

SPECIAL MEETING

CITY COMMISSION

HARLINGEN, TEXAS

November 1, 2019

A Special Meeting of the Harlingen City Commission was held November 6th, 2019 at 4:30 p.m., City Hall, Town Hall Meeting Room, 2nd Floor, 118 E. Tyler Street, Harlingen, Texas. Those in attendance were:

MAYOR and COMMISSIONERS

Chris Boswell, Mayor
Michael Mezmar, Mayor Pro-Tem, District 3
Richard Uribe, City Commissioner, District 1
Frank Puente, City Commissioner, District 2
Ruben De La Rosa, City Commissioner, District 4
Victor Leal, City Commissioner, District 5

STAFF PRESENT

Dan Serna, City Manager
Amanda C. Elizondo, City Secretary
Timothy Sampeck, Asst. City Attorney

Call Open Meeting to Order

Mayor Boswell called the meeting to order, a quorum was established. He stated a notice of the meeting had been duly posted according to state law and the following proceedings were held.

Citizen Communication / Input

- John Callaway, 7521 Mile 1 ½ East, Mercedes, TX - supports the continuation of the Tony Butler Golf Course.
- Tim Elliot stated the quality of life is important for Harlingen and the Tony Butler Golf course is a great impact for the city and needs to be operated by professional management.
- Pat Cummings signed up for citizen communication, but did not speak.

1) Presentation by Staff regarding the Tony Butler Golf Course.

Carlos Sanchez, Asst. City Manager, made a presentation on the Tony Butler Golf Course (TBGC) and stated it represents a rich history in the community and adds value to the quality of life. This year marks the 90th anniversary of the golf course. The City has put great effort on the analysis and processes of the TBGC. The infrastructure requires maintenance and renovations. The golf course consists of 206 acres, a golf pro shop, golf carts, seventeen full time employees, and 16 part-time employees. It is located approximately 1,540 ft. of the expressway frontage, 1,200 ft. of Arroyo Frontage with a total of 27 holes (22 holes on the west side and 5 holes on the east side). On January 2nd, 2019, the City Commission authorized staff to enter into an agreement with National Golf Foundation (NGF) to provide the following services.

Comprehensive Review:

- Provide independent review of TBGC management & operations in consideration of NGF experience and industry best practices ;
- Identify a viable business model for TBGC that helps ensure long term sustainability;
- Identify potential revenue enhancement opportunities;
- Identify deficiencies and prepare capital improvement plan;
- Provide financial pro forma analysis under various scenarios

National Golf Foundation Findings, Key Issues:

- Popular municipal golf course that is losing market share
- Positives: Location; History; Strong Core Customer Base;
- Room for improvement: Marketing/Programming/Player Development
- Constraints to revenue growth: Golf course infrastructure well past time for replacement; insufficient budget & staffing; ceiling on green fees in market; competitive market at this price point; golf industry headwinds
- Typical life-cycle of golf course components is 20 to 30 years; TBGC well past this on all infrastructure

Recent Performance:

- Consistent decrease in rounds played from 39,000 in FY 14 to 32,000 in FY 18 (-18%);
- Total revenues \$130,00 less in FY-18 than in FY-14; steep decline of more than \$100,000 from FY-17 to FY-18;
- Overall operating expense budget was virtually the same in FY-18 as it was in FY-14, though labor costs increased – not a formula for success;
- The annual net operating loss since FY-14 has averaged more than \$200,000 with a cumulative loss of more than (\$1,000,000).

FY2018-2019

Revenues	\$ 858,791 (Services and Food/Beverages)
Expenses	\$ 1,028,405 (Not including Capital)
Operating Deficit	\$ 169,614

Rounds Played – 31,768

Mr. Sanchez stated National Golf Foundation made the following recommendations:

Operations

- The City continue operating the golf course and hire additional staff with a strong management background in financing
- Have more flexible fees and compete for tourneys;
- Set minimum and maximum parameters;
- Marketing – create marketing plan, direct selling, recruit and facilitate leagues, outings, and non-golf events;
- Cross-promotion, package deals, etc. with convention center and area lodging properties such as hotels;
- Programming and player development – lessons and clinics, reinvigorated Junior Program; women, millennia's, etc.

Mr. Sanchez stated in 2018, the City Commission approved an ordinance to reduce the green fees from \$2 to \$1 from July 1st, to December 31st, 2018. Net gain of 322 rounds played, but the end result was a loss of \$36,128 in revenues. Total rounds played during this period was 13,871, factoring about \$2 on an average and lost about \$3 per round.

Discussion was held in regards to the revenues and Commissioner Uribe asked if the revenues increased during this period in food and beverages due to increase in traffic. Based on the information presented the numbers did not match. There had to be other expenses.

Mr. Sanchez responded he would further review the numbers and provide a response. The average price was \$2 a round. The regular price of rounds is \$28 which includes the green fee and the golf cart and stated National Golf Foundation presented two options for an 18-hole course. He highlighted the following capital improvements.

CAPITAL IMPROVEMENTS

Option No. 1

"Infrastructure improvements only" – Rebuild/Replace major infrastructure components of holes 1-18 greens, tees, irrigation system, bunkers, drainage, etc.
Preliminary Cost Estimate: \$3.7 million;

Option No. 2

- "Transformative Renovation" of holes 1-18 "top" of golf course, where golfers can change
- Redesigning and enlarging greens
- Adding forward tees
- Lengthening course to 6,800 yards
- Enlarging and enhancing practice area
- New & wider cart paths
- Partial rerouting & other redesign elements
- Preliminary Cost Estimate \$7 million

The City could utilize the nine (9) holes on a rotation basis while improvements are made on the 18 holes course. The irrigation system for the golf course needs to be improved and the estimated cost to do this improvement is \$30,000 and improvement to the 18 holes and renovations is approximately \$2.6 million. Expected date of completion would be one (1) to two (2) years.

Commissioner Uribe stated the representation of the rounds was 60,000 at its peak and the lowest was 30,000. He asked if staff could identify what was the drop and if the country club had an impact on the operation of the golf course.

Dan Serna, City Manager stated National Golf Foundation had studied this situation and provided copies to the City Commission. There was a decline in national golf courses. National Golf Foundation proposed the following six (6) options.

Option #1

- Continue to operate 27-hole course
- Make no infrastructure improvements
- Continue projected operating deficit of \$526K annually (FY 2023)
- Projected negative fund balance continues to grow – will require payment of outstanding balance from General Fund
- Rounds of play do not support a 27 hole golf course as per study

Option #2

- Reduce to an 18-hole golf course
- Make no infrastructure improvements
- Reduce operating cost by \$94,000
- Projected operating deficit of over \$432K annually (FY 23)

- Projected negative fund balance continues to grow-will require payment of outstanding balance from general fund

Option #3

- Hire a 3rd party management company to operate the 27-hole golf course
- Estimate annual mgmt. cost of over \$100K plus percentage of revenues
- Make infrastructure improvements to 18-holes of approx. \$2.7 million
- Need to identify funding source for improvements
- Projected operating deficit – TBD plus possible \$231,000 debt service
- Projected negative fund balance may continue to grow due to additional cost will require payment of outstanding balance from General Fund

Option #4

- Continue to operate as a 27-hole course
- Make infrastructure improvements to 18-holes of approx. \$3.7 million
- Need to identify funding source for improvements
- Projected operating deficit of over \$321K annually (FY 25)
- Possible debt payment of \$300K
- Projected negative fund balance continues to grow – will require payment of outstanding balance from General Fund

Option #5

- Sale entire Golf Course to private entity
- Revenue from sale would pay off outstanding balance
- Golf course continues to operate in Harlingen as a private course
- Generate property tax
- Generate sales tax

Option #6

- Operate as 18-hole golf course (1-18)
- Begin marketing the sale of holes 19-23 (5 holes near expressway) immediately
- Once the 5 holes are sold invest some of the funds into infrastructure improvements on holes 1-18
- Another option would be to request funding from 4B and repay amount with proceeds from sale of 19-23
- Utilize holes 24-27 (4 holes on west side of golf course drive) during improvements of holes (1-18)
- Make infrastructure improvements to 18-holes of approx. \$2.5-\$3.7 million (1-2 year time frame)
- Pay off negative fund balance
- Establish a positive fund balance for golf course to improve sustainability
- Review operations again in year 3 or 4
- Continue to operate as a Municipal Owned Golf Course

2) Consideration and possible action to direct staff to proceed with an action plan for the Tony Butler Golf Course.

Mr. Serna stated the revenues were necessary for the golf course and if the City Commission approved Option #6 staff would stop operating as a 27 holes golf course effective April 1st and would start operation with 18 holes to generate some revenues.

Discussion was held in regards to Option #6 and Mayor Boswell stated that within reasonable time the City could do the improvements. Hopefully sell the thirty (30) acres to cover the negative funds.

Commissioner Puente asked if the sale of the thirty (30) acres would be done in full or partially.

Mr. Serna stated once the City did the marketing and if someone wished to purchase fifteen (15) acres, staff would recommend subdividing the land, but would prefer to sale the whole thirty (30) acres. Staff would have to find a company to help them with the infrastructure improvements.

Mayor Boswell stated Option #6 was the most recommended by National Golf Foundation and it made sense to operate the eighteen (18) holes.

Comments were heard from the following individuals:

Mark Solis, 2802 N. National Drive, Harlingen, Tx., the marketing on Tony Butler Golf Course has been unsuccessful and the best thing was to sale the golf course as a whole.

John Callaway, 7521 Mile 1 ½ East, Mercedes, Tx., asked where would revenues from the golf course be deposit.

Mr. Serna stated they would go into the golf course fund.

Mayor Boswell recommended for staff to meet with the golfers and make them aware of the improvements.

Charles Brinkley, 125 Arcadia Drive, Harlingen, Tx., stated for years the City Commission mentioned that the golf course was self-sustaining and had a revenue balance beyond what was necessary.

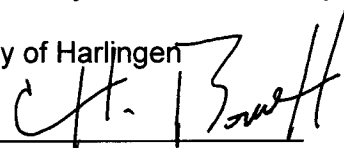
Selena Garrison, 8203 W. 17th Street, Harlingen, Tx., a representative from Pan American Golf Association, stated there are over 125 members and they have brought national tournaments to Harlingen. They would like to be kept inform and support the golf course.

Steve Davis, 5441 Park Place, Harlingen, Tx., stated Harlingen needs a golf course and Winter Texans have a good time at the golf course.

Motion was made by Commissioner De La Rosa and seconded by Commissioner Leal to direct staff to proceed with an action plan for the Tony Butler Golf Course and approve Option #6. Motion carried as follows: FOR: Mayor Pro-Tem Mezmar, Commissioners: Uribe, De La Rosa and Leal. AGAINST: Commissioner Puente.

There being no other business to discuss, Mayor Boswell adjourned the meeting.

City of Harlingen


Chris Boswell, Mayor

ATTEST:


Amanda C. Elizondo, City Secretary