



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Albert Balagso

SUBJECT: SEE BELOW

DATE: 11-13-06

Approved

Ray Warner

Date

11/21/06

COUNCIL DISTRICT: CW
SNI AREA: Gateway East

SUBJECT: APPROVAL TO AUTHORIZE THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH SAN JOSE GOLF, LLC, FOR THE OPERATIONS AND MAINTENANCE OF RANCHO DEL PUEBLO GOLF COURSE

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute an agreement between San Jose Golf, L.L.C., a limited liability corporation, and the City of San Jose for Operation and Maintenance of Rancho del Pueblo Golf Course at a cost not to exceed \$219,000 annually the first year and adjusted thereafter annually based on the Consumer Price Index (CPI) for all urban Consumers in San Francisco – Oakland – San José area, and for a term not to exceed fifteen (15) years.

OUTCOME

Selection of San Jose Golf, LLC, will result in a qualified management firm operating Rancho del Pueblo Golf Course.

BACKGROUND

Parks, Recreation and Neighborhood Services (PRNS) solicited the services of interested and qualified golf course operators to operate, manage and maintain the 9-hole, executive golf course in east San José, known as Rancho del Pueblo Golf course, for up to fifteen (15) years as a first-class public golf course for the benefit of its patrons, neighbors and the citizens of San José in accordance with a formal management agreement. The golf facility, which opened April 1, 2000, consists of a 9-hole, executive (par 28) golf course with a 25 Station lighted driving range, golf

shop, café, maintenance facility and parking lot. During 2005-06, 37,719 rounds of golf were played at this facility generating revenue of \$713,384.

The current operator's agreement is set to expire on December 20, 2006. A Request for Qualifications and Proposal (RFQP) was developed in collaboration with the City Attorney, Purchasing, City Auditor, Equality Assurance, and City Manager's Office and was issued on May 10, 2006. An announcement was sent to over 35 golf management firms notifying them of this opportunity and four companies registered to receive the RFQP. One company, San Jose Golf, LLC, (San Jose Golf) was the sole applicant.

San Jose Golf is the current operator and is a 90% owned subsidiary of CourseCo, Inc. (CourseCo), a California golf course management corporation located in Petaluma. CourseCo has been in operation since 1989 and currently operates 13 golf courses, 12 of which are owned by public agencies.

ANALYSIS

Minimum qualifications, which San Jose Golf met or exceeded, were outlined in the RFQP and included the following:

- Five (5) years' experience, by the management firm, managing and maintaining a 9-hole or 18-hole, public golf course, preferably municipally owned,
- Five (5) years' experience by the individual who will be the on-site manager of the 9-hole golf course in managing and maintaining a 9-hole or 18-hole, public golf course, preferably municipally-owned,
- Three golf industry references and three credit references,
- The person who will be the resident professional at the 9-hole golf course shall be a *Class A* member of the Professional Golfers Association of America (PGA) for a minimum of five (5) years, and
- The resident superintendent at the 9-hole golf course shall be a member of the Golf Course Superintendent's Association of America (GCSAA) as a *Class A* golf course superintendent, graduated from a two-year or four-year accredited agronomy school, and possess five (5) years' experience as an assistant or head superintendent at a 9-hole or 18-hole golf course.

A committee comprised of City administrative, fiscal, and operations staff was convened to evaluate the sole proposal. The committee reviewed and graded the application based on the proposed management compensation and contract term, proposed employees, employee work environment, proposed budget, and the technical aspects. Additional points were also rewarded for the Local Business preference. The committee's average score was 89% for this application and recommends that San Jose Golf be retained to continue operations and maintenance at Rancho del Pueblo.

CourseCo also operates Los Lagos Golf Course on behalf of the City. The synergy, both financial and programmatic, of the unified management between Rancho del Pueblo and Los Lagos has significant value to the City. It materially lowers total costs of management staff while making quality management affordable to Rancho del Pueblo, as well as produces an ever-increasing linkage of programs and services to the community particularly its youth and developing golfers.

The City's General Fund provides an annual subsidy of approximately \$484,000 for Rancho del Pueblo's debt service payment. Its financial performance in 2005-06 generated \$715,000 in gross revenues as compared to \$762,000 in expenses. For 2006-07, it is projected that the course will cover its operating costs through generated revenue; \$870,000 is projected in earned income. While Rancho del Pueblo is very close to being fully cost recovery with respect to its operational costs, it does not generate sufficient revenue to pay down its debt service.

Due to the requirements of the tax-exempt bond financing which funded the construction of the golf course, any management contract for the golf course must be structured to meet the requirements of a "qualified management plan" as defined under federal tax law. San Jose Golf is proposing a contract term through March 1, 2017, which coincides with the conclusion of the Los Lagos agreement. These co-terminus contract dates would reduce City resources required for future contract development and would allow the City to market the two courses as sister courses in future RFQPs. Within the RFQP process, proposers were allowed to propose terms for a period not to exceed fifteen (15) years.

The termination of the agreement can occur at any time by mutual agreement, if either party is in default, at the option of the City with 30 days written notice with appointment of a new manager, or at the option of either party upon substantial destruction or taking by eminent domain that make the course economically unfeasible. The right to cure any defaults shall be given.

PUBLIC OUTREACH / INTEREST

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- ❑ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: Email and Website Posting)
- ❑ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

This memo will be posted on the City's website for the December 5, 2006, City Council Agenda. Additionally, outreach to professional groups was conducted in order to seek the best possible

benefit to the City by announcing this opportunity to over 35 golf management firms. Also, program staff consistently monitor customer satisfaction from golf course users to ensure that the City's goals and objectives are being met or exceeded.

COORDINATION

Preparation of this memorandum has been coordinated with the City Attorney's Office, City Manager's Budget Office, and the Department of Planning, Building and Code Enforcement.

FISCAL / POLICY ALIGNMENT

This project is consistent with the Council-approved Strategy to leverage resources to the extent possible and protect core City services. The project also aligns with the Council-approved *Greenprint for Parks and Community Facilities and Programs* goal of preserving open space and access to recreation opportunities that provide healthy, inviting environments for social interaction and enjoyment.

COST SUMMARY / IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: Not to exceed \$219,000 for first year as base, amount to be adjusted annually based on CPI
2. SOURCE OF FUNDING: 518 – Municipal Golf Course Fund
3. FISCAL IMPACT: The City's General Fund currently provides an annual subsidy in the approximate amount of \$484,000 as Rancho del Pueblo does not generate enough revenue to cover its debt service payment. The proposed operating and maintenance costs of this proposal have been reviewed and it has been determined that the project will have no significant additional adverse impact on the General Fund operating budget.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2006-2007 Proposed Budget Page	Last Budget Action (Date, Ord. No.)
Current Funding Available						
518	0642	Operating Expenses	\$100,000	\$49,000	Page XI-64	6/27/2006, 27801
518	4792	Rancho del Pueblo GC	\$170,000	\$170,000	Page XI-64	6/27/2006, 27801
Total			\$270,000	\$219,000		

HONORABLE MAYOR AND CITY COUNCIL
11-13-06
Subject: Rancho Del Pueblo Golf Course
Page 5

CEQA

CEQA: Mitigated Negative Declaration, File No. PDC96-020



ALBERT BALAGSO
Acting Director of Parks, Recreation and
Neighborhood Services

For questions please contact Julie Mark, Deputy Director, at (408) 793-5553.