# City of Palo Alto
## City Council Staff Report

**(ID # 5431)**

**Report Type: Consent Calendar** **Meeting Date: 2/9/2015**

**Summary Title: Golf Course Budget Amendment Ordinance**

**Title: Authorization to Operate the Golf Course from March 1, 2015 to June 30, 2015 and Adoption of a Budget Amendment Ordinance to Increase Golf Course Revenues Estimate in the Amount of $106,000, Provide Additional Appropriation of $289,424 in Budget for Expenses, and Reduce the Operating loss Reserve by $183,424**

**From: City Manager**

**Lead Department: Community Services**

**Recommendation**

Staff recommends that Council authorize staff to keep the Golf Course open from March 1, 2015 to June 30, 2015 and adopt the attached Budget Amendment Ordinance (BAO) (Attachment A) to fund Golf Course operation by amending the Community Services Department operating budget in the amount of $106,000 in revenues and $289,424 in expenses, offset with a reduction of the FY 2016 Golf Course Operating Loss Reserve in the amount of $183,424.

**Executive Summary**

On September 22, 2014, the City Council rejected all bids received on April 15, 2014 for construction of the Palo Alto Municipal Golf Course Reconfiguration Project (Project), Capital Improvement Program Project PG-13003 due to delays in securing required regulatory permits from state and federal resource agencies. In addition, Council adopted a Budget Amendment Ordinance (BAO) (Attachment B) amending the Community Services Department operating budget in the amount of $708,495 in revenues and $168,036 in expenses to fund operation of the Golf Course from September 1, 2014 to February 28, 2015 and establishing a FY 2016 Golf Course Operating Loss Reserve in the General Fund in the amount of $540,459. The FY 2016 Golf Course Operating Loss Reserve was set up to offset anticipated revenue loss during the closure of the Golf Course anticipated for

Fiscal Year 2016.

Since September 2014, staff has continued to work with the state and federal resource agencies in an effort to obtain the permits required for construction of the Project. While progress has been made with respect to permitting for the related San Francisquito Creek Joint Powers Authority's (JPA) flood protection project adjacent to the Golf Course, we have not been successful to-date in securing permits for the Project. Resource agency staff continue to focus their limited resources on permitting the JPA project and other high-priority emergency/life-safety projects. Due to staffing and workload constraints impacting the resource agencies, it is difficult to predict exactly when the permits for the Project will be issued, but staff anticipates receiving the permits in calendar year 2015.

This report recommends that Council approve a BAO to fund operation of the Golf Course from March 1, 2015 to June 30, 2015. Once regulatory permits are approved, staff will return to Council to initiate Project construction as soon as possible.

**Background**

The Golf Course design, environmental impact report (EIR), and construction bid documents are all complete and ready for re-bidding of the Project as soon as regulatory permits are approved. Implementation of the Project requires the acquisition of regulatory permits from state and federal resource agencies. Specifically, the Project requires a Section 404 Permit from the U.S. Army Corps of Engineers (Corps) (which also involves consultation with the U.S. Fish and Wildlife Service with respect to potential impacts to federally-listed endangered species) and a Section 401 Water Quality Certification from the California Regional Water Quality Control Board (Water Board). Permit applications for the Project were submitted to the agencies on December 23, 2013. As described to Council in the September 22, 2014 staff report, it has proven to be extremely challenging to secure the required permits for the Project. Staff has made a concerted effort to work cooperatively with resource agency staff over the past year, responding promptly to their comments and requests for information and making frequent overtures offering assistance to expedite the permitting process. Staff (including the city manager and city attorney) has also worked directly with resource agency executive managers, local state legislators, JPA staff, and outside counsel in an

effort to speed up the issuance of permits. A summary of the key communications between City staff and resource agency staff regarding the Project permit applications is provided for information as Attachment C.

The primary issue that has delayed issuance of the Project permits has been the resource agency staff's insistence on withholding the permits until they have permitted the JPA's Bay-to-Highway 101 Flood Protection Project. In particular, Water Board staff have until recently insisted that the JPA consider taking more of the City-owned Golf Course land for the creek widening project, because they believed that further widening of the creek might reduce the volume of creek overflow into the environmentally-sensitive Faber Tract marsh and thereby lessen impacts to endangered species that inhabit the marsh. At an October 31, 2014 special meeting of the Water Board, Executive Officer Bruce Wolfe stated that the Water Board would no longer request that more City-owned Golf Course land be used for creek widening, agreeing that the JPA had provided an abundance of evidence that using more Golf Course land would not improve the flood protection project. Mr. Wolfe also announced that his staff would begin drafting the certification of the JPA flood protection project immediately. He further clarified, however, that the Water Board could not issue the Section 401 Water Quality Certification until the Corps posted the JPA's Corps permit application for public comment. He estimated that the certification for the flood protection project would be issued within two weeks following the Corps' public posting of the application. The Corps posted the JPA's permit application for public comment on December 18, 2014, with the comment period running through January 16, 2015. While the Section 401 Water Quality Certification has not yet been issued by the Water Board, Water Board staff have been in contact with the JPA and it appears that issuance of the Certification is imminent.

The Corps will also need to post the permit application for the Project for public comment before the Water Board will issue the Section 401 Certification. Unfortunately, staff at the Corps has repeatedly advised City staff that they are short-staffed and are unable to advance the posting of the Project application; moreover they are unable or unwilling to provide a timeline for when we can expect to have our application posted. City staff has prepared a draft posting for the Project for the Corps with the hope that this might help Corps staff overcome their workload constraints. Staff has also had discussions with management staff at the Corps requesting that they expedite the posting of the public notice. To

date the Corps has not posted the Project for public comment.

**Discussion**

In this section of the report, staff discusses the regulatory permit process and status, construction timeline and cost impacts relative to various potential scenarios for permit issuance, Golf Course operational finances during pre-construction, and revised Golf Course pro-formas.

Regulatory permit process and status

The regulatory permit process is the critical path milestone controlling our ability to commence construction of the Project. As stated earlier, the Golf Course design, EIR, and construction bid documents are all completed and ready for re-bidding of the Project pending acquisition of regulatory permits. Consequently, pursuing permit approval is staff's highest priority. The City must secure two regulatory permits (Section 401 Water Quality Certification from the Water Board and a Section 404 Permit from the Corps) prior to re-advertising the Project for construction bids. Below is a summary of the remaining steps in the permitting process:

1. Corps posts a Public Notice seeking public comment on the Section 404 permit application during a 30-day comment period.
2. Water Board issues Section 401 Water Quality Certification.
3. Corps consults with US Fish & Wildlife Service regarding potential Project impacts to endangered species.
4. Corps issues Section 404 permit.

Construction timeline and cost

At this time it remains infeasible to identify a definitive schedule for the re-bidding of the Project given that the ability to proceed with the Project is tied directly to the permitting process, which is beyond the City's direct control. Based on the difficulties caused by initially bidding the Project prematurely, staff recommends that the Project not be re-advertised for construction bids until the required regulatory permits have been secured. Staff provides two potential schedule scenarios below. The first scenario assumes permit approval by March 1, 2015. This is the latest date that would allow Project construction to start in summer 2015. Any further delays in permit acquisition would cause the Project to be postponed until the end of the year (as outlined in Scenario B below) due to

seasonal constraints on grading and turf installation. At this time, staff believes that it is unrealistic to assume that permits will be secured in time to achieve the Scenario A schedule. It is presented here, nevertheless, as the ideal schedule to be compared with the more realistic Scenario B schedule.

*Scenario A*

| **Timeline** | **Weeks** | **Milestones** |
|---|---|---|
| 2/2/15 | 0 | Issue a Request for Qualifications (RFQ) |
| 3/3/15 | 4 | Due date for contractor pre-qualification submittals |
| 3/9/15 | 1 | Advertise project for construction bids |
| 4/21/15 | 6 | Bid opening date |
| 5/11/15 | 3 | City Council award of construction contract |
| 6/1/15 | 3 | Issue Notice to Proceed to contractor |
| 7/1/15 | 4 | Close Golf Course, begin construction activity |
| Fall /Winter 2016 | 18 months | Open new Golf Course to the public |

The second scenario assumes permit approval by August 1, 2015:

*Scenario B*

| **Timeline** | **Weeks** | **Milestones** |
|---|---|---|
| 7/1/15 | 0 | Issue a Request for Qualifications (RFQ) |
| 7/28/15 | 4 | Due date for contractor pre-qualification submittals |
| 8/3/15 | 1 | Advertise project for construction bids |
| 9/15/15 | 6 | Bid opening date |
| 10/12/15 | 4 | City Council award of construction contract |
| 11/2/15 | 3 | Issue Notice to Proceed to contractor |
| 11/30/15 | 4 | Close Golf Course, begin construction activity |
| Fall 2017 | 21 months | Open new Golf Course to the public |

The cost of construction is subject to many economic factors. Staff has observed price increases for irrigation equipment over the past year, and the improved

economy has increased the number of golf course projects in construction, which has in turn driven up bid prices. Although it is difficult to predict the prices that contractors will bid when the Project is advertised again for competitive bids, golf course architect Forrest Richardson estimates that the delay in starting construction may increase costs by between $575,000 and $1.58 million (7 to 18%) from the lowest responsible bid received in April 2014, depending upon which schedule scenario actually occurs. He estimates that the Project cost under Scenario B would be approximately 3.5% higher than Scenario A. Staff will endeavor to keep bid prices as low as possible by conducting a new round of bidder pre-qualification in hopes of attracting new qualified golf course builders to the bidders pool. Attachment D shows the estimated construction cost for scenarios A and B.

Budget Amendment Ordinance for Extended Golf Course Operation in FY 2015

The Golf Course was modified and shortened in August 2013 to accommodate the stockpiling of imported soil for the Project and the JPA's flood protection project. To accommodate the soil stockpile area, several holes on the Golf Course were shortened, reducing the par score of the course from 72 to 67. The course remains open for public play. While the pre-construction Golf Course is a shorter course, it remains playable and allows golfers to complete a round of golf in less time than in the past. The golf course is still an 18-hole golf course with two par 5, nine par 4 and seven par 3 holes. To date, approximately 300,000 cubic yards of imported soil have been delivered to the Golf Course. It is anticipated that we will receive all the imported soil needed for the JPA flood protection project and the Golf Course Project by April 30, 2015, generating revenue in excess of $1 million to be applied towards the cost of the Project

In September, the Council approved that the Golf Course will be open until March 2015. As part of this approval, Council adjusted the budget for the Golf Course, which increased estimated revenues and related expenditures. Net revenues in the amount of $540,459 were set aside in the FY 2016 Golf Course Operating Loss Reserve to offset future revenue loss when the Golf Course will be closed for construction. However, as acquisition of permits from the Water Board and the Corps remains unresolved, staff recommends that the Council approve another Budget Amendment Ordinance (BAO) (Attachment A) to provide funding for the Golf Course to potentially remain open to the public in its interim state for the remainder of the FY 2015. The BAO would amend the Community Services

Department operating budget in the amount of $106,000 in revenues and $289,424 in expenses to fund Golf Course operations from March 1, 2015 to June 30, 2015. Primarily due to the inclement weather, less golf course rounds were played than anticipated in December 2014. Based on six months' golf course activity for the current fiscal year, staff anticipates that less revenue will be generated for FY 2015 than anticipated in the September Budget Amendment Ordinance. Therefore, the net increase in costs of $183,424 is recommended to be offset with a reduction in the FY 2016 Golf Course Operating Loss Reserve.

In an effort to promote the Golf Course during this pre-construction period and help create excitement and enthusiasm for the future Baylands-themed course, the Golf Course Management Team is continuing to creatively market the Golf Course. The Golf Course Management Team is made up of City staff, contracted Golf Professional Brad Lozares, Valley Crest golf course maintenance staff, Bay Café staff, Golf Course Architect Forrest Richardson, and members of the Golf Course Advisory Committee. Marketing of the Golf Course uses social media, print advertising and other promotional strategies to tell a compelling story about the rich history of Palo Alto's Golf Course and the innovative plans for the future. The marketing efforts have included the following discounts and special offers among others:

- Loyalty Cards – Play 5 rounds and get 1 free
- Two-for-one green fee offers
- Saturday and Sunday – Kids play free with one paid adult
- Good Deed Gift Certificates
- Distribution of Bridge to the Future bookmarks for special pricing on par 67 layout
- Golf Now third party booking engine utilization
- Weekly email blasts to club members
- Nine and Dine offers for 9 hole only players
- Driving Range loyalty card - Buy 10 buckets and get 1 free
- Banners installed on range netting to promote that we are fully open for business
- Special sales for senior discount cards
- Special sales for unior monthly play card to be used on weekends
- New simplified fee signage

- Contact all local golf clubs and former tournament directors to notify that course remains open

In spite of efforts to encourage and promote golf play at the Golf Course, the temporary conditions render it compromised in the market. There are many golfing options on the Peninsula to choose from, and the shorter temporary conditions of the Palo Alto Municipal Golf Course make it very difficult to attract customers and to price golf rounds in a way that will result in full cost recovery of the Golf Course's operational expenses. In FY 2015, assuming Council approval of the attached BAO, the Golf Course will be subsidized by $1,070,330.

Revised Golf Course Pro-Forma

The delay in Project implementation also impacts financial projections beyond the current fiscal year. Staff has prepared revised projections for the performance of the Golf Course in the five years following completion of construction Based upon the Project implementation Scenario A, of the Project (Attachment E). As stated earlier in the report, Scenario A is unfortunately increasingly unlikely. If the regulatory permits are not certified by March 9th staff will include a revised Golf Course Pro Forma as part of the FY 2016 budget submittal that assumes a January 2016 construction start date (Scenario B). Staff's projections of the performance of the Golf Course after construction remain more conservative than those provided in the National Golf Foundation's (NGF) 2012 financial analysis. While the Golf Course may perform as well or better than the NGF projections, staff has provided a more conservative projection as a cautionary measure. Staff believes that a more conservative pro forma is prudent as the more time that elapses since the 2012 NGF projections were prepared, the less reliable the projections are likely to be. The reconfigured Golf Course is still anticipated to fully recover operating costs by the second year after reopening, but by less optimistic margins than those projected by NGF. Below is a summary the pro-forma for Scenario A

**Scenario A Pro forma** – Close by July 1, 2015, re-open by September 1 2016. Revised to include project delay, BAO to operate the Golf Course through FY 2015, increased project costs and subsequent increased debt. In thousands of dollars.

| Scenarios | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 1.8 | 1.3 | 0.17 | 2.3 | 3.0 | 3.1 | 3.2 | 3.3 |
| Expenses | 2.4 | 2.4 | 1.7 | 2.9 | 3.0 | 3.0 | 2.9 | 2.9 |
| Net Loss/ Income | (0.6) | (1.1) | (1.5) | (0.6) | 0.02 | 0.05 | 0.3 | 0.40 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rounds of Golf | 47,000 | 31,000 | 0 | 49,000 | 67000 | 69000 | 71000 | 73000 |

**Resource Impact**

The resource impact to FY 2015 is estimated to be an increase of revenue by $106,000 and an increase in expected expenses by $289,424. The net increase in expenses in the amount of $183,424 is recommended to be offset with a reduction to the FY 2016 Golf Operating Loss Reserve.

**Environmental Review**

An Environmental Impact Report (EIR) was prepared to evaluate the potential impacts of the Palo Alto Municipal Golf Course Reconfiguration Project and to identify the appropriate mitigation measures in accordance with the provisions of the California Environmental Quality Act (CEQA). Council, acting on behalf of the City of Palo Alto in its role as lead agency for purposes of CEQA, adopted a resolution on February 3, 2014, certifying the final EIR for the project.

**Attachments:**

- Att A - BAO XXXX - Golf Course (PDF)
- Att B - BAO Sept 22 2014 (DOC)
- Att C - Key Milestone Dates for the Golf Course Reconfiguration Project Permitting Process (PDF)
- Att D - Memo Forrest Richardson (PDF)
- Att E - Golf Course Pro Forma 2-2015(PDF)

Ordinance No. XXXX

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO AMENDING THE GENERAL FUND BUDGET FOR FISCAL YEAR 2015 TO INCREASE GOLF COURSE REVENUE ESTIMATES BY $106,000, PROVIDE AN ADDITIONAL APPROPRIATION OF $289,424 IN THE COMMUNITY SERVICES DEPARTMENT BUDGET FOR GOLF COURSE OPERATIONS, AND REDUCE THE FISCAL YEAR 2016 GOLF COURSE OPERATING LOSS RESERVE BY $183,424.

The Council of the City of Palo Alto does ordain as follows:

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. As part of the approval of the Fiscal Year 2014 Adopted Capital Budget, the City Council approved the Golf Course Reconfiguration Project; and

C. The Fiscal Year 2015 Adopted Operating Budget assumed the closure of the Golf Course effective July 1, 2014; and

D. In anticipation of the Golf Course Reconfiguration Project, the City applied for permits from the State Water Board; and

E. Due to delays in receiving permit approval which has delayed construction as well as contractual obligations with the City's concessionaires at the Golf Course, in June 2014 the City Council authorized an additional appropriation of $324,800 offset by commensurate revenues to keep the Golf Course open for a two-month period to allow the State Water Board to issue regulatory permits; and

F. In September 2014, due to continued delays in receiving permit approval, the City rejected all bids for the Golf Course Reconfiguration Project. At that time, the City Council approved interim funding for Golf Course operations through February 2015 and established the Fiscal Year 2016 Golf Course Operating Loss Reserve; and

G. Therefore, staff is requesting an additional appropriation to keep the Golf Course open through June 2015 offset with a reduction of the FY 2016 Golf Course Operating Loss Revenue in the amount of $156,792 to fund Golf Couse operations through the end of Fiscal Year 2015.

SECTION 2. The revenue estimate for Charges for Services in the Community Services Department for Golf Course operations is hereby increased by One Hundred Six Thousand Dollars ($106,000).

SECTION 3. The Community Services Department expenditure budget for Golf Course operations is hereby increased by Two Hundred Eighty Nine Thousand Four Hundred Twenty Four Dollars ($289,424).

SECTION 4. The Golf Course Operating Loss Reserve is hereby reduced in the amount of One Hundred Eighty Three Thousand Four Hundred Twenty Four Dollars ($183,424).

SECTION 5. As specified in Section 2.28.080(a) of the Palo Alto Municipal Code, a two-thirds vote of the City Council is required to adopt this ordinance.

SECTION 6. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 7. The actions taken in this ordinance do not constitute a project requiring environmental review under the California Environmental Quality Act (CEQA).

INTRODUCED AND PASSED: Enter Date Here

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

APPROVED:

_____
Senior Assistant City Attorney

_____
City Manager

_____
Director of Community Services

_____
Director of Administrative Services

**Attachment B**

**ORDINANCE NO. xxxx**

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO AMENDING THE GENERAL FUND BUDGET FOR FISCAL YEAR 2015 TO INCREASE GOLF COURSE REVENUE ESTIMATES BY $708,495, PROVIDE AN ADDITIONAL APPROPRIATION OF $168,036 IN THE COMMUNITY SERVICES DEPARTMENT BUDGET FOR GOLF COURSE OPERATIONS, AND ESTABLISH AN FY 2016 GOLF COURSE OPERATING LOSS RESERVE FOR FUTURE GOLF COURSE OPERATIONS FROM THE NET REVENUE OF GOLF COURSE OPERATIONS IN THE AMOUNT OF $540,459.

The Council of the City of Palo Alto does ordain as follows:

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. As part of the approval of the Fiscal Year 2014 Adopted Capital Budget, the City Council approved the Golf Course Reconfiguration Project; and

C. The Fiscal Year 2015 Adopted Operating Budget assumed the closure of the Golf Course effective July 1, 2014; and

D. In anticipation of the Golf Course Reconfiguration Project, the City applied for permits from the State Water Board; and

E. Due to delays in receiving permit approval which has delayed construction as well as contractual obligations with the City's concessionaires at the Golf Course, in June 2014 the City Council authorized an additional appropriation of $324,800 offset by commensurate revenues to keep the Golf Course open for a two-month period to allow the State Water Board to issue regulatory permits; and

F. Due to continued delays in receiving permit approval, staff has rejected all bids for the Golf Course Reconfiguration Project and will reissue a Request for Proposals (RFP) in the fall of 2014, for a projected construction start date of March 1, 2015; and

G. Therefore, staff is requesting an additional appropriation to keep the Golf Course open through February 2015; and

H. In anticipation of future needs due to the closure of the Golf Course, establish an FY 2016 Golf Course Operating Loss Reserve in the General Fund from the net revenue from Golf Course Operations.

SECTION 2. The revenue estimate for Charges for Services in the Community Services Department for Golf Course operations is hereby increased by Seven Hundred Eight Thousand Four Hundred Ninety Five ($708,495).

SECTION 3. The Community Services Department expenditure budget for Golf Course operations is hereby increased by One Hundred Sixty Eight Thousand Thirty Six ($168,036).

SECTION 4. A Golf Course Operating Loss Reserve is hereby established in the General Fund in the amount of Five Hundred Forty Thousand Four Hundred Fifty Nine ($540,459).

SECTION 5. As specified in Section 2.28.080(a) of the Palo Alto Municipal Code, a two-thirds vote of the City Council is required to adopt this ordinance.

SECTION 6. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 7. The actions taken in this ordinance do not constitute a project requiring environmental review under the California Environmental Quality Act (CEQA).

INTRODUCED AND PASSED:
AYES:
NOES:
ABSTENTIONS:
ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney

Director of Community Services

Director of Administrative Services

Attachment C

Key Milestone dates for Palo Alto Municipal Golf Course Reconfiguration Project permitting process

| | |
|---|---|
| 06/3/2013 | Notice of Availability of the Draft Environmental Impact Report for the Golf Course Reconfiguration Project was submitted to the State Clearinghouse. Start of public comment period. |
| 08/01/2014 | Close of public comment period for the Draft EIR. The Regional Water Quality Control Board staff did not provide comment on the Draft EIR. |
| 10/30/2013 | E-mail and voice mail request to Water Board staff for a site meeting to review the proposed design and mitigation measures for the Golf Course Reconfiguration Project in preparation for a permit submittal. |
| 10/31/2013 | Water Board staff declines meeting invitation and states that it is premature for us to submit a permit application because of the uncertainty surrounding the JPA's permit application for their flood control project. |
| 12/23/2013 | Submittal of application for Section 401 Water Quality Certification to the Water Board |
| 01/16/2014 | First Letter of Incomplete Application received from Water Board |
| 01/31/2014 | City issues response to 1st Letter of Incomplete Application |
| 02/28/2014 | Second Letter of Incomplete Application received from Water Board |
| 03/03/2014 | Palo Alto City Council certifies Final Environmental Impact Report for the Golf Course Reconfiguration Project |
| 04/07/2014 | City issues response to 2nd Letter of Incomplete Application |
| 04/15/2014 | Construction bids received for Golf Course Reconfiguration Project |
| 04/30/2014 | Letter from US Army Corps of Engineers accepting the City's delineation of jurisdictional wetlands on the Palo Alto Municipal Golf Course |
| 05/01/2014 | Third Letter of Incomplete Application received from Water Board |
| 05/16/2014 | City issues response to 3rd Letter of Incomplete Application |

| | |
|---|---|
| 05/28/2014 | Voice mail from Brian Wines indicating that there will be a fourth Letter of Incomplete Application coming from the Water Board (no such letter was ever received) |
| 06/02/2014-06/11/2014 | Series of e-mails between Joe Teresi and Brian Wines clarifying permit application and responding to questions from Brian Wines |
| 06/11/2014 | Last correspondence from Water Board – Email from Brian Wines noting that there was a fire at his personal residence and that he would be out of the office for an undisclosed period |
| 07/10/2014 | City of Palo Alto's application for Section 401 Water Quality Certification posted to the Water Board web site for public comment |
| 07/29/2014 | Duininck Golf notified that its low construction bid was being rejected due to lack of project permits |
| 07/31/2014 | Close of public comment period for City of Palo Alto's application for Section 401 Water Quality Certification |
| 09/22/2014 | Official rejection of Golf Course Reconfiguration Project construction bids by Palo Alto City Council |
| 12/04/2014 | Letter from Jim Keene to Water Board Executive Officer Bruce Wolfe requesting action on the Section 401 Water Quality Certification |
| 12/12/2014 | E-mail from Bruce Wolfe to Jim Keene advising that the Water Board is committed to issuing the Section 401 Certification once the Corps posts its public notice for the Golf Course Project |
| 01/12/2015 | Mike Sartor discussion with Corps supervisor Katerina Galacatos requesting action on the Corps Section 404 permit |
| 01/20/2015 | City provides draft copy of a Public Notice to the Corps for posting to the web and starting the public comment period |

ATTACHMENT D

FORREST RICHARDSON & ASSOC.
GOLF COURSE ARCHITECTS

M E M O

Date: January 9th, 2015

To: Rob De Geus, Joe Teresi

From: Forrest Richardson, Dale Siemens

Re: Palo Alto Golf Course / Schedule Scenarios and Associated Impacts

We have reviewed the proposed schedule scenarios "A" and "B" for implementing the golf course improvement work. Below are comments on each scenario along with associated probable cost impacts.

**Scenario "A"**

Scenario "A" shows a construction start date of July 1st, 2015 following five (5) months of qualification, bidding, contractor selection and issuance of a Notice to Proceed.

We recommend finding a way to lessen this period by as much as 30 days in order to accelerate the start of construction work. There are associated positive impacts that an earlier construction start will have. These include:

- Better ability to get grading work completed before seasonal rains (grading work is now greater in scope because the stockpile is larger in volume)
- Less costly SWPPP measures to winterize the construction site following grading
- Assurances of sod and sprig production in 2015 to be ready for 2016 planting
- Potentially better bid responses (lower potential costs to the City) with bidding earlier in 2015 as opposed to later

There are likely cost impacts associated with a start date in mid-2015. Below we have summarized these cost impacts using probable cost ranges derived from (a) the Probable Cost Estimate that was updated in

anticipation of a mid-2014 construction start date, (b) bids received by the City in 2014, (c) changes to the earth moving scope based on the volume of material likely to placed in the stockpile, and (d) market influences that we foresee in 2015:

SCENARIO "A" COST IMPACTS *(Base Construction Costs)*

| | | | |
|---|---|---|---|
| **Base Bid** *(incorporating cost-savings as previously approved)* | $8,700,000 | to | $8,900,000 |
| **Additional Items** *(incorporating previously approved "add" items)* | 200,000 | to | 240,000 |
| **Additional Grading Costs** *(260,000 c.y. @ ±$2.00/c.y.)* | 390,000 | to | 650,000 |
| **Market Cost Impacts** *(labor and materials @± 5%)* | 348,000 | to | 522,000 |
| **Cost Savings** *(incorporating previously approved "deduct" items plus value engineering to restroom structure)** | - (340,000) | to | - (360,000) |
| ***Projected Base Construction Costs (range)*** | **$ 9,298,000** | **to** | **$ 9,952,000** |

*Summary: Scenario "A" is likely to have a base construction cost impact to the City of approximately 7 to 14% higher than the lowest bid received following bidding in April 2014. This translates to a potential project increase (base construction costs) of approximately 25% of the Probable Cost Estimate as updated in November 2013. The project construction cost is offset by revenue to the City of approximately $1,100,000 generated from soil importation to the site.*

*Note: Project management costs, professional services, contingency and loss of revenue are not included in the above estimates.*

** The restroom structure is now planned to be fabricated off-site to meet City requirements, and then delivered to the site by a specialty contractor.*

**Scenario "B"**

Scenario "B" shows a construction start date of December 15th, 2015 following five (5) months of qualification, bidding, contractor selection and issuance of a Notice to Proceed.

An earlier start date in 2015 is not necessarily beneficial as any start date from October through the following Spring is not likely to produce efficient earthwork progress due to rains and associated site conditions. A start date during this time will, however, enable the Contractor to get some work completed and may allow completion in 2016 given extremely favorable weather conditions.

There are likely cost impacts associated with a start date in late-2015. Below we have summarized these cost impacts using probable cost ranges derived from (a) the Probable Cost Estimate that was updated in anticipation of a mid-2014 construction start date, (b) bids received by the City in 2014, (c) changes to the earth moving scope based on the volume of material likely to placed in the stockpile, (d) market influences that we foresee in 2015, and (e) impacts due to a longer project duration (21 months):

SCENARIO "B" COST IMPACTS *(Base Construction Costs)*

| | |
|---|---|
| **Base Bid** *(incorporating cost-savings as previously approved)* | $8,700,000 to $8,900,000 |
| **Additional Items** *(incorporating previously approved "add" items)* | 200,000 to 240,000 |
| **Additional Grading Costs** *(260,000 c.y. @ ±$2.00/c.y.)* | 390,000 to 650,000 |
| **Market Cost Impacts** *(labor and materials @± 6%)* | 435,000 to 623,000 |
| **Cost Savings** *(incorporating previously approved "deduct" items plus value engineering to restroom structure)** | - (340,000) to - (360,000) |
| **Project Duration Impacts** | 200,000 to 250,000 |
| ***Projected Base Construction Costs (range)*** | **$ 9,585,000 to $ 10,303,000** |

*Summary: Scenario "B" is likely to have a cost impact to the City of approximately 10 to 18% higher than the lowest bid received following bidding in April 2014. This translates to a potential project increase (base construction costs) of approximately 30% of the Probable Cost Estimate as updated in November 2013. The project construction cost is offset by revenue to the City of approximately $1,100,000 generated from soil importation to the site.*

*Note: Project management costs, professional services, contingency and loss of revenue are not included in the above estimates.*

** The restroom structure is now planned to be fabricated off-site to meet City requirements, and then delivered to the site by a specialty contractor.*

*Scenario "B" Alternative Discussion:*

Scenario "B" may be alternatively scheduled to install turf in both 2016 and 2017, thus splitting the growing season between two seasons. (In Scenario "A" it is assumed that all, or most, grassing will occur in 2016.) Cost impacts of a split grassing schedule for Scenario "B" would need to be evaluated based on the additional cost for more sod vs. less winterization (from Fall 2016 to Spring 2017), plus associated benefits of any earlier opening date that may be realized. As noted, it may be possible to complete work in 2016 if weather conditions are extremely favorable and additional investment in sod (versus sprigging) is made by the City. The advantages of this approach may be an earlier opening. All such decisions deserve further analysis.

## Conclusion

The probable costs here are assumptive in nature and are based on what we are seeing in the current golf construction market. Since bidding the Palo Alto Golf Course work in early 2014 we have been involved in three competitive bids. The results of these recent bids are evident that the period of "aggressive" bidding has lapsed. We are now experiencing bids that are higher as a result of qualified golf builders being busier and a market that is finding ways to finance projects stalled in previous years.

Certified golf course builders (those deemed qualified by the City for this work) are even busier than smaller contractors. This plays heavily into the assumptive cost increases we forecast for the work.

The largest impact to cost is the unfortunate situation of now having stockpiled the full volume of imported materials to the site. This impact, at approximately $500,000 in either Scenario "A" or "B", is unavoidable given the delay in permits and a project start. The efficiencies of having a predominant volume of the imported material placed across the existing golf course footprint is now not at play. The benefit has been a continued golf operation for the public, although it has resulted in losses due to the uncertainty and temporary layout necessitated by the ever increasing stockpile area. There may be a positive benefit to now having all the soil material onsite in that it simplifies the Contractor's scope of work and removes the potential coordination burden (and associated risks upon the City) that were associated with City's direct involvement in the soil import to the golf course builder during the construction process.

During the past several months we have been active in evaluating potential cost-saving measures to help offset the costs associated with permit delays. We will continue to do so in the coming months before permits— and approval to proceed — are in place.

PALO ALTO GOLF COURSE
PRO FORMA

ATTACHMENT E

## Revised Golf Course Budget - Open July 2014 through June 2015

| GOLF COURSE FINANCIAL SUMMARY | FY 2013 | FY 2014 | FY 2015 | FY 2015 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ACTUALS | Actuals | Adopted Budget Golf Course open July - Feb, closed March-June | BAO to keep Golf Course open March - June 30, 2015 | REVISED Golf Course Budget Open July - June | REVISED Golf Course closed July - June | REVISED Golf Course closed July - Aug, open Sept | PROPOSED | PROPOSED | PROPOSED | PROPOSED |
| | BUDGET | BUDGET | BUDGET | | | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET |
| **REVENUES** | | | | | | | | | | | |
| Tournament fees | 1,670 | 4,037 | 0 | 5,000 | 5,000 | 0 | 2,400 | 2,500 | 2,500 | 2,500 | 2,500 |
| Green fees (Monthly play cards ) | 1,781,405 | 1,103,410 | 787,509 | 0 | 787,509 | 0 | 1,573,650 | 2,162,760 | 2,227,320 | 2,291,880 | 2,356,440 |
| Driving range | 343,883 | 313,633 | 208,553 | 61,000 | 269,553 | 80,000 | 283,050 | 353,400 | 364,002 | 374,922 | 386,170 |
| Cart/club rentals | 279,795 | 225,310 | 141,033 | 40,000 | 181,033 | 0 | 249,225 | 332,300 | 342,269 | 352,537 | 363,113 |
| Other fees | 24,319 | 20,075 | 12,000 | 0 | 12,000 | 1,760 | 12,700 | 25,000 | 25,000 | 25,000 | 25,000 |
| Proshop lease | 27,248 | 25,051 | 22,000 | 0 | 22,000 | 21,520 | 28,500 | 30,700 | 30,700 | 31,300 | 31,300 |
| Restaurant lease | 48,880 | 53,487 | 23,400 | 0 | 23,400 | 23,400 | 49,800 | 49,800 | 52,290 | 52,290 | 52,290 |
| Restaurant Utilities | 21,600 | 16,260 | 18,000 | 0 | 18,000 | 18,000 | 27,000 | 27,400 | 27,400 | 27,900 | 27,900 |
| Interest Income - Debt Service | 25,700 | | | | 0 | 25,900 | 25,900 | 25,900 | 25,900 | 25,900 | 25,900 |
| **Total Revenue** | **2,554,500** | **1,761,263** | **1,212,495** | **106,000** | **1,318,495** | **170,580** | **2,252,225** | **3,009,760** | **3,097,381** | **3,184,229** | **3,270,613** |
| **EXPENDITURES** | | | | | | | | | | | |
| **Operating Expenses** | | | | | | | | | | | |
| Salaries & Benefits | 134,948 | 122,634 | 150,173 | (25,000) | 125,173 | 169,500 | 165,700 | 173,200 | 181,000 | 189,100 | 197,600 |
| Advertising & Publishing | 11,307 | 7,916 | 7,500 | 2,500 | 10,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Supplies and Materials | 3,292 | 6,986 | 7,500 | 0 | 7,500 | 45,100 | 45,800 | 46,500 | 47,200 | 47,900 | 48,600 |
| General Expense | 1,014 | 1,038 | 1,000 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Facilities Repairs & Maintenance | 7,259 | | 1,438 | 5,000 | 6,438 | 22,300 | 22,600 | 22,900 | 23,200 | 23,500 | 23,900 |
| Water Expense | 381,966 | 319,204 | 260,000 | 0 | 260,000 | 296,000 | 184,500 | 188,000 | 197,000 | 206,000 | 215,500 |
| Other Direct Charges | 48,448 | 46,126 | 56,034 | 0 | 56,034 | 33,200 | 42,100 | 42,700 | 43,300 | 43,900 | 44,600 |
| Indirect Charges | 93,702 | 36,099 | 45,783 | 0 | 45,783 | 83,280 | 105,700 | 107,300 | 108,900 | 110,500 | 113,900 |
| **Subtotal** | **681,936** | **540,003** | **529,428** | **(17,500)** | **511,928** | **680,380** | **597,400** | **611,600** | **631,600** | **651,900** | **675,100** |
| **Contract Services** | | | | | | | | | | | |
| Golf Maintenance | 808,801 | 780,755 | 657,340 | 167,660 | 825,000 | 419,415 | 821,135 | 796,262 | 820,150 | 820,150 | 820,150 |
| Miscellaneous | 18,566 | 8,462 | 24,030 | 0 | 24,030 | 0 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Range fees | 130,676 | 119,181 | 108,606 | (6,176) | 102,430 | 68,000 | 56,610 | 70,680 | 72,800 | 74,984 | 77,234 |
| Cart rentals | 112,083 | 86,034 | 56,413 | 16,000 | 72,413 | 0 | 49,845 | 66,460 | 68,454 | 70,507 | 72,623 |
| Club rentals | 5,951 | 4,666 | 0 | | 0 | 5,700 | 5,800 | 5,900 | 6,000 | 6,100 | 6,200 |
| Fixed Management Fees | 339,045 | 338,292 | 240,384 | 104,940 | 345,324 | 30,500 | 255,084 | 300,000 | 300,000 | 300,000 | 300,000 |
| Green Fees to Golf Professional (5%) | 0 | 0 | 0 | 0 | 0 | 0 | 78,683 | 108,138 | 111,366 | 114,594 | 117,822 |
| Credit Card Fees | 38,000 | 30,000 | 17,000 | 7,000 | 24,000 | 0 | 33,047 | 45,418 | 46,774 | 48,129 | 49,485 |
| **Subtotal** | **1,453,121** | **1,367,390** | **1,103,773** | **289,424** | **1,393,197** | **523,615** | **1,310,203** | **1,402,858** | **1,435,544** | **1,444,465** | **1,453,514** |
| **Total Operating Expenses** | **2,135,057** | **1,907,393** | **1,633,201** | **271,924** | **1,905,125** | **1,203,995** | **1,907,603** | **2,014,458** | **2,067,144** | **2,096,365** | **2,128,614** |
| **Net Income From Operations** | **419,443** | **(146,130)** | **(420,706)** | **(165,924)** | **(586,630)** | **(1,033,415)** | **344,622** | **995,302** | **1,030,237** | **1,087,864** | **1,141,999** |
| **Debt and Other Charges** | | | | | | | | | | | |
| 1998 Debt Service | 428,180 | 429,020 | 428,194 | 0 | 428,194 | 430,800 | 423,200 | 432,300 | 431,200 | 0 | 0 |
| New 2014 Debt Service | 0 | 0 | | | | | 511,342 | 511,342 | 511,342 | 511,342 | 511,342 |
| Cost Plan Charges | 23,871 | 26,224 | 30,485 | 0 | 30,485 | 32,009 | 33,610 | 35,290 | 37,055 | 38,907 | 40,853 |
| Capital Reserve | 0 | 0 | 0 | 0 | 0 | 0 | | | | 229,188 | 235,644 |
| **Subtotal - Debt and Other Charges** | 452,051 | 455,244 | 458,679 | 0 | 458,679 | 462,809 | 968,151 | 978,932 | 979,596 | 779,437 | 787,838 |
| **Net Income (Loss)** | **(32,608)** | **(601,374)** | **(879,385)** | **(165,924)** | **(1,045,309)** | **(1,496,224)** | **(623,529)** | **16,370** | **50,641** | **308,427** | **354,161** |
| Golf Rounds | 58,000 | 46,527 | 31,000 | | 31,000 | 0 | 48,750 | 67,000 | 69,000 | 71,000 | 73,000 |