



**Council
Communication**
Office of the City Manager

Date

July 10, 2006

Agenda Item No. 70

Roll Call No. 06-

Communication No. 06-443

**Submitted by: Donald M. Tripp, Park and
Recreation Director**

AGENDA HEADING:

Public Hearing on agreement with C Corporation (Jeff Chiodo, President) for the A. H. Blank Golf Course Clubhouse Management from July 1, 2006 through January 15, 2019.

SYNOPSIS:

Recommend approval of a revision to the A.H. Blank Golf Course and Clubhouse Management Agreement by and between the City of Des Moines and C-Corporation, Jeff Chiodo, President. This action revises the terms of and extends the current contract for ten years and allows the Contractor to construct capital improvements regarding parking lot resurfacing, clubhouse expansion and miniature golf course development subject to appropriate City approvals and permits. Because the current contractor has 3 ½ years left on the existing contract, this agreement could not be competitively bid. Therefore, staff also recommends an exception to the procurement ordinance competitive procurement process for good cause, as allowed by Sec. 2-710 of the Municipal Code.

FISCAL IMPACT:

Amount: \$100,000 guaranteed annual payment to the City through the term of the Agreement. In addition, beginning in 2010, the Contractor will pay the City 10% of all gross revenues over \$1,000,000. The Contractor will also pay the City fair market value for all equipment retained by the Contractor which is estimated at \$54,640. Twenty-five percent (\$13,660) will be paid within sixty (60) days of the execution of the agreement and the remaining balance (\$40,980) shall be paid in two equal installments within the first two (2) years of the Agreement. Furthermore, the City and Contractor agree that the City or Contractor will buy out the other party for the existing Uplink GPS system at the end of the 2006 golf season. Should the City acquire said system, the outstanding balance due is estimated at \$60,000 and would be used at Waveland Golf Course. An additional expense estimated at \$20,000 for golf car brackets, satellite positioning and graphics would be incurred to move this system to Waveland Golf Course.

Additional terms within the Agreement provide for the City to invest \$50,000 in 2006 and 2010 of the agreement for capital improvements, clubhouse expansion and a new miniature golf course, while placing the management and costs for said improvements on the Contractor, thereby fixing the City's costs. Since the first year of the Agreement is for six (6) months, staff is recommending that the Contractor be provided consideration for the first \$50,000 in 2006 by not paying the annual payment. Additionally, a \$50,000 credit would be provided in 2010 with the understanding that the Contractor

shall make a capital investment of at least this amount within the first five (5) years of this Agreement. Under the terms and conditions of the Agreement, the contractor shall be responsible for all capital improvement expenses, except for the City's \$50,000 contributions in 2006 and 2010.

Funding Source: Park and Recreation Department – Golf Enterprise Fund (A.H. Blank Golf Course) EN201 PKS010701, page 219 (FY07 Operating Budget).

ADDITIONAL INFORMATION:

During the FY 2007 budget workshops, the Des Moines City Council directed staff to evaluate the overall golf enterprise operations with specific direction to maintain the golf course operations as an enterprise fund. The results of previous City Council action included the contracting of labor at Grandview and Waveland golf courses. Staff was also directed to negotiate a new agreement with C-Corporation to secure a fixed income to the City and fix expenses related to the operation of A.H. Blank Golf Course.

Under the previous Management Agreement with C-Corporation, the City reimbursed the Contractor for all labor; commodities and supplies related to the golf course maintenance operation and received 100% of green fee income, 16% of cart rental, 12% of food and beverage and 3% of Pro Shop sales. The historical results of this previous arrangement usually resulted in expenses exceeding revenues at Blank Golf Course.

Based on the terms and conditions set forth in the Blank Golf Course Management Agreement, the City Manager is recommending the waiver of the Procurement Ordinance requirements due to 3 ½ years remaining on the current contract, the results of previous bids for this type of management contract arrangement, and taking into account the satisfactory performance of the Contractor to date. This action eliminates City operating expenses and ensures an annual revenue to the City in the minimum amount of \$100,000 with the potential to gain ten percent of all growth in future revenues beginning in year four (4) of this Agreement. Additionally, all capital expenses, except \$100,000, become the responsibility of the contractor.

Over the past several months, City staff has negotiated a Management Agreement with C-corporation with the following terms and conditions:

- Term: 13.5 years, effective July 1, 2006 through January 15, 2019 (3.5 years remain in the existing Management Agreement), with four 4-year automatic renewal options subject to mutual agreement of both parties, with 12 month prior notification should either party not wish to renew;
- Contractor to pay all expenses and provide all insurance coverage protecting the City;
- Contractor to collect and retain all revenues;
- Contractor to pay the City \$100,000 annually plus beginning in year four (4) and each year thereafter ten percent of the gross revenue that exceeds the FY2005 baseline of \$1,000,000. Staff estimates that the overall net profits will be approximately 20 percent, thereby providing the City with 50 percent of the increase in net profits;
- Contractor to make all capital improvements with consideration from the City of \$50,000 in payment waivers to the Contractor in year one (1) and in year five (5) of the Agreement with a requirement to spend at least this amount on capital improvements within the first five (5) years of the Agreement. Contractor has indicated a desire to resurface the parking lot, expand the clubhouse (restroom and banquet expansion/remodel) with underground cart storage and construct a miniature golf course;
- Contractor to purchase desired equipment from the City at fair market value, estimated at \$54,640;

- Contractor and City to determine ownership of the Uplink GPS system for the outstanding loan balance at the end of the 2006 golf season (70% City/30% Contractor), City's estimated cost is \$60,000. If acquired by the City, this system will be installed at Waveland Golf Course prior to the 2007 golf season. If the City acquires this system, it is estimated that an additional \$20,000 in expenses will be incurred for the cart racks, graphics and satellite positioning of the holes needed to convert from Blank to Waveland;
- The Uplink GPS system is being financed under an arrangement of shared ownership by the Contractor and City (70% City/30% Contractor). The Contractor and City will determine if the Contractor will maintain the system at Blank Golf or if the City will acquire the system to install at Waveland Golf Course for the 2007 golf season. If the City acquires this system, it is estimated that an additional \$20,000 in expenses will be incurred for the cart racks, graphics, and satellite positioning of the holes needed to convert from Blank to Waveland;
- Contactor has agreed to performance-based evaluations in addition to termination due to default by the Contractor. The intent of this provision is to maximize revenues to the City based on financial performance from rounds, carts, food and beverage, course conditions, etc. subject to comparisons from area metropolitan public golf course operations. Should the City determine the Contractor is in default for any of the above reasons, this provision will be subject to mediation. Both parties will share the cost of mediation equally if this provision is enacted.
- The greens fees, badges, cart rental fees, private cart fees, trail fees and related charges must be approved by the City and will be in line with the fees at Waveland and Grandview. C Corporation has the right to reduce prices for golf outings. Food and beverage and pro shop item fees are set by C Corporation.
- The agreement requires C Corporation to obtain the City's prior written consent to an assignment of the agreement.

PREVIOUS COUNCIL ACTION(S):

Date: June 19, 2006

Roll Call Number: 06-1239

Action: Hearing on agreement with C Corporation, (Jeff Chiodo, President) for the A.H. Blank Golf Course and Clubhouse Management from July 1, 2006 through January 15, 2019. ([Council Communication No. 06-394](#)) Moved by Kiernan to continue to the July 10, 2006 Council meeting at 5:00 P.M. Motion Carried 4-2-1. Nays: Brooks and Coleman. Pass: Vlassis.

Date: June 5, 2006

Roll Call Number: 06-1099

Action: Approved setting the date of public hearing for the agreement with C Corporation for operation and maintenance of A.H. Blank Golf Course from July 1, 2006 through January 15, 2019, (6-19-06). Moved by Kiernan to adopt. Motion Carried 6-1.

Date: November 8, 2004

Roll Call Number: 04-2403

Action: Golf Course Management Renewal Agreements with Ned Chiodo dba Southern Golf for A.H. Blank Golf Course and Robert Vanscoy for Grandview and Waveland Golf Courses. ([Council Communication No. 04-579](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

City Council approval of any capital improvements related to this agreement at A.H. Blank Golf Course.