

RESOLUTION NO. 2011-596

Adopted by the Sacramento City Council

October 25, 2011

AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH MORTON GOLF LLC TO MANAGE AND OPERATE ALL ASPECTS OF THE HAGGIN OAKS, BING MALONEY, AND BARTLEY CAVANAUGH GOLF COURSES

BACKGROUND

- A. In June 1999, through Resolution 99-320, Council approved collection of an irrigation surcharge of \$0.50 for all 9-hole, and \$1.00 for all 18-hole, rounds of golf played at Haggin Oaks, Bing Maloney, and Bartley Cavanaugh golf courses (the "Golf Courses"), through June 30, 2005, to finance irrigation replacements and upgrades on the courses.
- B. In January 2001, through Resolution 2001-054, Council approved a bundled-fees structure at Alister MacKenzie Golf Course at Haggin Oaks ("Alister MacKenzie") and extended the irrigation surcharge until such time that all necessary irrigation work was completed and the associated debt retired.
- C. In July 2001, Council approved a ten-year agreement with Kathken Corp. to manage the Golf Courses, excluding maintenance and upkeep of the courses and the golf-marshal program, both of which remained the City's responsibility. In January 2002, Kathken Corp. assigned the agreement to Morton Golf, LLC ("Morton"). In April 2009, Morton exercised the first of three options to renew the agreement. The renewal term runs from October 1, 2011, through September 30, 2016.
- D. The City now desires to have a third party manage the maintenance and upkeep of the Golf Courses and the golf-marshal program, such that all Golf Course operations will be handled by a third party.
- E. Partnering with Morton to manage the maintenance and upkeep of the Golf Courses is in the best interest of the City in light of the City's current contractual relationship with Morton Golf to handle all other golf course operations. The term of this agreement runs through September 30, 2016. Relying on one vendor, instead of two, to manage all aspects of running the Golf Courses will create operational efficiencies, ensure accountability for delivery of a high-quality service, and ease the City's contract administration. In addition, Morton has already helped the City provide a high-quality golfing experience for the public.
- F. Under the proposed agreement with Morton (attached as Exhibit A), the irrigation surcharge and bundled-fees structure at Alister MacKenzie are no longer needed.
- G. Funds from Capital Improvement Project M17400000 (Golf Course Maintenance) will be used to connect the Haggin Oaks and Bartley Cavanaugh golf courses to domestic

water lines ("Water Connection Projects"). Following completion or cancellation of the Water Connection Projects, transferring the remaining balance of M17400000, less \$60,000, to Morton Golf LLC to deposit into specific accounts designated in the proposed agreement, to be used in accordance with the agreement, will provide an initial funding source for various capital improvements and repairs to the Golf Courses.

- H. Withdrawing \$134,847 from M17400200 (Golf Irrigation System) and transferring that sum to Morton Golf, LLC to deposit into Special Fund 5 (Irrigation Fund), identified in the proposed agreement, will provide an initial funding source for irrigation replacement projects.
- I. Reserving \$150,000 of the cash balance available in the Golf Fund (Fund 2603) will allow the City to make up any shortfall in rent in the event Morton's percentage rent is less than minimum annual rent during any of the first three years of the contract, not to exceed 50,000 per year.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. (a) It is in the best interest of the City to enter into the agreement attached as Exhibit A ("Agreement") with Morton Golf, LLC without bidding; and (b) the City Manager is authorized to execute the Agreement.
- Section 2. Resolutions 99-320 and 2001-054, relating to the irrigation surcharge at the three golf facilities and bundled-fees structure at Alister MacKenzie, are repealed as of January 1, 2012.
- Section 3. Following completion or cancellation of the Water Connection Projects, the deposit of the remaining balance of M17400000, less \$60,000, into Special Fund 2 (Building Repairs and Minor Upgrades Fund) and Special Fund 3 (Capital Improvement and Major Maintenance Fund for Buildings and Support Facilities) in accordance with the Agreement is approved.
- Section 4. The withdrawal of \$134,847 from M17400200 (Golf Irrigation System Replacement) and deposit into Special Fund 5 (Irrigation Fund) in accordance with the Agreement is approved.
- Section 5. The transfer of title from the City to Morton Golf, LLC of that equipment specified in Exhibit C of the Agreement is approved.
- Section 6. Suspension of interest accrual on the Golf Fund (Fund 2603) operating loan from the Risk Management Fund, effective July 1, 2011, with repayment of loan beginning in 2021 is approved.
- Section 7. Commitment of \$150,000 of the cash balance available in the Golf Fund (Fund 2603) is approved, to be used in the event Morton's Percentage Payments, as

defined in the Agreement, are less than minimum annual rent in any of the first three years of the contract, not to exceed \$50,000 per year, is approved.

Section 8. Exhibit A is a part of this Resolution.

Table of Contents:

| | |
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| Exhibit A | Agreement with Morton Golf, LLC for the Lease and Operation of Haggin Oaks, Maloney, and Bartley Cavanaugh Golf Courses |
| Exhibit B | Transfer of Capital Improvement Funds to Morton Golf |

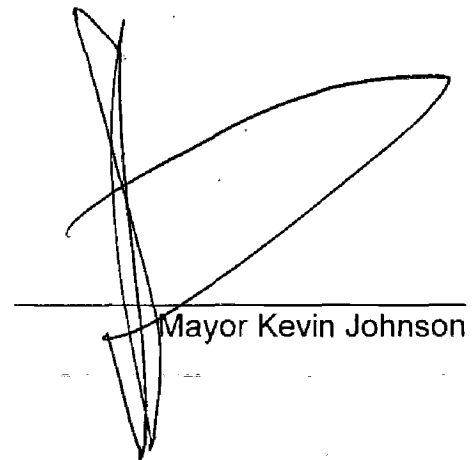
Adopted by the City of Sacramento City Council on October 25, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Schenirer, and Mayor Johnson.

Noes: Councilmembers Pannell and Sheedy.

Abstain: None.

Absent: None.



Mayor Kevin Johnson

Attest:


Shirley Concolino, City Clerk

Exhibit B

Transfer of Funds To Morton Golf

| City CIP | Description | Amount | Morton Golf Special Fund | Description |
|-----------|------------------------------------|--|--------------------------|---|
| M17400000 | Golf Course Maintenance | Balance upon completion of Water Connection Projects, less \$60,000, deposited equally between Special Funds #2 and #3 | #2 | Building Repairs and Minor Upgrades |
| M17400000 | Golf Course Maintenance | Balance upon completion of Water Connection Projects, less \$60,000, deposited equally between Special Funds #2 and #3 | #3 | Capital Improvement Fund for Buildings and Support Facilities |
| M17400200 | Golf Irrigation System Replacement | \$134,847 | #5 | Irrigation |