

BEFORE THE METRO CONTRACT REVIEW BOARD

FOR THE PURPOSE OF APPROVING) RESOLUTION NO. 98-2669
CONTRACT EXTENSIONS TO GLISAN)
STREET RECREATION, INC. FOR) Introduced by Mike Burton
MANAGEMENT OF GLENDOVEER GOLF) Executive Officer
COURSE)

WHEREAS, Glendoveer Golf Course was transferred to Metro Regional Services from Multnomah County in January 1994; and

WHEREAS, Glendoveer Golf Course has been managed by Glisan Street Recreation, Inc. (GSR), a private contractor, through lease and management agreements since August, 1977, which are due to expire December 31, 2002; and

WHEREAS, the management and lease agreements with GSR, Inc. were transferred with the ownership of Glendoveer Golf Course to Metro; and

WHEREAS, Metro receives 44% of gross green fees revenues, and \$12,000 annually from facilities lease revenue from the GSR agreements; and

WHEREAS, Metro collects its excise tax from the percentage of revenue received from GSR and such revenues are dedicated to Parks and Greenspaces Recreation Fund; and

WHEREAS, GSR has submitted a proposal to extend its management and lease agreements an additional ten years, to 2012, in exchange for GSR, Inc. investing One Million Dollars during a four year period for capital improvements at the golf course and \$115,000 to be used at Metro's discretion for capital improvements; and

WHEREAS, a citizen committee was formed and a consultant retained to evaluate the GSR proposal; and

WHEREAS, the citizen committee reviewed and analyzed existing GSR contracts to determine their competitiveness, evaluated the GSR proposal, and analyzed implications of the Metro excise tax; and

WHEREAS, the citizen committee decided to unanimously recommend acceptance of the GSR proposal through the Report of the Glendoveer Contract Extension Review Committee dated May 15, 1998; and

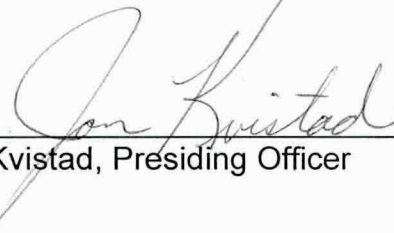
WHEREAS, the Regional Parks and Greenspaces Advisory Committee met June 3, 1998, and voted unanimously to adopt findings of the review committee and recommend the Metro Council authorize a ten year contract extension to GSR; now therefore,

BE IT RESOLVED,

That the Metro Council authorizes the Metro executive to extend the lease and management agreements with GSR, Inc. for 10 years, expiring 2012, subject to the following conditions:

- A. GSR, Inc. shall pay for and implement one million dollars in capital improvements at Glendoveer Golf Course. These capital improvements will be selected by Metro in consultation with GSR, Inc. GSR, Inc. shall complete all improvements within four years from the date this resolution is approved.
- B. All terms and conditions of the current Lease and Management Agreements shall remain in full force for the duration of the extension period except:
 - 1) Section 1.3 of the Lease Agreement and Section 22 of the Management Agreement shall be deleted.
 - 2) A provision shall be negotiated and added to both the Lease Agreement and Management Agreement which allows Metro the option to terminate the Lease and Management Agreements in the event of a substantial change in ownership of GSR, Inc. or management of the Glendoveer facilities.

ADOPTED by the Metro Council this 22ND day of OCTOBER, 1998.




Jon Kvistad, Presiding Officer

ATTEST:

Approved as to Form:



Recording Secretary



Daniel B. Cooper, General Counsel

REGIONAL FACILITIES COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 98-2669, FOR THE PURPOSE OF APPROVING CONTRACT EXTENSIONS TO GLISAN STREET RECREATION, INC., FOR MANAGEMENT OF GLENDOVEER GOLF COURSE

Date: October 13, 1998

Presented by: Councilor Monroe

Committee Recommendation: At its October 7 meeting, the Committee considered Resolution No 98-2669 and voted 2-0 to send the resolution to the Council with a do pass recommendation. Voting in favor: Councilor Monroe and Chair McFarland. Councilor McCaig was absent.

Background: Glisan Street Recreation (GSR) has operated the Glendoveer Golf Course since 1977. The company's current management current contract with Metro will expire in 2002. The company recently approached Metro with a request to extend the contract for an additional 10 years. To obtain the extension, the company offered to make \$1 million in capital improvements at the course. About 3/4 of these improvements would be completed prior to the expiration of the existing contract.

Under the terms of the existing contract, Metro receives 44% of all greens fees and a \$12,000 annual rental payment. In recent years, Metro's annual revenue from the contract has slowly increased from \$659,000 in 1992 to \$718,000 in 1996.

Committee Issues/Discussion: Charlie Ciecko, Metro Parks and Greenspaces Director, presented the staff report. Ciecko explained that following the receipt of GSR's contract extension proposal, the department established a seven-member review committee consisting of three members of the parks and greenspaces advisory committee, three users of the golf course and Jeff Stone, representing the Council. In addition, the department contracted with CPA firm (Henton and Company) to review the proposal and compare it with other public agency golf course management agreements. Henton had reviewed financial issues related to the management contract in prior years.

Ciecko indicated that, as part of the review and negotiation process, GSR agreed to provide an additional one-time payment of \$115,000 to finance a yet to be identified parks capital improvement project. The review committee prepared a report recommending extension of the contract for ten years. (The report was provided to each Councilor). The Parks and Greenspaces Advisory Committee unanimously recommended the extension.

The Executive Officer requested that the DAS review the contract, which resulting in a recommendation that several changes be made. These included elimination of GSR's first right of refusal when the contract expires and providing Metro with the ability to terminate the contract particularly if there is a change in course management or a change in GSR ownership.

Councilor Monroe inquired about what types of capital improvements would be made. Ciecko responded that the decision relating to the specific nature of the course capital improvements would

be made by Metro in consultation with GSR. While no decisions for specific improvements have been made, the changes would likely include new tees and fairway enhancements. Monroe suggested that drainage system improvements be considered.

Ciecko indicated that staff estimates that Metro's share of the course receipts could increase to \$1.25 million by the end of the contract.

Staff Report

CONSIDERATION OF RESOLUTION NO. 98-2669 FOR THE PURPOSE OF AUTHORIZING A CONTRACT EXTENSION FOR THE OPERATION AND MAINTENANCE OF GLENDOVEER GOLF COURSE

Date: September 23, 1998

Presented By:

**Charles Ciecko
Jennifer Sims**

Proposed Action

Resolution No. 98-2669 requests authorization for the Executive Officer to extend the lease and management contracts with Glisan Street Recreation Inc. (GSR) for the operation and maintenance of Glendoveer Golf Course for a period of ten (10) years commencing in 2002 and terminating 2012 under the following terms and conditions:

- a) GSR completes \$1 million in golf course improvements within four (4) years from the date the contract extensions are approved by the Metro Council.
- b) On or before July 1, 1999, GSR pays to Metro, the sum of One Hundred Fifteen Thousand Dollars (\$115,000) for a capital improvement project (that is selected by Metro) at a Metro Park or natural area.
- c) The current provision allowing GSR a first right of refusal on future contract extensions is deleted.
- d) A new provision is added which allows Metro the option of terminating the contracts in the event of change of ownership or top management of GSR.

Background and Analysis

Glisan Street Recreation, Inc. (GSR) has operated and maintained Glendoveer Golf Course under the terms and provisions of a Lease Agreement and Management Agreement since 1977. These contracts are due to expire in 2002.

In March 1997, GSR submitted a proposal wherein GSR would invest private funds in capital improvements at Glendoveer Golf Course in return for extensions of the current contracts.

In order to evaluate the GSR proposal, a review committee was established composed of three (3) representatives of the Regional Parks and Greenspaces Advisory Committee, three (3) representatives of the clientele from Glendoveer Golf Course and one (1) representative from the Presiding Officer's Office. The charges to the review committee included:

- Determine the competitiveness, relative to comparable public / private golf course operations, of the current contracts and recommend amendments.
- If the contracts are competitive, review the GSR proposal for a ten (10) year extension and prepare a recommendation for the Metro Council.
- Identify, prioritize, and recommend appropriate capital projects.
- Review and analyze the implications and potential impacts of adjusting the manner in which excise tax is currently implemented at Glendoveer facilities and recommend changes if appropriate.

The work of the committee was lead by Michael Henton of Henton & Company, Certified Public Accountants.

The committee conducted their work during the early part of 1998 and submitted their findings and recommendations in a report dated May 15, 1998. In summary, the committee found the current contracts competitive, recommended acceptance of GSR proposal (i.e. \$1 million in capital improvements at Glendoveer, \$115,000 for parks capital project) recommended that the Regional Parks & Greenspaces Department collaborate with GSR to develop the list of capital improvements and finally recommended that Metro maintain its current policy regarding the application of the excise tax at Glendoveer facilities.

On June 3, 1998, the review committee's report and recommendations were presented to the Regional Parks and Greenspaces Department Advisory Committee. The Advisory Committee accepted the review committee's report and voted unanimously to recommend that the Metro Council accept the GSR proposal.

In July 1998, Executive Officer Mike Burton requested the Administrative Services Department to independently review the work, report and recommendations of the committee and make additional findings and recommendations as necessary to protect Metro and maximize financial returns from Glendoveer operations.

In late August 1998, Administrative Services concluded its work and concurred with the committee's recommendations and added two (2) additional recommendations regarding modifications to the current contracts at the time of their extension.

Budget Impact

- Glendoveer Golf Course, a Metro Regional Parks and Greenspaces facility, will benefit from \$1 million in capital improvements with no risk or financial liability accruing to Metro.
- A Metro Park or Greenspace area will benefit from a one-time grant of \$115,000 for a capital project of Metro's selection.
- Metro's annual financial return from Glendoveer will continue to grow to an estimated \$1.25 million annually over the life of the contract extension.
- The existing "first right of refusal" provision which is currently contained in the lease and management agreements will be eliminated thereby enhancing the likelihood of competitive bidding at the expiration of the contracts with GSR.

Executive Officer's Recommendation

The Executive Officer recommends passage of Resolution No. 98-2669.