March 27, 2018

Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: AUTHORIZE PRESIDENT TO EXECUTE A MANAGEMENT AGREEMENT WITH TOUCHSTONE GOLF, LLC FOR INTERIM MANAGEMENT AND OPERATION OF THE SAN GERONIMO GOLF COURSE

Dear Board Members:

RECOMMENDATIONS:

1. Authorize the President to execute a two-year agreement with Touchstone Golf, LLC, a Delaware Limited Liability Company, for interim management and operations of the San Geronimo Golf Course.

2. Authorize the County Administrators' Office and the Department of Finance to make budget adjustments as outlined in the staff report.

SUMMARY:

On November 14, 2017, your Board authorized the President to execute a purchase and sale agreement with the Trust for Public Land for the San Geronimo Golf Course property. On December 12, 2017 your Board held a public hearing and adopted a resolution confirming the County's agreement with the Trust for Public Land to purchase the property.

At the request of your Board, in early January, Parks staff released a Request for Proposals ("RFP") to solicit an entity for interim management of golf and clubhouse operations for a two-year period. Included in the RFP was a maximum County expense of $140,000 annually. This amount is equal to the annual amount required by County Parks to maintain the land and facilities while the County goes through a community engagement and planning process, which has been estimated to take up to two years. Proposals were received, from which three potential operators were selected for interviews. Following that process, one operator, Touchstone Golf, LLC ("Touchstone") was chosen to move forward to negotiate a potential agreement.

Touchstone, founded in 2005, is the tenth largest American-based golf course management company. With direct ties to the Bay Area, the company has 35 courses under its management, including 11 that are owned by municipal governments. Presidio Golf Course in San Francisco, Franklin Canyon Golf Course in Hercules, Lake Chabot Golf Course in Oakland, and Redwood Canyon Golf Course in Castro Valley are among the Bay Area courses under Touchstone
management. In December 2017, the city of Vallejo entered into a contract with Touchstone to manage Blue Rock Springs Golf Course.

RECOMMENDED AGREEMENT:

Staff from Parks, County Counsel, and the County Administrator's office negotiated the proposed agreement, which calls for Touchstone to provide interim management of the golf course, start up the food, beverage and catering operations upon transfer of the prior operator's liquor license, market the golf course for tournaments and the facilities for banquets, and other social functions. The initial term is for two years, with the County having the ability to terminate upon sixty-days prior notice. The County can choose to extend the term for an additional two, one-year options.

Touchstone will receive an administrative management fee of $6,000 per month which includes the accounting, financial reporting, and human resources functions. This fee is comparable to other municipal agreements they have entered into for similar course operations. The County will set aside a capital fund of $60,000 from the first-year annual offset for potential equipment and supplies needed, or for deferred maintenance. County staff will review and authorize these funds to be expended. This is analogous to the process the County set up with the concessionaire that is running the golf, food and beverage, and other operations at McInnis Park.

Touchstone toured the course with staff on March 13, 2018, and indicated the course, having been well maintained by Parks staff, is in great condition and almost ready to begin play. Because the course has been closed since December, Touchstone would like to reopen the course for golf on April 14, 2018 in order to capture the golfing season as it transitions from the winter, and begin to book tournaments and other events over the Spring, and throughout the rest of the year.

To protect the County from losses of more than the two-year total of $280,000, the agreement requires Touchstone to terminate the operations if the cumulative net loss from the operations were to reach $180,000 at any month end closing period during the duration of the agreement. These amounts were determined such that with the two-month notice requirement, and costs to close the operations, the net amount would not exceed the $280,000 budgeted by the County over the two-year term. The County also has the unilateral right to terminate the agreement upon 60-days prior notice. In either case, closure costs would be $35,000 to close the golf course within the first two years, dropping to $20,000 after two years. These closure fees are comparable to other municipal agreements in which Touchstone has entered into for similar services. If closure of the golf operations were to happen, County staff and Touchstone would discuss the feasibility of continuing the food and beverage portion of the operation.

Touchstone provided an initial draft annual budget based on the financial information that was turned over to County from the prior owner. Based on that draft, the County will provide working capital of $140,000 to start the operations. The final twelve-month budget they will present to staff will be based on the first two months of operating the course. As the golf course has been closed since December 2017, Touchstone will immediately begin marketing that the course will be open; how fast golfers return to start playing is critical to its financial success. The agreement provides an incentive management fee for each twelve-month year. If the facility generates a positive net operating income for that year, County shall retain 60 percent and Touchstone shall receive 40 percent.
The agreement provides that Touchstone understands that the County has entered into a lease and management agreement with The Trust for Public Land, and has granted permission to the San Geronimo Valley Community Garden to operate a community garden. In addition, the agreement provides the Director of Marin County Parks, or the County Administrator, authorization to give written permissions contemplated by the agreement, or execute amendments or modifications to the agreement upon review by County Counsel if (1) the financial annual impact resulting therefrom does not exceed $50,000; or (2) if the amendment(s) or modifications are nonmonetary in nature in the Director of Parks and/or the County Administrator’s sole discretion, and are nonmaterial in light of the agreement.

FISCAL IMPACT:
To meet the working capital and the capital improvement set-aside of the agreement, $140,000 will be transferred from Non-departmental into Parks budget for the first year of operations. Funds are available in the current year budget for this purpose. An additional $140,000 would be required and included in the FY 2018-19 budget for the second year of operations.

REVIEWED BY:

[ X ] Dept. of Finance [ ] N/A
[ X ] County Counsel [ ] N/A
[ X ] County Administrator [ ] N/A

Respectfully submitted,

Chris Chamberlain
Assistant Director