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Staff Report

SS ITEM 2

To: Lemoore City Council
From: Joe Simonson, Parks and Recreation Director
Date: December 13, 2013
Subject: Consideration of Sale, Real Property
(Lemoore Municipal Golf Course)

A handwritten signature in blue ink, likely belonging to Joe Simonson, the Parks and Recreation Director.

Discussion:

With the dissolution of the Redevelopment Agency all liabilities and assets related to the Lemoore Golf Course became the responsibility of the General Fund. This is cause for alarm since the General Fund incurs the liability of providing necessary services to the community. Statistically, recreation plays a significant role in decreasing crime and is financially considered a necessity being equal to services such as police and fire protection, as well as enterprise services including water quality, sewer, and refuse disposal. To relieve the liability of an escalating payment schedule, Council agreed to use \$1.4 million of General Fund reserves to minimize expenses.

Prior to Council's decision the Tachi Yokut Tribe approached the city to have the course evaluated by a qualified golf course management appraiser. The course had not been listed "For Sale". According to the Tachi-funded appraiser the property and business is valued at \$3 million.

As community concern grew that the Lemoore Golf Course could be sold and that a private party was interested in purchasing it, Council agreed to have a study session item to address the concept of selling the municipal golf property and business. During the September 17, 2013 meeting the public voiced their concerns of reasons why and why not to sell the golf course. Other than the total debt of \$3.5 million the financial data was not discussed since there had not been a formal offer presented to the City. In early November City Manager Laws received a formal offer from the Tachi Yokut Tribe to purchase the golf course business and property for the amount of \$5 million.

On November 19, 2013 during closed session Council directed staff to call two public meetings to allow for further discussion prior to bringing this item for action. These meetings are to collect as much information concerning reasons "to sell" or "not to sell" the golf course so that the public and Council will have as much information as possible prior to making this difficult decision. The first meeting was held on December 3, 2013.

Financial data:

The Lemoore Golf Course is valued at \$3 million based on the Tachi Yokut Tribe's appraiser. The City has a General Fund liability associated with the Lemoore Golf Course and property of approximately \$3.5 million (see attached debt schedule). The City has received an offer of \$5 million for the entire business and asset.

All expenses incurred by the golf course are ultimately in competition against other General Fund services such as Police and Fire protection, as well as parks and recreation expenses.

Prior to Rhoads Golf, LLC's management of the golf course, the course had been unable to meet the scheduled debt service payments. This resulted in an average annual cost to the city of \$60,000 over the previous 7 years. This amount was paid by the Redevelopment Agency and no cost to the General Fund was incurred. However, since the dissolution of the Redevelopment Agency, those debt obligations were directly tied to the General Fund. Fortunately, a combination of Rhoads Golf, LLC's course management, Council's decision to refinance the debt, and public participation, the operation has been able to meet its debt service payment over the last two years and is projected to meet those obligations this fiscal year.

At this time there is not an asset replacement account to repair or replace assets as they fail over time. This account must be established to account for any emergency or planned repairs in the immediate or distant future. It is recommended that a future study session include the funding sources of this account so that it does not directly compete with Police or Fire protection.

There were a number of questions and concerns raised in previous discussions. Attached is a list of questions and answers from the previous staff report and meeting, as well as, comments from the Tachi representative. In addition, a March 13, 1995 staff report regarding the status of the golf course and a parcel map of the area are attached for your reference.

James Snead, Chief Financial Officer for the Tachi Palace Hotel and Casino will be in attendance again on Tuesday evening to answer any additional questions.

Budget Impact:

The budget impact is not available at this time. This could vary based on Council's recommendation.

Recommendation:

For Council to encourage public testimony, discuss the current and future financial sustainability of the Lemoore Golf Course and give staff direction on how to proceed.