

June 13, 2024 by Janet Michels

HB Finance Commission Meeting with SCGA

Finance Commission Janet Michels, David Cicerone, Kelly Gates

City Council: Gracey VanDerMark, Pat Burns

Residents: Dave Chennault, Tracy Pellman (live on properties along Meadowlark)

SCGA: Craig Kessler, Kevin Fitzgerald (Public Affairs)

(Note this document includes all Michels questions, not all of which were discussed)

SoCal Municipal Golf Course Environment:

Approximately how many courses are there in LA/OC? Not discussed specifically, but municipal golf in LA/OC countries is currently very robust

Are they run primarily by private companies or also by city staff? Most cities discussed contracted out to management companies, a few have kept inhouse. Primary companies in this space are Troon/Indigo Sports, Arcis, American Golf , Touchstone

Are there are management/golf operations companies that are significant besides American Golf, Indigo and Arcis? See previous list, and in further research I found Kemper Sports also manages a number of SoCal courses. Which is the major player? American Golf but Troon seems to have interest in expanding. Any of them going bigger or getting out of the municipal course market? Not discussed but no evidence of consolidation

What is the top municipal course in the area? 9 hole or 18? None specifically identified but highlighted were:

Los Verdes (Palos Verdes)- Events at facility with killer views of the Pacific/Catalina
Penmar (Venice/LA County) – High end restaurant at short 9 hole executive course

Is 90,000 rounds weekly considered full capacity? Yes.

Do any municipal golf courses in SoCal focus on running large events to generate revenue? If so, what are the courses and the types of events? Not specifically answered but in the discussion, this was not featured

Do you believe the municipal golf courses in SoCal are generally financially healthy? SCGA believes there is great demand for public golf courses.

Is there a “price point” for these courses, beyond which rounds drop off? No number specifically mentioned, but SCGA challenged the assertion that you can “give it away to residents” and “way overcharge non residents” and it will pay for itself

even with half the rounds. They said to **be very careful** that you do not follow a model that has pricing inconsistent with the quality of the course you have and the area you are serving. Further, nearly all cities discussed in detail consider their courses to be a community benefit. Only Pasadena and Montebello cited had other objectives: Pasadena, to help offset Rose Bowl deficits and Montebello, to use land abutting 60 freeway for revenue generating purposes (Top Golf)

Meadowlark Golf Course

What is the potential upside for a short course like Meadowlark? Any similar examples come to mind? What is your assessment of Meadowlark? All agreed the course has been run down for many years and would require a major investment to make it an attractive offering. Investments exceeding \$10M (and much larger) were mentioned to bring the course AND the facility to attractive levels.

How does Meadowlark compare to the Newport Beach Executive Course? Why did the planned enhancements announced in 2016 not occur? SCGA did not know why the investment did not occur and were not specifically aware that the course property is owned half by a private owner and half by the County of Orange. Speculation that the new owner has not gotten long term lease commitments, which would prevent financing the upgrades. This is not confirmed and SCGA said they would try to find out.

What investment would be needed to bring Meadowlark up to top tier (ex: Tijeras Creek) in Orange County? Has there been such an example? Who did the investment and how did they pay for it? Tijeras Creek is not a good comparison since it is a regular course, which Meadowlark will never be.

Specific city projects discussed:

Ventura – financed an upgrade to their course through General Obligation Bonds (did not allow them to lease- this was a mistake; should have been Lease Obligation Bonds) Ventura wanted a place to retain their residents and draw from Camarillo etc to increase local business. Bonds almost paid off. Managed by Kemper Sports (this company not mentioned in meeting at all)

Pasadena- Have put their 2 city golf courses together with the Rose Bowl (this is a separate entity) Troon manages this for a pittance and they use the revenue surplus of the golf courses to offset the losses from the Rose Bowl.

Montebello- converted their run down course to 2 9 hole executive courses and installed Top Golf in property abutting the 60 fwy. Issued \$16.9M bonds for improvements. City controlled.

LA City – Manages their own courses (12) - not discussed at meeting, but LA has a standing Golf Advisory Committee that meets 4 times annually. City requires 14.7% of revenue to be set aside annually for course maintenance and improvements

Given the size and land locked location, do you envision that the course could be brought to a premier level and charge rates higher than other municipal courses while maintaining appropriate capacity of rounds?

All agreed significant investment is required exceeding \$10M. Chennault has spoken to the Chief Architect of Troon who went as high as \$20M. Course work needs everything from new irrigation, redesign of course (fairways very narrow; impacting play and neighbors) and facility has not been improved since built in early 1980s.

All agreed it will always be a modest course due to the property limitations . Ideas raised: make it a shorter “round the world course” and design holes to look like famous courses. Upgrade current course. Sell off the driving range to pay for improvements (would require voter approval) . NO specific conclusions.

City Oversight of Municipal Courses

Are there any cities in SoCal that you think do an excellent job with their golf courses? If so, who and what do they do well?

It seems the city of LA manages themselves due to the size of their operations, but most outsource to course management companies. NO other examples of cities with a small number of courses managing themselves

Are any cities trying to sell off courses? If so, to whom?
Not specifically discussed but no evidence that this is occurring.

Are any cities closing their courses, or re-purposing the land vis a vis to parkland (Fountain Valley) or for residential or commercial development? None cited

Are any cities investing in their golf courses to upgrade the course and/or facilities?
Yes examples given later in document. Direct city funded efforts made primarily through the issuance of bonds.

Are there other uses for these golf courses that could generate revenue for the city? (other than events, catering etc)
Not specifically discussed,

Financial Agreement Structure

What are the ways agreements with the management companies are structured?

- Straight property lease
- Revenue Sharing
- Outsource golf course operations and pay management fee (all course revenue goes to the city)

City of HB went from a property lease to a revenue sharing within the current lease structure from 1994. Lease has been sublet to Arcis (from American Golf) for the past 10 years. Allegedly, Arcis paid \$8M for the remaining 13 years of the lease.

Gross Revenue annually ~\$6M with the city getting ~\$1.2M Arcis has not maintained the course or facility, and it does not appear that improvements cited in the lease have been made. It does not appear that the City of HB has performed any inspections to ensure compliance with the lease. The current lease expires in early 2028.

Specific improvements in lease not achieved (Chennault)

- Waterwise irrigation system – use of reclaimed water for irrigation
- Lake lining and drainage improvements
- 2 tiered driving range

Miscellaneous issues discussed:

Irrigation issues and reclaimed water- significant flooding issues occurring, some have been for many years but more recent issues may be due to broken pipes and causing significant standing water. Concerns by residents of Zika virus (Pellman) and many calls to Meadowlark to address. According to Chennault, just resolving current year standing water this week.

Complaints about Meadowlark

Non responsive to resident issues and complaints

Hard to rent facility (exemplified provided by Pellman is that they would not allow her to bring in own caterer)

Complaints about City Staff

Non responsive to resident issues and complaints

Said “not my job” and “go to EPA” on concerns about Zika virus

DO not want task force to report to Staff due to lack of responsiveness and capacity

Opportunities for Federal/State/County Grants

Water focused – Arcis pays water bill and ~700M (what I heard) gallons used annually

SCGA Recommendations:

- Establish multi faceted task force to create a new vision statement for Meadowlark so an RFP for next phase of Meadowlark can be created with appropriate requirements:
- Include residents, golfers, consultants council, staff
- Consultants likely needed to work through specific design objectives
- New lease should be better crafted
- Need to be better inspected by City to maintain, monitor terms are being met
- Need to set aside \$\$ annually for maintenance and improvements or will fall into disrepair. Alluded that money should be dedicated specifically for this purpose