

Appendix A

APPENDIX A

Sligo Creek Golf Association's Proposal for Sligo Creek Golf Task Force

Submitted by Task Force members Karen Howland, Merrill Goozner, Woody Brosnan, Carmen Maymi, Michael Welsh, David Bushnell and Bruce Sidwell.

Overview

Sligo Creek Golf Course is a valuable Montgomery County asset. It is the only County-owned course inside the Beltway, an environmental buffer zone, and a starter course for golfers that is easily playable and affordable for new players, seniors, youths, women and disabled persons. It serves to remove the stigma of golf as an "elitist" sport, and makes golf available to a down-county population that would not normally have access or means to play.

Unfortunately, the county neglected Sligo Creek Golf Course over the last two decades while other public courses were being developed. Sligo is the only course in the county without handicapped-accessible bathrooms. Its irrigation system is in precarious condition. This was not an issue so long as the county was willing to subsidize golf, but it left Sligo in a difficult position when the county decided golf should be self-supporting and shifted the courses from Maryland-National Capital Park and Planning (M-NCPP) to the Montgomery County Revenue Authority (MCRA).

This year the MCRA elected to close Sligo Creek Golf Course, claiming its capital needs were "adverse" to the whole golf system. Since taxpayer dollars can not be used to support golf-related county assets, M-NCPP began looking at other uses for the land.

After careful examination of course finances, it has become apparent that closing Sligo will be more adverse to county taxpayers than keeping it open under a new business plan. The M-NCPP will be faced with spending approximately \$95,000 of taxpayer dollars simply to maintain the land as a passive park. Repurposing the land for anything other than a passive park will cost taxpayers well in excess of any costs needed to continue golf operations. And, the potential to develop any revenue-generating facilities for the property is limited by the same traffic, environmental and neighborhood objections that doomed the MCRA's plan for a massive driving range and mini-golf. The community has made it clear it wants Sligo to survive with minimal changes.

The MCRA has stated during the course of the task force meetings that closing Sligo would not result in any reduction in their overhead costs nor result in layoffs at their Rockville headquarters. Instead, those costs currently being borne by Sligo would be passed on to its eight remaining courses, some of which are in worse financial condition than Sligo. There is no evidence that the rounds played at Sligo would significantly add to rounds played at other county courses if Sligo is closed. It is likely that Sligo golfers will either reduce play or transfer play to nearby courses, most of which are either in the District of Columbia, Prince Georges or Howard counties. This was supported by a recent survey of Sligo golfers conducted by the Sligo Creek Golf Association, which found that approximately 65% of golfers would not replace their Sligo rounds at other MCRA courses. Proximity is a critical factor in golfers choosing to play Sligo, with 75% of Sligo golfers indicating it was a top reason for playing there. Closing Sligo Creek Golf Course would also engender tremendous distrust between county government and nearby residents. There is widespread public suspicion that the property was being vacated for future residential or commercial development.

All the key stakeholders on the task force have a shared interest in keeping Sligo Creek Golf Course open. This includes golfers and neighbors who want to see the course continue in the same environmentally and community-friendly tradition; the Parks Department which wants to avoid costly maintenance or conversion costs; the MCRA which wants to maintain Sligo as a gateway course feeding new golfers to the larger facilities; and public officials who want to see this amenity preserved for the down-county area without annual subsidies by the taxpayers.

Sligo Creek Golf Course did not get into its current condition overnight. It will not return to physical and fiscal health in one year, three years, or even five years. The most immediate task is to get the course operating at a profit while developing a long-range plan to address its capital needs.

A Proposed Operating Plan - The Path Ahead for Sligo Creek Golf Course

It is our belief as members of the Task Force that everyone who has an interest in keeping Sligo Creek Golf Course should be expected to contribute to the solution. That includes golfers and neighbors, who want to see the golf course continue in the same environmentally and community-friendly tradition; the Parks Department which wants to avoid costly maintenance or conversion costs; the Revenue Authority which wants to maintain Sligo as a gateway course; and public officials who want to see this amenity preserved for the down-county area without subsidies. This is the guiding principle of the proposal outlined below:

The county should request proposals from private and public course managers to participate in a revenue-sharing model for operating the course. From the presentations offered by three golf managers to the Task Force, there is sufficient evidence that other methods and approaches to managing Sligo could make the course self sustaining and thus achieve the Council's primary goal.

Many communities across the country have been turning to private management to limit taxpayer exposure and more effectively run publicly-owned golf courses. The Chicago Park District uses a private management company. So does the National Park Service in the District of Columbia. These contracts are typically constructed so that either the government pays the operator a management fee and keeps the profit or subsidizes the loss, or the government charges the golf management company rent for the course and the management company assumes all risk for profit or loss.

We recommend that the County pursue an agreement similar to the latter model to guarantee that taxpayer dollars will not be needed to operate the course. Terms for making capital improvements can be addressed separately from the day-to-day operating costs as outlined by the example below:

- An operator could pay 5 to 7 per cent of its gross revenues to the county as rent. In the case of Sligo that would mean the county would receive between \$30,000 and \$36,000 in rent on revenues of \$600,000 a year.
- The operator would assume all responsibility for costs to run and perform regular maintenance on the course as well as cosmetic improvements to the clubhouse.
- The rent would go into a capital fund
- The capital fund would also be supplemented through other sources
 - \$39k from the parking lot rental
 - \$27k from the radio tower lease
 - \$24 - 30k from a capital fund surcharge (virtually all golfers surveyed agreed they would contribute \$1 each time they played to a capital fund)
 - \$25k from fundraising events, grants, and donations

Once established, the capital fund could build to the point whereby 2012 it could support financing \$1,000,000 with \$80,000 a year in payments over 20 years. In consideration of the County's commitment to a long term lease, the operator would be expected to manage any capital improvement projects and possibly contribute to capital improvements. However, the responsibility for funding capital improvements would likely remain with the County and be supported by the capital fund. A detailed plan is outlined in the corresponding power point presentation.

The current operator (MCRA) could either respond to the RFP or propose a new operating agreement that better aligns overhead costs with the revenue of the course and commits to operating the course as a treasured down-county amenity for county citizens. By placing more emphasis on their mission of preserving and enhancing public assets, the MCRA would benefit by gaining partners in the community who would help stabilize the operating budget and raise funds for capital improvements.

Given the importance of Sligo Creek Golf Course to the community, selected members should be involved in the RFP process, including helping to define the criteria for selecting an operator, reviewing proposals, and selecting the operating partner. Public forums should also be held to keep the broader community informed. This openness with the community is in line with what should be expected of a course management company. The RFP should stipulate the vision of this how this course might be managed and require bidders to demonstrate how they would:

- work with local community groups
- expand golf programs for new target groups
- market the course
- build support with local businesses
- involve neighborhood associations (This emphasis on neighborhood was a standard marketing approach for a 9-hole course by the golf course managers who met with the Task Force.)

The details of the agreement would require negotiation of a new operating contract for Sligo that requires accountability for profitable operations and acceptance of capital improvements made over a long-term timeframe. Any contract should involve approval of the three main government organization stakeholders - the County Executive, County Council, and M-NCPP. If a new agreement cannot be completed by next June 30, the county should be prepared to keep operating the course with transition funds.

Capital Needs

The Sligo Creek Golf Task Force has been charged with identifying essential capital improvements needed to keep the course operational over the next five years. To achieve self-sustainability, the revenue from operating the course, along with other sources of funds as identified earlier, must cover any annual debt service for these essential capital equipment or improvements.

The Sligo Creek Golf Association (SCGA) polled the community to determine what improvements were needed to encourage more rounds of golf, attract new golfers and revenue, or prevent current golfers from abandoning the course. In addition to the customer's perspective, the capital improvement plan must take into account what professional golf course operators believe is needed to keep the course operational and in good playable condition.

We believe that a prudent capital investment plan should be based on determining what reasonable debt could be serviced by the projected revenue of the course and other fund sources. Once that has been

determined, it is a matter of prioritizing capital projects. In addition, the task force should recommend to the Council other potential sources for funding (e.g., parking lot rental, radio tower lease) that would not require additional debt to the course.

The first goal should be to raise a reserve fund to set aside for the expected first-year interest expense if it becomes necessary to borrow funds to replace the irrigation system. We recommend that the decisions on how fast to move on capital fund projects should be determined by the County Council based on recommendations from a new advisory board composed of the course operator company, county and park representatives, representatives of Sligo Creek golfers, and neighborhood representatives.

Relative importance and suggested ways to address proposed needs:

The Irrigation System

The irrigation system is in need of work. All of the course operators agree that investing in the irrigation system is important for the long-term viability of the course. The task force should seek multiple proposals for addressing the need with tiered options and costs. Community business supporters of the course who do this type of work should be included

The Bunkers

Golfers polled wholeheartedly agreed that the bunkers are in bad shape. However, this is a condition that has persisted for 5-10 years by some accounts. Other than tilling the dirt that sits in the bunkers, no real attempt has been made to mitigate the problem. The consensus among golfers is it is not an essential item for the next five years. The course can remain operational and golfers can continue to strive to avoid the bunkers. Progress on the bunkers can be made in stages and through low cost means.

The Tees

For the most part, golfers polled found the tees to be in good condition. There are some that could be more level, but all are playable as is. Keeping them playable could be helped through enlarging some so as to rotate the tees and allow reseeding in parts that become worn. None polled would play more rounds or less rounds based on the condition of the tee boxes. This item is considered a “nice-to-have.”

The Cart Paths

Allotting money for cart paths in the next five years is viewed as a misappropriation of funds. The textbook might say they are “well beyond their life expectancy” but they are in excellent condition. Sligo is predominantly a walker’s course, but even those who use drive carts agreed this was a low priority.

Tree Work

Other than ensuring the course is not littered with dead trees and for aesthetic pleasure, golfers do not view tree work as a high priority. Some pruning is necessary to ensure greens get enough light. SCGA questions why this is considered a capital outlay versus a maintenance or operating cost. There needs to be some ongoing plan for pruning, removing debris, pulling invasive vines, etc. As in other parts of the park, much of this work could be supported through supervised volunteers. Business “hole” sponsors in exchange for placards or other forms of recognition could also help offset cost.

Parking Lot

Like the cart paths, the parking lot was deemed by golfers as a low priority. Obviously, potholes should be filled and any other liability issues addressed. Resurfacing or replacing the lot in the next five years is not necessary.

The Clubhouse

The clubhouse was the one item on which non-golfers in our community commented. The general consensus is that the snack bar area is a missed opportunity to increase the patronage of the course beyond golfers. Golfers also felt that improvements could be made to the facility that could potentially increase revenues. Rebuilding the clubhouse was not seen as necessary or even desirable. The clubhouse could be made more inviting with a thorough cleaning and a fresh coat of paint. These tasks have repeatedly been suggested as volunteer events – like Habitat for Humanity. These improvements could be made at nominal cost – possibly covered through fundraising efforts.

The next level of improvements should address making the facility and especially the bathrooms ADA compliant. Although not essential immediately, it would be desirable as programs for the disabled begin operating. Funding for ADA improvements could be sought through state funds, private foundations, or reallocating funds from other park projects.

Any plans beyond these should be a longer-term endeavor with thorough cost-benefit analysis tied to specific goals for the outlays.

The Maintenance Yard

This does not add value from the golfers' perspective and should not be considered essential. The specific needs should be detailed and any improvements should be funded on a pay-as-you-go basis. Creative ways to support improvements should be pursued.

Role of Volunteers

Sligo Creek golfers and neighbors recognize that the preservation of their course and tranquility requires a commitment of resources and time. They have already organized the Sligo Creek Golf Association, which in a short time has raised more than \$12,000 and enlisted about 1,000 members. The association is in the process of filing for tax-exempt status. Although there can be no guarantee of future financial support, this association plans to pursue a variety of means to support Sligo Creek Golf Course in partnership with whatever entity operates the course.

It should be noted that private fundraising for public works is already being used in Maryland and Montgomery County. The state sells Chesapeake Bay license plates to raise funds for the Bay. The Montgomery Parks Department is seeking tax-exempt donations to hire private contractors to rid the parks of kudzu and other invasive species.

To maximize the value of volunteers in supporting Sligo Creek Golf Course, the county and the operating entity should set up the legal framework to allow volunteers to aid in the maintenance and upkeep of the course through weeding, planting, removing invasive species, and maintaining clubhouse and parking areas. Again, the Parks Department already does this through the "weed warrior" program. The appearance of a course contributes to the golfer's appreciation of his or her round and the prospects for his or her return.

Long-term Goals

Part of the mission of Sligo Creek Golf Course should remain growing the game of golf through instruction and outreach to underserved communities. The course is ideally located to serve minority residents, young people, women, seniors and the disabled.

But this is a public mission and may require public resources, either through taxpayer dollars or the contributions of golfers at other public courses. Sligo golfers and neighbors cannot be expected to sustain the course without subsidy and build a capital fund to make up for decades of county neglect and at the same time pay for instructional support for the county's new golfers. For instance, as the capital fund is used to replace bunkers, it would be a laudable goal to make changes so that the bunkers are accessible to handicapped golfers. If this results in additional costs, support should be provided by other public agencies or funded through outside donations and not be borne by the course.

Summary

The most pressing need at Sligo Creek Golf Course is to find an operator who can operate the course at no-cost to the county. We are recommending that Council authorize an RFP for management of the Sligo golf course. A timely approval would allow the Council and its appointed RFP Task Force an opportunity to evaluate submissions and finalize an agreement prior to June 30, 2010, when the existing supplemental expires.

The second critical need is for the county working with local neighbor groups and Sligo supporters to establish a means for forming a capital fund and ensuring that other revenue generated from use of the property is directed to that fund. A mechanism should be established to allow private donations through groups like SCGA to supplement the course generated revenues in the capital fund. The course operator should proactively seek to minimize costs for maintenance and additional improvements by enlisting Sligo's loyal golfers and neighbors in volunteer activities at the course. Costs associated with expanding the mission of the course, e.g., creating a learning center, should be viewed as providing better services to county citizens and therefore should not be borne by course revenue alone.



Submitted by Bruce Sidwell, President of Friends of Sligo Creek-- December 7, 2009

The Environmental Value of the Sligo Creek Golf Course

In this short presentation, I would like to cover the main points of why what happens to the Sligo Creek Golf Course site is of interest to the Friends of Sligo Creek.

Beginning with the big picture-- As you all are aware, as the Eastern Seaboard has become heavily developed, our streams and seashore have become seriously degraded. For example, the water quality and economic benefits of the Potomac River and Chesapeake Bay have been devastated. Likewise, populations of most wildlife and native plants have been greatly depleted.

What's this got to do with the golf course?

Scientists have learned that healthy stream valleys in urban areas play important roles in protecting water resources, native plants, and wildlife.

- 1) the watershed of Sligo Creek is connected to the Potomac by way of the Anacostia. So protecting Sligo and Northwest Branch from pesticides, excess nutrients, trash, and silt tends to protect the Potomac and even the Bay.
- 2) stream valleys like Sligo that connect with green sites upstream and downstream provide better wildlife habitat than larger chunks of forest that do not connect to other natural areas. This is because stream valleys are corridors for birds, butterflies, and other native animals; and at a slower pace, even for plants. Sligo Park is part of a continuous animal and plant "highway" that stretches from Wheaton Regional Park all the way to the Potomac.
- 3) the 65 acre golf course site is an appreciable portion of the biological system of Sligo Creek Park. By and large it currently is not a drawback to the local environment. It tends to buffer, rather than cause, excessive light, air, noise, or water pollution. It has a small stream, a pond, many large healthy trees, and areas of understory shrubs. Since it has the basic elements for wildlife habitat (shelter, sources of food, water, and places for birds and other wildlife to raise young) it integrates fairly well with surrounding, more natural parkland.

--The trees are especially important components of the site since research has shown that wooded areas are more capable of soaking up excess rain than turf grass. The big trees in the course also provide shelter and nesting possibilities for wildlife such as gray and flying squirrels, bats, and numerous species of birds, including screech and barred owls, nuthatches, woodpeckers, crows, and several species of hawks. Trees such as Tulip Poplar also offer food for numerous species of butterflies such as swallowtails. In conversations I've had with local tree experts, they point out that the course is a great place for the trees that are there. They are well-spaced and uncrowded, they don't have to deal with much pavement, and water is sufficient. Many of the trees date back more than seventy years. An advisor to the MC Revenue Authority commented that the white pines "may be nearing the end of their normal life span". However his opinion conflicts with those of local experts. Despite the sometimes

alarming tendency of large pines to drop occasional branches, they are healthy. Concerning the white pines, the Takoma Park arborist noted that "If the white pines are healthy they should be left alone. If they make it past 20 that means they are happy with the soils and hydrology and are likely to last a long time." Lastly, the golf course forest also provides a useful buffer to noise, stormwater run-off, and heat generated by the nearby Beltway.

-- The shrubs, grass, and other plants growing in the "rough" areas of the golf course site are also valuable as wildlife habitat and to absorb excess rainwater and fertilizer. Even the manicured fairways and putting greens provide environmental benefits since they protect the soil from erosion and slow down stormwater.

4) In recognition of the benefits of having a healthy stream and forest park, since the 1980s, County agencies have spent millions of dollars for restoration of the creek, stormwater management ponds, planting of trees, and removal of non-native invasive plants in the Montgomery County portion of Sligo Creek Park. In addition, Park and Department of Environmental Protection staff put in thousands of hours in their efforts to protect Sligo and other urban streams. Lastly, in just the last few years many hundreds of volunteers have devoted thousands of hours to looking after the natural health of the park.

5) Because of the natural values mentioned above, Friends of Sligo Creek believes that discussions of modifying the site need to carefully balance the value of the modification against the damage it may cause the environment. For example, adding a driving range to the site would detract from the natural benefits of the area in a number of ways. Most importantly:

a) because it would be a large area of hitting stations and closely-mowed grass it would have essentially no appeal to wildlife;

b) having no trees or shrubs would severely limit the site's ability to retain stormwater, cool the area, reduce CO₂, or buffer traffic noises;

c) making room for the driving range will mean that numerous mature trees will be cut down or their roots damaged by construction traffic;

d) increased traffic to the course will mean more air pollution, harassment of wildlife, and ultimately, more pavement for parking and for turning lanes, etc.

6) In addition to the above clear drawbacks, there are a number of others that are plausible problems. These include:

-- noise from the range will drive away birds and other wildlife;

-- if lights are used they will likely harass and confuse birds, bats, and other wildlife. Even plant life can be affected by lights since that's how many regulate their growth cycles; likewise, nets and fences can impede and drive away wildlife;

-- over time, the soil of the driving range will likely become impacted by use of ball-gathering equipment and possibly by the millions of hits by the balls-- this will degrade the ability of the turf to retain rainwater;

-- increased use of the site will invariably mean more trash will be generated, contaminating the site and nearby park;

and -- the energy costs of a driving range, especially if it includes lights and heated stations, will be high.

In sum, the Friends of Sligo Creek believe that the communities along Sligo Creek and Montgomery County agencies strongly recognize the creek and surrounding park for its environmental, social, aesthetic, and economic value. Modifying the site in ways that would degrade the natural benefits of the golf course site such as by increasing stormwater runoff, destroying trees and wildlife habitat, and otherwise decreasing biodiversity would, in effect, negate some of the work and money invested in the Creek. Therefore, any plan to modify the site must carefully consider the natural benefits of the area and the priorities of the community.

Montgomery County Revenue Authority
Recommendation to Sligo Creek Task Force
December 2009

The County Council established the Sligo Creek Task Force (SCTF) with the goal of submitting a report with recommendations that would make Sligo Creek Golf Course a self-sustaining operation. The SCTF has met over the past several months to review the capital and operational needs of the property.

Capital

The SCTF agrees that the current condition of the Sligo Creek Golf Course (SCGC) is the outgrowth of decades of disinvestment in its infrastructure. At least since the early 1990s, budgetary pressures led the County government to constrain its capital spending, even on some longstanding park/recreational facilities like SCGC. Sligo Creek Golf Course's critical capital needs are the result of this ongoing budgetary constraint. The irrigation system, the maintenance facility, the clubhouse, bunkers, tees and trees all reflect years of insufficient investment. The capital costs of the course imperil its long-term continuing operation.

The SCTF had several discussions on the capital needs of the SCGC and there are several opinions as to the priority and timing of the projects. The SCTF does agree that the irrigation system at the course needs replacement which is estimated to cost \$550,000. The MCRA believes the next priority should be focused on eliminating all ADA, Health Department, OSHA, and Environmental violations at the property. These violations were originally outlined by the Parks Department in their 1994 Capital Improvement Plan. Although there has not been a full study of the costs, the Parks department provided an estimate of \$900,000 for repairs to the clubhouse and to bring it to ADA compliance. The costs associated with a new irrigation system and eliminating all current violations is safely estimated to be \$1.4 to \$2.0 million. This does not address the needs of the golf course which the MCRA estimates to be an additional \$600,000 to replace bunkers, rebuild tee areas, repair cart paths, and perform necessary tree work.

The SCTF also agrees that creating a golf education center at the SCGC, with expanded facilities and renewed marketing, can bring the operating costs into a state of self-sufficiency. The SCTF acknowledges the addition of a driving range and miniature golf will be necessary to brand and use the course as an educational center. These costs are not included in the above-mentioned figures.

The SCTF believes that a sizeable contribution from the County is warranted. Given the current fiscal state of the County, the state and the country, the SCTF recognizes the difficulty of making a large capital contribution at this time.

Operations

Considering the testimony and discussions during the recent meetings, the SCTF acknowledges that under the current operating model it would require contributions from the MCRA, the Community, Parks Department, and the County in order to make SCGC a self-sustaining operation.

The SCTF recognizes that the *status quo* is untenable. The course currently serves about 2,400 golfers. It must expand its base of users and increase rounds of golf and revenue. The question is how to accomplish this goal without creating a detrimental impact on the neighboring homes.

The MCRA provided and the SCTF reviewed the operational data of SCGC and the golf course system from 2000 – 2009. Council staff presented facts of interest regarding the performance of SCGC and the golf system. These facts indicated that during the period of FY00-FY09 the rounds of golf at SCGC decreased by 38% and the revenues decreased 18%. By contrast, the golf system saw rounds decrease by 15% and revenues increase by 28%.

Since 2006 the MCRA has implemented several changes in order to improve the operational performance of the property. We improved the conditions at the property by increasing material resources and changing processes which resulted in increased rounds and revenues but was outweighed by the increased costs associated with improving the conditions. Based on the community's recommendation, the MCRA increased green fees to offset the costs, which resulted in decreased rounds and revenues.

The SCTF received testimony from private management groups which stated that they believed the golf course could be a self-sustaining operation. These groups also acknowledged that the property was in need of significant capital investment.

The community also believes that if the golf course is marketed differently it would be profitable. Further, the community has offered to support the facility by fundraising and volunteering to help the course by decreasing some of the expenses.

Recommendation:

Based on the meetings of the SCTF, I offer the following recommendation for consideration of the Task Force. Please note that prior to any part of this recommendation being implemented it will be subject to a vote of the MCRA Board, and it will be subject to the approval M&T Bank, the bond trustee.

The recommendation is based on the desire of all parties to keep the Sligo Creek Golf Course open. This recommendation will require participation of the MCRA, the Community, the Parks Department, and the County. The goal of the recommendation is to provide an opportunity to implement the outlined changes and then review the results. It is not anticipated that the changes will result in the SCGC becoming self-sustaining when considering the capital needs of the property.

MCRA

- MCRA continues as the operator under the current operating agreement.
- MCRA agrees to work with the Community to establish flower areas (see below)
- MCRA agrees to work with the Community to train the volunteer group established by the community (see below)
- MCRA agrees to the following cost saving programs:
 - Operate SCGC in a more environmentally sensitive manner by only treating the greens in a preventative program and treat the fairway and tee areas in a curative manner.
 - MCRA agrees to close the course from December 1 – February 28.
- MCRA agrees based on the above changes it will again make an exception and modify the management fee allocation to SCGC for FY11.

The Community

- The Community will be represented by the Sligo Creek Golf Association for the following items.
- The Community agrees to fund, establish, plant, and maintain flowers beds around the clubhouse and on the course in areas approved by the MCRA.
- The Community agrees to fund a marketing plan for SCGC. The plan will include installation of directional signs at certain intersections, advertisements in local newspapers, and additional items. All ads will be jointly developed by the Community and the MCRA.
- The Community agrees to establish and coordinate a volunteer program which will cover all starter and ranger hours at the course.

Parks

- Parks agrees to provide additional security checks of the SCGC during the closed months of December 1 – February 28.
- Parks agrees to provide the Community with planting materials for the flower beds from the excess materials generated through their program.

County

- Agrees to provide Parks with an appropriation equal to the projected operational losses at SCGC. Due to the operational changes, it is estimated that the appropriation will be not exceed \$150,000.
- Agrees to provide Parks with any appropriation necessary for emergency capital repair such as, but not limited to, the irrigation system.

The County Council will then reconvene the SCTF in December 2010 for three meetings to review the operational performance of the golf course during the 2010 versus prior seasons. Based on the success of the operational changes implemented next season, the SCTF will finalize its recommendations to the County Council for the long term plan for Sligo Creek Golf Course. The recommendations will include short and long term funding needs. Priority funding should be provided to address all of the Federal, State, and County violations. The final Task Force report will be submitted to the County Council on January 18, 2011.

M-NCPPC DEPARTMENT OF PARKS ANALYSIS AND DRAFT PROPOSAL
Sligo Golf Task Force
January 2010

BACKGROUND:

The Department of Parks (Parks) has considered the various alternatives proposed for the self-sustainability of the Sligo Golf Course, a facility currently operated by the Montgomery County Revenue Authority (MCRA) on land managed by Parks for the Maryland-National Capital Park and Planning Commission (M-NCPPC). During the course of the Task Force discussions, it became clear that there were no readily available sources of money to both sustain current operations and pay for the major infrastructure needs of this aging course and its facilities.

ANALYSIS OF CURRENT PROPOSALS:

1. M-NCPPC to prepare REOI/RFP for additional operator for the golf course.

The proposal to seek a different operator could elicit an outside private provider to run the golf course. The community would be involved in the analysis of submissions in response to the REOI or RFP.

PRO:

- If a respondent came forward who could manage the course, as well as pay for infrastructure improvements, that could solve the sustainability issue.
- Perhaps offers an avenue to pursue a relationship with veterans' organizations, although their money appears limited as well.

CON:

- Does not address the current lease requirement that M-NCPPC not operate a golf course in competition with MCRA.
- Lack of golf equipment at the course (MCRA has the right to remove all the equipment and supplies for use at its other facilities) since Parks no longer has any golf-specific equipment.
- MCRA bank may not approve, according to MCRA.
- Parks has limited staff available to work on the REOI or RFP, or to manage the resultant lease.
- Staff work on the preparation of an REOI or RFP would likely generate a great deal of effort for little or no result. For example, the REOI for Warner Circle Manor in Kensington yielded some interest by outside organizations in occupying and operating the structure but, unfortunately, no capital investment money was put on the table thereby failing to produce a viable partner. I would not cite that case in your description.
- The track record of finding partners with sufficient resources to invest in major capital renovation of older facilities is poor. Examples include Maydale Nature Center, Westmoreland Hills Park Activity Building, the WSSC buildings in along US 29 in Northwest Stream Valley Park, and Circle Manor. All remain closed despite attempts to solicit partners or operators with the money required to do the work.
- Successful partnerships such as the historic Waters House and King Dairy Barn Mooseum in Germantown required M-NCPPC to fund the capital improvements through its CIP and assume some operating expenses by the government through a negotiated lease.
- In the unlikely event the REOI / RFP produces a financially viable proposal, it would result in the return of two separate public agencies managing golf in Montgomery County. One with paid staff and one with a contractor. The need for two agencies to possess the resources to manage public golf is inefficient and was a reason for MCRA to take over the park courses in the first place.

2. Return property to Parks to manage as public open space/park.

PRO:

- Golf Course property remains available to public as needed community green space.
- Demonstrated need for acreage for natural conservation area as well as other forms of recreation, with use to be determined through a public process.
- Some task force members, as well as several members of the Countywide Recreation Advisory Board, support this option.

CON:

- Fails to meet the charge given to the Task Force to find a way to make golf self-sustaining at Sligo.

3. Return Sligo golf to MCRA and have them reverse the extraction from the current lease.

Sligo Golf Course was extracted from the lease with M-NCPPC by MCRA, and is now operated by MCRA under an interim operating agreement with M-NCPPC and a subsidy from the County's general fund (channeled through M-NCPPC) until June 30, 2010.

PRO:

- Reversing the previous action and simply returning the golf course to the MCRA portfolio is the simplest solution.
- Losses from Sligo, and cost of capital repairs, would be spread out among the other properties, and be self-subsidizing within the MCRA overall organization.

CON:

- Without the ability to make acceptable capital improvements and seek more revenue-generating activities and facilities at this course, the operating costs for this course will need to be absorbed by MCRA as a whole.

4. A combination proposal including certain recommendations from Parks, part of MCRA's latest proposal, and several community members. This would involve:

- Reversing the extraction of Sligo from the current umbrella lease of park golf courses, and changing the language allowing MCRA to unilaterally extract a course;
- Reduction in the MCRA management fee for Sligo;
- Closing the course for play two or three months during the winter;
- Allowing the capital needs of the course to compete fairly with other county capital asset projects for county funding over time;
- Improved marketing for the clubhouse facility, snack bar, and the course in general;
- Creation of a supportive community "friends" group to provide supplementary amenities and perhaps additional funding or fund-raising to preserve the course;
- Continued operation of the golf course by the MCRA in the future, to be brought back into and under the current lease with M-NCPPC as are the remainder of the park courses.

It would be understood that Sligo may always have a lower revenue profile than the other courses but that would be supported by, and balanced within, a portfolio of eight golf facilities that serve a public interest.

PRO:

- Avoids the costs associated with developing, advertising, and analyzing an REOI or RFP.
- Avoids the delay in "kicking the can down the road" of searching for a private operator who may or may not respond.
- Could lead to enhanced revenue with existing facilities in place.
- Involves the community more fully in the management and future of the course.

CON:

- Does not present a lasting solution to the capital costs of major infrastructure repairs.
- Does not involve the veteran's groups, as we were charged to do by the County Council resolution.

This is currently our favored solution.

In all of these analyses, we have not included any of the suggestions by MCRA or other members to continue the current subsidy past June 2010 while this issue continues to be worked out, as we believe this would defeat the purpose of the task force.

Finally, this analysis and the draft recommendations are offered by the Department of Parks in the context of Task Force discussion purposes and have yet to be presented to the M-NCPPC Montgomery County Planning Board for approval.

Appendix B

Appendix B

Submitted by Woody Brosnan, PREZCO representative.

At the outset I would like to thank the staff and the chairperson for their hard work, diligence and patience, and my fellow task force members for their efforts as well.

The task force has made a great deal of progress in the time allotted by the County Council for its deliberations. If we've fallen short in any area it is because of time constraints and a lack of expertise and information on some issues that simply require a more thorough examination by professionals.

Most importantly, the task force has shown itself open to new possibilities by embracing the idea of asking private operators if they would be willing to take over Sligo Creek Golf Course. We also have seen some shift in the willingness of the Montgomery County Revenue Authority to consider alternative methods of working with the community to keep the golf course in operation.

While I might quarrel with some of the language, analysis and statistics used in the background, I will confine these remarks to the findings and recommendations.

The Findings

1. I agree that the management fee for Sligo Creek Golf Course is way too high. In fact I believe that the entire overhead costs of the Revenue Authority and their allocation needs to be examined by the Council. Currently, the nine golf courses are being charged 8.3 per cent of their revenues (2008) for the central management of the Revenue Authority compared to an industry-wide average of 5 per cent for private operators. That does not include the cost of payroll or operations at each course. At the least, the management fee should be assessed as a percentage of revenues or income for each course. If Sligo closes, the management fee will be an even bigger burden on smaller courses like Poolesville and Rattlewood since the Revenue Authority has testified that closing Sligo will not result in any savings in the central office.

The Council also should examine how the Revenue Authority allocates its income. For instance, rent from the Holy Cross lease of the Sligo parking lot is divided ten ways among all Revenue Authority operations but revenues from the two large driving ranges accrue only to the two attached golf courses, Northwest and Falls Road, even though golfers may use those ranges principally to practice, not as a prelude to a round at those courses.

2. Public Funding

There is no need for a taxpayer-funded operating subsidy for Sligo Creek Golf Course if it is charged a reasonable management fee by either a private operator or the Montgomery County Revenue Authority and if the course is allowed to capture all the revenues generated by the property.

The capital costs are another matter. I agree with the finding that the county neglected this course over the past two decades. It is shameful that the clubhouse is not ADA compliant. The clubhouse renovation should be eligible for CIP funding but I agree this is not the year to make that request. It would be

prudent to contract for an independent engineering study comparing the costs of a complete replacement of the irrigation system, clubhouse and maintenance yard to other alternatives. Since Sligo is the only county course that relies on drinking water for its irrigation the county also should consult with the U. S. Army Corps of Engineers on whether Sligo can be incorporated into its plans for managing storm water in the Sligo Creek sub-watershed.

The Recommendations

I agree with the two-track recommendation to request expressions of interest (REOI) from a private operator, followed by a request for proposal (RFP), with continued operations by the Montgomery County Revenue Authority as a fallback option. The county should set as few conditions as possible on the private operators except those that protect the community's quality of life and require a community advisory board.

The county executive should work with the Park and Planning board on the REOI and RFP and be granted as much flexibility as possible on the length and terms of a lease with a private operator. For instance, if there is no agreement on a plan to spend on capital needs, then the county should look to the plan submitted by seven task force members for a separate capital fund.

I disagree with making the REOI or the RFP subject to approval by the Montgomery County Revenue Authority, the Maryland-National Capital Park and Planning Commission, and the lender. I do not believe important public policy decisions like closing a major public amenity should be left to unelected boards and certainly not a bank. That is one reason I got involved in bringing the golf course issue to the Council for a decision. The parks board neglected the course over the last two decades and the revenue authority board has been openly hostile to community representatives and to continued operation of the golf course.

If the county cannot reach an agreement with a private operator then I believe it is very important the revenue authority work on a plan with the community and with Sligo Creek golfers to keep the course going on a non-subsidy basis, including increasing reliance on fund-raising by the Sligo Creek Golf Association and volunteers.

Comments on Alternative Recommendations

1. The representative of the Parks Department has proposed that the Revenue Authority simply take back the Sligo Creek Golf Course and operate it using revenues from other county courses. This is the position I took as PREZCO's representative when I testified before the Planning, Housing and Economic Development Committee on March 17, 2009 regarding Expedited Bill 8-09, extending the MCRA lease only through the summer. I have never believed that the original decision to close the course was justified by the National Golf Foundation study. This option, however, would require that the capital improvements at the course be funded by taxpayers through the CIP process, which is why I now favor at least exploring the option of using a private operator.

2. The December, 2009 plan submitted by the Revenue Authority would require continued county subsidy and would merely kick a final decision down the road another year. The plan itself is outdated by the proposal put forward by the MCRA executive director in January for a non-subsidy operation

during FY 2011 with reduced maintenance. Although the January plan was a step forward with a smaller management fee I am afraid the changes in maintenance would leave the course in substandard condition and lead to reduced rounds of play.

Here is a summary of those changes:

- Greens height will be changed from .125" to .2"
- Fairway and tee height will be changed from 7/8" to 1 ½ "
- Rough height will be changed from 2 1/2" to 1 ½"

Modify mowing frequency

- Green mowing will be done only 4 days per week instead of 7
- Tee and fairway mowing will be done 2 days a week instead of 3.

Greens will be preventatively treated for disease, but all other areas will only be curatively treated.

I contacted University of Purdue turf specialist Cale Bigelow and here are his comments back to me:

"Some of these changes would be reasonable but not sustainable for decades. Looks like you are trying to mow rough/fairways all at one height. It was not "that long ago" that fairways were routinely mowed at 1 1/4 inch. Species, irrigation needs etc will all play a role of the success of this program. The higher mowing heights will be less stressful on the turf plant and may allow it to recover from damage more quickly but DO NOT skimp on putting green surfaces.

Certainly, there are pluses and minuses to these suggested changes . . .

If there is one thing that would be a HUGE issue it would be your substantial suggested change in putting green mowing height. I WOULD NOT go to 0.2 inches on greens. I think the highest you could reasonably go would be 5/32 inch and still provide quality putting conditions. Alternatively there has been quite a bit of work being conducted that has evaluated the economics of rolling/mowing combinations. There can be substantial savings involved."

I would suggest that council staff consult turf specialists at the University of Maryland and state agricultural extension service, and independent area golf pros, before adoption of this plan. I also would suggest that the Revenue Authority continue to work with the community on alternative cost-cutting and revenue-enhancing measures.

Woody Brosnan
9101 Louis Avenue
Silver Spring, Md. 20910
301-588-0025

Comments on Sligo Creek Golf Course Task Force report – January 19, 2010

Submitted by Karen Howland - President-Sligo Creek Golf Association

I have been honored to represent the Sligo Creek Golf Association (SCGA) membership on the County task force. SCGA was formed because a passionate and vast group of citizens is committed to preserving this historical down county course. We also strongly believe that it is financially prudent to keep golf operations as converting the land to any alternative use will most definitely cost tax payers more.

First, the Council should commend the chairperson (Tedi Osias) and staff (Shondell Foster and Jeffrey Zyontz) for their hard work and their admirable efforts to manage the varied perspectives and personalities represented on the task force. The task force covered a great deal of information within the limitations of bi-weekly meetings spanning the holidays. Given the constraints of time and lack of expertise on certain topics, the outcome was positive.

The challenge of finding a way(s) of keeping Sligo Creek Golf Course open is particularly difficult. It requires that all parties involved be open to doing things differently. It requires trying unproven approaches that may or may not succeed. It requires some level of compromise or sacrifice by all parties involved. Energetic task force discussions clearly demonstrated how any approach pursued would not be easy and demands commitment to the cause of preserving golf at Sligo.

The report, generally, reflects the ending position of the group. I encourage the Council to endorse the recommendations and do what is necessary to begin the process of adopting them.

There are several elements of the report that I feel merit additional perspective.

Need for an Independent Financial Analysis to Determine Adversity of a Course

The history section describes the MCRA has having contracted for an “independent” financial analysis to determine if any course was “adverse” to the entire golf system. The National Golf Foundation report has been contested by the community from the onset. The objection first stems from distrust that a consultant hired by the party wanting to extract a course (i.e., MCRA) is truly *independent*. Second, the financial arguments presented were weak at best. The management fee accounted for the preponderance of any operating loss. In addition, Sligo’s proposed losses paled compared to those of several other courses and certainly didn’t threaten the \$1.8M profit being recognized by the system overall. The only way to win the adversity argument was to accept an outrageous management fee and place unwarranted emphasis on needed capital investment.

We understand how the Planning Board and Council could allow the MCRA to exercise the provision to extract Sligo based on the way information was presented and given no clear definition of *adversity*. Upon further consideration and review of the financial circumstances, it is legitimate for the Council and Planning Board to request the lawyers reconvene to clarify the extraction terms of the lease.

Different Numbers Can Tell Very Different Stories

There were multiple discussions about how to interpret the financial data provided to the task force. What was clear was different metrics painted different pictures of the financial health of Sligo and the golf system overall. I have continued to argue that we need to be prudent in how numbers are used. Sligo is not in dire straits from an operational perspective. We should not focus only on metrics that portray it as such.

The report uses a comparison between 2000 and 2008 as a meaningful method of reflecting a course's performance. Choosing these two points in time is arbitrary and we feel is not the most appropriate method of determining performance.

Golf, like many industries, is very susceptible to extraneous factors that affect performance. Bad weather, a sniper, a recession, all can result in a poor year's performance. Because of that, one would not pick two years to compare unless there was only two years of data available. There are more appropriate methods of analyzing performance.

For example, you could look at performance in a similar way as you would for a mutual fund or stock – 1 year, 3 year, 5 year, 10 year performance. As can be seen below, this portrays golf as a whole doing well, and Sligo as being a solid performer.

	Change 2000-2008 9 year	Change 2003-2008 5 year	Change 2006-2008 3 year	Change 2007-2008 2 year
REVENUES				
Falls Road	93%	33%	13%	3%
Laytonsville	20%	27%	3%	8%
Poolesville	41%	29%	22%	1%
Rattlewood	22%	16%	-8%	-10%
Hampshire Greens	32%	22%	9%	5%
Sligo Creek	-3%	28%	23%	24%
Needwood	30%	38%	16%	13%
Northwest	5%	21%	4%	11%
Little Bennett	-3%	10%	5%	18%
Total Revenue	39%	26%	9%	7%

	Change 2000-2008	Change 2003-2008	Change 2006-2008	Change 2007-2008
ROUNDS				
Falls Road	-20%	15%	-8%	-5%
Laytonsville	-9%	15%	1%	1%
Poolesville	4%	19%	1%	-1%
Rattlewood	2%	7%	-5%	-6%
Hampshire Greens	27%	14%	1%	6%
Sligo Creek	-26%	20%	37%	17%
Needwood	-1%	18%	13%	5%
Northwest	-16%	4%	4%	4%
Little Bennett	-3%	21%	23%	8%
Total Rounds	-8%	14%	5%	3%

Alternatively, one could compare the latest year's performance against the average performance over a time period. This too shows (see below) Sligo as having solid performance in an otherwise depressed industry.

Revenue (\$1000's)	Ave	Change 2000-2008	2008 vs Ave
Falls Road	\$ 2,265	93%	32.7%
Laytonsville	\$ 1,474	20%	18.2%
Poolesville	\$ 1,124	41%	22.0%
Rattlewood	\$ 1,432	22%	-0.8%
Hampshire Greens	\$ 1,657	32%	8.0%
Sligo Creek	\$ 560	-3%	13.7%
Needwood	\$ 1,997	30%	23.3%
Northwest	\$ 2,306	5%	7.7%
Little Bennett	\$ 1,561	-3%	2.4%
Total Revenue	\$ 14,241	39%	15.9%

Rounds	Ave	Change 2000-2008	2008 vs Ave
Falls Road	50,774	-20%	-2.4%
Laytonsville	43,296	-9%	3.8%
Poolesville	32,739	4%	6.1%
Rattlewood	34,844	2%	-5.5%
Hampshire Greens	30,827	27%	4.0%
Sligo Creek	29,794	-26%	0.4%
Needwood	67,782	-1%	5.1%
Northwest	66,633	-16%	-4.0%
Little Bennett	27,376	-3%	10.8%
Total Rounds	384,065	-8%	1.5%

Whatever the numbers may suggest, there are none which support closing this long-standing and treasured down county amenity.

MCRA Management Fee and Accounting Practices should not "Kill" a Course

The vast majority of the task force questioned the accounting practice of allocating management fees and insurance costs equally to all facilities. If such a practice is adopted for ease of reporting or because of system needs, that is a reasonable rationale for the practice. What is unreasonable is to factor that cost into an analysis of the financial health of a particular golf course.

Other golf operators who presented to the task force cited industry standards for management fees between 5-7% of a course's revenue. They suggested that if the overhead costs begin to surpass that amount, the operator has to reexamine what is attributing to the excessive overhead. As one presenter put it – "you do not let a course fail because of a management fee."

The MCRA's management fee for the golf system overall is at 8% slightly above the industry standards presented to the task force. If there must be an allocation at the individual course level, it should be

based on a percent of revenue as is industry practice. However, we believe the overhead costs should be paid by the system overall and not attributed to individual courses. This argument is further supported by the MCRA's response to the task force that closing Sligo would result in no changes to the overall management fee for 2011. The fee would simply be allocated to the remaining facilities. This also is a strong argument against the Park and Planning, the County or taxpayers needing to provide any further subsidies for management fees.

Capital Improvements will likely require Creative Approach to Funding

There is no arguing that compliance with ADA and OSHA requirements should not have gone unaddressed for 15+ years. Those needs would have been cared for through County CIP funding and to now demand that the operating revenue of the course cover that service debt is unconscionable. Realistically, the course's needs will not compete well against those of our county schools and therefore alternative means for funding capital projects must be found.

Our association proposed a plan for building a Capital Fund from several sources:

- Rent from the operator (if privately operated)
- Rental of parking spaces by Holy Cross Hospital (\$39k)
- Rental of radio tower on course (\$29k)
- Capital Fund \$1 surcharge on golf rounds (\$24-29k) – 97% of Sligo golfers surveyed would pay if assured it would be used for Sligo
- Fundraising, grants, etc. (\$20-29k)

We still view this as a viable means for building the funds needed to support service debt for capital improvements. It was made clear that this approach is not inline with past County practices. We believe different approaches should not be dismissed because they have not been tried before – especially if it is the only way to address the challenge.

The capital needs can also be cared for by finding an operator who – under reasonable conditions – will assume responsibility for making them. It is critical that the conditions be reasonable to encourage success. This includes a current independent analysis of the needs, the timeframe to address them, and the projected costs.

Continued Operation by the MCRA

The Parks Department has proposed that the MCRA should take Sligo back under the terms of the lease and operate the county courses as a system. This would clearly be in line with how other professional golf companies operate – supporting underperforming courses in any given year with revenue from the others. It has been the SCGA's position all along that the intent of the lease agreement was to ensure the system as a whole was self-sustaining and it did not require each individual course to be. The intent of gaining efficiencies and better financial stability by combining the Park's courses with the MCRA was also cited as rationale for Councilmembers' decisions to support the long lease agreement.

Operating the courses as a system has not been the MCRA's position and they have made it clear that from a strictly business perspective – they have no interest in operating Sligo. It has also been made clear that they would not take additional steps beyond their current practices to market the course. The

majority of the task force believed that having a more localized marketing strategy is essential to maximize success. This position was supported by the expert golf operators who spoke to the task force.

We support having an operator at Sligo who is enthusiastic about its prospects as a community recreational amenity. The current position of the MCRA is that it can not operate the course without requiring more tax payer subsidies or a scaled back maintenance plan. We do not believe that either is necessary. There is more than enough profit in the golf system to operate the course for either the short-term during the REOI/RFP process or the long-term. The County would be unlikely to accept the MCRA's terms from a private operator and should not accept them from the MCRA.

Reducing the maintenance would likely denigrate the golfer's experience resulting in a reduction in rounds. Besides the MCRA's own data suggests that revenue and operating costs go up or down together. The course generates the additional revenue to cover maintenance costs – cutting back on maintenance will not necessarily result in cost savings. It would only eliminate jobs at the course, and likely reduce rounds played.

Final Comments from Bruce Sidwell on Report of the Sligo Creek Golf Course Task

First. It may not be clear to all just how much the painful issue with Sligo Golf Course stems from several deficiencies in the legal language of the 2006 lease. Three problems stand out, a) a failure to define how a course could be sufficiently adverse to the golf system to justify its return from the tenant (MC Revenue Authority) to the landlord (Parks & Planning); b) what degree of independent analysis is required to support that determination; and c) if extracted from the lease and returned, what level of competition from continued operation of the extracted course to the remaining MCRA golf system rises to a level of significance?

In the absence of tests for these hurdles, the stage was set for what seemed to the community, a "kangaroo court" with an outcome that was not in the public interest. This stain on the process of, first having only one option on the table to "save" it, then quickly dumping the course with only a minimal hearing, not only infuriated the community, but also ended up clouding and impeding MCRA's and P&P's ability to move forward on the course site.

--I strongly recommend that any future lease of this type be constructed to avoid such problems that seem so obvious in hindsight.

-- Further, I believe that the parties involved try to put the "toothpaste back in the tube" by allowing Sligo Creek Golf Course back in the MCRA system under fair and common-sense legal conditions.

Second. There was very little discussion by the Task Force of the current or future impact of the course on the environment and the park. That is understandable since time was short, and it was not central to the larger issues of the financial health of the facility. However, as we go forward, let us not forget that there are at least three main reasons for desiring a "green" course. The major goal should be to help our County reduce water, air, trash, and chemical pollution, as well as ensure the course integrates well with the natural aspects of the surrounding park. But also important will be cost savings from using less energy, water, chemicals, and labor. And last, I suspect that having a really stand-tall environmentally friendly course can be used to create a good buzz in the community that may pay off in increased revenue and support for the course

Third. Although the Task Force was able to shed additional light on the future prospects of the course, I think we can all admit that there was considerable guess-work involved. I therefore suggest that in the near-term while we move forward on solving the situation, we should try to better answer some key questions. To my mind, these include

- a) Can we refine the analysis of the golf market for Sligo? How many and what kinds of golfers does it compete for?
- b) Can we refine our understanding of how net profit is related to golf fees charged?
- c) Can we refine our understanding of the potential revenue possibilities of food and beverage service?
- d) Can we refine the cost and timing and extent of capital needs?
- e) What is the actual cost to taxpayer of closing the course?
- f) What is the potential for having the course run by a non-profit? What is the potential for fund-raising and grants to defray capital costs?

Thank you,

Bruce Sidwell, President of Friends of Sligo Creek

Comments

By Merrill Goozner

Woodside Forest Civic Association representative on the Task Force
Board Member, Sligo Creek Golf Association

To the County Council:

I want to thank all the members of the task force and the County Council staff for their valuable contributions to this report. It was a privilege for me to be part of this effort.

In reading the recommendations in this report, I hope you keep in mind the following comments, which address in order: 1) the economic and community impact of closure; and 2) a plain words explanation of why this golf course has the potential to be both self-sustaining and fund capital improvements without subsidy.

1. On the economic and community impact of closing Sligo Creek Golf Course:

The economic consequences of closing Sligo Creek Golf Course were not addressed by this report, but should be taken into account by County Council.

- Closing the course will eliminate at least five jobs and several contract opportunities for local area businesses. Unlike the looming layoffs in other county services, this contraction is unnecessary since the facility generates its own revenue and can be self-sustaining under new management. It is unsound public policy to unnecessarily eliminate jobs and business opportunities during a severe economic downturn.
- Property values in the area will decline if this unique recreation amenity is removed. Peer-reviewed research shows that real estate values increase in cumulative fashion based on proximity to golf courses, green space, and walking trails. Sligo Creek Park, which is adjacent to the course, already provides green space and walking trails. That won't change and won't be improved if the course becomes open parkland. Therefore, closure of the course is purely negative from a homeowner value perspective. None of the projections for SCGC by MCRA have included a calculation of the decline in County property tax collections due to closing the course.
- Finally, closing the course will lead to negative impressions about the vitality and viability of the surrounding neighborhoods, including Downtown Silver Spring. The County and private businesses have invested tens of millions of dollars in DTSS in recent years. That

investment will be negatively impacted by closing SCGC. On the other hand, carrying out a plan that keeps the course open under new and enthusiastic management, and that includes strong neighborhood involvement and support, will contribute to the momentum of the public and private developments now underway.

2. On day-to-day operations:

- A close examination of Sligo Creek Golf Course finances and the testimony of independent operators familiar with its circumstances show there is tremendous upside potential for a new operator willing to maintain and market the course.
- While the report shows that rounds have declined when comparing 2000 to 2008, this is not a valid period for comparison. Rounds at Sligo Creek Golf Course SCGC grew substantially after sniper incident nadir (2003). SCGC's growth rate 2003-2008 surpassed most other courses in the system, largely because during 2008, the course was, for the first time in a decade, properly maintained. Whenever this maintenance level is drastically reduced, as it was in the past year after MCRA decided to extract itself from the lease, course usage suffers accordingly.
- The \$150,000 that County Council provided MCRA is sufficient to keep the course operating normally through the end of calendar year 2010. The Council should insist that MCRA maintain the course in a fashion similar to 2008, when rounds soared (thus generating the revenue to pay for the needed maintenance).
- A closer look at SCGC's finances (beyond the information contained in this report) reveals that the course essentially breaks even before management fees at every level of operation: whether high-maintenance, which generates new rounds because the course is in better condition; or low-maintenance, which reduces rounds but saves on maintenance costs. It is only the exorbitant management fee that makes SCGC's finances appear negative.
- A number of inefficiencies have been identified by the line-by-line analysis of course operations conducted by the Sligo Creek Golf Association (SCGA), which were not included in this report. It is entirely reasonable to conclude that a prudent manager can operate the course without subsidy.

3. On capital improvements:

- Significant non-golf revenues are generated by the property, but are not invested in the course. The MCRA receives \$39,000 a year in rent from the parking lot; these revenues are shared with the entire system. M-NCPPC receives \$27,000 a year in rent from the radio tower; it provides few if any services to SCGC. Both revenue streams should be dedicated to

capital improvements at the course. This is only fair since M-NCPPC and MCRA as managers did not invest in the course over nearly two decades despite charging SCGC annual depreciation costs.

- Day-to-day golf operations are inadequate to finance capital improvements at the course. If the terms of a request-for-proposals require a new operator to pick up 100 percent of capital costs at the course, it is unlikely to generate interested bidders without offering a long-term lease on very generous terms (little or no rent to the County).
- The County should consider financing the capital improvements at the course in exchange for a shorter lease with the outside operator that includes a standard rental payment (5-7% of revenue or at least \$30,000 a year). Combining the non-golf operation revenue streams from parking and the radio tower; the rent from a new operator; a \$1-per-round surcharge for capital improvements; and community fundraising (see the SCGA proposal for background) will generate sufficient revenue to finance at least a \$1 million capital improvement program with plenty of excess debt coverage. The County could include SCGC capital improvements as part of its annual capital improvement program, and place it at the top of the CIP queue whenever those improvements become necessary. While these additional bonds would be backed by the full faith and credit of the County, they would not burden taxpayers or remove funding from other projects because they will be paid off by a dedicated revenue stream coming from the course.

Finally, I want to add my support to Woody Brosnan's observation that it is inappropriate to make the REOI or the RFP process subject to approval by the Montgomery County Revenue Authority, the Maryland-National Capital Park and Planning Commission, and the lender. Important public policy decisions like closing a major public amenity should not be left to unelected boards and certainly not a bank. The Parks board neglected the course over the last two decades and the MCRA staff and its board favor discontinuing operation of the golf course. Sligo Creek Golf course's fate should not be left in their hands. #

Comments

By David Bushnell

Silver Spring, MD

Sligo Creek Golf Course Task Force Member

Dear Members of the County Council:

I appreciate the opportunity to serve on the Sligo Creek Golf Course Task Force and to work with an assembly of smart and dedicated citizens and public servants who invested their time and energy in service to our community. I commend our Chairwoman, Tedi Osias, for her leadership and patience at every step along the way, and I appreciate the long hours endured by staff.

In establishing the Task Force, the Council asked us to review key elements of the golf course's operations, to seek input from a variety of sources, and to identify approaches that will promote a self-sustaining facility. I would like to associate myself with the excellent comments submitted by Task Force members representing the neighborhoods surrounding the golf course and the Sligo Creek Golf Association. These submissions, and the plan we offered to the Task Force during our meetings, achieve the Council's sustainability objectives and ensure that no taxpayer funds are needed to operate the golf course.

As you contemplate the suggestions presented by the Task Force, I encourage the Council to consider a simple question: "*Is there really a financial crisis at Sligo Creek Golf Course?*"

I began the review process assuming there were significant financial challenges that threatened the course's future. The more I read and listen to Task Force members and outside experts alike, the less convinced I became that the financial crisis is as serious as represented. In fact, I have concluded that if there is an operating revenue crisis, it is one created by the tip of an accountant's pencil.

My strong skepticism arises, in large part, from the financial reports issued by the Revenue Authority and reports prepared for the Authority by outside consultants. In 2009, for example, the golf course generated about \$540,000 in gross operating revenues. We also learned during our meetings that the course generates another \$39,000 annually by leasing parking spaces to Holy Cross Hospital.

During that timeframe, the Revenue Authority applied a \$168,000 "management fee,"¹ against the gross revenues of each of the nine courses it manages. This charge represents 31% of the gross operating revenues of Sligo, even though Sligo's 9 holes represents only 5% of the total number of golf holes under the Authority's control. Outside experts who spoke to the Task Force, and area club officials I spoke with, said the industry norm for such a fee is in the range of 5%-10% of gross revenues. Each said a 31% management fee is excessive.

The Task Force was told that the Revenue Authority captures all the lease fees from Holy Cross and shares these proceeds with the other courses the Authority operates. At the same time, we were told

¹ [Montgomery County Revenue Authority Financial Report June 30, 2009, pages 37-38]

– repeatedly - that each course should be evaluated independently, not as a component of a country-wide system. There is a strange inconsistency here, one that serves to disadvantage Sligo Creek when seeking to fairly evaluate its financial health.

It is my belief that the Council should restrict the excessive fees charged against Sligo by the Revenue Authority to a maximum of 7% and allow the course to keep the parking lease fees. Reducing the management fee from \$168,000 (31%) to a more reasonable (and proportional) \$37,000 (7%), and retaining the \$39,000 parking fees, would put the course at break-even. In good years, which 2009 was not, the course is likely to make money for the system. This rational allocation of management fees would enable the Council, and taxpayers, to properly evaluate the financial health of each course managed by the Authority while preventing fee-loading that creates distortions.

Even if the Council takes these steps, the course still has significant capital needs, though none of them is new. In fact, the county has known for more than a decade that Sligo's irrigation system is failing, its clubhouse is substandard and the storage facility inadequate. These problems should be addressed, over time if necessary, through the County's regular capital programs. At the same time, these capital needs should not be used as pillars supporting an argument that Sligo Creek Golf Course is a failing, unprofitable property whose only salvation is a grandiose amusement center.

As we all know, the Revenue Authority proposed an extensive renovation of the property that would included a lighted driving range and miniature golf. Now, as the Revenue Authority told the Task Force, it no longer vouches for the financial projections that it espoused several years ago when discussing the plan with neighborhood groups and the media. Furthermore, the often-cited report prepared by the National Golf Foundation Consulting firm is not an independent analysis, but is a restatement of information provided to it by the Revenue Authority and thus offers nothing of value to the evaluation process.

At the Task Force's last meeting, the Authority offered a short-term plan that relies heavily on risky turf management practices, and does not preclude the possibility of seeking more funds from the taxpayer. Many of us are opposed to using public funds for operations; besides which, if the Council makes the two changes suggested above, the facility is self-sustaining.

I am sure the Council will bring a very critical eye to any request for more taxpayer support. I encourage the Council to closely review the accounting practices employed by the Authority to ensure that Sligo Creek Golf Course is afforded the fair and just evaluation it deserves. All County residents deserve nothing less.

County Wide Recreation (& Parks) Advisory Board
Standpoints & Comments Regarding
Sligo Creek Golf Course Task Force
January 20, 2010
Prepared by: Donna W. Bartko, Chair

Honored Members of the Montgomery County Council:

Thank you for the opportunity to submit comments and concerns regarding the future of Sligo Creek Golf Course on behalf of the numerous county residents who sit and serve on five advisory boards representing the entire county population.

I have had the privilege of volunteering and working with the Council, both local and countywide – over the last ten years. I must express that the work, the level of concern and the dedication of these advisory board members, month after month and year after year, to educate themselves to address the needs of the local communities and the county at large has been tireless. The MCRD/Parks boards' cross county representation, dedicated hard work and commitment demonstrate appropriate reasons why the consensus of the MCRD/Parks boards and perspectives are imperative in the decision making process to retain and improve the overall lifestyle and amenities afforded by afforded in Montgomery County.

These advisory boards work diligently and consistently to report and to recommend to the County Council, the Planning Board, the Recreation Department and Montgomery Parks feedback on programs, area needs, Capital Improvement Programs (CIP) and any other request received from the community or from a county agency.

Having had the privilege to represent the advisory boards on the recent task force and as a member of the previous Stakeholder's Group, it is incumbent upon me to make sure that the Council recognizes that the two groups designed and formed to resolve the future of Sligo Creek Golf Course have been extremely, disproportionately skewed by representation of the neighborhoods in direct proximity to the golf course and that the representation of Montgomery County residents as a whole has been minimized. Therefore, the reports that you have received are not necessarily the views of the residents who live outside the immediate area adjacent to Sligo Creek Golf Course.

As a member of both Sligo Creek Golf Course advisory groups I have consistently reminded other members that Sligo is a COUNTY golf course – not a neighborhood golf course or a pseudo country club. Needless to say, my comments have not been well received as the majority of the group is so skewed to the immediate neighborhoods and users of Sligo. However, my input has always been to represent the best and highest use of any amenity or program on behalf of the entire county population.

Our MCRD/Parks advisory boards have followed the Sligo Golf Course issue – as part of the initial golf course lease discussions through this most recent task force. Members of all of our advisory boards have attended all public meetings, had meetings with the executive director of the MCRA as well as the directors of Parks and Recreation. We have studied all the materials

that have been prepared and disseminated regarding the Sligo Golf Course difficulties in small subcommittees and as full boards.

Therefore, we feel extremely qualified to add our position and recommendations to the Task Force Report and hope that you will receive these comments as strong and broad based. A copy of our report from the initial Stakeholder's group to the MCRA Board is also appended to this report.

The County Wide Recreation (& Parks) Advisory Board along with the regional advisory boards has struggled with the desire to keep Sligo Creek Golf Course open in conjunction with what is the best and highest use for the 65 acres dedicated to Sligo Golf.

Towards this end, the following are points we consider to be crucial for the County Council to consider in making its next step towards the future of Sligo Creek Golf Course.

Premise:

There is a lease governing the operation and commitments between the Parks Department and MCRA for the operation of the nine county golf courses. Regardless of the dislike by some of the task force members of some of the lease clauses, the lease remains valid.

Any actions to ignore the clauses of the lease and/or to act outside the parameters of the lease are not only objectionable, but would undermine the future credibility of the county's word or commitments to others.

Therefore, it is our position that the lease terms have been met and that by taking back the golf course the Parks Department must abide by the terms and not allow Sligo Creek Golf Course to be operated as a golf course.

Not only is the prohibition provision of running Sligo as a golf course a lease requirement, with the tumbling number of rounds of golf, the reduction in the number of golfers, and the diminishing interest in golf, any rounds of golf that would be played at a competing Sligo facility would mean siphoning off rounds of golf from the golf courses operated by the MCRA.

The suggestion that Sligo be returned to MCRA and reinstated into the lease agreement or reinstating Sligo into a revised lease agreement is not sensible as it does not resolve the underlying issues.

- Our position is that there is a valid lease and that the terms of that lease, including the return of Sligo Creek Golf Course, to Parks must be honored.

Physical Conditions / Operations

Until the MCRA came forward with a program and concept to improve Sligo Golf amenities in order to generate income to fund the significantly run down, obsolete and/or dangerous facilities, there were few or no complaints regarding the operations of Sligo by the MCRA. In fact, the opposite was true – after undertaking the operation of Sligo by the MCRA, most noticed significant improvements to the facility.

The MCRA found that there were numerous deficiencies in ADA compliance and deferred maintenance of the property – as examples, the 30+ year old irrigation system and the non-ADA compliant restrooms in the clubhouse. More importantly, the MCRA found significant safety issues as demonstrated by a building-wide crack in the maintenance building.

There is no consensus in the task force for the valid or reasonable dollar amounts for the repairs and replacements that are needed; indeed, there is no consensus as to even the type of amenities that should be there. As an example, some feel that the clubhouse should be entirely renovated to ADA compliance, while others feel that the clubhouse could be “moth balled” and a double-wide trailer placed on the property for office and administration. And there are others who feel that there is a “moral obligation” for the county to fund deferred items because of the lack of care during better times.

Regardless of the exact costs or dollars that would be needed to bring the golf course up to current standards, the fact remains that there are no funds available to support even necessary programs and staff.

- Therefore, it is our recommendation that no further county funds – tax dollars, CIP funds or funds identified by other means - go into continuing to study the deferred capital and property needs of Sligo Creek Golf Course.
- The Task Force was unable to identify any outcome for funding capital needs at Sligo without infusion of public funds.
- Any public funding that might be made available for Sligo Creek Golf Course should be allocated towards keeping jobs for county employees, continuing programs for at-risk youth and seniors and for county safety programs.

Operations: As noted previously, the operation of the golf course was not an issue until the MCRA proposed extensive changes to the property which included amenities such as a lighted driving range that many others in the county found positive. Acknowledging that the straight-line method of assessing management fees and insurance costs drove the operating deficit at Sligo up, making adjustments for those line items still does not provide for a break even cash flow for annual operating costs. Furthermore, prior to MCRA management, M-NCPPC (Parks) was unable to operate Sligo on a break even basis.

- Therefore, it is our recommendation that because the task force has not and cannot identify a self-sustaining operating plan, it is fruitless to pursue a that a third-party operator with the expectation that it would succeed where two competent agencies familiar with the course have failed.

- It is also our concern that any third-party operator who would agree to be responsible for the significant capital costs required would find itself in the same deficit position and find itself obliged to renege on its promises.
- We also note that the assumption that any private party will have the funds to make required improvements is not supported by the current credit environment.

Conclusion:

Our advisory boards faced the issues and obstacles presented at Sligo from an objective view point. Our goal and hope was to identify a way to keep Sligo Creek Golf Course a safe and accessible amenity for all county residents.

After the time, expense and energy put into trying to identify any method to keep Sligo open as a county golf course has failed, we cannot conclude or recommend anything other than accepting the terms of the lease agreement and having Parks identify and provide one or more uses other than golf as future funds allow.

We are extremely concerned that with the continued cuts to major county departments such as the Recreation Department and Parks any decision to fund Sligo Creek Golf would be a breach of the County Council's fiduciary duties to county residents.

While eight other county golf courses remain open for a diminishing golfing community, programs for at-risk youth are being cut almost monthly, staffing at facilities has been reduced to dangerous levels, fields and parks are forced to be maintained on a sliding scale and the general quality of life is being diminished by lack of funds county-wide.

Should any funds be identified or thought to be available to continue the operation of Sligo Golf Creek Golf Course, we plead with you to recognize that the public wellness and the need for Recreation and Parks programs and facilities increases in times of economic despair and that those programs and residents that they serve become all the more important.

Ask yourselves, please – is it better to expend more time, money and energy on one small, secluded and outdated golf course rather than put that land to a higher, better and global use or is it the responsibility of the leaders of our county to realize that there are situations that just can't be fixed and need to be changed?

We are not losing a 65 acre amenity by the closure of Sligo Creek Golf Course – there are still eight other county golf courses that can more than serve the county golfing community.

Accepting the need to comply with the MCRA/Parks lease agreement and return the land to Parks is certainly difficult to accept as some view this change as a loss. We believe however, that the lease agreement should be respected and that further time and efforts expended by the County Council, Parks, MCRD and hopeful, local residents be put towards current economic crises.

Indeed the return of the Sligo Creek Golf Course land to Parks is not a loss but an opportunity to evaluate changes of use for the land and to identify numerous alternative amenities that will be available to county residents for other good, healthy and appropriate programs for county residents at large.

Addendum to the
Sligo Creek Renovation Stakeholder
Advisory Group Report
September 23, 2008

Prepared by:
Donna W. Bartko,
Member & Chair of the County Wide
Recreation & Parks Advisory Board

Members of the Montgomery County Revenue Authority:

Thank you for the opportunity to submit my comments and concerns regarding the future of Sligo Creek Golf Course.

PREFACE

I'd like to share with you my and our board's familiarity with the MCRA and the golf course system. Several years ago, during the transfer of the golf courses from MNCPPC to MCRA, I was vice chair of the County-wide Advisory Board for Parks and Recreation. Our advisory board was active in following the transfer of the four Parks' golf courses to RA from inception. Very early on in the process, Bill Mooney, former director of Enterprise attended one of our board meetings and outlined the reasons, the process and an overview of the lease terms with us. We were kept up to date on this item by Mr. Terry Brooks after Mr. Mooney left MNCPP employ.

Our Countywide board was very concerned and vocal about future use and potential non-parks development of any or all of the four Parks' golf course properties and what the ultimate disposition of those courses could be if a golf course was deemed detrimental to the golf course system. Original draft language in the lease allowed for golf course land to have the potential to be transferred to private parties, who were prohibited from running any type of golf course activity but would have no other limitations except for zoning and permitting. We were extremely concerned that transfer of public land to private ownership could result in dense housing projects or other non-open space use with a significant lessening of green space.

The Countywide Board has members from each of the five local boards (Silver Spring, Eastern, Western, Mid-County and Up-County) and these boards were also kept involved and apprised of the ongoing situation and golf course negotiations. We voiced our concerns loudly and often -- not only to the Planning Board, but to Council members as well. Certainly, our board was not the only concerned party, but we were clearly an influence in assuring that the lease language required the return of any golf course from RA directly back to Parks in lieu of

open market possibilities. Before and after the lease was executed, Keith Miller attended several of our meetings to answer questions, review the ideas for the golf course master plan and to solicit our perspectives. Our board was frank and strongly expressed qualms relative to the golf courses master plan, fee structures, programs and essential requisites to meeting the needs of county residents – young, elderly and challenged. We have also indicated our strong desire to resolve the Sligo course problems with minimal discomfort to the adjacent neighborhoods.

Mr. Miller also met with the Silver Spring Parks & Recreation Advisory Board on several occasions taking them on more than one tour of Sligo Golf Course and the adjacent neighborhoods to assure the SS was informed and in a position to give feedback. Steven Earl of the SS advisory board and a member of the county wide advisory board has been a liaison to Mr. Miller over the last year sharing with him questions and concerns while also keeping the county wide board informed and up to date on the SS board's discussions and activities regarding Sligo Golf course.

We also established an ad hoc group of golfers from each of the regional boards and me to meet periodically with Mr. Miller to make sure that he received feedback and kept our groups in an information loop on many golf issues, but specifically the Sligo golf course because of the citizen concerns.

Last Fall during one of our ad hoc meetings Mr. Miller briefed us on a recent meeting he had with the neighborhood groups and the requests that he had received: follow up on Audubon affiliation, obtain lighting information and traffic studies. He advised us that he was doing so and that he anticipated a public meeting to present that information in December 2007; he asked me to moderate the meeting, keeping the tone of the meeting objective and to try to keep the tone of the meeting less emotional and more businesslike.

The video tape of the entire meeting will demonstrate that I met those goals 100%. The video tape of that meeting will also demonstrate that at that time I suggested that a task force be put together to try to work together with the MCRA to mediate a win-win solution for both the communities, for the county, for the MCRA and most importantly for the golfers. During that meeting, I also spoke briefly with Councilmember Marc Elrich about a task force to work with the community and he indicated his concurrence to me that it would be a good idea to try to get the two entities to work together.

Later this spring I was contacted by Mr. Miller to join the Stakeholder group to represent the county-wide perspective. It was my understanding at that time the group was more of a stakeholders group rather than a task force, but that the county executive's office, more than several of the county council members and the MCRA board wanted this group to come together to try to work out acceptable solutions to the problems.

I was please to find that the group's objective: To become familiar with the current conditions at Sligo Creek Golf Course and to make recommendations to the Montgomery County Revenue Authority Board (MRRA) that the Group fees will be acceptable to the community at large while making the facility environmentally and economically sustainable and a positive

contribution to the golf course system. The goal of the Stakeholder Advisory Group is to conduct meetings and business as necessary to provide its written recommendation and advice to the MCRA Board in September 2008.

COMMENTS & CONCERNS

Having missed only one meeting during the entire tenure of the group, I fully participated in the process and came away quite disappointed and saddened by the lack of work product and the failure of the group to meet even a modicum of the group's goal.

This group, as demonstrated by the report, was never able to or willing to work to identify or work towards identifying any sources of income producing amenities that could generate revenue to offset the obvious need for repairs to deferred maintenance let alone any additional improvements.

The neighborhood groups merely reiterated their perspectives on not just being against any kind of driving range, but to actually becoming hostile when non-neighborhood group members wanted to discuss different, smaller levels of driving ranges or alternative sites for a driving range with the understanding that income generation was and is key to keeping this golf course viable.

The group did not spend any significant time or energy on environmental issues, the group did not address traffic issues nor did the group discuss at any length the Audubon Society concerns the neighborhoods had raised as their most meaningful concerns over and over to their Council members and to the County Executive. The group did spend significant time discussing video arcade virtual driving range golf as an alternative to a true driving range, much to my and other's chagrin.

As you read the report and as you read the addendum, it will become very clear that there is no consensus from this group other than that espoused by the neighborhoods in proximity to Sligo that they want no changes, but that they want the deferred maintenance repairs made at the expense of others.

I have reviewed and briefed the County-wide Board and the Area Board Representatives about this group's dynamics and the final product and lack of significant positive recommendations to the MCRA board. Our County-wide Board has empowered me to let you know that we support keeping Sligo Creek Golf Course functioning as part of the MCRA golf course system.

Towards that end, we have formed an ad-hoc advisory group to aid Mr. Miller and yourselves in obtaining a more global perspective from the Montgomery County community to augment the limited perspective from the small neighboring communities who may have more exclusive concerns rather than more inclusive concerns of the majority of the citizens of Montgomery County.

I will be more than happy to meet with you to discuss this addendum or to answer any questions you may have. Again, thank you for the opportunity to serve the MCRA, the citizens of Montgomery County and the current and future golfers of Montgomery County.

Respectfully submitted.

Donna W. Bartko

Sligo Creek Golf Course Task Force

Submission by Tracy Jacobs

First, let me begin by stating that, like most others on the task force, I disagree with Mr. Miller and the MCRA's statement that the task force "acknowledge that the addition of a driving range and miniature golf course will be necessary to brand and use the course as an educational center." This was certainly not the case, and actually, the large majority opposed the idea of a driving range or miniature golf course. As Vice President of the North Hills of Sligo Creek Civic Association, our community continues to strongly oppose any lighted, nighttime activities on the golf course. During presentation from outside organizations, the Billy Caspar Group stated that 9-hole courses have been there most profitable in this economy, and MOST don't have driving ranges.

As an individual citizen, I have these thoughts:

After many weeks, actually years, of discussing Sligo Creek Golf Course, I continue to be frustrated with some basic changes that could be made to improve the economic performance of this course. MCRA has not marketed this course properly. They have stated that their only marketing is of the courses as a whole, and any that directly refer to SCGC are solely through email. This misses that very target group that everyone has stated is ideal for this course: newcomers to the game of golf. A simple advertisement in a publication like the Gazette would likely be inexpensive and bring new people to the course. With so many young families in the surrounding community, the potential for new, young golfers (including any or all of my four children) is very real. I disagree that the only way for someone to learn the game of golf is if there is a driving range. What better way to learn the game than go out and play on what has been described as a slow, forgiving and great beginner course.

Also, there are no signs at any of the major intersections surrounding the course to inform people that it's there (i.e. Sligo Creek Parkway and Colesville Road, Forest Glen and Georgia Avenue, Forest Glen and Sligo Creek Parkway, the Beltway at Colesville Road or Georgia Avenue). It is only if someone actually drives past the course, that they know it is there.

In addition, the clubhouse is an ideal location to draw additional revenues through sale to people walking, biking, running, etc. along Sligo Creek trail, which draws thousands of people every year. There is nowhere along the trail, which extends from Maple Avenue in Takoma Park, to University Boulevard, where someone can stop and get a drink or snack. Most non-golfers that I've talked to don't even know that there is a snack bar at the course. While MCRA has argued that food and beverage is not a big money maker, I argue that it could be enough at the course to make it self-sustaining. If a sign is posted on the trail across from the course, people might stop to get a drink, and possibly consider coming another time for a round of golf.

As has been discussed at great length is the MCRA's management fee. While I understand this has been standard practice for MCRA, it does not make sense that they can spread the management fee, spread the revenues generated from renting SCGC parking lot to Holy Cross among all of the courses, but view courses separately and fail to make improvements to the course because the course doesn't generate enough money to "stand alone". I do not understand how one course can pay \$100,000 more in a

management fee in two years, while the two largest courses each pay approximately \$1,000 less in the same time period.

I am saddened that for so many years this the county neglected this course and failed to make basic improvements to this course to keep it viable and within ADA, OSHA and other requirements. If the clubhouse were accessible, it could be used as a meeting place for veterans groups, community groups, and others.

Finally, as a taxpayer, I don't see how any other use of the land would make sense economically. Leaving the land vacant, or transforming it into something else could cost thousands, even millions of dollars, and potentially have a serious detrimental environmental effect.

Respectfully submitted,

Tracy Jacobs
9310 Colesville Road
Silver Spring, MD 20901

MCRA Response to
Sligo Creek Golf Course Task Force Report
January 20, 2010

The following are the Montgomery County Revenue Authority's (MCRA) comments on the Sligo Creek Task Force (SCTF) Report. We thank all of those who participated in the task force discussions over the past several months. In 2006, the MCRA assumed the operation of the four Maryland National Capital Park and Planning Commission (Parks) golf courses which were producing an annual operating loss that was being subsidized by the taxpayers of Montgomery County. The four properties were not able to support sufficient capital funding which resulted in the MCRA assuming properties with significant infrastructure needs. Sligo Creek presented the most difficult challenge because of the operational loss, the capital needs, and the facility make-up as a stand alone 9-hole facility with limited ancillary operations to support the property.

The MCRA has successfully operated golf courses since 1960 without any taxpayer subsidy for operations or capital improvement. We used our expertise in golf management to successfully revitalize the operations of the Parks golf courses by implementing procedures to cut costs, improve customer service, and improve the overall product offered to the golfers. In our first year of operations the MCRA invested over \$740,000 in equipment for the Parks golf courses. In total the MCRA has invested over \$1,000,000 in equipment and improvements at the Parks golf courses since assuming operations.

Considering the capital needs and operational challenges at Sligo Creek Golf Course (SCGC), the MCRA developed a comprehensive plan to address the capital needs and transform it to a state of the art learning center. The Community rejected the proposed plan and the MCRA has worked with the Community for the past two years to create an alternative solution that addresses the financial needs of the property.

The MCRA's golf system as a whole has been successful in its operations based on a three pronged approach: golf course conditions, pricing, and customer service. This approach resulted in dramatically improved performance at the Parks golf courses including Sligo Creek. Since assuming operations in FY06 the rounds of golf increased by 16% at the Parks courses including a 21% increase at Sligo Creek as compared to FY08. However, all of the golf courses, except Little Bennett and Northwest, suffered a decrease in rounds in FY09 due to the weather and economic impacts. At the Parks courses we implemented a new pricing system, improved course conditions, and we were recognized in 2007 with a National Customer Loyalty Award for Sligo Creek Golf Course.

Contrary to the SCTF report which states that an improved marketing campaign will produce significantly more rounds, the MCRA already successfully markets its courses, including SCGC, through its email, print, and internet campaigns. Further, as outlined above, the true formula for success is based on our three pronged approach.

The SCTF report continues to validate the findings of the independent financial analysis and confirms that the SCGC is adverse to the golf course system. According to page A-6 of the SCTF report, "the revenues from Sligo Creek Golf Course operations alone are insufficient to pay for any replacement of infrastructure." The SCTF report, the independent financial analysis, and the MCRA's ongoing position are all in agreement.

The Community's financial plan presented assumptions that were not realistic and/or not properly supported by historical information or current industry trends. Their rounds and revenue assumptions are contradictory to the data presented in the SCTF report which analyzed operational results from FY2000 to FY2008. This

information is detailed in the SCTF report. The information shows that rounds at Sligo Creek decreased by 26% as compared to the MCRA system which declined 8% and NGF data which shows rounds declined 5.7% nationally during the same period. The revenues at Sligo Creek Golf Course decreased by 3% and the remainder of the golf system *increased* revenues by 39%.

The SCTF reviewed the management fee charged by the MCRA. The straight-line approach of management fee allocation to the golf courses has been practiced by the MCRA since the early 2000's and was only altered in FY06 and FY07 when there was significant transition in the organization. However, as indicated in the NGF study even with the reduction or elimination of the management fee at Sligo Creek, the course would still be adverse to the system. This was further validated by the Community's own assumptions which did not include any amount for management fee, and when revenues were adjusted to be realistic, the result yielded an annual loss for the golf course. Finally, the FY10 assumptions which included the \$150,000 appropriation request were based on a reduced management fee of \$45,000. Therefore, the MCRA contends that the management fee issue has been addressed and the reduction or elimination of it does not alter the long term sustainability of the SCGC.

The MCRA recommended to the SCTF a plan that included modification of the operations to reduce losses, requested support of the County and Parks, and the involvement of the Community through fundraising and volunteers. This proposal was rejected by the Community based on several factors including their concerns that they would not be able to raise the funds, and that the use of volunteers outlined in the plan would be too onerous.

The SCTF failed to recommend any public-private partnerships that would make the course financially viable and it did not recommend golf course enhancements that may be necessary to make the course financially viable. In fact, the task force states on page A-6 that "the revenues from Sligo Creek Golf Course operations alone are insufficient to pay for any replacement of infrastructure." Therefore, considering all of the data provided and the SCTF's own conclusion, issuing an REOI or RFP that requires the operator to address the capital needs of the property has a very small chance of success. Such an exercise will continue to delay a true resolution of the situation. Conversely, if the capital improvements requirement is removed from the REOI or RFP it will only delay the long term needs of the property and leave Sligo Creek in a tougher predicament than it is in now.

The MCRA remains committed to working with the County to develop a plan to keep Sligo Creek open. We are prepared to continue operating Sligo Creek Golf Course as long as the owner is responsible for all capital costs. Although we do not agree with all of the points of the Parks proposal, we believe there are enough similarities between our proposals that a new operating agreement could be reached.



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

January 20, 2010

To: Sligo Creek Golf Course Task Force Members
Fr: Diane Schwartz Jones, Assistant CAO
Re: Task Force Report

I am attaching a marked up copy of the report from the Task Force work sessions. I have been very impressed by the degree of commitment, civility and patience that all members of the Task Force have shown as our chair guided us through at times choppy waters. With Tedi's guidance and Shondell and Jeff's support the group held to the elements of the task presented to it. I would be remiss not to acknowledge the efforts of Jeff's wife as well who saw to it that we always had cookies to hold us over.

To be clear, I have expressed Executive support for a solicitation process (one or two step) with continuing MCRA operation of the course until implementation. This presumes that the necessary approvals are put in place and that the golf course is offered in an "as is, where is" condition with any successful proposer being required to make necessary repairs for Sligo to be a successful 9-hole golf course. The lender, to whom significant funds remain outstanding, will need to first consent to a waiver of the non-compete provision and the Revenue Authority Board and MNCPPC (the owner of the land) will need to agree to participate. I am optimistic that a case can be made to the lender to get it to agree to the Revenue Authority's waiver of the non-compete provision for a solicitation to be pursued for a private operator/lessee for Sligo.

The changes and comments that you see on the attached report are intended to capture explanations and elements of discussions that I think should be included in the report.

Thank you to all for soldiering through this effort and a special thanks again to Tedi, Jeff and Shondell.

INTRODUCTION

History of Sligo Creek Golf Course and Golf in Montgomery County

Sligo Creek Golf Course is a 65-acre, nine-hole golf course located just south of Interstate 495 in Silver Spring. Prior to 2006, Montgomery County had two public golf course systems operated by two public agencies. The Maryland-National Capital Park and Planning Commission (M-NCPPC) through its Department of Parks operated four public golf courses and the Montgomery County Revenue Authority (MCRA) operated five public golf courses. Both systems of public golf were expected to be self-sustaining, meaning that the revenues within the system were to be sufficient to fund the expenses of the system. The M-NCPPC golf courses however required ongoing subsidies from the general fund. Consequently, the Montgomery County Council expressed concern about the need to subsidize the M-NCPPC's golf courses. In an effort to reduce redundancies and realize savings the Council directed that M-NCPPC and the MCRA look at their two systems of golf and determine if there could be savings and efficiencies realized through a single system of public golf.

In response to this direction a study was undertaken of the two systems of golf. Issues that were identified during this time were:

- inability to generate enough revenue from Park courses to cover the operating and capital expenses of the golf courses which led to a subsidy from the County Government to support the courses
- continued need for unfunded capital improvements on the golf courses

The Council concluded that the County would benefit from a unified public golf system, rather than two separate public golf systems. Inasmuch as the MCRA golf courses were fiscally performing better than M-NCPPC golf courses, the Council sought to have MCRA operate all public golf courses.

As a result of the study and the work of the two agencies, the two systems of golf were merged into a unified system of public golf run by the MCRA. This was done in October, 2006 with the approval of the County Council and the M-NCPPC. The M-NCPPC courses were leased to the MCRA which resulted in MCRA taking over the golf functions and M-NCPPC retaining the traditional parks functions of the environments in which the four M-NCPPC courses are located. The lease between M-NCPPC and MCRA required MCRA to assume full obligation for the debt service incurred by M-NCPPC on the Little Bennett Golf Course and relieved M-NCPPC's enterprise fund of the significant drain that both the debt and the courses had placed on it. Pursuant to the lease, M-NCPPC shares in revenues from the courses. The MCRA, as part of the transaction and in order to run the courses for which it assumed responsibility, purchased the equipment used in connection with the operation of the courses. As part of the transaction and in recognition of the condition of the courses, the assumption of debt and the finite number of rounds of golf played within the County, the lease included a provision that allowed MCRA to return courses back to M-NCPPC if they were determined to be adverse to the entire golf system. Any such course could be used for any purpose determined by M-NCPPC except that it could not be used to capture rounds of golf from the finite number of rounds of golf played within the County. This was done in recognition of the fact that the Revenue Authority is not general fund supported and had assumed responsibility for a significant amount of M-NCPPC created debt as part of its agreement to

take on the courses. Both M-NCPPC and MCRA realized that Sligo was an underperforming course and that several of the M-NCPPC courses needed work. The unified system of golf allowed the County to achieve the anticipated efficiencies associated with a single County golf system and helped improve the fiscal condition of M-NCPPC's Enterprise Fund.

MCRA and M-NCPPC recognized that the M-NCPPC courses needed improvements. The lease required the MCRA to develop a master plan of improvements for review by M-NCPPC. As part of that effort, MCRA recommended certain improvements for the Sligo Creek Golf Course which were intended to generate additional revenues at Sligo Creek Golf Course in order to make the course self-sustaining. As part of its FY09-14 Capital Improvements Program, the MCRA submitted a project for Sligo Creek Golf Course in the amount of \$5,500,000. The proposal included modification of the course and installation of a 72-stall, lighted driving range and a miniature golf course. The proposal included the possibility of adding a second miniature golf course in the future. Currently, the course has seven "par 4" holes and two "par 3" holes. As modified according to this plan, the course would have had seven "par 3" holes and two "par 4" holes. However, the County Executive recommended deferring this project until community concerns were resolved. The MCRA Board deferred its funding request for this project. The MCRA convened a citizen advisory group, the Sligo Creek Stakeholders Advisory Group, to develop a concept plan for Sligo Creek Golf Course that would result in self-sustainability for the course and be acceptable to members of the community. No option was identified that achieved both goals. Community members and local environmental groups were opposed to MCRA's proposals.

In early 2009, the MCRA contracted with the National Golf Foundation Consulting, Inc. for an independent financial analysis to determine if any golf course was adverse to the entire golf system. The analysis concluded that due to its limited capacity as a 9-hole course Sligo Creek Golf Course was adverse to the entire golf system. Although questions have been raised about the financial analysis, both the Planning Board and Council have reviewed the financial analysis and found it to be an acceptable basis to allow MCRA to exercise the provision in the lease which allowed them to return a golf course to M-NCPPC. Upon this finding, MCRA returned Sligo Creek Golf Course on April 1, 2009 with an agreement that MCRA would operate the golf course through October 1, 2009.

On September 4, 2009 following conversations between Councilmembers and the County Executive, the Council received from the County Executive a special appropriation request in the amount of \$150,000 for M-NCPPC to continue operating Sligo Creek Golf Course as a golf course through June 30, 2010. In the request, County Executive Leggett indicated an intention to create a task force to review the Sligo Creek Golf Course. This special appropriation provided the necessary operational costs through the end of fiscal year 2010. On September 29, 2009, by majority vote, the Council supported this special appropriation request as well as a resolution that was introduced by Councilmember Valerie Ervin to establish the Sligo Creek Golf Course Task Force. The Sligo Creek Golf Course continued operations under an agreement between MCRA and M-NCPPC.

Authority and Scope

On September 29, 2009 the Council adopted Resolution No. 16-1134 establishing the Sligo Creek Golf Course Task Force. The resolution states:

The Task Force must develop a report to the County Council that includes recommendations that will lead to the future self-sustainability of Sligo Creek Golf Course. The Task Force must: (1) review course revenues, usage rates, and fees; (2) evaluate the costs associated with operating and managing Sligo Creek Golf Course; (3) identify essential capital improvements required to keep the course operational over the next five years; (4) evaluate what similar jurisdictions have done to manage public golf courses; (5) recommend potential public-private partnerships that would make the course financially viable; and (6) recommend golf course enhancements that may be necessary to make the course financially viable that do not impact the quality of life in the neighboring community.

If there is no solution found that results in future self-sustainability for the Sligo Creek Golf Course, M-NCPPC will determine the future use of the property inasmuch as the property is parkland.

Current Revenues, Usage Rates, and Fees

The Task Force agreed to base its analyses on data from the time period between 2000-2008 because expanding the time period depicts a decline in revenues and rounds due to extraneous circumstances. The 2008-2009 golf year was an unusually bad golf season due to terrible weather and the 2009 recession.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change
Sligo Creek Rounds	40,320	38,700	37,520	24,010	25,591	24,683	21,822	25,591	29,906	-26%
Sligo Creek Revenue	\$658,000	\$619,000	\$648,000	\$461,000	\$499,651	\$488,196	\$516,870	\$514,456	\$636,735	-3%
Sligo Creek Expenses	\$744,000	\$704,000	\$622,000	\$596,000	\$554,000	\$528,578	\$575,905	\$615,152	\$781,405	5%
Sligo Creek Net Income	(\$86,000)	(\$85,000)	\$26,000	(\$135,000)	(\$54,349)	(\$40,382)	(\$59,035)	(\$100,696)	(\$144,670)	

Rounds

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 2000-2008
Falls Road	61,878	54,156	60,613	42,314	34,516	48,241	53,663	52,022	49,559	-20%
Laytonsville	49,659	41,139	40,545	38,060	42,789	43,331	44,509	44,675	44,959	-9%
Poolesville	33,298	33,192	35,449	28,060	30,159	30,248	34,347	35,159	34,739	4%
Rattlewood	32,170	37,313	42,585	30,664	34,505	33,734	34,672	35,023	32,934	2%
Hampshire Greens	25,212	29,702	33,948	27,526	34,439	32,642	31,615	30,311	32,048	27%
Sligo Creek	40,320	38,700	37,520	24,010	25,591	24,683	21,822	25,591	29,906	-26%
Needwood	71,680	73,100	79,730	58,310	64,300	60,904	63,191	67,581	71,238	-1%
Northwest Little Bennett	76,160	68,800	84,420	61,740	60,569	61,516	61,248	61,255	63,988	-16%
Total Rounds	421,737	406,202	447,640	334,694	349,748	357,338	369,820	379,703	389,699	-8%

Revenue (\$1,000's)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 2000-2008
Falls Road	\$1,555	\$1,701	\$2,454	\$2,019	\$1,617	\$2,467	\$2,651	\$2,916	\$3,005	93%
Laytonsville	\$1,457	\$1,207	\$1,224	\$1,278	\$1,485	\$1,576	\$1,686	\$1,611	\$1,742	20%
Poolesville	\$974	\$1,039	\$1,188	\$976	\$1,053	\$1,040	\$1,125	\$1,351	\$1,371	41%
Rattlewood	\$1,168	\$1,413	\$1,674	\$1,192	\$1,426	\$1,472	\$1,546	\$1,579	\$1,421	22%
Hampshire Greens	\$1,355	\$1,654	\$1,881	\$1,395	\$1,774	\$1,719	\$1,641	\$1,705	\$1,789	32%
Sligo Creek	\$658	\$619	\$648	\$461	\$500	\$488	\$517	\$514	\$637	-3%
Needwood	\$1,892	\$1,971	\$2,030	\$1,534	\$1,889	\$1,892	\$2,117	\$2,186	\$2,463	30%
Northwest Little Bennett	\$2,357	\$2,226	\$2,586	\$1,972	\$2,196	\$2,305	\$2,395	\$2,233	\$2,484	5%
Total Revenue	\$11,852	\$13,528	\$15,467	\$12,272	\$13,491	\$14,390	\$15,205	\$15,455	\$16,511	39%

Expenses (\$1,000's)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 2000- 2008
Falls Road	\$956	\$1,172	\$1,639	\$1,772	\$1,727	\$2,126	\$2,213	\$2,325	\$2,445	156%
Laytonsville	\$963	\$953	\$1,258	\$1,271	\$1,375	\$1,401	\$1,469	\$1,473	\$1,517	58%
Poolesville	\$851	\$977	\$1,089	\$1,020	\$1,071	\$1,104	\$1,242	\$1,397	\$1,393	64%
Rattlewood	\$941	\$1,073	\$1,280	\$1,175	\$1,305	\$1,335	\$1,391	\$1,525	\$1,356	44%
Hampshire Greens	\$1,502	\$1,511	\$1,717	\$1,615	\$1,658	\$1,672	\$1,549	\$1,566	\$1,809	20%
Sligo Creek	\$744	\$704	\$622	\$596	\$554	\$529	\$576	\$615	\$781	5%
Needwood	\$1,604	\$1,570	\$1,610	\$1,615	\$1,635	\$1,535	\$1,895	\$1,585	\$1,659	3%
Northwest	\$2,136	\$1,901	\$2,167	\$2,040	\$2,039	\$1,881	\$2,177	\$1,597	\$1,938	-9%
Little Bennett	\$1,677	\$1,829	\$1,974	\$1,747	\$1,543	\$1,426	\$1,586	\$1,660	\$1,793	7%
Total Expenses Combined	\$11,372	\$11,690	\$13,356	\$12,851	\$12,907	\$13,009	\$14,097	\$13,744	\$14,691	29%

MCRA Management Fee

	2007	2008	2009
Falls Road	\$96,750	\$139,104	\$168,180
Laytonsville	\$86,903	\$139,104	\$168,180
Poolesville	\$60,664	\$139,104	\$168,180
Rattlewood	\$67,656	\$139,104	\$168,180
Hampshire Greens	\$63,316	\$139,104	\$168,180
Sligo Creek	\$68,580	\$139,104	\$168,180
Needwood	\$169,218	\$139,104	\$168,180
Northwest	\$170,918	\$139,104	\$168,180
Little Bennett	\$61,234	\$139,104	\$168,180

Net Revenue (\$1,000's)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Falls Road	\$600	\$529	\$815	\$247	-\$110	\$340	\$438	\$591	\$561	\$4,010
Laytonsville	\$495	\$255	-\$34	\$7	\$110	\$175	\$218	\$138	\$225	\$1,588
Poolesville	\$123	\$62	\$99	-\$44	-\$18	-\$64	-\$117	-\$46	-\$22	-\$26
Rattlewood	\$228	\$340	\$394	\$17	\$121	\$138	\$154	\$54	\$65	\$1,510
Hampshire Greens	-\$147	\$143	\$163	-\$220	\$117	\$47	\$92	\$139	-\$21	\$313
Sligo Creek	-\$86	-\$85	\$26	-\$135	-\$54	-\$40	-\$59	-\$101	-\$145	-\$679
Needwood	\$288	\$401	\$420	-\$81	\$254	\$357	\$222	\$602	\$805	\$3,267
Northwest	\$221	\$325	\$419	-\$68	\$157	\$424	\$218	\$636	\$546	\$2,878
Little Bennett	-\$22	-\$131	-\$192	-\$302	\$8	\$5	-\$58	-\$302	-\$194	-\$1,187
Total	\$482	\$1,841	\$2,113	-\$577	\$587	\$1,383	\$1,111	\$1,712	\$1,822	\$11,657

Evaluate the costs associated with operating and managing Sligo Creek Golf Course

Rounds:

The National Golf Foundation reports that, nationwide, rounds are down 5.7%. In comparison, from 2000-2008, rounds in Montgomery County were down 8%.

Sligo Creek Golf Course's rounds decreased 26% during the same period 2000-2008. The data indicates that, in 2003, all County golf courses saw a significant reduction in rounds that may be attributed to the sniper incident. However, from 2000 to 2003, six additional 18-hole golf courses opened in the region, adding to the competition for greens fees. No new nine-hole courses opened.

Revenues:

Even though rounds have declined countywide, revenues have increased for County golf courses. There are three County golf courses that generate the greatest income for the entire golf course system: Northwest, Needwood, and Falls Road. These courses may be performing better because of their locations, the demand for golf in the area, and the revenue generated from driving ranges. Falls Road Golf Course helps support this trend because rounds have decreased at this course; however, revenue has increased. The renovation at Falls Road created a full service, lighted driving range, and it is likely that the driving range will cause revenues to further increase in FY10.

Needwood and Northwest may be performing well because each of these courses also has a driving range as well as a 27-hole course which includes an "inside 9" course. All other courses have 18 holes.

Management Fee:

The Montgomery County Revenue Authority (MCRA) provided detailed information about the management fee assessed on all 10 MCRA facilities. The management fee contributes to the administration of the Revenue Authority. In 2008, MCRA, which has the authority to establish its fees, re-established the previously held policy of distributing its overhead cost equally to the golf courses through a management fee. It is MCRA's operating rationale that the central staff focused on all of its facilities equally on a rotating basis and, therefore, courses should be charged equal fees. MCRA charges all its facilities the same management fee without regard to size of the facility or how much revenue it produces. It is MCRA's policy to offset management fees with non-golf revenues from the cell tower on the Falls Road Golf Course and the parking revenue from Holy Cross at the Sligo Creek Golf Course, which are equally divided among all facilities.

Several factors contributed to the varying management fees which were assessed in 2006 and 2007 only, including:

- the retirement of the MCRA's Executive Director and Chief Financial Officer

- the organization's transition and take over of the Park and Planning courses which resulted in a nearly doubling of size
- a volunteer was the acting CFO until a new Executive Director was hired

It is clear that MCRA modified its approach to its management fee. However, MCRA's rational for its approach is consistent with the statement by the National Golf Foundation in its report that 9-hole golf courses have expense structures that are similar to 18-hole golf courses due to high fixed costs.

Identify essential capital improvements required to keep the course operational over the next five years

Capital Improvements:

The Sligo Creek Golf Course capital improvement assessment focused on the current needs and the costs associated with those needs. The Sligo Creek Golf Association also provided survey results that identified what Sligo Creek golfers thought were the most important improvements to be made on the course. One of the most critical capital improvements identified by both M-NCPPC and the MCRA is replacing the irrigation system. This system is very old and could have a catastrophic breakdown at any moment. MCRA does not recommend phasing in the irrigation system because it could be more costly in the long run and is risky since the system is so fragile.

Other capital improvements identified include:

1. renovating the clubhouse to make it ADA compliant and to allow for a teaching facility;
2. tree work to eliminate dangerous unstable trees and provide for the safety of golfers; and
3. renovating the maintenance facility.

The MCRA also believes the greens and bunker renovation should be included as a capital need of the course, but these needs are not essential in the next five years.

M-NCCPC's estimate for a comprehensive renovation of the clubhouse, snack bar, and rest rooms was \$900,000 in 1999. The project would also have expanded the current 2,400 square foot clubhouse by 1,300 square feet. The combined square footage of the renovated club house would be 3,700 square feet resulting in an expected renovation cost of approximately \$250/sf. The Task Force discussed alternatives to a total renovation of the clubhouse, including either 'mothballing' or demolishing the clubhouse and installing in its place a modular building or trailer, at presumably a greatly reduced cost. However, no costs for a modular building or prefab building were presented or discussed in detail.

The Task Force examined the capital needs. The only reliable cost estimates available were \$500,000 to rebuild the irrigation system and \$900,000 to rebuild the clubhouse. Assuming 20-year bond financing at an assumed interest rate of 5.1%, every \$500,000 of costs would require \$40,000 per year in annual debt service.

The revenues from Sligo Creek Golf Course operations alone are insufficient to pay for any replacement infrastructure. It is worth mentioning that the Task Force recognized that the improvements that need to

Comment: Where did this number come from? Is it captured correctly? 5.1% on \$500,000 is \$25,000. On the \$1.4 Million referenced in this paragraph annual debt service at 5.1% could be assumed to be in excess of \$70,000/year.

be made represent maintenance and improvements that should have been undertaken years ago but that were deferred over the years.

Evaluation of Similar Jurisdictions' Management of Public Golf Courses

RedGate Golf Course, Rockville, MD

Ray Evans, Golf Course Superintendent, manages Rockville's only 18-hole golf course, located at the corner of Avery Road and Norbeck Road. This course is experiencing a reduction in rounds, which is a trend that began two years ago. During the late 1990's the course produced approximately 60,000 rounds per year. The course accommodated approximately 36,000 rounds in FY 2009. Currently, the number of rounds for fiscal year 2010 is down approximately 600 rounds from FY 2009. According to Mr. Evans, the decline in the number of rounds over the past decade may be attributed to increased competition.

The greens fees for the 2009 golf season were increased by the City Mayor and Council approximately \$1.09 over the 2008 rates. Despite the greens fee increase and the many golf programs offered for specialty groups, such as programs for women, seniors, and juniors, rounds still declined at the course and revenues are not sufficient to cover all golf operations. The course receives a tax subsidy from the City to support golf operations. Mr. Evans noted that accounting for the course includes depreciation in the amount of \$110,000 per year. If depreciation is removed, the course operates with a surplus and a tax-supported subsidy is not required.

The golf course generated \$1.56 million in revenue in fiscal year 2009. In fiscal year 2008, the course generated \$1.43 million. A cellular telephone tower is also on the RedGate golf course; it generates approximately \$180,000 per year. This revenue is not reflected in the golf course budget. The City also provides the golf course with a capital budget. Five years ago, the capital budget was \$350,000, but due to current economic conditions, the projects have not moved forward. Recent capital projects include rebuilding tees and cart paths. The largest improvements to the course were upgrades to the clubhouse.

Billy Casper Golf

Billy Casper Golf is a golf management company that manages 110 golf courses in 25 states. Seventy of these courses are owned by municipalities. They currently operate nine courses in the Washington, D.C. region but no courses in Montgomery County. The Armed Forces Retirement Home Golf Course in Washington, D.C. is a course operated by Billy Casper Golf.

Billy Casper operates 11 nine-hole courses across the country. The closest nine-hole course to Sligo Creek Golf Course is the Armed Forces Retirement Home Golf Course in Washington, D.C. Billy Casper reports that eight of the nine-hole courses are showing an increase in rounds played; one course is flat regarding numbers of rounds played, and two courses show a decline in rounds. Although there is a decline in rounds played from prior years, as a whole, the industry is flat and their courses are up 0.5%. Their Northern Virginia and Anne Arundel County courses declined in rounds by three to five percent. Their Ijamsville, Maryland course shows an eight percent increase of rounds played. Casper Golf emphasized that their most profitable nine-hole courses do not have a driving range or mini-golf as part of the property.

When trying to employ the best strategies to increase rounds, Billy Casper Golf stated that higher prices for a round of golf in suburban locations result in a lower number of rounds played. In addition, local nine-hole courses perform well largely due to marketing strategies that target the local community.

When golf course revenue is down, Billy Casper Golf focuses a lot of energy on trying to recapture the market share and reducing operating costs. In addition, pricing decisions are analyzed against usage; therefore, the market dictates the rates. Since the economy is in a downturn, greens fees have not increased this year at most of their courses. Revenues generated at a course, directly related to accessory uses, stay with the golf course for reinvestment.

Billy Casper Golf made clear that it generally assumes only operating responsibilities for a golf course and that it looks to the governmental owner to pay capital costs. However, there are exceptions. When capital costs are assumed by Billy Casper Golf, two percent of the operating budget is reserved for ongoing capital needs. Prior to the investment of capital into a course, the operator also considers whether the course will be able to recoup the investment, and decisions on which major capital projects to implement are determined by what is the greatest need in the portfolio of golf courses.

Billy Casper Golf believes population centers are great places for nine-hole courses and, given the demographics of Sligo Creek Golf Course, the course could operate at a break-even point (capital costs not considered). He noted that their most profitable nine-hole courses do not have a driving range or miniature golf as part of the property.

Golf Course Specialists - Washington, DC

Golf Course Specialists (GCS) operate the National Park Service's golf courses with the mission to provide affordable golf (less than \$30.00 per round) to the public. The number of rounds played at the National Park Service's nine-hole courses has increased 7-13%. Prices were reduced 5-7% as a preemptive measure in response to the declining economy.

The National Park Service golf courses have many restrictions because they are within national parks. For example, reserved tee times were just instituted in 2002; competitive events (tournaments) are not allowed; there are no shotgun starts; and greens fees must be approved by the National Park Service. In addition, any capital improvements must be approved by the National Park Service. Each course has its own operating budget, and GCS funds 100% of all capital improvements. If capital projects are needed at other courses, the system of courses subsidizes the capital needs of all courses.

The National Park Service golf courses offer various programs to area residents through public/private partnerships, such as the First Tee Program and Junior Golf. An educational program, Top Golf, is also used to teach the game of golf. This program has computerized balls and target areas that serve as a combination driving range and video game. Additional course offerings that help generate revenue are reward points that encourage golfers to purchase items from the course, signage to advertise food and beverage to the surrounding community, and beverage carts.

Recommend potential public-private partnerships that would make the course financially viable

The Task Force heard from Kirk Bauer, Executive Director of Disabled Sports USA. This is a national organization with headquarters in Rockville, Maryland. It is a member of the U.S. Olympic Committee and offers sporting events, such as the National Ski Festival, Summer Fest, and Youth Sports Program to disabled athletes across the country. This organization also implements the Wounded Warrior Disabled Sports project, which serves veterans primarily from Operation Iraqi Freedom (Iraq) and Operation Enduring Freedom (Afghanistan) wars.

According to Mr. Bauer, there are approximately 500 disabled veterans from the Iraq and Afghanistan wars in Montgomery, Prince George's, and Howard Counties. This number does not include veterans from other wars. Of that number, there are approximately 50 golfers. Disabled Sports USA also works with Walter Reed Hospital in Washington, D.C. by providing eight-week golf sessions to interested veterans. Approximately 40 golfers participate in each session at Olney Golf Park, where lessons are provided to the veterans free of charge.

Mr. Bauer identified three factors that make a disabled sports program successful:

1. Accessible facility - must be accessible to the disabled sports population
2. Trained instructors - must know how to teach disabled athletes
3. Adaptable equipment - expensive equipment is usually needed to assist the disabled in these activities.

Because of the large capital investment needed to make Sligo Creek Golf Course an ADA compliant facility, Disabled Sports USA opposes a grant or public money devoted to any golf course to help with its capital needs or to subsidize greens fees. He asserted that, currently, there are several ADA accessible golf courses that are more than adequate. In addition, private golf courses open their facilities to veteran golf groups for free or at highly discounted rates. Mr. Bauer takes this position because there are not sufficient numbers of veterans to support the necessary investment into therapeutic golf for wounded soldiers of the Iraq and Afghanistan wars. In addition, the Maryland State Veterans Affairs has real challenges dealing with healthcare, home care, and other major issues impacting a veteran's daily life, and any money spent on golf will take away from other needed services for VA families.

A veterans-based partner that could help financially support Sligo Creek Golf Course has not been identified.

The SCGA volunteered that it could raise \$29,000 annually for the course.

Findings

1. Management fee

The majority of the Task Force disagrees with the MCRA's management fee structure, which results in a small facility like the Sligo Creek Golf Course (a 9-hole course without a driving range) having the same management fee as much larger facilities, such as Needwood or Northwest (both 27-hole courses with lighted nighttime driving ranges). A majority of the Task Force would recommend that all of the parking revenue received from Holy Cross Hospital should be credited to Sligo's golf operation.

2. Public funding of capital infrastructure

The Task Force finds that the public sector has neglected the maintenance and capital infrastructure needs of Sligo Creek Golf Course for a prolonged period of time. Fifteen years ago, M-NCPPC noted that the irrigation system and the clubhouse were in need of replacement and/or renovation, but the work was not performed. The Task Force agrees that the clubhouse, or an alternative to it, should be ADA compliant. However, the expense of replacing long-needed infrastructure is now one of the impediments to self-sustainability of course operations.

The aged irrigation system will need to be replaced at some point in the near future. The physical facilities, such as the clubhouse (or its alternative) and maintenance building, should be brought up to code standards. However, many Task Force members believe that the need to renovate the entire facility is not a priority. Instead, a majority of the Task Force suggests looking into clubhouse alternatives, one of which could include scaling back the facility to a trailer from which the management can operate the course. It was estimated that the addition of a trailer and the mothballing of the clubhouse would be a third of the originally earmarked \$900,000; however this was expressed as an opinion without tangible data.

Recommendations

The Task Force considered several proposals when forming these recommendations. Each proposal, in its entirety, can be found in Appendix A.

<u>Submitted by</u>	<u>Page Number</u>
• Sligo Creek Golf Association	A1 – A6
• Friends of Sligo Creek	A7 – A9
• The Montgomery County Revenue Authority	A10 – A13
• M-NCPPC Department of Parks	A14 – A115

From these proposals, the majority of the Task Force has formulated a two-track recommendation to support the continued operation of Sligo Creek Golf Course.

Track One

The Maryland-National Park and Planning Commission should publish a request for expressions of interest (REOI) and a request for proposals (RFP) to operate the Sligo Creek Golf Course. MCRA has established that the Sligo Creek Golf Course is adverse to the golf course system and has extracted the operation from its original lease with M-NCPPC. Therefore, the majority of the Task Force recommends exploring the feasibility of another manager pursuing self-sustainability.² This process would allow a manager to determine what are essential capital improvements for the operation of the course and to propose a means to finance those improvements that would not include County funded support. The new manager could use the revenue from Holy Cross hospital's parking to help fund golf operations or capital needs work.

If a private operator is chosen through an RFP, the community wants a contract that will not allow the operator to add a mini-golf course, any facility in the stream valley buffer, or any nighttime activities. There was discussion that current lighting technology should not have a significant impact on surrounding communities. The operator must provide a means for all costs to be paid without County funded support. The operator must establish a community advisory board that includes at least two representatives from adjacent interested civic and neighborhood associations to promote a good neighbor relationship.

The majority of the Task Force supports the Montgomery County Revenue Authority's continued operation of Sligo Creek Golf Course through the REOI and RFP processes.³ The existing operating

² Assuming all parties (MCRA Board, the Planning Board, and MCRA's lender) agree as required under the current lease, the Maryland National Park and Planning Commission would manage a community inclusive REOI and subsequent RFP process.

³ The REOI would be intended to inform the development of appropriate terms and conditions for an RFP. The REOI should indicate that a final RFP would be subject to the approval of M-NCPPC, MCRA, and MCRA's lender as required by M-NCPPC's current lease with MCRA. M-NCPPC should include at least three community members in the development of the final RFP: one member of the local environmental organization (Friends of Sligo Creek), one member of an adjoining community (North Hills of Sligo Creek Civic Association) to represent quality of life issues, and one golfer (Sligo Creek Golf Association).

agreement that identifies the terms and conditions of the MCRA's operation of the course could remain in effect during this time. To minimize additional taxpayer subsidies for golf operations, the MCRA could close the course in the winter and reduce maintenance. Meanwhile, the Sligo Creek Golf Association will begin fundraising for the course's capital needs. The MCRA should continue to reduce its management fee during this time and will not make any substantial changes to the course's physical plant, other than meeting the required ordinary maintenance needs. The MCRA will not make unfunded capital repairs.

Track Two

While the REOI and RFP process is underway, the County Executive should work with the Montgomery County Revenue Authority and the community groups on changes that could result in continued operation of the Sligo Creek Golf Course by MCRA in case the private operator plan does not prove feasible.

- Clarify the intent of the contract about whether the M-NCPPC-owned courses must be sustainable as parts of a portfolio or each individual course must be sustainable on its own. Sligo may always have a lower revenue profile than the other courses. However, if the system of golf courses operates on a principle of cross-subsidization, Sligo would be supported by and balanced in a portfolio of golf facilities that serve a public interest.
- Define the term "adverse" in the lease.
- Examine the management fee system to define how it may impact the financial "health" of a facility.

This element of the recommendation is necessary because pursuing an REOI/RFP process to investigate the use of a private contractor may be precluded under the terms of the existing lease between M-NCPPC and the MCRA.

Additional recommendations that should be pursued in support of both Track One and Track Two are:

1. The Task Force unanimously agrees that Sligo Creek Golf Course requires some capital improvements. However, the available studies of those needs and the associated costs are not current. The majority of the Task Force supports the County's hiring of an independent consulting firm to conduct an analysis of the capital needs and associated costs for Sligo Creek Golf Course. The agency charged with overseeing the work should create an advisory group that includes community representation. The goal of this recommendation is the creation of a plan for addressing the capital needs of the course based on an updated evaluation of the urgency of the work and the costs. This plan may be necessary no matter who will be the long-term operator of the course and work should begin as soon as possible.
2. The majority of the Task Force also supported a "fast-start" program for the upcoming season to maximize the course revenue and community involvement. The details of this recommendation include:
 - improve marketing for the clubhouse facility, snack bar, and the course in general

Comment: I don't recall us discussing this. Perhaps it came up after I got off the phone. I don't think we need to spend public money on this at this time. The RFP should be able to capture this from a private operator's perspective.

- engage the supportive community “friends” groups to provide supplementary amenities
- support community fund-raising to preserve the course
- launch programs for veterans groups (and others)

Funding for this program has not been identified.