

STAFF REPORT**CITY OF OCEANSIDE**

DATE: May 3, 2006

TO: Honorable Mayor and City Councilmembers

FROM: Public Works Department

SUBJECT: **APPROVAL OF A BUDGET APPROPRIATION IN THE AMOUNT OF \$25,000 FROM THE GENERAL FUND UNALLOCATED FUND BALANCE TO THE OCEANSIDE MUNICIPAL GOLF COURSE OPERATING AGREEMENT STUDY PROJECT ACCOUNT**

SYNOPSIS

Staff recommends that the City Council approve a budget appropriation in the amount of \$25,000 from the General Fund Unallocated Fund Balance to the Oceanside Municipal Golf Course Operating Agreement Study project account for a study to evaluate the options for future operation and management of the course in anticipation of the June 2007 expiration of the lease with American Golf.

BACKGROUND

The Oceanside Municipal Golf Course has been operated and maintained by the American Golf Corporation (AGC) since the signing of the original lease agreement on June 23, 1982. The term of the original lease agreement was for 3 years beginning on July 1, 1982, and ending on June 30, 1985. Renewal options set forth in the original lease agreement allowed for two additional five-year terms and one additional seven-year term. These renewal options allowed AGC to operate the course until June 30, 2002.

On February 3, 1993, a second amendment was made to the original lease agreement which established one additional five-year term from July 1, 2002, through June 30, 2007. Since 1982 a total of four amendments have been made to the original lease agreement. These amendments have accomplished a number of items from lease term extensions, capital improvements, rate increases, and establishment of the Golf CIP Fund.

ANALYSIS

The Oceanside Municipal Golf Course is currently operating under the last five-year term which ends on June 30, 2007. During this last term of the lease agreement staff is recommending that a study be conducted to evaluate the options for the future operation and management of the Oceanside Municipal Golf Course.

The study will include and evaluate the following basic operating options, for the City relative to the golf course:

1. Long Term Lease Agreement
2. Management Agreement

To provide detailed information of the basic operating options a market evaluation will be conducted. The market evaluation will include inspection of the golf course, review of background information and planning materials, overview of the San Diego County golf market, review of performance of selected courses, assessment of future market conditions, analysis of historical and current performance, comparison of performance with similar facilities, assessment of potential impact of proposed capital improvement program and interviews with community stakeholders (Golf Committee, Men's and Women's Clubs' representatives).

In conjunction with the market evaluation, the operating options will be evaluated and provided within the study. The operating options will include identifying the strengths and weaknesses of the two basic options. The study will also include details of selected lease agreements, management agreements, and trends and conditions affecting future agreements for California public courses. A revenue and expense projection evaluation for course operations under alternative operating scenarios will be provided as well as an analysis of the financial impact of each operating option, operator returns for the options, and performance projections for the City and operator. In addition, there will be an assessment of AGC's ability to operate the facility and a recommendation whether to negotiate a new agreement with AGC or solicit a new operator.

Staff anticipates the study will take approximately three months to complete, which would include the input from the Golf Committee and the Men's and Women's Clubs. At the time of completion staff would present the study with the recommendations for City Council consideration and direction to staff.

FISCAL IMPACT

The estimated cost to conduct the study is \$25,000. Sufficient funds are available in the General Fund Unallocated Fund Balance. As of April 19, 2006, the remaining balance in the General Fund Unallocated Fund Balance is \$2,536,048.

COMMISSION OR COMMITTEE REPORT

Does not apply.

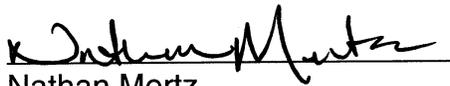
CITY ATTORNEY'S ANALYSIS

City Attorney analysis does not apply.

RECOMMENDATION

Staff recommends that the City Council approve a budget appropriation in the amount of \$25,000 from the General Fund Unallocated Fund Balance to the Oceanside Municipal Golf Course Operating Agreement Study project account for a study to evaluate the options for future operation and management of the course in anticipation of the June 2007 expiration of the lease with American Golf.

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