

# **REPORT TO THE CITY COUNCIL**

## ***City of Salinas, California***

DATE: May 26, 2015

FROM: Ray E. Corpuz, Jr., City Manager

BY: Jim Pia, Assistant City Manager

SUBJECT: **TWIN CREEKS GOLF COURSE AGREEMENT**

### **RECOMMENDATION:**

It is recommended that the City Council adopt the attached Resolution approving the Agreement between the City of Salinas and the Future Citizens Foundation regarding the Twin Creeks Municipal Golf Course Sublease.

### **DISCUSSION:**

#### **Background**

The Twin Creeks Golf Course was built during fiscal year 1998-1999, at a cost of \$8,221,604. The project was funded using 1999 City of Salinas Certificates of Participation (Certificates) Series A-1999, issued by the Salinas Public Financing Authority. After construction, the golf course began operations in fiscal year 1999-2000. During the four years of City operation, the course operated at a loss, requiring subsidies from the City's General Fund of nearly two million dollars. Due to this ongoing City subsidy to golf operations, and the need to significantly reduce the City's budget during fiscal year 2004-05, the City entered into exclusive negotiations in June 2004 with the Monterey Peninsula Foundation and its related foundation, the Future Citizens Foundation, doing business as The First Tee of Monterey County (TFTMC).

On August 24, 2004, the City Council authorized a sublease between the City and the Future Citizens Foundation for the Twin Creeks Golf Course; however, a change in bond financing was required for Twin Creeks. Thus, on October 12, 2004, the Council authorized the Issuance of Refunding Certificates of Participation for the 1999 bonds. On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. With the closing of that financing, the sublease agreement with TFTMC was finalized. The 2005A Certificates were issued for 24 years at 4.22%, expire on September 1, 2030, and are secured by a lien on the Twin Creeks golf course. In September 2015, the bonds may be called and refinanced without any prepayment penalty.

In recent years, the TFTMC operation has experienced significant and unsustainable golf course operating losses. Rounds of Golf have been in the low to mid 10,000's versus projections of the low 40,000's by the City at the time of the initial lease. Revenue has come in at \$225,000 to \$475,000, with annual expenditures, however, exceeding \$2 million dollars, including their lease payment to the City. As a result, and in accordance with the existing sublease agreement, they have given the City of Salinas a one year written notice that they will terminate the sublease agreement at the end of June 2015. Staff has met with representatives of the Future Citizens Foundation to review the alternatives on how best to proceed. The Future Citizens Foundation representatives have indicated that they would like to continue their worthwhile efforts with the Salinas program but would require assistance. Additionally, the City does not have resources to take back Twin Creeks.

TFTMC has requested a permanent, long-term sublease payment reduction from \$125,000 to \$60,000. After significant discussion, the most cost effective alternative, without eliminating the level of service to the thousands of youth participants, is to agree to an intermediate term sublease payment reduction. Staff believes that the best option for the City is to continue with the existing public/private partnership.

TFTMC has agreed to continue operations if this Agreement is authorized. City staff and TFTMC have tentatively agreed to this solution, which includes a payment reduction beginning in Fiscal Year 2015-16 and running for 10 years, with two 5-year options, for a total of 20 years. The Agreement also calls for the Future Citizens Foundation developing and building a Salinas Learning Center to be located at the Twin Creeks Golf Course. It is anticipated that this project will cost \$1 million dollars and bring approximately 5,000 square feet of classroom space. Following City Council approval the Ambac Assurance Corporation and the County of Monterey would also have to consent.

### **Future Citizens Foundation**

The Future Citizen's Foundation, a California non-profit organization, is a youth development organization that began program operations in November 2004. The mission is to offer young people of Monterey County opportunities for a better future. The Future Citizens Foundation operates three distinct programs in support of this mission; The TFTMC of Monterey County, the Pay It Forward Scholarship and Mentoring Program and The Nature Valley TFTMC Open at Pebble Beach.

### **About The First Tee of Monterey County (TFTMC)**

The TFTMC is an initiative of the World Golf Foundation. The focus of The TFTMC is to give young people of all backgrounds an opportunity to develop, through golf and character education, life-enhancing values such as honesty, integrity and sportsmanship. TFTMC impacts lives through its programs at their Twin Creeks campus located in Salinas, California which is leased from the city of Salinas.

As of December 2014, TFTMC had more than 5,000 active participants. TFTMC now conducts more than 90 golf and life skills classes each week and holds classes 7 days a week at the Twin Creeks campus. Due to board mandates of the Alisal Union School District and the King City Union School District, TFTMC is now part of the curriculum for 15 elementary schools. At the Salinas campus TFTMC also conducts afterschool programs that promote healthy habits (exercise and a healthy snack), homework and tutoring assistance, including STEM (science, technology, engineering & math) projects.

In April of 2013, TFTMC commenced an impact program at the King City Golf Course in King City, California and serves more than 120 children and anticipates growing that program to more than 400 children. TFTMC also conduct impact programs in Monterey, California and Seaside, California designated specifically for the children of Department of Defense active and reserve service members and Department of Defense civilians. TFTMC is exploring partnerships with other organizations to fulfill their charter of serving all of Monterey County.

### **Pay It Forward Scholarship and Mentoring Program**

On February 2, 2013, the California State University Monterey Bay through its university Corporation (UCMB) transferred to the Future Citizens Foundation (FCF) all rights, title or interest in the Pay It Forward Scholarship and Mentoring Program (PIF). This included all rights in names or styles relating to the Program, it being the intent of the parties that FCF shall own outright the interest, rights and assets belonging to the Program. Subject to termination upon the giving of one (1) year's prior written notice, UCMB agrees to continue to provide funding for administrative services for the Program, consistent with the current level of funding. This permits all funds raised by the FCF for the Program to be granted 100% to student scholarships.

Each student receives a \$20,000 Pay It Forward scholarship at \$5,000 per year for four years, paid at \$500 per month and are required to:

1. Stay on a four year graduation track.
2. Maintain at least a 2.5 grade point average.
3. Meet personally with his/her community mentor at least once a month.
4. Participate in each of ten monthly Program meetings.
5. Spend at least 5 hours each month tutoring and mentoring younger students, primarily through The TFTMC.
6. Be the first generation of their family to attend college.

To date, of the 34 students who have graduated, 14 have graduated with honors. There are currently 47 active students; 10 seniors, 9 juniors, 14 sophomores and 14 freshmen – all on track to graduate in 4 years. The Pay It Forward 4 year graduation rate exceeds 80% compared to 14.2% for the California State University System.

### **The Nature Valley TFTMC Open at Pebble Beach**

FCF hosts the Nature Valley TFTMC Open at Pebble Beach. The Nature Valley TFTMC Open at Pebble Beach is a PGA Champions Tour 54-hole golf event. The first of its kind, the Tournament features 81 Champions Tour players and 81 junior golfers (selected from chapters of The First Tee) ages 15-18. In addition to the Champions Tour players and juniors, 162 amateurs complete the field. The TFTMC is the beneficiary of the net proceeds of the Tournament.

Since the lease inception in 2004, The TFTMC program has been successfully operating the Twin Creeks Golf Course as a youth character development program. Highlights of TFTMC program in Salinas include the following:

1. More than 5,000 children in the City of Salinas are served annually.

2. Registration fees totaling more than \$450,000 have been waived, including fees for nearly 75% of participating Salinas' youth.
3. Over the last ten (10) years, the City has received regular payments from TFTMC totaling approximately \$4 million dollars.
4. Pay It Forward Scholarships: Below is the distribution of scholarships based on dollar value of the current scholarships awarded.

<u>Municipality</u>	<u>Recipients</u>	<u>Value</u>
Salinas:	41	\$ 820,000
Marina:	5	\$ 100,000
Monterey:	8	\$ 160,000
Seaside:	2	\$ 40,000
Pacific Grove:	1	\$ 20,000
King City:	1	\$ 20,000
Gonzales:	2	\$ 40,000
<u>Watsonville</u>	<u>1</u>	<u>\$ 20,000</u>
Total	61	\$1,220,000

## **ISSUE**

Shall the City Council approve the attached Resolution approving the Agreement between the City of Salinas and the Future Citizens Foundation regarding the Twin Creeks Municipal Golf Course?

## **FISCAL IMPACT**

Staff continues work to refinance the current bonds, with the anticipation of saving close to \$50,000 annually, once the refinancing is complete. The lease payment by the Future Citizens Foundation in the amount of \$60,000 will also assist the City in making the bond payment. Without City participation in this public/private partnership, the City can expect even greater costs if the Twin Creeks Course is returned to City operation and management.

## **CITY COUNCIL GOALS:**

This action is consistent with the current goals of:

- Economic Diversity and Prosperity
- Safe Livable Community
- Effective, Sustainable Government
- Excellent Infrastructure
- Quality of Life

## **CEQA CONSIDERATIONS**

The proposed project is not subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

## **CONCLUSIONS:**

Staff recommends that the City Council adopt the attached Resolution approving the Agreement between the City of Salinas and the Future Citizens Foundation regarding the Twin Creeks Municipal Golf Course Sublease.

### Distribution:

City Council  
City Manager  
City Attorney  
Department Director

### Back Up Pages:

Resolution  
Agreement

**RESOLUTION \_\_\_\_\_ (N.C.S.)**

**A RESOLUTION OF THE SALINAS CITY COUNCIL APPROVING AN AGREEMENT  
WITH FUTURE CITIZENS FOUNDATION RELATED TO THE TWIN CREEKS GOLF  
COURSE AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH**

**RECITALS**

**A.** The City of Salinas (“City”) is a California municipal corporation and charter city

**B.** Pursuant to a Sublease Agreement for operation of Youth Golf Learning Center executed by First Tee on November 5, 2004 (“Sublease Agreement”) First Tee subleases and operates the City’s Twin Creeks Municipal Golf Course (“Twin Creeks”) for a youth character development program through the operation of a youth golf facility and learning center and fee based public golf course.

**C.** Pursuant to the Sublease Agreement, First Tee agrees to provide a youth golf facility and learning center operation which compares favorably to the services, standards and practices of similar youth character development programs as set forth in the Sublease Agreement.

**D.** Pursuant to a Services Agreement entered into in 2012 (the “2012 Services Agreement”), the City and First Tee agreed to a reduced rent under the Sublease Agreement through June 30, 2015, among other things.

**E.** Pursuant to Section 15.03 of the Sublease First Tee may terminate the Sublease Agreement on twelve months prior notice (the “Termination Right”) and has given notice of such termination to be effective June 30, 2015, based on financial hardship associated with the Sublease Agreement.

**F.** The City and First Tee have discussed an adjustment in the current Sublease Agreement pursuant to which First Tee will agree to (1) construct on the Twin Creeks site the Salinas Learning Center in accordance with an approved site plan and schematics (the “Learning Center Building”), (2) rescind its current notice of termination and forego any future right to give notice of termination of the Sublease Agreement, in exchange for reduced annual payments under the Sublease and an extension of the term of the Sublease, inclusive of extensions at the option of First Tee, all as set forth in a draft Agreement Related to Twin Creeks Municipal Golf Course Sublease (2015) (the “2015 Agreement”) between the City and First Tee.

**G.** The City has previously caused to be executed and delivered its \$8,005,000 City of Salinas Refunding Certificates of Participation (Twin Creeks Golf Course) Series 2005A (the “2005 Certificates”) which have financed construction of Twin Creeks, which 2005 Certificates are insured by Ambac Assurance Corporation (“Ambac”), and the Twin Creeks site is the subject of a Ground Lease with the County of Monterey (the “County”).

**H.** The City Council wishes at this time to approve the 2015 Agreement, subject to the consent of the County and Ambac (so long as the 2005 Certificates are outstanding).

**NOW THEREFORE, BE IT RESOLVED**, that the City Council of the City of Salinas hereby finds, resolves, and determines as follows:

SECTION 1. The foregoing recitals are true and correct, and, together with the staff report, attachments, and information provided by City staff and the public, form the basis for the approvals, findings, resolutions, and determinations set forth below.

SECTION 2. The City Council hereby approves the Agreement between the City and First Tee, in substantially the form of the Agreement submitted herewith, including the various transactions and agreements contemplated therein. The City Council hereby expressly authorizes the City Manager, with the approval of the City Attorney, to make such changes, revisions, and modifications to the Agreement as they deem appropriate in furtherance of the transaction described in this Resolution. The Mayor and City Clerk are hereby authorized to execute and attest the Agreement, as so modified by the City Manager and City Attorney. The City Manager is authorized to implement the Agreements and take all further actions and execute all documents referenced therein and/or necessary and appropriate to accomplish the transaction contemplated by the Agreement. The City Manager (or his duly authorized representative) is hereby authorized to the extent necessary during the implementation of the Agreement to make technical or minor changes and interpretations thereto after execution, as necessary to properly implement the Agreement; provided, however, (a) the revised annual rent payable under the Sublease Agreement shall not be decreased below \$60,000 per annum, and (b) the extended term of the Sublease Agreement shall not be later than June 30, 2035 (including authorized options described therein). The City Manager, Mayor and City Clerk are further authorized, on behalf of the City, to sign and attest all other documents necessary or appropriate to carry out and implement the Agreement, including causing the issuance of warrants in implementation thereof, and to administer the City's obligations, responsibilities and duties to be performed under the Agreement.

SECTION 3. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 26th day of May, 2015, at a regular meeting of the City Council of the City of Salinas by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Joe Gunter, Mayor

ATTEST:

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Patricia M. Barajas, City Clerk