



**CITY OF SALINAS  
FINANCE COMMITTEE**

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**DATE:** MARCH 2, 2020

**DEPARTMENT:** FINANCE DEPARTMENT

**FROM:** MATT N. PRESSEY, CPA, FINANCE DIRECTOR

**TITLE:** SALINAS PLAN IMPLEMENTATION UPDATE – ELIMINATE  
GENERAL FUND SUBSIDY OF GOLF COURSE DEBT SERVICE  
(MC02)

**RECOMMENDED MOTION:**

No motion is required for this item. Comments and feedback from the Finance Committee on the implementation of this Salinas Plan initiative is requested.

**DISCUSSION:**

Each month, staff brings at least one item from the Salinas Plan as an update on implementation of the Salinas Plan.

The Salinas Plan has 32 recommendations, three of which are categorized as “Managed Competition and Privatization”. The Managed Competition and Privatization category includes initiatives that address subsidies provided to private sector organizations who operate city facilities and programs for the City. The “MC02 – Eliminate General Fund Subsidy of Golf Course Debt Service” recommendation recommends that the City seek a way to monetize a portion of the Fairways golf course and to evaluate the potential of converting the Twin Creeks golf course into a revenue-generating asset for the purpose of paying off outstanding debt while also promoting economic development. The City would reap the increase in property and sales taxes from the economic use of these properties, and revenues from the sale or lease of land could be used to reimburse past, and pay future, debt service.

The MC02 Salinas Plan initiative is attached to this staff report for background purposes and more details on the recommendation. The financial impact of the recommendation assumes the debt service on the Fairways course would be eliminated as shown in the table below:

**Financial Impact**

| <b>FY19</b> | <b>FY20</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23</b> |
|-------------|-------------|-------------|-------------|-------------|
| \$0         | \$0         | \$250,000   | \$265,000   | \$275,000   |

  

| <b>FY24</b> | <b>FY25</b> | <b>FY26</b> | <b>FY27</b> | <b>FY28</b> |
|-------------|-------------|-------------|-------------|-------------|
| \$290,000   | \$305,000   | \$325,000   | \$340,000   | \$360,000   |

It assumes the City could sell half of the Fairway golf course, which would require the City apply to the FAA for disposition of the land. The savings for the Twin Creeks golf course was not included in the financial impact from The Salinas Plan table above. The economic reuse of the Twin Creeks golf course would result in the loss of the golf course and First Tee program.

The debt service schedule and description of the bonds are included in the attached pages of the City's annual audited financial statements.

#### Additional Background Regarding First Tee and the Twin Creeks Golf Course

The Future Citizens Foundation (doing business as The First Tee of Monterey County (First Tee), leases the City's 9-hole, Twin Creeks Golf Course that was built during fiscal year 1998-99 at a cost of just over \$8.2 million, on County-owned land leased to the City. In 2011, due to significant and unsustainable operating losses, First Tee requested (and received) a long-term sublease payment reduction from \$575,000 to \$125,000 through an agreement that ended on June 30, 2015. In June 2014, they gave the City of Salinas a one-year written Notice of Termination of the sublease agreement to end it on June 30, 2015. City Council approved a ten-year agreement that began in Fiscal Year 2015-16, with two 5-year options, for a total of 20 years. The Agreement also called for the Future Citizens Foundation to develop and build a Salinas Learning Center (about \$1 million) to be located at the Twin Creeks Golf Course (approximately 5,000 square feet of classroom space). The sublease payment was lowered from \$125,000 to \$60,000. The General Fund now pays all but \$60,000 of the \$459,000 annual debt service on the bonds (399,000).

#### FISCAL AND SUSTAINABILITY IMPACT:

The City is working on ways to eliminate the General Fund subsidy paying for the Golf Course debt service.

#### ATTACHMENTS:

1. The Salinas Plan - Pages 67 – 68
2. Financial Statements -6/30/19 – Pages F-121 to F-123