

ALAMEDA GOLF COMMISSION  
MINUTES OF SPECIAL MEETING

Wednesday, June 4, 2008

1. CALL TO ORDER

Chair Jane Sullwold called the special meeting to order at 6:35 p.m. at Jim's on the Course Restaurant, Chuck Corica Golf Complex, 1 Clubhouse Memorial Drive, Alameda.

1-A. Roll Call

Roll call was taken and members present were: Commissioner Betsy Gammell, Vice Chair Ray Gaul, Commissioner Bill Schmitz, and Chair Jane Sullwold.. Absent: Secretary Bill Delaney and Commissioner Jeff Wood. No staff member was present.

4. AGENDA ITEMS:

Discussion/Action on

- a. Golf Complex finances;
- b. Response to letter of City Auditor Kevin Kearney to Golf Commission dated May 20, 2008; and
- c. Response to City Council regarding its discussion of Golf Complex finances at Council meeting on May 27, 2008.

Chair Sullwold introduced the meeting by giving a report on the events that led up to it. On May 27, 2008, City Council held a special meeting at which the Chuck Corica Golf Complex budget for FY 2008/2009 was discussed. No member of the Golf Commission was present because no one from staff had advised the Commission that the matter would be coming up that evening. Fortunately, however, the meeting was videotaped and could be viewed the next day through the City's website, which all commissioners had done before the meeting.

The budget that had been presented by Interim General Manager to the Golf Commission at its meeting on April 16, 2008, was presented to Council on May 27. In general, the proposed budget showed that the Golf Complex was anticipated to have a deficit of approximately \$700,000 in the next fiscal year, unless the City agreed to rescind the Surcharge and Return on Investment ("ROI"), in which case the deficit would be reduced to approximately \$440,000.

Council immediately questioned why the City should be required to "subsidize" a deficit at the Golf Complex out of the General Fund by returning the Surcharge and ROI, and no one from staff pointed out why this was incorrect: that the Complex has actually been subsidizing the General Fund for a number of years, and can no longer afford to do so. Council asked repeatedly what the Golf Commission has been doing, what plan it has, and Mr. Lillard told

Council that the matter would be referred to the Commission next month, and that the Commission is waiting to see the National Golf Foundation master plan before taking action, which left the impression that the Golf Commission has done nothing to date. Mr. Lillard characterized the policy changes that the Commission has considered as minor, and City Manager Debbie Kurita vehemently asserted that the Commission has focused only on what the City has been taking away, and not on "other things" (unspecified) that have been causing the losses. No mention was made by either Mr. Lillard or Ms. Kurita of the Commission's unsuccessful efforts over the past several months to obtain information from the Finance Department regarding certain expenditures and the accounting treatment thereof, particularly the \$400,000 four-year lease for golf carts, which the Finance Department has fully expensed in this fiscal year despite the fact that 3/4ths of the payments will not be due this year. Also, at the Commission meeting on May 21st, Mr. Lillard advised for the first time that the Golf Complex had been charged with \$115,063 for expenses related to the Beltline eminent domain litigation in this fiscal year, raising the question of whether expenses that came in and were charged to the Complex after the close of the last fiscal year, charges that caused the Complex to end the year with a deficit of \$256,000, were also Beltline expenses that went to the Complex but not to other City departments that did not generate income. Mayor Beverly Johnson ended the Council meeting by stating that she wanted an interim report from the Golf Commission regarding finances and the budget.

This meeting was called so that the Golf Commission can finalize a letter to City Council in an effort to correct the misinformation and misperceptions that were conveyed to it by staff in its May 27<sup>th</sup> meeting, and to correct Council's overall impression that the City is being asked to subsidize golf losses from the general fund. The meeting was also called to formulate a written response to City Auditor Kevin Kearney's letter of May 20, 2008, to the Golf Commission regarding accounting treatment of the golf cart lease. Letters had been drafted in advance of the meeting by Chair Sullwold and presented to the Commission for revision and finalization at the meeting.

Chair Sullwold reported that she had sought assistance from Mr. Lillard in noticing this special meeting, but that Mr. Lillard refused to do so because he personally was not available at any time this week. In the course of e-mail communications back and forth on this issue of notice, Mr. Lillard also stated: "As far as agenda items for a special meeting go it is our position that the Finance Dept. and Auditor have provided more than adequate responses to the questions raised and there is no need for any further response." Chair Sullwold announced that she found this position to be particularly troubling in light of the specific charge by the Mayor and City Council at the joint meeting in January 2007 that the Golf Commission should become actively involved in the budgeting process and aware of what was going on regarding Golf Complex finances.

Commissioner Bill Schmitz said that his biggest disappointment with the Council meeting was the failure of staff to mention the issues of the golf cart lease and the Beltline litigation expenses as an explanation for alleged budgetary deficits at the Golf Complex. He stated that he liked the draft letters, but asked whether former Golf Commissioner Tony Corica had any suggestions based on his historical perspective. Commissioner Schmitz said that Mr. Lillard and Ms. Kurita made it clear that they want to get rid of the Golf Complex, but he believes they are being very short-sighted because it is far from certain that the City of Alameda will be able to get any meaningful payments from a golf course company under current conditions.

Former Golf Commissioner Tony Corica said he found it strange that Council was being asked to accept a budget that called for a deficit, and also strange that no questions were asked about the reasons for the deficit between revenues and expenses. Mr. Corica has been attending Commission meetings since the start of this year, and has seen the Golf Commission take action to increase tournament play, institute aggressive website marketing, increase demo days by golf equipment manufacturers, institute fee changes (reducing Mif Albright rates and increasing Jack Clark rates) to bring golfers back then increase revenues, end complimentary golf, and request an itemization of service expenses charged to the Golf Complex this year. He thinks that all these interventions by the Golf Commission should be mentioned in the letter to Council, even if they are each small individually. Chair Sullwold agreed that these should be included, and Commissioner Betsy Gammell added another item: the renewal of Saturday morning junior golf clinics, which bring 120 children and their parents to the Golf Complex and increase play on the Mif Albright course. Mr. Corica noted that the Commission's letter to Council will probably not change the ultimate decision whether to lease or not to lease, but at least it will show that the Commission has made efforts to change and improve conditions at the Golf Complex so that an intelligent decision can be made. Former Commissioner Norma Arnerich also mentioned the outside company that is willing to prepare scorecards booklets in exchange for allowing advertising. Former Commissioner Bob Wood cautioned that the Golf Commission may be asked by Council for its estimation of what savings or increased revenue could result from the changes the Commission has proposed. Chair Sullwold said that many of these items could be estimated by someone with access to the underlying information, and that staff should be charged with that task.

Mrs. Arnerich stated that she found it discourteous that Mr. Lillard had not arranged for another staff member to attend this Commission meeting since he could not be present. Chair Sullwold noted that she had given notice of the meeting herself when Mr. Lillard refused to do so, and that Mr. Lillard could claim that he never saw any of the posted notices. Commissioner Schmitz, however, agreed with Mrs. Arnerich. Chair Sullwold discussed her conversation with a member of the City Attorney's office about the method of giving notice, and the difference in the City Attorney's interpretation of section 54956 of the Brown Act regarding special meetings. Mr. Corica said that the Commission should not be distracted from its goal of getting the correct information to Council, and Commissioner Schmitz agreed, stating that it was time to get the letters out, then to schedule one-on-one meetings with Council members in an effort to set the record straight. Chair Sullwold said that she has already scheduled a lunch meeting next week with Councilwoman Marie Gilmore, Commissioner Schmitz intends to call Councilman Doug deHaan soon, and Councilman Frank Mattarese is next. Vice Chair Gaul said that he supports Council's suggestion of having another joint meeting with the Golf Commission, or, even better, having two Council members come to a meeting. All Commission members supported the latter plan. Mrs. Arnerich pointed out that this practice was followed during prior eras of the Golf Commission. Mr. Wood emphasized his belief that Council ought to be following what the Commission is doing by reading our minutes, particularly because the Golf Complex finances are so important to City finances.

George Humphreys asked if the Golf Commission had seen the detailed budget proposal that has been presented to the Council. Chair Sullwold reported that the Commission was given only the broad outlines, which is why it has asked in the draft letter to Auditor Kearney to see the detailed breakdown of projected expenses. Commissioner Schmitz noted that when he and

Commissioner Bill Delaney met with Finance Director Juelle-Ann Boyer and Mr. Lillard in January regarding Golf Complex finances, he asked specifically if the Golf Commission could be involved in preparing the budget for the next two fiscal years. It is impossible to become involved in the administration of a budget if one has no involvement in the budget preparation process, and the Council charged the Commission with responsibility for the Golf Complex budget at its joint meeting in January 2007. Nevertheless, no one from the Golf Commission was ever invited to become involved with the budget process.

Marshal Bill Wehr questioned why the Golf Complex was being asked to fund the Beltline litigation, and whether the costs were being assessed against any other City department. Chair Sullwold said her best guess was that the City had to charge the expense against the few City departments that had cash reserves from which the charges could be paid. Commissioner Schmitz noted that it was the City's prerogative to assess the charges in that way, because in the final analysis it is the City's money, but the City needs to be honest and open about what it is doing, and not take the money away secretly, then complain loudly about the fact that the Golf Complex has a projected loss of \$440,000 next year. Chair Sullwold pointed out that it is unreasonable to take away so much money from Golf Complex revenues that an insufficient amount remains to pay what are fixed labor expenses and fixed expenses for necessary services such as tree maintenance that cannot be reduced. George Humphreys asked if the Golf Complex would be reimbursed after successful final resolution of the Beltline litigation. No one knows the answer, but most agreed that it was unlikely. Moreover, no one has ever suggested that the Golf Complex be repaid for the loan of \$300,000 it made regarding the preliminary efforts to build another golf course at Alameda Point. For some unknown reason, that loan earns zero interest.

George Humphreys noted that the Golf Commission had spent a lot of time investigating the cost of renovating the clubhouse to create banquet space and asked about the results of that investigation. Chair Sullwold noted that the Commission's first effort was a tent structure, but that ended when the Commission learned that infrastructure costs would be millions of dollars. Then the Commission concentrated on costing out improvements to the existing buildings, but was frustrated by lengthy delays that were contributed to by staff in certain respects. When the detailed cost estimate by an independent professional cost estimator numbers finally arrived, the total was quite reasonable, but by that time it was apparent that there was no money available to spend from the Golf Complex enterprise fund because that money was needed to pay ordinary expenses during the time it would take to find an outside vendor, should that be the ultimate decision of Council. Chair Sullwold said that she thought a discussion of this lengthy process should not be included in what is already a long letter, but should be mentioned in private discussions with Councilmembers.

A discussion ensued as to whether any outside vendor would be interested in leasing the Chuck Corica Golf Complex. Although many municipalities are seeking outside vendors, and it is clearly a buyer's market, the Golf Complex balance sheet shows that, without considering City take-aways, revenues exceed expenses, even with very high labor costs. On the other hand, the courses need lots of expensive capital improvements to be competitive with other area courses. It is unlikely that any vendor will offer a lease payment equivalent to the \$900,000 per year that the City has been pulling out of the Complex off the top, although it seems likely that some company will be interested in such a prime piece of golf course real estate.

Commissioner Schmitz noted that Corsco is going back to the City of Oakland to renegotiate the terms of its lease of the Metropolitan course because business is down.

A motion was made by Commissioner Schmitz and seconded by Commissioner Gammell that Chair Sullwold should use her discretion to make minor to moderate revisions to the draft letters to City Council and Auditor Kearney as discussed in the meeting, then get the letters out as soon as possible. The motion passed unanimously.

Chair Sullwold noted that, at the meeting on May 27, the Mayor and Councilman deHaan praised Mr. Lillard highly for his efforts since taking over management of the Golf Complex, and criticized prior management, blaming it (without naming names) for the problems being experienced today. Chair Sullwold learned, however, that former General Manager Dana Banke actually had very little to do with preparation of Golf Complex budgets, and that the City's Finance Department refused to allow revenue estimates in the budget to decline, even when it was apparent that play was down. Mr. Corica noted, however, that there was a serious lack of marketing efforts over prior years that contributed to Golf Complex financial problems. Vice Chair Gaul asked whether we could find out where the enterprise fund has gone over the past five years, but it was generally agreed that it was unlikely we will find out precisely how that money was drawn down. Chair Sullwold noted that the NGF Operational Review does not criticize management or blame it for the financial losses the Golf Complex has been suffering, yet Mayor Johnson continues to do so in public meetings. Chair Sullwold also noted that the Golf Complex budget will reflect a payment of \$80,000 for Mr. Lillard's salary and benefits next year, representing about 1/3 of his total pay, even though it has been estimated that he spends less than 10% of his time at the Golf Complex during an average week.

#### 11. ANNOUNCEMENTS/ADJOURNMENT

The Meeting was adjourned at 7:38 PM.

*The agenda for the meeting was posted 24 hours in advance in accordance with section 54956 of the Brown Act, pertaining to special meetings.*