

MINUTES

Audio Tape No. 574

The City Council of the City of Leawood, Kansas, met for a Work Session at City Hall, 4800 Town Center Drive, at 6:00 P.M. on Monday, February 10, 2003. Mayor Peggy Dunn presided.

Councilmembers present: Jim Rawlings, Pat Dunn, Louis Rasmussen, Gary L. Bussing, James E. Taylor, Sr., Scott Gullledge, and Mike Gill.

Councilmembers absent: Shelby Story

Ironhorse Advisory Board Members present: (Chair) Dick Fuller, Jim Dickson, Bob Reid, Dave Fearis, Mike O'Connell, John Campbell

Orion Management personnel present: Shane Gardner, Matt Roberts, Todd Fields, Bill Nelson

Staff present: Scott Lambers, City Administrator
Chris Claxton, Director, Parks and Recreation
Deb Harper, City Clerk
Emily Watson, Deputy City Clerk

Mayor Dunn called the meeting to order with the directive that no decisions on expenditures would be made in the evening's discussion.

Orion's Managing Officer, Shane Gardner, gave a power point presentation entitled, "Ironhorse Golf Club: Leawood's Masterpiece." Highlights of the presentation included original bond obligations as passed by Leawood voters, various ways Orion has built up the Club enabling it to be a viable competitive leader among area golf clubs, debt reduction and the capital expenses, capital improvements that have been deferred, and what support the Club currently needs from the Governing Body to remain in its competitive position.

Councilmember Dunn raised the question as to why the Governing Body now needed to look at the costs related to the golf course differently as opposed to what was presented to the voters. Scott Lambers explained that the intent of the figures presented to the voters was to enable the Golf Club to be self-supporting, allowing for payments of debt service and operational expense. However costs related to capital improvements and capital equipment costs were not incorporated, being a significant omission. He further stated it would be unreasonable to expect that equipment would not wear out over time.

Councilmember Gill added that the \$550,000 debt reduction per year included \$350,000 of principle reduction, which, if the Club continues as it has over the last few years, the expectation

is that the debt for the Club will be paid in full by 2015. The \$350,000 is the “gravy”, and the fulfillment of the debt after 20 years was a self-imposed fast tract debt reduction, which remains to be seen.

Councilmember Taylor asked the status of the \$500,000 loan the City gave to Ironhorse. Mr. Lambers replied that part of the loan money had been discounted to give a fair evaluation to the auditors and the rating company. Until the debt service is paid, there is no expectation that the \$500,000 loan will be repaid. There is no current schedule in place to start repayment, but should the course begin to increase revenue, this item would become a priority. Mr. Taylor suggested a sub-bond issue to refinance the replacement debt, maintenance and loan. Mr. Lambers stated that it would not be prudent to re-issue debt for capital equipment that had short useful life, but instead incorporate this type of debt into a budget to catch up, later having a schedule for replacement in the City’s budget for those items. Currently Ironhorse does not have a replacement schedule in place.

Mr. Dunn added that the City was being asked to support a business plan (Orion’s) that called for significant funds to be paid over a period of time to become a partner in the maintenance of Ironhorse. Would this be in line with what the expectations of the constituents who voted for the bond, and would the benefit to the City outweigh the costs; is it a good investment for Leawood’s future? Jim Dixon stated that once the golf course was completed, developers moved in much more quickly than anticipated, constructing expensive homes in the area. The course has added quality to Leawood, impacting specifically the south end. Councilmember Gullede added that the awards the City has won has been in great part to articles about the course in *Golf Digest* and other golfing magazines. The golf course is an asset to the City; it is something the constituents wanted. The question is, do we advance the money to meet the capital needs in the amount of \$398-400,000? Do we protect this asset?

Councilmember Bussing raised the question of the Club’s contingency plan in the event of failure to achieve the budgeted rounds next year or the Club loses revenue so that they cannot meet their \$550,000 debt service. Mr. Gill pointed out that because of advanced market activity, advanced revenue was assured. In event of a doomsday scenario, the City would have to pay the interest on the bonds, since it was a City asset. Councilmember Rasmussen added that in the last five years, the Club has stretched their resources to the point of absolute failure of equipment and yet maintained the quality of the course. If the Council asks the club to stretch further by sidelining capital expenses for another year, the Council will be setting Ironhorse up for a doomsday scenario. It will take just one occurrence when the Leawood course goes down in quality and it will be taken note of throughout the golfing tournament community, with the prospect of the course then losing \$500,000.

Dick Fuller stated it takes five years for a course to mature, to see where it stands financially. In 1998, when six greens were lost, the course lost credibility, and consequently revenue. The club is at a point where it can look at its situation and know from previous experience what to expect in revenues. Based on that information, the Club realizes that it will have to ask the City for funding for capital improvements.

Mr. Bussing questioned the pricing strategy of the Club, based on data he read about discount golfing. He felt the two issues were conflicting in their goals. Mr. Gill said it was not a matter of what was being charged, but when it was being charged. Non-primetime hours will be targeted. Matt Roberts pointed out that while fees increased, so did fees at competing courses, with Ironhorse still underneath the upper-scale courses. Mr. Gullledge added that while pricing was important, without the quality product, a club could be the lowest-priced club and not draw any golfers to it.

Mr. Dunn asked if the experience of other courses showed them to be moneymaking or self-supporting operations once their bonds had been paid. Chris Claxton replied that the trend was for them to be moneymaking businesses. Mr. Dixon pointed out that there is still much undeveloped property in the area of Ironhorse that is a positive thing. Also, Ironhorse is the finished product. Additionally, the data coming in to Orion shows that Ironhorse is operating at near capacity. What is difficult is being asked to pay down the bonds in a short period of time.

Mayor Dunn asked if there was a plan to shorten the intervals between starting times to accommodate more players. Mr. Gardner replied that last year the concept of "squeeze times", which means booking people on top of people, was looked into, to see how much it might slow down the rate of play. This year Ironhorse will experiment booking people in even shorter intervals, but as of now it is not recommended.

Councilmember Rawlings asked about the effectiveness of the advertising in various media for Ironhorse. Mr. Gardner stated that when they started the Triple Crown Program, it was only advertised in the *KC Star*, so that the effectiveness of the advertising could be more easily tracked. Orion spent \$10-12,000 advertising that program; it made approximately \$200,000 the first year. Last year Orion spent \$8-9,000 and brought in \$230,000. The billboard only advertises corporate events, and it was estimated 10% of the events came from that display but it was harder to determine actual effect. Mr. Rawlings inquired what the golfers were suggesting to keep repeat players. Mr. Gardner replied the golf cart issue was still a problem, but the main comment was that the golfers appreciated the personal recognition by the Ironhorse employees when they were greeted by name. Mr. Gardner stated that name recognition was stressed to their staff.

The Mayor added that she appreciated what Ironhorse had done in the past year to cut costs, specifically on the merchandising of clothing.

Mr. Gill addressed the issue of quantification of unused capacity in non-prime time hours. He stated that on the charts the usage is plotted by hour by month, and that there was at least enough capacity to hit 6,000 rounds easily. From last year's figures, one round averages \$65. Mr. Bussing agreed that this was an item of significant focus, to try to fill the unused capacity. Mr. Gill added that by going after various groups such as ladies, seniors and juniors, these times might be filled.

Mr. Rasmussen brought up that the Golf Club is running into a problem with the way the City is addressing some issues. The City has charged the Golf Club for items that were not first reviewed by the Golf Course Committee, but yet the Club was expected to pay for them. If the

Club is expected to adhere to a budget, outside parties should not be allowed to arbitrarily spend the Club's money that impacts the budget.

Mr. Lambers advised the golf cart issue would be submitted to the Governing Body for discussion, with bids being solicited. He stated it would probably be his position that the City cover the current lease's outstanding balance due, and that a lease program be set up within Ironhorse's budget that will not be detrimental as it currently exists.

Mr. Bussing asked that instead of the capital improvement schedule for the golf course set up on a yearly basis, that it be organized by priorities.

There being no further business the meeting was adjourned the meeting at 7:45 P.M.

Emily Watson, Deputy City Clerk