



DATE: November 1, 2016

CATEGORY: Consent

DEPT.: Community Services

TITLE: **Extension of Management Services Agreement with Touchstone Golf, LLC, for Management and Operations of Shoreline Golf Links**

RECOMMENDATION

1. Authorize the City Manager to execute the five (5) year extension to the Management Services Agreement with Touchstone Golf, LLC, to operate and manage Shoreline Golf Links from January 1, 2017 through December 31, 2021.
2. Authorize the City Manager to execute amendments or modifications to the Agreement: (i) if the financial annual impact resulting therefrom does not exceed One Hundred Thousand Dollars (\$100,000); or (ii) if the amendments or modifications are nonmonetary in nature and, in the City Manager's sole discretion, nonmaterial in light of the Agreement.

BACKGROUND

On September 27, 2011, Council authorized the City Manager to enter into a management services agreement with Touchstone Golf, LLC (Touchstone), for the management and operation of Shoreline Golf Links (SGL or the Course) for a term of five years with an option to renew for an additional term of five years at the sole discretion of the City (Attachment 1). The initial five-year period ends December 31, 2016. Touchstone has requested (Attachment 2) and staff recommends exercising the option to renew for an additional five years, beginning January 1, 2017 and concluding December 31, 2021.

Shoreline Golf Links opened to the public in 1983 and was leased to private operators between 1983 and 1995. In December 1995, the City of Mountain View assumed operations of the Course. At that time, revenues exceeded expenditures and it was anticipated SGL would be able to provide a reasonable annual financial contribution to the General Operating Fund (GOF) to support other recreation programs. By Fiscal Year 2006-07, due to the increased supply of and competition from other golf courses, SGL was operating at a deficit. It was no longer able to contribute to the GOF and was

drawing down on reserves to meet its financial obligations. This situation was exacerbated with the Great Recession. Therefore, the City reviewed alternatives to operating the Course and in 2011 issued a Request for Proposals (RFP) to manage and operate the Course.

ANALYSIS

Since January 2012, Touchstone has managed and operated SGL, attempting to meet the cost recovery goal originally proposed to the City (\$2.5 million in net revenue over expenditures over the duration of the Agreement). They have worked toward this goal by reducing costs, restructuring programs, and attracting new partnerships and demonstrations with other golf organizations. Although Touchstone has not reached the proposed level of revenues over expenditures, it has improved playability of the Course while achieving a net allocation to the City of approximately \$330,000 over the last four fiscal years (Attachment 3). Because the contract began in the middle of Fiscal Year 2011-12 and ends in the middle of the current fiscal year, the total of \$330,000 represents the transfer to the General Fund over the four (4) full fiscal years of the contract. Although lower than originally proposed, this net contribution compares favorably to the \$6.3 million operating deficit that had been projected prior to Touchstone assuming management of the Course. Touchstone achieved this net allocation to the City while experiencing severe weather conditions such as the multi-year drought which raised maintenance costs at the Course, followed by a year of "El Niño" weather, which reduced revenue by raining out and reducing the number of rounds that could be played.

Touchstone has been successful in implementing a variety of the City's and community's goals to improve the course and continues to manage the capital improvement projects at the Course. A list of significant projects can be found in Attachment 4.

The annual management fee for the first five years of the Agreement is \$8,500 per month. Currently, the Agreement includes an increase in the monthly management fee to \$9,000 per month if the Agreement is extended. Staff is proposing to add a performance-based component such that the monthly management fee would increase to \$9,000 per month only if Touchstone achieves a newly established annual Net Allocation Goal for Revenues and Sources over Expenditures and Uses that is transferred to the City's General Operating Fund at the end of the fiscal year.

The Net Allocation Goal of \$150,000 for Fiscal Year 2016-17 has been established through discussion between City staff and Touchstone and adopted as part of the City's

budget. Future Net Allocation Goals will be established through the annual budget process and in agreement with Touchstone. If the Net Allocation Goal for the prior fiscal year is not achieved, then the monthly management fee shall remain at \$8,500. If Touchstone achieves the Net Allocation Goal for a fiscal year, the increased management fee of \$9,000 per month will be applied the following fiscal year, resulting in an annual increase of Six Thousand Dollars (\$6,000) to the Management Fee. Other performance incentives remain in the Agreement.

FISCAL IMPACT

Before entering into the Management Services Agreement with Touchstone, the City projected an operating deficit of \$6.3 million over a five (5) year period based on the then current operating model. Instead, Touchstone has been able to provide approximately \$330,000 in net revenues to the City over a four (4) fiscal year period (Attachment 3). The Net Allocation Goal adopted in the General Operating Fund for Fiscal Year 2016-17 is \$150,000. By exercising the extension with Touchstone, based on a similar Net Allocation Goal, the City is projected to receive a total of \$750,000 over the next five (5) years.

ALTERNATIVES

Issue an RFP for a Management Services Agreement for management and operations of Shoreline Golf Links, which would require a contract extension with Touchstone during the RFP process.

PUBLIC NOTICING – Agenda posting

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- Attachments:
1. [September 27, 2011 Council Report](#)
 2. Touchstone Golf, LLC, Request for Extension
 3. Detail of Net Operating Revenues and Expenditures, FY 2013-16
 4. Significant Capital Improvement Projects at Shoreline Golf Links