

**ORDINANCE NO. 14-018**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE TO LEASE THE PROPERTY AT 77 & 79 ASILOMAR DRIVE TO PACIFIC GROVE GOLF, LLC AN AFFILIATE OF COURSECO, INC**

**WHEREAS**, the City of Pacific Grove owns the real property and related improvements located at 77 Asilomar Drive and 79 Asilomar Drive, Pacific Grove CA 93950 and known as the Pacific Grove Golf Links; and

**WHEREAS**, the City's property is improved with an 18-hole Golf Links, driving range, parking area, pro shop, and clubhouse complex, which includes a restaurant, tournament room, public restrooms, and golf cart storage and maintenance garage, as identified in Exhibit A of the Lease Agreement; and

**WHEREAS**, the golf industry is becoming increasingly competitive, the City has not consistently demonstrated the capabilities necessary for cost-effective operation and maintenance of the Golf Links, and the City and Pacific Grove community are not benefiting from the existence and operation of the course to the extent desired, as detailed by Findings 1-27 in the findings document adopted by the Council on January 15, 2014, and fully incorporated by reference herein; and

**WHEREAS**, the City recognized that there are a select number of firms in the private sector that do have the capabilities and interest to operate golf courses successfully, and that one or more of those firms possibly could, in partnership with the City, operate and maintain the Links to the benefit of the City and the community, as detailed by Findings 28-31 in the findings document adopted by the Council on January 15, 2014; and

**WHEREAS**, as a result, the Council directed the City Manager to explore the City's options and gauge the market by issuing a request for proposals, as detailed by Findings 32-34 in the findings document adopted by the Council on January 15, 2014; and

**WHEREAS**, the City received 15 proposals, including one from its maintenance staff, of which two appeared best able to meet the City's seven goals, adopted to guide this process, as follows:

- A higher value golfing and recreational experience, one that benefits the community as a whole, resident users, and visitors from outside the community;
- Better integration with the complete hospitality industry in Pacific Grove and on the peninsula;
- Annual revenues that meet or exceed all fixed costs, including ongoing obligations of current bonds;
- Limits to the City's financial risks and exposure of the General Fund;
- A long-term, stable, capital improvement funding structure;

- A smooth transition from existing operations, to ensure no disruption in customer service and experience;
- A smooth transition for existing City staff at the course, minimizing the risks, costs, and stress to them and their families; and

**WHEREAS**, CourseCo, Inc. is engaged in the business of managing, operating, and maintaining golf courses in various locations, and desires to provide such services to the CITY; and

**WHEREAS**, after in-depth negotiations and refinement of proposals, the City has determined that CourseCo, Inc. can best assist the City and the community in operating and maintaining the Golf Links for mutual benefit; and

**WHEREAS**, as detailed in the agenda report and its attachments accompanying this ordinance, the City has determined that contracting with CourseCo, Inc. for the operation and maintenance of the Golf Links will enable the City to better meet the seven goals than if the City were to continue to operate and maintain the Golf Links on its own; and

**WHEREAS**, Government Code Section 37103 provides that: the City “[m]ay contract with any specially trained and experienced person, firm, or corporation for special services and advice in financial, economic, accounting, engineering, legal, or administrative matters;” and

**WHEREAS**, the United States Department of Labor recognizes public golf courses as a type of specialized business (SIC Code 7992) and tracks labor statistics and other statistics for that industry; and

**WHEREAS**, the memoranda of understanding between the City and the General Employees Association and the Management Employees Association does not abridge the right of the City to contract out work to be done or services to be rendered provided, however, that the impact and effect of any such decision may be subject to the meet and confer process; and

**WHEREAS**, the City initiated and completed the meet and confer process with both the General Employees Association and the Management Employees Association, by reaching a mutually acceptable agreement;

**WHEREAS**, the City wishes to grant to Pacific Grove Golf Links, Inc., an affiliate of CourseCo, Inc. the right to conduct general management, operating, maintenance, and capital improvement services including: operating and maintaining the 18-hole golf course, driving range, club house, pro shop, parking areas, and related/accessory facilities; and

**WHEREAS**, CourseCo has been operating the Course since April 1, 2014 under a management agreement, since a lease was not appropriate while the Clubhouse and Pro Shop improvements were being financed by non-taxable certificates of participation;

**WHEREAS**, the City has now successfully refunded the 2004 Certificates of Participation with a taxable lease/leaseback arrangement with UMPQUA Bank;

**WHEREAS**, the lease of the Golf Links is exempt from CEQA under Section 15301 of the CEQA Guidelines, set forth in California Administrative Code, Title 14, Section 15000, et seq.; and

**WHEREAS**, there is no provision in the grant deeds or quit claims for the land underlying the Golf Links that precludes the City from leasing the operation and maintenance of the Golf Links to Pacific Grove Golf Links, Inc.,

**THE COUNCIL OF THE CITY OF PACIFIC GROVE DOES HEREBY ORDAIN AS FOLLOWS:**

SECTION 1. The foregoing recitals are adopted as findings of the City Council as though set forth fully herein.

SECTION 2. For the reasons set forth above, the City Council finds that operation and maintenance of the Golf Links are specialized services that may be contracted out.

SECTION 3. The attached Lease is hereby approved.

SECTION 4. The City Manager is directed to execute all documents and to perform all other necessary City acts to implement and affect this Ordinance.

SECTION 5. The City Manager is authorized to make minor changes in the agreement that will respond to changing conditions and needs, in order to assist the effort to better meet City objectives. The City Manager will notify the City Council of any such changes.

SECTION 6. In accord with Article 15 of the City Charter, this ordinance shall become effective at midnight, October 1, 2014.

**PASSED AND ADOPTED** BY THE COUNCIL OF THE CITY OF PACIFIC GROVE, this 17<sup>th</sup> day of September, 2014, by the following vote:

AYES: Mayor Kampe, Councilmembers Cohen, Cuneo, Fischer, Huitt, Miller

NOES: None

ABSENT: Councilmember Lucius

APPROVED:

---

BILL KAMPE, Mayor

ATTEST:

---

ANN CAMEL, Interim City Clerk

APPROVED AS TO FORM:

---

DAVID C. LAREDO, City Attorney