted in Summary Attachment A.
- d. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**
- i. **How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.** The current agreement stipulates that Premier will continue to partner with the City to ensure the continuing provision of public benefits to Seattle's underserved populations on a similar scale and impact as outlined in Exhibit D to the Agreement. To continue to remain accountable to the City and community, Premier will include in each annual public benefits report a description of the benefits provided, including, but not limited to, target metrics, actual value of services and the scale and impact of those public benefits.
- Examples of public benefits Premier currently provides includes offering non-golf uses to the public such as community gatherings and events, free access to public school golf teams, as well as discounted fees for youth, seniors, and disabled veterans. In addition, in 2024, Premier partnered with SPR and the community to rename Jefferson Park Golf Course after Bill Wright, the first African-American person to win a USGA (United States Golf Association) event in 1959. The renaming was a pivotal recognition of the significant contributions he made to making golf more inclusive for people of color. And the new agreement aims to ensure that Premier continues approaching access to golf through this inclusive lens.
- ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** N/A
- iii. **What is the Language Access Plan for any communications to the public?** Premier is exploring options to translate currently printed materials at the courses in both English and Spanish.
- e. **Climate Change Implications**

- i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.** While this legislation does not directly affect carbon emissions, longer term capital investments to decarbonize the golf clubhouses, electrify golf carts and other golf vehicles and equipment are all efforts the department will be aspiring to over the course of the agreement.
  - ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.** Climate resiliency actions are mainly held by the land management practices of golf courses, which are the responsibility of SPR and thus not a part of this legislation. That said, golf courses cover significant areas of the park system and are an excellent place for soil amendments, tree planting, green stormwater infrastructure, and other resiliency measures.
- f. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?** N/A
- g. **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?** No

## 5. ATTACHMENTS

### Summary Attachments:

Summary Attachment A – Golf Course Maps