

HOFFMAN ESTATES PARK DISTRICT MEMORANDUM # 16-065

To: Rec Committee
From: Dean Bostrom, Executive Director
Craig Talsma, Deputy Director/Director of Admin & Finance
Brian Bechtold, Director of Golf Operations
Date: May 1st, 2016
Re: Billy Casper Maintenance Contract

Background

The park district first entered into a three year golf course maintenance agreement with Billy Casper Golf (BCG) in 2008. The agreement was renewed for an additional three year term in 2011 and again in 2014. The contract provides for the entire maintenance of Bridges of Poplar Creek (BPC). The District approves the annual budget for all costs which is provided to them on a reimbursed monthly basis. In addition, the District pays an annual management fee to BPC for their services. The management fee for 2013 was \$80,224 and in 2016 it was \$71,379.

As part of staff's negotiations for their future services, BCG has agreed to lower their management fee back to the original fee of \$55,000 for 2017 (there would be a 3% increase for 2018 and 2019). They have offered this incentive due to the positive working relationship we have had over the previous years. With the existing agreement expiring at year's end, the District is required to give notice by June 1, 2016 if we wish to not renew the contract for 2016-2019.

All costs incurred by BCG are a direct expense to the District. We reimburse them for any items they purchase directly for our course, including reimbursement for their payroll. However the cost of the expenses is based on what BCG pays, so certain items like our pension costs for the Illinois Municipal Retirement Fund (IMRF) are not required since the employees are BCG employees and not District employees.

Implications

Staff has done a thorough review and analysis of the maintenance contract and operations with BCG. There are always pros and cons whenever utilizing an outside service to provide services for the District. In the past staff has found that very often the utilization of independent contractors allows for a greater savings in the employee cost area especially in regards to costs associated with employment taxes, insurance, IMRF, worker's compensation, and unemployment. Also in the past BCG has secured some savings on large equipment purchases through their national contracted pricing. This has amounted to a few thousand dollars on larger equipment purchases though this is not done every year.

In the case with BCG this is not necessarily as significant as with other contractors in that we do reimburse BCG for the costs associated with their employees; basically the costs are flowed through to the district. However it must be noted that BCG employees do not participate in IMRF when working for BCG. This would only be an expense to the District if the District took the maintenance operations in-house and made the staff District employees. In the estimated plan for 2017 with seasonal employees and the three full-time employees it will cost the District an additional \$16,150 for IMRF. Staff has also carefully restructured how the seasonal staff have operated over the last few years and

now have minimized the number of workers that will exceed 1000 hours per year that will be entitled to IMRF. Additionally our IMRF rate has dropped over 2.5% since the last contract. This reduction in IMRF costs is significant in our comparison.

One other big change from prior years is the reduction in unemployment claims for these workers. In the past the District expended large amounts on the golf course seasonal workers in that the majority of them collected unemployment as soon as the season ended. Since the District is self-funded for unemployment we pay the actual amount an individual receives. Over the last few years the current reports show that the majority of BCG staff does not file for unemployment. The District hopes this trend would continue and we have made our estimate based on that.

The Prevailing Wage Act also comes into the discussion when using an independent contractor for our maintenance of the golf course. Items that would fall under this act are any construction projects in the future we have planned, for example: Bunker renovation, rebuilding and repairing tee boxes and irrigation repairs. All these items along with the golf course mechanic wages would require us to pay prevailing wages for these job duties. This would be a significant increase in our labor wages and not reflected in the chart below.

In the past we have not always required the prevailing wage such as for their mechanic. However current scrutiny of this law and how it impacts municipalities is in the forefront for many union organizations and has become a constant FOIA request to the district. As of yet we have not been requested this in regards to BCG; however we have a requirement to follow the law and recent inquiries to our attorneys have substantiate the requirement to pay any non-maintenance costs that require prevailing wage. In regards to employees of BPC that are all treated as independent contractors an if in a prevailing wage category they would be required to be paid prevailing wage. If projects or services such as a mechanic were a District employee, then we are not required to pay prevailing wage. For comparative purposes the District currently pays our in-house mechanics an average of \$20 per hour. Prevailing wage would be more than twice that amount.

The following chart shows the other major financial differences in operating with BCG or in-house:

Billy Casper Contract VS HEPD Operated

	BCG	HEPD	
Management Fees	\$55,000	\$0.00	
Workers Comp/Unemployment	\$10,500	\$34,000	Estimated Based on Previous Years 3 FT Employees
Benefits (Insurance)	\$24,000	\$22,500	
IMRF	\$0.00	\$16,000	8.07% of Staff over 1000 Hours
Payroll Taxes	\$38,500	\$23,500	12.5% for BCG and 7.65% for HEPD
General & Administrative Fees	\$4,000	\$6,000	Inter-fund Charge for HEPD
Insurance P & C	\$1,600	\$0	Included in overall district cost
	\$133,600	\$102,150	
	Estimated Total		
	Savings in House		\$31,450

The District has had considerable success in out sourcing our maintenance operations over the last eight plus years; however it should always be remembered that a certain amount of control and direct supervisory interaction is lost when utilizing an independent contractor. We are bound by an agreement and must utilize their channels and methods for the aspects of the operations that we have relinquished to their management. Should we at some time become dissatisfied with their operations it is always more difficult to document and try and get out of an independent contractor agreement if need be.

Though we have control over the actual budget for the maintenance, it is based on BCG operations. There could be potential expense reductions made should we wish to operate at a different level in-house. Also, should the District opt not to renew the BCG contract we would have the ability to offer positions to those currently working for BCG at our location if desired since they do not have a “non-compete” contract.

Staff fully analyzed the potential “risk vs. reward” of switching from BCG to in-house. BCG has provided us great service over the past nine years and helped us make tremendous strides in our course maintenance. It has been successful partnership and beneficial to both parties. The financial savings and ability to have total direct control of the maintenance staff is something that was leading staff in our current recommendation.

The operations are running well and based on the above analysis switching back will save us money and ensure full direct control of the operations. Staff currently does not feel that there is a significant control issue but all aspects should be considered and even the slightest edge to a more direct management leads staff to favor having the operations in-house. The financial savings estimated at approximately \$30,000 is the leading factor.

Recommendation

That the Rec Committee recommend to the full board approving the intent to not renew the Billy Casper Golf maintenance contract for 2017. The District will then take complete control of the maintenance at Bridges of Poplar Creek C.C starting January 1st, 2017.