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**Title:** Staff Report for a City of San Leandro City Council Resolution to Amend the 5-Year Project Plan for Golf Course Capital Improvements at Monarch Bay Golf Club and to Authorize an Appropriation of \$476,000 from the Golf Course Capital Improvement Fund for Capital Improvements at Monarch Bay Golf Club

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Staff Report for a City of San Leandro City Council Resolution to Amend the 5-Year Project Plan for Golf Course Capital Improvements at Monarch Bay Golf Club and to Authorize an Appropriation of \$476,000 from the Golf Course Capital Improvement Fund for Capital Improvements at Monarch Bay Golf Club

**SUMMARY AND RECOMMENDATIONS**

Staff recommends that the City Council approve a Resolution to amend the 5-year project plan for the Monarch Bay Golf Club and to approve an appropriation from the Golf Course Capital Improvement Project (CIP) Fund in an amount not to exceed \$476,000 for planned capital improvements for FY 2019 at Monarch Bay Golf Club.

**BACKGROUND**

American Golf Corporation (AGC) entered into a lease agreement with the City of San Leandro (City) for the renovation and operation of the San Leandro Golf Facility (Monarch Bay Golf Club) on November 15, 1997. AGC’s 20-year lease agreement with the City included an \$8.1 million renovation of the Tony Lema Golf Course, Marina Golf Course and the Everett Rooney Driving Range. AGC completed the renovation in 2001. AGC’s lease agreement also states AGC shall maintain and operate Monarch Bay Golf Club and, in return, pay the City a percentage rent on all gross revenues derived from the golf facility.

Section 13.9, Establishment of Capital Improvement Fund, of AGC’s lease with the City indicates that the City and AGC will establish a Capital Improvement Fund (CIP Fund). The purpose of the CIP Fund will be to refurbish and improve the Golf Facility. As long as the total unexpended CIP Fund is less than \$500,000, the Parties will deposit into the CIP Fund annually, in arrears, an amount equal to four percent (4%) of gross green fee, cart fee and driving range fee revenues for such Lease Year.

One-half of such amount will be deposited by AGC and one-half of such amount will be deposited by the City.

Separate from AGC's lease of the golf course properties, the City has two cellular lease agreements (currently with AT&T) for cell facilities located on Fairway Drive that are within AGC's leased area. By agreement with AGC, monies paid to the City for these leased cell sites are also deposited into the Golf CIP Fund. Current annual payments total approximately \$45,000, with annual increases tied to the Consumer Price Index (CPI). Section 13.10, CIP Budget and Expenditures, of AGC's lease with the City provides: AGC shall submit to the City for its review and approval a proposed five (5) year budget (CIP Budget) for major capital improvements, refurbishment and enhancements to the Facility. Expenditures from the CIP Fund may be made only for capital improvement projects that cost more than \$7,500, approved by the City and AGC, and completed in the Lease Year to which the approval relates. (It should be noted that AGC operates on a calendar year). Public Works staff last came to the City Council in March 2015 to request approval for a 5-year CIP project plan.

### **Analysis**

Major projects approved by the City Council in 2015 and partially completed by AGC over the past five years include:

<u>Year</u>	<u>Project</u>	<u>Cost</u>
2015	Restaurant Furniture & Kitchen Equipment	\$33,000*
	Tony Lema Turf Improvements	\$50,000*
	Concrete/Asphalt Repairs Around Clubhouse	\$50,000
2016	Estudillo Channel Bridge Repair	\$90,000**
	Clubhouse Remodel	\$900,000
	Tony Lema Bunker Sand	\$100,000*
2017	Clubhouse Air Conditioner Replacement	\$53,000*
2018	Driving Range Fence Replacement	\$90,000
<u>2019</u>	<u>Maintenance Equipment Wash Station</u>	<u>\$80,000</u>

\*Completed Projects

\*\*Note that the Channel Bridge project will be done by Alameda County Public Works (construction anticipated in 2019 calendar year).

As of April 2018, there was approximately \$476,000 in the Golf CIP Fund. The remaining proposed projects total \$1,210,000. AGC staff surveyed users of the facilities and the number one issue is the condition of the Tony Lema greenside bunkers. These bunkers are 18 years old and are in poor condition due to on-going drainage issues; the bunkers were not constructed to today's standards. AGC and City staff agree that improving the condition of the Tony Lema greenside bunkers should be done prior to the remainder of the other 5-year list of projects. The cost to renovate the greenside bunkers is approximately \$351,000 and includes the following tasks:

- Remove existing 1,400 tons of sand

- Clean and reshape bunker edges
- Inspect and replace bunker drainage
- Treat bunker surfaces with Klintstone liner
- Install new G8 bunker sand
- Repair all disturbed areas around bunkers

The \$900,000 noted for the clubhouse remodel was indicated more to acknowledge that a remodel is needed, but also with the knowledge that it would take several years' worth of CIP funding to implement this project. The clubhouse, especially the interior, is worn and dated. The exterior has not been painted in over 25 years; the carpet is 20+ years old; and the interior was last painted in 2001. The proposed intermediate project, estimated at \$125,000 would freshen up the clubhouse interior and exterior. Proposed tasks include:

- Replace all clubhouse carpet with a hard surface material (more practical and easier to maintain)
- Replace the sliding doors that divide the dining room from the small banquet room
- Paint the entire interior of the clubhouse
- Repair and paint the exterior of the entire clubhouse building

After completion of these two proposed projects, staff intends to return to the City Council for consideration of a new 5-year CIP projects list.

### **Fiscal Impacts**

Currently there is \$485,000 in the Golf Course CIP Fund reserves. The total expense to complete the two proposed projects should not exceed this amount.

The Shoreline Enterprise Fund (SEF) is supported by the Golf Course and other Marina operating entities. As of June 30, 2018, the fund's net position totaled \$1.1 million (unaudited).

### **Budget Authority**

The proposed projects will be funded through an authorized appropriation of \$476,000 from the Golf Course Capital Improvement Fund for Capital Improvements at Monarch Bay Golf Club in Account No. 597-56-115 Golf Course CIP.

### **ATTACHMENT**

None.

**PREPARED BY:** Debbie Pollart, Director, Public Works Department