

ALAMEDA GOLF COMMISSION
MINUTES OF REGULAR MEETING

Wednesday, June 18, 2008

1. CALL TO ORDER

Chair Jane Sullwold called the regular meeting to order at 6:31 p.m. Chuck Corica Golf Complex, Ladies Lounge 1 Clubhouse Memorial Road, Alameda, CA 94502.

1-A. Roll Call

Roll call was taken and members present were: Secretary Bill Delaney, Commissioner Betsy Gammell, Vice Chair Ray Gaul, and Chair Jane Sullwold. Absent: Commissioner Bill Schmitz and Commissioner Jeff Wood. Also present were Interim General Manager Dale Lillard and Assistant Golf Professional Mike Robason.

1-B Approval of Minutes - Regular Meeting of May 21, 2008, and Special Meeting of June 4, 2008:

The Commission approved the minutes unanimously.

1-C Adoption of Agenda

The Commission adopted the agenda unanimously.

2. ORAL COMMUNICATIONS

None.

3. COMMISSION COMMUNICATIONS

Chair Sullwold reported that she had a lunch meeting with City Council member Marie Gilmore last Wednesday to discuss the Golf Complex and the financial problems. Chair Sullwold summarized the meeting by saying that she doesn't think that she changed Councilmember Gilmore's mind, although she was able to voice concerns of the Golf Commission. When questions about the Beltline expense charged to the Golf Complex, Councilmember Gilmore stated that the Chuck Corica Golf Complex is in a risk management pool with AP&T and one other City department (possibly Sewer). "Risk management" expenses are shared on a pro rata basis among those in the pool, regardless of where the risk has been incurred.

Councilmember Gilmore expressed the view that Council is disappointed with the Golf Commission for failing to recognize the inevitability of going out to bid for a long-term outside contractor. Chair Sullwold pointed out that the Commission last fall had reluctantly accepted the need for a contractor if the City was unable to pay

for capital improvements. In her speech to Council in December 2008, Chair Sullwold, on behalf of the Golf Commission, recommended that the City pursue **simultaneously** an RFP and a program of costing the Commission's list of possibilities for revenue generation. Councilmember Gilmore said neither she nor anyone else on Council heard that.

Councilmember Gilmore told Commissioner Sullwold that Council was prepared to rescind the Return on Investment and Surcharge, which amounts to approximately \$270,000. The City is desperate for money, which explains why Council continues to characterize the act of rescinding charges as "subsidizing the Golf Complex from the general fund." Councilmember Gilmore stated that Council expects the Golf Commission to "sell" the expected decision to lease out the Golf Complex.

Chair Sullwold also reported that on May 27, City Council conducted a budget workshop where Golf Complex finances were discussed. No one from the Golf Commission was present because Interim General Manager Dale Lillard did not tell anyone about the meeting. At the workshop, Council asked many questions of and assigned tasks to the Golf Commission. After Mr. Lillard refused to give notice, the Golf Commission held a special meeting on June 4, 2008, to prepare a letter to the Mayor and City Council that was hand-delivered on June 5, 2008. In the course of e-mail communications, Mr. Lillard advised that "it is our position that the Finance Dept. and Auditor have provided more than adequate responses to the [financial] questions raised and there is no need to provide any further response."

On Monday, June 9, Council conducted another workshop at which Golf Complex finances were discussed. Again, Mr. Lillard did not inform any Commissioner about the meeting, asserting that it was a matter of public record and we should have figured it out ourselves, and, again, Council directed many questions and assigned tasks to the Golf Commission. Upon watching the video of the meeting, Chair Sullwold e-mailed Mr. Lillard, asking for the detailed budget worksheets that itemized the Golf Complex budget proposal submitted to Council, and asked that two specific agenda items be added to the Golf Commission agenda for its regular meeting on June 18, 2008. The next day Chair Sullwold learned that Mr. Lillard was refusing to provide any additional information regarding the proposed budget, and had refused to include the two specific agenda items on the posted agenda for the Golf Commission meeting. Chair Sullwold made the motion that staff gives the Golf Commission 24-hour notice of any City Council meeting that may discuss the Chuck Corica Golf Complex, Secretary Delaney seconded the motion, and the Golf Commission passed the motion unanimously.

4. AGENDA ITEMS:

4-A Response to City Council's Request for Options Regarding Future Operations at the Golf Complex.

The Interim General Manager reported that he is working on some options involving course closures as a means to reduce expenses, but does not yet have

anything ready to present. He said that he will have some detailed estimates available no later than Wednesday, June 25, 2008, and will provide them to the Golf Commission at that time.

Chair Sullwold passed out spreadsheets and summaries that showed the economic impact of a variety of different ways that rate increases could be implemented at the Golf Complex to increase revenues. She made the following presentation in support of these proposals:

This is the start of a new two-year budget cycle for the City of Alameda. Interim General Manager Dale Lillard presented a proposed budget to City Council for the Golf Complex for the next two fiscal years that projects a substantial deficit between revenues that remain after City take-aways and expenses. The expected deficit will exceed \$700,000 per year, because the City Council refused to rescind the ROI and Surcharge, as was recommended in the budget proposal.

Although the Golf Complex does in fact make enough revenue to cover its expenses; it does not make enough to pay them after first paying the City of Alameda as follows:

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08*
Surcharge	265,869	240,130	230,084	203,683	156,825	156,925	151,527	127,350
PILOT/ROI	188,696	202,842	187,719	185,576	401,138	407,156	323,922	269,487
Cost Alloc.	365,834	381,092	384,395	410,886	400,915	412,942	446,216	530,523
TOTALS	820,399	824,064	802,198	800,145	958,878	976,923	921,665	927,360

*Through May 31, 2008; expenses for June 2008 still need to be added.

National Golf Foundation recommended at the end of last year that the City enter into a long-term lease with an outside golf vendor to operate the Golf Complex, stating that this was the only viable alternative to deal with the dire financial situation. A lease would be attractive to an outside golf management company because employees who currently work at the Golf Complex would be replaced with non-union, non-civil service employees at greatly reduced salaries. Alameda City Manager Debbie Kurita endorsed NGF's suggestion, recommending in December 2007 that City Council go forward with a Request for Proposals to any interested contractors. Although that process was delayed by City Council's decision to engage National Golf Foundation to create a master plan for the Golf Complex, which will be ready on July 1, 2008, it is expected that City Council will very soon thereafter authorize the start of the RFP process.

It has been estimated that it could take as long as one year from the date of Council's authorization to reach a binding contract with an outside vendor. In the meantime, if Mr. Lillard's projections are accurate, the City will continue to draw an estimated \$700,000 out of the Golf Complex revenue, leaving a deficit between

the remaining revenue and anticipated expenses. This will require further incursions upon the Enterprise Fund, which stands at about \$1.1 million at the present time. City Council has asked City Staff and the Golf Commission to come up with proposals to fill the gap.

Chair Sullwold believes that closure of the Jack Clark South course is shortsighted and ill advised because it would make the Golf Complex a much-less attractive proposition for an outside vendor, which would have to budget for the expense of bringing the course back, thus reducing the amount it would be willing to spend for capital improvements and lease payments to the City. In addition, although the Fry course does not receive as much play as it did ten years ago, it alone could not handle as much play as the two courses together generate at the present time. Accordingly, revenue would be substantially reduced.

Although Mr. Lillard has refused to provide the Golf Commission with the detailed budget worksheets that would allow in-depth analysis of projected expenses, Chair Sullwold believes staff has done their best to cut those expenses wherever possible. There is no more fat to cut out.

If expenses can be cut no further, one must consider ways to increase revenue. Over the past six months the Golf Commission has initiated and/or supported the following measures at the Golf Complex with that goal in mind: (1) reinstituted a junior golf clinic on Saturday mornings that is currently bringing about 120 children and their parents to the Complex each week, resulting in increased play on the Mif Albright course, expenditures in the restaurant, and creation of a future customer base; (2) made adjustments to tournament policies in an effort to bring more tournaments to the Golf Complex; (3) requested reconfiguration of the Mif Albright course back to its original plan, and instituted lowered rates that have brought play levels up substantially on that course; (4) urged more vigorous and effective use of website marketing to promote special rates; (5) urged additional "demo days" by golf equipment manufacturers that have increased sales in the golf shop; (6) ended much of the complimentary golf rounds at the Complex; (7) recommended several fee adjustments, including raising the rates on the Jack Clark course to be consistent with those charge on the Earl Fry course and instituting a reduced super twilight rate to encourage play in the final hours of the day when the courses are otherwise nearly empty; (8) recommended that the Golf Complex engage a company that has offered to provide handsome scorecards for the Fry and Clark courses in exchange for the right to include some modest and tasteful advertising in the scorecard booklets; and (8) established a marketing subcommittee composed of Golf Commissioners, friends of the Golf Complex, and a marketing executive who is volunteering his time to come up with further marketing ideas. Unfortunately, however, none of these efforts is likely to generate anything like the amount of money that is necessary to fill the budgetary gap. The only thing left to do is to increase fees at the Golf Complex.

Chair Sullwold first considered a plan whereby all fees at the Golf Complex would be raised by the same percentage. Assistant Golf Professional Mike Robason pointed out that increasing fees for non-resident golfers is likely to backfire

because those golfers already have to drive some distance to play at Alameda. If their fees were raised to rates that are equal to or greater than other courses that require similar amounts of driving, many players would likely choose to play at those courses, which are newer (Metropolitan, Monarch Bay, Callippe) or cheaper (Lake Chabot, Willow Park) than Alameda. In economics, the term for this is price elasticity: raise the price, and demand goes down correspondingly.

Residents of Alameda are far less likely to desert the Golf Complex if rates go up, particularly in these times of expensive prices at the gas pumps. Someone who can get to the golf course in five or ten minutes is unlikely to decide to drive half an hour or 45 minutes to reach another course that charges similar or even lower rates because any differential would be eaten up by mileage costs. Moreover, the residents of Alameda would be far more damaged than non-residents if a revenue deficit ultimately caused the closure of part or all of the golf courses in Alameda. The presence of three attractive, well-maintained public golf courses within a short drive of anyone who lives in the City positively affects all Alameda residential property values. Finally, Alameda residents have for years played golf for substantially less than non-residents. In this time of fiscal crisis for the City of Alameda and the Chuck Corica Golf Complex, it is fair to ask Alameda's residents to help.

Chair Sullwold therefore proposes to eliminate all residential rates for golfers at the Chuck Corica Golf Complex. Assuming no decline in the number of rounds played as a result of these increases, the plan would generate more than \$430,000 in additional revenue, very close to the amount of the projected deficit. Chair Sullwold acknowledged that this is very harsh, and very much contrary to the policy and practices at the Golf Complex during most if not all of the 81 years of its existence. It is, however, clear from watching the City Council budget workshops and listening to what Councilwoman Marie Gilmore had to say off the record that the City Council is unable and therefore unwilling rescind any of the fees it imposes on the Golf Complex. In order to avoid closure of our courses, the Golf Commission needs to ask Alameda residents to pitch in to support their Golf Complex.

The motion was made and passed to have a Special Meeting on June 30, 2008 at 5:30 pm in the Ladies Lounge at the Golf Complex to consider recommendations, including a proposal for a fee increase, to make to City Council at its meeting of July 1, 2008.

5. ORAL REPORTS

5-A Golf Shop and Driving Range activities report by Assistant Golf Professional Mike Robason.

The Assistant Golf Professional reported that the Ladies Day on June 11, 2008 was very successful and he is going to try and schedule an event once a month. The Golf Complex's largest "Demo Day" will be held on July 19, 2008 from 10 am to 4 pm. He will be setting up junior Clinics on Thursday afternoons from 3 p.m. to

5 p.m. for juniors 7-17 years of age. The Pro Shop has begun receiving the junior golfer subsidies from the Northern California Golf Association.

- 5-B Golf Complex Maintenance activities report by Superintendent Doug Poole.

Vice Chair Gaul stated that the Earl Fry Golf Course is in excellent shape. Chair Sullwold added that the Jack Clark Golf Course is also in good shape.

- 5-C Beautification Program and Junior Golf Club by Mrs. Norma Arnerich.

Mrs. Arnerich reported that there are quite a few new trees out on the golf courses. The East Bay Junior Golf Championship was well attended with 140 golfers and was very successful. Mrs. Arnerich thanked Mike Robason for all of his help with running the event.

- 5-D Golf Complex Restaurant Report, Jim's on the Course.

No report given.

6. COMMISSIONERS' REPORTS

- 6-A Marketing and Promotions, Commissioner Gammell.

Commissioner Gammell reported that the Father's Day promotion went well. The Pro Shop will be having a 4th of July sale with all items red, white and blue on sale. Also during the month of July all women's apparel and shoes will be 20% off.

- 6-B Golf Complex Financial Report, Secretary Delaney.

Previously discussed.

- 6-C New Clubhouse Project, Vice Chair Gaul and Commissioner Schmitz.

Vice Chair Gaul stated that the project is on hold pending the outcome of the Master Plan.

- 6-D Maintenance, Buildings, Security, Albright Course and Driving Range, Commissioner Wood.

No report given.

7. ORAL COMMUNICATIONS, NON-AGENDA (Public Comment)

None.

8. OLD BUSINESS

Don Roberts stated that he has attended hundreds of board and commission meeting over the years and the Golf Commission is one of the finest he has seen. Connie Wendling stated that she thinks that it is a shame that the City of Alameda and the Council do not realize what an asset the Golf Complex is to the City

9. WRITTEN COMMUNICATIONS

Included in the Commission packet was a memorandum to the Finance Department showing the surcharge payment for May 2008 was \$15,119. The year-to-date total to the General Fund is \$127,350 for fiscal year 2007/2008.

10. ITEMS FOR NEXT MEETING'S AGENDA

See above.

11. ANNOUNCEMENTS/ADJOURNMENT

The Meeting was adjourned at 8:43 PM.

The agenda for the meeting was posted 72 hours in advance in accordance with the Brown Act.