

**LYNNWOOD PARKS AND RECREATION BOARD
MEETING MINUTES ~ March 6, 2013**

10. Call to Order – The meeting was called to order at 7:10 p.m.

20. Roll Call

Boardmember Bluford
Boardmember Cheek
Boardmember Gilbertson
Boardmember Megill

Councilmember Smith
Director Sordel
Parks Planner Cowan
Administrative Assistant Flesher

30. Approval of Minutes – January 2 and February 27 - Approved.

40. Written Communications – None.

50. Public Comments – None.

60. Comments from Boardmembers.

60.1 Boardmember Cheek

- announced that Edmonds Community College would hold a free eWaste recycling event on March 16 from 10:00am-2:00pm on campus.
- complimented the new City website. The setup is more efficient and easier to navigate.

60.2 Boardmember Gilbertson

- also applauded the work on the new website.
- asked if the budget for Recreation Center utilities had been transferred to the department from Public Works. Director Sordel indicated that it had. Boardmember Gilbertson asked if any cost savings could be used to address staffing issues? Director Sordel indicated that staff wants to look for efficiencies; it will take time to do an assessment for any cost savings.
- asked if the Board would have an opportunity to provide input on citizen survey questions. Director Sordel responded that this would take place later in the year. Boardmember Gilbertson suggested working closely with the Diversity Commission.
- asked about the Rowe property and suggested there might be a chance to engage Edmonds Community College students for a service learning project. Parks Planner Cowan noted that there is a complete master plan for the park, but no funding for development. Director Sordel indicated that staff would present the master plan to the Board at a future meeting.
- asked if staff is satisfied with available hours at Cedar Valley Gym. Director Sordel responded that we have been serving the community and taking in revenue since January.

- asked if the RBF fund had been exhausted? Director Sordel will provide an update to the Board. Boardmember Gilbertson expressed concern that the sequestration would hit the vulnerable population hard. Boardmember Gilbertson asked if Verdant Health Commission might be interested in investing in RBF. Director Sordel noted that this hasn't been their mission.

60.3 Boardmember Bluford

- appreciated the due diligence that staff had done for the February 27 meeting on the Golf Course. Director Sordel thanked Boardmembers for attending that meeting. Councilmember Smith noted that it means a lot to the Council as well.

60.4 Boardmember Megill

- indicated his work schedule would prevent him from attending meetings on Mondays. He thanked Boardmembers who attended the March 4 meeting.
- asked that a new member roster be sent out.

70. Resolutions and Other Business.

70.1 Election of 2013 Officers.

Boardmember Gilbertson, seconded by Boardmember Bluford, nominated Boardmember Megill as Chair for 2013. Motion passed unanimously.

Boardmember Gilbertson, seconded by Boardmember Bluford, nominated Boardmember Cheek as Vice Chair for 2013. Motion passed unanimously.

70.2 Golf Course Discussion. Director Sordel indicated that City Council would continue discussion of this item at a Special Work Session on Monday, March 11. There will also be an opportunity for public comment at the Business Meeting that same night. There is also time scheduled on March 18 and a final decision is anticipated by March 25.

Director Sordel relayed the City Council President's request that the Board take action to provide City Council with its recommendation about the plan proposed for the Golf Course.

Boardmember Cheek asked about the green fee increased listed in the Pro Forma in 2014, 2016 and 2018. Is it the precedent to increase green fees every two years? Director Sordel indicated that, with an eye on the market, green fees have generally increased every two years. He indicated that other municipal golf courses using private management have saved money in salaries and administrative fees charged by their respective cities.

Boardmember Cheek asked about the management fee and salaries paid to the private operators. Director Sordel indicated that the management fee is a separate from the cost for Pro Shop salaries.

Director Sordel highlighted the customer database, social media, online booking and call center available through private management companies.

Private management has the ability to be very creative with promotions and bundling of services. The City would still maintain full control of decisions related to price points, menus, merchandise, etc.

Boardmember Cheek asked if any other municipal courses did not own their land. Director Sordel indicated that no other courses are in this situation, but they are all still paying bonds. Tukwila's Council waived the administrative fees while they are still paying the bond.

Boardmember Cheek asked whether 50% of any profit would go to Edmonds Community College per the lease agreement. Director Sordel indicated that the legal team would need to interpret that part of the lease. The Golf Course has a negative cash balance that has to be settled.

Boardmember Bluford asked if the language of the lease was being evaluated. Director Sordel indicated that the legal team would be looking at the lease. He isn't sure if that will happen by March 11, but it will by March 18. The City Attorney will be engaged to review the lease.

Councilmember Smith indicated that it would be important to explore various scenarios as they relate to the lease agreement. For instance, if the City closed the Golf Course and sold the property, would half the proceeds of that sale be owed to the college? There are many scenarios that need to be vetted.

Boardmember Cheek indicated that EdCC VP McKay's biggest concern was his responsibility to the college and state to get a return on their investment. He expressed questions about the lease and the consequences of the various scenarios. Director Sordel noted that he had shared his full report with VP McKay.

Director Sordel noted that the parking is inadequate for Golf Course use. Boardmember Cheek indicated that parking is a real problem on campus. Director Sordel noted that parking would become even more of an issue if we offer better amenities and increase rounds.

Boardmember Gilbertson suggested that potential private operators might be concerned about parking and the lease with the college during the RFP process. There might not be a lot of interest. It would be important to have some of the issues clarified for the RFP. Boardmember Gilbertson highlighted that Lynnwood has an excellent wet weather course.

Boardmember Gilbertson noted that golf rounds began deteriorating at least ten years ago. Director Sordel indicated that the private sector indicated that 2006 levels are doable. They also indicated that Lynnwood has a larger tee time separation than most courses. Boardmember Gilbertson suggested staff provide such detail to justify the projected increase in rounds.

Boardmember Gilbertson indicated that the collaborative part of managing multiple local courses is very important in selling the use of private management. That might be something to build in to the RFP.

Boardmember Gilbertson asked for clarification about items included under “Administration Operations” and why those costs are projected to increase over the years. Would there be any cost savings on those with a private sector manager. Director Sordel indicated that there is potential for savings but that would come out of the RFP process.

Boardmember Gilbertson stated that the Pro Forma is conservative on projected revenues. Director Sordel indicated that it only include rounds of golf and cart rental revenues. Boardmember Gilbertson suggested that a potential respondent to an RFP would want to know what type of investment is assured for parking and food/beverage operations. They might ask for a guarantee that the City would pay for such capital investments. Director Sordel agreed that private operators would want expanded parking, expanded cart rental capacity and expended food and beverage operations; they would expect the City to pay for those improvements.

Councilmember Smith expressed concern about the presentation because there are two separate issues – whether to use a private management company is the secondary issue. The primary issue is how we pay off the \$1.265 million debt. This is debt that has to be paid back; he doesn’t believe there is appetite on the Council for forgiving that debt. Before talking about investing in capital improvements, you must address how you’ll pay back the debt. Sell the course? Make a loan from general fund to the Course with a payback plan the state auditor will accept? The payback must be completed within three years. Could the General Fund loan that money to the Golf Course, with a plan to invest revenues to pay back the loan? Could the City turn around and make another three-year loan? The fundamental question is how you pay off the debt.

Boardmember Gilbertson suggested that the private management strategy reduces costs; that cost savings could go to pay back the debt. Right now, coming to Lynnwood as a private manager is not appealing. A local manager might be interested because Lynnwood adds to their menu, but the issues with the commitment to the college and the lack of capital improvements make it less appealing.

Councilmember Smith noted that it doesn’t matter if it’s a private management company or Lynnwood’s team. Neither has the ability to pay back the loan within three years. What would help Council would be creative ways to pay back that debt. Maybe there is a way to have the City forgive part of the debt, and then the Golf Course can pay back the remainder within three years. But that doesn’t leave any money to reinvest back into the Golf Course. Boardmember Cheek noted that also doesn’t take into account that 50% of revenues go to College. And is the debt repayment considered an expense before the net revenue is calculated?

Director Sordel noted that there are many unique circumstances involved. He indicated that the Finance Director has indicated that multiple 3-year loans would satisfy the state auditor. As an example, \$500,000 from the

sale of the warehouse could be transferred (debt forgiven) to cover that portion of the debt.

Councilmember Smith suggested that the opinion about the feasibility of multiple 3-year loans needs to be documented in writing by either the state auditor's office or the City Attorney. He is also concerned that the City Council might not be willing to cover that \$500,000. He is willing to argue for a plan, but he needs a concrete plan with legal backup, something that is endorsed by the Parks & Recreation Board. He really wants to see the Golf Course succeed, but it will require a clear, concise and cogent proposal that is endorsed by the Board. He also does not believe City Council will make a decision by March 25. He abhors a situation where the employees get shafted. If there is any way to retain current staff, he will push for it.

Director Sordel indicated that cost reductions will help to make the Golf Course sustainable. Councilmember Smith is willing to have a higher cost to keep current staffing. He wants to see market value of the warehouse space, and he also wants to see the formula for the administrative fees.

Boardmember Gilbertson asked if an auditor has looked at the administrative fee compared to, for instance, HR billing hours for hiring a Golf Course employee. Director Sordel indicated that this is not the process. Boardmember Gilbertson asked if the City Council could require that.

Boardmember Megill stated that, if the Council is looking at the Golf Course as a business, private management is part of that – making it a business rather than a City department. That is the direction we should go in.

Director Sordel indicated that Tukwila's Council, by policy decision, waived the Administrative Fees.

Councilmember Smith suggested that getting the City Council to waive the \$68,000 annual rent payments would be a pretty easy sell. Waiving the administrative fee is a more difficult sell because that money would have to be made up from somewhere else in the budget. He would make a strong push for justification of those costs, with actual numbers rather than a formula. It should be a coded line item on timecards. Director Sordel noted that the irony is that the Golf Course has been cutting staff for years.

The Board could potentially recommend that the City Council use \$500,000 to pay down the debt, and relieve \$68,000 a year from the rent costs. That would give the Golf Course the opportunity to be sustainable, assuming the ability to extend the 3-year loan at least once. Then a decision can be made whether to go with a private management model.

Boardmember Gilbertson suggested giving Golf staff additional time to prove whether they can make the Golf Course more profitable. Director Sordel suggested that, without the marketing tools he's explained, we'd be unable to increase rounds and revenues. The management fee is, in effect, buying all of those tools in their arsenal.

Councilmember Smith indicated that one of the Decision Packages increased Marketing Supervisor Olson's hours to full-time. Is there any

capacity for her to take on marketing of the Golf Course? Perhaps we could purchase a commercial package to use online reservations or an app for mobile booking. Director Sordel indicated that Ms. Olson does work with the Golf Course, but without the tools the private sector has it is very difficult. Councilmember Smith believes that the costs savings from a private management company will be short-term. They are in it to make money.

Boardmember Megill suggested that, for a private management company dealing with other local courses, Lynnwood offers another tool in their toolkit.

Councilmember Smith noted that the Lynnwood Convention Center has had four managers, hired by the management company, since it opened. Director Sordel noted that Seattle has had its operator for ten years.

Boardmember Gilbertson suggested that there is a unique circumstance at Lynnwood because of the relationship with the college. It is important to foster that relationship.

Boardmember Gilbertson suggested that the hitting area and concessions have to be a part of this. As came out in the Lynnwood visioning – even though it is an enterprise it benefits the environment, offers green space and a walking path, and is part of a recreation menu. He totally opposes the idea of selling the Golf Course.

Director Sordel asked if the Board wanted to take time to discuss further before making a recommendation to Council. Some of the complex questions might take more time to work through.

Boardmember Megill would like to get comments from Boardmembers not in attendance regarding any recommendation to City Council. Boardmember Bluford suggested working via email. Director Sordel noted that someone could speak to City Council and let them know that the Board is formulating a recommendation.

Boardmember Megill wants to see the Golf Course succeed. It can be a success similar to that of the Recreation Center if it is given the tools and amenities it needs. We want to eliminate the disadvantages when compared to other courses. The staff does a fantastic job and he questions what it would look like with a private company. But we have to look at the big picture and the sustainability of the Golf Course moving forward. He thanked Councilmember Smith for his suggestions. It is important to work collaboratively. He asked if the Board should make recommendations regarding the \$500,000, \$68,000 and \$137,000. He would like the full Board to weigh in on the recommendation, below.

This Parks & Recreation Board believes the Golf Course is an asset to the community. It provides green space and is an important part of Lynnwood's recreation menu. It should not be sold. The Board makes the following recommendations to City Council:

- *From the Proceeds of the 2011 Warehouse Sale to EdCC:*

→ Apply \$500,000 to the debt.
→ Invest \$43,000 in the hitting area.

- Use 2012 City budget saving - approximately \$153,000 - to invest in expanded eating/sitting area.
- Waive the annual rent fee of \$68,000.
- Waive the \$137,485 owed for overhead rent payments in 1996.
- Request that the City provides justification of administrative fees charged to the Golf Course.

Boardmember Gilbertson suggested that, if the auditor doesn't require a decision by the end of March, then there doesn't need to be a push. He would like clarification on this deadline. Councilmember Smith assumes that the 90-day deadline does not require the plan be formalized within 90 days. Boardmember Megill also asked for clarification of the deadline. Boardmember Gilbertson noted that the RFP process also takes time. Director Sordel indicated that the RFP process is about 90 days. Councilmember Smith noted that, pushing the RFP process off by a few months doesn't hugely affect the bottom line. According to the Pro Forma, the Golf Course will be in positive cash flow starting this year whether we go to private management or not.

Boardmember Gilbertson asked – if the intent is for there to be a management committee between the City and college, should there not be some effort made to get their input?

Boardmember Megill suggested a quick meeting sometime to discuss the recommendation with other Boardmembers not in attendance tonight. It was agreed that staff would send a draft of the recommendation to the full board, for a vote or for continued discussion.

70.3 Comprehensive Plan. Postponed.

80. Staff Reports – None.
90. Messages from the City Council. None.
100. Adjournment – The meeting was adjourned at 9:30 p.m.