

City of Coral Gables City Commission Meeting

Agenda Item F-2

May 27, 2008

City Commission Chambers

405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Donald D. Slesnick, II

Vice Mayor William H. Kerdyk, Jr.

Commissioner Maria Anderson

Commissioner Rafael “Ralph” Cabrera, Jr.

Commissioner Wayne “Chip” Withers

City Staff

City Manager, David Brown

City Attorney, Elizabeth Hernandez

City Clerk, Walter J. Foeman

City Clerk Staff, Billy Urquia

Director of Development, Cathy Swanson

Director of Finance, Don Nelson

F-2 [Start: 11:43:53 a.m.]

Update on the Coral Gables Country Club

Mayor Slesnick: F-2 Mr. Cabrera.

Commissioner Cabrera: Thank you. I intend on continuing to bring up the Coral Gables Country Club for updates as they occur, and this morning I wanted to begin by asking just a few questions of the Manager’s office on some of the discussions that we had last time that we were together. My first question has to do with, Mr. Manager, what is the status of the RFP that is being drafted by your staff?

City Manager Brown: Cathy Swanson is in the audience, she’d be glad to give you that.

Ms. Swanson: We have a first draft. We are hopeful to bring it to you June 3rd, we had wanted to bring it to you today but there were some items we wanted to include in the RFP, the audit, the furniture inventory, the roof inspection, the HVAC, and the termites, because we want people to know what the status of the building is. I have spent a lot of time recent at this facility, it is a beautiful facility, it is so fortunate that its owned by the City of Coral Gables, great parking lot, lovely location. It has -- for residents that haven’t been great banqueting kitchen to handle large scale events, also small scale events, swimming pool, fitness, tennis; its really a wonderful asset and we are confident that there will be a variety of groups interested. At your last Commission meeting, you instructed us to make sure that it was appropriately broad so that we could get a variety of proposals. We have done that; we have built into it though in evaluating each proposal, the City and its representatives shall consider, but not be limited to the proposers experience and qualifications in operating the uses contemplated. So what they are proposing they have to be

supremely experienced in; the proposer's financial qualifications and strengths like the financial return to the City, like the market and economic viability, we want a long term stable project for the Commission, the ability to give consideration to Coral Gables residents and former Club members. As a part of that proposal we want to put that on the table that we want to see how they are folded into the proposers. The appropriateness of the proposed uses relative to the immediate area, this is a single family area and we want to make sure that that's protected and also the City of Coral Gables generally. We have a time line, when June 3rd comes I'll walk you through each of the paragraphs; but we built in that broadness that you wanted, the sensitivity of how can the residents be folded in, how can the prior Club members be considered as a part of it. If the Commission finds it acceptable, and they like the RFP, then we will issue June 10th; we would have a pre-submission conference and site tour June 25th; so any of the bidders could come in and walk through it. We are also, as long as it's consistent with Procurement and the City Attorney and they sign off on it, we want to be able to schedule individual team walk-throughs so that if teams wanted to talk out loud and not hear their competitors, not have their competitors listen, that would be done, staff would not be able to answer any questions, but they could unlock the doors, so they could go through. Deadline for receipt of questions July 9th; proposals due July 31st; interviews with the developers, the week of August 25th; I should point out that I went to the Property Advisory Board and talked conceptually about this, and asked them just like we would be asking other relevant Boards that we are going to need to have their representation on the evaluation committee; so could this schedule work for them as well. So interviews of developers August 25th; evaluation committee recommendation finalized September 2nd, that's an extra week built in, because typically in the RFP processes that we've done for the City, the interviews of the developers that the evaluation committee is able to come to conclusion; we've done the research, they have the studies, they've been able to answer their questions, and they do come to conclusion, but we just wanted to have that safety there; evaluation committee then finalized September 2nd; recommendations to the City Commission September 9th. So that would be your first meeting in September; could we shave it down, make sure you got it August 26th? We think its really important to go broad on this in terms of interest to contact hospitality, Restaurant News, the Country Clubs of America, the different groups – fitness – the different groups that could be interested in this; great conference opportunities, great banqueting opportunities, great restaurant dining opportunities, the fitness, swimming, tennis, and how that weaves in and satisfies the residents and members. So we are going to go as wide as we can on this to try to get as much interest; and so far we've got quite a bit of interest. How that matriculates into proposals, we'll find out.

Commissioner Cabrera: Thank you. Mr. Manager you've got like five parties, interested parties that have spoken to you, potential operators of the Club; I've referred to Ms. Swanson and your office, two parties, one Florida International University, the second a potential interested party that toured the facility yesterday. So potentially there are seven interested groups out there.

City Manager Brown: At least.

Commissioner Cabrera: At least.

Ms. Swanson: That's before we've advertised.

Commissioner Cabrera: OK.

City Manager Brown: We haven't even advertised.

Commissioner Cabrera: OK, there is more, that's a good thing.

Ms. Swanson: We are going to – we have little post cards of the Country Club, so we can send them to a lot of different groups to see the bushes, but also we've looked at the advertising placement of where those prospects read, so they can catch it. I neglected to say the idea that we will be proposing to you June 3rd, which is important to put on the table, and that is the financial proposal. We are going to be recommending to you a minimum base rent and a percentage rent, whichever is higher, so that we put down as a place holder that the City as a recommendation would be three hundred and sixty thousand dollars (\$360,000) a year minimum base rent, or blank percent; is it five percent, we are looking at that gross income, because we wanted you to get use your money as you wish, but also to have an income stream to pay back some of the other debt that has occurred on the property. We are not building that issue in, but are building the base rent and percentage into the deal. If the Commission wishes as a part of moving forward also recoup some of its cost.

Commissioner Cabrera: You made an interesting comment at the beginning of your presentation where you were assessing the Club's or the facility's condition; I gave the Manager a copy of a document, which from what I can see is an operational overview of the facility back in 2005-2006, and of most interest to me was that at that time whoever wrote this, I'm assuming it was the management, the operator, made a commentary that the main chiller is having problems and it could cost as much of one hundred thousand dollars to repair, and he also, or she also wrote that there are various plumbing drain problems with the facility, and they go on to say that due to the original under floor piping in the area of the office, living room, fitness building area, they are maintaining this on a weekly basis, but should the under floor lines fail entirely the Club could incur substantial expense; and the last commentary has to do with the historical gallery area where they discuss the fact that there is termites and rot around the windows, and they go on to say that this will increasingly.....it reads, this will increase costs considerably over just a normal window and roof replacement. So I just want us all to be aware of this and I want staff to assess these commentaries.

City Manager Brown: Mr. Delgado hasn't seen that piece of paper, it is in route to him, and I expect him to go through each and every one of them and verify or unverify the comments in that document.

Commissioner Cabrera: OK.

Ms. Swanson: He is now evaluating the HVAC, he is evaluating the roof, he is aware of the potential termite issues, and he is going to be looking at that because I did speak to him about it; the plumbing is something that we need to now have some people go and look at, that was not on my check list for things that needed...

Mayor Slesnick: One of the comments – can I...?

Commissioner Cabrera: Sure.

Mayor Slesnick:...that Mr. Cabrera just made, you know, everybody will go back for decades and talk about the plumbing underneath the building, in the old... its been giving problems in the Country Club for many years, and HVAC equipment gives out, comes and goes, and people make it work as long as they can, but one thing David, that I'm particularly interested in, is that if in fact the management knew about termite issues and took no action, because if we are in lawsuits between the two parties, I think that becomes a negligent act on their part.

Commissioner Cabrera: Again, I'll ask the Manager's office to get you a copy of the document that I read from, because I gave him a copy last week, its very clear that it was an overview of their...

Mayor Slesnick: They may have taken some action, I don't know.

Commissioner Cabrera: May have, when you read the document you don't really see much action being taken other than the status report, just letting you know.

Mayor Slesnick: No, I'm just saying, I don't know what happened after that.

Commissioner Cabrera: I don't either, I don't either.

Vice Mayor Kerdyk: Mr. City Manager let me just add a couple things, first of all the last time we were up here we said we were going to post a Police officer or some type of guard outside, has that been taken care of?

City Manager Brown: Yes.

Commissioner Cabrera: They also have an alarm.

Vice Mayor Kerdyk: That's what I was going to ask you, is that alarm hooked up?

City Manager Brown: May have a smoke alarm, and we're looking at it to see if it can be converted as an intrusion alarm.

Ms. Swanson: In chatting with Public Works, they said there is a smoke alarm, and there is another alarm and that alarm hasn't been reactivated, but that Ron Van Eyk was looking at how to reactivate it; there are two different alarms.

Vice Mayor Kerdyk: Please, I think that would be crucial if we make sure that the fire alarm is in place and working, starting with this whole issue was when the place burned down and the last thing we ever want something happening that we can prevent, and the other thing is, I guess the pool open now? Yes-no?

City Manager Brown: Yes, as of the nineteenth.

Vice Mayor Kerdyk: What are we doing as far as the gym?

City Manager Brown: The gym is closed.

Vice Mayor Kerdyk: You may want to extend our gym facility at the Youth Center to the members that they can participate in that while we are trying to go ahead and get this all cleaned up.

Mayor Slesnick: Since Mr. Kerdyk brought up the pool, it's being run by a third party operator that had a deal with the management of the Club, I take it?

City Manager Brown: Yes – you are talking about the pool or the fitness?

Mayor Slesnick: The pool.

City Manager Brown: Acquaphenix.

Mayor Slesnick: OK, but what I'm saying...

City Manager Brown: Acquaphonix.

Mayor Slesnick: OK, well who are they paying rent to now?

City Manager Brown: They are just operating the pool on their own.

Mayor Slesnick: Well, I don't understand that, David. We are supportive of keeping it open and going forward, but I mean, if they are using our City property, we're all talking about accountability, if they were paying before what are they doing now?

City Manager Brown: They are upkeeping the chlorine; they are doing the maintenance...

Mayor Slesnick: Well David, I'd like you to make sure that whatever they are doing equates to running a pool that size, and that the citizens...I mean, if we are all going to clean up our act here, let's make sure we are doing that right too, and I'd like to know who's carrying insurance.

City Manager Brown: They have insurance, that's been checked.

Mayor Slesnick: And you can verify it?

City Manager Brown: Yes I can.

Mayor Slesnick: OK.

City Manager Brown: Been through Human Resources.

Commissioner Cabrera: Mr. Mayor, in fact this particular contractor has gone above and beyond the call of duty while they had the contract with the operator Granada LLC to the tune of, I think, nineteen thousand dollars in one year for chemicals, something they didn't have to do, but they were doing.

Mayor Slesnick: I saw those figures, I just want to make sure what we are doing now is appropriate.

Commissioner Cabrera: I hear you.

Ms. Swanson: Our office's focus only on the RFP moving forward, so I'm not very knowledgeable on this issue.

Commissioner Cabrera: Right, but the operator for the pool also provided the Manager with a copy of an interim business plan that I think you were contemplating.

City Manager Brown: I'm very confident that Acquaquadics is doing a very good job, they are spending the money to operate the pool, they are paying the electricity, but they are keeping the pool in balance.

Mayor Slesnick: David, I want a report telling me and the rest of the Commission, if it's a good business deal.

Commissioner Cabrera: Good idea.

Commissioner Withers: Can I ask a question.

Commissioner Cabrera: Oh I had a question, I have my list, but that's OK – I can do my list later, go ahead.

Commissioner Withers: I was just wandering who was going to review the RFP?

Ms. Swanson: Who's going to review the RFP? This City Commission is going to be reviewing it; the Manager will be reviewing it, and the City Attorney.

Commissioner Withers: I mean when the three hundred respondents respond to the RFP.

Ms. Swanson: The first thing that we'll do, is we'll certify the proposal, it will be based on that do not have the experience and...

Commissioner Withers: Who? Who are the members of the Selection Committee?

Ms. Swanson: OK. Staff will first do the short cut of those that are not complying, and then the Evaluation Committee, it was our recommendation was that Historic Preservation Board, the Budget Advisory Board, Property Advisory Board, in fact we would be recommending two members of the Property Advisory Board, so we have an interdisciplinary committee, if the

Commission has other Boards that they want to make sure they are included, but then we go to them and say, you give us a representative, rather than us say we want this person.

Commissioner Withers: So there is not a consideration of any existing members of Granada LLC or Country Club be on this Board?

Ms. Swanson: If the Commission would instruct us to do that we would, we have built in that we want the proposals to get consideration to the members, I don't want to....I want this recommendation to be the absolute best proposal for the City, and I don't want to cloud it.

Commissioner Withers: And that's why I think we should be pretty clear, we should try to steer clear of members of the LLC.

Ms. Swanson: I do not have one now.

Commissioner Withers: Even if there is a member on the Property Advisory Board that also might be a member of the Country Club, I think we really need, I just think we need to keep that, I don't know how you all feel.

Commissioner Anderson: They are out of it, exclude them; I'm comfortable with that.

Ms. Swanson: Even Economic Development Board, I love my Chairman, but I wouldn't want him sitting on it because he's also a Club member.

Commissioner Withers: That's exactly what I mean. I just want to keep it as clean as we can.

Commissioner Anderson: Absolutely.

Commissioner Withers: Sorry Ralph, thanks.

Commissioner Cabrera: No, good point, Chip. Status of the audit?

City Manager Brown: Mr. Nelson.

Commissioner Cabrera: And do we have a cost of the audit as yet?

City Manager Brown: I don't think so.

Commissioner Cabrera: OK.

Mr. Nelson: Good morning.

Commissioner Cabrera: Good morning Don.

Mr. Nelson: McGladrey and Pollen, which is the national certified public accounting firm and is the firm that conducts our annual audit for the City, will be conducting a financial review in

order to determine the assessment. We have an engagement letter; it will be based on an hourly rate, because they are not sure what they are going to be finding. They need to go in there, talk with City staff, management; if possible, the former staff at the Country Club, management, the General Manager of the Club, to try to assess the records. We have the computer files, we have the financial records that they have provided the City, however they need to go in and do a complete analysis to determine where are they with their cash, accounts receivables, their accounts payable, more importantly how much is owed to date. We do not have an annual financial audit from the Country Club, the last one was September 30, 2005, so they are basically going to have to start from the records they have, the bank accounts they have today and work forward, as opposed to going back and doing a forensic at this time just to see what records there are available and how accurate they are, and then we will assess how far back we will need to go, but our most important aspect is to find out where they are right now.

Commissioner Withers: Don, I mean, I don't know – well I'm sure they know a little better than I know, but in instances like this, is it not customary to contact an existing vendor through a letter and say, do you have any outstanding?- can't we proceed, instead of us trying to recreate internal records which we don't know if they are accurate or not, why don't we reach out to the vendors and ask them for an accounting, I mean rebuild it from the vendor's perspective, that to me would seem the logical way to go.

Mr. Nelson: We will, it will be a reconciliation of current records that we, that the Club believes that they have as amounts owed to the vendors, but then that would be also confirmed through confirmation to the vendors on record that – a typical confirmation is, this is the records that we have that we owe you vendor X, please confirm this, as opposed to an open letter.

Mayor Slesnick: Wait, wait, stop right there, this is getting very scary; there are vendors out there that LLC owes, we don't owe, we don't want to give the impression...

Commissioner Withers: That's exactly where I'm going.

Mayor Slesnick: Don't start writing letters to food vendors saying, what do we owe you, and we don't owe you anything.

Mr. Nelson: Oh no, no, no, its just to confirm what the Country Club, not the City, this is all what I'm speaking on is on behalf of the Country Club, the City's position is, and we're getting calls from vendors is the Club, not the City; and so we are contracting them on behalf of the Club to ascertain the Club's position on how much the Club owes to its vendors...

Mayor Slesnick: OK, that's better.

Commissioner Withers: OK.

Mr. Nelson:...not the City, so I want to be real clear on that. That's why we are hiring an independent C.P.A. to go in independently, not the City's internal staff, not our Internal Audit staff, but an independent auditor, to ascertain the financial position of the Club.

Commissioner Withers: And what part of that I asked was to see where we were on deposits and prepayments.

Mr. Nelson: That would be part of it.

Commissioner Withers: We don't know where we are on that at this point?

Mr. Nelson: We do not, no sir.

Commissioner Cabrera: My last comment has to do with, I think the discussion we had last time regarding Mr. Seurattan and the fact that he was under contract by Granada LLC, and remains at the Club.

City Manager Brown: That's correct.

Commissioner Cabrera: You know, I'm having a problem with that, and let me tell you where my problem is or lies; first and foremost, they abandoned the Club, the facility on May 3rd. I think that was the date they turned it over to us. Then, they made an arrangement with the City to have Mr. Seurattan stay on board for ninety days under their payroll. I questioned you and asked you several very pointed questions about the relationship he was going to have with us; yet he remains there, and from what I understand the reason that this gentleman is inside the facility is to help transition events that had been scheduled that now were cancelled, and to try to find new venues for those interested parties that obviously could not carry out their functions.

City Manager Brown: In addition to collecting past dues that were due before the date of the Club closing, and to turn those dues...

Mayor Slesnick: Past bills.

City Manager Brown: ...Past bills, not new bills, but past bills and turn those collections into the mitigation of debt.

Commissioner Cabrera: You know, what I have a difficult time understanding the City agreeing to do is to allow the operator after he left the facility, the way they left the facility, to still remain there with a representative, and personally I have a problem with that. I think that – I know you've obtained the computer records, I know you've obtained the passwords, but I have a real discomfort knowing that there's still a Granada LLC person in the facility that is owned by the City of Coral Gables, and you in my questioning last time were very clear with me when he said he takes orders from Granada LLC and not the City of Coral Gables.

City Manager Brown: Well, he takes orders now from here, but he hasn't been in contact with LLC that I know of.

Commissioner Cabrera: OK, if he takes orders from here, let me ask a question, Dr. Hymixen wrote us an e-mail back on March 23rd; Dr. Hymixen never received a response from the City of

Coral Gables, and yet you have told me that you had past that e-mail to Mr. Seurattan, and you did that well over three or four weeks ago, and there is still no response.

City Manager Brown: We'll have a response before the end of the week.

Commissioner Cabrera: Yes, but you catch my drift on this thing?

City Manager Brown: Commissioner, someone's got to take those phone calls on behalf of LLC and clearly there was a delineation between Mr. Bornstein and Mr. Seurattan, but somebody's got to take those phone calls and try to collect that cash and turn it into a mitigation of debt, otherwise those phone calls are going to fall on the City, and I'm not prepared to put the City in that position of answering debt questions.

Commissioner Cabrera: You know what, I agree with you, I'm not prepared to do the same either, but you know what, this issue is more operational than policy, but I'm still going to say it, if I were you I'd get him out of that facility and have him operate from somewhere else. You can transfer a telephone very easily rather than to continue having, giving the perception, because you are giving a perception out there to the public that they are still involved, whether you agree or you don't, the reality is he's physically on the property, that's just my two cents.

Mayor Slesnick: Thank you Mr. Cabrera. Thank you all.

[End: 12:07:00 p.m.]