

**POLSON CITY COUNCIL WORK SESSION
CITY COUNCIL CHAMBERS
THURSDAY MAY 22, 2008 5:30 P.M.**

ATTENDANCE: Council Present: Bruce Agrella, Tom Jones, Mike Lies, Elsa Duford, and Jim Sohm via telephone, Mayor Lou Marchello presiding. City Manager Jay Henry present.

Meeting brought to order at 5:30 p.m.

OPTIONS FOR THE OPERATION OF THE GOLF COURSE RESTAURANT: Mayor Lou Marchello advised that no vote would be taken at the work session.

Councilman Jim Sohm expressed that getting the building cleaned should be the City's first priority. He suggested that the City run the restaurant as a franchise operation, in which the franchisee would not be a City employee and would not receive benefits. He observed that it would be financially beneficial for the franchisee nonetheless. He explained that the franchisee would purchase the liquor license from the City at the City's cost; the City would then finance the purchase of the license with 5% interest and no money down. The franchisee would make monthly payments on the license. He stated that the restaurant would then be responsible for the purchase of all food and beverage supplies, including alcohol. He advised that for the first 12 months the restaurant would only pay the City the monthly license payment and the purchase of the liquor already stocked, adding that the City would work closely with the Restaurant for inspections or what they needed. The City would also have the right to oversee all aspects of the operation and to see all revenues and expenditures for the 12-month period, which would give them an idea of what revenues the restaurant was capable of producing. He advised that keeping the restaurant open for 12 months would let them assess what hours to stay open, including if staying open for the winter months was feasible. He expressed that it was a win/win situation without having to hire employees. He added that the franchisee would have the option to continue with a new lease after 12 months, however if they do not complete the 12 months they forfeit the license. He advised that they should assess the future lease amount after the 12 months. He stated that the City would have the first right of refusal to buy back the liquor license with no interest. He stipulated that this allows for more long-range success with the restaurant and has potential for the lessee.

Tom Corse asked if Councilman Sohm had run his idea past the City Attorney. He added that he wasn't sure if the liquor license could be sold without going out to bid.

Councilman Sohm replied that he was putting ideas together and had not talked to the City Attorney yet.

Tom Corse commented that he liquor licenses might not be able to be sold with payment. He added that they could not force the lessee to keep the license at the golf restaurant location. He questioned if "franchise" was the correct term.

Councilman Sohm agreed that “franchise” might not be the proper term. He expressed that they would go through the City Attorney to find what would work in the lease. He advised that the City should not be operating the restaurant. He commented that operating the restaurant was leaving the public domain and entering the private.

City Manager Henry expressed that on the surface it was attractive to run the way Councilman Sohm suggested, but that was without the City Attorney’s input. He suggested that rather than 12 months, the initial contract be for 6 or 18 months so the City wouldn’t have to negotiate during the busy season. He advised that maintenance of the building would be very expensive. He informed the Council that he had asked Councilman Sohm about a monthly rental fee to help cover the clean up and upkeep of the building.

Councilman Jones expressed that he had never been in favor of the City owning a liquor license. He suggested that the City separate the liquor license and sell it. He stipulated that the City could then apply for a municipal beer and wine license that the lessee of the restaurant could operate under. He commented that if the license cannot be sold immediately and the City cannot operate with both licenses, then a City employee could be in charge of the liquor separate from the restaurant being operated by a lessee.

Councilman Agrella agreed that he was not in favor of the City owning a liquor license and felt the restaurant should be separate.

Richard Blumberg commented that some of the past four managers were good. He questioned if the City had examined what in the contract was unrealistic. He asked if there had been a study done of the times the restaurant should be open. He commented that the restaurant is public, not just for the golfers.

Mayor Marchello replied that there wasn’t just one problem, or one answer that led to the various managers. He pointed out that one concessionaire had simply backed out of the contract and one would not comply with the contract.

Richard Blumberg asked if the contract was fair.

Mayor Marchello commented that the contract was reasonable and advised that the City Attorney would be rewriting part of the contract. He added that the primary purpose of the restaurant is to serve golfers.

Richard Blumberg commented that the restaurant was a public facility owned and operated by the City.

Golf Pro Superintendent Roger Wallace replied that catering to the golfers had been a big problem. He expressed that a full service breakfast was not necessary, but being open daily, especially during peak season, was a necessity.

Richard Blumberg suggested a study be done to compare the revenue from dinner from breakfast and lunch. He commented that the restaurant was a City asset and must be for the City's benefit, not strictly golfers.

Golf Pro Superintendent Wallace replied that there was no question the restaurant was the most successful when both golfers and non-golfers patronized the restaurant.

Tracy Dooley commented that there were a number of upcoming tournaments. He suggested that the facility be cleaned as a first priority. He commented that a new manager needed to be in place soon to avoid further lost revenue, adding that hiring summer help later in the season was difficult. He commented that the high cost of meals scares some customers off. He expressed that an independent contractor would be preferable to a City employee. He suggested that a local long-term restaurant manager would be able to draw from social and business circles to maintain a solid base of business. He commented that the contract should require the restaurant be open during the golf season, and after that should be an option. He suggested that fine dining was not necessary, but that quality food at a reasonable price with consistent hours was very necessary. He commented that he liked Councilman Sohm's idea if the Department of Revenue would allow it. He suggested that they use the current contract, with a few adjustments, to get through the remainder of the golf season and wait until the winter to rework everything.

Tom Corse commented that if the City had a municipal beer and wine license they would not be having the problems they are now. He suggested the City sell the liquor license. He added that if they sell the liquor license to whomever the City contracts, they have no guarantee they would stay at the golf course restaurant. He suggested that if the City cannot sell it quickly they should contact the Department of Revenue and see about putting the all beverage license in escrow. That would leave the City uninvolved with any food or beverage purchases, the City would only be responsible for the general maintenance of the facility.

Murat Kalinyaprak commented that there was an ad in the local newspaper for an all beverage liquor license for no less than \$75,000.

Councilwoman Duford asked if the contract needed to be completed before they began finding interested parties. She asked if there was incentive for the operator to take over the restaurant with the current contract.

Brian Mathison commented that the 25% liquor reimbursement was meant as incentive to increase liquor sales as the monthly management fee was meant to cover labor, but the lessees did not see it that way.

Mayor Marchello asked the Council to give Jay and himself direction on how to proceed to open the restaurant.

Councilwoman Duford asked that the completed contract be presented to Council before it is signed.

Mayor Marchello replied that the contract would be passed on to the Council as soon as it was completed.

Tracy Dooley suggested that the contract for the rest of the year be completed, distributed to Council, and appointments scheduled, while a contracted cleaner is taking care of cleaning the restaurant.

Councilman Jones advised that they should contact the Department of Revenue and find out the time frame for getting a municipal beer and wine license and how long they could hold on to the all beverage license.

Councilman Lies suggested that the City lease out the restaurant and hire an employee to take care of the liquor and leave the license in the City's name until the City can get a municipal beer and wine license.

Councilman Agrella voiced his agreement with Councilman Lies.

Councilman Jones agreed as well and added that they could amend the lease to include when the City receives the municipal license, they can turn it over to the restaurateur with an increased lease payment.

Mayor Marchello noted that was similar to what Councilman Sohm had alluded to, and expressed that it was a good possibility.

Tracey Dooley asked what the City's immediate plans were for operating the restaurant this season.

Councilman Lies replied that his recommendation was to have a City employee taking care of the liquor separate from the restaurant management.

Councilman Jones added that the beverage cart driver and cocktail waitresses would also have to be hired through the City separately.

Richard Blumberg commented that being responsible for bar staff would increase the City's liability.

Diana Mathison commented that it didn't seem feasible to operate the restaurant with the alcohol-serving employees and food-serving employees completely separated.

Tracey Dooley suggested that to keep the City out of the restaurant, they run with the current contract, including that when the liquor license is sold the contract would change. He expressed that it was good incentive for the restaurateur because they would receive 100% of the beer and wine revenue once the City has the municipal license.

Brian Matheson suggested that the City only offer beer and wine so there is minimal transition, or a limited amount of well liquor if they have to serve liquor.

Tom Corse informed the Council that the Department of Revenue requires a separate lease for the restaurant and the liquor license. He expressed that without any alcohol revenue for the lessee, it would be difficult to find an interested restaurateur.

Mayor Marchello pointed out that most restaurants in the area make up the profit loss in the off-season with liquor sales.

Tom Corse suggested that the new restaurateur would receive the 25%, and the remaining 75% the City could use to pay for the employee cost of the carts, rather than a management fee.

Councilman Jones disagreed that a restaurant could not make it without liquor.

Tracy Dooley pointed out that the Driftwood Restaurant serves no liquor, and makes a majority of the profit from breakfast sales.

Tom Corse noted that the new restaurateur would have to overcome the failures of the past managers. He expressed that the new manager should receive the 25% as incentive.

Tracy Dooley commented that using the contract as it is would be far simpler. He expressed that the City should not be in the food and beverage business.

Mayor Marchello informed the Council that the City Manager and himself would start working on resolving the contract and would get back to the Council.

Tom Corse asked that the Council set a deadline for when they would be ready.

Councilman Agrella expressed that he did not want to rush the process and lose sight of their goal.

Mayor Marchello suggested May 31 to have the contract put together and someone in place to begin opening it. He thanked everyone for attending.

The meeting adjourned at 6:40 p.m.

Lou Marchello, Mayor

Attest: Kala Parker Assistant City Clerk