

Focus On: In-House vs. Contract Maintenance

One of the major changes examined by staff this year at the Sassamon Trace Golf Course was to determine whether or not to maintain contract maintenance. Since the course's inception, the Town has contracted with Sterling Golf Course Management for the course and turf maintenance of Sassamon Trace. Over the years, and numerous three-year contracts and bids, the Town has become increasingly disenfranchised with the quality and performance of Sterling in their responsibilities maintaining the course.



As a result of this experience, staff within the Golf Course, the Community Services Department and Town Administration have evaluated the costs and benefits of bringing maintenance in-house. This is a timely evaluation - as the contract with Sterling expires December 31, 2012. Thus if a significant change is to be taken on by the community, it is appropriate that it be planned for and instituted within the 2012 Spring Annual Town Meeting and the Fiscal 2013 Budget.

We believe that it is best to bring the maintenance of Sassamon Trace in-house - both from a fiscal perspective and from a service perspective.

History of Maintenance at Sassamon Trace

Sterling Golf Management Co. has been the sole contractor for turf maintenance since 2000 when the course was built. At that time the contract for services covered not only the turf maintenance but the entire facility. The Town paid Sterling Golf Management Co. \$446,762 per year and in return the town received revenue from green fees, cart fees and membership income. The Turf Superintendent did a great job and assembled a fine staff. This model continued until the contract expired in 2003.

In a cost saving measure in 2004, the town took over the management of the golf operation and Sterling Golf Management Co. was the low bid vendor for a three year turf maintenance contract. A new Turf Superintendent was put in place. Since that time, golf course management noticed a drop off in maintenance practices. The Turf Superintendent was terminated by Sterling Golf in the third year of the contract. By this time, golf course management was dissatisfied with the performance of Sterling Golf Management Co. and in 2005 began investigating the concept of bringing the maintenance of the golf course in house. However, the timing was not favorable. There was just not enough time to do the research and implement the plan. So, in 2005 the Town issued a RFP for the maintenance of the course that would carry through to the end of the 2009 golf season.

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As a sign of the times and with more municipalities taking over their own maintenance, Sterling Golf Management Co. was the only vendor to submit a bid to maintain the golf course. Again, a new Turf Superintendent was put in place. Although the Turf Superintendent was technically qualified, he was not provided with the tools (staff or equipment) to maintain the course to the satisfaction of golf course management. There were meetings with Sterling Golf Management Co. to address the concerns of golf course management; however, the end result was continued frustration.

Again, in 2009, it was time to go out to bid for a maintenance contract that would provide for turf maintenance through the 2012 golf season. Golf course management was excited that a national vendor with outstanding credentials would bid on the contract. They were very impressive at the interview and hopes were that their bid would be competitive in an effort to get a foothold in this region. However, their bid came in over \$50,000 higher than Sterling Golf Management Co., the only other vendor that submitted a bid. As of March 1 of this year, Sterling Golf Management Co. will begin their last year of the current contract.

Financial Impacts

The Fiscal 2013 operating budget for maintenance is **\$ 245,494**

This assumes continued privatized maintenance with a 3% increase effective January 1, 2013.

Bringing maintenance in-house would cost **\$ 237,409**

This is detailed below.

Maintenance Costs for FY 2013

Account Description	Account Total	Percentage
Sterling Golf Contract (July through December)	\$145,548	61.3%
Salaries & Wages	\$44,018	18.5%
Employee Benefits	\$9,943	4.2%
Fuel	\$1,000	0.4%
Communications/ Technology	\$300	0.1%
Top Soil, Sand & Gravel, Fertilizer, Pesticides	\$6,500	2.7%
Course Supplies	\$2,500	1.1%
Irrigation R & M	\$3,000	1.3%
Tools	\$2,500	1.1%
Mechanic Tool Stipend	\$200	0.1%
Equipment R & M	\$1,500	0.6%
Equipment Lease	\$19,200	8.1%
Education/Professional Fees/Licenses	\$1,200	0.5%
Total:	\$237,409	100.0%

The Sterling Maintenance Contract ends in December of 2012.

The FY13 budget has Town taking over the turf maintenance from Sterling Golf in February of 2013

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Personnel

In order to do this, the Town would add approximately 3.21 FTE to the Golf Course. This includes:

	<u>FTE</u>	<u>FY 2013 Costs</u>	<u>FY 2014 Costs</u>
Superintendent of Maintenance	1.0	\$ 22,858	\$ 54,860
General Foreman for Maintenance	1.0	\$ 11,700	\$ 28,080
Mechanic	0.28	\$ 2,880	\$ 8,640
Seasonal Maintenance Worker	0.30	\$ 2,520	\$ 7,560
Seasonal Maintenance Worker	0.30	\$ 2,520	\$ 7,560
Weekend Maintenance Staff	0.17	\$ 1,440	\$ 4,320
Summer Help	0.15	\$ 101	\$ 3,200
Totals	3.21	\$ 44,020	\$ 114,220

Equipment

We would propose leasing equipment to maintain the grounds. The types of mowers and equipment necessary for the course are still being determined; however we propose building \$19,200 into the budget for the remainder of FY 2013 after the Sterling contract ends for entering into a five-year agreement for equipment. The permission to do this will be asked for at the Fall 2012 Annual Town Meeting. This number will be subject to change at that point, but we do not believe it will be significantly more or less expensive for FY 2013.

Service Impacts

Golf course management is proposing that now is the time to bring the maintenance of Sassamon Trace in house by hiring a Turf Superintendent and staff that would report directly to the golf course manager. The timing for this move would be in the second half of FY13. We have been consulting with industry professionals in preparing for this transition. Thirty five municipal golf courses located within a 30 mile radius were contacted and only one facility operates in the same management model as Sassamon Trace.

The advantages of maintaining the golf course with town personnel are significant. The key piece to this concept is selecting the right candidate for the position of Turf Superintendent. The Turf Superintendent and the Golf Course Manager will now be working on the same team with common goals. The end result will be a motivated, well trained staff that will deliver better conditions while being less intrusive to the consumer.

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Now as the golf course ages, preventative maintenance becomes a primary concern. In real estate its location, location, location. In golf its greens, greens, greens. We must immediately address the poa annua contamination of the bent grass greens. This is very laborious and not part of the Sterling Golf Management Co. scope of work. Another major issue that must be addressed down the road is the reconstruction of 18 bunkers on the golf course. Tree work, cart path repair and drainage projects are additional examples of tasks that need to be completed. These projects are outside the scope of work of the maintenance contract. There will be no need to contract out this work with town personnel.

Sassamon Trace is now beginning its 12th season of operation. The Recreation and Parks Department has done a tremendous job on the facility side to get Sassamon Trace to where it is today. Sassamon Trace is transitioning from a new golf course to an established golf course and subsequently will require more upkeep. With the final year of the maintenance contract at hand, it is the right time to guarantee the long term sustainability of the golf course. Market conditions, need for improved course maintenance and ability to reduce expenses makes this model the ideal approach for Sassamon Trace Golf Course and the residents of Natick.

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In light of questions asked at the last meeting of the Finance Committee concerning the implementation to In-House vs. Contracted Maintenance at Sassamon Trace, we have refined our forecast. The forecast shown on the ensuing pages compares the estimated costs for both methods of turf maintenance for an eight-year horizon.

Given the changing nature of the budget overall (indirects & purchase NOT lease of golf carts), it is our intent to ask the Finance Committee to consider reconsideration of all Sassamon Trace budgets on March 22.

Eight-Year Forecast

In order to fully evaluate the medium-term implications of contracting versus in-house maintenance of the course, staff evaluated a series of variables. Chief among those was cost - simply put, it is cheaper, more expensive or does it cost about the same to bring maintenance in-house than to contract it out. The tables below detail the costs of both in-house versus contract maintenance.

In-House Maintenance Forecast: 2013-2020

	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Sterling Contract	\$145,548	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Salaries & Wages	\$44,018	\$120,620	\$124,239	\$127,966	\$131,805	\$135,759	\$139,832	\$144,027
Employee Benefits	\$9,943	\$23,863	\$25,534	\$37,321	\$39,187	\$41,146	\$43,204	\$45,364
Fuel	\$1,000	\$2,000	\$2,140	\$2,290	\$2,450	\$2,622	\$2,805	\$3,001
Communications/ Technology	\$300	\$600	\$618	\$637	\$656	\$675	\$696	\$716
Top Soil, Sand & Gravel, Fertilizer, Pesticides	\$6,500	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	\$23,881
Course Supplies	\$2,500	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985
Irrigation R & M	\$3,000	\$7,500	\$7,725	\$7,957	\$8,195	\$8,441	\$8,695	\$8,955
Tools	\$2,500	\$9,500	\$9,785	\$10,079	\$10,381	\$10,692	\$11,013	\$11,343
Mechanic Tool Stipend	\$200	\$450	\$464	\$477	\$492	\$506	\$522	\$537
Equipment R & M	\$1,500	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	\$7,164
Equipment Lease	\$19,200	\$57,589	\$57,589	\$57,589	\$57,589	\$47,989	\$42,589	\$42,589
Education/ Professional Fees/Licenses	\$1,200	\$2,400	\$2,472	\$2,546	\$2,623	\$2,701	\$2,782	\$2,866
Totals	\$237,409	\$253,022	\$259,920	\$277,097	\$284,520	\$282,609	\$285,176	\$293,430

Detailed notes:

Salaries & Wages : Assumes sustaining 3.21 FTE for the eight-year forecast. A 3% growth rate per annum is built into this projection; this would be sufficient to account for any COLA's built into the Part-Time Personnel Board Pay Plan, and merit raises awarded to the Full-Time Staff.

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Detailed notes:

Employee Benefits : After FY 2013, assumes normalized benefit cost for 2 full-time equivalents. Starting in FY 2016, approximately \$10,000 per annum is added for the pension assessment. Growth in Benefit costs assumes 7% annual rate of growth.

Fuel : Assumes a 7% per annum growth in cost of fuel for maintenance equipment. This is the most unpredictable of all potential costs for the golf course. (as well as for all Town operations).

Communications/ Technology : Assumes 3% growth rate.

Top Soil, Sand & Gravel, Fertilizer, Pesticides : Assumes a 3% growth rate.

Course Supplies : Assumes 3% growth rate.

Irrigation R & M : Assumes 3% growth rate.

Tools : Assumes 3% growth rate.

Mechanic Tool Stipend : Assumes 3% growth rate.

Equipment R & M : Assumes 3% growth rate.

Equipment Lease : Assumes flat amount of \$57,589/year for five years (part of FY 2013 through part of FY 2018). Amount decreases in FY 2018 to an annual amount of \$42,589 starting in FY 2019 and moving forward. A lease option is the preferred method for the acquisition of long-term maintenance equipment because at the end of the five-year term, we have been offered a \$1 purchase option - meaning we can dispose of the equipment or maintain it. A number of the smaller pieces of equipment will not need to be replaced at 5 years and can be purchased for next to nothing at that point.

Education/Professional Fees/Licenses : Assumes 3% growth rate.

Embedded within this cost is also the labor costs necessary to perform preventative maintenance activities at the course. While individuals are not performing other daily functions to maintain the course, longer-term projects can be performed. The current contractor does not do this and would require an additional fee.

Contracted Maintenance

	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Sterling Contract	\$245,494	\$252,859	\$260,445	\$268,258	\$276,306	\$284,595	\$293,133	\$301,927
Preventative Maint.	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Totals	\$255,494	\$262,859	\$270,445	\$278,258	\$286,306	\$294,595	\$303,133	\$311,927

Detailed notes:

Sterling Contract : Assumes a 3% annual increase. This has been the standard rate of increase submitted by the current vendor annually for the last 6 years. We believe they would bid comparably in the future.

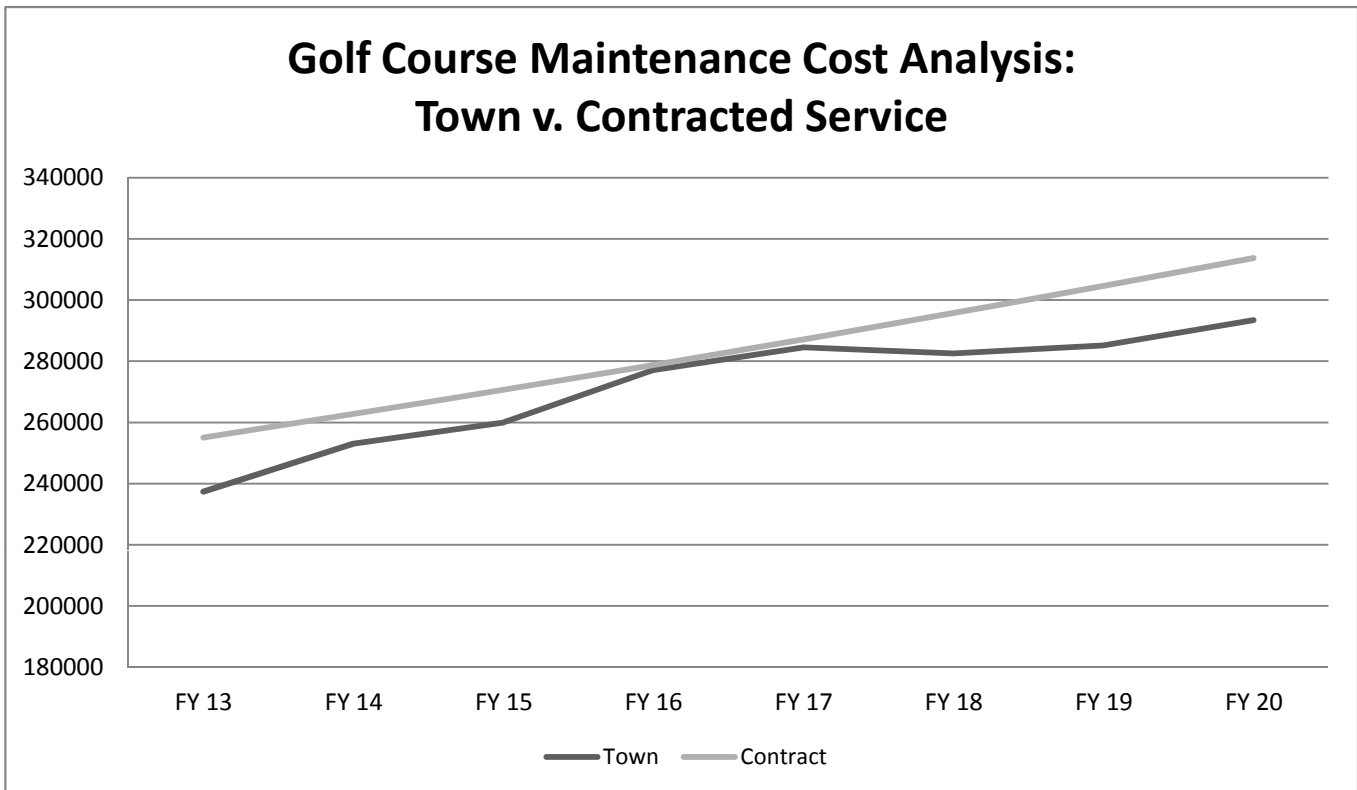
Preventative Maintenance : We assume the need to spend *at minimum* \$10,000 annually to begin a preventative maintenance program at the course. This has never been part of the bid specs or any contract with the current vendor; thus it would be added as a bid alternate. We believe this is a low estimate. This amount would pay private contractors (golf & turf landscapers) to provide preventative maintenance on the course.

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In-House vs. Contract Results:

The chart below shows the comparative costs between bringing maintenance in-house vs. maintaining a contracted service for the next 8 fiscal years. *Please note that this analysis is INCLUSIVE of preventative maintenance efforts in both options.*

	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
In-House	\$237,409	\$253,022	\$259,920	\$277,097	\$284,520	\$282,609	\$285,176	\$293,430
Contract	\$255,494	\$262,859	\$270,445	\$278,258	\$286,306	\$294,595	\$303,133	\$311,927



Other Factors:

Aside from cost, we have two other major factors which we have considered:

- 1) Lack of a Market: With only one other golf course in the region running operations as we do - that is dividing the responsibilities of maintaining the course from managing the course - we are highly skeptical we will receive any interested bids for the maintenance piece - and if we do it is doubtful there will be many. We believe the reason for this is that there is no profit to be had in only providing the maintenance functions of the course with the kind of dollars we have available to run it.
- 2) Preventative Maintenance: As the course matures, the Town needs to focus its manpower and attend to the long term sustainability of the golf course infrastructure (i.e. greens and traps, cart paths, drainage, etc.). Current contract only addresses the day to day maintenance as needed.
- 3) Strengthened Operations: The Golf Course Maintenance Superintendent will report directly to the Golf Course Manager as they work cooperatively in providing the best golf course conditions.