

City of Coral Gables City Commission Meeting
Agenda Item H-2
June 26, 2007
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Slesnick Donald D. Slesnick, II

Vice Mayor Maria Anderson

Commissioner Rafael "Ralph" Cabrera, Jr.

Commissioner William H. Kerdyk, Jr.

Commissioner Wayne "Chip" Withers

City Staff

City Manager, David Brown

City Attorney, Elizabeth Hernandez

Assistant City Attorney, Lourdes Alfonsin

City Clerk, Walter J. Foeman

Deputy City Clerk, Susan Franqui

Don Nelson, Finance Director

Public Speaker(s)

Steve Siegfried, Attorney Representing the City of Coral Gables

George McArdle, Attorney Representing Granada LLC

Stuart Bornstein, Attorney

Roxcy Bolton, Coral Gables Resident

Rip Holmes, Coral Gables Property Owner

H-2

Status of Negotiations with Granada LLC
Discussion

5:40 p.m.

Mayor Slesnick: Item H-2

City Manager Brown: Yes, Mr. Mayor, two meetings ago this Commission in specific Mr. Cabrera had asked that we bring a status of the negotiations with the Country Club to the Commission. We have been meeting – we met regularly for the last two weeks and in the last couple days very seriously. I had asked the Club for a proposal on how they wanted to solve the problem, and they sent that proposal very rapidly within a couple days. We found that proposal to be unsatisfactory as far as I was concerned for recommendation to the Board. So we sat down and met; Steve Siegfried was there, Andrew Hinkes was there, Lourdes was there, I was there, Rudy Seurattan was there, and certainly George McArdle was there. I laid out some guidelines that I thought I could sell bring to the Commission that would be ap-pro-po as far as a loan, and also to clarify some of the items in the document for future reference. The proposal that I sent to them I

thought it would be well received by all around, but it wasn't, we didn't agree on that proposal, and Mr. McArdle then provided a proposal as late as this morning, which frankly was unsatisfactory. So we – and I'm going to bring Steve Siegfried up here in a minute and he can give you the legal part of it as far as where we've been and where we are right this minute, but at the present time I can't bring to you an agreement that I think that I'm comfortable with to solve the problems of the agreements, at least the ones we need to solve in loan upwards of a million dollars (\$1,000,000) to the Club. I don't have a comfort level to recommend that to you today. The Country Club is here and they will be here to speak on the issue, but right now we're pretty far a part with the confines of **two major issues, and that's how's an obligatory of the loan, and if something doesn't go right in the future how that separation occurs. Those are the two major sticking issues where we are right now.**

Mayor Slesnick: David, let me set this part of the stage, correct me if I'm wrong, but I think it doesn't make a lot of sense unless we set the stage. We have an agreement between the City, the County Club, and Granada LLC; that agreement is still in effect.

City Manager Brown: Correct.

Mayor Slesnick: What we are trying to work through is to continue that agreement and to make sure everybody meets their obligations, right? And it was called to our attention that the Country Club/Granada LLC both either/or had not been meeting what we consider to be their obligations to pay the monthly pay back for those loans. That was what was brought to our attention.

City Manager Brown: Correct.

Mayor Slesnick: In a very unusual way, but that was brought to our attention. OK. Granada LLC and the Country Club may have one view or two views, we have a view.

City Manager Brown: That's what I was going to add to.

Mayor Slesnick: OK. But as long as we are sitting here there's still an agreement, it's still in place, it's still in force, Granada LLC and the Country Club Board continue to run the Club, our mission, if you will, or our purpose is to resolve the dispute over the interpretation of the contract and to move forward.

City Manager Brown: And that in-lies the issue, because they have one complete different interpretation of the pair of agreements, we have another.

Mayor Slesnick: OK. I just thought we need to know what we are talking about.

Commissioner Cabrera: May I just say two quick comments. Mr. Manager, you mentioned in your opening comments, I'd to make a comment based upon what you, said and then I'd also like to answer Mr. Holmes, because you point blank asked me a comment a little while ago, I didn't think it was the opportune time to respond to you, but

I'm going to respond to you, and also to the Manager. The reason that I brought the item up initially was I shared the Commission's concern; I'm sure my colleagues would have also brought the item up at some point in time. The second reason why I did not bring it up after I initially deferred it was because we went into discovery, and as you enter litigation I followed the advice of counsel, and I allow things to progress in the legal aspect. So that's the reason I didn't bring it up again until – well I haven't brought it up, the Manager actually brought it up on his own accord. Not trying to defend my position, it's just that I wanted the process to move forward, and that's the reason why it did not get brought back by my office, OK Mr. Holmes.

Mr. Holmes: I hear you.

Commissioner Cabrera: OK. Fine. That's all I wanted you to say. We can debate this at another time in another place.

Mr. Siegfried: My name is Steve Siegfried. Commissioners, Mayor, could you hear me now? I was asked – I just want to give you a little bit of a background, I don't want to really advocate a position because I don't really think that's my position here today, but to give you a background of how we got where we are. I was retained to represent the City in defense of a law suit by the contractor who was hired to refurbish the Country Club. Years ago in 2001 a decision was made that it was in the interest of the City to refurbish the Country Club, and as part of that decision the City entered into an agreement with the Country Club – it was a 2001 agreement – and the Country Club then entered into an agreement with the operator Granada, which is represented by Stuart Bornstein, to manage the facility actually monitor the construction and make sure the construction was undertaking in accordance with the Capital Improvement Plan that was adopted and approved by the City back then. So when I got involved I was simply involved with the dispute that I believed revolved around an obligation by either the Country Club or Granada to pay Courtellis, an outstanding sum. We were sued – the City was sued – there was an ongoing arbitration between Granada and Courtellis, and that arbitration is still pending, and our law suit is still pending; as a result of that there was a settlement a mediation, we thought we settled the Courtellis claim after many versions of that, it just never got done – not pointing fault at anybody – it just never got done. But a result of those meetings and discussions was an apparent desire on behalf of Granada to have assistance from the City to keep the Club in operation. We began to learn that Granada was not making a profit with the Club, for some reason, they were operating, I think at a deficit, I believe that you will see that Granada, when they come up to do their presentation, was advancing funds to the Country Club, their own money, to keep the Club in operation. We went back and forth and asked Granada what they need to continue in operation, because I believe that was the desire of the City. In all those discussions they talked about various numbers, and I thought that at one point in time we agreed; we agreed that we would recommend to the City to consider, the Commission to consider, loaning the Country Club a million dollars (\$1,000,000). The discussions that we always had, David Brown and I and staff, had with Stuart and his attorney was with Granada, we never really had any discussions with the Country Club. I mean, I met with the Country Club at one time just to inform some of the members of what was going on, but we really

never had discussions with them, they didn't come to us and say they needed money. So from our point of view is always the discussions were always with Granada, help the situation out and let's move on and see how they do; see if they could turn the Country Club around; see if the Country Club could be profitable so that Stuart and Granada could make money and the City would be happy continuing the Country Club. Where we got bogged down is with the language of who the loan was going to be given to. We believe that the loan was going to be given to the Club and Granada, both of them, and to fund the current operations, and receivables that are due, and to fund the possibly the law suit, if that was going to be a possibility. **Granada at this point in time has basically said that they will not promise to repay the loan, and that is a problem because advancing the monies to the Country Club that has no assets, that has no ability to make money, is a difficult decision, we can't recommend that.** That's where we are – **who pays the loan back.** The second aspect of it is that they way that we restructured the loan now to the Country Club was over a period of five years, I think, no four years, basically giving Granada four more years to see if they can turn the Country Club around, and if they couldn't then we said OK, we would say we would recommend – they would recommend to you that they would go their separate ways. Well, that's a problem, they won't go their separate ways; they will talk about it – **a claim they want to make against the City, David couldn't recommend that.** I'm here to answer any questions that you may have, and I'm not trying to be an advocate for any position.

Mayor Slesnick: Let me say this – let us make sure that we are clear on the record since there was a comment thrown on the record by a speaker which was not exactly accurate. The money that we have put in, and I can say that we can verify this – can we not – the money that we have put in so far, the four million dollars (\$4,000,000) has gone into the building which is owned by the City and the citizens of Coral Gables.

Mr. Siegfried: Yes.

Mayor Slesnick: So there has been no money given to a person, persons or things that has not been returned to the citizens.

Mr. Siegfried: That's correct.

Mayor Slesnick: Secondly, even if we up the loan to five million it is still covered by the money invested into the building and into the possessions of the building.

Mr. Siegfried: Of course, any agreement would have to provide that, that's correct.

Mayor Slesnick: What I mean is.....

Mr. Siegfried: It goes into.....

Mayor Slesnick: You can verify that they spent how much money on the building and the accoutrements.

Mr. Siegfried: I believe that the money that we will be advancing could be verified as capital expenditures, meaning money that was spent we were able to justify that these monies if they were spent by the City they would have – if someone came to the City at the time and said we need to do improvements to the building, we need to pay for improvements to the building, we need to pay for the maintenance of the building, the City may have considered funding it, they just never did. So, yes, we believe that the million dollars was justified as a capital improvement or furniture, fixtures and equipment.

Mayor Slesnick: How much money, David, have we ascertained was spent on the building and fixtures, approximately?

City Manager Brown: About five point two million (\$5.2M) that I can verify with receipts for collateral.

Mayor Slesnick: I just want it on the record, there has been so many things said that the citizens of Coral Gables can know whether the Country Club fails, stops, or anything else, there are five or more million dollars in the Club building.

Mr. Siegfried: I don't think there is any question about that.

Mayor Slesnick: OK. That's new fixtures, and new building. That's the only reason we are sitting here talking about continuing on, I would guess, because if it wasn't for that we would have been out of here a long time ago on these negotiations.

Commissioner Withers: Let me go at it another way. The City put up four million (\$4M), the developer put up how much so far?

City Manager Brown: Well, I don't know the exact number, what is told to me is, you can tell them it's about one point one million (\$1.1M). If you are going to answer the question you need to come to the mike please.

Commissioner Withers: I know where Don's trying to go with this; I just want to make sure that I understand.

Mr. McArdle: My name is George McArdle, I'm an attorney, I represent Granada and the Club. The loan that was originally made to the Club was the four million dollar loan for capital improvements, which included supervision, permit fees, architecture, engineering, everything else; when you look at everything that has been spent on the Club to date – not operations.

Commissioner Anderson: Excuse me, just for the record; I thought I heard you represent Granada LLC and the Club, or just Granada?

Mr. McArdle: And the monies that have been spent to date that have gone into the improvement project, which means the building, the furniture, fixture, equipment, fees and everything is six point seven million dollars (\$6.7M).

Commissioner Withers: Does that include the Courtellis claim?

Mr. McArdle: Yes it does.

Commissioner Withers: OK, six point seven; so what you are saying Don, is six point seven million (\$6.7M) has been spent for capital improvements, the City has poured into it another two point seven (\$2.7M) out there in capital improvements that has come out of their pockets, so if you put another million in, we'd still be less than the six point seven (\$6.7M).

Mayor Slesnick: The citizens would still be protected by what they own, that's what I'm trying to say. That's the only reason I would even consider such a thing.

Commissioner Withers: I just wanted to clear that up.

Vice Mayor Kerdyk: Let me just ask a question to that, how much of that six point seven (\$6.7M) is furniture?

Mr. McArdle: That furniture is probably three quarters of a million dollars.

City Manager Brown: Seven hundred and seventy thousand is furniture that they have purchased and is in the building, a lease for three hundred and seventy three thousand dollars (\$373,000) in kitchen equipment that's leased.

Mr. McArdle: Of the six point seven (\$6.7M) of the additional two-seven, three hundred and fifteen or three hundred and twenty five is still owed to the general contractor. There is still.....

Mayor Slesnick: Courtellis.

Mr. McArdle: To Courtellis, and three hundred and thirty eight thousand dollars (\$338,000) are still owed to SunTrust Bank on capital leases for kitchen equipment. So about six hundred and fifty thousand (\$650,000) or so of the additional two point seven (\$2.7M) was financed in that way. The balance of that about the two point one (\$2.1M) came from two different sources; one was loaned by Granada LLC and a portion of it came from revenues of the Club, in other words cash flow from the Club went to pay for capital improvement bills, and that's how the money was funded.

Commissioner Withers: And that's why you are in trouble because you use that operating capital which would have been used for marketing or events or whatever to pay for capital improvements, that's why.....

Mr. McArdle: What happened is, the Club, like any new ventures started out in the red and it has moved to the point where it was breaking even where this year was on a positive cash flow. But revenue from the Club went for capital improvements; loans from the operator went from capital improvements and that's why the Club is in the situation it's in now, not because it can't sustain itself, but because monies that would have been used to sustain it went to pay for capital improvements.

Commissioner Cabrera: Mr. McArdle, you really have gotten me somewhat confused and I'll tell you why. You and I had a meeting along Mr. Seurattan and Ms. Alfonsin in Ms. Hernandez's office, and I walked away from that meeting with the impression that you were representing Granada LLC, but you told Ms. Anderson that you are not only representing.....

Mr. McArdle: In the sense of representing the Club and trying to produce this cash flow for the Club, so the Club can continue to sustain itself. Now the decision process – the decision rights of the Club have been assigned to the City in many ways under the management agreement with the City, but what I meant by that, Mr. Cabrera, is that I'm trying to work with Granada and the Club to produce this cash flow for the Club so it can continue to operate.

Ms. Alfonsin: Mr. McArdle, the perception I believe is that you have been hired by the Club.

Mr. McArdle: I've been hired by Granada.

Commissioner Cabrera: OK. So you represent Granada LLC, not the Coral Gables Country Club.

Mr. McArdle: Yes sir.

Commissioner Cabrera: OK. Let the record reflect that because your response was different to Ms. Anderson.

Mayor Slesnick: So David, where do you we go now? Let me make a suggestion – cut it short; either we come to an agreement or we default, how's that for a quick suggestion?

City Manager Brown: That truly is the only two options left. When I left the meeting yesterday with Mr. McArdle and Mr. Bornstein, I had asked – or stated on behalf of the City Commission that we could not support a pay-out should there be a default down the line in the new agreement, and they stepped out the room and considered it, and they said no they had to have that provision, and then I said well I think this meeting is completed, and that was the story. So I can't recommend to you, do we alter our present agreement that you spoke of earlier in lieu of a pay-out for default. So my first recommendation is that we not execute this agreement based on the way it's worded right now.

Commissioner Withers: The cash flows that are generating right now, is the Club supporting itself? – for get the debt service on the seven hundred thousand or whatever you have for the lease and Courtellis; is the Club right now sustaining itself at that level?

Mr. McArdle: The Club prior to the unfortunate press that it's gotten just because of the situation that came up, was actually going to be in a positive cash flow position this year; so the answer is yes, it would have been. That is probably not going to happen because there have been no new members and there has been a certain amount of uncertainty.

Commissioner Anderson: Let me ask – if the Club was in such good – or working towards a positive, why did it stop paying last May? That defies logic for me.

Mr. McArdle: One of the things that we have is we do have, from our point of view, is some confusion as to what the agreement say, and we do have a disagreement. Now, one of the things I remind myself of is that when that happens it can lead to some confusion and some frustration. But we really have a situation here where we don't have good guys and bad guys; what we have is two sets of good guys both of whom have done good things. The City has loaned money to the Club, and the operator has loaned money to the Club so that the capital improvement program could be finished. The agreement that the City has with the Club, and the Club has with the operator has provisions which the staff and counsel and Granada do not agree upon, but there are some things that we do agree upon. One of the ones that we agreed upon or staff I think was approaching was that the City could loan an additional million sixty thousand dollars to the Club and that would be protected by capital improvements which are owned by the City and owned by the taxpayers, and the staff had proposed a certain repayment program which Granada had agreed to starting at a certain date and increasing in certain sums. And as Mr. Brown said there were two areas that the Club, excuse me, Granada and the City did not agree on, and one, does the operating agreement obligate Granada or make Granada an obligor under the note, and two, what is the City's responsibility and the Club's responsibility to Granada not as manager, but as lender? Because Granada sees its role as two; one – it's the operator of the Club under contract with the Club, and separately it's a lender to the Club, and Granada had said yes, the City's loan should be repaid, but also Granada's loan should be repaid; understanding that Granada's loan is subordinated to and junior to the City; the City's cash flow has to come first, Granada's come second. But Granada's position is whether Granada is the operator or manager of the Club or not, Granada's loan as lender should be recognized in the same way the City's loan as lender is recognized. So what Granada is saying is that Granada is perfectly well to go forward and if the program doesn't work the court can decide which of us is correct, whether Granada is an obligor and whether the City has responsibility or whether they don't, and if the City wanted to answer that question now and Granada said alright, we think that we've loaned about two million dollars (\$2M) to the Club; we are willing to say if you want us to give a walk away number now if we separate on the management issue we'll accept seven hundred and fifty thousand dollars (\$750,000). Now the other proposal that Mr. Brown spoke of, because we thought about this last night, and said well, how else can we deal with this? – and we said what if we do this, what if we say alright we agree on the loan to the Club by the City, we agree on the repayment schedule, we think that staff does not

have a problem as long as the repayment to Granada is subordinate to the City's to having Granada repay, and what if we leave the question of Granada's obligation on the note and the City's obligation to Granada to the court? What if we say alright, let's keep the Club going, let's go forward on the things that we agreed upon, and let's ask the court on those two specifics for a clarifory judgment. Something that can happen much more quickly and much less expensively than full fledge litigation, and if the court comes back and they say Granada, we don't think the City owes you anything; then what we are saying is if this deal doesn't work and we terminate – you terminate and we walk away we'll take zero; we'll walk away for nothing. If the court comes back and says, City you owe Granada "Y", then when we walk away we'll accept "Y". So what we are saying is let's try and find a way where we can pay Granada, we can pay Courtellis, we can pay the vendors, we can keep the Club alive particularly for those members who have prepaid for life time memberships, where we can avoid all that ancillary litigation, where we can have a very directed question that we are putting to the court or to an arbitrator, and in the meantime we can capitalize on what progress the Club has made – going from a half million dollar cash deficit to this year what would have been a small cash positive. And we felt that that proposal offered a middle ground to the City in terms of our position.

Mayor Slesnick: We have one speaker who signed up.

Commissioner Withers: Can I ask one question? In this proposal, what about the seven hundred and fifty thousand dollars and the money owed to Courtellis and the long term leases of the equipment? Did Granada LLC lease the equipment or did the Country Club lease the equipment, or did the City lease it?

Mr. McArdle: No, one of the things that we had agreed with staff was that of the million sixty that was being loaned to the Club, three hundred and fifteen would be used to pay Courtellis, so that obligation would be gone. And in terms of the capital lease that capital lease started out, I think, at 370 or 380; it has been reduced now to 338 because the Club is servicing the lease out of operating.....

Commissioner Withers: Whose name is that lease in? Is it Granada LLC?

Mr. McArdle: I've never actually seen the lease, but I believe it's in the Club's name.

Commissioner Withers: The Club leases the equipment.

Mr. McArdle: Now that equipment once it's paid for belongs to the City.

Commissioner Cabrera: And in the interim if it goes in default it belongs to the City.

Mr. Bornstein: And I believe that was addressed by the City at that time.

Commissioner Withers: You mean the City Commission?

Mr. Bornstein: Not the City Commission. I met weekly with the City's representative throughout the entire restoration process, and each and every change order and document at that time was forwarded to the City.

Commissioner Withers: But that was booked as an operational cost not as a capital improvement cost, is that correct.

Mr. Bornstein: It's been treated as an operational cost even though it's paying for a capital improvement cost.

Commissioner Withers: As far as the Courtellis loan or the Courtellis law suit, I'm assuming that was change orders in construction?

Mr. Bornstein: Yes sir.

Commissioner Withers: And that was approved by the City also these change orders?

City Manager Brown: That in lies the problem here. Our agreement that Stuart has looked at shows for a four million dollar (\$4M) loan to the Club to build it, and that's all the City would obligate itself to four million dollars (\$4M).

Commissioner Withers: I understand.

City Manager Brown: Right now they are asking us to extend that four million (\$4M) to five million (\$5M).

Commissioner Withers: Understood.

City Manager Brown: But the Commission also wanted some clarity on where we were going in the future, and I have a problem recommending that we extend – even though we agree on the payment plan, we agree on most of the issues, what we don't agree on is what happens if the loan doesn't get paid.

Commissioner Withers: Well, let me ask you where the rubber hits the road on this thing; Ralph was very diligent in, I thought over diligent, but now I congratulate him on pushing for updates and monitoring, as this meter was running and we went from a four million to a four and a half million, to a five million, to five and a half million, to a six point two million or where ever you said you ended up, six point seven, who was expecting to pay for this? Where was the City – were you going to say alright, Granada LLC you know, the meter is running, these change orders are being approved and its your responsibility to pay for it.

City Manager Brown: Yes, because we knew or at least staff believed that the ticket for the City was four million dollars, and we were approving the changes because – we were approving them as a structural change or addition to the Club, but it was on – we believe – it was on their dime.

Ms. Alfonsin: The four hundred and fifty two thousand – what's owed to Courtellis is exactly four hundred and fifty two thousand, it's not three hundred and fifteen. The four hundred and fifty two thousand is owed to Courtellis still fell below the four million dollar mark; it was still under the four million.

Commissioner Withers: Oh, it was.

Ms. Alfonsin: Yes. So those changes orders that they are talking about were with the four million dollars.

Commissioner Withers: So what's the other two million?

Mr. McArdle: The Courtellis number did not cover all of the capital improvements; it didn't cover side work; it didn't cover the asbestos problem.....

Commissioner Cabrera: The reality is when you entered this old structure you found all kinds of surprises, that's the reality.

Mr. McArdle: Correct.

Commissioner Cabrera: But I distinctly remember saying that let the buyer beware, and in this case let the renter beware, let the management company beware, whatever it is. I have a problem from the standpoint that we committed to four million, we are now being asked to consider an additional one point.....

City Manager Brown: 06903.

Commissioner Cabrera: OK. Here's where the rubber meets the road since Chip used that phrase, Mr. McArdle, and I think you concurred with him Don, said that the recent negative publicity hurt the renewals. OK, I'll take that.....

Mayor Slesnick: Hurt reservations and people willing to put up deposits.

Commissioner Cabrera: OK. I will accept that, but I will also say that raising fees, raising menu items, reducing the hours of operation also hurt the Club's ability to operate.

Mayor Slesnick: Most of the menus through the Club are done through catering, that's the same with Riviera Country Club, catering is a gigantic part, and all I was speaking about was the unwillingness of people to put down future deposits in a club for weddings and for other things like that; I don't know what the rules are so I can't speak to that.

Commissioner Cabrera: But where the rubber meets the road is if this Commission wishes to loan this million plus, I've got a series of conditions that the only way I would support it is if these conditions are met, and it begins with a new updated audit, which we haven't had one; the last audit that was done by the Club was at my request; I want to know what future projections is the Club going to provide the City to ensure success; I

want to better understand what cost cutting measures are being taken today; and what future business plans are going to be brought forward, because the last business plan we looked at, and I don't claim to be an expert on business plans, but I've done about thirty of them in my life time; I saw a marketing plan, I didn't see a business plan, I saw a marketing plan, and last and most important I need to know how this new loan is going to get repaid. So I concur with the Manager on many of his points.

Mayor Slesnick: We are going to go to the speaker now; we have one speaker, we have Ms. Roxcy Bolton, 124 Cadima.

Ms. Bolton: Good evening gentle persons, my name is Roxcy Bolton, I live at 124 Cadima Avenue. You know, I'm greatly distressed as many people are about how the Country Club has used the City as a cash cow, and you know something, when the cow goes dry there is no more milk until the next calf comes along next year. How we can afford to put more money into the Country Club is beyond me, this affects our bond rating. We are up to almost seven million dollars (\$7M) now, is that right?

Commissioner Anderson: The original we only put four, but there have been other things....

City Manager Brown: We expect to be at six point two (\$6.2M) at the end of the year.

Ms. Bolton: Well, that's pretty darn close to seven.

Commissioner Cabrera: Four, four, four, four.

Mayor Slesnick: He is talking about reserves, you are talking about the Country Club.....four million Ms. Bolton, four million that's all.

Ms. Bolton: That's still a lot of money, there is no previous – this four million we took from the Sunshine State Fund, and the stopped paying last May.

Commissioner Cabrera: No, a year ago last May.

Ms. Bolton: That's what I mean, sir.

Commissioner Cabrera: Sorry ma'am, I'm sorry.

Ms. Bolton: Who was paying back the Sunshine State Fund during that time?

Commissioner Cabrera: The City of Coral Gables.

Ms. Bolton: What?

Commissioner Cabrera: The City of Coral Gables.

Ms. Bolton: And how much did that amount to Mr. Nelson since May?

Mr. Nelson: Good evening. The amount that has been paid or the amount that has not been paid?

Ms. Bolton: Well, I want to know who paid and how much was paid from last May a year ago, this past May how much we were paying the Country Club's fair then; how much does that amount to now?

Mr. Nelson: The City loaned the Club four million dollars (\$4M), they made six payments; they started the payments November 2005 and they made their last payment April 2006. They made total payments of one hundred and fifty one thousand eight hundred dollars (\$151,800). Since they have not paid since May 2006 to present date which that represents three hundred and sixty four thousand (\$364,000).

Ms. Bolton: That we have put out.

Mr. Nelson: We have put out.

Ms. Bolton: Paying back the Sunshine State.

Mr. Nelson: Right. We have the obligation to pay the loan even though we are not being paid by the Country Club.

Ms. Bolton: That to me is extremely distressing as it is to the tax payers. Some people are having a hard time making ends meet and we're pumping money into that Country Club that's been sucking blood out of us and some of its members – those life time memberships – that they have sucked out of people; the membership is dropping. I know a woman that walked in and asked for a coke, she didn't know you had to be a member to buy a coke - \$25 bucks, Mayor, if that's not blood sucking man, tell me what it is. The Country Club is not being run right. Who is paying the employees there? Are we paying them – we're not.

Mayor Slesnick: They are paying.

Ms. Bolton: Are all the employees up to date on their salaries? Mr. Nelson, do you know?

City Manager Brown: He wouldn't know.

Ms. Bolton: Do you know David?

City Manager Brown: No, you would have to ask these gentlemen behind you.

Ms. Bolton: Are they paid?

INAUDIBLE – OFF MIKE

Ms. Bolton: I think we have a very serious matter; and the things that you have discussed here this evening about – did they borrow the furniture on credit, and the drapes, and the paintings, and all of that? Did they pay cash for it?

Mayor Slesnick: Yes, ma'am.

City Manager Brown: They paid it.

Ms. Bolton: You sure of that, David.

City Manager Brown: Positive – I've the receipts.

Ms. Bolton: OK. I think we better not take any action here this evening, gentle persons, and go further into this. I think an auditor should be called in, not someone that's a friend of the Biltmore, its agent, I mean, the Country Club, its agents or assigns, but to look at what's going on there. This is no way to run a Club; this is no way to run a business; this is no way for a City to allow a Country Club, which really pisses me off man, to be getting blood from us; it's not right. This is tax payer's money. Mr. Nelson has just said we are paying back the Sunshine State Fund.

Mayor Slesnick: Ms. Bolton, I don't disagree with anything you have said, except please understand that all the money even if we paid the entire four million dollars it is secured by the Club building and furnishings, which is owned by the citizens of Coral Gables. So understand that. You still – your opinions are good, but I just want you to understand that we are just not throwing money out in an empty hole; there is in fact a building and furnishings which is owned by the citizens of Coral Gables, which represent our investment.

Ms. Bolton: Yes sir, but has anyone – has David, had you had the furniture and the paintings and whatever appraised; how much would we get out of that.

City Manager Brown: We have receipts of what they were paid for, how much they cost.

Ms. Bolton: In furniture, believe me, you wouldn't get a third of what you paid for.

Mayor Slesnick: Well, it's the building mostly.

Ms. Bolton: Yes, I understand.

Mayor Slesnick: We put four million dollars in and I don't think any of us – we may or may not disagree on another million, but I think all of us believe we have four million dollars of construction out of the four million dollar loan, is that true, we all believe that?

All: Yes

Ms. Bolton: And so did the owners.

Mayor Slesnick: No, we are the owners.

Ms. Bolton: I mean the operators, excuse me, strike the word owners, so they have done very well there; who could they do business with, what bank could they do business with and not pay, what, three hundred and sixty thousand dollars, who could they do business with.

Commissioner Cabrera: City of Coral Gables.

Ms. Bolton: I didn't hear you.

Commissioner Cabrera: City of Coral Gables.

Ms. Bolton: Mr. Mayor, I know you are hurting over this and I'm sure each one of you feel a lot of pain because this affects the tax payers; we are the people that's in this – four million dollars is all, and if you anti up to seven million what's it going to do with our bond issue? We have got to stop and re-think this, not take any action tonight, please, but to review, appraise, have an auditor go in.

Commissioner Cabrera: I think you are right, I don't think we are going to take any action tonight, I really don't, may be I'm mistaken. Ms. Bolton, I really don't think we are going to take action tonight, but if we were to go forward, I think that there are a lot of conditions that need to be met.

Ms. Bolton: Yes.

Commissioner Cabrera: That's all.

Mayor Slesnick: Thank you Ms. Bolton:

Ms. Bolton: I know you are trying to encourage me to sit down, and I don't want to displease you this evening.

Mayor Slesnick: I didn't limit you to the three minutes either.

Ms. Bolton: Sir?

Mayor Slesnick: I did not limit you; your comments were well received.

Ms. Bolton: Thank you very much gentle persons, this is such a serious matter; it's such a serious matter. Please call in an auditor that will go through that Country Club's paperwork with a fine tooth comb. I thank you for your kindness.

Mayor Slesnick: Mr. Rip Holmes, also now signed up – Mr. Holmes if you'll.

Mr. Holmes: Thank you – I want to give a context for my remarks because you get a lot of comments from the peanut gallery and I want to try to distinguish my comments as not being from the peanut gallery. On Miracle Mile the tax burden is not only staggering, it's crushing. Miracle Mile is well known for being a place where it's hard to buy into; it's known as a stable place where people who own property there don't sell, they want to keep their property. That's changing – there are properties up for sale now on Miracle Mile that are being broken off and the people cannot afford to keep owning that property, and they are selling. There are businesses – some of them long term businesses – that cannot afford to stay there any longer, they have moved to the North Ponce or some other place that's less expensive. There are people hurting, hurting. I could melt away here telling you more about it, I'll move on. While the recess was going on a few minutes ago, I got an informational curve ball which makes me back-up very rapidly, and I need to possibly ask you a question. I was told that these improvements were made by one of the people here as a result of a fire, and this really was a distress improvement as opposed to what you would normally think of as an improvement, let's say re-doing some homes.

Mayor Slesnick: The fire occurred in 1985 and portions of the building had never been rebuilt until this renovation.

Mr. Holmes: But those presumably were covered by fire insurance?

Mayor Slesnick: Mr. Holmes, we are not going there, that's 1985, and they were not covered by fire insurance, it's an old story and it has nothing to do with tonight's discussion.

Mr. Holmes: Tell me if I'm wrong Mayor.....

Mayor Slesnick: I just told you we are not going there, so if you have other points to make.

Mr. Holmes: I presume I will be escorted out if I ask you.....

Mayor Slesnick: No, Mr. Holmes, I'm telling you; why don't you listen to me. They were made in 1985 – the fire was in 1985, whatever insurance happened then was twenty two years, a different club, different operators, different Commission.....

Mr. Holmes: I'll take that off the table then.

Mayor Slesnick: It's just not relevant tonight.

Mr. Holmes: I'll take you at your word; I'm not going to consider that this money was spent to repair for a fire.

Mayor Slesnick: It was spent to rebuild the entire Club to include the portions that had twenty two years ago been destroyed by fire. That's the answer.

Mr. Holmes: I'm going to assume for the sake of this discussion that fire damage was covered by a pre-existing insurance.

Mayor Slesnick: I guess we are going to go back to it again. Mr. Holmes, do you have anything else? If you want to know the whole answer, and then the whole answer is history, but the fact of the matter is the Board at that time, twenty two years ago, decided to use the insurance proceeds to do something else in the Club instead of rebuilding the fire damaged area; they said they would get back to that later, they never got back to it.

Mr. Holmes: I will proceed, I just wanted to make clear that my comments are not intended to be insensitive to the need to make repairs after a fire because that changes the complexion of what I would say, so I'm going to assume that that's not really a live issue, and in that context what I would say to you is – and I'm trying to make my comments relative on something that I have standing on you. I can get up here and pontificate, it doesn't help, so what I'll say in less than a minute is that triage – we have more need for City funds right now than to glorify a Country Club. I think that those repairs should not be made at this point in time because we have more important things to do. Thank you.

Mayor Slesnick: Thank you. Unless there is someone that has another thought I think that we are going to instruct the Manager to go back to the table.....I mean what are we going to do?

Commissioner Cabrera: If we do that – I'm ready to instruct him, I not in disagreement with you.....

Mayor Slesnick: I don't have any instructions.

Commissioner Cabrera: Well, I have some because I'm pretending that I'm a bank, and I have a borrower whose had unfortunate sequence of events occur, I'm not going to sit here and get into the details of what those circumstances were, but now we need to re-loan this borrower an additional one point three, whatever the number is, as a borrower and as a steward of the City of Coral Gables I gave you four conditions that were very important to me. I want to conduct a financial audit; I want to see a new business plan; I want to see cost cutting measures; I want to get a level of comfort that if – and I want to know how we are going to get paid back; I want to know all these things before I say yea or nay. I think the prudent persons that we all are we all pretty much – may be if you want to add another item, or you want to debate with me about removing one, I'm open to that.

Mayor Slesnick: That's fine; I didn't say that he shouldn't do that.

Commissioner Cabrera: I didn't say that you did either but.....

Mayor Slesnick: The fact is that this is not – I'm not speaking about anything you suggested, I'm just saying it's not a normal business relationship.

Commissioner Cabrera: No, I know. If it was I'll tell them to go somewhere else; I tell them to give us the keys and walk away. I'm not doing that.

Commissioner Withers: You know, it was amazing is that I remember that the Ritz Carlton was offered this deal for seven million dollars, they wanted seven million dollars, and here we are six point seven million, so I don't know how that plays into it, but that just.....Here's what concerns me about what they said was, and Don you being the attorney here, and I'm not trying to put you on the spot but you probably have to look closely at the agreement; was there any substance, I shouldn't say that – was it accurate in saying that they are just solely just kind of a caretaker in the middle here, and they don't really have any fiduciary responsibilities as far as repayment of debt because they are an operator, and they are like a loan, they are loaning money also, and they agreed to be in second position as.....

Mayor Slesnick: Well, I think that there is a disagreement between the two attorneys who have been working long and hard on this issue between Mr. Siegfried and Mr. McArdle. I think that that is in fact one of the issues that is in question. I would add to that however, that Granada LLC plays a part in a roll on the Board of the Country Club, and I don't think they are that distinguishable; personally I hold them both responsible. That's a Mayor position, not a lawyer position.

Commissioner Withers: You know, one of the best things the City did was hold Barnett Bank's feet to the fire to keep the air conditioning on at the Biltmore Hotel, and even though the Biltmore Hotel was closed, if that air conditioner would have gone off who knows what it would have cost to bring that building back up. I know we are not saying turn off the lights, turn off the air conditioning, shut the Country Club down, but at the end of the day, Ralph, if we loan them the million bucks and they don't make the grade, I'm sure they are going to come back to us and say, their position is we are not responsible.

Commissioner Cabrera: I know that's going to be the position. Listen, I'm the guy that voted against the whole way through. The point is at this juncture and I'm sorry if we are going to be in a mode of disagreement, but I know that agreement took away the Club's authority; they became a non-entity; Granada LLC in my opinion ran the Club.

Commissioner Withers: My opinion too.

Commissioner Cabrera: OK, so let's not.....

Mayor Slesnick: My opinion too, but the Board of Directors could have done differently had they desired to.

Commissioner Cabrera: They had no power.

Mayor Slesnick: They got the votes.

Commissioner Cabrera: Don.....

Mayor Slesnick: Let's go back to that original disagreement though; the question is - is that the Country Club had no ability to do what has been done here.

Commissioner Cabrera: I agree.

Mayor Slesnick: And we could have done it directly with the Club, or directly with somebody, but there was no management team put together there, and we had to do what we thought.....

Commissioner Cabrera: Fine. I agree.

Mayor Slesnick: Then we don't disagree.

Commissioner Cabrera: I mean, I disagreed on the agreement that we struck, "X" number of years ago, that's the reason I voted against it.

Commissioner Withers: At the end of the day there is about five point six million dollars in construction; there is about a million dollars in FF&E (furniture, fixtures and equipment), and there is another five hundred thousand dollars (\$500,000) in accrued interest in fees, etc. etc. I'm leaning towards loaning the million dollars, but I think we need to make sure at least that extra million we put into it is more secure.

Commissioner Cabrera: So would you agree with my conditions.

Commissioner Withers: Let me hear those again.

Commissioner Cabrera: First condition is that we perform a financial audit, second condition is that we.....

Commissioner Withers: Financial audit looking at everything in the past or everything current?

Commissioner Cabrera: Hear me out, because I'm going to get into the current and the future. So financial audit – to define your financial audit is let's look at the finances retrospectively – the retrospective expense. How did we go into.....

Commissioner Withers: The City's expense.

Mayor Slesnick: Internal auditors.

Commissioner Cabrera: Absolutely – internal auditors. I don't want to create another layer.

Commissioner Withers: Audited financial statements.

Commissioner Cabrera: Yes, but I want a real audit; I don't want something spun to appease me like I think the first audit was. Number two, I'd like to see a business plan – a real legitimate business plan that features who are they going to succeed in this new business model, and what cost-cutting efforts are they going to make; and the last item that I'm interested in seeing is who is going to be ultimately responsible to pay back the loan, and who do we go back to, to say, OK, you are not paying us back, now you are in default of this loan.

Commissioner Withers: The four million, the five million or the one million?

Commissioner Cabrera: I'll even stay with the one million because I would even allow some arbitrator or a judge to decide on the first four million.

City Manager Brown: My suggestion is, that Mr. McArdle says that he would like to have that done sooner rather than later.

Commissioner Cabrera: I'm fine with that.

City Manager Brown: So my suggestion would be, I get with Mr. Siegfried and we will find an arbitrator and we'll go and decide – or have somebody decide which of the agreements says what, and then based on that if that comes out the way we believe then we can loan the million dollars, but we don't loan the million dollars because one of your conditions is whose going to repay and whose going to be responsible, and that's one of the issues.

Commissioner Cabrera: OK, I'll give you one more – so I'm saying separately, I'm trying to cool the slate, but let me tell you one thing, if you all don't agree with my conditions which you have that ultimate responsibility and decision-making process, then I'll tell you what I will throw in there – I will throw in some set of oversight function by the City – a true oversight function.

Commissioner Anderson: I would like it on first blush; we did it when we did the first one.

Commissioner Cabrera: I tried to do it long time ago and I got shot down.

Commissioner Anderson: But Commissioner, we did it under the construction phase – we did it during the construction phase.

Commissioner Cabrera: I made a second one and I was voted down and I was told that we didn't do it for the Biltmore Golf Course, and we didn't do it, I'm sorry, the Biltmore Hotel, and we didn't do it for the Village of Merrick Park so why would we do it for this property? That was the response that was given. It may not have been yours, but that was the response I got back, so I had no support here. And I'm willing to put that all aside; I

want these folks to succeed; I want the citizens to be proud of their Club, I'm not trying to kill this deal, but I want to protect the City, and I know you all want to, and if you say to me now – you want that oversight function – then I support you on that effort. I don't want a Property Advisory Board, you know what, I don't want the Property Advisory Board because they are part-time.

Mayor Slesnick: Well, let's get David to bring us back a plan in response to all of the things that have been said here, we'll get David to bring us back what he is going to do and how he is going to do it to meet the needs that have been expressed here.

Commissioner Withers: I understand.

Mayor Slesnick: I'm forgiving them the million dollars as long as we have comfort on the part of this Commission that what Ralph said – that we all have comfort that we can move forward.

City Manager Brown: Let me make it clear, because we are talking one way, but the clear issue is between Mr. Siegfried and the City and Mr. McArdle and the Granada is who is responsible to pay the loan.

Commissioner Withers: Let's define the loan – the one million dollar loan is what Ralph was saying.

Commissioner Cabrera: My conditions are based upon the new loan going forward, but I'm still interested in finding out who had the responsibility and on the structural payback of the four million dollars.

City Manager Brown: Correct – because without the agreement that we are about to enter into when we clear our issues, we have an existing agreement.....

Commissioner Cabrera: And I like what Mr. McArdle suggested, so I say OK, he is a reasonable man, he came up with a reasonable recommendation, so let's give it a shot.

Mayor Slesnick: Mr. McArdle, this is why we didn't want to get to this stage, I'm afraid that you and your good efforts have brought us to this stage, but go ahead and answer Mr. Cabrera.

Mr. McArdle: I just wanted to get it clear in my mind.

Mayor Slesnick: I don't know if we are going to get it clear tonight.

Mr. McArdle: In terms of what we were trying to achieve – I was trying to make sure I was following what we were trying to achieve in the next step.

Mayor Slesnick: Well that's what I would kind of like to refer back and make sure we get together a plan to bring to us...

Mr. McArdle: There are two plans.

Mayor Slesnick: Let's meet one more time the next meeting and get a really gelled proposal; we have no proposal.

Commissioner Cabrera: Would you agree that there are really two proposals that we have to consider?

Mayor Slesnick: I think there are about ten.

Commissioner Cabrera: No, there are two over-arching proposals; one is the four million dollars, how does that get paid back; and the second one is if we are going to go forward together as partners, how is that going to get paid back, plus the financial variables that I threw out there which includes an audit, business plan, and cost containing measures.

Commissioner Withers: But you are looking for personal guarantees on the million?

Commissioner Cabrera: I'm looking for definitive accountability of who is paying the million.

Commissioner Withers: That's personal guarantees; at the end of the day that's personal guarantee.

Commissioner Cabrera: OK, if that's how they are going to make it back to us.....

Mayor Slesnick:satisfied with Country Club and Granada; clearly signing that they are responsible to make. You didn't say personal guarantees you may be satisfied if they clearly define that Granada LLC and the Country Club will be responsible.

Commissioner Withers: But if they fail?

Mayor Slesnick: Then they fail, they go bankrupt.

Commissioner Cabrera: It still belongs to the City and we made a bad investment.

Commissioner Withers: Alright.

Commissioner Cabrera: Terrible investment.

City Manager Brown: Well, that takes us to the second issue; if they fail.....

Mayor Slesnick: Wait a minute though, David, when you put together – it's fine to sit here like chefs in a kitchen with gloves on and trying to put together what you should be doing. I think you should express this; you should be putting together - telling us what you have come up with next time.

Commissioner Cabrera: He knows my feelings, I shared those with him.

City Manager Brown: I know what to do.

Commissioner Cabrera: But I don't know if you all concur with my feelings, and you know.....

Mayor Slesnick: I said they were fine.

Commissioner Cabrera: OK. And the other ten issues or the other eight issues, by all means bring those up too.

Mayor Slesnick: I just think there are a thousand ways to approach this, and we need a more definitive recommendation from our Manager because for us to sit here and act like five negotiators is just insane. I think we have expressed ourselves as far as we can.

Commissioner Cabrera: No, but would you agree, would you agree that the time has come that this had to be discussed. I think all five of us agree.

Mayor Slesnick: Absolutely, but let me also suggest that I would hate to have everyone in the City think that we waited until this moment to discuss it; we've all been discussing behind the scenes, and we've all had our briefings, and we've all been working on this, I mean everyone, but now it's come to the.....

Commissioner Cabrera: That's what I'm saying, and at the onset of this discussion I attempted to explain to the speaker why I did what I did, and I stand by my actions.

Commissioner Withers: OK, let me try to encapsulate what we said; David is going to start tomorrow on the arbitration issue on the four million dollars, we don't need to wait till next meeting on that.

City Manager Brown: On the two issues; we don't need to wait.

Commissioner Cabrera: No, why should we.

Commissioner Withers: And then on the million dollars you are going to come back with a plan on audits, oversight, business plan.....

Commissioner Cabrera: Well, Ms. Anderson brought oversight up and I support her idea.

Commissioner Anderson: That's fine. I support everything that has been said, not a problem, and I'd like to add another component – what happens if they don't pay the million dollars back.

City Manager Brown: Default.

Commissioner Anderson: And then what do we do?

Commissioner Cabrera: We find another operator.

Commissioner Anderson: Not only is there a plan B, but a plan C.

Commissioner Cabrera: No, we find an operator and we make some.....

Commissioner Anderson: But I need to have that sense of that we are moving – looking at possibilities even if it's just looking.

Commissioner Cabrera: I agree, and I'll tell you what, I think we need to think outside the box because finding another operator is not going to be the answer, maybe we re-tool what we've got, and we create a possible two-tier system: we create a private club and then we consider a community club, or something like that. There needs to be some thought outside of the box. I just don't think we can continue to operate the same way because the industry is struggling; the country club industry is struggling, that the country club industry, unless it has a golf course attached to it has a difficult time being successful, and Mr. McArdle, you sort of educated me on that when we met privately on how difficult this industry is.

Mr. McArdle: Yes sir, and even golf courses aren't making a difference. The advantage Coral Gables has is the ability to generate banquet business and corporate memberships because of the uniqueness of Coral Gables. The one thing I do want to say, and I'm a little confused, but I did want to make sure that I don't leave the Commission with the wrong impression. One of the things you have to understand is that Granada LLC owns nothing here; they don't have a lease, they don't have anything of that sort; they have loaned money to the Club; they were somewhat surprised in the difficulty in the City recognizing that loan.

Commissioner Cabrera: Mr. McArdle, who controls.....

Mr. McArdle: Let me finish, one other thing – there is no reason that Granada is going to take additional responsibility for additional monies in terms of the new million dollar loan; there would be no business sense to that for them whatsoever.

Commissioner Anderson: You weren't here, Mr. McArdle, but I remember distinctly when we gave that loan was four million and that's it. I understand, and I want this Club to succeed, but we have to get some clarity – that four million dollars was clear, clear.

Ms. Bolton: [Inaudible – off mike]

Commissioner Cabrera: Mr. McArdle, your comment about the Country Club, I just don't believe in my heart of hearts that the Country Club has any power, and I thought they lost the power back in August of 2001, and if they didn't lose it that day they lost it within three months, because I lived it and I heard it. So that's where we agree to disagree.

Mr. McArdle: Yes sir.

Mayor Slesnick: We are going to close that part. Lady and gentlemen I can turn the gavel over, I am leaving, and I think we have lost Commissioner Kerdyk, so you can still have a quorum, unless you can think that we can run through. Is there any discussion you see on E-6 and E-7 and E-8, E-8, E-9 and H-1, if there is I will leave and let you discuss it, if not I need to go. OK – we have E-6 ordinance on first reading.