

December 19, 2009

Review of 12-7-09 proposals to the Sligo Task Force

Submitted by Karen Howland, President Sligo Creek Golf Association

As a member of the task force who supported the first proposal presented by Woody Brosnan and Merrill Goozner, I still strongly support it. It does the main things needed to prevent future need for taxpayer support:

- 1) It demands that the future course operator bear the risk and responsibility of maximizing the profit from the day-to-day operation of the course. Without the prospect of the county subsidizing operating costs, the operator is incented to find ways to reduce costs, implement more effective marketing efforts, and engage the community and local businesses to support the course. It would also restore the decision making for the future of the course to its proper shepherds – with publicly elected bodies who bear the responsibility for protecting public assets.
- 2) It clearly lays out a very reasonable and viable approach to caring for the biggest burden the course faces – capital expenses. It does demand that the County Council, M-NCPP, and County Executive make reasonable concessions to capture sources of income currently being “leaked” from the property (HC parking lease and radio tower). The arguments for doing so far outweigh those for not and these concessions are nominal if there is true interest in protecting this public asset.
- 3) Finally, it establishes an expectation for community participation that is reasonable and appropriate.

It is hard to argue against the merits of the proposal.

Montgomery County Revenue Authority Proposal

I was pleased that the Montgomery County Revenue Authority (MCRA) also presented a proposal. It shows some willingness to rethink the merits of continuing to support golf down county. I found the proposal in its current form unacceptable as it does not truly address the charge of the Task Force.

- 1) It proposes the status quo in terms of how the MCRA operates the course
- 2) The reduction in management fee isn't specified and is represented as temporary. This does not acknowledge the inequitable accounting practices that represent the majority of the operating losses at Sligo. Nor does it protect the public courses from falling victim to overhead costs, which should never be the main reason for a course failing. The management fee should be covered by the golf system as a whole. Only if the whole system could not sustain the fee would you even begin to consider closing a course.
- 3) It still requires the County to be prepared to subsidize the course (up to \$150k) in case the MCRA can not operate the course successfully. The MCRA should never ask for taxpayer subsidies while the overall system is profitable. How does that serve the public?
- 4) It allows the operator (MCRA) to abdicate any responsibility for marketing the course differently to increase revenues. The burden for success is placed fully on the community's shoulders. While it is totally appropriate for the community to be actively involved in trying to raise money and support the course, an operator that truly wants to be successful would never expect to rely on volunteers to determine the appropriate marketing plan and implement it.
- 5) It ultimately suggests we "kick the can down the road." Operate under a similar arrangement as we have now with no Revenue Authority skin in the game, see if the community can make the course successful in the span of a few months, look at the numbers next December and decide what to do. This is exactly what the Council members warned us not to do and was the specific reason given by Councilmember Knapp for voting no on the appropriation.

The opening section on capital does not adequately reflect the Task Force discussions on this subject. It is not clear how the MCRA proposes to address capital needs other than believing that "a sizable contribution from the county is warranted." County support may be warranted and reasonable to expect, but the Task Force was charged with trying to present a plan that covers capital without County subsidies in the foreseeable future. If the revenue from the golf system overall is not used to support the capital needs of Sligo, then the only viable alternative is to build the funds over time and address needs when the funds are available to do so. The course does not have to close because of projected costs for capital improvements.

I'm not sure that the "SCTF agrees that creating a golf education center with expanded facilities and renewed marketing can bring the operating costs into a state of self-sufficiency." I believe that the evidence presented suggests that lessons and small driving ranges do not result in significant revenue generation – certainly not enough to warrant a large capital outlay. Any consideration of a driving range or learning center for purposes of lessons would have to be considered enhancing an amenity for the community and not a business proposition with a financial payoff. As such, I do not support the burden for funding any driving range or learning facility

being placed on the golf course. Whatever benefit there may or may not be in a small driving range or education center, these ideas would be better explored in a separate effort after the course has been restored to self-sustainability. These new elements add capital costs. It is not clear to me that they would capture sufficient revenue both to cover their costs and improve the course's ability to sustain itself.

One final observation, the MCRA proposal states that the challenge is to accomplish self-sustainability without creating a detrimental impact on the neighboring homes. It seems that there is no acceptance that the course could break even or make a small profit through changes other than something of a magnitude that might be detrimental to the neighborhood. I'm confident that viewpoint is not shared by a majority of the Task Force.

Objectively, the proposal presented by Woody Brosnan and Merrill Goozner seems to be the superior option for tax payers.