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Title:	Staff Report for a Resolution Approving a 5-Year Project Plan for Golf Course Capital Improvements at Monarch Bay Golf Club and Authorizing an Appropriation of \$133,000 from the Golf Course Capital Improvement Fund for Capital Improvements at Monarch Bay Golf Club (Tony Lema and Marina Golf Courses)				
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Staff Report for a Resolution Approving a 5-Year Project Plan for Golf Course Capital Improvements at Monarch Bay Golf Club and Authorizing an Appropriation of \$133,000 from the Golf Course Capital Improvement Fund for Capital Improvements at Monarch Bay Golf Club (Tony Lema and Marina Golf Courses)

RECOMMENDATION

Staff recommends that the City Council approve a Resolution authorizing a new 5-year project plan for the Monarch Bay Golf Club and also approve a Resolution for an appropriation from the Golf Course Capital Improvement Project (CIP) Fund in an amount not to exceed \$133,000 for planned capital improvements for FY 2015 at Monarch Bay Golf Club (Tony Lema and Marina Golf Courses).

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 for the Facility. Expenditures from the CIP Fund may be made only for capital improvement projects costing 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 2009 to request approval for a 5-year CIP project plan. Major projects approved by the City Council in 2009 and completed by AGC over the past five years include:

<u>Year</u>	<u>Project</u>	<u>Cost</u>
2009	Refurbish Range Structure & Range Amenities	\$134,000
	Marina Pump Station Upgrades	\$108,000
2010	Tony Lema Pump Station Upgrades	\$155,000
2011	No CIP Scheduled	
2012	No CIP Scheduled	
2013	Range Improvements: new irrigation & paspalum turf, replace perimeter safety netting and tree removal <i>(This work was completed in 2014 due to a shortage of paspalum turf)</i>	\$476,000

The proposed 5-year CIP project plan from AGC includes the following:

<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
2019	Maintenance Equipment Wash Station	\$80,000

As listed above, the CIP projects proposed for 2015 include replacement of restaurant furniture and kitchen equipment, turf improvements to the Tony Lema Golf Course, and concrete/asphalt repairs around the clubhouse with anticipated construction costs of \$133,000 for these items. Below is a brief description of these projects.

Restaurant Furniture and Kitchen Equipment. The current furniture in the restaurant and bar is in need of replacement. The tables, chairs, and stools are starting to fall apart to the point where fixing them is no longer a viable option. The current number of chairs and tables that are in usable condition limit the number of guests who can sit in the restaurant during high volume days. Folding banquet chairs are being used in place of wooden restaurant chairs to allow enough seating for guests during busy days, which makes the appearance of the restaurant less than ideal.

The gas burner cooktop/oven and char-broiler in the restaurant kitchen needs to be replaced. These two cooking units will allow the kitchen to cook the current menu items more efficiently and also allow the staff to expand/improve the current menu by giving them more options to prepare hot food. The addition of these two units will also allow the kitchen to cook in much higher volume, to better accommodate large tournament outings, banquets, and/or weddings.

Tony Lema Turf Improvements. The 18-hole Tony Lema course has some bare areas in the fairways and roughs that need to be resodded with paspalum grass. These areas were a result of high salt levels in the irrigation water. A corroded flapper valve allowed Bay salt water intrusion into the irrigation lake. The flapper valve has since been addressed to prevent any further salt water intrusion. The size of paspalum grass seed and the difficulty of growing paspalum outside of a very controlled environment makes it virtually impossible to seed these bare areas, necessitating the purchase of paspalum sod.

Concrete/Asphalt Repairs Around Clubhouse. The asphalt and concrete areas around the clubhouse are very high traffic areas that are in need of repairs to improve the look of the facility and to prevent any accidents that may occur due to uneven surfaces. The surface of these areas has eroded over time due to moisture and high foot and cart traffic. The repair of these areas would allow surface water to drain better, reduce the amount of standing water, and fix any potential tripping hazards in the highest traffic area.

Staff has met with AGC and is in agreement with the proposed 5-year CIP Project Plan and budget. As of June 30, 2014, there was \$218,222.85 available in the Golf CIP Fund. Payments into the fund by AGC and the City are typically made in late February, so an additional debit into the Golf CIP Fund of approximately \$146,000 total is anticipated for later this month. This amount includes payments to be made by the City and AGC in the amount of \$50,000 each, plus cell lease payments of approximately \$46,000.

Staff notes that funding for the proposed clubhouse remodel (currently estimated at \$900,000) is not feasible given the CIP funding provided by AGC and the City under the current lease structure. If the proposed Shoreline Project is approved as proposed, with housing to be built on a portion of the Marina Golf Course, this action would necessitate re-opening the AGC lease and discussion between

AGC and the City on new lease terms. Because it has long been a desire by both AGC and the City to remodel the clubhouse, Staff felt it was appropriate to include it on this list as a starting point for future discussions.

Fiscal Impact

Currently there is \$218,222.25 in the Golf Course CIP Fund reserves. The total expense to complete the projects proposed for 2015 will not exceed \$133,000. Future project appropriations will be requested at such time that adequate CIP funds are accumulated.

The Shoreline Enterprise Fund (SEF) is supported by the Golf Course and other Marina operating entities. As of June 30, 2014, the fund's net position totaled (\$2.1) million. The deficit has accumulated over many years in spite of the transfer of the profitable golf course assets in 2003 pursuant to the City's lease with AGC. The City's General Fund has loaned \$7.1 million to the SEF; the SEF has not repaid principal on this loan in four years.

Budget Authority

The proposed projects will be funded through an authorized appropriation of \$133,000 from the Golf Course Capital Improvement Fund for Capital Improvements at Monarch Bay Golf Club (Tony Lema and Marina Golf Courses) in Account No. 597-56-001 Golf Course CIP Reserves.

ATTACHMENT

None.

PREPARED BY: Debbie Pollart, Public Works Director