

Minutes

Audio Tape No. 642

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 5:30 P.M., on Monday, November 15, 2004. Mayor Peggy Dunn presided.

Councilmembers present: Dr. Gregory Peppes, Scott Gullede, Gary Bussing, Jim Rawlings, Mike Gill [via teleconference] Louis Rasmussen, James E. Taylor, Sr., and Debra Filla.

Ironhorse Advisory Board Members present: Dick Fuller, [Chair], and Jim Dickson.

Orion Management personnel present: Shane Gardner and Matt Roberts.

IRONHORSE personnel: Pete Spratlin, Superintendent

Staff present: Scott Lambers, City Administrator
Chris Claxton, Director, Parks and Recreation
Kathy Rogers, Finance Director
Joe Johnson, Public Works Director
Deb Harper, City Clerk

1. Discuss IRONHORSE Golf Course

Mayor Dunn called the meeting to order. Chris Claxton made an opening statement.

Matt Roberts gave a power point presentation entitled, "Ironhorse Golf Club: Leawood's Masterpiece." [See Attached] Highlights of the presentation included a brief overview of the 2004 Business Plan Goals, various ways Orion has built up the Club enabling it to be a viable competitive leader among area golf clubs, debt reduction, capital expenses, actual number versus budgeted numbers for rounds, memberships, corporate events, financial projections and what support the Club currently needs from the Governing Body to remain in its competitive position. Mr. Roberts pointed out that Golf Digest Magazine rated IRONHORSE as the No. 3 golf course in the United States for Public Facilities and No. 1 in the State of Kansas. Additionally, Kansas City Magazine rated IRONHORSE as the No. 1 Public Facility in Kansas City, which continues to be recognized as a premier facility.

Dick Fuller, Chair of the IRONHORSE Advisory Board, stated the golf course committee continues to feel the management of the course is excellent and the repeat business speaks highly of the management style, especially in this tough competitive market over the last couple of years.

Mayor Dunn confirmed with Mr. Roberts that public golf courses are not able to make up the rainy days either and that there is not one particular facility that is identified as a strong competitor against IRONHORSE. Collectively, there is a lot of competition in today's market.

Mayor Dunn stated she is impressed with the figure that 49% of all rounds are from Leawood residents. She consistently gets compliments on IRONHORSE. Mr. Roberts stated IRONHORSE is becoming more popular with the growth in the south area.

Councilmember Taylor confirmed with Mr. Roberts that closing of private golf courses in the off season has some effect on IRONHORSE. He doesn't have any confirmed figures on this, however some of those golfers come over to play when other courses are closed.

Councilmember Mike Gill joined the meeting at 6:30 P.M. via teleconference.

Councilmember Taylor confirmed with Dick Fuller and Matt Roberts that Corporate outing package deals would include going to Ironwoods Park and using the Lodge.

Councilmember Gullledge asked what the amount of expected revenue was for the 12 days that were lost this season. Mr. Roberts stated the average would be \$8,000-9,000 per day.

Councilmember Peppes confirmed with Mr. Roberts that approximately 50% of the golfers that come to IRONHORSE due to other private golf courses being closed, obtain a membership, and that the net amount of \$358,000 revenue of rounds on corporate events includes food and beverage.

Mr. Roberts confirmed with Councilmember Rawlings that the latest tee time during the main season would be changed to 5:00 P.M. An evening twilight was started at 6:00 P.M. for \$25.00 that includes a golf cart and encourages golfers to come out and play maybe 9 holes before dark.

Councilmember Bussing complimented Orion for their work and dedication they have done. He confirmed with Mr. Roberts that the 29,000 projected rounds include the 4,100 corporate rounds. He asked about the program on every other Saturday for 14 weeks that blocks off 25 prime Saturday morning tee times for golfers that have already paid a discounted rate to play the course. A golfer paying \$40.00 per round is replacing another golfer paying \$75.00. A number of these programs need to be looked at to study the true cost of these programs. Mr. Roberts stated they are looking into modifying some of these programs. As the business plan is formed for next year, Mr. Bussing suggests management review how to leverage the current strength of IRONHORSE in this tough environment and competition from other courses. One strong strength is the location of IRONHORSE. He also encourages Orion to sharpen marketing, specifically targeting residential neighborhoods in and around IRONHORSE that would be more inclined to use the course or obtain a membership. Corporate Events are a good tool for driving revenue, and suggested tapping into some sources of companies that they could approach. In the future, Mr. Bussing suggested the Business Plan that is presented annual to the Council be scaled down. He would prefer Orion devote their time to raising revenues.

Additionally, Mr. Bussing does not feel that increasing the fees for 2005 is the answer, when revenues are declining. Orion should have the capability of implementing creative measures to get more golfers playing to fill the time slots that have no players. Ms. Claxton stated some fees will be raised, however, some will be lowered, also. Mr. Roberts stated no daily fees will be raised. The Triple Crown Membership fee is the only one that will be increased.

Mr. Bussing asked that Orion continue to be mindful of the budget amounts. The City is providing subsidies, however at some point assistance from the City will end.

Councilmember Filla asked Mr. Roberts what percentage of residents are playing the rounds. Mr. Roberts stated the Triple Crown and tournament rounds account for about 11,000 of the 29,000 rounds. A majority of residents compile the Triple Crown, the Junior and Conductor's Club membership. Mr. Rasmussen stated that amount is unknown because they presently don't have the capability to tract this information. Mr. Gardner stated they would be updating their computer software programs to better track the number of rounds that are played by individual golfers and other tracking information.

Councilmember Filla asked Mr. Gardner about the break down on revenue figures for the golf shop and food and beverage. The golf shop revenue has decreased due to the competition from golf discount stores that are under selling golf products. The profit for food and beverage have been very good. Councilmember Filla asked what year the golf course will break even or realize a profit. Mr. Dickson stated the golf course provides a steady stream of property tax revenue due to the value of the surrounding homes increasing 35-40% after the course was built. The golf course will be paid for in 11-12 years and the bond debt will be retired, which historically is a short time. When the course was built, the rounds were projected at approximately 30,000, however the high level of competition from area courses was not anticipated.

Councilmember Filla confirmed with Mr. Roberts that the clubhouse is rented during the off-season. Approximately 11-12 groups rent the clubhouse during the holiday season. They also solicit for non-golf events.

Councilmember Gill stated he would concur with Mr. Bussing in freeing up a significant block of tee times to full paying members to get a higher revenue per round. Walk-in golfers should be given the opportunity to play instead of having time frames blocked off and then having no-shows. Secondly, he also echoes Mr. Dickson's comments regarding the significant increase in property values of the surrounding residential area.

Mr. Lambers stated the City is in the process of accelerating the CIP process, which currently contains a plan for a \$500,000 creek stabilization project in 2005 and then a major stormwater [SMAC] project in 2006. Discussions were conducted with the engineers about either doing the improvements all at one time or spread them out over 3 phases. At all points during these phases, 2/3 of the course will be under normal conditions and would have no interruptions. A chilling effect could be felt if these improvement projects were spread out in phases, because the golfers would not get the same experience with all of the disruptions. Mr. Lambers is concerned, starting in 2005, that IRONHORSE will experience a degradation of golfers. Even though the City benefited from other golf courses being shut down this year, the City will have the reverse

effect next year and will not realize any growth. Councilmember Gill stated he felt there will be at least 2 major course that will be closed next year.

Mr. Lambers referred to an earlier memo distributed by him that stated in the 2006 budget process that because the City's golf course is an Enterprise Fund, it will require a year-end transfer of funds in order to have a positive balance at year's end. He is suggesting the Council consider a mill levy increase in order to cover the debt service of the course each year until the debt is retired in 2015. This mill levy increase will be on a declining scale, beginning with .83 mills. The golf course could then meet its operational obligations except for major capital improvements. The golf course can be solvent at that time, if the transfers occur each year. If not, as much as \$200,000 – 400,000 will need to be transferred as part of the budget process each year, which may require a draw down on the contingency funds. In 2003, the shortfall was \$165,000, and the City is anticipating approximately \$400,000 in 2004.

In preparing the CIP, the question is whether these improvements, which is now estimated at \$11 million should be done over a 3-year process or collapse the time frame and consider incurring debt for this. These improvements need to be considered in the CIP process and when drafting the Business Plan in 2006, if the Council is going to proactively provide a direct support for the bond and interest payment as part of the budget until 2015. The City cannot continue to raise the rates for a revenue source. In 2005, no significant changes are forecasted, however the business plan, the CIP process and the mill levy increase(s) will require review for 2006. A decision will need to be made by June, 2005.

Councilmember Bussing perceives the course to be an asset to the City and is in favor of shutting the course completely down for a short period of time, rather than IRONHORSE developing a reputation for 3 years of always being under repair. These issues need to be fixed quickly.

Councilmember Gullede clarified with Mr. Lambers that the .83 mill levy would be initiated in 2006, and the net effect of the mill levy would be .75 in 2007 and 2008. Mr. Lambers stated he didn't think there would be a sufficient amount of excess cash flow to offset a mill levy increase.

Councilmember Rasmussen stated the creek bank stabilization project has been pending for a long period of time and is a serious problem that needs attention. The scope of the project has been expanded, including an increase in the cost. Just recently, the City lost approximately \$500,00 when there was an interruption to the greens. Consideration needs to be given to the option of the City lose \$500,00 per year for 3 years if these projects were done over a 3-year process; or if it would be more advantageous for the City to experience the loss in a one year period.

There being no further business, the meeting was adjourned at 7:15 P.M.

Deb Harper, CMC, City Clerk