



JUNIPER GOLF COMMISSION MEETING MINUTES

Date and Time: 27 January 2011; 12:00 pm

Location: Redmond City Hall Conference Room

Commission Members Present: John Brenton; Pam Garney; Paul Klotz; Don Noldge; Bill Saling; Ed Boero, Council Liaison

City Staff Present: Chris Doty, Director of Public Works; Summer Sears, Controller; Jason Neff, Finance/Budget Manager; Susan Bailey, Public Works Administration

Media/Others Present: Margie Dawson, Redmond City Council

CALL TO ORDER / INTRODUCTIONS

Chris Doty welcomed the Commission members and thanked them for their participation. Commission members and staff introduced themselves and provided a brief history of their involvement with the Juniper Golf Course.

DISCUSSION / ACTION ITEMS

Review Recent History

Doty reviewed the history of the golf course from its opening in the summer of 2005 to the current transition to CourseCo as operator. Doty discussed the City's issuance of \$6.7 million in tax free municipal bonds for the construction of the course and noted the development of the Public Building Corporation (PBC) for oversight. Doty stated in the fall of 2009, Juniper Golf Club advised the City that they may not be able to make the FY 09/10 debt service payment. In January 2010, the National Golf Foundation, Inc., (NGF) at the request of the City, completed an evaluation of the course operations, and in April 2010, an ad hoc committee was formed which recommended an RFP (Request for Proposal) for new management services and the establishment of a new commission to replace the PBC. Doty reported that in June 2010, the "PBC Plus" was formed and work began on the RFP. Doty indicated that the process was initiated to remove the PBC from Juniper obligations and for the City to obtain the land owned by the PBC through a BLM patent. Doty reported that on June 30, 2010, the close of the City's budget cycle, the City expended \$447,625 of General Fund resources to pay Juniper vendors, IRS tax liabilities and debt service. In August 2010, the PBC voted to issue an RFP for the operations and management of the course; 8 proposals were received and a sub-committee was formed to review the proposals and conduct interviews. Doty stated in December 2010, the PBC committee voted to replace Juniper Golf Club, Inc. with CourseCo, Inc. The Juniper Golf Commission was established on December 7, 2010, and negotiations began with CourseCo. The City Council approved the CourseCo contract on January 11, 2011, and CourseCo is to begin operations on February 1, 2011.

Doty reviewed the key findings from the NGF report that included conflict of interest, lack of profit motive, and lack of a revenue-producing role such as Director of Sales/Marketing. Doty reported that the NGF recommended a new operating structure through an operating lease or incentive-based management contract, however due to the tax municipal bonds, leasing was not an option. Doty stated that the NGF study did note the dedicated staff and excellent condition of the course.

Doty reviewed the owner/manager relationship citing that a professional management company fulfills the role of asset manager and works within budget parameters.

Review Ordinance and City Code

Doty provided an overview of City Ordinance 2010-12 which establishes the Juniper Golf Commission and identifies the primary duties and relationship to the City Council.

Discussion of City Council Direction

Doty reported that the direction from the City Council is for the Commission to ensure maintenance of the asset and maximize fiscal performance relating to payment of the debt service. Councilor Boero noted a third item which would be to ensure that as a municipal course, Juniper needs to be affordable and available to the members of the community. Boero stated he would like to see local vendors and resources utilized when feasible and that the course could become a huge draw to the City that would drive tourism. Boero stated that the Council understands it will take time to turn around the current financial position; however, the Council will want to see progress.

Review CourseCo Management Agreement

Doty gave an overview of the management agreement with CourseCo and noted that the 47-page, 5-year agreement defines the relationship between the City and CourseCo. The agreement has a provision to extend beyond five years but no requirement or triggers for extension. Doty stated the annual management fee is \$95K to \$122K over the five-year period. Doty stated the incentive management fee is 15% of revenue over \$2.4M (at or approaching full debt service payment) and 25% of revenue over \$2.8M; the total incentive management fee is capped at an amount equal to the annual management fee, per IRS rules, and that these are realistic numbers that ensure payment of debt service. John Brenton inquired about the average revenue; Doty noted average revenue of \$2.4- \$2.7M, with a starting projection of \$1.9M.

Doty discussed the termination and default provisions in the CourseCo contract which state termination for unsatisfactory performance after 3 years; termination without cause after 3 years; termination for direct cost overruns (10% or greater), except in the event of increased use, events out of control, or if written notice is provided. There is also an operator's default provision which includes violation of any provision more than 10 times, failure to cure within time prescribed, or other provision in Section 10.01 of the contract which identifies cost of goods sold benchmarks for the pro shop and food/beverage.

Klotz asked how the Commission will interact with CourseCo specific to roles and responsibilities. Doty noted that the City will address budget items and operational items such as fees would be determined by the Commission. Saling asked about ownership of the golf carts and Doty noted that they are leased and that CourseCo will address this issue.

Preliminary Budget Discussion

Doty reviewed the 2010-2011 Budget Summary of Operations and stated that the budget will be the focus of the next meeting. Boero noted the action of Council to fund this budget. Doty noted that budget law required this fund to be in place and that the course will need operating capital to start operations with approximately \$95,000 for working capital and \$50,000 for fees. Jason Neff noted that the total budget amount is \$460,000.

Saling asked if CourseCo was responsible for marketing and Doty indicated that they will produce a plan and will go through a budget process to insure funds are available for marketing activities.

Review Transition Issues / Public Building Corporation to City of Redmond/Juniper Golf Club to CourseCo Inc.

Summer Sears provided an overview of the transition from the PBC to the City. She noted that CourseCo will do an inventory on their first day including furniture, fixtures, food/beverage, pro shop and maintenance equipment, and that this will be their starting point. Sears stated that the transition is going very smoothly. Sears stated that the PBC and the Juniper Golf Club are legal entities and will need to determine future roles and that the primary function of PBC has been the golf course, however they do have other responsibilities. Sears stated that the City is preparing to support a PBC audit at the end of the budget cycle. Doty noted that the PBC could be dissolved and brought back for other projects; they will no longer be related to anything at the golf course.

Boero asked about current vendor contracts and the transitional process for contracts; Doty noted he believes that CourseCo will keep those contracts in place. Boero noted the need to use local vendors when it makes financial sense. Klotz clarified that Juniper is a public course and that "members" are people that have bought an annual pass. Garney reported that there is a \$70K reserve that the membership has set aside and that there is a tournament fund and junior fund.

Determine future meeting dates

Future meetings will be held at the Juniper Golf Course. Doty reported that CourseCo is interviewing general managers and that a "meet and greet" will be scheduled in February to meet the new manager. CourseCo will be preparing a budget that Commission will review in early March.

Election of Chair and Vice-Chair

Commission positions for Chair and Vice-chair will be determined at the next meeting.

COMMENTS

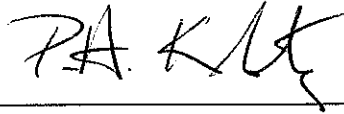
There were no public comments or additional comments from Commissioners or staff.

ADJOURN

There was no further business. The meeting was adjourned.

Next Meeting: The next meeting will be a budget meeting proposed for March 4th at noon at the Juniper Golf Course. The next regular Commission meeting is proposed for March 11th at noon at the Juniper Golf Course.

APPROVED by the Juniper Golf Commission and SIGNED by the Chairperson this 28th day of APRIL, 2011.



Chairperson