

Como and Phalen Golf Course Management Agreement Business Points

The City of Saint Paul Parks and Recreation Department has negotiated the following business points with Prom Management Group, Inc. for taking over golf course management responsibilities of the Como and Phalen Golf Courses beginning in 2014.

General/Background

- We're excited to have a draft agreement with a Prom Management Group, Inc. who has both significant local golf management experience, as well as an internationally known food and beverage service as part of their management team
- As part of the agreement with Prom– the City eliminates all operating liability, and after all expenses are factored in, the net benefit of the agreement will be in the range of \$400k annually
- The City's golf deficit grew to more than \$7 million this year, so getting this draft agreement in place and eliminating the operating liability at Como and Phalen were essential to maintaining the City's AAA credit rating – Note - as part of getting the AAA rating, the bond rating agencies were made aware that we had a work-out plan in process for operations at Como and Phalen Golf Course
- Operations
 - City will continue to own Como and Phalen Golf Courses
 - Prom will assume all golf course management responsibilities at Como and Phalen Golf Courses for a period of 5 years beginning in 2014.
 - Prom is required to financially and functionally manage and operate both courses, and provide the City with monthly financial performance statements and an annual financial report audited by an accountant following each year
 - Prom is required to provide all customary services that are provided by a golf professional managing a public golf course in the Twin Cities (including but not limited to; food/bev concessions, merchandise, and scheduling for general public tee times, leagues, men's and women's clubs, tournaments and private events)
 - Prom is required to use the same website and work with the City on finding a suitable POS/tee-sheet and to maintain the existing 4-course marketing benefits (season passes, loyalty program... etc)
 - Prom is required to comply with all federal and state laws relating to employment, as well as conform to any required provisions by the City of Saint Paul Administrative Code, Chapter 85
 - City will continue to operate the Ski program at Como and the cross-country grooming at Phalen during the winter
 - City will have final approval on any proposed changes to course rate structure and greens fees

- Revenue sharing
 - Prom will assume total financial responsibility for losses or gains
 - Prom is required to share 4% of gross revenues with the City from both courses
 - Total minimum annual guarantee to City from Prom (regardless of performance): \$65,000
 - Phalen: \$35,000
 - Como: \$30,000
 - City's total annual payment would increase from the minimum annual guarantee if gross revenues totaled more than \$875,000 at Phalen, and/or \$750,000 at Como, in a season
- Ordinary maintenance
 - Prom is required to maintain the clubhouses and golf course grounds to a level that meets minimum standards established by the City. These standards are comparable to those achieved at other public golf courses in the Twin Cities
 - Prom may use the current city-owned turf maintenance related equipment and furniture, fixtures and equipment (FFE) at each course
 - Prom is required to maintain, repair, and if necessary, replace (according to established standards) as needed any City-owned equipment or FFE that it uses
- Capital maintenance and investment
 - City will have final approval on any alterations or major improvement project at the courses
 - The City (acting with a vested interest due to continued course ownership), is required to contribute a capital investment of \$30,000 per course each year during the term of the agreement.
 - Prom is required to contribute a capital investment of \$10,000 per course for the first 3 years, and \$20,000 per course for the remaining 2 years.