

**Minutes**

Audio Tape No. 687

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 6:30 P.M., on Monday, January 14, 2008. Mayor Peggy Dunn presided.

**Councilmembers present:** Lou Rasmussen, Debra Filla, Jim Rawlings, Gary Bussing, Gregory Peppes, and James Azeltine.

**Mayor/Councilmembers absent:** Mike Gill and Scott Gullede.

**Staff present:** Scott Lambers, City Administrator  
Patty Bennett, City Attorney  
Kathy Rogers, Finance Director  
Chris Claxton, Parks & Recreation Director  
Theresa Lodde, Senior Accountant  
Karry Rood, Accountant II  
Pete Spratlin, Golf Course Superintendent  
Deb Harper, City Clerk

**Others present:** Shane Gardner, Orion Management Solutions, Inc.  
Matt Roberts, Orion Management Solutions, Inc.  
Dick Fuller, Chair of IRONHORSE Advisory Board  
7 area Leawood residents

**1. Opening Remarks**

Mayor Dunn called the Work Session to order at 6:30 P.M. The purpose of the meeting is to discuss the IRONHORSE Golf Course Business Plan as submitted by Orion Management Solutions, Inc. Introductions were made by those present.

City Administrator Scott Lambers reviewed that the Work Session is a result of receipt of the Business Plan, to which the Staff and Councilmember Bussing had questions. Orion responded to the approximate 40 inquiries, which has certainly helped in providing a more detailed understanding of what is going to occur. Clarity is still needed with regards to the staffing. The Business Plan identifies a number of positions and salary ranges; however, it fails to identify hours and days worked. The positions need to be specifically budgeted for evaluation purposes, both for the benefit of Orion and the City of Leawood.

2. **Discuss IRONHORSE Golf Course Business Plan as submitted by Orion Management Solutions, Inc.**

Regarding the two categories of Player Assistant Marshals on pages 2-3, Orion General Manager Shane Gardner confirmed for Mayor Dunn that a revised staffing plan was submitted in which the number of marshals in the first category receiving a salary of \$8.50-\$10.00 per hour has been reduced to just one position rather than 12-20. He continued that this position will actually be participating in scheduling duties. The second category with a salary range of \$6.50-\$8.00 per hour is proposed for 12-20 positions. In the past, these were volunteer individuals that will now be paid employees. As most of them are retirees, it is hard to say how many hours they will desire to work. The proposed total labor cost of \$42,812 for Player Assistants, as seen on page 5, reflects 21 positions.

Parks & Recreation Director Chris Claxton reviewed for Councilmember Bussing that the reopening of the golf course was originally slated for Memorial Day, but the date was changed to May 1<sup>st</sup> following submittal and approval of the 2008 Budget.

Councilmember Bussing cited a portion of the Business Plan from page 1 as:

“Since the golf course will be open sooner than this (May 1<sup>st</sup> opening), staff members will need to be hired sooner than expected and the training will need to begin almost at once. Of course this will mean higher expenses, but this will also be offset by higher revenues. Merchandise sales will be higher, and that will correlate to a higher cost of sales.”

He then asked what would happen if expenses are incurred without the development of expected revenue. Mr. Gardner stated that he is very confident that the revenue will occur simply because the weather will be optimal for golfers. The costs for extra labor expenses will be minimal compared to the additional revenue, which could generate \$200,000-\$300,000 based upon past reports for the month of May. Labor expenses are estimated at \$40,000-\$50,000 during this month.

Noting that the plan contemplates an April 1<sup>st</sup> opening date for the practice area, Mr. Lambers cautioned against this date as the clubhouse is currently undergoing renovations with a projected completion date of March 30<sup>th</sup>. As the various projects will most likely not be complete on time, a more feasible opening date would be mid-April at best.

Referring to page 4, Mr. Gardner confirmed for Councilmember Bussing that the owner (the City) rather than Orion is responsible for covering the costs in providing uniforms for all paid employees.

Councilmember Bussing requested clarification regarding Orion's response to the Staff comment within the plan of, "there is to be no 'bartering' for services in the exchange for golf privileges." The response is that "Orion simply provided an opportunity for the City to trade rounds of golf in a tournament type format for advertising. This opportunity existed, so Orion presented it for the City to make the decision." Per the current contract, Mr. Gardner stated that this type of item must be approved by the City Council. In the past, Orion has traded advertising services for golf tournaments through the IRONHORSE Advisory Board with subsequent approval of the Business Plan by the City Council.

Mr. Lambers stated his position is that it is a better business practice to pay for the advertising. The bartering issue does require City Council approval, which will be presented as separate proposals on future agendas. This approach is typically not the way that the City conducts business and may cause issues with the auditors. As the City is a public rather than private entity, every financial value must be accounted for.

Finance Director Kathy Rogers informed Councilmember Azeltine that in terms of an accounting method to reconcile bartering transactions, a fair value for the items would be needed in order to assess which portion of the value is applicable towards sales tax remittance. The City is not exempt from paying sales taxes on services and items provided at the golf course.

Mr. Lambers furthered that the method would create problems and would be of little benefit. He confirmed for Councilmember Rasmussen that it is his recommendation not to use bartering practices, which is already spelled out in the contract with Orion. Mayor Dunn noted that individual requests for bartering may be presented by Orion and decided upon by the Governing Body on an individual basis.

Mr. Gardner informed Mr. Lambers that complimentary golf for employees is restricted to Monday through Friday and after 2:00 P.M. on Saturday and Sunday. Mr. Lambers requested that this language be inserted into the Business Plan.

Mr. Lambers stated it was brought to his attention by Mr. Gardner that minimum wage has been increased by 15-cents, which will affect the proposed wages for the marshals by approximately \$2,000. However, this should not create an issue as the difference will probably be offset by rain days.

Moving on to the statement regarding total labor for Player Assistants on page 6 of, "The above total (\$42,812) does not factor training that needs to take place when a new crew; or a new person is hired," Councilmember Bussing inquired as to the anticipated training costs. Mr. Gardner stated that the costs should not exceed more than \$1,000 per year. The additional costs would fall on the responsibility of the City.

Councilmember Bussing also questioned the proposed linear pro-ration of \$233.35 per month for Triple Crown Club membership fees at \$2,800 per year. As the true value of the club is maximized during the prime golfing months, he suggested that this be reconsidered. Councilmember Filla agreed with this line of thought. Councilmember Rasmussen suggested proportioning the rates based upon rounds played by month. Mr. Gardner pointed out that the rates should not be an issue this year since the golf course isn't opening until May. He agreed to rethink the monthly rates for the 2009 season. Councilmember Bussing suggested offering late joiners during the months of October and November the rest of the year free if they would commit to a Triple Crown Club membership for the next year.

Ms. Claxton clarified for Mayor Dunn that the answer to question No. 7 [page 7] is actually addressed under question No. 9. She apologized for the error in formatting the document.

Councilmember Bussing further suggested that the Business Plan should contain a level of specificity so that a second party, other than Mr. Gardner, could implement if necessary. For example, the answer given under question No. 9 should spell out who will be making phone calls/e-mails and what the calls/e-mails will be in reference to. More details should also be provided regarding the proposed open house events. He would like to see a list explaining who will be responsible for each duty, a schedule for the duties, the associated costs, and the expected outcome of the task. The Business Plan as written provides an understanding of what will be done, but does not give a sense of how things are intended to be accomplished.

Mr. Gardner agreed to provide the information requested by Councilmember Bussing.

As seen on page 8, Councilmember Filla noted that the Business Plan proposes charging \$500 per school, per season for school activities while other courses offer the same service at a rate of \$100. She stated concern that the cost differential would cause the schools not to participate with IRONHORSE. Mr. Gardner responded that although other cities charge the lower rate, Overland Park, for example, does not include practice balls with the package but allows the school to run a tab. Most schools are willing to pay the \$500 in order to be provided the practice balls while avoiding a separate invoice.

Mr. Lambers and Mr. Gardner discussed the analysis of the tournament charges and gratuity rates on page 10. The gratuity charges are related only to food orders. It was also confirmed that the price and net revenue listed for domestic kegs on page 11 is correct.

Mayor Dunn noted the cost differentials between the men and women's leagues on page 12 and the associated comment of, "Orion feels that granting them (female golfers) a lower rate is a positive move toward growth." Mr. Gardner clarified that the \$32 per play charge for men is due to the fact that the league members are all of senior age. The women are charged \$40 per play. The regular rate for non-senior men is \$60. It was suggested that the pricing be staged based upon consistent rates for seniors and pay-in-advance clients of either sex rather than the approach of different costs between men and women. Mr. Gardner agreed to make this change.

Regarding question No. 18 on page 13, Mr. Gardner clarified for Mr. Lambers that the members of the league for the Church of the Resurrection are charged a pre-paid \$20 rate for twelve weeks of 9-hole golf play. These members receive a \$10 discount as the regular rate for play would be \$30.

Moving to question No. 19 pertaining to golf shop merchandise, Mr. Lambers questioned the extent to which it is appropriate for the City to use its financing capabilities for the involvement of retail activity. He reminded that in response to such questions last year, he proposed that Orion be given full responsibility for the Pro-Shop, food and beverage, alcohol, and driving range. The management company could then derive the profits. As Orion declined this proposal, the City is in the business of purchasing, tracking, and selling merchandise followed by annual reconciliation.

To this issue, Mr. Gardner recalled that Councilmember Gill opposed the proposal as he did not believe in parceling things out in this manner as it would create a divided loyalty among the job duties of Orion's staff. Irregardless of this comment, Mr. Lambers noted that Orion ultimately declined the offer and ended discussions on the topic. He would still recommend consideration of allowing Orion full operation of the above mentioned divisions while the City would keep the green fees and cart fees to offset maintenance of the golf course and cart expenses. Mr. Gardner remarked that he would be open to future discussions on the topic. Mr. Lambers stated if such an agreement is made, he would prefer that it be effective for year 2009. Mayor Dunn noted that the information would be needed by June of this year for budgetary purposes.

Councilmember Filla asked if other options could be pursued such as asking an actual golf merchandise retailer to set up and run a satellite shop at IRONHORSE. Mr. Lambers stated this could be considered in lieu of his recommendations upon renewal of Orion's 2009 contract, which will take place in the Fall of 2008.

It was determined that the City will maintain responsibility for purchasing the retail merchandise during 2008 with further discussion to take place regarding a change in operations for the 2009 season. Mr. Lambers confirmed for Councilmember Rasmussen that Orion has the authority to determine the sale prices of the merchandise; however, per the contract, they cannot sell distressed merchandise below costs. They are allowed to reduce prices in accordance with a merchandise schedule. Further discussion took place regarding the approximately \$35,000 worth of leftover merchandise at the end of 2006. These items will be placed back in the Pro-Shop upon reopening in May.

Mayor Dunn stated that the goal would be for Mr. Gardner to be as prudent as possible in stocking the shop to avoid surplus merchandise at the end of the year. She expressed favor with the recommendation of eventually turning the retail operations over to Orion.

Mr. Lambers informed Councilmember Peppes that the leftover merchandise to be placed back in the shop will be marked down to almost cost.

Councilmember Filla noted that with the Clubhouse open year-round, there will be opportunity for people to purchase Christmas gifts, etc.

Councilmember Azeltine asked if it would be possible to sell the lot of surplus merchandise at the end of the year to a single entity in order to simplify the accounting process. Mr. Lambers advised that this would not be possible for most of the items that contain the IRONHORSE logo. Some of the current leftover items have been set aside to present as gifts to the Gezer Region and I-Lan delegations. Councilmember Azeltine stated his main concern is to avoid an auditing violation. Mr. Lambers pointed out that his recommendation will circumvent such issues.

Mr. Gardner verified for Mr. Lambers that there will be signs posted on the floor of the Pro-Shop regarding the marked down merchandise. It has been suggested by Ms. Rogers that the cash registers be programmed to scan the discounted prices in the future.

Councilmember Bussing called attention to question No. 28 on page 17 regarding the building of daily rounds of golf outside of programs. He stated that he would be interested in further details on how Mr. Gardner plans to implement his submitted ideas.

Councilmember Filla asked if the fees for rounds of golf were available in a two-tiered pricing arrangement for Leawood residents and non-residents, such is done with other Parks & Recreation programs. Mr. Gardner stated that residents receive a \$5 discount from the rate. He affirmed that tracking takes place for rounds of golf played in the categories of club members versus non-members; however, more effort would be required to separate the residents from non-residents. Councilmember Filla stated she would like to ascertain how many community members the golf course actually services. Mr. Gardner stated this information will be somewhat difficult to collect as statistics are not always obtained from every single customer.

Mayor Dunn recalled that prior discussions regarding tracking gleaned the fact that the Eden system would provide more information. Mr. Lambers stated that rounds by residents will be tracked, but the system will not discern the identity of the individual golfer playing each round.

Mr. Gardner informed Councilmember Rasmussen that Leawood resident cards were utilized when the course first opened in 1995. At the present time, however, information is obtained from the golfers' driver's license. Efforts are made to collect as much information as possible from guest customers in order send them future mailings. Councilmember Bussing suggested holding raffles for merchandise by having people drop their business cards or written information in a bucket, which would provide addresses to extend the mailing list.

To Councilmember Azeltine's inquiry, Mr. Gardner estimated that 20% of the rounds from the last season were played by individuals belonging to the various program categories.

On the topic of radio advertising on page 20, Mr. Gardner stated that the preferred host to record a spot is Denny Matthews, who has done recordings for IRONHORSE in the past. He clarified for Mayor Dunn that Mr. Matthews, in addition to others, will perform the service at no charge. The actual advertising time will require payment at an estimated cost of \$12,000.

Mayor Dunn and Mr. Gardner discussed the \$18,000 deficit needed for marketing [page 23]. The deficit will be addressed by trimming off the billboard advertising in addition to other marketing budget reductions.

Referring to the request made by Orion on page 25 for direction from the City on goals for a hole sponsorship program and possible benefits to be offered to the advertisers, Mr. Lambers stated the program should definitely be reinstated. He asked Mr. Gardner to submit a proposal containing the rates and associated benefit for each hole. Mr. Gardner advised Mayor Dunn that the previous sponsorships were set for three year terms. He informed Councilmember Filla that it is desirable to sell the sponsorships at extended periods of time (2-3 years) due to the associated costs of creating, installing, and maintaining the granite signs illustrating each company's logo.

Councilmember Bussing offered the suggestion of using less expensive material for the signage and charging a cost of \$2,500 per year for advertising on the four main holes with a discount given if three years are purchased. Mr. Gardner commented that there would still be associated maintenance issues with the signage. Mayor Dunn remarked that changing the sponsorship costs from the current rate of \$16,000 per three years to the suggested \$2,500 per year is too much of a reduction.

Councilmember Rasmussen pointed out that the IRONHORSE Advisory Board initially advocated the program with much success. He suggested that issue be directed to the committee with a recommendation presented to the Governing Body. Consensus for agreement with Councilmember Rasmussen's suggestion was obtained by Mayor Dunn. Mr. Gardner stated that efforts of selling the sponsorships will begin as soon as possible.

It was noted that the expenditures needed to create brochures and provide presentations for the sponsorships is not included within the budget nor is the revenue. The item was front-end marketed in the past. Councilmember Bussing stated he is more than willing to entertain the additional expenses but would like to see the items in the context of a completed plan.

Mr. Lambers reiterated that more detail is needed concerning staffing estimates.

Councilmember Rasmussen noted that the golf course has historically paid operating costs, excluding debt. Mr. Lambers verified that the budget does not contemplate an operating margin by the end of 2008 nor does it contain calculations for depreciation. It is estimated that there will be a negative operating margin at the end of 2008 due to current maintenance costs that are not generating revenue.

Mayor Dunn thanked Mr. Gardner for his efforts in answering the submitted questions regarding the Business Plan.

Councilmember Peppes shared his excitement about the reopening of IRONHORSE as he has always had very good experiences while visiting the course. Although the specifics within the Business Plan need to be settled, he stated that he does not want the City to ultimately run the golf course as Orion has done an incredible job in the past. Councilmember Azeltine concurred with Councilmember Peppes' statement.

There being no further business, Mayor Dunn adjourned the Work Session at 7:45 P.M.

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Christy Wise, Recording Deputy City Clerk