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Staff Report

SS ITEM 2

To: Lemoore City Council
From: Joe Simonson, Parks and Recreation Director
Date: November 27, 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.

Provided below are financial data and community concerns.

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.

Public concerns:

Public statements made during the September 17, 2013 meeting:

"Some things aren't just about money"

"We love Rich Rhoads and what he has done for our community golf course"

"I enjoy playing golf for \$8 per month"

"Seniors can't afford higher rates"

With numerous financial and social demands it is prudent to ask these questions:

- Should the City of Lemoore consider selling the municipal golf course? If not, are there other options for its operation and maintenance? The Council has received an offer from Rhoads Golf, LLC to lease the golf course, which will be discussed during closed session.
- Should the City consider multiple management models and the pros and cons of each before considering the sale of the golf course?
- Does the value of owning and controlling the golf course outweigh the risk of future capital costs and or future competition?

The following questions have also been brought to staff from our citizens:

- Why would the City sell an asset that they would eventually own?
The city is in a position to sell the course for more than its worth and more than is owed on it. If there is competition from a new golf course, the course will be worth less than what is owed on it and less than it is worth today.
- Where would the money go if the golf course was sold?
Use of the funds would be determined by Council; however, the money from the sale would be deposited into the General Fund reserves.
- Who benefits from the sale?
The people of Lemoore are relieved of the debt and liability of a golf course business and any repairs or improvements will not compete against other General Fund services.
- Who is giving Council financial advice concerning the sale?
City Staff and the City Attorney.
- Will California Government Code Section 37420 - 37430 be followed?
Yes
- Will the property always remain a public golf course?
Negotiable
- Will the new owners continue to have monthly passes for individuals, families and seniors and will the current rates remain the same?
- Will the new owners keep the current staff in their current positions? And if so, for how long?
- What type of immediate capital improvements will be made to the golf course?
- Would the buyer commit to continuing to promote youth golf and commit to the relationship with the Lemoore Junior Open?
- Will current relationships with West Hills College, Lemoore High School, Riverdale High School and Washington Union High School be honored?
The total annual revenue from these commitments is \$7,500.00.
- Will the course still be available to the numerous community groups and service organizations for annual fundraising tournaments?

James Snead, Chief Financial Officer for the Tachi Palace Hotel and Casino will be in attendance Tuesday evening to answer some of the above questions and any other questions that may arise regarding the proposed sale of the Lemoore Municipal Golf Course.

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.