



MINUTES FINANCE COMMISSION

Wednesday, July 24, 2024 - 5:00 p.m.
City of Huntington Beach
Council Chambers
Huntington Beach, CA 92648

For the audio recording of the July 24, 2024, Finance Commission Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>

Chair Billy Hamilton called the meeting to order at 5:00 p.m. and Commissioner David Cicerone led the Pledge of Allegiance.

MEMBERS PRESENT: Billy Hamilton, Chair
Kelly Gates, Vice-Chair
David Cicerone, Commissioner
Jamie Craver, Commissioner
Frank Lo Grasso, Commissioner
Janet Michels, Commissioner
Robert Sternberg, Commissioner

MEMBERS ABSENT: None

STAFF PRESENT Travis Hopkins, Assistant City Manager
Sunny Han, Chief Financial Officer
Thuy Vi, Management Aide, Finance
Shari Saraye, Buyer

PUBLIC COMMENTS

None.

CONSENT ITEMS

Approval of Meeting Minutes

Motion: Moved by Commissioner Frank Lo Grasso and seconded by Commissioner Jamie Craver to approve the Finance Commission Meeting Minutes dated May 22, 2024, as presented

The motion carried by the following votes: 7-0

Ayes: Cicerone; Craver; Gates; Hamilton; Lo Grasso; Michels; Sternberg

Noes: None

Motion: Moved by Commissioner Frank Lo Grasso and seconded by Commissioner Jamie Craver to approve the Finance Commission Meeting Minutes dated June 26, 2024, as presented

The motion carried by the following votes: 6-0-1

Ayes: Cicerone; Craver; Gates; Lo Grasso; Michels; Sternberg

Noes: None

Abstain: Hamilton

DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS

D1. Arcis Golf, dba Meadowlark Golf Course Agreed-Upon Procedures Report – Han

Chief Financial Officer Sunny Han introduced Jon Foster, audit partner from the independent audit firm Davis Farr, who completed the Agreed-Upon Procedures (AUP) report. Han stated that the Meadowlark AUP report contained four key points. The report covered the span from January 1, 2019 to December 31, 2023. The total operating lease revenues reported for that period total \$23,688,224.00. The rent that was generated for that same period totaled \$4,980,246 of which \$12,998 is still currently outstanding. Full rent abatement was granted by the City for the period March 2020 through April 2021 due to the COVID-19 pandemic. Various fixed and variable rent payments were submitted late by Arcis, which resulted in a calculation of penalties totaling \$497,000 due to the City. Seven procedures were performed as part of this agreed-upon procedure and the key findings were noted.

Lo Grasso asked if the \$400,000 has been collected or if there is a demand out. Han stated that it has not been collected. A letter and invoice were sent to Arcis, and they have 30 days in which to remit payment. He asked if Arcis has seen the AUP report and Han stated that they have. Lo Grasso asked if Arcis made any comments about the findings and Han stated that they had no comments. He asked who in the City approved to not charge rent for an entire year. Han stated that the initial rent abatement action was approved by the City Council on March 31, 2020, which granted the City Manager or his designee the authorization to implement rent abatement to concessionaire tenants, and there was no deadline on this rent abatement. It was effective from the date of issuance of the State of California proclamation of emergency until the proclamation was lifted. Sternberg asked and Han confirmed that the rent abatement applied to all concessionaires and not just the golf course. Lo Grasso asked if the golf course revenues were reviewed during that time because Meadowlark was very busy during COVID. Han stated that she did not know as she was not a part of that discussion at that time.

Craver asked if there was a finding that notice was provided to the lessor throughout the tenancy about the penalties that we are assessing against them or if we found the late penalties as a result of the audit findings. Han stated that it was not part of the AUP procedures. Notice was not given throughout the process; however, it is stated in the lease document and they are aware of the lease penalties that are incurred.

Gates stated that for property owners, a tenant did not have to pay rent for a year or two, but they had to make up for the rent that they did not pay. She asked if this applied to Arcis. Han stated that the

rent was forgiven. Hamilton asked if there was an amendment to the lease for the rent abatement and Han stated that there was no amendment.

Cicerone stated that he sent a series of questions; four regarding the Davis Farr audit and seven regarding the City's accounting. Foster provided responses to the questions directed to Davis Farr.

"1. Why did Davis Farr report that Total Rent generated for 2019 to 2023 was \$4,980,246 on page 1 but in exhibit A, the total rent the city actually received was calculated at \$3,940,224 - over \$1 million less than what was reported as one of the main findings on page 1. Why did Davis Farr fail to note that rent abatement cost the city almost \$1 million in rent and artificially include the rent that was never collected during rent abatement in the summary on page 1.

2 - Why did Davis Farr report rent abatement lasted from March 2020 to April 2021 when rent abatement actually lasted until Aug 1, 2021.

Full rent abatement was given from March 2020 through April 2021 and then partial rent abatement in the form of waiving the base rent of \$44,314 was granted by Chris Cole for May 2020 through July 2021 – resulting in the loss of \$44,314 in base rent for each of those 3 months. Davis Farr failed to note the partial rent abatement given through July of 2021 in the bullets on page 1 of the report."

Foster stated that it was due to the presentation of the schedule. Exhibit A excludes the rent abatement portion, but the summary includes the total rent earned and that is the difference in the summary. The second bullet point states \$4.98M and the term "generated" could be substituted with "earned," which is why Exhibit A displays \$4.98M in total rent due. However, due to the rent abatement, there is discrepancy of \$3.9M. The question further asks why the report did not call out the loss in revenue. The schedule does show the loss in revenue, but it was not explicitly called out and was not discussed to make a bullet point regarding the gap in what was collected and was generated due to COVID-19.

Cicerone stated that the omission glosses over something that is significant. Foster stated that it would be more appropriate in a memo. The summary states the agreed-upon procedures. We are precluded from providing an opinion. That point was discussed and that is why Step 7 is included for exemptions. The question asks why there is a difference in the reporting of the rent abatement on Exhibit A and what is called out in the summary. Step 7 was for any credits or exemptions allowed by the agreement, and we will verify documentation supporting the exemption. In our case, it was not allowed by the agreement, but it was granted by the City, and we obtained the letters provided to the operator from the City Manager. Within the report, we reported the initial abatement period and did not explicitly call it out. There was a second letter extending the minimum rent, not the variable, but minimum rent due and that part was not called out in the procedures for that extended abatement. When the report was written, we used information from the initial exemption from City Council to put that within the step of the report. Step 7 is meant to call out what is happening when there is an exemption. It may not be as explicit as preferred, but that is something that we can note if we do the work in future reports.

Cicerone asked if commentary could be added to the audit report that speaks to the issues raised in these four questionnaires. Foster stated that the report was not an audit as an audit would express an opinion or conclusion. With audits, we can issue recommendations, but we cannot issue recommendations in the report. He stated that Cicerone is looking at procedures that could identify

gaps. There are procedures, but those should be developed in the beginning. Some of those procedures are getting explanations from the City on what the gaps in revenues are and what happened during that time period. Those are certain steps we could have added in, but they were not developed at the time. For example, the question was asked as to when the City Council approved the recommendation and that could have been an AP step where we obtained documentation as to when City granted this exemption, for what period of time and who had authorization to do so. Those are steps that can be added in the future. At this point, we cannot amend the report.

Hamilton confirmed that Foster's answers covered questions 1 and 2.

Foster skipped to question 4:

"4 - Davis Farr has a column in Exhibit A called Deposit Adjustment. What is this?"

We found that Meadowlark was reducing revenues for those months noted within the report. In Exhibit A, the fourth column is Deposit Adjustments. They were reducing revenues of which were deposits for weddings or events and mistakenly reduced revenues rather than reversed the original journal entry. We noticed those errors and added those back into the report. The majority of that was during the rent abatement and only one of those months fell into the period of the rent generated. That was a column that was added in of revenues found and put back into these report adjustments.

"3 - How did Davis Farr review the revenue generated from the Arcis Club Membership and validate the amount reported to the city matches the amount of revenue generated?

Background – Arcis has an online club that allows for early tee time reservation, steep discounts on green fees and carts, free range balls, and additional benefits. The membership is currently around 600 golfers (as stated by the general manager during a tour of Meadowlark a few months ago).

There are 2 levels in the ARcis club – Arcis Prime at \$109 per month and the regular Arcis membership at \$74.95 per month. This is paid online and not on the cash register or through the POS system.

This means the revenue from the Arcis club would fall between \$44,970 and \$65,400 per month or between \$539,640 and \$784,000 per year."

Foster stated that in response to question 3, it was not the scope of the original work to evaluate membership revenue and that would have been an explicit procedure that would have needed to be done. We were aware that there is an online membership avenue of various golf courses. They do report membership rounds within the general ledger, but as far as the amount of revenue collected for joining and paying a percentage of that, it was not an explicit step, nor was it in the agreement. We evaluated the agreement to look for that, but the agreement was silent as to what happens with membership revenue across various parties rather than one golf course. Outside of the report, that is something that should be evaluated in future agreements. Craver asked and Han confirmed that this can be communicated to the person in charge of leases as well as the City Attorney's Office to make sure that the leases include additional consideration.

Hamilton stated that the lease does not call out memberships but does call out gross revenue versus net. He asked if that was assessed. Arcis combines membership with free carts. The lease calls out gross revenue so when a cart is given out, that is considered revenue earned versus net, which is

when cash is received. Foster stated that it was not assessed. Hamilton's question asks for the steps we took and the procedures we developed from information reported from Arcis directly to the City and evaluating that information. We looked at the information with the City to make sure that it was accurate because we found reporting errors. It would not be gross, and we substantiated cash payments by relying on their general ledger detail and their accounting GL reports. We used their reports as a starting point. Foster stated that what Hamilton is referring to is to develop a procedure to show a different basis of accounting, create a schedule and to show what that difference would have been. That was not done nor discussed. Foster understands that Hamilton is asking for a separate calculation of what membership revenue would have earned and what the money would have generated for the City.

Hamilton asked if Arcis is a public company and if they are audited. Foster stated that he is unsure if they are audited. He stated that we added an extra step and obtained their sales tax returns and corroborated what they are reporting on their sales tax returns with their GL reporting to make sure there was not extra revenues in their sales tax returns compared to what we were getting. Hamilton asked and Foster confirmed that it would be for cash basis. This was included in Step 6 to determine the completeness of the revenue reports.

Foster stated that it is very important to read the procedures in conjunction with the exhibits, because we are not going outside of our box. We could develop explicit procedures in the future for the things you have specific concerns about and that would be the scope. These reports are sometimes misinterpreted such as if we looked at range balls. We did not because that was not the procedure that was generated so we are not asking these extra questions. It was just simply one through seven for this report, supported by exhibits and we did not go outside that box. Developing these procedures on what the process is, what the missed revenue is, or what the revenue would have been for range balls, carts or online membership payments are explicit steps that can be developed in the future and performed. Hamilton stated that we could inform Arcis of this. The lease was signed in 1995 and did not contemplate membership, but it does specifically say gross, which can be a big number because of discounts and abatement.

Foster addressed question 7:

"7 - How is it possible that Cart Rental Revenue dropped dramatically from 2015 to 2023 while the cost of golf increased by 100% + and the number of rounds increased by 15%?"

He stated that it is a great observation but was not a procedure that was in our scope, so we cannot provide an answer to that. Had we developed that procedure, we would obtain reports showing the number of cart rentals and obtain explanations on why they are being charged for them, which most likely would be a membership. If they had been charged independently for carts, we can generate schedules for what that loss revenue would have been. Those are all procedures that could be developed such as part of the membership perk, they can obtain range balls.

Hamilton asked and Han confirmed that the lease provides for a yearly inspection. He asked and Han agreed that if we want to do an inspection next year, that the Finance Commission could discuss the setup of the initial procedures.

Sternberg summarized his understanding that the membership fees were not allocated to the range balls and the cart revenue, and Meadowlark kept the revenue fees for the membership, but they did not include it in any cart rental or range ball calculations. Foster stated he did not look at those things and does not have that information. Sternberg asked if we could establish procedures where we can allocate membership fees at Meadowlark during the year, rounds played and number of carts and range balls and then figure out what the number would be. Foster stated that we could obtain a report of number of range balls provided and not sold, a report of those that were sold, assign a cost, develop an exhibit, and evaluate what the revenue would have been. Sternberg stated that the membership fees came after the lease so this should be considered for the new lease agreement.

Michels stated that we should focus on the terms of the current lease, evaluate that growth correctly because there is a positive outcome of more money for the City, put procedures in place to review with Arcis and to come to an agreement. We have to see if they will be paying the \$400,000 that is due in in 30 days. Focusing on growth versus net is a great because we may not be able to go back on the cart fees, but we can talk about membership because that includes cart fees. We can then tell Arcis what they can and cannot do going forward. She is not sure we can go back five years. Hamilton stated that the audit states that we can go back five years, which is where this number comes from. Michels stated we have to be well-equipped before we have a conversation with Arcis on what we are identifying and expecting from them from reporting and revenue standpoint.

Craver asked with regard to question 3 where Cicerone estimates between \$539,000 and \$784,000 per year in capturing the estimated membership fees, if this estimate is the difference between the growth and the net looking at gross revenue, or if it would be tied to membership or golf cart fees that were lost. Hamilton stated that it is what they collected, which is a percentage based on different revenue sources such as the restaurant, cart and driving range, but membership is not listed on there because it was not fathomed in 1995. Craver asked that in trying to capture the growth, if we breakdown the estimate of what those membership fees would be going towards. Hamilton stated that it is the same concept as abatement. Gross is the top line of what is earned, but then you give discounts or abatement, then it goes to net which is cash. Most people use net because it matches cash. Craver stated that Cicerone's question estimates a shortfall of a certain amount of revenue due to the membership on an annual and monthly basis, and asked if we have a concept of what we are losing per year.

Cicerone asked when the audited was started and finished. Foster stated that the audit was started in January 2024 and the report was issued on June 28, 2024.

Lo Grasso stated that after rent abatement was finished, it appears that Arcis did not pay on time for almost two years. He asked if we know how delinquent they were in payments. Foster stated that determining cash flows for the calculation of penalties was the most time-consuming parts. Exhibit B breaks out some of those cash flows. There was a lot of timing differences on when the cash was collected and what was outstanding. There were a lot of late payments; sometimes it would be two or three months, and sometimes it would be one month. Lo Grasso asked if Arcis is paying on time and Han stated that most recently, they are paying on time.

Gates asked if the City did rent abatement for other properties that it owns, and Han stated that it was for all our concessionaires. Lo Grasso stated that the notes state the City Council approved rent

abatement for three months. Han stated that the specific Council action on March 31, 2020 read:

“Authorize and direct the City Manager and/or his designee to implement rent abatement to concessionaire tenants of various City-owned facilities, effective from the date of the issuance of the State of California’s Proclamation of State of Emergency (March 4, 2020) until the Proclamation is lifted. A list of included tenants is attached as Attachment No. 1.”

Han stated that Cicerone’s question numbers 2 and 5 are similar.

“2. Explain how your staff identify when a rent payment sent by Arcis is late.

5 - Do you think the date the rent was received by the city rather than the date the rent was claimed to have been sent by Arcis should be used to calculate late payment fees?

Background - It appears that Davis Farr used the date that Arcis claimed to have paid rent (variable versus base) rather than the date the rent payment was received by the city. This has a material effect on when a payment is considered late and the amount owed to the city. “

The AUP report utilized the check date, and is the standard date used in AUP reports. Foster stated that unless we are given explicit direction otherwise, we usually use the check date. There have been cases where we have used the postmark date when documentation was kept. Generally, in our procedures, we do not use receipt date because it is a difficult audit trail to follow. Many times, mail is received and not processed the same day.

Cicerone asked why the ongoing problem was not caught. Han stated that at the time, there was a lot of transition where the real estate function had transitioned from Economic Development and then it was decentralized during COVID to various departments like Community Services and Public Works amongst others. Most recently, it was centralized back to a single individual in Economic Development within the Community Development Department. Coupled with the challenges presented by the pandemic, there were a number of delays with real estate billing. Additionally, within the Real Estate Division, there was turnover and the individual that had overseen the lease billing in the past had left the City and there were some delays there.

Cicerone stated that it bothers him that our financial reporting and accounting systems did not capture the unreceived payments. Han stated that for the recurring payments, it can be very straightforward because it is a flat amount that would be billed every month. However, for the percentage rent, it is a complex calculation, and it is individual for each rent. There are various aspects for each lease such as seasonality and different CPI. Unfortunately, there is not a lot of consistency that is included within our leases. When we developed our real estate module, there were a number of calculations that had to be developed by our consultant from scratch and with each modification of our lease, that calculation then had to be subsequently modified. When we receive the percentage lease documentation, we will not know what the actual amount due will be until we receive the revenue earned for that month. There will always be a lag because we will not have that information until it is available from lessees. There will be delays from that percentage rent piece due to the nature of the variable rent portion. Cicerone questioned rent that was not paid for several months. Han stated that we now have an individual in charge of real estate centralization. Additionally, the Finance Department has been working to develop additional reports for real estate leases to ensure that this

type of occurrence does not happen again. Those reports can be sent out to the departments on a regular basis so that they can see whether the lessees are paying timely or not.

Lo Grasso asked if we need to run the procedure reports to make sure that the payments are correct. If the golf course knows that they are going to be audited every year, they might be more accurate with their information. Han stated that in the past, the Finance Department did regular audits of our hotels and concessionaires on a rotational basis. We would have a contract with our independent audit firm and select several hotels and concessionaires to audit on an annual basis. We would audit a couple each year and continuously go through all our TOTs, hotels and concessionaires and they would be done every five to six years. That is best practice and we had meant to start it up again after it was placed on pause during COVID. We do intend to begin that practice again. Han stated that she does not know if we would engage in another AUP with Meadowlark.

Chair Hamilton suggested doing another AUP for Meadowlark but working with the Finance Commission to develop a different set of procedures to look at a different scope such as lost revenue. Another alternative would be to look at performing standard agreed-upon procedures for our other hotels and concessionaires. Han stated that this is something that we are looking at doing and is listed as a subcategory in our Strategic Plan Goal of maintaining fiscal stability. We would have to go out for a request for proposal. Hamilton asked and Han confirmed that the Finance Commission could be involved in some of the procedures.

Craver stated that is a great idea to use the person working with centralized leases to create a rotation so that the person who monitors the leases on a month-to-month, day-to-day basis can tell you where his or her concerns are so that you could prioritize the audits and reviews in the year that you are doing them. Having that person communicating with you is a good second check.

Cicerone asked if we check to validate what is being reported as revenue. Foster stated we do not have a procedure to make sure records are not falsified, and that can be very hard to do. They would be providing falsified accounting records and falsifying their tax returns if they were.

Cicerone asked if we are going to collect the unpaid rent from Arcis. Han stated that a letter was sent out on July 15, 2024, both via email and regular mail for \$413,968. The letter stated that we expect payment in full in 30 days, otherwise payment will continue to accrue in accordance with the lease terms.

“1. Explain how entries from the cash journal (cash receipts) are recorded within the ERP System and what identifier is used to link a payment recorded in the cash journal to a specific recording and allocation of that payment with a specific invoice in the ERP system.”

Han stated that when an accounts receivable form is created, a randomly generated document number is issued. When payment is issued by the lessee, it is matched to the invoice for that same document number so that it can be traced. This falls within our standard receipts module within our ERP system, known as JD Edwards, and it also within our cash receipts module. There was a question asking why the document number was not provided in some of those reports, but it may have not been shown. It shows up as what is known as a document type, and if you look for that column, you should see that document number. Sometimes a cash receipt is applied to multiple invoices such as when one check is applied to multiple months, then there can be more than one

document number that is applied to a particular cash receipt. That might be where there could be confusion, but if you trace it back to those original accounts receivable invoices, you should be able to match the two.

"3. What procedures are in place to start collecting late rent payments and late fees?"

Han stated that Arcis is currently paying on time. Finance developed reports to ensure that all lessees are paying on time. The reports will be sent out automatically via Scheduler to the departments monthly for their review. These reports were developed with feedback from the departments to ensure that they were easy to read and contain all the information that was needed by each of the departments. This allows departments to quickly reach out to the lessees to let them know that that they are delinquent on their late rent.

Hamilton asked with regard to the \$400,000 owed by Arcis, if the system automatically calculates fees if it keeps accruing. Han stated that our system does not have a custom calculation for each of our leases. That penalty is a custom calculation that is unique to that lease. We did an accounts receivable invoice for the original amount and manually calculated it. Hamilton asked and Han confirmed that if not paid by the end of the month, then the invoice goes up by another 10%. Hamilton asked if the amount gets tacked on in the system as an outstanding collectible, and Han said it would be on Excel.

Craver asked and Han confirmed that procedurally, when the reports are going to all the departments, they are also going to the person who is overseeing the leases so that one person is watching every department's receipt of it so that there is no hole between the departments and the real estate person. Han stated that during this transition period of centralizing real estate, all the departments would be receiving the report with the idea that ultimately, the individual in charge of real estate would be the one receiving that report.

Gates asked if the new lease person can look through the lease and go out to the property and see if there are certain things that Arcis needs to do to improve the property. Arcis was supposed to put new trees in, and the paths are crooked and broken. Her concern is that Arcis will leave without making the required tenant improvements on the property and leave the City with a dump at the end.

Michels stated that in meeting with Assistant City Manager Travis Hopkins, we discussed helping to identify the priorities of what we want to manage for the next three and one-half years. This was the post-audit discussion of what things need our focus and to start with identifying five things. We would then have that conversation with Arcis on how to administer that. Cicerone stated that the condition of the course is abysmal. Hamilton asked and Hopkins confirmed that our lease person Bill Krill would be inspecting the course with the ad hoc committee. Cicerone stated that the agreement calls for someone in the City to inspect the golf course once a month. Hopkins stated that as we get Krill on board, we are evaluating how we can perform that, not just here but with all the facilities. We have other leases, concessions on the beach and other locations and we need to make sure that we are doing that as well. We will be evaluating that and developing those programs. Hamilton stated that this is great and was started by one of the Finance Commission letters to the City Council.

Cicerone asked why the City is not providing the golf course with recycled water to water the course.

The lease requires them to put in a system to utilize recycled water, but the City has to provide them with recycled water. They are currently pumping 70 million gallons of fresh water from the aquifer. Hopkins stated that recycled water is not available to the City. The City was looking at how to provide recycled water to the other golf courses. We started having developments maintain irrigation water separate from potable water in the attempt to have recycled water, but that recycled water is not available. All the water at the Sanitation District is being recycled and made into drinking water. They are using that water to replenish the aquifer and are protecting the aquifer by pumping it into the ground to keep brackish water from the ocean from coming in. When we were looking at getting recycled water approximately 10 or 12 years ago, the cost to run the pipes from the Sanitation District to us was more expensive than using new water. This is why Meadowlark does not use recycled water and why we have not developed that system within the City. You would be able to see the upgraded water recycle system on a tour of the Sanitation District where almost all of the sewer water is being recycled and used to replenish our groundwater system.

D2. Meadowlark Task Force Recommendation Letter – Hamilton

Hamilton stated that the subcommittee will be going to Meadowlark Golf Course with Krill and will have additional recommendations. Michels stated that the Revenue Ad Hoc Committee has morphed into not a revenue topic anymore, but two different things. One is the financial management that involves a gross revenue element. The other is the administration of the property management and many of the issues spoken about today. We need to collectively decide on our first four priorities. We will have to talk to Arcis about what things we expect them to do in the ensuing three and one-half years to improve the property. She does not believe this is a task for the Revenue Ad Hoc Committee and can work with staff on some of the recommendations since she has met with a resident that lives on the golf course who has direct knowledge. The gross revenue is a separate topic and relates to the lease for the next three and one-half years, and then a new agreement after that. The financial management issues could be done separately. We would look at the recommendations and confirm what would make the biggest benefit for the City and the golfers and determine who will present the recommendations to Arcis, which would be the City. Michels stated by the next meeting, she would have a list of recommendations. Hamilton stated that we will need a group to go to the golf course to do the work.

Craver asked Hamilton if the task force recommendation letter has been brought to City Council members through another avenue and that they are taking it on themselves. Cicerone stated that the Mayor and Mayor Pro Tem joined the subcommittee meeting regarding the task force. Hopkins stated that he could facilitate establishing a task force and work with the subcommittee on the details at their meeting next week.

D3. Real Estate Ad Hoc Committee - City Leases; Equestrian Center Lease – Lo Grasso

Hamilton asked for the status of the Equestrian Center lease. Hopkins stated that there was an allowable 10-year extension on the lease, and it is the last extension contemplated in the current lease. Han stated that the extension was completed in January 2023 and extends the term through February 2, 2033. Hopkins stated that the Equestrian Center approached the City and requested that the City consider extending the lease further, and the City Council is currently considering it. He stated that he could share this information with the subcommittee. Sternberg asked and Han confirmed that the Equestrian Center lease was also subject to rent abatement during Covid.

Hamilton stated that this would fall under the Revenue subcommittee. Cicerone stated that the subcommittee could discuss his revenue calculations at their August 1 meeting with Hopkins. Sternberg asked if the City receives revenue only from the lease or if there are other types of revenue received from this property. Cicerone stated that the lessor pays \$500.00 a month for rent, and there is a 2-4-10 revenue share from lessons, boarding and retail sales. He stated that there is an opportunity to be proactive in getting the lessee to entertain our suggestions to optimize the return on this investment.

Craver asked if any ongoing negotiations could be delayed to allow for work by the subcommittee. Hopkins stated that it would be up to the City Council, but work from this commission would be shared with the City Council as part of their discussion. Cicerone stated that there have already been discussions with City Council members who share the same concerns regarding the 10-year lease extension.

Lo Grasso asked about other City leases. He asked if the City runs or leases the Senior Center and the gym. Han stated that the City runs the Senior Center and gym and rents out portions of the Senior Center for weddings and events. We do not have any leases in the Senior Center.

Lo Grasso asked and Han confirmed that the City rents out fields in the Sports Complex. Hopkins stated that HBSC manages the sports fields. Lo Grasso asked if the subcommittee would be interested in looking at how the agreement with HBSC is structured and what they are leasing these fields out for as well as looking for different opportunities for extra revenue. Lo Grasso asked if the field rental fee was part of the fee schedule study. Han stated that the rent is a market rate charge and not a fee and based on comparable costs at other sports complexes.

Lo Grasso stated that he was unable to find in the Community and Library Services budget the revenue generated by selling books or the gift shop at the library. Hopkins stated that both are run by the Friends of the Library, which is a non-profit 501c3 organization who have been doing this for many years. They make donations to the City in the range of \$250,000 to \$300,000 a year for the City to run the library operations and purchase materials. This has been a partnership with the City that has been around for many years without an agreement between the two. Lo Grasso stated that there is some square footage inside the library that they run with no lease agreement. Hopkins stated that we are looking to develop a memorandum of understanding (MOU) and the subcommittee could review and look at it. Lo Grasso suggested that the subcommittee look at the Library MOU and the Sports Complex rates.

Cicerone stated that he is concerned about the number of books that are being donated and then sold on a website that we get no revenue for. Hamilton asked and Hopkins confirmed that the MOU would cover an agreement to encompass everything they do. Hopkins stated that the City is looking at how to formalize that relationship. Lo Grasso asked how much money is made monthly selling books and Hopkins stated that we do not know. Michels stated that information could be found at Charity Navigator 501C3. She stated that we receive \$300,000 from Friends of the Library and a lot of the money is helping to support adult literacy programs that the City would have to pay for otherwise. There is a lot of cost to what they are providing, which is free books and people having a space to improve their command of the English language.

Craver asked if someone in the City is presently working on the MOU. Hopkins stated that the Community and Library Services Department is working in concert with the City Manager's Office. He stated that if the subcommittee would like to be a part of it, he can help facilitate that.

COMMISSIONER COMMENTS

Michels stated that she listened to the recording of the May 22, 2024 meeting regarding the Meadowlark discussion and payment of \$8M. There were inaccuracies that were represented and she wanted to correct the record. She noted that Commissioner Cicerone stated that the sublessee of Meadowlark was paying \$8M per year for the final 13 years of the lease, but that statement is incorrect. An amount over \$8M was exchanged in November 2014 during the assignment of the lease by CLP Meadowlark Golf LLC, formerly known as CNL Income Eagle Meadowlark LLC, to CF Meadowlark Arcis LLC. By November 2014, Arcis had acquired all the assets of Eagle. While there was a transfer of funds between holding companies, we do not know that it is accurate to say that it is a payment from one to the other because they owned both sides of the equation. It was a transfer of funding that only happened one time in 2014. In the course that conversation, Commissioner Lo Grasso stated that American Golf sublet the Meadowlark lease for \$8M a year. That was incorrect. There was a transfer of \$8M. They are not paying \$8M per year and American Golf is not part of this anymore. Michels stated that last week, we saw the release of the details of the Air Show settlement. She has many years of financial and general management and worked for a billion-dollar Fortune 500 company. She has never seen a more lopsided agreement that gave away literally everything of financial value to the City, both revenue and expense to a private entity. She stated that she is hopeful that legal efforts will be taken and ultimately result in the City's ability to renegotiate the terms and have some favor to the City and its citizens. Michels stated that our session with the City Attorney about our roles was very instructive. It was good to talk about our role and the kind of the work that we need to do outside of the committee meetings, to not bring up things that we do not have answers to just because they pop into our heads, but to do real work when we have a topic that is of interest to us. She encourages everyone to do some work so that we know which things to focus on and keep track of. We have some excellent topics, but it does require some homework by all of us before we show up in the meeting.

Sternberg stated that he was encouraged that the City is taking a positive step by assigning lease coordination to one person and taking steps to formalize the MOU with the Friends of the Library.

Lo Grasso asked that if the subcommittee has questions regarding the Sports Complex, the Library or Senior Center, how much advance notice would need to be given to have staff present at the next meeting. Han stated that it would depend on the individual and at least a few weeks' notice. Hopkins stated that he could coordinate a meeting with staff and the subcommittee.

Gates thanked the commission for a productive meeting. She stated that with the regard to the Air Show settlement, it is too bad that the City was put in this position to have a lawsuit to begin with. There were some actors that day that played very inappropriate roles that never should have been played, never consulted other people and departments, and it stinks that this beautiful, wonderful event has been clouded with all this negativity on both sides. It is more divisive now to our City, which our City does not need.

Cicerone stated that it has been his experience in dealing with settlements that involve big litigation with large financial exposure that there is a lot more that goes on and is involved in those discussions than what we know or have read. He was bothered that we may lose the Air Show and wants to try to do what we can to best preserve Huntington Beach and our image and reputation. He stated that as a Finance Commission, we should be getting a summary review of where the City's finances are, what the current financial condition of the City is, and it bothers him that we do not do this.

Hamilton thanked the commission and stated that he likes where we are headed with the focus on Meadowlark, the Equestrian Center and the MOU for the Library and we will be focused for the upcoming meeting.

ADJOURNMENT

Motion: Moved by Commissioner Craver and seconded by Chair Hamilton to adjourn the meeting at 6:49 p.m.

The motion carried by the following votes: 7-0

Ayes: Cicerone; Craver; Gates; Hamilton; Lo Grasso; Michels; Sternberg

Noes: None

Submitted by:

Sunny Han, Chief Financial Officer

By: Thuy Vi, Finance Management Aide

INDEPENDENT ACCOUNTANT'S REPORT

Sunny Han, Chief Financial Officer
City of Huntington Beach

We have performed the procedures enumerated below, which were agreed to by the City of Huntington Beach ("City"), solely to assist the City in reviewing Arcis Golf, dba Meadowlark Golf Course ("Operator") compliance with the Lease between the City of Huntington Beach and Arcis Golf ("Agreement") dated July 6, 1992 for the five years ended December 31, 2023. The Operator's management is responsible for maintaining the Operator's accounting records and other documentation to support the information reported to the City.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reviewing the lease between the City and the agreement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The report includes the following information:

- Total Operating Lease revenues reported for the January 1, 2019 – December 31, 2023 lease period totaled \$23,688,224.
- Total Rent generated for the same period totaled \$4,980,246, of which \$12,998 is currently outstanding.
- Rent abatement was granted by the City for the period March 2020 through April 2021 due to the Covid-19 pandemic.
- Various fixed and variable rent payment were submitted late, which resulted in a calculation of penalties totaling \$400,970 due to the City.

The procedures performed and the results of those procedures are as follows:

1. We will obtain an understanding of the specific system reports used to generate reporting to the City.

Results: No exceptions noted as a result of our procedures.

2. We will obtain explanations for adjustments made, if any, to the system reports when reporting information to the City.

Results: No exceptions noted as a result of our procedures.

3. We will inspect the date rent was remitted to the City for the five years ended December 31, 2023 to determine if they were submitted within the due date specified by the Agreement.

Results: There were various fixed and variable payments submitted late, which resulted in a calculation of penalties. The late payments resulted in \$400,970 of late charges due to the City, as displayed in Exhibit B.

4. We will trace information from the reports provided to the City to the Operator's reports supporting the amounts reported. We will reconcile the information in these reports to the accounting system reports showing all revenues collected by the Operator.

Results: As a result of the procedures, total Operating Lease revenues were \$23,688,224, as reported in Exhibit D.

5. We will re-calculate amounts remitted for mathematical accuracy and proper calculation of rent.

Results: As a result of the procedures, an amount of \$79,281 is due to the City, however \$66,283 was paid subsequent to December 2023, as reported in Exhibit A.

6. We will obtain sales tax returns and compare to the monthly revenue reports to determine the completeness of the revenue reports.

Results: No exceptions were noted as a result of our procedures.

7. For any credits or exemptions allowed by the agreement, we will verify documentation supporting the exemption.

Results: Rent abatement was granted by the City for the period March 2020 through April 2021 due to the Covid-19 pandemic.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Lease. Accordingly, we did not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and the Operator to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management of the City of Huntington Beach and is not intended to be and should not be used by anyone other than those specified parties.

Davis Farr LLP

Irvine, California
June 28, 2024

Arcis Golf
Calculation of Amount Due To (From) City
January 2019 through December 2023

Reported to City *											
Month	Reported Revenues	Rent Paid	Deposit Adjustments	Total Revenues	Minimum Rent Due	Percentage Rent Due	Total Rent Due	Date Minimum Rent Paid	Date Percent Rent Paid	Due To (From) City	Cumulative Rent Due & Outstanding
January 2019	\$ 228,759	45,510	-	228,759	44,314	45,510	45,510	1/10/2019	2/14/2019	-	-
February 2019	228,062	44,314	-	228,062	44,314	42,689	44,314	2/21/2019	N/A	-	-
March 2019	308,906	57,766	-	308,906	44,314	59,391	59,391	3/7/2019	4/18/2019	1,625	1,625
April 2019	367,768	71,550	-	367,768	44,314	71,563	71,563	4/5/2019	5/16/2019	13	1,638
May 2019	416,008	77,117	-	416,008	44,314	77,104	77,104	5/9/2019	6/20/2019	(13)	1,625
June 2019	447,530	84,536	-	447,530	44,314	84,535	84,535	6/18/2019	7/11/2019	(1)	1,624
July 2019	425,752	84,422	-	425,752	44,314	84,422	84,422	7/18/2019	8/15/2019	-	1,624
August 2019	445,377	86,872	-	445,377	44,314	86,872	86,872	8/8/2019	9/20/2019	-	1,624
September 2019	387,463	75,469	-	387,463	44,314	75,506	75,506	9/12/2019	10/17/2019	37	1,661
October 2019	338,242	65,963	-	338,242	44,314	65,963	65,963	10/10/2019	11/21/2019	-	1,661
November 2019	301,158	59,810	-	301,158	44,314	59,810	59,810	11/7/2019	12/20/2019	-	1,661
December 2019 ***	291,323	53,220	-	291,323	44,314	53,183	53,183	12/20/2019	2/7/2020	(37)	1,624
January 2020	305,665	62,407	-	305,665	44,314	62,407	62,407	1/9/2020	2/27/2020	-	1,624
February 2020***	314,407	64,249	-	314,407	44,314	64,249	64,249	4/14/2020	3/12/2020	-	1,624
March 2020	208,273	-	-	208,273	44,314	43,188	44,314	N/A	N/A	-	1,624
April 2020	43,832	-	-	43,832	44,314	7,674	44,314	N/A	N/A	-	1,624
May 2020	217,694	-	12,300	229,994	44,314	49,845	49,845	N/A	N/A	-	1,624
June 2020	274,921	-	-	274,921	44,314	59,853	59,853	N/A	N/A	-	1,624
July 2020	299,890	-	800	300,690	44,314	66,311	66,311	N/A	N/A	-	1,624
August 2020	288,108	-	16,607	304,715	44,314	66,543	66,543	N/A	N/A	-	1,624
September 2020	273,439	-	800	274,239	44,314	59,904	59,904	N/A	N/A	-	1,624
October 2020	287,595	-	1,000	288,595	44,314	62,949	62,949	N/A	N/A	-	1,624
November 2020	233,551	-	2,500	236,051	44,314	51,129	51,129	N/A	N/A	-	1,624
December 2020	259,826	-	1,000	260,826	44,314	56,791	56,791	N/A	N/A	-	1,624
January 2021	246,719	-	-	246,719	44,314	54,799	54,799	N/A	N/A	-	1,624
February 2021	238,531	-	-	238,531	44,314	52,826	52,826	N/A	N/A	-	1,624
March 2021	345,990	-	-	345,990	44,314	77,172	77,172	N/A	N/A	-	1,624
April 2021	364,947	-	-	364,947	44,314	81,049	81,049	N/A	N/A	-	1,624
May 2021	419,433	46,738	5,200	424,633	44,314	92,352	92,352	N/A	6/18/2021	1,300	2,924
June 2021***	417,374	41,642	-	417,374	44,314	85,956	85,956	N/A	9/16/2021	-	2,924
July 2021***	541,186	71,989	-	541,186	44,314	116,304	116,304	N/A	9/16/2021	1	2,925
August 2021***	491,817	104,022	-	491,817	44,314	104,022	104,022	4/21/2022	10/21/2021	-	2,925
September 2021***	454,117	97,576	-	454,117	44,314	97,576	97,576	4/21/2022	10/21/2021	-	2,925
October 2021***	434,214	91,289	-	434,214	44,314	91,288	91,288	4/14 and 5/5	12/3/2021	(1)	2,924
November 2021***	462,772	94,773	-	462,772	44,314	94,773	94,773	4/21/2022	12/29/2023	-	2,924
December 2021***	347,863	71,763	-	347,863	44,314	71,763	71,763	4/21/2022	1/20/2023	-	2,924
January 2022***	429,667	84,711	-	429,667	44,314	92,167	92,167	4/21/2022	2/17/2022	7,456	10,380
February 2022***	406,411	95,722	-	406,411	44,314	88,694	88,694	4/21/2022	3/17/2022	(7,028)	3,352
March 2022**	500,961	102,938	-	500,961	44,314	103,237	103,237	4/21/2022	4/21/2022	299	3,651
April 2022***	555,552	115,893	-	555,552	44,314	116,215	116,215	4/21/2022	6/21/2022	322	3,973
May 2022***	577,976	120,303	-	577,976	44,314	120,304	120,304	7/21/2022	7/21/2022	1	3,974
June 2022***	538,397	115,096	-	538,397	44,314	115,096	115,096	7/21/2022	7/21/2022	-	3,974
July 2022***	578,489	123,529	-	578,489	44,314	123,622	123,622	7/21/2022	9/15/2022	93	4,067
August 2022	519,013	110,635	-	519,013	44,314	110,765	110,765	8/18/2022	9/15/2022	130	4,197
September 2022	471,622	101,324	-	471,622	44,314	101,399	101,399	9/29/2022	10/20/2022	75	4,272
October 2022***	454,777	97,647	-	454,777	44,314	97,808	97,808	2/6/2023	11/16/2022	161	4,433
November 2022	393,665	83,798	-	393,665	44,314	83,985	83,985	12/1/2022	12/15/2022	187	4,620
December 2022***	358,684	74,092	-	358,684	44,314	73,161	73,161	2/6/2023	1/19/2023	(931)	3,689
January 2023***	316,754	67,218	-	316,754	44,314	67,218	67,218	11/2/2023	2/23/2023	-	3,689
February 2023***	377,921	68,383	-	377,921	44,314	77,692	77,692	5/4/2023	4/6/2023	9,309	12,998
March 2023	405,680	81,461	-	405,680	44,314	81,461	81,461	3/30/2023	4/20/2023	-	12,998
April 2023***	527,433	109,903	-	527,433	44,314	109,903	109,903	5/30/2023	5/18/2023	-	12,998
May 2023***	538,842	112,956	-	538,842	44,314	112,956	112,956	5/11/2023	6/22/2023	-	12,998
June 2023***	605,509	126,248	-	605,509	44,314	126,248	126,248	7/27/2023	7/20/2023	-	12,998
July 2023	632,088	134,331	-	632,088	44,314	134,331	134,331	7/27/2023	8/17/2023	-	12,998
August 2023	522,645	112,205	-	522,645	44,314	112,205	112,205	8/3/2023	9/14/2023	-	12,998
September 2023***	510,873	108,533	-	510,873	44,314	108,533	108,533	11/2/2023	10/12/2023	-	12,998
October 2023***	544,003	44,314	-	544,003	44,314	110,597	110,597	11/2/2023	2/1/2024	66,283	79,281
November 2023	492,716	103,725	-	492,716	44,314	103,725	103,725	11/28/2023	12/22/2023	-	79,281
December 2023	429,827	92,262	-	429,827	44,314	92,262	92,262	12/14/2023	1/25/2024	-	79,281
Totals	23,648,017	3,940,224	40,207	23,688,224	2,658,840	4,940,855	4,980,246		79,281	79,281	

Paid subsequent to December 2023

October 2023 Paid

(66,283)

* - See Schedule C for further detail on revenues reported to the City and amounts paid to the City

** - See Schedule D for further detail on revenues calculated based upon procedures performed

*** - Rent Payment was made late

Arcis Golf
Calculation of Penalties and Interest
January 2019 through December 2023

Arcis Golf
Amounts Reported to the City
January 2019 through December 2023

Month	Revenues								Total Rent Paid
	Green Fees	Cart Rental	Driving Range	Pro Shop Services	Golf Merchandise	F&B	Banquet Room	Other Revenue (Loss)	
January 2019	\$ 89,424	24,747	36,289	944	5,957	68,202	2	3,194	228,759
February 2019	77,197	18,493	33,669	1,301	5,095	86,556	-	5,731	228,062
March 2019	112,911	33,591	41,426	1,199	9,244	104,284	282	5,969	308,906
April 2019	144,026	41,894	43,936	2,312	10,116	118,462	119	6,903	367,768
May 2019	139,066	43,253	45,518	2,584	9,543	162,344	25	13,675	416,008
June 2019	161,160	49,433	49,923	6,210	12,529	156,079	491	11,705	447,530
July 2019	173,059	55,950	48,164	5,014	10,894	124,500	36	8,135	425,752
August 2019	175,285	55,460	48,076	4,729	11,665	140,196	76	9,890	445,377
September 2019	150,194	47,043	43,245	1,402	9,363	127,325	769	8,122	387,463
October 2019	127,545	37,264	42,963	1,007	7,280	112,381	455	9,347	338,242
November 2019	119,856	32,848	38,663	850	6,804	92,481	1,490	8,166	301,158
December 2019	104,821	28,739	30,963	19,597	6,272	94,767	17	6,147	291,323
January 2020	132,338	38,097	40,589	346	6,130	84,330	538	3,297	305,665
February 2020	136,602	38,319	41,386	1,482	7,451	83,181	2,562	3,424	314,407
March 2020	92,253	20,308	35,967	1,033	4,651	51,244	220	2,597	208,273
April 2020	22,271	38	13	513	453	20,538	-	6	43,832
May 2020	175,138	5,784	41	679	5,238	42,742	-	(11,928)	217,694
June 2020	195,983	18,274	4,234	897	5,985	49,548	-	-	274,921
July 2020	214,412	26,190	3,140	369	4,206	52,673	-	(1,100)	299,890
August 2020	213,397	27,187	3,631	4,608	4,731	51,161	-	(16,607)	288,108
September 2020	195,450	23,498	685	450	4,794	50,362	-	(1,800)	273,439
October 2020	203,550	23,710	777	394	4,036	55,128	-	-	287,595
November 2020	170,513	20,430	803	451	4,014	46,305	-	(8,965)	233,551
December 2020	179,822	22,059	734	5,965	4,925	40,856	-	5,465	259,826
January 2021	182,369	19,574	719	1,001	3,537	39,519	-	-	246,719
February 2021	176,978	19,717	809	686	3,939	38,902	-	(2,500)	238,531
March 2021	205,072	24,686	56,236	258	5,174	54,564	-	-	345,990
April 2021	215,457	27,027	56,513	(283)	5,258	60,951	-	24	364,947
May 2021	244,663	25,109	59,844	801	5,507	83,210	1,500	(1,201)	419,433
June 2021	206,599	28,642	52,762	3,026	8,510	106,435	2,647	8,753	417,374
July 2021	310,769	41,023	59,462	2,433	12,005	106,406	4,000	5,088	541,186
August 2021	280,228	32,427	44,467	1,297	10,265	110,027	3,000	10,106	491,817
September 2021	264,207	34,759	43,780	1,024	9,037	92,267	4,275	4,768	454,117
October 2021	239,851	26,687	50,751	1,392	11,979	96,381	1,415	5,758	434,214
November 2021	239,726	25,551	49,977	1,724	11,826	120,500	1,800	11,668	462,772
December 2021	198,761	14,848	40,750	9,393	9,468	74,945	250	(552)	347,863
January 2022	245,610	23,216	56,839	1,741	9,901	85,368	2,412	4,580	429,667
February 2022	239,678	22,396	56,485	1,724	11,271	67,868	3,000	3,989	406,411
March 2022	260,787	23,694	60,203	1,068	11,996	128,397	3,032	11,784	500,961
April 2022	305,331	21,649	68,574	2,157	20,144	119,931	6,450	11,316	555,552
May 2022	320,555	13,368	75,530	1,305	19,287	132,437	3,600	11,894	577,976
June 2022	317,826	14,426	76,609	1,838	17,864	102,436	2,178	5,220	538,397
July 2022	346,433	21,003	71,496	2,894	17,747	111,106	2,500	5,310	578,489
August 2022	305,708	13,952	70,848	1,324	18,170	99,296	4,000	5,715	519,013
September 2022	270,693	26,691	58,912	117	13,867	90,467	5,700	5,175	471,622
October 2022	246,480	43,969	60,642	816	14,728	84,149	-	3,993	454,777
November 2022	208,347	35,223	57,262	4,031	12,668	72,830	1,250	2,054	393,665
December 2022	169,347	29,677	43,166	434	13,265	90,887	5,360	6,548	358,684
January 2023	153,861	19,341	63,927	(80)	10,812	64,776	1,500	2,617	316,754
February 2023	175,301	22,045	61,511	713	11,694	94,549	5,000	7,108	377,921
March 2023	180,334	22,382	59,035	592	16,447	109,205	8,200	9,485	405,680
April 2023	272,554	37,611	73,908	211	23,350	113,386	2,250	4,163	527,433
May 2023	268,166	42,121	75,520	273	22,390	113,305	8,750	8,317	538,842
June 2023	298,912	52,724	79,614	384	22,558	135,410	6,250	9,657	605,509
July 2023	321,798	61,978	82,587	334	22,554	125,698	9,250	7,689	632,088
August 2023	267,923	50,381	77,876	413	17,653	97,749	6,550	4,100	522,645
September 2023	257,646	46,806	76,012	551	17,364	102,821	4,000	5,673	510,873
October 2023	237,915	38,833	73,100	556	17,141	144,581	15,353	16,524	544,003
November 2023	249,142	29,164	70,684	152	14,008	109,871	9,000	10,695	492,716
December 2023	221,987	27,991	66,130	(1,174)	16,519	79,813	2,500	16,061	429,827
Totals	\$ 12,413,287	1,793,300	2,767,395	109,462	651,279	5,476,288	144,054	292,952	23,648,017
									3,940,224

* October 2021 includes \$44,314 minimum rent payment recorded by the City, however was not present in reporting by Arcis Golf

** April 2022 includes \$44,804 recorded by the City, however was not present in reporting by Arcis Golf

Arcis Golf
Amounts Calculated as a Result of Procedures
January 2019 through December 2023

Month	Revenues Reported per POS System								25%			Total Non-Exempt	Percentage
	25%	25%	25%	4%	4%	10%	25%	25%	25%	25%	Deposit		
	Green Fees	Cart Rental	Driving Range	Pro Shop Services	Golf Merchandise	F&B	Banquet Room	Other Revenue	Reported Revenues	Adjustments	Revenues		
January 2019	\$ 89,424	24,747	36,289	944	5,957	68,202	2	3,194	228,759	-	228,759	45,510	
February 2019	77,197	18,493	33,689	1,301	5,095	86,556	-	5,731	228,062	-	228,062	42,689	
March 2019	112,911	33,591	41,426	1,199	9,244	104,284	282	5,969	308,906	-	308,906	59,391	
April 2019	144,026	41,894	43,936	2,312	10,116	118,462	119	6,903	367,768	-	367,768	71,563	
May 2019	139,066	43,253	45,518	2,584	9,543	162,344	25	13,675	416,008	-	416,008	77,104	
June 2019	161,160	49,433	49,923	6,210	12,529	156,079	491	11,705	447,530	-	447,530	84,535	
July 2019	173,059	55,950	48,164	5,014	10,894	124,500	36	8,135	425,752	-	425,752	84,422	
August 2019	175,285	55,460	48,076	4,729	11,665	140,196	76	9,890	445,377	-	445,377	86,872	
September 2019	150,194	47,043	43,245	1,402	9,363	127,325	769	8,122	387,463	-	387,463	75,506	
October 2019	127,545	37,264	42,963	1,007	7,280	112,381	455	9,347	338,242	-	338,242	65,963	
November 2019	119,856	32,848	38,663	850	6,804	92,481	1,490	8,166	301,158	-	301,158	59,810	
December 2019	104,821	28,739	30,963	19,597	6,272	94,767	17	6,147	291,323	-	291,323	53,183	
January 2020	132,338	38,097	40,589	346	6,130	84,330	538	3,297	305,665	-	305,665	62,407	
February 2020	136,602	38,319	41,386	1,482	7,451	83,181	2,562	3,424	314,407	-	314,407	64,249	
March 2020	92,253	20,308	35,967	1,033	4,651	51,244	220	2,597	208,273	-	208,273	43,188	
April 2020	22,271	38	13	513	453	20,538	-	6	43,832	-	43,832	7,674	
May 2020	175,138	5,784	41	679	5,238	42,742	-	(11,928)	217,694	12,300	229,994	49,845	
June 2020	195,983	18,274	4,234	897	5,985	49,548	-	-	274,921	-	274,921	59,853	
July 2020	214,412	26,190	3,140	369	4,206	52,673	-	(1,100)	299,890	800	300,690	66,311	
August 2020	213,397	27,187	3,631	4,608	4,731	51,161	-	(16,607)	288,108	16,607	304,715	66,543	
September 2020	195,450	23,498	685	450	4,794	50,362	-	(1,800)	273,439	800	274,239	59,904	
October 2020	203,550	23,710	777	394	4,036	55,128	-	-	287,595	1,000	288,595	62,949	
November 2020	170,513	20,430	803	451	4,014	46,305	-	(8,965)	233,551	2,500	236,051	51,129	
December 2020	179,822	22,059	734	5,965	4,925	40,856	-	5,465	259,826	1,000	260,826	56,791	
January 2021	182,369	19,574	719	1,001	3,537	39,519	-	-	246,719	-	246,719	54,799	
February 2021	176,978	19,717	809	686	3,939	38,902	-	(2,500)	238,531	-	238,531	52,826	
March 2021	205,072	24,686	56,236	258	5,174	54,564	-	-	345,990	-	345,990	77,172	
April 2021	215,457	27,027	56,513	(283)	5,258	60,951	-	24	364,947	-	364,947	81,049	
May 2021	244,663	25,109	59,844	801	5,507	83,210	1,500	(1,201)	419,433	5,200	424,633	92,352	
June 2021	206,599	28,642	52,762	3,026	8,510	106,435	2,647	8,753	417,374	-	417,374	85,956	
July 2021	310,769	41,023	59,462	2,433	12,005	106,406	4,000	5,088	541,186	-	541,186	116,304	
August 2021	280,228	32,427	44,467	1,297	10,265	110,027	3,000	10,106	491,817	-	491,817	104,022	
September 2021	264,207	34,759	43,780	1,024	9,037	92,267	4,275	4,768	454,117	-	454,117	97,576	
October 2021	239,851	26,687	50,751	1,392	11,979	96,381	1,415	5,758	434,214	-	434,214	91,288	
November 2021	239,726	25,551	49,977	1,724	11,826	120,500	1,800	11,668	462,772	-	462,772	94,773	
December 2021	198,761	14,848	40,750	9,393	9,468	74,945	250	(552)	347,863	-	347,863	71,763	
January 2022	245,610	23,216	56,839	1,741	9,901	85,368	2,412	4,580	429,667	-	429,667	92,167	
February 2022	239,678	22,396	56,485	1,724	11,271	67,868	3,000	3,989	406,411	-	406,411	88,694	
March 2022	260,787	23,694	60,203	1,068	11,996	128,397	3,032	11,784	500,961	-	500,961	103,237	
April 2022	305,331	21,649	68,574	2,157	20,144	119,931	6,450	11,316	555,552	-	555,552	116,215	
May 2022	320,555	13,368	75,530	1,305	19,287	132,437	3,600	11,894	577,976	-	577,976	120,304	
June 2022	317,826	14,426	76,609	1,838	17,864	102,436	2,178	5,220	538,397	-	538,397	115,096	
July 2022	346,433	21,003	71,496	2,894	17,747	111,106	2,500	5,310	578,489	-	578,489	123,622	
August 2022	305,708	13,952	70,848	1,324	18,170	99,296	4,000	5,715	519,013	-	519,013	110,765	
September 2022	270,693	26,691	58,912	117	13,867	90,467	5,700	5,175	471,622	-	471,622	101,399	
October 2022	246,480	43,969	60,642	816	14,728	84,149	-	3,993	454,777	-	454,777	97,808	
November 2022	208,347	35,223	57,262	4,031	12,668	72,830	1,250	2,054	393,665	-	393,665	83,985	
December 2022	169,347	29,677	43,166	434	13,265	90,887	5,360	6,548	358,684	-	358,684	73,161	
January 2023	153,861	19,341	63,927	(80)	10,812	64,776	1,500	2,617	316,754	-	316,754	67,218	
February 2023	175,301	22,045	61,511	713	11,694	94,549	5,000	7,108	377,921	-	377,921	77,692	
March 2023	180,334	22,382	59,035	592	16,447	109,205	8,200	9,485	405,680	-	405,680	81,461	
April 2023	272,554	37,611	73,908	211	23,350	113,386	2,250	4,163	527,433	-	527,433	109,903	
May 2023	268,166	42,121	75,520	273	22,390	113,305	8,750	8,317	538,842	-	538,842	112,956	
June 2023	298,912	52,724	79,614	384	22,558	135,410	6,250	9,657	605,509	-	605,509	126,248	
July 2023	321,798	61,978	82,587	334	22,554	125,898	9,250	7,689	632,088	-	632,088	134,331	
August 2023	267,923	50,381	77,876	413	17,653	97,749	6,550	4,100	522,645	-	522,645	112,205	
September 2023	257,646	46,806	76,012	551	17,364	102,821	4,000	5,673	510,873	-	510,873	108,533	
October 2023	237,915	38,833	73,100	556	17,141	144,581	15,353	16,524	544,003	-	544,003	110,597	
November 2023	249,142	29,164	70,684	152	14,008	109,871	9,000	10,695	492,716	-	492,716	103,725	
December 2023	221,987	27,991	66,130	(1,174)	16,519	79,813	2,500	16,061	429,827	-	429,827	92,262	
Totals	\$ 12,413,287	\$ 1,793,300	\$ 2,767,395	\$ 109,462	\$ 651,279	\$ 5,476,288	\$ 144,054	\$ 292,952	\$ 23,648,017	40,207	23,688,224	4,940,855	

Meadowlark Agreed-Upon Procedure Summary

1. Total Operating Lease revenues reported for the period January 1, 2019 – December 31, 2023 totaled \$23,688,224.
2. Total Rent generated for the same period totaled **\$4,980,246**, of which **\$12,998** is currently outstanding.
3. Various fixed and variable rent payment were submitted late which resulted in a calculation of penalties totaling **\$400,970*** due to the City.
4. Rent abatement was granted by the City for the period March 2020 through April 2021 due to the Covid-19 pandemic.

*There are two separate late penalties to be considered. There is a late penalty on fixed rent and a late penalty on variable rent. Both penalties are calculated based on 10% of the amount due. With additional late charge of 10% on unpaid amounts in subsequent months. Please note due dates differ between the two types of rent. Fixed rent is due at the end of each month for which the rent is due, while variable rent is due at the end of the subsequent month. See example below:

Rent Type	Due Date	Delinquency (Initial)	Initial Penalty	Delinquency (Subsequent)	Subsequent Penalties
Fixed	1/31/2022	2/1/2022	10% penalty assessed	3/1/2022	Additional 10% penalty assessed for each subsequent month rent is unpaid
Variable	2/28/2022	3/1/2022	10% penalty assessed	4/1/2022	Additional 10% penalty assessed for each subsequent month rent is unpaid