



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of City Council

FROM: Thomas Frutchet, City Manager

DATE: April 2, 2014

SUBJECT: Agreement with Pacific Grove Golf Links, LLC for the Operation and Maintenance of the Pacific Grove Golf Links

CEQA STATUS: An agreement for the operation and management of the Golf Links is exempt from CEQA under Section 15301 of the CEQA Guidelines (Class 1) – Existing Facilities.

RECOMMENDATION

Approve an interim agreement with Pacific Grove Golf Links, LLC, an affiliate of CourseCo, Inc., for the management, improvement, maintenance, and operation of the Pacific Grove Golf Links.

DISCUSSION

At its March 2, 2014 meeting the City Council held second reading and approved an ordinance adopting a lease for the operation and maintenance of the Pacific Grove Golf Links. (The Council also directed the City Manager to address remaining issues with respect to courtesy golf. That matter is addressed in another agenda item on this same meeting agenda.)

The City has concurrently been working with bond counsel to explore refinancing opportunities related to the certificates of participation issued in 2005 to finance the construction of the Club House and Pro Shop; refinancing could potentially result in savings or other benefits. Counsel identified some aspects of the approved lease that may conflict with the current certificates of participation. Principally, lease provisions enabling CourseCo to make a profit based on the success of its actions might be in conflict with IRS policies, given that the certificates of participation are non-taxable.

In conversations with CourseCo, it became clear that several alternative approaches are available to address this concern, each of which will take some time to analyze. As a result, CourseCo and the City agreed the best course of action is to adopt an interim agreement for management, improvement, operation, and maintenance of the course, and to return to Council for approval of a revised agreement when a preferred approach has been selected and analyzed.

There were two primary underlying concepts in the development of this interim agreement:

- ❖ Given all of the work to ensure a smooth transition that is already underway, ensure that CourseCo assumes full operation of the course on April 1, which has been the planned start date since the beginning of the RFP process;
- ❖ Stay as consistent as possible with all of the provisions of the understandings between the two parties that has already been negotiated, so that the systems and procedures that are set up for the interim management agreement can be transferred over to the ultimate agreement, based on the dialogue that the City and CourseCo have already had and the work already initiated based on that dialogue; and
- ❖ Ensure the responsibilities, liabilities, and financial benefits to both parties are the same as they would have been if the original agreement, instead of the interim management agreement, had been implemented on April 1.

To achieve these concepts in the most straightforward way, the previous agreement served as the starting point; it was changed only where absolutely necessary. (As a result, there are some provisions that won't come into play, but if they didn't do any harm, they were not removed.)

FISCAL IMPACT

Minimal. The primary impact will be the opportunity costs of the time invested by both CourseCo and City staff in analyzing the options and fully developing the preferred approach.

OPTIONS

1. Proceed with the lease in spite of the potential negative impacts of the conflict between the lease and the provisions of the certificates of participation.
2. Continue to operate and manage the course in house.

ATTACHMENTS

1. Management Agreement (Note: the draft agreement will be provided to Council and the public as soon as it is fully developed and agreed to by the negotiating parties. Those discussions are expected to be completed over the weekend, so that the draft agreement will be distributed on Monday, March 31.)

RESPECTFULLY SUBMITTED:



Thomas Frutchey
City Manager