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Finance
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Item # 8

To: Lemoore City Council
From: Nancy Cota, Finance Director
Date: June 2, 2005
Subject: Sale of Golf Course Note Receivable (Investment)

Discussion:

In review of the Golf Course Operations financial status, in all but one year since expansion, the Golf Course has not produced sufficient revenues to cover both direct expenditures and debt service. For the first 10 years after expansion, the General Fund held an informal "due from" the Golf Course Fund. With GASB 34 taking effect in 2003, the City converted this to a more formal loan arrangement. On July 1, 2005 the balance on this loan will be \$942,447 (detail of loan attached).

As of June 30, 2004 the Golf Course Fund is [\$346,096]. That balance, along with the further expected losses in the current year, should be an additional loan for the General Fund. The expected fund balance of the Golf Course Fund on July 1, 2005 will be an estimated [\$570,207].

It is the recommendation of Staff for the City to sell its notes receivable (investment) to the RDA. This would continue the existing primary debt instrument, but would allow the General Fund to be paid back its prior contributions. There are several alternatives for this recommendation.

Staff recommends the City sell the RDA a modified note receivable to include the needed cash to create a positive fund balance for the Golf Course Fund, as well as future needs of the Golf Course Fund. The sale of this investment would not have a known total; rather annual contributions would be made by the RDA to the General Fund for its historic contributions. Over time, the RDA will have made the General Fund whole, and hold a note receivable from the Golf Course Fund. The payments from the RDA would go to the General Fund and could be used for a variety of purposes, including operations and maintenance. It could take 10 years or more to complete the General Fund payback. Once the General Fund was made whole, the RDA would only have to contribute funds to the Golf Course Fund if operations did not produce sufficient revenues to cover the payments on the primary debt. This method of financing assistance would address several concerns of both the Golf Course Fund and General Fund.

The City would receive annual payments from the RDA of \$200,000 with interest calculated at the current LAIF variable rate. Attached is a payment schedule showing the current estimated fund balance. This amount is the 2002/2003 deficit fund balance of \$814,121, interest for 3 years, and the estimated deficit incurred for the past three years of \$570,207 as stated in the current budget, page 7. This note would bear a beginning amount of \$1, 512, 653, 82, however, would be reconciled each year to account for any future deficits. (Schedule attached)

It is further recommended that the Golf Course repayment method be as follows: Abolish the original payment program for the deficit fund balance of \$814,121 and replace with the new schedule. Additionally, the Golf Course repayment not be expected until the primary debt instrument (balance on July 1, 2005 owed will be \$3,470,000) is paid off in 2020. This note of \$1,512,654 would incur interest beginning July 1, 2005. Payments of approximately \$300,000 per year would begin in the fiscal year 2020/2021 at the current interest rate. Additionally, the existing amounts payable to the RDA would remain as they now stand. (Schedules attached)

Budget Impact:

The General Fund will receive annual payments of \$200,000 which can be used for a variety of purposes, including operations and maintenance. Attached are schedules of repayment.

Recommendation:

That the City Council, by motion, approve the above described method of Golf Course Financing, and approve the repayment plan of the Golf Course to the Redevelopment Agency.

Mayor
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To: Lemoore City Council
From: Jeff Brillz, Assistant City Manager
Date: June 28, 2002
Subject: Golf Course Fund – Loan from General Fund

ITEM # 6

Background:

Since the Golf Course expanded from nine to eighteen holes more than ten years ago, the City General Fund has had to augment debt service payments in all but one year. Through June 30, 2001, the General Fund has, in effect, transferred \$583,955 to the Golf Course Fund.

With the Golf Course continuing to struggle financially, staff expects this trend to continue, at least through the end of FY 2002/03. An estimated \$129,080 will be necessary to pay debt in 2001/02, and an additional \$101,086 during the 2002/03 fiscal year. In total, staff estimates that the Golf Course Fund will have "borrowed" \$814,121.

GASB 34, which the City is required to implement this (2002/03) fiscal year, requires that the City treat these long term "due to/due from" and "transfers" in a more formal way. Since the City has always expected that the General Fund would be repaid by the Golf Course Fund once financial conditions at the golf course improved, staff recommends establishing a payback schedule for the Golf Course Fund to adhere to. A draft schedule is attached for your review.

As you can see, staff proposes that we allow the Golf Course Fund to go five years before beginning any repayment. The General Fund would charge a 5% interest rate on all outstanding balances. Beginning in 2007/08, the Golf Course Fund would pay interest only payments to the General Fund for a period of five years. Beginning in 2012/13, the Golf Course would pay interest and an increasing principal amount to the General Fund. In 2020/21, the Golf Course Fund would make its final payment on the \$4.215 million debt issue, and would pay a higher amount of principal towards the General Fund debt. In 2021/22, the Golf Course Fund would pay \$455,000, and in 2022/23, the remainder would be due.

The philosophy behind this tiered debt repayment schedule is that over time, the Golf Course should generate more revenue, while primary debt service will remain relatively constant. This condition should allow for an increasing funding source that can be dedicated to repaying the General Fund. Should the Golf Course Fund be unable to make a full payment in a given year, or if the Golf Course Fund should need to "borrow" additional funds from the General Fund, the matter would be brought to the attention of the City Council, and the repayment schedule would be altered accordingly.

Budget Impact:

Should this repayment plan be approved, staff would transfer \$230,166 from the General Fund to the Golf Course Fund for the 2001/02 year, and show an increased beginning balance for the amounts previously transferred. Repayments will be budgeted as transfers from the Golf Course Fund to the General Fund in the appropriate year's budget (beginning in 2007/08).

Recommendation:

That the City Council, by motion, approve the above described budget amendment and repayment plan for the Golf Course Fund/General Fund loan.

Golf Course General Fund Debt

June 30, 2001 - \$583,955 (already loaned from General Fund)
 2001/02 Addition - \$129,080
 2002/03 Addition - \$101,086

July 2002 Total Loan - 814,121
 Interest Rate - 5% annual
 Term:
 5 years no payment
 5 years interest only
 11 years interest and principal

Schedule	Beginning Balance	Interest	June 30 Payment	Ending Balance
2002/03	814,121.00	40,706.05	0.00	854,827.05
2003/04	854,827.05	42,741.35	0.00	897,568.40
2004/05	897,568.40	44,878.42	0.00	942,446.82
2005/06	942,446.82	47,122.34	0.00	989,569.16
2006/07	989,569.16	49,478.46	0.00	1,039,047.62
2007/08	1,039,047.62	51,952.38	51,952.38	1,039,047.62
2008/09	1,039,047.62	51,952.38	51,952.38	1,039,047.62
2009/10	1,039,047.62	51,952.38	51,952.38	1,039,047.63
2010/11	1,039,047.63	51,952.38	51,952.38	1,039,047.63
2011/12	1,039,047.63	51,952.38	51,952.38	1,039,047.63
2012/13	1,039,047.63	51,952.38	60,000.00	1,031,000.01
2013/14	1,031,000.01	51,550.00	65,000.00	1,017,550.01
2014/15	1,017,550.01	50,877.50	70,000.00	998,427.51
2015/16	998,427.51	49,921.38	75,000.00	973,348.89
2016/17	973,348.89	48,667.44	80,000.00	942,016.33
2017/18	942,016.33	47,100.82	85,000.00	904,117.15
2018/19	904,117.15	45,205.86	90,000.00	859,323.00
2019/20	859,323.00	42,966.15	95,000.00	807,289.15
2020/21*	807,289.15	40,364.46	330,000.00	517,653.61
2021/22	517,653.61	25,882.68	455,000.00	88,536.29
2022/23	88,536.29	4,426.81	92,963.11	0.00

*Final Debt Payment for \$4.215M

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STUDY SESSION
Office of the
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Item # 1-A

To: Lemoore City Council
From: *[Signature]* Steve Froberg
Date: April 13, 2004
Subject: Golf Course Capital Improvements

Discussion:

Our Lemoore Golf Course is in need of several capital improvements in order to improve playability, decrease maintenance effort/cost, and, in the long run, attract more players to the course, thereby increasing revenue.

Our staff has worked with Jeff Christiansen and Rich Rhoads of Sierra Golf Management (SGM) to come up with the attached list of projects which are likely to have a positive impact on the course, and also have the greatest likelihood of achieving cost savings and/or revenue enhancement.

These improvements are preliminary, and may change as the projects are developed. For example, on Greens Renovation, in some cases, a new green may be added as opposed to an expansion; on lake #6, the lake may be made smaller, and less costly, as opposed to eliminated entirely.

Budget Impact:

Funding for the \$300,000 in improvements should come by way of loan, either from the City, or the RDA. The loan repayment may be addressed in similar fashion as existing capital improvement loans, deferred for two years (interest accruing), then repaid over five years at a 5.75% interest rate. Payments would begin in July 2006 at \$1,607.57 per month.

Recommendation:

That the City Council discuss the improvements, and direct staff as to how to proceed with a loan arrangement.

Capital List (Prioritized)

3/27/04

Greens Renovation #2,4,5,6

Increase size of greens by adding size and dimension to the back of each existing green. Each green will be increased by at least 2,000 square feet. Greens will be built to USGA standards and can be constructed with little interruption to our daily play.

Total Cost: \$ 60,000

Driving Range Renovation:

Plans include leveling landing area, add irrigation, create hitting targets, plant trees on both sides of the range for player safety, plant numerous trees on both sides of range, purchase modern ball picker unit and construct an "all-weather" practice area. By increasing the quality of our range we can increase the quality of our range balls which in turn should increase usage and gross more income.

Total Cost: \$ 49,000

Fill Level and Redesign Lakes #1, #6

Current water features on the front nine are inadequate from a player perspective and from a maintenance perspective. Both lakes are inadequately designed, unlined, and are not used for any type of irrigation reasons. They are expensive to maintain and keep filled with water. Our recommendation is to completely eliminate the lakes, fill and level with dirt and replace with a fairway sand trap. This would enhance the look of each hole, increase the speed of play and decrease our maintenance costs.

Total Cost: \$ 17,000

Sand trap renovation:

Remove and replace old sand, replace with new. Reshape and enlarge specific traps along with repairing any drain pipes.

Total Cost: \$ 25,000

Cart Path Construction:

Construct permanent concrete cart paths around select areas of the golf course. All paths will be a minimum of 5 feet wide. Special consideration will be given to high impact areas. Cart paths will help surrounding areas around greens and tees look and play better along with maintenance reduction repairing tire tracks, ruts, and turf damage done by carts.

Total Cost: \$ 100,000

Upgrade Irrigation:

Repair or replace old, inefficient irrigation clocks and purchase additional irrigation heads for irrigation expansion.

Total Cost: \$ 16,000

Material Storage Bins:

Construct bins for storage of sand, mulch and other materials.

Total Cost: \$ 3,000

Golf Course Payment Schedule Lemoore Redevelopment Agency

Enter values:	
Loan amount	\$ 1,512,654
Annual interest rate	2.38 %
Loan period in years	10
Number of payments per year	1
Start date of loan	6/30/2005
Optional extra payments	\$ -

Loan summary:	
Scheduled payment	\$ -
Scheduled number of payments	-
Actual number of payments	0
Total early payments	\$ -
Total interest	\$ 875,910.40
Loan Amount Detail:	
Deficit Fund Bal. 02/03	\$ 814,121.00
02/03 Interest	\$ 40,706.05
03/04 Interest	\$ 42,741.35
04/05 interest	\$ 44,878.42
Anticipated 04/05 Deficit fund balance	\$ 570,207.00
	<u>\$ 1,512,653.82</u>

Note: Golf Course

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	6/30/2006	\$ 1,512,654.00	\$ -	\$ -	\$ -	\$(36,001.17)	\$ 36,001.17	\$1,548,655.17	\$ 36,001.17
2	6/30/2007	1,548,655.17	-	-	0.00	(36,857.99)	36,857.99	1,585,513.16	72,859.16
3	6/30/2008	1,585,513.16	-	-	0.00	(37,735.21)	37,735.21	1,623,248.37	110,594.37
4	6/30/2009	1,623,248.37	-	-	0.00	(38,633.31)	38,633.31	1,661,881.68	149,227.68
5	6/30/2010	1,661,881.68	-	-	0.00	(39,552.78)	39,552.78	1,701,434.47	188,780.47
6	6/30/2011	1,701,434.47	-	-	0.00	(40,494.14)	40,494.14	1,741,928.61	229,274.61
7	6/30/2012	1,741,928.61	-	-	0.00	(41,457.90)	41,457.90	1,783,386.51	270,732.51
8	6/30/2013	1,783,386.51	-	-	0.00	(42,444.60)	42,444.60	1,825,831.11	313,177.11
9	6/30/2014	1,825,831.11	-	-	0.00	(43,454.78)	43,454.78	1,869,285.89	356,631.89
10	6/30/2015	1,869,285.89	-	-	0.00	(44,489.00)	44,489.00	1,913,774.89	401,120.89
11	6/30/2016	1,913,774.89	-	-	0.00	(45,547.84)	45,547.84	1,959,322.73	446,668.73
12	6/30/2017	1,959,322.73	-	-	0.00	(46,631.88)	46,631.88	2,005,954.61	493,300.61
13	6/30/2018	2,005,954.61	-	-	0.00	(47,741.72)	47,741.72	2,053,696.33	541,042.33
14	6/30/2019	2,053,696.33	-	-	0.00	(48,877.97)	48,877.97	2,102,574.31	589,920.31
15	6/30/2020	2,102,574.31	-	-	0.00	(50,041.27)	50,041.27	2,152,615.58	639,961.58
16	6/30/2021	2,152,615.58	300,000.00	-	300,000.00	248,767.75	51,232.25	1,903,847.83	691,193.83
17	6/30/2022	1,903,847.83	300,000.00	-	300,000.00	254,688.42	45,311.58	1,649,159.40	736,505.40
18	6/30/2023	1,649,159.40	300,000.00	-	300,000.00	260,750.01	39,249.99	1,388,409.40	775,755.40
19	6/30/2024	1,388,409.40	300,000.00	-	300,000.00	266,955.86	33,044.14	1,121,453.54	808,799.54
20	6/30/2025	1,121,453.54	300,000.00	-	300,000.00	273,309.41	26,690.59	848,144.14	835,490.14
21	6/30/2026	848,144.14	300,000.00	-	300,000.00	279,814.17	20,185.83	568,329.97	855,675.97
22	6/30/2027	568,329.97	300,000.00	-	300,000.00	286,473.75	13,526.25	281,856.22	869,202.22
23	6/30/2028	281,856.22	300,000.00	-	281,856.22	275,148.04	6,708.18	0.00	875,910.40

RDA Payment schedule to City of Lemoore

Enter values	
Loan amount	\$ 1,512,654
Annual interest rate	2.38 %
Loan period in years	10
Number of payments per year	1
Start date of loan	7/1/2004
Optional extra payments	\$ -

Loan summary	
Scheduled payment	\$ 200,000.00
Scheduled number of payments	10
Actual number of payments	9
Total early payments	\$ -
Total interest	\$ 175,407.75
Loan Amount Detail:	
Deficit Fund Bal. 02/03	\$ 814,121.00
02/03 Interest	\$ 40,706.05
03/04 Interest	\$ 42,741.35
04/05 Interest	\$ 44,878.42
Anticipated 04/05 Deficit fund balance	\$ 570,207.00
	\$ 1,512,653.82

Note: RDA/Golf Course

Prnt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	7/1/2005	\$ 1,512,654.00	\$ 200,000.00	\$ -	\$ 200,000.00	\$ 163,998.83	\$ 36,001.17	\$1,348,655.17	\$ 36,001.17
2	7/1/2006	1,348,655.17	200,000.00	-	200,000.00	167,902.01	32,097.99	1,180,753.16	68,099.16
3	7/1/2007	1,180,753.16	200,000.00	-	200,000.00	171,898.07	28,101.93	1,008,855.08	96,201.08
4	7/1/2008	1,008,855.08	200,000.00	-	200,000.00	175,989.25	24,010.75	832,865.83	120,211.83
5	7/1/2009	832,865.83	200,000.00	-	200,000.00	180,177.79	19,822.21	652,688.04	140,034.04
6	7/1/2010	652,688.04	200,000.00	-	200,000.00	184,466.02	15,533.98	468,222.02	155,568.02
7	7/1/2011	468,222.02	200,000.00	-	200,000.00	188,856.32	11,143.68	279,365.70	166,711.70
8	7/1/2012	279,365.70	200,000.00	-	200,000.00	193,351.10	6,648.90	86,014.60	173,360.60
9	7/1/2013	86,014.60	200,000.00	-	86,014.60	83,967.46	2,047.15	0.00	175,407.75