



City of Largo
Agenda Item 5

Meeting Date
06/12/18

Presenter: Lara Khoury, Management Analyst III

Department: RP - Recreation, Parks & Arts

TITLE:

PROPOSAL TO CHANGE THE OPERATION OF THE CAFE AT THE LARGO GOLF COURSE

The concession area at the Largo Golf Course has been contractually operated since 2002. In 2007, after the City completed a major renovation of the golf course, a Request for Proposal was issued and awarded to the vendor who is currently operating the facility as a restaurant in the clubhouse. As staff have observed the concession operations and patron usage over the past few years, they have determined that with minimal investment, the golf course can generate more revenue by operating the concession area instead of renting to an outside vendor, and still meet the needs of the Largo Golf Course patrons.
There are benefits to having the concession operated by staff. First, the patrons will have a seamless experience when they are at the Largo Golf Course. From the time they enter the pro shop to pay for a round of golf, to the time they come back in for a drink after the 18th hole, customers should have the same friendly and welcoming experience. Because the operator of the current cafe is an outside vendor, the customer experience has been disconnected and inconsistent and customers have voiced their discontent with their experience. Satisfied customers return and are more willing to spend their discretionary dollars. Second, staff analyzed the expenses and revenue associated with operating a modified snack and beverage service and determined that net revenue would be greater than the rent payment received by the private concessionaire.
The analysis of needs, expenses and revenue is included on page 2.
(Continued on Page 2)

Budgeted Amount: \$0.00 Budget Page No(s): NA Available Amount: \$0.00 Expenditure Amount: \$0.00

Additional Budgetary Information: Not applicable

Funding Source(s): NA Sufficient Funds Available: Yes No Budget Amendment Required: Yes No Source: N/A

City Attorney Reviewed: Yes No N/A Advisory Board Recommendation: For Against N/A Consistent With: Yes No N/A Strategic Plan

Potential Motion/Direction Requested: DOES THE CITY COMMISSION SUPPORT THE CITY OPERATING THE CAFE AT THE LARGO GOLF COURSE IN LIEU OF A CONTRACTED VENDOR?

Staff Contact: Lara Khoury, Management Analyst X5012 lkhoury@largo.com

Attachments: Page 2

Capital and Operating Needs

The major infrastructure for the café already exists. There are some capital improvements and capital purchases that need to be completed to make the area function as proposed. The following is a list of short term items and future items to be considered:

- A walkway/doorway needs to be created, where there is a window currently, to open up the café to the pro shop area. This allows for the pro shop staff to assist more seamlessly.
- Purchase TV's to place in the café
- Purchase refrigerator, freezer, display cooler
- Purchase furnishings to display the sandwiches, snacks and coffee/tea
- Purchase hot dog roller

Operating Needs

- Furnish disposable utensils, cups, napkins, etc.
- Purchase initial inventory
- Contract with vending machine vendor and negotiate a payment agreement
- Lease beverage cart
- Contract with a vendor to provide pre-made sandwiches

Staff recommends the addition of part-time snack bar operators and attendants to work in the cafe for a total of 1.25 FTE and cost of \$29,200. Total estimated cost for the capital, operating, and personnel in the first year is \$100,800, and \$76,500 on an annual basis. Revenue for the first year is estimated at \$144,000. Therefore the net revenue in the first year is \$43,200, whereas the City collects \$13,200 annually for the rent of the cafe space. For subsequent years, estimated net revenue is in excess of \$65,000 annually from this line of business at the golf course. The chart below outlines anticipated revenue and expenses, comparing current operations with proposed operations on an annual basis for the Golf Course Fund. This chart does not include depreciation, it's operating and capital costs vs. revenue to determine cash flow in the Fund. Revenue projections are conservative, but in subsequent years, the gap between expenses and revenue is narrowing and indicating that with the changes in the cafe operations, the golf course will begin to realize a positive cash flow after FY 2020.

	FY 2019 Budget based on Current Operations	Proposed Cafe Operations	FY 2019 budget based on Proposed Cafe	FY 2020 Projected Budget
Expenses				
Personnel	\$490,700	\$29,200	\$519,900	\$540,700
Operating	\$481,000	\$71,600	\$552,600	\$527,600
TOTAL w/o Depreciation	\$971,700	\$100,800	\$1,072,500	\$1,068,300
Revenue				
Green Fees/Carts	\$792,000		\$792,000	\$800,000
Concession/Cafe	\$13,200	\$144,000	\$144,000	\$147,000
Other Revenue	\$97,000		\$97,000	\$98,000
TOTAL	\$902,200		\$1,033,000	\$1,045,000
Net Profit/Loss	-\$69,500	\$43,200	-\$39,500	-\$23,300