

**Mayor**  
William Siegel  
**Mayor Pro Tem**  
Lois Wynne  
**Council Members**  
John Gordon  
Edward Neal  
Willard Rodarmel



**Office of City  
Manager**

119 Fox Street  
Lemoore, CA 93245  
Phone (559) 924-6700  
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## Staff Report

ITEM NO. 2-3

**To:** Lemoore City Council  
**From:** Jeff Laws, City Manager  
**Date:** May 29, 2014  
**Subject:** Grand Jury Response

A handwritten signature in blue ink, appearing to read "Jeff Laws", is written over the "From:" line of the header.

### **Discussion:**

A copy of the Grand Jury report concerning the Lemoore Golf Course is attached for your review. In keeping with Penal Code Section 933 (c), the governing body of the public agency shall comment to the presiding judge of the Superior Court on the findings and recommendations.

Also attached is a draft response to the findings and recommendations respectfully submitted for your approval.

### **Budget Impact:**

No budget impact at this time.

### **Recommendation:**

That the Lemoore City Council, by motion, approve the response to the Grand Jury and authorize the Mayor to sign.



COUNTY OF KINGS  
GRAND JURY  
County of Kings Government Center  
1400 W. Lacey Blvd.  
Hanford, CA 93230

CITY CLERK'S OFFICE

MAY 28 2014

RECEIVED

KINGS COUNTY  
GRAND JURY FINAL REPORT  
2013-2014

I HEREBY ACKNOWLEDGE RECEIPT OF ( ) COPY ( ) COPIES  
OF THE 2013- 2014 FINAL REPORT (s).

**LEMOORE GOLF COURSE**

I ACCEPT THAT I AM REQUIRED BY LAW (PC SECTION 933(c))  
TO REPLY WITHIN 90 DAYS TO THE PRESIDING JUDGE.

THIS REPORT MAY BE PUBLISHED AFTER TWO WORKING DAYS OF  
RECEIPT.

THIS COPY IS DIRECTED TO:

PRINT NAME:

J. R. LAWS

SIGNATURE:

[Handwritten Signature]

TITLE / POSITION:

CITY MANAGER

MONTH/DAY/YEAR:

5-28-14

TIME:

11:40

WITNESS:

[Handwritten Signature]  
[Handwritten Signature]

## **LEMOORE GOLF COURSE**

### **SYNOPSIS**

The Lemoore Golf Course is the only public Golf Course in Kings County. As such, it provides a significant addition to the recreational facilities in the County. However, the financial history of the Course has been the subject of controversy for the Lemoore City Council and the public. Loans obtained by the City of Lemoore on behalf of the Golf Course have been managed ineffectively and not in a manner conducive to expedient repayment.

### **WHY THE GRAND JURY INVESTIGATED**

Public Interest and Citizens' complaints regarding confusion concerning Golf Course finances.

### **AUTHORITY**

California Penal Code §925(a) The Grand Jury may at any time examine the books and records of any incorporated city.

### **METHOD OF INVESTIGATION**

The Grand Jury interviewed several employees of the City and Golf Course staff, examined financial documents of both the City and the Golf Course, and reviewed minutes of and attended Lemoore City Council meetings.

### **BACKGROUND AND FACTS**

The Lemoore Golf Course began as a nine-hole course in 1928. A feasibility study was conducted in 1989 to expand to 18 holes, and in 1991 a loan was taken out of approximately \$4.125 million and the Golf Course was expanded. In 1995 the decision was made to refinance the initial loan, and the total owed from the Golf Course after the refinance to the City increased to \$4.215 million. For the first three years after the refinance, interest only was paid. Thereafter, annual payments of \$250,000 were to be made to cover principal payments and interest.

In 2000, a second loan of approximately \$242,000 was taken out for the purpose of building a golf cart barn. In 2004 a third loan in the amount of \$300,000 was taken out for improvements to the Golf Course. These expenses were not tied to existing loans. Payment amounts were denoted by invoice.

In 2005, the Redevelopment Agency (RDA) lent money to the City to cover Golf Course loan debt, creating a fourth loan. New payment schedules were established taking this and other debts into account. However, in 2012, the dissolution of RDA programs statewide necessitated a change in financing. As the Successor Agency to the RDA, the City Council required that those funds used to repay the Golf Course loans be paid into the Successor Agency fund.

In 2013, the City paid \$1.4 million out of the general fund to pay debt owed on behalf of the Golf Course. This saved money in interest. The City intended that Golf Course revenue was to reimburse this payment. The Successor Agency, which consisted of the Lemoore City Council, did not establish a payment schedule based on accurate numbers until 2014, due to errors made by the previous Financial Department. Prior to this schedule, payment amounts were decided by the City on a yearly basis with no consistent pattern.

Payments were made from the Golf Course revenue to reduce the outstanding debt to the City, but these payments were not standardized until the most recent payment schedule was established in 2014. Funds were transferred from Golf Course revenue and paid to the City. After these monies were transferred to the Golf Course fund, there was no standard procedure of using those monies to retire the debts associated with the Golf Course. Throughout this time, interest continued to accumulate.

According to the most recent payment schedule, the Golf Course continues to make payments to the City to pay off the primary debt (\$4.215 mil.) while also paying off the 2000 and 2004 debts. The RDA loan will not begin to be repaid until 2021, after the other loans are paid off in full. Payments of \$250,000 are made annually to address the primary debt to the city. The delayed RDA repayment will increase total principal and interest payments to \$300,000 yearly.

According to both Golf Course and City records, the Golf Course has been sustaining itself on revenue alone from at least 2007. The City does not pay management or Golf Course expenses out of the general fund. Payments were made to the City from the Golf Course, but until the newest payment schedule was created, regular payments to reduce debt owed to the City were not clearly detailed and documented. City officials have stated that the Golf Course has not been able to support itself, and that it was not making a profit. However, financial reports show conclusions at odds with these claims.

The Lemoore City Council faced controversy starting in July of 2013, when a potential buyer expressed interest in purchasing the Golf Course. Subsequent City Council meetings involved a large number of public comments from Kings County residents, most of whom expressed opposition to the prospect of a sale.

City officials expressed concern that local, private entities could plan to build a golf course of their own if the Lemoore Golf Course was not sold, creating competition and making it even more difficult for the Golf Course to pay off its debts. As of the writing of this report, there is no confirmation of this actually occurring.

At present, the Golf Course is supporting its expenses out of its revenue, including debt payments to the City. However, in the event of a very large and urgent expense, such as a well drying up, it would be in danger of either needing to use City general fund resources or having to take out another loan. To prevent this from happening, the City Council considered selling the Golf Course, or even writing a new lease agreement, since the current manager's contract is set to expire soon. Either action could potentially save the City money. Current management of the Golf Course presented a new proposal to the City Council for a lease, and negotiations have yet to be settled as of the writing of this report. The City Council is currently drafting a Request for Proposal (RFP) for a new lease agreement.

Four options for disposal of the Golf Course debt have been mentioned in City Council meetings:

- Keep the Golf Course and continue debt payments according to the current debt repayment plan
- Lease the Golf Course to a private organization
- Sell the Golf Course to a private organization
- Put to a city vote the possibility of making the Golf Course a community service district, supported by tax money

The Grand Jury received testimony stating that due to disorganized management of funds and records over the years, the financial history and debt situation of the Golf Course became a convoluted and confusing topic to work with for City officials, as well as for much of the public, leading sometimes to incorrect assumptions. The current Lemoore City Finance Department developed a clearer picture of the situation and history of the financial records of previous years.

## **FINDINGS AND RECOMMENDATIONS**

### Finding 1

The Grand Jury found that former Lemoore City Councils failed to effectively address the debts associated with the Lemoore Golf Course. Rather than paying the debt, the City Council made decisions to refinance and, at times, made interest-only payments or even no payments while interest continued to accumulate.

### Recommendation 1

The City Council should continue its current process of analyzing the Golf Course finances and follow through on plans to retire the debts.

#### Finding 2

The Grand Jury found that although there is a perception that the Golf Course has been operating with a negative cash flow, the Golf Course is, in fact, supporting its own expenses from revenue and has been since at least 2007. This includes making payments on the debt, when requested by the City.

#### Recommendation 2

The City of Lemoore should make the citizens of Lemoore aware that the Golf Course has been able to sustain itself at the current debt level and, barring a large expense that would deplete emergency funds or a significant drop in income, should be able to continue to do so according to financial documents.

#### Finding 3

The Grand Jury found that the Golf Course has been estimated to be able to pay off its debts unless a major unplanned expense occurs. If this were to occur, another loan might need to be taken out, which would create an even larger debt problem for the Golf Course and, by extension, the City.

#### Recommendation 3

A contingency fund for major unforeseen expenses should be established, and a secondary plan should be established if the City chooses not to sell and absolve itself of responsibility for the Golf Course.

### **COMMENTS**

Previous Grand Jury reports state that the City of Lemoore has an excellent recreation program. The Golf Course is a part of this. In no place is it stated that recreation must run at a profit.

There is no record of the Golf Course being formally appraised by the City. It is thus difficult to assess what action might be most financially responsible.

### **RESPONSE REQUIRED**

California Penal Code §933(c) Within 90 days of receipt of a report the public agency shall submit its response to the Presiding Judge.

**Mayor**  
William Siegel  
**Mayor Pro Tem**  
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**Office of City  
Manager**

119 Fox Street  
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May 30, 2014

Honorable Thomas DeSantos  
Kings County Superior Court  
1426 South Drive  
Hanford, CA 93230

Dear Judge DeSantos:

The City of Lemoore has received the Grand Jury Report titled "Lemoore Golf Course." As requested, we are providing the following comments to the recommendations contained in the report.

**Finding 1:**

The Grand Jury found that former Lemoore City Councils failed to effectively address the debts associated with the Lemoore Golf Course. Rather than paying the debt, the City Council made decisions to refinance and, at time, made interest only payments or even no payments while interest continued to accumulate.

**Recommendation 1:**

The City Council should continue its current process of analyzing the Golf Course finances and follow through on plans to retire the debts.

**City Comment:**

The City has no comment.

**Finding 2:**

The Grand Jury found that although there is a perception that the Golf Course has been operating with a negative cash flow, the Golf Course is, in fact, supporting its own expenses from revenue and has been since at least 2007. This includes making payments on the debt, when requested by the City.

**Recommendation 2:**

The City of Lemoore should make the citizens of Lemoore aware that the Golf Course has been able to sustain itself at the current debt level and, barring a large expense that would deplete emergency funds or a significant drop in income, should be able to continue to do so according to financial documents.

**City Comments:**

The City of Lemoore does not necessarily agree with the findings of the Grand Jury on this issue because the Golf Course has only been able to make both the operations and debt payments during three budget years. Those budget years are 2009/2010, 2011/2012, 2012/2013. During the budget years of 2005/2006, 2006/2007, 2007/2008, 2008/2009, and 2010/2011, the golf course was unable to make the debt service payments on the golf course requiring the general fund to make up the short fall.

**Finding 3:**

The Grand Jury found that the Golf Course has been estimated to be able to pay off its debts unless a major unplanned expense occurs. If this were to occur, another loan might need to be taken out, which would create an even larger debt problem for the Golf Course and, by extension, the City.

**Recommendation 3:**

A contingency fund for major unforeseen expenses should be established, and a secondary plan should be established if the City chooses not to sell and absolve itself of responsibility for the Golf Course.

**City Comments:**

The City has no comment.

Respectfully submitted,

William M. Siegel, Jr.  
Mayor