

**REQUEST FOR PROPOSAL (RFP)  
CITY OF EL SEGUNDO  
Financial Analysis and Comparison of The Lakes at El Segundo Golf Course  
and the TopGolf Development Proposal  
RFP NO. 14-31**

Dear Sir/Madam:

The City of El Segundo invites qualified consultants to provide a detailed response to this request for proposals that may lead to a preliminary identification and selection process for contracted financial analysis services for the City of El Segundo.

An original and 5 copies of the proposal are due to the City Clerk's Office on:

**Tuesday, December 16, 2014, by 5 p.m.**

City of El Segundo  
ATTN: City Clerk's Office  
350 Main Street  
El Segundo, CA 90245

## **1. BACKGROUND INFORMATION**

The Lakes at El Segundo (“The Lakes”) is a 25-acre parcel located on Sepulveda Blvd. just south of El Segundo Blvd. and across from the Chevron refinery. Chevron grant deeded The Lakes to the City of El Segundo as a public recreation facility. The grant deed includes a restrictive land use covenant that states the parcel can be used as a public golf course or other public outdoor recreational use.

The Lakes currently operates as a 9-hole executive golf course that is owned by, and operated under the oversight of the City of El Segundo. The facility also includes a 58-station driving range, restaurant, and pro shop. The day-to-day management and operations of the facility is provided by Lane Donovan, a golf course management company, under contract with the City and under the general oversight of a Golf Course subcommittee comprised of community members, appointed and elected City officials, and staff of the Recreation and Parks Department.

The Lakes operates as an enterprise fund for the City with the intention to generate adequate revenues to cover operating and long-term expenses without assistance from the City’s General Fund. On average, The Lakes generates approximately \$2 million in gross revenues (approximately \$700k from the Driving Range alone) with net revenues reduced by operational expenses, administrative charges, and other City expenses required under enterprise funding accounting methods.

The City has been approached by ES CenterCal, LLC. (Centercal), a local developer, that has proposed the creation of a TopGolf facility adjacent to the golf course in place of the existing driving range. Centercal is proposing to invest over \$20 million in a new facility, in concept similar to TopGolf’s Austin location, which Centercal will initially lease to TopGolf. Centercal has proposed a long-term lease to include an annual ground lease amount plus escalation over the remaining term. The details of the proposal are indicated in a Due Diligence and Ground Lease Agreement between the City of El Segundo and Centercal.

Construction of the TopGolf facility would require zoning modification of The Lakes, reconfiguration of the golf course, the reconstruction of the Clubhouse, including the restaurant and pro shop, and an arrangement to share the existing parking lot. This proposal would result in certain new revenues to the City (primarily the ground lease and taxes) while the net revenue and expenses from the current driving range and lessons operations would be eliminated. Additionally, revenues and expenses associated with other program areas (i.e. restaurant and pro shop) will be impacted.

The City is interested in better understanding the potential benefits and risks of the proposed contract with Centercal compared to the current and future operations of The Lakes facility, including the value of new capital infusion.

## **2. SCOPE OF SERVICE - OBJECTIVES**

The City of El Segundo is seeking a qualified firm or firms to complete the objectives identified herein:

- A. Working in conjunction with, and with data provided by the City of El Segundo and Lane Donovan, review the financial data for The Lakes and the City Golf Course Enterprise Fund over a five-year history, in summary and apportioned by Program (i.e. Golf Course, Driving Range, Restaurant, Pro Shop, Lessons, etc.), and prepare financial analyses of the following (but not limited to):
  1. Gross revenues generated by The Lakes Operations
  2. Net revenues paid to the City by The Lakes
  3. Net profit to the City after appropriate deductions for administrative expenses incurred by the City
  4. The Lakes general and administrative charges as incurred at the golf course operations level
  5. City enterprise fund charges
  6. Net profit/loss trends
  7. Cash flow trends
  8. Net position trends
  
- B. Analyze the current condition of The Lakes infrastructure and provide cost estimates for current and future capital expenditures to maintain the facilities for the next 25 years.
  
- C. Identify feasible “what could be” enhancements to the current operations that could improve the financial performance of The Lakes, including but not limited to long term “net” lease arrangements of the restaurant and pro shop.
  
- D. Conduct a real estate appraisal using the net operating income approach and assign a market cap rate (within the market area as defined by the real estate appraiser) for The Lakes, for three valuations listed below:
  1. Full Valuation: The existing facility in its entirety (to include all General and Administrative expenses associated with the required governmental fund accounting principles);
  2. Excluding the Driving Range and Lessons: Isolate the golf course program with pro shop and restaurant from the entire valuation; and,
  3. Driving Range and Lessons: Isolate the driving range and lessons programs from the entire valuation and determine its value.
  
- E. Evaluate the proposed agreement with Centercal and determine the following, including any contingencies which may affect any payments thereof:
  1. Identify gross revenue and net revenue payable by Centercal to the City;
  2. Identify value of capital investments which Centercal is obligated to make;
  3. Identify all operating expenses the City is liable for;

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4. Identify the capital maintenance expenses the City might incur;
5. Identify any risks that could affect the City's decision to enter into the proposed agreement including the risk of bankruptcy, if any, of Centercal, TopGolf, and the guarantors;
6. Identify the fair market value of the property comprised of the current driving range and parking lot as identified in the proposal, with consideration for the "recreational use" deed restriction and while assuming the property is "fit for purpose" for TopGolf;
7. Determine the value of the short-term and long-term capital investments proposed by TopGolf for the overall facility (The Lakes and TopGolf properties);
8. Quantify the proposed revenues of the TopGolf operation to include: sales tax, utility user tax, business license tax, increased transient occupancy tax revenues, and any other indirect revenues resulting from the TopGolf construction and operation;
9. Estimate the additional net revenue that the City might receive from a profit participation covenant identical to that set forth in TopGolf's agreement with the City of Woodale, Illinois, and disclose assumptions in sales revenues that might be generated by the proposed TopGolf facility at The Lakes location; and,
10. Quantify the long term impact of the loss to the City from the closure of The Lakes during the construction period, considering the agreed-upon cash payment from Centercal to the City as indicated in the agreement.

**F. Compare the following:**

1. The Centercal/TopGolf Proposal to the current and future financial operations of The Lakes for the next 25 years, including capital improvements as identified in "Task B"; and
2. The Centercal/TopGolf Proposal to what the future financial operations of The Lakes could be with the proposed enhancements from "Task C".

### **3. EVALUATION OF PROPOSALS**

The City will first examine proposals to eliminate those that are deemed non-responsive to the stated requirements. The City Manager and his designated Selection Committee will then review each proposal based on:

- Understanding of the City's goals of this project demonstrated by the proposed scope and approach to work
- Ability of consultant(s) to meet City's schedule
- Experience and qualifications of key consulting staff in similar projects
- Demonstrated ability in preparing similar financial analyses within municipal agencies
- Quality and completeness of the proposal as submitted

The proposals, at a minimum, should include the following information:

1. Cover Page that includes the project title ("Financial Analysis and Comparison of The Lakes at El Segundo Golf Course and the TopGolf Development Proposal RFP NO. 14-31"), primary contact name, mailing address, email address and phone number.
2. Statement that upon award of the project, the successful firm is agreeable to executing and/or providing the enclosed Professional Services Agreement and all conditions held therein. If any changes are proposed to the City's general professional services agreement attached hereto, the proposal must include all changes that the firm proposes. As part of determining the qualification of the firm, the City shall consider proposed changes to the agreement.
3. Statement of understanding of the project, including explanations of relevant experience in financial analyses of municipal agencies including enterprise funds, evaluating aspects of real estate and development, and the ability to begin the project immediately upon execution of a Professional Services Agreement.
4. Consultant's qualifications and experience within the last five (5) years as consultant for local municipal agencies of a similar nature and scope with names and current telephone numbers of references that can be contacted (up to 3).
5. Disclosure of any potential conflicts of interest with your firm and/or consultant team members, the City of El Segundo and the potential end users – ES CenterCal, LLC., TopGolf, and/or its subsidiaries.
6. Consultant's staffing plan for all project components including name of project manager, key staff members, and sub-consultants to be retained by the consultant. Include contact information for all responsible staffing, a breakdown of time for relevant staff, resumes and references for the project team.

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7. Scope of services to be provided with a breakdown of different tasks and a description of how the consultant will approach the project with specific milestones, deliverables and timeline.
8. Consultant's estimated fee for the project, broken down separately for each of the tasks. The fee shall be based on consultant's employee rate schedule with a not to exceed amount, including the estimated costs for mileage, reimbursable and reproduction costs, and employee rate schedule.

The Selection Committee will schedule interviews with the top rated firms, establish a ranking of the proposals, and make final recommendations for selection to the City Manager. The City Manager will make a recommendation to the City Council to enter into contract negotiations with the highest ranked firm. If a contract agreement cannot be reached, the City will terminate negotiations with the highest ranked firm and open negotiations with the next highest ranked firm until a contract agreement can be reached.

**4. RFP SCHEDULE OF EVENTS (Subject to change as deemed necessary by the City)**

The RFP Schedule of Events is a proposed schedule and is subject to change. Some items listed on this proposed schedule may not be necessary for a variety of reasons. As well, the proposed dates and sequence may need to be modified, which the City reserves the right to do at any time. Should there be any such changes, all firms will be notified. *Please note: A change in the schedule of events is not an excuse for missing the RFP Submission Deadline, regardless of subsequent notifications or lack thereof.*

Release of Fees & Charges RFP	
Review and Approval by City Council	November 4, 2014
Notice Inviting Bid (RFP #14-31) via email	November 17, 2014
RFP Submission Deadline, Bids Received by City Clerk, Bid Close Deadline, 5:00 p.m. PST	December 16, 2014
Bid Packages Opened by City Clerk and Logged	December 17, 2014
Selection of Finalist(s) by Project Team	December 17, 2014 – January 8, 2015
Firm Interviews and/or Demonstrations (if necessary)	
Firm Qualification Review	
Final Selection/Approval by City Council (if necessary)	January 20, 2015
Project Initiation	January 26, 2015
First Draft Submitted for Review	March 2015
Final Report Submitted to City Council	April 2015

**5. PROPOSAL SUBMITTAL**

An original and five (5) copies of your proposal must be submitted by **Tuesday, December 16, 2014, by 5:00 PM** to the attention of:

City of El Segundo  
ATTN: City Clerk's Office  
350 Main Street  
El Segundo, CA 90245

**Please mark the outside of the envelope:**

**“Response to RFP”  
Financial Analysis and Comparison of The Lakes at El Segundo Golf Course  
and the TopGolf Development Proposal  
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If you need additional information regarding this RFP or the proposal process, please contact Recreation and Parks Director Meredith Petit at (310) 524-2880 or via email at [mpetit@elsegundo.org](mailto:mpetit@elsegundo.org).