

Washoe County Golf Council

March 5, 2009

Golf Council Present:

John Chism
Bonnie Foard
Jim Pruitt
Larry Schultze

Staff Present:

Rosemarie Entsminger
Al Rogers

Alternates and Liaison Present:

Bob Jacobsen

Golf Professionals Present:

Barney Bell
Steve Bell

Bonnie Foard, 2008 Chairman, called the meeting to order at 4:05 p.m.

1. Roll Call.

A quorum was present with 4 members.

2. Public Comments.

There were no public comments.

3. Election of 2009 Officers.

Bonnie Foard reviewed the duties of the Chairman and Vice-Chairman.

Jim Pruitt nominated Larry Schultze for chairman, John Chism seconded the motion. The vote was unanimous.

John Chism nominated Bonnie Foard for vice-chairman, Jim Pruitt seconded the motion. The vote was unanimous.

4. Approval of minutes of the November 13, 2008 meeting.

Jim Pruitt made a motion to approve the minutes as read, John Chism seconded the motion, the vote was unanimous.

5. Golf Course Reports.

Al Rogers reviewed the written reports from each golf course. Larry Schultze gave an overview of the year to date rounds of play.

6. Discussion of possible funding and operations for Sierra Sage Golf Course.

Al Rogers gave an overview of the February 24, 2009 Board of County Commissioners meeting, in which the Board decided to continue Sierra Sage operations only until September 30, 2009. That was with the stipulation that 60 days prior to that date we return to the Board with any and all operating changes that could mitigate, eliminate, or reduce the current operating deficit at Sierra Sage Golf Course. We have chosen the Golf Council forum to be the sounding board for the public, Sierra Sage golfers, and anybody who is interested to work through the Golf Council. Over the course of the next few months we will try to reach that goal, and not just at these meetings. Mr. Rogers anticipates that this board will be the receiver of that information, but there will need to be a lot of work between these meetings, possibly some subgroups to focus on specific areas, operations, debt, the various factors that may weigh in and factor on this decision. Certainly we are geared towards going back to the BCC July 30th with some sort of remedy to the situation that would extend it beyond September 30th. But, as it stands right now, we would close September 30th.

Since the decision on February 24th Mr. Rogers has met with the current contractors, Peavine Golf Associates, and drafted an agreement to continue the operation through September 30th. He is also working with Gary Clarkson from Odette's to extend that contract through the same time period.

Larry Schultze asked if there was an estimate as to what it would still cost the County to continue to maintain the property if the golf course closed. Mr. Rogers said, if the debt stayed the same as it is today, the Sierra Sage portion of the debt is \$241,000 a year. That would continue to need to be paid out of the golf funds. The other piece is a little more elusive, not knowing what it will look like and how we will maintain it. Certainly if we let it go back to open space there will be some initial costs to mitigate the buildings and some of the infrastructure such as the pump houses. As an ongoing basis we are estimating anywhere from \$25,000 to \$40,000 per year in minimal staff time to maintain this as open space. The other caveat is that we have to apply through the federal government to change this over from the current use as a golf course to open space. That is not a problem, we have talked to them, but it is a process we have to go through.

Al Rogers then reviewed the debt situation. The initial revenue bond that was taken out in 1997 to fix the irrigation system and build the maintenance shop at Sierra Sage, and to fix the irrigation system at Washoe, was \$3 million. Currently the outstanding balance is \$1.7 million, and it matures in 2017. The initial cost of the note payable to the City of Reno for the effluent was just short of \$1 million. Right now that balance is about \$750,000, the note matures in 2021. Basically, to retire the debt it will be \$2.5 million. The total payment from the golf course fund is approximately \$325,000 per year for both of these notes. The annual payment of \$241,000 is for the Sierra Sage share, based on the percentage of how the proceeds were spent between the courses.

John Coats asked what the magic number was, and if they came up with a portion of the loss would they still close the course? Mr. Rogers said that decision would be up to the Board of County Commissioners. Certainly we want to go back to them with the most lucrative plan that hopefully gets it to a zero subsidy. The question is, how much can we close the gap, and will it be acceptable to the policy makers.

Mr. Rogers pointed out that Sierra Sage has an operating loss of over \$200,000 per year without the bond. He thinks that is where the focus needs to be, to say how can we make more money and mitigate or reduce the expense at Sierra Sage, with debt being a separate issue.

Larry Weis said the Men's and Ladies' Clubs have had discussions and came to the same conclusion; their goal has to be to make Sierra Sage profitable. They need to concentrate on turning a profit, but, who does he count on to take care of the debt? How do they get the money or the interest from the water rights sale to settle the debt and take care of the issues that they really should not have to worry about? They are going to be three months short, but they do get a lot of rounds of play for October through December that will not show up. Hopefully everything will be taken into consideration as far as percentage, so that when August 1st comes around and the numbers are up, it will be proportionally distributed so they can say they have done this well through the end of July.

Mr. Rogers said hanging our hat on what we have done in those three months to get rounds up absolutely will not fly. We have got to come in with a major change to the operational program that convinces the BCC that this is a sustainable plan, and that the plan will cover the costs. With the debt aside, if you look at the summary of revenue and expenses, in 07/08 Sierra Sage took in \$541,000, and it spent \$763,000. That does not include debt or anything, that is just what it takes to maintain the course at the current level, and what we take in, in terms of fees. Those are the two areas we need to look at in terms of how to raise more money, and at the same time reduce the expenses so that the \$221,000 operating loss comes down to, or close to, zero before we even get to the debt.

The question was asked if they will be accepting new bids or resolutions? Mr. Rogers said he thinks anything is on the table, including any new bids or proposals. What the BCC asked us to do is come back with a plan that sustains Sierra Sage long term, debt aside, as a break-even operation.

Jim Lockwood asked about depreciation. Rosemarie Entsminger said it is unfunded by cash, but it is a required expenditure that figures into the profit and loss. We have to calculate that in, and in order to be a sustainable facility, we should get to the point where we are fully funding that depreciation.

Jim Lockwood asked why, if the enterprise fund is both golf courses, are they picking on Sierra Sage? It has always been a balance of the two, but now he has something that says that the enterprise fund lost \$9,800. Ms. Entsminger said that was the operating loss of the two golf courses, it did not cover the debt. Mr. Lockwood asked if it was the operating loss the commissioners were looking at. Mr. Rogers said they are looking at everything. Washoe is not doing as well as it did in the past, but it is still turning a profit from an operating standpoint. Sierra Sage is not.

Claudia Chesney said the salaries and wages look high. Mr. Rogers said the salaries and wages amount includes all of the full time staff and seasonal staff. That is bare bones. We have a Golf Course Superintendent, we have an Irrigation Specialist, and we have two full time Maintenance Worker IIs. Our mechanic position is unfunded. One of the Maintenance Worker IIs is filling in as the mechanic, so we are running with four full time positions. We spend about \$80,000 for seasonals, that varies from six to eight seasonals. That looks like a big number, but it is not in terms of keeping up the level.

John Chism asked what other alternatives have been pursued. Mr. Rogers said we put out the RFP for full operation of the course, but it did not say they had to take over the full operation. The door was open to all comers in terms of what they thought they could do to run this golf course. We have looked at other models too, such as the non-profit that Carson City uses. On the surface it looks good but when you look at it, it is virtually the same thing, and it is still subsidized by the city. We have looked at joint powers in terms of going with RSCVA and the City of Reno, but that didn't make sense either.

Mr. Chism asked if they could go out and find someone to underwrite the golf course, like a sponsorship where the sponsor name could be added to the course such as stadiums do. Mr. Rogers said that is not a bad idea, if it is legal and we can do it and it generates what we are trying to do, absolutely. It might not be just one solution but a whole tier of them to make it happen.

Mike Mazzaferri asked, if Sierra Sage does close on September 30th, if the enterprise fund would still be responsible for the debt service, and would that cripple Washoe? Mr. Rogers said we would still be responsible for that debt, and we would still be between \$100,000 and \$150,000 short of being flush in the enterprise fund. Mr. Rogers said the expenses at Washoe mirror the expenses at Sierra Sage, the totals are very close. The difference is revenue, due to the volume and price at Washoe.

Todd Muhlenberg said there was an idea to reduce some of the overhead with TMCC as a golf course management program, possibly partnering with them to have interns come out and work the course. Mr. Rogers said that is a great idea, he thinks it has some value, we would need to explore it deeper, he is not aware of their golf course management program. It might help from the Peavine golf side, as we do not pay those salaries. In terms of the four maintenance workers, if there is an opportunity for interns there are many questions that come with that in terms of the legality of using them, what their professional or certifications would be to bring them in and turn over the golf course to them to maintain. Mr. Muhlenberg asked about the expenses, if Peavine golf's expenses were included in the numbers they have. Ms. Entsminger said no, what they are looking at is only the County's piece of the business. Peavine Golf is a whole separate business and their profit or loss is not calculated here. There is nothing here in terms of what Peavine Golf offers in terms of the front desk service, pro shop inventory, carts, or driving range supplies. The golf course maintenance is totally under the County. And the Food and Beverage operation is completely contracted out.

Shirley Canale asked where the \$150,000 we paid for water is showing? Ms. Entsminger said that is part of the services and supplies budget. It was \$134,000 a couple of years ago, and that is broken down between \$40,000 for the note, the potable water, and the irrigation water. Ms. Canale asked how Washoe's water expense could be comparable to Sierra Sage. Ms. Entsminger said it is, we pay ditch fees and they pump water, it is just a slightly different configuration.

John Coats asked why golfers cannot benefit from something that belonged to them, and that is the water rights sale proceeds. Mr. Rogers said we are going back in history to the decisions that were made when the water rights were sold and whatever contracts were entered into in terms of where the money would go, and those are done. Can they be undone and changed, absolutely. That is another issue, and if a small group wants to go after that, there was some inquiry from the BCC to use a portion of the interest, or even a part of the sale proceeds, to retire either a portion or all of the debt. He cannot explain why the decisions were made, but it may be a door that is open to pursue. Mr. Coats said it is his understanding that the water rights sold for a whole lot more than it was first thought, and all of us at Sierra Sage, we feel that that money is ours. We are in hard times and it sticks in our craw to see us go down the tubes while money is sitting over there for no particular reason at this time, that once was ours.

John Chism said he looks at Shirley Canale and how much influence she has had on the way that things are going, but Shirley is only one person. If we had a lot of other people going in and pursuing, like the water rights, he thinks we have a better chance of getting something done that way. That is probably the strongest bullet you've got. He then asked how permanent the closure would be. Mr. Rogers said in his opinion, forever. Mr. Chism said they are working on all of these things, and they might not have them done by September. Mr. Chism said, if they are going to pursue the water rights as being the strongest possibility, they need to marshal a lot of people to exert a lot of pressure because one or two people will not be able to do it.

Bonnie Foard asked, if Sierra Sage broke even or showed a profit, would the BCC allow them to go forward and not close the course? Mr. Rogers said if over a three month period that would not be a case in point to continue, it would need to be something underlying and permanent that says we can sustain this. Ms. Entsminger said the BCC used the work sustainable, and whatever we take to the BCC, they will look for sustainability year after year.

Anita Lucas said she hears different stories, one person says the water rights belonged to Sierra Sage, others say the water rights belonged to the County. Can that be resolved with some documentation? Mr. Rogers said we can show details, but when the Deed of Trust was conveyed to Washoe County from the United States Federal Government in 1968 for the 262 acres we have out here for \$124,000 it had zero water rights. We can substantiate that. At some point after that, whether the County already had those water rights in their inventory, or they went out and purchased them, they brought those water rights to Sierra Sage. They were Washoe County assets. Ms. Lucas asked if that information could be put on the website. Mr. Rogers said those are public documents. Ms. Lucas said not everybody could go research this, since he has the answers can he make this available to people who ask the questions. Mr. Rogers said he will provide the information, but he does not want to spend all the time on substantiating this, he wants the efforts to go to, how do we fix this. As a collective group, we need to decide, what do we want? He is hearing, it was not their water rights, or if we sold the water rights it was illegal. If that was the case, then all the money goes back to the Federal Government, and we lose. So he thinks we need to make sure that what we are trying to get to is the common goal. Ms. Lucas said that is the information the golfers need to know, instead of wondering.

Judy Bark said that since Washoe and Sierra Sage were pretty much the same except for volume and price of rounds, could we, mid-stream, could the Board of County Commissioners up the price here? Mr. Rogers said yes. Ms. Bark asked why, if they saw that coming, they didn't do anything? Mr. Rogers said we increased the fees at Sierra Sage by 15% this year, and we were met with nothing but resistance. He said that fees are certainly on the table. But he throws that out with hesitation, he is not sure what the price point is, he thinks we are close to it. Certainly to go the extreme to charge what Washoe is charging would defeat the purpose.

Mike Mazzaferri asked if the water rights were ever an asset of the enterprise fund? Rosemarie Entsminger said that was researched when they were auctioned off. When the County owns something, it is always vested in the name of Washoe County, no matter what the fund structure is of that asset. The water rights for Sierra Sage actually came about as a new point of diversion in the 1970s. They were never depreciated on the Sierra Sage depreciation schedule.

Coco asked, as far as increasing revenue, if their main concern is to make enough money to pay their own way each year, then why not use this room to make some money? There are a lot of small organizations that may be able to pay to use this room. Mr. Rogers said the point is well taken, and diversification is something we need to look at. In times when golf is not the primary business function, how can we generate some more revenue, some non-traditional uses of the building or the grounds around it.

Larry Weis said marketability is something we need to concentrate on. Save Sierra Sage, that is what he wants to do, we want to collect some money, we want people to contribute. His past experience is political action committees, you have to set up a trust with the bank so you have some identification as to where certain contributions are made. Is that something they need to look into, and keep it separate from Washoe County and from the golf fund? Mr. Rogers said yes, that is highly advisable. We are here to provide all the information we can and support, but from that end in terms of monies collected or donations, that group should be recognized as a separate group that works through the Golf Council and we as staff provide some support. Mr. Schultze asked if there were specific requirements that group would have to meet, would it have to be recognized as a non-profit organization or something of that nature. Mr. Rogers said as soon as you take in money you need to meet certain requirements. They should decide as a group, what they want to be, and take the appropriate steps to do it. Mr. Weis said they should form an identifiable entity, such as Save Sierra Sage.

Shirley Canale said to Ms. Entsminger, she said, the water rights, it was decided way back or searched, but it must have been recent because on March 24, 2005 when Karen Mullen spoke at the Nevada State Assembly in regards to the water rights, it was her direction that we went ahead with all of this, saying we would sell the water rights and then pay off the expense of the bill. And she was dumbfounded at the North Valleys meeting that they claimed they didn't belong to us. She was the one, she was the superintendent of Parks at that time, and she was the one that directed us, she was our leader so to speak, so when did it get decided that the water did not belong to us? Ms. Entsminger clarified that she said the water rights were obtained through a diversionary right, they did not come with the deed. The asset itself was always vested, even back then, in Washoe County. Karen Mullen apparently was advised that it was viewed as an asset of the enterprise fund, but there is nothing that could be found that said that. Since Ms. Mullen is not here, Ms. Entsminger said they have gone back through every record they have to substantiate to the National Parks Service the point of diversion. They provided to them all of the documents, and everything on them says Washoe County. She can only answer as to what she has personally researched and provided a summary on to her Director, and she did research again as to whether they were on the actual depreciation schedule and they were not. Ms. Canale asked if she was aware that the federal government is investigating now and going back? Ms. Entsminger said they received everything from us and their water rights engineer has been invited to sit or conference call with our water engineers or staff, and they have not taken advantage of that at this point. Again, by fighting that battle means all the money reverts to the Federal Government, and is that what this group wants to pursue? Mr. Rogers said he is saying that the water rights were not tied to the land. If for some reason we go back, and after all this investigation is done and they say, well it is tied to the Federal Government somehow, you owe us the \$6 million, so that goes away. Not to say that is going to be the scenario, but he is thinking, why is he putting his time and effort to have the money go that way, when he wants to have the money for the golf course? Mr. Rogers is going to direct his focus and efforts to keep the money coming towards us, not to divert it somewhere else, and not that somebody did something five years ago. Let's focus today and at least try to do what the goal is here, and that is to save the golf course. If that means diverting the money or getting the bond paid off with that money, super, let's do that. But to go back and say, no, 25 or 30 years ago it should have gone to the federal government or that it was federal government money, they will take the \$6 million and say thank you very much.

John Coats said the water rights is a pressing issue, we do not want it to go back to the government. Our backs are against the wall, and we don't want to see our course go private, so we need to focus in the direction we need to go. He can't help but say somehow it seems we are not on the same team. If we can get the feeling that we are on the same team, who do they go see, who do they talk to, that you'll be there to speak up for us, that would be awesome. Mr. Rogers said he thinks we are on the same team; it is not his intent, or anyone's intent, to close this golf course. He played this course when he was 14 years old, it was his first round in high school. Everybody has a connection, and beyond

what our working connection is. We do not have any intent to not be a partner to keep this golf course going. But, as Commissioner Weber said, it needs to come from the community. We can certainly provide the resources and provide information, but it is not going to be us that does it, it needs to be the community. So, he thinks we are on the same page in terms of where we are going, we just need to focus our efforts and determine what those goals are in each of those efforts, to get the debt service retired, or if we are going to go after the water rights and change the contract with the City of Reno. Those are all very viable things to do. We are not going to do them, but we are certainly not going to stand in the way, and in any case we can, we will help assist in that.

John Chism said it seems we need to get more people involved, the more people we get involved the better chance for success. We need to look in two ways; first pursue the water rights, and second see if we can get the closure delayed a little more.

The question was asked, who are the people they need to know to get moving. Mr. Rogers said Sierra Sage is represented by Commissioner Weber. She could not make it today, but she will be a part of this in terms of future meetings, and she is accessible for emails or calls. The other person is Reno City Councilman Dortch, he represents this area for the City of Reno. He is integral because he was also part of the North Valleys agreement. Mr. Rogers said those are, in his opinion, the two policy makers but they are individuals, so it starts with them but it has to be something palatable to the entire commission or council.

Kevin Cassinelli said he knows the County is cutting 30% to 35%, with the chances in the future of cutting even more. He feels there is a target on their back. They are not making money, and there is certainly things they are willing to work on to try to increase the revenue. The rhetorical question is, how much money is the North Valleys Sports Complex generating, how much money is Rancho San Rafael generating, or Ballardini Ranch, or Bartley Ranch? He bets they are in the red, but he does not see anybody going after them.

Jim Pruitt asked if both Washoe and Sierra Sage are in the enterprise fund? Yes, so it is projected that Washoe will make \$103,000 this year. So, if they make that profit, does that lower the amount they need to make? Rosemarie Entsminger said we need to cover the debt. Mr. Pruitt asked, if the Enterprise Fund is even at the end of the year, won't everybody be happy? Mr. Rogers said he cannot say what the number they want is, but we need to shoot to make Sierra Sage break even. Is the County Commission willing to operate the Enterprise Fund with the idea that it could break even, Sierra Sage loses money and Washoe makes money, he does not know.

Mr. Pruitt then asked, when the bond is paid on the pipeline, who owns the pipeline? Mr. Rogers said he thinks it is a City asset, he thinks they would own it. Mr. Pruitt said it is his understanding we are in debt because we are responsible for the payment of the effluent line being laid to Sierra Sage. He said the ownership is important because there are a lot of people making money on that line. There are a lot of people tied into it since it was laid. That is profitable, the City is not giving that money away. Mr. Rogers said we only own so many acre feet as part of that. There is no profit taking that he can see tied to the ownership the effluent line. Mr. Pruitt thinks it would be profitable if we owned it. Ms. Entsminger said the note paid for infrastructure upgrades to the effluent plant itself which is owned by the City of Reno, and they laid the pipe so we can use the water they get from their plant. She does not know about the ownership, she will try to figure this out.

The question was asked, which other facility comes closest to Sierra Sage in terms of how much it is subsidized. Mr. Rogers said the Enterprise Fund is set up to be cost covering. We also have another special revenue fund for the May Center, the subsidy on that is probably the next closest.

Mr. Rogers said certainly there is always the argument that says we are subsidizing golf, and we are subsidizing parks, so why the difference? When you get down to the business functions, golf is a not a mandated function. It is a private business, and it is not typical of government to run, so we are fighting uphill in terms of the philosophy of the BCC. The other part, as Director Doolittle indicated at an earlier meeting, is that the County is faced with a \$47 million shortfall next year. We have been challenged, and we have one month to identify, out of our budget, how we are going to cut 36%. We have already cut 30%, so we will be down 66%. We have to cut \$2.7 million out of a budget of \$7 million. This is

staggering. People will be gone, we don't know what our department will look like, let alone what the golf courses will look like. The golf courses are in an enterprise fund, so it is somewhat in a better position given that they can come up with some scenarios to at least try to break even. The department is faced with some monumental tasks on the other side. The May Center he just brought up will no longer be subsidized. Some of the other parks will either go away, or not be maintained, it is unbelievable in terms of the impacts that will be forthcoming.

Mr. Rogers said by the end of July we need to go back to the Board with a plan that shows elimination or great reduction in the operational losses of Sierra Sage Golf Course. Mr. Schultze said, if we just rely on rounds of golf, we are looking at an increase of 6,500 to 7,000 rounds, that is assuming \$25 per round. We are looking at a substantial increase, but he does not think it is out of the realm of possibility given the closure of Northgate and the expense of some of the other courses. It will not be an easy task, but if we do not come at least close to that, we are toast. It was asked if a 25% to 35% increase is doable in the short period of time? Mr. Rogers said that is one piece, but he thinks it needs to be much deeper than that. Mr. Rogers said we are available as a resource and we will provide support, but it needs to be a community charge, whether it is someone on the Golf Council, or the Men's Club, or the Women's Club, or a combined effort. Another part of this is to work with Steve Bell, and Mike and Carol Mitchell with Peavine Golf, and with Gary Clarkson with Odette's, because those are integral parts. We control the maintenance and we control the administration. The golf services and the food and beverage are important to this, we need to work with those two factions too.

Mr. Rogers said the Golf Council will be the sounding board, but the community group will drive the effort. They will come to the Golf Council each month with reports or ideas or questions.

Mr. Pruitt said one of the first things he would like to see is a sign that says Save Sierra Sage and put names of donors on the sign.

Mr. Rogers said he is available any time; they do not need to wait for the next meeting to go to him with questions or ideas. He would just ask for notice, to talk about it real quick before they jump into anything with both feet.

7. Assistant Director's Report.

Mr. Rogers had nothing to add.

8. Council's Comments.

There were no comments.

The meeting was adjourned at 5:15pm.

Respectfully submitted,

Julie Lester
Recording Secretary