

MEETING MINUTES FOR THE BOARD OF DIRECTORS

Board of Directors Organizational Meeting Douglas Public Facility Municipal Property Corporation

May 6, 2015 at 4:00 p.m.

At the

Douglas Golf Course, 1372 E. Fairway Drive

1. Call to Order.

Meeting was called to order by Carlos De La Torre, City Manager at 4:04 p.m

2. Roll Call.

Board Members present were Ken Nelson, Larry Moss, Paula Shelton and Manny Robles. **Members absent were Adrian Vildosola. Francisco “Tachi” Durazo and Vicky Merritt.**

City Staff Member present was Carlos De La Torre, City Manager, Ana Urquijo Deputy City Manager, Luis Pedroza, Finance Director, Rocio Garcia-Pedroza, HR Manager and Juan Pablo Flores, City Attorney.

3. Persons wishing to address the committee in writing or verbally on any item not on the agenda.

None

4. Discussion/Decision on the selection of the Temporary Chairperson and Secretary.

Mr. De La Torre explained that there is a need to appoint temporary officers and that these positions may be reassigned in the near future. It was noted by Mr. Flores that the temporary assignment may be a prelude to a more permanent officer position. Paula Shelton Nominated Ken Nelson for Temporary Chairperson and Larry Moss nominated Vicky Merritt as Temporary Secretary and nominations were approved unanimously.

5. Discussion/Decision on approval of received Articles of Incorporation and ordered into the record.

Mr. Flores made a brief comment about these being standard bylaws where members do not own a share in the not for profit corporation and how the board typically meets quarterly. Mr. Nelson inquired if these type of formatted documents are also used for other City entities; and Mr. De La Torre responded that their form has been borrowed for other entities like the rancho La Perilla Apartments and possibly other entities. Motion made by Larry Moss and seconded by Manny Robles to approve the Articles of Incorporation and motion was approved unanimously.

6. Discussion/Decision on the adoption and dating of Bylaws.

Mr. Nelson explained that these represent the meat and potatoes of how the organization will function. Ms. Shelton asked for an extra copy to share with Member, Mr. Durazo. Soon thereafter, Mr. Nelson asked if in July 2015 the Board will meet to appoint new officers. Mr. Flores explained how there is usually no liability on the members part. Mr. Nelson pointed out a brief spelling error on Section 6.2 (tiled to be changed to filed). Mr. Nelson noted that the bylaws may be modified in the future to meet our corporate needs. Motion was made by Paula Shelton and seconded by Larry Moss adopt and date the Bylaws and motion was approved unanimously.

7. Discussion/Decision on nomination of Election and Swearing In of the Corporate Officers (Chairperson of the Board, Vice-Chairperson of the Board, President, Vice-President, Secretary and Treasurer)

Mr. Nelson inquired about nominating and electing officers when all Board Members being present. Mr. De La Torre noted that there is a need to nominate and assign officer positions so we can file with Corporation Commission. The Vice-Chair and Vice-President usually steps in when the Chair and Vice-president are not available to run the meetings. There were made some initial nominations, and at the suggestion of Mr. De La Torre, the initial motions were withdrawn for a more global nomination as follows: Ken Nelson Nominated Larry Moss as permanent Treasurer, and then Larry Moss nominated Paula Shelton as Vice Chairperson, Vicky Merritt as Secretary and Ken Nelson as President. Manny Robles seconded the nominations and these were approved unanimously. Mr. Nelson established that the officers selected shall serve until the annual meeting to be held in July, 2015.

Swearing in:

All approved officers were sworn in and took a formal oath of office with the exception of Secretary, Vicky Merritt.

8. Discussion/Presentation by Carlos A. De La Torre, City Manager regarding the proposed business model to operate and manage the Golf Course through partnering, license and concessionaire agreement(s) between the City of Douglas and the Douglas Public Facility Municipal Property

Mr. De La Torre gave some background information about the City's prior plans to try to sell the golf course in 2006-2007 for about \$1,000,000. The plans to sell did not go through and a few years later the City began in earnest managing the golf course. City granted several Concessions to private individuals to run the bar and restaurant while the City operated the golf component. The dual operational component did not work well for various reasons, mainly the lack of business experience of these folks running the concession and the lack of business integration between the food and beverage side and the golf game side.

In July 2012 the new Mayor and Council came in along with Administration that was directed to look at all the various departments, City functions and assets that were underperforming or under-utilized in an effort to turn these to be more financially productive. The golf course had been subsidized in past years anywhere from \$120 to \$320K per year. The average was at \$240K per year loss. The City decided against continuing to try to sell or even consider closing the golf course facility and looked into other viable options to assist in improving the under-performing golf course asset and increase the revenue. City ordinances did not give the golf course a flexibility allow it to respond to market demands, and were cumbersome to change as it realistically requires about a 120 day process to modify ordinances. The City decided that the creation of a private corporate entity would give the entity the flexibility to respond to the demands of the sporting and event planning market sector. The corporate arrangement along with placing an experienced golf course professional at the facility golf industry and a knowledgeable board would be the best incentive to improve business oat the facility. The City wanted to improve the welcoming atmosphere at the golf course and also explore synergies and opportunities to pair up the golf course with the apartments and the housing development.

The City is looking to partially disconnect from the golf course business while at the same time indirectly ensuring a higher level of sustainability for the facility. City fathers want to cap the subsidy at approximately \$120K per year and are providing an incentive to reduce the subsidy as the year's progress. The new corporate structure will allow us to move form a government facility to a semi-public private partnership by way of a transitional approach. Many steps need to be completed, by way of banking, establishing a corporate seal and obtaining the not for profit designation as well as obtaining EIN numbers and the like. Today is the starting point of the transition and other agreements will follow like the license agreement between the corporation and the City for 36 months at a cost of \$1 per year. This will be done in order not to add value to the corporate books by way of direct transfer or gift, as these are not allowed by current laws. After the 36 months we can continue with the license or enter into a long term lease purchase agreement. Golf course assets are currently worth around \$890K. The entry into a long term lease purchase agreement for a 20 or 30 year period will be a viable option to affect the transfer.

Next will be a concessionaire agreement between corporation and the City to allow the corporation to use the City government liquor license for a period of 12 months until the MPC can obtain their own liquor license. The subsidy would come into play between the parties as long as the corporation meeting the minimum requirements as to hours of operation and amenities to be made available. The water for irrigation will also be part of the subsidy at about 17¢ per 1000 gallons as compared to what the public pays at around 85¢ per 1000 gallons. After the initial 36 month period, the water rate would increase to better reflect the actual cost of service. The reduced rate would be related to the City's actual cost of production and would be adjusted over a five (5) period.

City Manager explained the process of the previous sale attempts, and at about that time Jeff was associated with the prospective buyers and had approached the City Manager about possibly managing the asset for the City and he explained that this will need to be a separate agreement that the Board will need to consider with the facilities manager. City Administration highly recommends the management agreement be considered for approval as it will be coming before the Board for consideration within 30-60 days.

The management agreement does not entail a salary but compensation would be based on 25% of the new membership sales and a \$1 share from the cart rentals, as well as \$1 share of a round of golf. Board will determine in the near future how these fees and charges will be structured, as well as the golfing fee schedules. The structure gives incentive to the manager to increase revenues at the facility as he will also get 50% of net profits generated by operations at the facility.

Manny Robles explained that Labor Day festivities are being delayed by all the protocol. Discussion turned to ascertain the time line that the new corporation would have authority to conduct business. Mr. De La Torre explained that the City Council approved the formation of the new corporation and that the Board can start meeting to discuss moving forward on the various agreements. City staff can provide feedback and various perspectives and assistance to continue to move project forward. The facilities manager will be under contract with the corporation to manage the facilities much like the city manager manages the city facilities. The Board can occasionally report to the City Council as to the finances and use of the subsidy.

The City Manager also noted that a new DBA name will have to be identified and approved. Obviously, there will be a need to make the name viable and marketable. Mr. Nelson asked about City support on filing out various applications and regulatory forms. He was reassured by Mr. De La Torre that City would provide support as to the aspects discussed. Mr. Nelson requested an outline of the proposed management agreement along with the compensation factors and was assured by City Manager that these variables would be provided to the various Members.

9. Scheduling and/or confirmation of next meeting date(s), and suggestions for future agenda items.

Next meeting was tentatively scheduled for 5/11/2015 at 4 p.m. at the Clubhouse.

10. Adjournment.

Meeting was adjourned at 5:03 p.m., as moved by Larry Moss and seconded by Paula Shelton and motion was approved unanimously.

Juan Pablo Flores
Douglas City Attorney