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Staff Report

ITEM 4-5

To: Lemoore City Council
From: Joe Simonson, Parks and Recreation Director
Date: June 12, 2014
Subject: Lemoore Municipal Golf Course– Operating Options to Eliminate the Operating Cost Liabilities from the General Fund

Discussion:

Council has been discussing and strategizing for some time now on how to eliminate the operating cost liabilities from the general fund as it pertains to the Lemoore Municipal Golf Course. It is now imperative that Council give staff guidance on both the short and long term direction, as two dates are rapidly approaching. The first date is June 30, 2014 at which time the current management contract will expire. The second is the required deadline for the November election. In order to meet the deadline, staff would need to do homework to ensure adequate preparation for the election. A special assessment ballot should be considered within the same timeframe as the November election.

Staff requires City Council to be clear and concise on how they want to proceed.

At the June 3, 2014, City Council meeting, Council directed Parks and Recreation Director Joe Simonson to investigate two items.

1. Investigate sources of revenue such as a Special Tax which will require separate ballot measure and a Special Benefits Assessment which will require a vote by mail.

Special Tax

A Special Tax measure would be placed on the November ballot and requires 2/3 of the vote to pass. Staff has determined a Special Tax is not a viable option.

Benefit Assessment

A Benefit Assessment requires a majority of the ballots collected by mail (per CA Proposition 218) and is similar to an LLMD or PFMD assessment.

A preliminary study was done by Quad Knopf and Finance Director Cheryl Silva on terms of a Special Assessment District. It would be \$3,600,677 over a thirteen (13) year period and will coincide with the payoff of all the debt (see Exhibit A). This amount over time would generate the revenues necessary to

maintain and operate the Golf Course and allow for necessary improvements. It would also restore all General Fund and Lemoore Redevelopment Successor Agency monies that were borrowed by the golf Course in such a way as not to burden the General Fund in the future. The cost for 7,066 private properties would be approximately \$39.20 per year or \$3.27 per month for a thirteen (13) year period. Please note: Benefit Assessments require a special benefit to the assessed property owner. The engineer is reviewing whether the benefit could be a reduction in Green Fees and/or other yet to be determined benefit. The result will be determined by the Engineers Report. Council should be aware that it is possible that the engineers may not be able to make a finding that a special benefit exists. If this is the case, an assessment would not be a viable option.

The following are the required steps before a Benefit Assessment district can be created.

- Kick-Off Meeting
- Data Gathering
- Report Methodology
 - Assessor's parcel numbers
 - Spread determination (pro rata- per parcel, etc. Note, proportional spreads require more intense evaluation than a per parcel)
- Prepare Engineer's Report
- Prepare Mailing
 - Prepare Ballot and all support materials
- Public Hearing
- Ballot Tabulation
- Strategy Meetings
- Informational Meetings
- Post Formation Process Meetings
- Record Assessment

Amber Adams from Quad Knopf will be in attendance to answer any questions you may have concerning this process.

2. Determine if the Tachi-Yokut Tribe is still interested in purchasing the golf course.

From an inquiry, it was determined that all of the available Elders of the Tribe (some were not available) are still interested in the purchase of the golf course and their offer has not changed. They have offered \$2,000,000 million at the close of escrow; \$2,000,000 million in five (5) years and \$1,000,000 million in ten (10) years for total purchase price of \$5,000,000 million over a ten (10) year span.

Prior to placing the golf course into escrow, if a new offer is received that is at least 10% more than the Tachi-Yokut Tribe's offer, the new offer will be accepted.

Close of escrow is contingent upon the rejection of the Benefit Assessment.

Placing both the sale of the golf course and a Special District Assessment before voters would allow the citizens of Lemoore to choose the option for the golf course. Should voters pass the assessment, the sale of the golf course property would be null and void.

As the current agreement with Rhoads Golf expires June 30, 2014, a short term solution would be to initiate a month to month fixed fee payment for a period of six months. The fixed fee would be due on the 5th of each month with July's revenue due the 5th of August 2014 in the amount of \$17,500. Rhoads Golf would pay the City \$17,500 for the months of August and September; \$16,500 for Oct and November and \$15,000 for December. The December payment would be due on January 5, 2015. These amounts are based on historical data over the last five years. The six month agreement would be approximately \$100,000 cash from July 1, 2014 to December 31, 2014.

A long term solution would be to enter into a sale agreement of the golf course property with the Tachi-Yokut Tribe contingent upon the rejection of the Special District Assessment by voters.

Both the long term and short term solutions would eliminate the burden of the golf course from the General Fund.

If the short term solution is accepted and it is determined that Rhoads Golf cannot make a payment, the Parks and Recreation Department would immediately hire, collectively or independently, person(s) and/or firm(s) to manage all aspects of the golf course's day to day operation, food service and greens management. While this is not an ideal solution, hiring and overseeing the operations will provide staff with a much better understanding of golf course needs while uncovering areas of concern prior to a long term agreement.

Should the election result in a majority vote for the Special Assessment District, staff would be required to prepare a restructured Request for Proposal for operation of the golf course that would have the necessary capital. This revenue will not only safe guard the general fund but it would also address the needs identified on the attached Capital List (Exhibit B) that was prepared by Rich Rhoads.

In the event the assessment district was rejected by the majority vote, the golf course would proceed straight to a sale pending escrow.

Budget Impact:

The costs for creating a Special Assessment would be approximately \$57,856 of which \$32,856 is for printing and postage and \$25,000 is for the engineers report.

Recommendation:

Short Term:

- 1 - Enter into an agreement with Rhoads Golf that will ensure specified monthly deposits as previously stated
or

2 - Direct staff to enter into a modified agreement that would allow Recreation staff to manage a portion or all aspects of the golf course operations in preparation of creating a long term agreement.

Long Term:

Direct the City Attorney to author a purchase agreement pending approval by Lemoore City Council with the Tachi-Yokut Tribal Council and open escrow on the golf course property, pending Special Assessment District measure results.

Direct the City Engineer to prepare an Engineer's Report for a Benefit Assessment for the operation and maintenance of, and improvements to, the golf course.

Capital List

Cart Paths (course is very bumpy)

Sand trap refurbishment- new drainage

Maintenance Equipment- Greens, fairway and rough mowers, sand pro
Bermuda grass spray program/ spray out unwanted grass(weeds) on entire
course. Try and achieve a large percentage of Bermuda grass in fairway and
roughs.

Pro shop computers

Upgrade software- New software for scanning memberships

Maintenance area

- New maintenance yard in different area: Existing area into parking lot
and tenth tee box is now visible from clubhouse
- RV parking and hookups

Patio furniture

Clubhouse furniture

Lighted parking lot – possibly solar powered?

Resurface parking lot

Landscape parking lot planters / drip line

Tree trim project- many overgrown trees / purchase chipper

Repair/ replace old irrigation heads

Repair/ replace irrigation clocks

Level tee boxes

Add gold tee boxes

Replace and repaint barrier bollards around golf course

Replace hood in kitchen

Replace restrooms on course

Add new covered water stations on course

Replace fountains in water ponds

New grill/ice machine

Clubhouse mdse fixtures

Replace clubhouse roof

New computerized irrigation system

Concrete walking area in front of pro shop by parking lot

Enlarge and enhance the nursery green area

Teaching station on driving range

Covered hitting areas on a portion of the driving range(movable)

Back lap machine to provide a better mowing cut for the reel mowers

Drill a second well for future use

Turn clubhouse into restaurant and build a small pro shop on east part of existing maintenance area.