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MAY 01 2013

CARSON CITY
EXECUTIVE OFFICES

LATE MATERIAL

MEETING DATE 5-2-13
ITEM # 23 A.

From: Dwight C Millard Sr
Sent: Wednesday, May 01, 2013 2:26 PM
To: Bob Crowell; Karen Abowd; Brad Bonkowski; John McKenna; Jim Shirk
Cc: Larry Werner; Nick Providenti; Andy Burnham
Subject: Eagle Valley golf course lease

Mayor and Board of Supervisors:

It is very important that we understand the function of government in its necessity and capability of providing services that we deem necessary and some that are not so necessary but we want. For example, we expect fire and police protection services, but we have come to expect parks, recreation facilities, and special recreation services, either because the private sector is unable, or financially unwilling to provide such services. Examples would be ball fields, parks for soccer, swim facilities, and golf courses. In Carson, golf was first provided by Carson City, as there were no private offerings of such services. It soon became evident that golf could be a commercial and tourist industry to bolster local economies. So the concept of municipalities providing golf is not wrong but such courses must be operated cautiously. Why did Carson ever give up the operation of the golf course? Why did they not continue to operate as the parks department, community center, or the swimming pool? It was because the administration, at that time, wanted the municipal golf course "to be more competitive, and create a level playing field." So the existence of a municipal course, in and of itself, is not bad, but did we create it and encourage it to "competitively complete" with the private sector? If they are truly sponsored or supported by the taxpayers, which is still okay, if the taxpayers want such a service, then it should truly be offered as a service and it would not be necessary to competitively operate against the private sector?

In Carson City, the municipal course has been operated by a non-profit 501(c)3 corporation who has not fulfilled their lease agreement obligations for the past FIVE years. With payments due of \$600,000 through June 30, 2013, they have only paid \$70,000 in the past and will probably pay another \$50,000 this current year, leaving a past due balance of \$480,000. (The \$50,000 paid this year was the offer of the CCMGC to pay such payments, but was never formally accepted or approved by the BOS as payments for the year. This is 41.66% of the scheduled payment.)

In several meetings, many issues have been raised about operations and policies and these have not been addressed, but we are now rushing to approve a new lease. There is no specific arrangement for regular or special payments against the arrears. No provision was made for excess income to be applied to the default rent payments in lieu of regular payments.

Regarding the new lease:

- 1) Utilities are not addressed; who pays what?
- 2) Is there still a \$70,000 budget line item in wastewater for providing services specifically to the Eagle Valley Golf Course?
- 3) Does the City guarantee long term leases, such as the cart lease?
- 4) Recall that 2011 had \$470,316 in "Supporting Services" which no one has ever explained and certainly does not come under the transparency policy!
- 5) The new lease payment is 6% of gross. How was this amount determined? What is the industry standard? What if the non-profit makes a lot of money in one year, say an excess of \$300,000 above expenses, should they not apply some, if not all to the amount they owe the City? Certainly if they are a true non-profit they should.

Investing current cash flow into the course product, in lieu of making required lease payments, should not be a decision of the CCMGC to make without the City's approval.

Such investment creates an additional burden upon the taxpayer.

POSSIBLE ALTERNATIVES:

One possible solution is to pay each golf course for their disposal of wastewater. This payment would be done as part of the cost to dispose of wastewater by the city. Such payments would help the economic sustainability of a golf tourism industry and continue to provide for excellent properties for wastewater disposal. Such payments to Eagle Valley would help them meet their financial obligations to Carson City.

Another option is for the city to operate the course as they did in the past. A direct management would ensure transparency and create a better platform for control and management. The City could hire a business manager to run it for the city. It could be maintained and operated by city employees, or as an alternative, the services could be contracted out. For example, course maintenance, restaurant services and a golf pro could also be contracted.

Another option is for the city to consider other uses for the facility. This idea was presented in the Moss-Adams report as well as the Carson City lodging properties. Tournament sports are a great industry for Carson City and create a tremendous boost to the local economy. Building such fields could be financed by an increase in the room tax. The lodging industry has advanced this idea in the past. Higher occupancy and daily rates would produce greater room taxes and more general taxes as visiting players enjoy our first class tournament fields. Other opportunities may exist, and should be considered as well. High consideration should be given to any use that creates new revenue dollars and especially tourism dollars.