

## **Cedarholm Clubhouse Replacement Advisory Team Meeting Notes**

**Meeting #5 June 9th, 2016**

**Advisory Team Present:** John Bachhuber, Mary Cardinal, Herb Dickhudt, Phil Gelbach, Roger Hess Jr., Greg Hoag, Dave Holt, Michelle Kruzal, Dick Laliberte, Lisa Laliberte, Dena Modica, Nancy Robbins, Eileen Stanley, Jerry Stoner, Benno Sydow, Janice Walsh, Kerrik Wessel, Matthew Vierling, Paul Grotenhuis

**City Staff Present:** Lonnie Brokke, Jill Anfang, Sean McDonagh, Chris Miller, Steven Anderson

**Advisory Team Absent:** Mike Cylkowski, Jeff Boldt, Kyle Steve, Bjorn Olson, Mary Olson, Rynetta Renford,

### **Meeting Intro**

- The questions/comments provided to the online drop box are not responded to by city staff. The advisory team is welcome to respond.

### **Public Comment**

- None

### **Meeting #4 Notes and Comments**

#### Function and Use Group Discussion Notes

- Pull Cart wheel washer was asked to be added to the clubhouse resource list. Pull carts can be covered in grass after a round of golf.
- Adding stairs from the 7<sup>th</sup> green to the 8<sup>th</sup> tee box was brought up as another idea. It will be added to the service areas idea list.

### **Staff Presentation: Chris Miller- Roseville Finance Director**

Chris has been the finance director for 14+ years. He has overseen finances concerning the golf course. Attachment D has been modified as there was a typo. An updated copy of attachment D was distributed to the advisory committee before the start of the meeting. The numbers on Attachment E look familiar. It comes from the start of the packet but the numbers have been refreshed. It is inserted for informational purposes.

### **Municipal Golf Course Funding 101**

- Most municipal golf courses are funded primarily by the revenues they take in directly (Greens fees and participant fees). Concession sales and equipment sales also bring in revenues. 81% of total revenues are contributed by greens fees. This is very customary for most municipal golf courses. About 10-15 years ago, most courses were funded by greens fees. Golf was booming and participation was up to about 35,000 rounds per year. It is down closer to 25,000 per year. The landscape has changed quite a bit; a lot of municipal golf courses are not able to sustain themselves with greens fees alone. Golf courses use other revenues such as property taxes to fund capital improvements. This memo was put together to identify the major revenues and expenses.
- Personnel is a big expense. It takes a lot of resources and staffing hours to manage any golf course and is 63% of Cedarholm's expenses. System supplies, depreciation and administrative service charges are some real costs associated with the golf course. They will be explained in depth more on attachment C.
- All city functions are categorized in two ways. Business type functions (enterprise fund) have the expectation that they will be funded by the fees they bring in. The water and sewer utility services fall into this model. These operations are modeled like the private sector. Governmental type functions are funded by other revenues such as property taxes. On pg.2 of attachment C, there is a graph showing which City of Roseville operations are

business type functions and which are governmental type functions. Most of the parks and recreation system is governmental type. The skating center is one of these operations. The skating center used to be a business type function but was unable to sustain itself. There was a conscious effort made in the 1990's to change the skating center business model. The golf course is on that same path. That information is not new to elected officials or anyone else in city hall. Cedarholm is doing exceptionally well compared to others municipal golf courses. The City of Roseville has done everything in its power to keep Cedarholm a viable business.

- It is not the advisory teams charge to recommend which finance model Cedarholm will be in the future.
- Depreciation and administrative service charges are charged against the golf course. There has been some interest in removing some of these charges to help the golf courses day to day operations. Removing these would help the golf course but not necessarily take away from needing other funding sources to pay for operations. If they were removed, some other sector would have to support these costs.
- Depreciation is a measure of the ability for capital improvements in the future. It is a way of setting aside money for future use. It is an accounting expense against the golf course.
- Administrative service is a internal charge to pay for indirect costs such as property, liability and workers compensation administration, payroll processing, income tax withholding and distribution, invoice processing, accounting and financial reporting, banking and investing services, legal services, information technology support services and human resources administration. These costs are pooled together in administration. If the golf course was gone, the insurance cost would go down. The golf course is being charged \$20,000 per year which is about 6% of its annual operating budget, the capital is excluded. This is very normal and comparable to the other business type functions within the city.
- When there is a surplus of revenue for a year at the golf course, it is deposited into the golf course fund. If the council makes the decision to support the golf course in some other way, it would effectively not be a business type function. It is up to the council to decide which function they want the golf course to run as. The term enterprise fund is described as a standalone function. It is presented this way as an accounting function. It provides greater accuracy for what it takes to run a golf course. If it was a government type function, it would be pooled into the park and recreation fund, but could still be accurately depicted financially. The advisory committee is not recommending which function it should be. The committee will be recommending funding options, usage and ideas. This memo is informational only. We need to beware of the golf landscape and recommend a solution for how we think golf will change over the next 30 years. The committee will be kept in the loop for what is viable going forward. Attachment E shows the cash flow over the past 5 years. In 2015 the golf course turned a positive balance which is great to see going forward. The sharing of resources, such as staffing, is deemed to be even. Staff from the golf course help out with parks and recreation and vice versa. The numbers for the skating center are very transparent and if the golf course would change to a government type function it's numbers would be similarly transparent. Of the 63% expenses for staff, \$193,000 is allocated for permanent staff and \$54,000 is allocated for about 15 part-time staff. A new clubhouse would draw in more people, but how many is up in air. If you look at the new park buildings, they can generate year round revenue. There is a buzz around new amenities in a community. The bottom line is to look at the golf course as an asset. Cedarholm is part of a function that generates revenues. We shouldn't be focused on how to generate more but to look at funding options, and how to pay for this valuable asset. Cedarholm could see increased rounds from tournaments with a new clubhouse. Tournament organizers look for facilities that can assist with more needs. Food and beverage, space and appearance could bring in more tournaments. When the advisory committee started, the funding for what needs to be done compared to building a new clubhouse was a benefit. The cost for what needs to be done is large and it seems practical to go forward with a new clubhouse. The building should be built to attract people and bring them back for more.

## **Funding Options**

There have been four funding sources that have been identified as practical options for a clubhouse replacement.

### **Option A – Golf Course Fund**

- The golf course has its own fund. \$227,000 is available for capital improvements or equipment replacements.

### **Option B - Park dedication fees and park renewal funds**

Around 2.6 million dollars is currently in these funds. \$1 million of this is earmarked for park acquisition in southwest Roseville.

- Park dedication fees
  - Fees that we charge to new development on housing or commercial buildings. They are buying into a established park system. These have added impacts on the system so they pay their share. The amount dedicated varies year to year. Some years there is nothing and some years tens of thousands of dollars. The city mainly uses this fund for acquiring new park land. Taking money from this fund could hinder new park acquisition in the future.
- Park renewal funds
  - The park renewal program has been going on for 4-5 years. There is money left over from the 19 million dollar bond. The program is not done yet and projects are ongoing. There is about \$400,000 left and some of this will be used for ongoing projects. There are outside restrictions on borrowing money. You are supposed to spend the borrowed money within about 3 years. 3 years is coming up, and internal talks have been ongoing on how to spend this money to the IRS approval. It has been talked about to use the earmarked money for southwest Roseville or spend it elsewhere to be IRS compliant. It is a pot of money that is available. The city is currently pursuing a plot of land in southwest Roseville. The cost is not a lot but the city is still trying to be compliant. Renewal money has timing on when it should be used. Southeast Roseville has a parcel being paid through a Grant. The pathway/trail construction project has money left from it as well but it is not included in these funds. The renewal program as a whole is on time and under budget which is satisfying considering the 77 projects going on with no additional staff. The purpose of Attachment D is to show what money is out there. There is an option to do this without going to tax payer.

### **Option C – Contributions/Partnerships**

- Private contributions or partners might have interest in financing the clubhouse.

### **Option D – Revenue Bond**

- Issuing bonds, such as funding for the park renewal program. This has to be paid back, more than likely through property taxes.

The committee will have to make a recommendation to the city council. These funding options are available and would most likely make sense. All funds are invested but they are limited. The cities portfolio is earning between 2-3%.

The price tag for the new park buildings was 6.5 million for 6 park buildings. It was a package deal that includes the site work around the buildings. The park buildings were about \$400-500 per square ft.

The Parks and Recreation Commission have made recommendation to city council. The city council must approve these recommendations.

Some other funds are available. A lot of this money has been issued to another function but the council could choose move these funds to the golf course. Tax Increment Financing Funds could be used. TIF funds are tax dollars set aside for specific purposes. There could be money leftover and that money can be used for any lawful purpose. There are 15,000 to 16,000 taxable properties in Roseville.

Examples of a partnership could be the historical society or a corporation. The skating center had the Guidant foundation contribute 1 million dollars to help with costs for the Guidant John Rose Oval. \$500,000 went to repairs/improvements and \$500,000 went to an endowment fund. Cedarholm could also link with a for-profit organization such as golf store that could operate out of the building. The size of area must be considered when figuring out what's going into the clubhouse.

### **Summary of Commission Work to Date**

#### Finance Commission

- There is a Finance Commission Meeting on Tuesday June 14<sup>th</sup>. The commission is looking into what it will cost the city for the next 20 years to maintain what we have. If we want to maintain what we already have, the city might have to start paying more. At some point you have to start reinvesting. The same thing happens with sewers and roads. The finance commission looks at everything and creating a plan to take care of it for the long term is important. \$500,000 per year is going to be needed to pay for everything. Do we want to increase taxes or eliminate some maintenance and amenities?

#### Parks and Recreation Commission

- Nobody likes taxes getting increased but people will pay for value. If something in the community is valuable, it will be paid for. The committee needs to look the funding options available and whether to use them. The committee needs to report to the best of their ability what funding options need to be used.

### **Questions & Answers/Discussion by Advisory Team**

- Crowd Funding or Kick Starter are other examples of participants raising money. There are options out there such as purchasing personalized bricks or benches. Funding options will not end at the city council.
- Planning Committee reports from the Harriet Alexander Nature Center and Guidant John Rose Oval were passed around to show examples of past reports. Recommendations are what the committee will be making and it will be taken from there. Committee objective is to bring a report and recommendation to the city council. This is just the beginning of the process. The next meeting was planned to share what the committee

has compiled and deliver a summary. An additional meeting might be needed to create this summary together as a committee. The committee can then present what has been discussed. A compilation of all materials will be made with an executive summary and then a recommendation will be made to the city council. The process seems as if it is wide open right now but it eventually will come together when architects receive the ideas. First the recommendation needs to be made to the city council. After the recommendation is made, then everything starts happening. Ideas are put to paper and continued involvement is welcomed. This is only one stage of many stages needed to complete this project. Everything will start coming together pretty quickly. All of the work that has been done will be put into the report and it is not until the city council approves the recommendation will the ideas be narrowed down. These recommendations will be defined for the city council. The city council can either accept these recommendations or make their own. During the presentation of the city council, committee members can support their ideas and thoughts. Part of the function of the committee is to do the discovery information. This function could cost thousands of dollars if it was contracted out.

- The Roseville Historical Society could be a great benefit to the golf course especially during slower times of the year. They offer programs that could benefit the facility year round.

### **Meeting #6**

July 14<sup>th</sup>, 6:30pm-9pm at Harriet Alexander Nature Center

- Discuss need for additional Advisory Team Meeting prior to Public Presentation and Draft Report

### **Late Breaking Info and Other Comments**

Emails to the committee were read:

- Please consider the following: the City of Roseville has to decide by the end of this year if it wants to buy the empty National Guard Armory in southeast Roseville at 211 North McCarrons Blvd. Originally known as McCarrons Lakes School built in 1936 by the PWA as part of a new deal. Lots of entities are interested in tearing down the building to put in affordable or multiple units housing which southeast Roseville already has plenty of. Suggestion; Roseville residents unite and fight to turn it into a small community center. Some of the services it could provide: housing for the Roseville historical society, a southeast Roseville police substation, community wide building, ESL class, foreign languages and other arts, elderly services, health and dental outreach, boy scouts and girls scouts, indoor and outdoor sports, science and math classes. Many of these groups don't have a home but could find one here. It is believed to be in pretty good shape still.
- Nextdoor.com: Cedarholm has been a wonderful amenity for the city as are the parks. Just like our home there is a cost. Money is not the only consideration; it must be a significant situation. Hearing about the dire status of the clubhouse, why was not brought up during the park renewal process? It is difficult to read these comments and not feel for the long term residents that testified last fall that they were being taxed out of their homes. We would like to see a tax education seminar to see how much we are really paying in taxes. Don't we have some responsibility to them and those who use the clubhouse to be fiscally responsible when allocating public resources? I am not opposed to replacing the clubhouse but for the reasons above only if it can pay for itself. There are several comments about only if it pays for itself. People don't want to pay extra or think they have to pay extra if we get a new clubhouse. They want to take into consideration the opinions of the city at large not just a few with a particular interest. It has been made known that committee members didn't just join because they like to play golf; they care what happens to Roseville. How many regular golfers from Roseville use Cedarholm on a regular basis? This is one example of looking at needs versus wants. A municipal golf course seems to be a luxury, but is our parks system accessible to the elderly and handicapped. We are already going into a period of higher property taxes due to maintenance of the infrastructure so do we have to tighten our belts further so a few have a new clubhouse or is there a way through fee adjustments, donations, ect where the golf course can cover its own expenses. Parks have donors and local supporters who should help with

fundraising and bottom line more information is always good so I hope we are well presented with financial and usage data as part of the final presentation.

- A presentation will be at a city council meeting. If the presentation is built properly it will address all of these questions.
- Financing a build for \$1 million would be \$80,000 for 15 years.
- Golf is looked at to not be popular with anyone but baby boomers. Golf is considered a more senior activity. About 61% of golfers in the United States are over 50 years old. In general golf is not a young sport. Everyone uses different facilities and don't use others. Cedarholm makes sense as a valuable asset to the community no matter who uses it. We have a luxury of having all of these functions and we should not be judging uses by age. It is an asset of the city and the cities park system. It brings property value to homes. You can start and end your golf career on a course like Cedarholm. It is a gem to be had. The clubhouse and maintenance facility need updating to keep it a gem. There is a group in every city that says "you are costing me out". Roseville needs to turnover so they can be new.
- It can be frustrating to hear people commenting on the subject at hand without doing the same research others are doing. The task at hand is to provide a recommendation and it will come together within the next couple months. If there are questions we can get everyone on the same page.
- The committee is not required to disband after the meetings have ended. As a model to the parks and recreation master plan, it started with a citizen advisory team, then a citizen implementation team. This type of process has become a model for the city.
- The decision on a concept is decided after the city council accepts the report. The committee does not have the expertise to deliver what professionals can. There needs to be a clear report to the city council or anyone else reading the committee notes.

Think about the ideas given the past couple meetings during the time off.

If you would like to share ideas with Jill so we can have a starting point for next meeting, please do so.

Meeting Adjourned at 8:33pm

Meeting Notes submitted by Steve Anderson