

## Washoe County Golf Council

February 20, 2009

### Golf Council Present:

Bonnie Foard, Chairman  
Carol Harriman  
Jim Pruitt  
Bob Ryan  
Larry Schultze

### Staff Present:

Julie Lester  
Al Rogers

### Alternates and Liaison Present:

Bob Jacobson  
Gene McClelland

### Golf Professionals Present:

Steve Bell

Bonnie Foard, Chairman, called the meeting to order at 11:00 a.m.

**1. Roll Call.**

A quorum was present with 4 members and one alternate.

**2. Public Comments.**

There were no public comments.

**3. Update and discussion on future operational options for Sierra Sage Golf Course.**

Al Rogers wanted to bring together the Golf Council and the public for this information. He has had other public discussions in other areas regarding budget reductions, last week he was in Sun Valley with that community regarding closure of the pool. He did not get into this profession to shut down any facility, whether it be a swimming pool, a park, or a golf course. These recommendations and decisions do not come lightly.

We are in unprecedented times, not only in the global economy, but all the way down to our area. We have provided copies of a report, this item regarding Sierra Sage will be heard by the Board of County Commissioners (BCC) on Tuesday, February 24<sup>th</sup>. As the contract with Peavine Golf was expiring, we started this process last fall with a Request for Proposals for the operation of the Sierra Sage Golf Course, as we are mandated to do. We had four companies respond, including Peavine Golf, Bellmen Golf which operates Washoe Golf Course, Billy Casper Golf, which is a national company that runs golf courses all over the country, and Courseco, which is another more regional full management provider. A committee comprised of staff and Regional Parks and Open Space Commissioner Bob Jacobson reviewed the proposals and conducted oral interviews with each of the applicants. At the end of this analysis, we did not have any clear-cut proposal that would reduce the subsidy in terms of what the County is providing to run the golf course. At this time, it was determined that one of the other options would be to cease operations of Sierra Sage Golf Course. We never fathomed we would recommend this, but it is something that has always been on the table, in terms of whether we can afford to continue to run this operation. What you see today is an analysis of those four options, with the recommendation to cease operation at this point.

To give you an idea of the overall economy and budget with the Parks Department, in the last 18 months the Parks Department has reduced its budget by 30%, that is almost \$2 million, not necessarily in the golf courses but in regional parks, all of the programs and facilities that we operate. Recommendations have been made to close the Bowers swimming pool and Bowers Mansion, the Sun Valley swimming pool, and a variety of other programs and staffing that goes along with them. The bad part is, it is anticipated to be worse, the County as a whole is looking at a shortfall of \$47 million for the 2009/2010 budget. We do not know yet what our task will be in terms of cutting additionally, but our department may be looking at another 30% reduction, which would put us at 50% or higher of our

overall budget to cut. These recommendations are not made lightly, as professional staff we need to try to reduce budget without impacting people, but we are already impacting people in the community and it is only anticipated to get worse.

Mr. Rogers said the report also includes discussion on addressing the debt service. As it stands right now the Golf Enterprise Fund is subsidized by about \$200,000 to \$300,000. Given our current operations, Washoe turns a profit where Sierra Sage is subsidized. In addition, the debt adds another \$300,000. We are asking the BCC to consider some option to reduce that debt.

Mr. Rogers encouraged everyone to attend the BCC meeting on Tuesday, that is the body that will make the decision. We can talk about it today, and formulate ideas on what the issues are, but next Tuesday will be the forum to present those questions or ideas and communicate to the BCC.

Gene McClelland said he has been around the block on the water rights, and that is the point he wants to address. The Board of County Commissioners years ago had an excellent opportunity to retire the debt incurred by the golf course to bring effluent water to the golf course. The only reason the golf course got effluent water was because the North Valleys Sports Complex didn't meet enough volume to warrant bringing in effluent water by themselves. An agreement was written up by the County and the City of Reno years ago to provide that effluent water, and in that agreement it said the net proceeds from the water rights sale would go to the North Valleys Sports Complex. The Golf Council did not take issue with that, the problem was the definition of net proceeds. As a businessman, to him net proceeds means everything that is left over after all the costs and the debt are taken care of. The sale of the water rights brought in over \$7 million. There are two bonds, one was taken out several years ago for Washoe and Sierra Sage to improve the irrigation systems and make some other improvements to the golf courses, we are still paying on that. The second issue was actually the construction of the effluent lines to the North Valleys Sports Complex and to the golf course. The Sports Complex is paying a portion of that debt service, but the debt service to the Enterprise Fund is massive. The third issue is, before the water rights were sold, in round figures, when we were irrigating with well water our annual costs were around \$20,000. Now that we are on effluent water that cost increased to around \$140,000 a year. If we have the opportunity now to go back to the County Commissioners for the water rights sale proceeds, they could retire the debt. He suggests we revisit this and take a portion of that to retire the debt, there is still plenty of cash committed for the Sports Complex. Also, the City of Reno and the City Council defined net proceeds as everything that came out of the water sale, so you could not take care of any costs against that. To him that is not net proceeds. The District Attorney's office ruled otherwise, but he thinks that issue should also be revisited.

Shirley Canale said she has an original draft of the water rights that Karen Mullen made out that has corrections made on it that were supposed to have been put on the final printout. They were not. Her changes in that draft would have made it clear that we were not intending to give the water away. We were to use the 100 acre feet and then the balance was to go towards Sierra Sage Golf Course. She has brought this up before, but no one agrees with her, the County says no and the City says no, this is the final write-up. But they neglected to put the corrections in to make net proceeds and the correct determination of the wording so that the golf course was to get 250 acre feet of the water. She too has figured out, if at that time we had paid off the water rights, it was the amount of \$2,263,292.92 and all of this included principal of both bonds, interest on the effluent note, interest on the Sierra Sage bond. The enterprise fund had already paid four years of Sierra Sage bonds and seven years on the City of Reno note, and yes, the Enterprise Fund did run in the red those last three years. But, since 2004 the fund paid another four years on these bonds, but if the County paid off the bond balance with the interest to date it should be about \$1.5 million. She sees in this report it will be closer to \$1.7 million. But then the golf courses could run. If they leave this debt there, who is going to have to pay that \$225,000 plus \$150,000 for the water? You stated \$40,000 on this, that is all the cost of water out at Sierra Sage, but on any of the financials she had it runs about \$150,000 a year. And we did sign in that contract to the City that we would pay for it, whether we use the water or not.

Larry Weis, Sierra Sage Men's Club Board member, said when they lost the money from the water rights sale years back, they could have paid the debt off then. Now the money is still sitting idle gaining interest. What is going to become of that interest? Isn't that an option? That interest alone could be used to pay off the debt. If Sierra Sage ceases to exist as a golf course, there are a lot of other all

encompassing effects. Sierra Sage Men's Golf Club will cease to exist. In the last ten years, the Men's Club has given over \$40,000 in scholarships to North Valleys High School. There are not a lot of organizations in the area who can claim that. They continue to do it and their sights are set on giving more every year. It is very, very important that every obstacle be overcome to maintain and keep Sierra Sage Golf Course open. If not, all it will do is increase play at the other areas. You will have a 6 hour round instead of a 4½ hour round. That will cut down on your rounds of play when you can only get so many people on the golf course at one time playing 6 hours rounds on weekends. It will also cut down on tournament play because there will be a lot less golf courses for people like him, he can't afford to play Arrowcreek. This is a golf course for working class people, and it is very important in this area. A lot of issues need to be re-looked over about keeping things solid. He thinks Gene McClelland's suggestions are very important. He has already been on the phone, they are going to put together a telephone campaign to get the information out and fill this place, and hopefully the decision has not already been made. They are working people, they will have to take half a day off, but they will be there.

Steve Kavner said it seems to him that lowering the price down to \$25 per round has hurt the income. From an income standpoint if we went to \$35 per round for both courses with no late rate discounts or anything else, it seems to him with the amount of rounds at Stead that would bring in an additional \$250,000 plus. That will reduce the debt service and they may be able to keep the golf course open.

Judy Bark asked about the staff report options, she did not see Courseco as an option. In the report it appears to be cheaper than Billy Casper, but it is not included in the options. She does not think you can compare closing Sierra Sage to not filling a swimming pool or closing a park. When you close a golf course, it is done, it is finished, it is a permanent thing. This is a short term solution instead of looking into the future. The last thing they need in that area is more open space, you have a whole mountain there, and BLM land forever.

Carol Harriman asked Al Rogers if he could answer the Courseco question. Mr. Rogers said he is writing down the questions to answer them all at once. Ms. Harriman said closing a golf course is irrevocable, it cannot be brought back. She agrees with Ms. Bark's comments, the expenditure of putting the golf course back, it would never happen.

Charles Hancock said he has been a resident for over 50 years, he has played both Washoe and Stead for almost as many years. We know that Northgate is closing, have we done an analysis of the reallocation of plays from that? The golfers will be going somewhere, and we all know times are tougher than they were, so in all likelihood they will go to the least-cost golf course. He also wants to comment on the southeast corridor connector road, one of the questions at a meeting was about what will happen to Rosewood Golf Course. We do not know what year that corridor will be built, but it will take a lot out of Rosewood, there will be some extremely mitigating costs that will be required for it to remain a golf course. Has anybody talked about the possibility that the City could be given Northgate, and the costs for mitigating Rosewood could be used to upgrade Northgate or even maybe sustain a short 9 hole at Rosewood. We have millions of dollars invested as taxpayers through the years and into the future, and it looks like we are not looking ahead a few years. Hard times are not going to be forever. Maybe some of the maintenance costs can be reduced, maybe the golf courses don't have to be mowed everyday. There could be some steps taken through these lean years so we can get by.

Ralph Fellows said the only other question he has for Mr. Rogers, is why were they only informed two days ahead of this meeting.

James Arguello asked if they were thinking of developing Sierra Sage into another housing tract?

Virginia Thompson made a plea that the Golf Council not recommend to the Board of County Commissioners that they close Sierra Sage. She read a prepared statement, a copy is attached.

Larry Weis said, when it comes to recommendations by the Golf Council, it does pack a lot of power because when it comes to dealing with the Board of County Commissioners, there are no golfers on the Board. He noticed when they went through the water rights issues, there was a feeling of inevitability, that it was already a done deal. Maybe the inevitability can be overcome if the Golf Council strongly

suggests we look for an alternative other than closing down Sierra Sage. As it has already been said, once you shut it down it is a done deal. We have lost Brookside, we have lost Northgate, we need to stop the trend, stop the bleeding before the body has no more blood. Hopefully this is a group of people who will call ten or twenty other people and get them at the meeting. We need to be vocal, make our voices be heard.

Bonnie Foard said, if people are planning on attending the BCC meeting on Tuesday, she suggests they arrive early and fill out a request to speak so they can all be heard.

Gene McClelland added his observations of Sierra Sage. He notices it takes a little longer to play a round of golf out there, but he sees families with kids learning to golf, he sees teenagers playing and having a good time. They are slow but it brings joy to his heart to see them out there because that is the future of golf. He does not understand all the regs and rules of the County, but he thinks one of the charters of the County is to provide recreation for their citizens. He thinks it is important because a golf course, particularly Sierra Sage, serves a recreation need for all those young families and people trying to learn the game of golf. It would adversely affect part of the job of the County if they close the course.

Shirley Canale asked Mr. Rogers about the golf courses being in an enterprise fund. When it was set up in 1982 the Golf Council was established, and everything was supposed to be brought to the Golf Council for decisions of what was going on at the courses. We were supposed to make our comments and recommendations to the Parks and Open Space Board, then they were to go over what Golf Council had decided, then it was to go to the County Commissioners for final decision. This past year and the year before, Mr. Rogers cancelled approximately two or three of the meetings, so they were not meeting every month, they did not know what was going on in the head office with expenses, maintenance, and everything else. They met four times last year, and that is not sufficient. If you eliminate the one department of the organization that is supposed to have a voice in this, which is the golfers, then we should be taken out of the Enterprise Fund, and just be put under Parks and Recreation like baseball players, tennis players, swimmers, and all of that. They pay for what they use, but we pay also. She thinks we should be taken out of the Enterprise Fund, because Mr. Rogers made the remark that he wanted to eliminate the Golf Council because he wants to make the decisions in the Parks Department himself. She thinks that is crossing the line.

Al Rogers thanked everyone for their information and feedback, and responded to the questions and comments.

To Ms. Canale's point, it is being contemplated to dissolve the Golf Council, not because we want to take those decisions in house, it will never be done that way. At this time, when we are reducing staff, we looked at not only the Golf Council but also the Rancho San Rafael Advisory Board, which is another committee that is an advisory, of eliminating those with the idea that the Open Space and Regional Parks Commission would function in that capacity. Not that they can't appoint an ad hoc committee such as the golf council for a limited time to address a single issue, they can do that. We are not looking at eliminating it to pull those decisions in house, it is more to put it in the appropriate commission that is recognized by the Board of County Commissioners.

In response to the question on the Enterprise Fund, Mr. Rogers said that was set up 25 years ago, it is a standard operating procedure in the County, and in many other municipalities, for this type of business to be operated as an enterprise fund. To be removed as an enterprise fund and pulled into the general fund is a decision the Board of County Commissioners can make, and it can be brought forward to them any time.

Mr. Rogers said in response to Mr. Arguello's comment, Sierra Sage was deeded to Washoe County in 1968 by the U.S. Federal Government. It does have a deed restriction that it can operate as a public park or recreation area, but it is not specific to be operated only as a golf course. It won't ever be developed, it will remain in some capacity as a recreational feature.

In regards to the timing of the meeting notice, Mr. Rogers said in this case this report was just put together this last week. It is a recommendation and there are options. We did not come to the Golf Council and say, we want to shut down Sierra Sage Golf Course. There are options, and that is why we

are meeting today. This is a recommendation, the Board of County Commissioners has not made their ruling on it, it may remain open. Everyone will have the opportunity on Tuesday to present their comments to the Board of County Commissioners.

To Mr. Hancock's comments on Northgate, Mr. Rogers said they had about 18,000 rounds last year. We have not done the analysis of what that transition will be, but certainly we anticipate some will come to our benefit. There will be a public meeting on Northgate that will be held March 19<sup>th</sup>. He has no other details at this time, as to time or location.

Mr. Rogers said in regards to the golf course proposals, the analysis was very difficult. There were two full management companies that responded, Courseco and Billy Casper Golf. The review committee scored both of them very close, they are very comparable in their experience and in the expectations that they brought forward in operating Sierra Sage Golf Course. In the five year projections, Billy Casper projected a little better financial outlook at five years than Courseco did. That is why both are mentioned in the background, but if the Commission were to choose one, we would recommend Billy Casper Golf. That five year pro-forma was still a subsidy to the County, none of the proposals really changed what the General Fund subsidy would be to Sierra Sage Golf Course.

To address Gene McClelland's comments on the water rights, Mr. Rogers said the water rights were sold for approximately \$8 million. Of that, \$2 million was rolled into North Valleys Regional Park for park improvements as per the agreement with the City of Reno. Today there is about \$6 million in that fund, and there has been approximately \$900,000 on top of that in interest. It is still identified through the agreement that that money will go back into North Valleys Regional Park. It has been talked about that the next possible addition to that park would be a community center, activity center, pool, or gym. When we went through that process to see what could be constructed, we are nowhere near the amount of money needed to construct something, even very basic, in that configuration that would serve that community. So that project is on hold, and the \$6 million is still sitting there. The bond that was generated in 1997 for the improvements of the two golf courses was \$3 million. \$2 million went to Sierra Sage to construct the maintenance yard and to improve the greens and the irrigation, and about \$1 million went into Washoe. Right now we pay about \$240,000 on that bond every year, and that is not set to retire until 2021. The note payable to construct the infrastructure to bring the effluent to North Valleys and to Sierra Sage is about \$900,000, and there is still about \$750,000 left on that note. The golf courses pay \$84,000 a year on that note, the debt the golf courses incurs for both of those is about \$325,000. The infrastructure payment for North Valleys is paid from the General Fund by the Parks Department, the golf courses are not paying for the improvements at North Valley.

Mr. Rogers said that over the last five years Sierra Sage has had at least \$200,000 per year just in pure operating loss. That is without any debt. Washoe generates income, but the golf fund still loses a little bit, and when you have the debt on top of that, it is even exasperated more. If you got rid of the debt, it helps, but it certainly does not relieve or bring us flush in terms of subsidizing the golf.

Steve Kavner said, even if it is turned into a park area, it still has to be maintained, and that is expensive too. Mr. Rogers said, if the decision is to be made to cease operations, we would come back with some kind of transition plan.

Mr. Kavner then suggested that if we can get the golf courses to break even, the money we are losing now could also go to maintain or keep open the swimming pools. Mr. Rogers said the way the Golf Enterprise Fund is set up, any excess dollars would go back into the golf course. As we can see even here at Washoe, this course needs some TLC and some major infrastructure upgrades too.

Mr. McClelland asked, if the golf course goes away, what will happen to the North Valleys water? Mr. Rogers said that would be in the transition plan. Relieving the financial piece is one part, but now we have 350 acre feet of effluent water, where does that go? Can it be utilized in other areas? What is the next step?

Mr. Weis said that if Northgate did 18,000 rounds, even a pessimistic number is 4,000 to Sierra Sage. He has already gotten calls of interest from members of the Northgate Men's Club. If nothing else, let

us have a stay of execution for a year, give us a year to come back with the statistics and numbers to see if there has been any improvement.

Mr. Rogers said, in the staff report, we have made the recommendation to cease operations. It is important to note that we have not made the recommendation to cease operations today. It is our anticipation that we would recommend to at least go through this golf season.

Jim Pruitt said the interest earned is approximately \$800,000, and staff agreed to give each course \$200,000, so what is being done with the other \$400,000? Mr. Rogers said in October we asked the Board for the entire amount of \$814,000 for capital improvements at the golf courses. They said they would give us \$400,000, but we would need to come back with specific information on the improvements for each course, and how we will get a return on that investment to improve the bottom line at the courses.

Carol Harriman asked if the Golf Council was going to vote to make a formal statement at the BCC meeting. Mr. Rogers said the agenda did not include a vote on this item, but they could make a recommendation that he would include in his presentation.

Larry Schultze wanted to make a couple of points. First, he serves on the Board of Directors for the Nevada State Golf Association. They meet twice a year with colleagues in the south, and they have no public golf courses in Las Vegas. You cannot get on a golf course for under \$100. Next, when Dennis Oliver left Sierra Sage their men's club lost a third of their membership, most of them went with Dennis to Northgate. He anticipates getting a significant portion of those members back. Third, he thinks we have a big opportunity here. Times are tough, people will have a limited amount of income for recreation. They probably will go to the less expensive golf courses, and we have an opportunity to actually make money at Sierra Sage. Based on these points, he would like to recommend that the Golf Council suggest that Sierra Sage be kept open for at least one more year, possibly extending the current operating contract, and determine if it is viable, if they can start bringing in additional rounds of golf. He hates to see one of the few golf courses left where a person can still walk, be closed.

Jim Pruitt said they are predicting 16,000 more new homes in the North Valleys area by 2030, with 6,000 of them by 2020. That should give Sierra Sage a lot of opportunity for rounds of play. Mr. Rogers said we have been echoing that same comment, but we have not seen that happen yet.

Carol Harriman said the impact of Rosewood going away should also be factored in.

Virginia Thompson requested that Mr. Rogers continue to have the Golf Council, it would be a great benefit to golfers, it gives the golfers an avenue and it gives him access to the golfing public.

Bonnie Foard introduced Doug Doolittle, Director of the Regional Parks Department, who had just arrived. Mr. Doolittle said he just came from a budget meeting, Washoe County has already cut over \$64 million from their budget over the last 18 months. We are looking at potentially an additional \$47 million, or even more for the next fiscal year. Our department is already down over 30%, we are down 9 full time employees and we have another 7 planning to retire, and we have 81 seasonal employees we will not be hiring this year. We are looking at a 55% decrease in our department budget over the last 18 months. This is unprecedented. Any operation that is not making money will be reviewed, and the golf course is one of those operations. The BCC has already approved shutting down both the swimming pools and Bowers Mansion, and we are reducing services in our parks. These are very difficult decisions. Over the last several years we have tried to get the rounds of golf up, to try to get the profit up. We went through the RFP process to see if we can generate some new interest, but the obvious conclusion was that we will not be able to turn it around and make money at Sierra Sage under any type of operations. We do not feel there is any other choice to make at this point, especially given the fact that we are looking at more cuts. That is the grim reality, it impacts everyone here, everyone who works for the County, everyone who depends on the County for services, it cuts really deep in ways we have never seen before.

Virginia Thompson asked about an appeal to the public for volunteers to help take care of our parks. Mr. Doolittle said we are doing that now, we converted one of our positions to a Volunteer Coordinator.

We are looking at ways to effectively use volunteers, many of whom have great skills to help us in many different areas.

Ms. Foard thanked Mr. Doolittle for the information, and requested he come with good news next time.

**4. Council's Comments.**

Ms. Foard said the next Golf Council meeting is scheduled for March 12<sup>th</sup>.

Ms. Foard also announced that the Reno Women's Golf Club will have their opening breakfast Thursday April 2<sup>nd</sup>.

Mr. Doolittle reminded everyone that the Board of County Commissioners meeting is Tuesday, February 24<sup>th</sup>, at 2pm, and they have a voice at that meeting.

The meeting was adjourned at 12:30pm.

Respectfully submitted,

Julie Lester  
Recording Secretary