AUDIT REPORT

Report Date:   November 27, 2018
Departments:   Parks, Recreation and Community Facilities (PRCF)
Subject:   Golf Concessions Contracts

OBJECTIVE

This audit was conducted to determine whether the City and the contractor have complied with the terms of the concessions contracts for Dobson Ranch Golf Course and Dobson’s Restaurant, and to evaluate the financial impact of the contractual arrangements.

SCOPE & METHODOLOGY

To accomplish our objective, we:

- Reviewed the concessions contracts and applicable policies and procedures.
- Interviewed City and contractor personnel.
- Tested and analyzed financial data for the three fiscal years ended 6/30/2018 and the three calendar years ended 12/31/2017.

BACKGROUND

The City has engaged a contractor to operate the Dobson Ranch Golf Couse Pro Shop (since 2006) and Dobson’s Restaurant (since 2009). Both contracts will expire on May 31, 2019. Daily operation of both businesses is managed by the contractor; while maintenance of the golf course and some maintenance of the facilities are managed by the City.

Over the past three calendar years, the City has realized a significant decline in the profitability of golf operations, while the contractor has realized a significant increase in profitability. We found that the primary drivers of these results were increases in the City’s costs and decreases in the contractor’s costs, while gross revenues have remained relatively flat.

CONCLUSION

In our opinion, both the City and the contractor have substantially complied with the majority of the contract terms. However, the current contracts do not provide for equitable sharing of revenues, costs, and risks; and they do not include adequate performance objectives or metrics. Therefore, we have recommended that the City consider restructuring and rebidding these contracts, to provide a more equitable relationship and to better meet the needs of the City.

Management Response: A Request for Proposal (RFP) was issued on 11/8/2018, for the “management, operation and maintenance of all elements of Dobson Ranch Golf Course, including the full-service restaurant and banquet facilities.” The RFP outlines specific responsibilities with respect to operations, programming, capital improvements and other requirements.