

**ALAMEDA GOLF COMMISSION
MINUTES OF SPECIAL MEETING**

Wednesday, February 23, 2011

1 CALL TO ORDER

Chair Jane Sullwold called the regular meeting to order at 6:33 p.m. at the Chuck Corica Golf Complex, Ladies Lounge, 1 Clubhouse Memorial Road, Alameda, CA 94502

1-A ROLL CALL

Present: Chair Jane Sullwold, Commissioner Ray Gaul, Commissioner Betsy Gammell, and Secretary Jeff Wood

Absent: Vice Chair Bill Schmitz

Staff: Matt Wisely, Superintendent, and Mike Winkenbach, Marketing Director

Also Present: Lisa Goldman, Acting City Manager, and Dale Lillard, Director of Park and Recreation

1-B APPROVAL OF MINUTES

The Minutes of January 19, 2011 were approved unanimously

1-C ADOPTION OF AGENDA

The Commission unanimously adopted the agenda.

2 ORAL COMMUNICATIONS

None.

3 COMMISSION COMMUNICATIONS

None.

4 WRITTEN/ORAL REPORTS

4-A Golf Shop, Driving Range and Maintenance activities written report by John Vest

Written report was submitted by John Vest (attached) and summarized by Mike Winkenbach and Matt Wisely.

Mike Winkenbach: "In January, we had a great tournament month exceeding prior year by over 100 rounds and \$2,000 in revenue. We created a 10 play pass which generated \$13,800 in revenue in the month of January. The 10 ride cart pass generated \$1,360 in revenue. We booked \$16,132 in future tournament revenue in January. We sold 52 monthly passes, and we sold 9 annual passes for a total of \$13,500. Our 12:00 twilight special generated \$9,575 from 383 rounds and our 2:00 twilight special generated \$3,080 from 154 rounds. Our Chuck Corica/Men's Club challenge event generated \$980 from 28 rounds. We did have a President's Day Special which was \$35 including cart after 11:00 and that generated \$2,450 in revenue."

Chair Sullwold: "We need to congratulate you because John has given you all the credit all these months for tournaments, so thank you very much for increasing tournament play and booking future tournaments."

Commissioner Gammell: "Mike, I know John was really happy with the play cart passes that they were using them up quickly. Is that still happening?" Mike Winkenbach: "Yes, and the theory is when we run a promotion like that is that you gain revenue at that time."

Chair Sullwold: "I imagine that you're not having such great rounds and revenue this month with the weather. Did you have any play at all during the week of rain?" Mike Winkenbach: "On Monday, President's Day, we had the promotion, it wasn't extremely busy for a holiday, but it was busy compared to a regular Monday. I do have some figures from last year's February up to this time if you would like that." Chair Sullwold: "That's all right, we'll get that next month. Since the rain did hit, have you had the same kind of problem we had in December, or is it draining a little better?" Matt Wisely: "It's pretty even."

Chair Sullwold: "How about security concerns, have there been any problems where we're stopping the people trying to sneak on?" Mike Winkenbach: "No, not that I'm aware of. A lot of times things happen later in the day."

Norma Arnerich: "While Mike is here I wanted to compliment him on the pamphlet he put out. I know he put a lot of work into it for free lessons for juniors and also he put down lessons for the advanced after the free lessons and he did a really good job on that. And also, he put the junior golf information on the website and I wanted to compliment him."

Bob Sullwold: "In the month of January, were there any extraordinary expenses incurred by Kemper, expenses that were not concentrated in the budget?" Mike Winkenbach: "I'm probably not the right person to ask." Chair Sullwold: "It does appear that the service charges in the financials is higher."

Commissioner Gammell: "Jane, you asked about the security and the report here does say here that the cart barn alarm system has been upgraded this month with additional sirens and motion detectors."

Matt Wisely: "We've had some rain. Year to date, or for the season to date, we're at 14 inches. I put together a little report last week, and were at 21.5 inches of rain and we're at 2.18 inches of rain for February. The weekend was little hectic, we're expecting some more rain starting tomorrow afternoon including snow. I'll believe it when I see it, but everyone keeps saying it's going to happen. They're saying the storm is moving in faster than they anticipated."

Chair Sullwold asked: "Is there, in your opinion, anything that can be done with the sloughs and the drainage system without major capital improvements that would improve the drainage off the course?" Matt Wisely: "In my opinion, no. We've done some work in the sloughs ourselves, taking the back hoe out and clearing the drain openings, which has helped actually quite a bit this year compared to last year. I think what we're experiencing this year compared to last year, last year we got eight inches in five days and we had six inches in December and basically we had all of January to dry out. Now we've gotten three more inches in February and the drainage is actually working, it's just working very slowly, and the month of January really helped us out by not having much rain and two weeks of temperatures in the 80's and lots of wind so we dried out pretty quickly. The drainage sloughs are doing what they're supposed to do to a certain extent. We're also experiencing some areas where the course is settling. In fact, number three fairway on the South Course, right around 200 yards, is a giant cavern that just appeared."

Chair Sullwold: "Do you fill that in with dirt, what do you do?" Matt Wisely responded: "Yes, essentially, it's still not to the point that it's like the Grand Canyon, but it's sloped off enough to where it's very noticeable now. It almost looks like it's supposed to be there. It is even all the way through the fairway, and then you get to the bunker and it's gone. I don't know if number three is part of the landfill, I don't know what's underneath that part of the fairway that would cause it to liquify, but I know that the tee project we worked on 13, some of the fill we bought it has already liquified just by the amount of rain we've had. Fortunately, it's not in the middle of the tee or anywhere where it's going to affect it."

Chair Sullwold: "When we played the North Course the last time, I was walking along the path along the slough on the left side of the 8th hole and it's not working real good." Matt Wisely: "No, it's been like that since I got here two years ago where the birds are walking across the water. They need to be dredged in order for us to efficiently move water the way we're supposed to."

Matt Wisely: "We've been working on anticipating some weather, we had Public Works out before the last big storm to suck out some of the water from the pond on five north, so we had a little bit more of an area to fill up before it starts pumping again. We aerified the north greens with a solid tine, we aerified the south greens on Monday with a solid tine to help wash some of the salt and impurities out of the greens. We're trying to be proactive, including clearing greens."

Chair Sullwold asked: "Do you know if Public Works is supposed to do this for us, or do we get charged if they come out and do this? I've never quite understood what the Public Works Slough Runoff project budget item is all about." Dale Lillard: "They maintain and they control the perimeter and the water that goes out of five." Matt Wisely: "They maintain the pumping system on the pond on five. Everything else is us." Chair Sullwold: "And that's the main collection pond for the drainage?" Matt Wisely: "And they have full control over that, so when I call them, they come out and drain it."

Matt Wisely: "We're continuing our in-house tree trimming and skirting. We finished the tee project on 13; it should be ready and open by the end of the first week in March. Right now we're training the grass down to get it to tee height. We took some of that sod that we took off the tee and filled the bunker on five fairway south, so now it's a grass bunker in the fairway. We also repaired some portions of two fairway on the north with some excess sod where grass was not growing. No major trees have come down except the one left of 18 north. Future maintenance activities will include semi-annual aerification of greens on the north on March 15th and 16th. As far as staff, we lost our mechanic. He had a friend that was also a mechanic, so we hired him for less than we were paying him. We had them both on property for two weeks, so Jason could train Matt on reels and things like that. Matt stepped right in and is continuing to keep us going on equipment."

Chair Sullwold: "Tell me about the decision to build the new tee on 13, because it came as a real surprise to everybody that all of a sudden you were building a new tee. Why was that picked and what was the reason for it?" Matt Wisely: "We chose 13 tee because initially it's an area that's always been settling. There was a bare area right in the middle of it where we tried to grow grass, but couldn't. We had a couple of weeks in January when the weather was nice and we had an opportunity to go out there and level it off. That's all we were planning on doing. It evolved into making it bigger so we could get more tee space out of it and made the tee longer. It was something John and I had discussed. We were actually going to sod some portions of four tee on the north in the back that does not like to grow. We've been fertilizing it and it's started to come back. So, we decided to move to do something else that was a highly visible area and it was something that really needed to get done."

Chair Sullwold: "Do you know how much it cost?" Matt Wisely: "It cost the price of the sod which was \$2,300 and it was all done in house."

Matt Wisely: "We had a 120 new batteries delivered to start putting in the carts. I'm not sure if EZ-Go is going to install them or if we are going to do them"

4-B Beautification Program and Junior Golf Club by Mrs. Norma Arnerich

Norma Arnerich: "I noticed two new benches out on the course and I understand they were pretty inexpensive and we had decided that all new benches would be uniform for people to donate. Do those last very long?" Matt Wisely: "I wasn't

involved in the ordering of the benches, but the material they are made out of is pretty durable."

4-C Golf Complex Restaurant Report, Jim's on the Course

None

5 AGENDA ITEMS

5-A Status Report on Long Term Lease and Mif Albright Negotiations including Golf Commission recommendations

Acting City Manager Lisa Goldman stated: "A couple of weeks ago, I was on a conference call with Kemper and one of the Council members, and was surprised that the financing option that Ann Marie had discussed with Kemper was not something that I was going to pursue. She told them one thing that I just can't do, you all know that. I'm not going to tie the general fund up; I can't do it. It's just not a good idea. The Kemper folks are going back and reviewing options on their end, to perfect financing of some kind. They promised to get back to me sooner rather than later. I expect to get something either the end of this week or early next week. If I don't hear back from them by early next week, I will give them a call and see how it's coming along. I did check, just to make sure I really understood it all. I relied upon counsel and checked with underwriters to see if there was any way we could pull off what Ann Marie had talked about, and it just doesn't work. So, I do believe Kemper will come up with some good options, and as soon as we know what that is, we'll be sharing that information. I am not scheduling the special Council meeting until I have something back, and we've had a chance to understand it. So that's where we are right now, in the middle of a holding pattern."

Commissioner Gammell: "What if another company is interested?" Lisa Goldman responded: "I did receive letters from two other golf companies. Right now my direction is still what Council voted on last March 16, which is go forth with Kemper. So, I'm giving Kemper the opportunity to see what they can do. If they can't do anything, then I'll go back to Council and ask them if they want to change their direction or not. Until they give me different orders, this is what I have. And I will say they are trying really hard to figure out how to make this work for the City and for them. They are a for-profit company, so it'll have to work for them and it'll have to work for us. But, again, Betsy, I cannot go out and start negotiating with some other company until I get direction from Council; that's not the way it works. So, I do have those letters -- I saved them. If Council says let's open it up, let's reissue the RFP, then that's what I will do."

Chair Sullwold: "There appeared to be a little bit of a catch 22 in what you just said, I'm not going back to Council, but I can't do anything more without their direction." Lisa Goldman: "I'm not going back to Council until I hear from Kemper. They got bad information. They got information from Ann Marie that turned out not to work for the City. So, they're going back now and revisiting what they can and can't do. I'm

letting that happen, I believe I should get something back relatively soon, and once I have that I can decide whether it's time to see if this isn't going to work and go to the Council, or it is going to work and it's time to go to Council and give them the new information. I can go to Council and say here's Kemper's new information, this is what they want to do, and they can say, thanks but no thanks, we want you to do something different, but I do need to respect that prospect that allows them to come back and give me whatever they're going to give me. That's where we are."

Chair Sullwold: "I just want to point out that the RFP that Ann Marie drafted specifically states that the successful proposer will provide it's own financing which I'm sure you knew when you made your statements to Council on January 26." Lisa Goldman: "You all know I wasn't involved in the discussions that she had, and Dale wasn't involved in a lot of those discussions that she had, so he didn't hear anything and I didn't hear any of it, so I don't know what they said way back when, and then she said "I have a better idea". I have no idea. It's kind of water under the bridge at this point. The reality is they were chosen by Council, right or wrong, they were chosen, that's the direction I have. I'm letting them come back and give me something solid. If it's not solid, or even if it is solid, either way I'm going to have to go back to the Council and say, this is what I have, what do you want to do? It's their decision ultimately."

Chair Sullwold: "The concern, of course, is that by having language in the RFP set up exactly what the bidding company was supposed to do, you only got two responses, and you pick one of them, and then it turns out that one of them makes a secret deal with Ann Marie for something that wasn't in the RFP at all to begin with. And many companies, I have learned, were turned off by the RFP, including the various statements, such as put all your own money to do the improvements. And had it been something different, we would have had more bidders, and perhaps, some better competition."

Lisa Goldman: "I'm not going to go back and revisit history, because you all know I didn't do it. If Kemper can do it, more power to them, and if they can't do it, we'll go out and see what our other options are. At this point, that's where I am, that's the bottom line. And, I don't think it's productive for us to do the 'would of, should of, could of' at this point -- we have to wait and see. Then, I'll present all the information to the City Council, they're my policy makers, they're the deciders and whatever they decide, it's my job to carry it out. I'm going to do the best job I can in carrying it out. That's all I can tell you. When I get information that I can share with you, I will."

Commissioner Gaul: "If Kemper decides it's feasible financially for them to do 27 holes, then we have two other people who are laying in the wings that would do 36 holes, would that be enough to reconsider Kemper?" Lisa Goldman: "What I would have to do is present all the options to the Council and let them decide, when I go with whatever Staff Report I go with, and I don't know what it will look like right now, I will say, here's the proposal we have, by the way, I've received two other letters, they'll be in the Staff Report so they can see them, and they can decide if these are valid realistic offers. If not, if the offer from Kemper makes sense, it's totally up to

them. I will present them with the information I have at that time and let them decide what they want to do."

Bob Sullwold: "Is it true that there is no exclusive negotiating agreement with Kemper?" Lisa Goldman: "There's no signed document in the sense that we had a signed document with Sun Cal, known as an exclusive negotiation agreement. We are exclusively negotiating with Kemper because that is the direction that the City Manager received on March 16, 2010. There's no signed document."

Bob Sullwold: "Secondly, if you were to explore other options, is it a requirement of City law, that you have to go through the formal RFQ-RFP process, or could you, for example, write a one page letter to one of those 65 companies, to whom the original RFP was sent, saying here's what we want, we want a 36-hole golf course, we want to know if you want to do a long term lease or a management contract and want to know if you'll put any dough into the deal. Would that be lawful?" Lisa Goldman: "I don't know the answer to that question, but let me answer it this way, that I believe that this current Council is interested in having open and competitive processes, so I would imagine they would direct Staff to open it up via the RFQ-RFP process rather than sending a letter. But, I don't know the exact answer to your question about whether we could do a one page or not."

Bob Sullwold: "Third question, you probably won't want to answer, if you are aware, we know you not only have to speak truthfully, but that you have to disclose all material facts necessary to make the statements that you do make not misleading. In your view did Kemper's presentation to the City Council comply with that?" Lisa Goldman: "I believe that they believe that the way the deal was going to be structured, and Ann Marie did discuss with them, that the City floated the bond but they were responsible for paying the bond via their money or whatever revenue they made at the golf course. They thought we were all on board and knew what the deal was that Ann Marie discussed with them." Bob Sullwold: "They heard what you said, they heard what the Council members said, which obviously indicated that none of you was fixing to do anything about a bond issue. Why did this guy from Chicago get up there, make this presentation and fail to say anything about, well, we understand the deal is, you issue the bond, we're responsible for the debt terms?" Lisa Goldman: "I can't really answer your question, Bob, because I'm not Mr. Blake from Kemper. All I can say is I do believe that it came as a big surprise to them that I didn't know what they had discussed with Ann Marie. So they thought I got it, which meant they probably thought everybody else got it, and I didn't get it obviously. And so I don't know the answer, [but] I believe he thinks he was making truthful statements, that's all I know."

Bob Sullwold: "And all of the negotiations with Kemper were conducted by Ms. Gallant?" Lisa Goldman: "That's correct." Bob Sullwold: "Mr. Lillard had no involvement with that?" Lisa Goldman: "He was in some of the negotiations, but not every single call she had with them." Bob Sullwold: "Other than Ms. Gallant, no one knew about the funding?" Lisa Goldman: "I don't know if anybody else knew; I sure didn't know. It seemed to be a surprise to Council when I talked to them. I talked to our financial advisor about it, and he didn't know about it."

Bob Sullwold: "Can I ask Mr. Lillard whether he knew?" Dale Lillard: "The only discussion I had with Kemper was about who was guaranteeing the payment, not who was issuing the bond." Bob Sullwold: "And who was guaranteeing the payment?" Dale Lillard: "Kemper was guaranteeing the payment from revenue generated at the course. There wasn't any signed deal, there wasn't any offer, we didn't get that far."

Chair Sullwold: "Did you understand, Dale, that they would be guaranteeing the payments whether or not the revenue was sufficient?" Dale Lillard: "Yes, they said that in the meeting. If revenues were not enough, Kemper would have to write a check to cover the debt service. They were obligated to cover the debt service whether revenues fell or number of rounds continued to fall. He did say that at the meeting."

Chair Sullwold: "On the other hand, their projection was that the debt service could be entirely met with the revenues from the 27-hole complex that they envisioned, so that their projection was that they weren't going to have to reach into their pockets for one dime."

Bob Sullwold: "My point is this, I'm not trying to point fingers at anyone, I'm not intending to refer this to the Securities and Exchange Commission for possible violation of the Securities and Exchange Act, but to the extent that you have said you understand your direction to be to exclusively negotiate, despite the lack of an ENA, with one company, if that company's prior performance has demonstrated reason to doubt its credibility, I think that's a relevant factor to be considered."

Chair Sullwold: "I have to say I agree with that. I'm very disturbed at how Kemper handled that." Lisa Goldman: "I understand. I get it. I'm still going by the direction that I have, and if the City Council wants to take that direction, by all means. I don't have a dog in it. I'm trying to fix the golf course and save the golf course. I don't care. I'm going to do my darndest to get it done. That's all I can offer you." Chair Sullwold: "I'm going to throw this out. I think it's fairly convenient to make Ann Marie Gallant the scapegoat for everything bad that's happened, and to say that Kemper is not equally responsible or partially responsible. I do believe that Kemper's presentation was deliberately deceptive. It's a big concern to me that a company with whom we want to do business for the next 25-30 years would say those things."

Lisa Goldman: "I know you sent that off to the Council. I would just encourage you, whenever I get it back to Council, get up, which I know you will, and tell them. Let them know. That's all I can do."

Chair Sullwold: "On a positive note, I just want to say, I really appreciate that you are so responsive to our questions and getting back to us. I know some information that you weren't able to provide that we wanted, but you also got back immediately."

Lisa Goldman: "We had several meetings with the representatives for the Mif, Joe VanWinkle, Tony Corica, Bill Wehr and Jane was at one, we were discussing various items on their term sheet, we had little monkey wrench thrown into it all, because some of what they would like to happen are subject to who the ultimate operator is. So, we haven't met since the meeting that Jane you were at. I'd like to see what's going to happen with Kemper, because that really does inform how things progress with the Mif. You all heard it on December 7, the Council said yes, go forth, we want the Mif to be successful with a non profit operator, we'll give you \$100,000, they have not changed direction on that, they want it to work. There's going to be some issues to be ironed out, some things they want that we're not able to provide and visa versa. That's going to be subject to negotiations, but it's still moving forward to the extent it can not knowing who's going to occupy the rest of the property."

Bob Sullwold: "The Mayor was quoted in the Island today telling the Chamber of Commerce that the Mif lease to the non profit was a done deal. Is that wrong?" Lisa Goldman: "I think she meant it was a done deal that we're moving forward with the Mif, we haven't actually signed anything, but the Council's opinion is that this is going to happen, so in that sense I think that's what she meant. It's going to happen."

Bob Sullwold: "Joe VanWinkle will tell you that he believes that, in June of last year, the term sheet had been presented and all outstanding issues had been addressed. What issues have come up since then?" Lisa Goldman: "Well, nothing was ever signed, so until you actually have a signed document, I don't think you can say that everything was agreed to. I imagine Ann Marie looked at the term sheet and said OK, but not I'm signing this. Again, I did not sit in on those meetings, so I can't say exactly what happened. But, until we have a signed document, and we've negotiated an actual contract, there are issues. I know that the folks are interested in getting the cell tower lease, I'm not sure we're going to be able to provide that. They are interested in getting use or ownership of the equipment, I'm not sure we're going to be able to do that. I'm not remembering everything that's on the term sheet. There are things that we need to work out. I will tell you that I'm sure the Council is still going to give the \$100,000, I'm sure they're going to still make junior golf affordable. There would still be opportunities for the high school teams out here. We are committed to making sure that the Mif property is still the Mif property for all the junior and senior golfers out here. But, there are still going to be issues that we have to discuss with them and figure out."

Bob Sullwold: "Have you identified for Joe the issues that you discussed?" Lisa Goldman: "Yes, we discussed it at the last meeting."

Commissioner Gammell: "We're keeping the Mif open?" Lisa Goldman: "We're not planning on closing anything. We're going to do our best to keep it open, to keep operating and to keep it successful."

Bob Sullwold: "Who is negotiating in favor of the City, you or Mr. Lillard?" Lisa Goldman: "Probably our golf consultant." Bob Sullwold: "That's Mr. Sams." Lisa Goldman: "That's correct."

Chair Sullwold: "Is Mr. Sams also participating in the Kemper negotiations?" Lisa Goldman: "He will, we haven't really gotten to the negotiations, because we have to figure out if we have a plan to move forward."

Bob Sullwold: "Do you know to date how much the Golf Enterprise Fund has been charged for his services?" Mr. Lillard: "I don't want to quote numbers, I want to remember it was locked into the entire length of the contract, including the reports he did on the non profit; it was \$10,000."

Chair Sullwold: "In investigating some of the financial reports, as Bob will point out, Kemper is far over their budget for this year, at this point, the budget that they set, somewhat over it. In any event, Joe got some indication from papers, and I'm not sure where, Kemper has hired consultants to do various things in the last few months." Mr. Lillard: "They did an environmental report of the property which was approved by the previous City Manager, because they needed to know if there were any environmental concerns before they moved forward through the negotiations." Bob Sullwold: "Who paid for that?" Mr. Lillard: "We did, we agreed to." Chair Sullwold: "From the Golf Enterprise Fund?" Mr. Lillard: "Correct." Bob Sullwold: "Kemper needed to know this information because it affected the City?" Mr. Lillard: "Anybody we went to would want to have this information available before they came in and did renovations to make sure the foundation is sound." Lisa Goldman: "Is that a report that we own or Kemper owns." Mr. Lillard: "We do." Chair Sullwold: "Do you know how much it cost?" Mr. Lillard: "It went on for two or three months, I'm guessing right around that \$10,000 figure, anytime you do an environmental thing like that, because it covered wildlife, it covered the sloughs, and it covered ground contamination. I know some of the information that came out of it are there are certain months of the year that you can't do construction because there are rare birds nesting in the trees on the South course between February and June, so construction would then have to go into the summer. That would effect any construction whether it's the City or Kemper or another private vendor." Chair Sullwold: "Dale, are you aware of any other consultants who have been hired and paid for by the golf course?" Mr. Lillard: "No." Lisa Goldman: "But, it's now a report that the City owns and will be made available to Kemper or anybody else that bids. It's information that we need to have." Chair Sullwold: "It might be something to consider if you continue negotiations with Kemper to get it paid back." Lisa Goldman: "It's something that we could discuss."

5-B Update on Golf Complex Finances

Chair Sullwold: "Bob was not able to do a report for us last month, but, I think you guys all have copies of his report for this month." Bob Sullwold: "The numbers are there, I would like to highlight them. January was a good month because it wasn't raining. Month to month this period against last period are good. The year to date

numbers still show a decline over last period. City financial reports show good numbers but because of the way the City makes its cash and accrual accounting, in a way that I don't understand, I didn't pay much attention to that. Looking at the year to date numbers, operating income is at \$264,000, cash flow from operations at \$390,000, transfer to City \$447,000, and the draw from the Enterprise Fund, the cash balance is shown at \$674,000, and this time, for the first time, there's another line item called available cash balance which is \$524,000. When Jane inquired about this, Ms. Goldman explained that the available cash balance deducted from the cash balance funds that have been committed for payments to vendors and future redemption of previously issued gift certificates. While I'm sure that's right, it's a little unusual that this is a balance sheet item.

But, one issue that I did want to talk about, and Joe is focused on this, is the budgetary comparisons, and especially the infamous services category. As I have previously discussed at these meetings, the City divides expenses into five categories, one of which is called services, and for months, if not years, I have been trying to find out exactly what expenses are in that category. When Ms. Gallant was here, six months or so ago, she said that was the payment to Kemper. If that's right, we have an issue, because if you look at the seven month financials, comparing actual to budget, you see that the services category exceeds budget by \$220,000, 14% over seven months. How come, if Ms. Gallant could be believed, that would suggest Kemper is over-running the budgeted expenses by \$220,000. And if that's so, I think we are entitled to ask Kemper, how come you're spending more money than you said you were going to spend? But, I'm not sure that is so. I'm not sure I can credit what Ms. Gallant said, because if you look, for example, at Kemper reports that you're now getting every month, and they do it on a calendar year, not a fiscal year basis, they say that their operating expenses were lower than their budget for the last calendar year. It shows they're doing better than budget. So, how come the services number is \$220,000 higher than budget? If it's not Kemper spending more money, who else could be spending that money? It would have to be the City. And, what's the City spending that money on, and for what? I would recommend that you seek an explanation from both Kemper and the Recreation and Park Director as to why that line item is \$220,000 greater than the budget. If it's Kemper, have them tell us what other expenses they've incurred, if the City, have Mr. Lillard tell us what other expenses the City has incurred. If you look at the bottom line numbers, you talk about a net income through seven months of \$264,000. If you're over budget by \$220,000, and you add that back in, your net income is almost double what it is. I think this demands an explanation. Now, fortunately, I'm informed that Mr. VanWinkle has noted the same discrepancy, and has asked for and been granted a meeting with Ms. Goldman and her Chief Accountant to go over these issues. Maybe it will all be resolved there, hopefully it will be. In any event it should be, because in order for the Golf Commission to continue to exist, it's still responsible for oversight of these matters. If you're over running your budget by this amount, and decreasing your income by half as a result of this over run, I think it would be the Golf Commission's job to find out why to suggest things that could be done to correct the situation."

Chair Sullwold: "Off the top of your head, Dale, do you have an idea why services are exceeded by over \$220,000?" Mr. Lillard: "Part of it is expenses that we incurred to repair the retaining wall that runs along Island Drive between Bay Fairway and down the second fairway. That was directed from the Risk Manager as a hazard, and the City Manager approved repairing that. The new cart batteries were in there as an expenditure that wasn't accounted for so the carts could be run twice a day instead of once a day. There was some work on one of the big pumps on the south side that was about \$20,000. There was some repairs on the driving range fence that the City Manager asked to be done. There was the cart barn upgrade and the alarm system also. The cart barn alone was about \$25,000 to \$30,000, which included the alarm system, upgrading the chargers and bought batteries. I know the pump was a huge item, but if you don't have irrigation, you're not going to have a golf course. All of them were approved by the City."

Commissioner Gaul: "Dale, the damage to the wall, wasn't that a vehicle that hit that wall?" Mr. Lillard: "There had been two different instances that cars did it and we did collect insurance money from them. That wasn't this portion. The longest portion was about halfway down the second fairway, all the way to Bay Fairway, where it was actually leaning onto the sidewalk. "

Chair Sullwold: "One more question. As you know, Dale, three years ago the City booked the entire four year lease expense for the golf carts and pulled it out, that was an extraordinary expense, the year that we entered into a new lease on July 1, 2007. Do you know if payments, monthly payments to EZ-Go have been made from whatever fund that was created by pulling that money out of the Enterprise Fund?" Mr. Lillard: "I'm not sure that will show up on the report, it should have because it was a GASB calculation for government accounting. To my knowledge it has, but I can't report that it did happen that way."

Bob Sullwold: "The issue is that it appears they accrued the expense three years ago and they're still expensing it. But, maybe they're not." Chair Sullwold: "That's the concern. It's not clear from the records it's being paid out of that fund or it's being currently charged again." Lisa Goldman: "I don't have the answer and I'm not sure our Controller will have that answer at the meeting. Whatever we don't have at our fingertips, we will make up and follow up with what we've been doing."

Chair Sullwold: "Did the budget make any provisions for these kinds of expenses that you've just listed?" Mr. Lillard: "The budget was just rolled over from the year before." Chair Sullwold: "So, it didn't have any category for these kinds -- it sounds like it's not anything really extraordinary." Mr. Lillard: "Those particular expenses were not included in this budget." Chair Sullwold: "I'm not saying that they were not needed or something that we did not need to pay, but it also seems that they're not truly extraordinary. They're truly the kinds of things that a going enterprise has these occasional needs to repair things, and that wasn't ever budgeted." Mr. Lillard: "That's correct, that was never budgeted for, it was just a rollover from the year before, so you have the same level of maintenance and then you have these extra things. So, if you add one year to the next, and you're mowing so many times and

you're fertilizing so many times, you would be able to do that from one year to the next, but when a \$25,000 pump breaks down and you add \$20,000 to the cart barn, so you have over \$100,000 with no money budgeted to do that, it's just more deferred maintenance is what it is." Lisa Goldman: "The cart barn allows you to make more in revenue, right?" Mr. Lillard: "Right, because you can send the carts out twice."

Bob Sullwold: "In evaluating getting into a 30-year lease with Kemper, there are responsibilities here. Number one, why is there this over budget number? The other possibility is they are not operating as efficiently as they promised they would. The expenses are higher because they're doing a bad job managing the enterprise. You need to know the answer to that before you decide to do business with that enterprise."

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

None

7. OLD BUSINESS

None

8. WRITTEN COMMUNICATIONS

Included in the Commission packet was a memorandum to the Finance Department showing a surcharge payment for January 2011 of \$5,749. The year-to-date total to the General Fund is \$58,562 for FY 2010/2011.

9. ITEMS FOR NEXT MEETING'S AGENDA

- Status Report on Long Term Lease and Mif Albright Negotiations including Golf Commission recommendations, if any
- Update on Golf Complex Finances

10. ANNOUNCEMENTS/ADJOURNMENT

The meeting was adjourned at 7:46 p.m.

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

