



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 2, 2009

ITEM NUMBER:

SUBJECT: COSTA MESA GOLF COURSE AGREEMENT TERM EXTENSION

DATE: MAY 21, 2009

FROM: ADMINISTRATIVE SERVICES/RECREATION DIVISION

PRESENTATION BY: JANA M. RANSOM, RECREATION MANAGER

FOR FURTHER INFORMATION CONTACT: DONNA THERIAULT, MANAGEMENT ANALYST, AT
(714) 754-5636

RECOMMENDATION:

Approve the Restated Agreement (Attachment 1) with Mesa Verde Partners for a term extension to August 31, 2029, and additional amendments for the continued operation of the Costa Mesa Public Golf Course and Country Club, and authorize the Mayor and the City Clerk to sign.

BACKGROUND:

In September 1992, City Council approved an Agreement with Mesa Verde Partners (MVP) for the operation, management and maintenance of the City's Golf Course and Country Club (Attachment 2). The original term of the Agreement was for seventeen (17) years expiring August 2009. The Agreement was extended in 1996 (Addendum 2 of Attachment 2) for ten years establishing a new termination date of August 2019.

Since 1992, six addendums have been made to the current Agreement, but the document was never updated to incorporate the approved addendums. The six addendums are attached to the original Agreement (Addendums 1-6 of Attachment 2).

ANALYSIS:

MVP has made a request to extend the current Agreement to the year 2029 (Attachment 3) which is ten (10) years beyond the current expiration date of 2019. The requested extension includes a redirection of fifty (50) percent of the golf course capital improvement allocation to the City for general use purposes. Under the current terms, MVP is required to pay 5 percent of the green fees to the City's Golf Course Capital Improvement account on a monthly basis. The new terms would provide 2.5 percent, or approximately \$112,500 per year, to be directed to the Golf Course Capital Improvement account and the remaining 2.5 percent, or approximately \$112,500 to be directed to the City's General Fund.

Along with the requested term extension and redirection of CIP allocations, staff felt it was appropriate at this time to restate the Agreement to include the six addendums previously made to the original Agreement, to remove reference to the previous Concessionaire, to

remove the initial Capital Improvement Program list since all projects have been completed, and to include new amendments as follows:

1. Term extension to 2029 with no automatic renewals (Section 2.01).
2. Update the Capital Improvement Program (Section 6)
3. Increase greens fees on an annual basis. Increase to be determined by the City Manager (Section 8.13.02-03).
4. Redirection of fifty (50) percent of the Capital Improvement Project Trust Fund to the City's General Fund (Section 4.04).
5. Remove restriction of Foursome play on weekends and adding language previously approved by City Council to allow Costa Mesa residents to call in for tee times at the beginning of the week one hour ahead of the general public for up to 50% of the available tee times (Section 8.20)
6. Document Mesa Verde Partner's use of areas at the City's Corporation Yard for office space and maintenance equipment storage (Section 1.02 and Exhibit A-1), and their compliance with environmental regulations for areas at the Corporation Yard (Section 8.01).
7. Update Advertising and Promotion materials restrictions (Section 9).
8. Update Exhibits A, B and D. Eliminates Exhibits E-K.

ALTERNATIVES CONSIDERED:

City Council could choose to not approve the proposed Restated Agreement or approve some or none of the proposed amendments.

FISCAL REVIEW:

The current Agreement requires MVP to pay to the City a percentage of gross receipts that MVP receives from greens fees, driving range, cart rental, sale of clothing, food, beverages, and the rental of banquet and meeting rooms, or a flat minimum monthly rate whichever is greater. The percentage of gross receipts varies from 6 percent to 35 percent depending on the revenue type, and the monthly minimum rent is increased every two years. The City receives approximately \$2.2 million annually from the golf course operations, and an additional \$225,000 received for the Golf Course Capital Improvement Fund.

The proposed Restated Agreement will maintain the existing percentage of gross receipts, but the proposed split of the Capital Improvement allocation could result in additional revenue to the City of \$112,500 annually.

In addition, if the proposed Restated Agreement is approved, the City would receive a one-time payment of one-half of the existing balance in the Golf Course Capital Improvement Fund after payment of capital improvement projects currently in progress (approximately \$190,000).

LEGAL REVIEW:

Legal has reviewed the document and approved it as to form.

CONCLUSION:

The City and MVP have maintained a successful partnership in the operation of the Costa Mesa Golf and Country Club. MVP has made significant improvements to the facility thus enhancing the golf experience for the community and the value of the facility for the City while maintaining fees at a comparable rate with similar golf courses in Orange County.

MVP desires to extend the Agreement for an additional ten (10) years to 2029 and to direct fifty (50) percent of greens fee revenue annually to the City for general use purposes, and to split the remaining balance in the Golf Course Improvement Fund after payment of costs for capital improvement projects currently in progress. In addition, City staff felt the current Agreement language was outdated and the previous six addendums should be incorporated into the main Agreement document.

JANA M. RANSOM
Recreation Manager

STEPHEN N. MANDOKI
Director of Administrative Services

MARC R. PUCKETT
Director of Finance

DISTRIBUTION: City Manager
City Attorney
Finance Director
Administrative Services Director
City Clerk
Recreation Manager
Recreation Supervisors
Staff

ATTACHMENTS: 1 [Proposed Restated Agreement](#)
2 [Original Agreement](#)
3 [Addendums to Current Agreement](#)
4 [Exhibits A-K for Current Agreement](#)
5 [Letter from Mesa Verde Partners](#)