

SPECIAL CITY COUNCIL MEETING
Tuesday, November 22, 2011 7:00 p.m.
Public Safety Building
3925 W Cedar Hills Drive, Cedar Hills, UT

Present: Mayor Eric Richardson
Council Members: Stephanie Martinez, Ken Kirk, Scott Jackman, Marisa Wright, Jim Perry
Konrad Hildebrandt, City Manager
Jim Madsen, Golf Director
Courtney Hammond, City Meeting Transcriber
Others: Cliff Chandler, Joyce Chandler, Verl McQueen, Jenney Rees, Gary Gygi, Craig Clement, Trent Augustus

COUNCIL MEETING

1. This special meeting of the City Council of the City of Cedar Hills, having been properly noticed, was called to order at 7:05 p.m. by Mayor Richardson.

Pledge of Allegiance led by Scout Ben Davis

Invocation given by C. Wright

SCHEDULED ITEMS

2. Review/Action Regarding Golf Course Operations (7:07 p.m.)

See handouts.

Staff Presentation:

Mayor Richardson stated that running the golf course efficiently is a high priority. There has been discussion over the past few months about the financial situation of the golf course. It is important to take a close look at the numbers so everyone understands the entire financial situation, and so that can be communicated wholly to the residents.

Konrad Hildebrandt stated that during the recent election, there has been discussion about the golf course with differing information disseminated. The first page of the golf course binder is a proposal for getting usable information to the residents. The binder of information is broken into general information, financials, a meeting history where the golf course was discussed, and miscellaneous information with newspaper articles.

Konrad Hildebrandt presented the history of the golf course. In May 2001, the City held a special bond election for a lease revenue bond to finance the construction of the golf course. The bond passed. There was an immediate response from some residents that residents didn't have enough information for an informed vote. No current City Council members were on the Council at that time. This is an inherited problem. In January 2002, ground was broken on the golf course. The City acquired a golf course architect out of Northern California. The architect was on sight most of the time. McKell Construction built the golf course. Scheduled completion was for August

2002. The stated goals for the golf course at the time of construction were: (1) provide an additional recreational opportunity (2) provide beautified open space (3) provide reservoirs for city-wide pressurized irrigation system (4) provide an additional revenue source. Originally WDB Golf signed a 99-year lease to operate the course with revenue-sharing for the City starting in year 12. WDB Golf also agreed to pay off the city construction loan and build a club house. The course was not finished in August 2002, and there was a new completion, with popped seed, promised for November. The course was completed by March 2003. The financing fell through because the course was not completed in time. For the financing to go forward, the financiers required additional collateral from WDB Golf principals. WDB Golf was not willing to move forward. The City was left in April 2003 with a fully built golf course with no club house, place for tournaments, cart storage, management team, etc. The City quickly put together lease terms on the Sunset Room tent and cart barn tent, trailers for the proshop, and maintenance facilities. The City contracted for a PGA pro to run the course.

Jim Madsen stated that when he communicates the golf course financials, he does it from an operational perspective. The statement of cash flows most closely reflects that perspective, which takes into account cash brought in from operation of the golf course and subtracts the operational expenses, namely employees and suppliers. He feels that the city staff has been overly transparent about the subsidizations that go into the golf course but doesn't show the ways that the golf course provides services to the city through pressurized irrigation and storm water. There are real dollar figures attached to those services.

Council Break (8:20 p.m.)

Reconvened (8:35 p.m.)

Konrad Hildebrandt presented the golf course financial statements, which consist of statement of net assets, statement of revenues, and statement of cash flows. The golf fund was created in 2004, prior to that year, the golf financials were in the capital projects fund. Operationally, the golf course had shortfalls in 2004 and 2005 but had a surplus from 2006–2010, meaning money received from golf course operations minus the money paid for golf course operations (employees and suppliers). It does not include the debt service or leases. In 2004, there was some money leftover from the construction bond. It was anticipated that for the first few years and until there was more permanent financing, the debt service and maintenance leases would be made from that lease revenue bond. In 2005 residents voted for a GO bond but not in time to avoid the 2006 debt payment on the original lease revenue bond, leaving the City almost \$500,000 in the hole. In 2007 the golf course had to pay \$296,000 for new carts (and received about \$100,000 for turning them in) because the previous carts were no longer functional. In 2008 the golf course was reconfigured for \$692,000. Those lots have not yet been sold. In 2010 and 2011, net operating activities were negative primarily due to reduced Sunset Room bookings. To date the golf course cash is negative \$1.7 million. The seven lots on Cottonwood can go toward the \$1.7 million; the sale of the St. Andrews lots must go toward the debt service.

Council Discussion:

- C. Perry stated that there is no good news or bad news, there is just news. The City should state what the golf course makes or loses, and it should include all factors such as storm drain and the pressurized irrigation system. To take into account the storm drain and pressurized irrigation

system, the bond on the golf course isn't \$6.4 million but may be more like \$4-5 million. He stated that never in his eight years on the council was the transfer from capital projects to the golf course fund presented to the Council. He further stated that he feels like it is time to pull the pressurized irrigation system and storm water financials out of the golf course fund.

- C. Wright stated that resident Rob Crawley sent the City Council a golf course financial analysis with a deadline for them to get back to him with their review and comments. Because the City was in the middle of its independent audit, it was unable to give the numbers a full review, but indicated to Mr. Crawley that by just glancing at the numbers they looked way off. Mr. Crawley stated that he couldn't wait for the City's full review, and he was confident in his numbers. After that Mr. Crawley's analysis was released to the press. Konrad Hildebrandt stated that the City has since met with Mr. Crawley, and he agreed that his numbers didn't take into account the whole picture. The city estimates his numbers to be off by several million dollars. C. Wright stated that she is frustrated that the \$1.7 million was never spelled out to the Council by city management until now.
- Mayor Richardson pointed out that while Mr. Crawley's numbers were wrong, a lot of the numbers have been wrong including numbers provided by the City. He stated that the financial statements show the running loss because the intent was for the golf course to borrow from the capital facilities fund and pay it back through the golf course fund. That will not happen. The Council should be clear about the loss every year and be clear that it is not borrowing from itself but paying for the shortfall from city funds. Once the Council feels they have the information it needs, from there he wants to see a committee formed and then some town hall meetings.
- C. Kirk stated that his goal is to find a way as a City Council to make it so clear that anyone can look at the financials and come away with the same understanding. He would like to be able to make a statement to the residents clearing up these misconceptions before he leaves office and to announce that a committee will be formed followed by town hall meetings.
- C. Martinez stated that the recreation center should not be in the golf course fund. Konrad Hildebrandt stated that he will have Rebecca Tehero present to Council the reasons why the recreation center is currently in the golf course fund.
- C. Kirk and Mayor Richardson agreed to work together to come up with a plan to be ratified at the next meeting about how to get all the necessary information to the public.

EXECUTIVE SESSION

3. Motion to go into Executive Session, Pursuant to Utah State Code 52-4-204 and 52-4-205 (10:13 p.m.)

MOTION: C. Jackman - To go into Executive Session, Pursuant to Utah State Code 52-4-5 and 52-4-205 to discuss the character/competency of an individual. Seconded by C. Martinez.

Yes - C. Jackman
C. Kirk
C. Martinez
C. Perry
C. Wright Motion passes.

*** Executive Session ***

4. Motion to Adjourn Executive Session and Reconvene City Council Meeting (12:24 a.m.)

MOTION: C. Kirk – To adjourn the Executive Session. Seconded by C. Jackman.

Yes - C. Jackman
C. Kirk
C. Martinez
C. Perry
C. Wright Motion passes.

ADJOURNMENT

5. Adjourn

This meeting was adjourned at 12:25 a.m. on a motion by C. Jackman, seconded by C. Kirk, and unanimously approved.

Approved by Council:
January 3, 2012

/s/ Kim E. Holindrake
Kim E. Holindrake, City Recorder