

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jon Cicirelli

SUBJECT: Municipal Golf Courses:
Capital Improvement Plans

DATE: November 6, 2024

Approved



Date:

11/13/24

INFORMATION

On August 8, 2024, the Department of Parks, Recreation and Neighborhood Services (PRNS) presented the Municipal Golf Courses Status Report to the Neighborhood Services and Education Committee. The committee directed staff to return with additional information on planned capital projects across the three City-owned public golf courses (Los Lagos, Ranch del Pueblo, and San José Municipal).

BACKGROUND

The Municipal Golf Courses Status Report provided an update on the operational and financial results for the three City-owned golf courses under the new long-term lease agreement with San José Municipal Golf, LLC, an affiliate of CourseCo, Inc. (lessee). Committee members voted unanimously to accept the report with direction for staff to issue an Information Memorandum on planned capital projects across the three golf courses and to include that information in future status reports. Unlike the PRNS capital budget and five-year capital improvement program, the City Council does not have visibility into the details of capital plans for the golf courses and requires more information to provide oversight and ensure the equitable distribution of projects across the three golf courses.

In the lease agreement, the lessee assumed the daily maintenance of the City's golf facilities at its own expense effective April 1, 2023. Beyond daily maintenance, the lease required the lessee to perform capital improvement and capital maintenance. Staff identified initial projects through the Request for Proposal process, and PRNS must approve all projects before they commence through an annual capital plan submitted by the lessee. In 2023, the lessee refined plans on where and how to spend \$2 million of its own funds for capital improvement projects at the City's golf courses, as required by

the lease. Under the lease agreement, the lessee also deposits an additional \$400,000 per year for the first five lease years into the Capital Improvement Fund that is held by the lessee in lieu of paying an equal amount as rent, which will bring the minimum available for capital improvements to at least \$4 million for the first five years of the lease. If the lessee invests additional company funds into capital improvements above the required \$2 million, the City may elect to match up to an additional \$200,000 per year into the fund in lieu of the lessee paying an equal amount of rent during the first five lease years. This could bring the total funding available for capital improvements to \$6 million over five years. The lessee is also required to and has established a capital maintenance fund where it deposits 3% of its total gross receipts to maintain the condition of existing assets (currently about \$360,000 per year).

ANALYSIS

For 2024, the lessee proposed and PRNS approved plans to spend \$2,352,000 on capital improvement and maintenance projects across the City's three golf courses. **Table 1** shows the amount the lessee proposed spending at each golf course.

Table 1
2024 Capital Improvement and Maintenance Plan by Golf Course

Golf Course	Amount
Los Lagos	\$505,000
Rancho del Pueblo	\$515,000
San José Municipal	\$1,332,000
Total:	\$2,352,000

As shown in Table 1, the lessee prioritized an initial focus on San José Municipal. When the lessee assumed management, operations, and maintenance of all three City golf courses, it evaluated the condition of each golf course to inform its capital project plans and ensure the success and longevity of the courses. It identified several previously unknown concerns at San José Municipal, which opened in 1968. In comparison, Rancho del Pueblo opened in 2000 and Los Lagos opened in 2002. San José Municipal has much older infrastructure requiring more investment for replacements or improvements.

Table 2 illustrates a list of the planned capital projects for 2024. The lessee has shared early plans for 2025 and beyond, including improving key irrigation infrastructure and driving ranges. PRNS will include the 2025 capital plan in its next report to the Neighborhood Services and Education Committee on the status of the City's three golf courses in fall 2025.

Table 2

**Golf Courses - Capital Improvement and Maintenance Plan 2024
by Course and Completion Status**

Los Lagos Golf Course

<u>Project</u>	<u>Status</u>	<u>Budget</u>
Security System Upgrade	Complete	\$15,000
Toptracer ¹ Installation	Complete	\$200,000
Cart Path Renovation	Complete	\$125,000
Parking Lot Resurface	Complete	\$30,000
Signage Refresh	Monument signs complete On-course signage in progress	\$25,000
Fairway Re-Sodding	In progress (Holes 1, 6, 9, 17, 18)	\$110,000

Total: \$505,000

Rancho del Pueblo Golf Course

<u>Project</u>	<u>Status</u>	<u>Budget</u>
Security System Upgrade	Complete	\$5,000
Driving Range Lighting	Bulbs have been changed	\$20,000
Hole #7 Pole and Net Installation	Complete	\$200,000
5 Tee Box Renovations	In progress	\$50,000
Pump Station Repair	ETA: November 2024	\$30,000
Signage Refresh	ETA: November/December 2024	\$10,000
Clubhouse Upgrades	In design	\$200,000

Total: \$515,000

¹ <https://toptracer.com/>

San José Municipal Golf Course

<u>Project</u>	<u>Status</u>	<u>Budget</u>
Back 9 Well Pump Motor Replacement	Complete	\$12,000
Security System Upgrade	Complete	\$15,000
Toptracer Installation	Complete	\$200,000
Clubhouse Carpet and Painting	Complete	\$35,000
7 Tee Box Renovations	In progress	\$75,000
25 Bunker Renovations	In progress	\$125,000
Signage Refresh	ETA: November 2024	\$40,000
Driving Range Landing Sod	ETA: December 2024	\$150,000
Kitchen Upgrade	Pending permit approval	\$75,000
On Course Bathroom Upgrade	ETA: 2025	\$25,000
Driving Range Lighting	Quote received	\$180,000
Food and Bar Patio and Outlet	In design	\$400,000

Total: \$1,332,000

Grand Total: \$2,352,000

COORDINATION

This memorandum was coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

/s/
 Jon Cicirelli
 Director of Parks, Recreation
 and Neighborhood Services

The principal author of this memorandum is Annie Wong, Staff Specialist, Interim Analyst, PRNS. For questions, please contact Dominique Pacolba, Parks Manager, PRNS, at dominique.pacolba@sanjoseca.gov or 408-794-6516.