



CITY COUNCIL AGENDA REPORT

To: Honorable Mayor and City Council Members
From: Kay Kuhlmann, Council Administrator
Agenda Item No.: 9.C. 1 & 2.
Meeting Date: December 10, 2012

Action Requested – The Mayor and City Council are asked to consider sending the attached letter to attorneys representing WPGO and Associated Bank. Also, the Golf Course Committee would appreciate feedback on information in this agenda report on the future of MNGL.

Attachments – Draft letter to Robert Benner and Daniel E. Berndt from Jay Squires regarding City of Red Wing v. Mississippi National Golf Links et al.

Background – The Ad Hoc Golf Course Committee of Mayor Egan, Council Members Lisa Bayley, and Dan Bender have met over the last two months on several occasions to discuss the future of MNGL. On November 20, the City hosted a public discussion to provide updated information on the status of the golf course and golf course litigation, to address questions and listen to ideas and suggestion for the future of MNGL.

In addition to the ideas discussed at the public meeting, the Golf Course Committee has met with board members from the Red Wing Golf Club and the Red Wing Municipal Golf Corporation to explore partnerships, discuss possible solutions for the 2013 season, and address specific concerns such as the Red Wing High School golf program. The discussions have been constructive and creative.

Also during this same timeframe the City has pursued litigation against WPGO and Associated Bank. The most recent communication with Associated Bank and representatives of WPGO is that they are interested in resolving the issues through mediation. Council members are asked to send the attached letter to move the process forward.

Discussion

The Mayor and Council have a unique opportunity to determine the future of an important community asset. The public comment during the November 20 golf course meeting demonstrates there are varying opinions on what should happen with MNGL. Discussions with the Red Wing Golf Club have explored partnership opportunities and also discussed ways to maintain integrity of the Red Wing High School Golf Program. Council received a letter from the Red Wing Golf Club Board Chair last week that indicates the Golf Club's committee to supporting the High School Golf Team.

Discussions with the Red Wing Municipal Golf Corporation have explored lease opportunities. The Red Wing Municipal Golf Corporation presented a 2013-2017 Proforma statement of operations. The Golf Committee felt additional research was necessary on several items and indicated a strong preference to only consider a one year lease. Discussions with the Red Wing Golf Club and the Red Wing Municipal Golf Corporation have been preliminary and the Golf Club Committee has no recommendation on golf operations for 2013 at this time.

In addition staff has been asked to work with the current MNGL grounds keeper to identify costs associated with mothballing the operation for the 2013 season, and costs for opening MNGL for the 2013 season. Staff seeks Mayor and Council feedback on contracting with the current grounds keeper at MNGL to preserve MNGL through the winter months. The Golf Course Committee recommendation is for staff to bring a proposal to the Council in January of 2013 for the months of February – April, understanding that it's likely that a second contract would be necessary if the future of the golf course operations is not known by spring of 2013.

Opening the 2013 season would be desirable, but may not be obtainable. In order for the MNGL to open the City must have resolution to the Revenue Bonds held by Mr. Pittinger. The Revenue Bonds require that any revenue generated from golf operations will go to the bond payments first. The Revenue Bonds along with the Associated Bank leasehold interest are two key issues in the litigation. If these issues can be successfully resolved in a short period of time, there may be time to conduct a public process to determine how to best operate MNGL, if Council believes that a golf course operation is in the best interest of the community.

In summary, the Golf Course Committee has addressed a plan to maintain MNGL as an asset by requesting the Council consider a contract for February – April with the current MNGL grounds keeper. The Golf Course Committee is discussing various models for the future of the golf course, and has discussed several ideas with local parties including the Red Wing Golf Club and Red Wing Municipal Golf Corporation. The Ad Hoc Golf Course Committee will focus on crafting a public process to determine the future of MNGL at the same time that the City pursues mediation with WPGO and Associated Bank.

Recommendation

The Ad Hoc Golf Committee recommends the following:

1. The Mayor and City Council support sending a letter to WPGO and Associated Bank.
2. The Mayor and City Council support mediation as a way of resolving litigation in a timely and less expensive process.
3. The Mayor and Council direct staff to bring a contract for services to maintain MNGL for the first quarter of 2013 to the Council in January for Council approval.
4. The Mayor and Council discuss a process for moving a decision forward on the long term use and viability of MNGL.

Jay T. Squires
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December 7, 2012

Robert Benner
Daniel E. Berndt
Dunlap & Seeger, P.A.
206 South Broadway, Suite 505
P.O. Box 549
Rochester, MN 55903-0549

RE: *City of Red Wing v. Mississippi National Golf Links et al.*
Our File No. 4001(2)-0299

Gentlemen:

On September 25, 2012, we sent MNGL a letter putting it on notice of what the City considered to be a pending breach of the Mississippi National Golf Course Lease as more fully described in that letter. To date, MNGL has not remedied or cured the breach, and in fact continues to move forward toward complete abandonment of the Golf Course Premises and Operation. As a consequence, the City will pursue all of its rights under the Lease Agreement.

Be advised as well that the City intends to protect the asset and mitigate any damages that might occur as a result of abandonment. It is my understanding that our clients have been working cooperatively in an effort to assure that the potential for damage to the property is minimized. This effort is appreciated by the City, but do not in any respect consider the City as accepting surrender of the premises or the Lease.

Robert Benner
Daniel E. Berndt
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Finally, this confirms the willingness of the parties to engage in mediation. We still do believe that it is appropriate to endeavor to reach a voluntary resolution of the issues. To this end, we will be in contact with you to discuss mediators and calendars.

Regards,

Jay T. Squires

JTS/cg

RRM: #170774