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Staff Report

SS ITEM 2

To: Lemoore City Council
From: Joe Simonson, Parks and Recreation Director 
Date: December 30, 2013
Subject: Ownership/Management Options –
Lemoore Municipal Golf Course

Discussion:

The dissolution of the Redevelopment Agency and its potential impact on the City of Lemoore's General Fund and how it pertains to the Lemoore Municipal Golf Course is known to Council and has been discussed at various times.

As discussed, currently the Golf Course is either unable to meet its current debt service or just slightly over its debt service, this after investing \$1.4 million from the General Fund to make the debt more manageable. This financial situation will become increasingly dire in seven years when the debt service will increase by \$100,000 annually. To compound the financial situation, there is currently no set-aside fund for asset replacement as exists in the City's other funds. Deferred maintenance costs must be addressed as well as unforeseen emergencies. Some of the citizens' testimonies at the public hearings addressed the Council's concern for the unforeseen or "what ifs," but the City Council does address this item of concern in Water, Sewer, Refuse, etc. If the City were to use the current asset replacement account formula to calculate the reserve for the golf course that is used for all other enterprise funds, we would have to set aside \$192,866.00 in 2013 alone. Without these funds this burden will eventually fall on the City's General Fund.

At the City Council's request, two public hearings have been conducted (December 3, & 17, 2013) to discuss the possible sale of the Lemoore Municipal Golf Course, this after the Tachi Yokut Tribe approached the City with an offer to purchase. At these public hearings citizens have voiced varied opinions and presented many questions for the Council to consider. After listening to public testimony, staff identified six (6) options that have been raised by the public and some of the pros and cons of each:

1. Keep the Lemoore Municipal Golf Course as-is.
2. Keep the Lemoore Municipal Golf Course and have the City take over all operations of the golf course.
3. Lease the Lemoore Municipal Golf Course.

4. Sell the Lemoore Municipal Golf Course.
5. Refinance the Lemoore Municipal Golf Course
6. Sell the Lemoore Municipal Golf Course as real estate to a developer.

Options 1 – Keep the Golf Course as-is.

Pros

- The community of Lemoore has affection for Rich Rhoads and his staff and has been very pleased with his performance. If we were to continue status quo the current staff would remain at the golf course.
- The land would remain City Property and may in due time be paid off.
- City has a known entity in Rich Rhoads' Company and its capabilities.

Cons

- This does not address the looming financial situation or the lack of asset replacement funds.
- Lack of investment money to pour into the golf course infrastructure.
- Debt Service is dependent upon economy.

Option 2 – Keep the Golf Course and have the City take over all operations of the Course.

Pros

- The City still has complete control of golf course and its operations.

Cons

- Financially not viable. If City were to take over the golf course, current golf course employees would be eligible for the same benefits that current City employees are afforded.
- This does not address the looming financial situation or the lack of asset replacement funds.
- Lack of investment money to pour into the golf course infrastructure.
- Debt Service is dependent upon economy.

Option 3 – Lease the Golf Course.

Pros

- Lessee pays a set amount of money to the City each year and takes responsibility for golf course operations and improvements.

Cons

- It may be difficult to find a lessee who would become financially liable for all golf course operations/assets.
- Leasing does nothing to address the looming financial situation or the lack of asset replacement funds.
- Lack of investment money to pour into the golf course infrastructure.
- Debt Service is dependent upon economy.

Option 4 – Sell the Golf Course.

Pros

- The City is no longer at risk financially for shortfall in debt service obligations.
- Sale provisos could ensure buyer retains land and use as a Municipal Golf Course into perpetuity.
- Sale provisos/contracts could ensure if buyer defaults/sells/changes land use, the City has the first right to re-purchase or make arrangements to continue golf course operations.

Cons

- City loses control of day to day operations.
- Historical relationship with golf course community may not be the same.
- Buyer able to set rates, times, tournaments and overall operations to their standards.

Option 5 – Refinance Golf Course.

Pros

- None.

Cons

- Golf course has a debt greater than its worth.
- City will be forced to use City Hall or CMC or both facilities as collateral and could put other City facilities and/or assets at risk.
- Does not address the lack of asset replacement funds unless additional debt is incurred to cover a contingency fund for course infrastructure.
- Debt Service is dependent upon economy.

Option 6 – Sell the Golf Course as Real Estate to a Developer.

Pros

- Has the highest cash value through land sell and liquidation of golf course property assets.

Cons

- Community loses Public Municipal Golf Course.
- Community social benefits are lost through multi-generation recreational activities; family entertainment; school sport classes; fundraising avenue for many organizations, possible loss of green space and commercial development not compatible with area.

Budget Impact:

Debt Service is impacting general fund and will continue to drain City's financial obligations to community safety and welfare into the long term future.

Recommendation:

After much research and deliberation by staff, the financial reality of the Lemoore Municipal Golf Course leaves few viable options open to the City. The following three options are listed for City Council consideration. Council should advise staff which option to bring back at a future Regular Meeting for action.

Option 1: Sell the Golf Course and ensure the golf course remains a Public Municipal course;

Option 2: Lease the Golf Course and ensure Lessee is willing to finance all operations and improvements and maintain course to current or better standards;

Option 3: Sell Golf Course to Real Estate Developer and liquidate golf course assets.