

MINUTES
EXETER TOWNSHIP BOARD OF SUPERVISORS MEETING
SEPTEMBER 18, 2018

Special Meeting

A Special Meeting of the Exeter Township Board of Supervisors was called to order on Tuesday, September 18, 2018, at 7:02 P.M. in the Township Building by Lisa A. Vanderlaan, Chairperson.

Supervisors Present: Lisa A. VanderLaan, Chairperson
John Cusatis
David Speece
Vincent Biancone

Absent: Gary E. Lloyd, Vice Chairman

Others in Attendance: John Granger, Township Manager
Sam Cortes, Fox Rothschild, Solicitor

The Meeting was opened with the Pledge to the Flag

READING COUNTRY CLUB STATUS AND RECOMMENDATIONS

Mr. Granger gave a presentation (attached) with respect to several matters at the Reading Country Club.

PUBLIC COMMENT

Kyle Kemp, 330 Laurel Road, asked if the proceeds from the Wastewater Treatment Plant could be used to payoff debt.

Ms. VanderLaan stated that the Administration prepared a use of proceeds analysis for the upon the sale of the wastewater system.

Dr. Christ Ganas, 12 Golfview Lane, indicated that he was a former member of the Board of Supervisors at the time the transaction occurred. He explained the reason why the purchase was made, which was to forestall development.

Ms. VanderLaan asked if he was aware of the use of the proceeds of the debt to acquire the site was used for operations.

Dr. Ganas did not know it was illegal. He relied on the advice of counsel. He felt that they made the best decisions.

Ms. VanderLaan stated that they hired a Robert Jordan as a consultant to review the matter. Mr. Jordan had indicated to the Board, which you were a member at the time, that the money was being spent erroneously.

Dr. Ganas did not recall that and stated that the Township Solicitor had said that the expenses were legal.

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Dr. Ganas felt that it would be good to payoff the debt of the Reading Country Club from the proceeds of the wastewater system and maintain the Reading Country Club.

Ms. VanderLaan asked if whether or not he wanted to keep the golf course.

Dr. Ganas replied yes.

Jules Albright, 11 Dog Lane, stated that this issue was dumped on the lap of this Board. She felt that the site could be used more appropriate as a community center if it could not be sold.

The meeting recessed at 7:54 p.m. and reconvened at 7:58 p.m.

Peter Giprack, 18 Golfview Lane, stated that the acquisition decision was good at that time however it was in a bad economic time period. He stated he is not a golfer but felt the site was a beautiful site. He stated that his house was for sale. He does support the organizations that use the site.

Lois Drumheller, 8 Golfview Lane, asked several questions with respect to the conservation easement such as who would own the conservation easement and what particulars of the easement would contain.

Ms. VanderLaan stated that they were questions that would need to be addressed in the future.

Mr. Speece stated that there is a half of million-dollar tax debt on the Country Club. He could rationalize this expense as all benefit from the Country Club. There is an issue with the increase in debt to \$1.2 million beginning in 2025. He was unsure whether or not the property could produce this additional income to maintain the current tax level. He questioned whether or not government was able to run three (3) separate businesses and to achieve the financial goal. He believes the Township can effectively manage the property to meet the goal of another \$600,000 additional revenue. He liked the conservation easement concept to restrict the uses on the site. He stated that there is a risk for the owner to close the golf course if it is not economically viable. However, he is unsure whether or not the government can actually effectively manage the site. He is not opposed to selling the property with the conservation easement and wants to see what perspective buyers would offer.

John co-endorsed Dave's comments. He does not believe that these businesses are core functions of the government. He does believe that the site should remain as a recreation facility for uses by the Township. He likes the conservation easement concept.

Mr. Biancone stated that when the Town Center Master Plan was presented met with opposition as a development concept. He felt that the Township could place a conservation easement on the site. He does not believe the Township should be running the site as it takes away from the focus on other issues. He felt it would be best to place the site in someone else's hands so that the Township may focus its efforts on improving the Township.

Ms. VanderLaan stated that she is a number driven individual. She stated that there is no bond money left from the proceeds of any previous issue and that any additional expenditures would need to come from the General Fund.

If the Township wants to do anything with the site, the Township will need to spend additional money and issue additional debt which will lead to a tax increase. If the site requires an additional \$500,000 in net income to offset future debt obligations, the site would need to make an additional \$1,000,000 in revenue to offset the additional expenses and provide the \$500,000 for debt service.

Ms. VanderLaan noted that every operation on the site costs the Township more to do then the private sector due to the Township labor agreements and the cost required to do construction. Every construction project needs to be paid for at prevailing wages.

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Ms. VanderLaan felt strongly that the Township needed to explore options. She felt that the Administration should be directed to further research the issue of a conservation easement and to further research the potential sale of the property and to develop a potential RFP for the sale.

Pete Pellicano, 11 Mulligan Drive, stated that only Billy Casper had responsibility for the entire site.

Mr. Speece felt that a management agreement of this nature would be difficult to generate additional revenue that would be required to fill the gap in future years.

Mr. Pellicano asked whether or not a conservation easement would restrict the use of the site to golf course only.

Ms. VanderLaan stated that is an issue to be discussed in the future.

Linda Folk, 15 Lindy Drive, stated that this matter had been discussed for 12 years and nothing has been done. She liked the conservation easement concept.

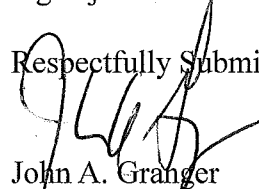
Charles Wilson, 21 East 38th St., stated that he is not a golfer and felt that the use of the proceeds of the Wastewater Treatment Plant to pay the Reading Country Club was an idea to be further discussed. He offered to assist the Township with discussion on options.

Upon further discussion, it was the consensus of the Board to direct the Administration to further explore the conservation easement and discuss the matter potential partners, to prepare an RFP for the sale of the property and to seek out a short term operator for the property.

ADJOURNMENT

MOTION of Mr. Cusatis seconded by Mr. Speece, the meeting adjourned at 9:05 P.M.

Respectfully Submitted,



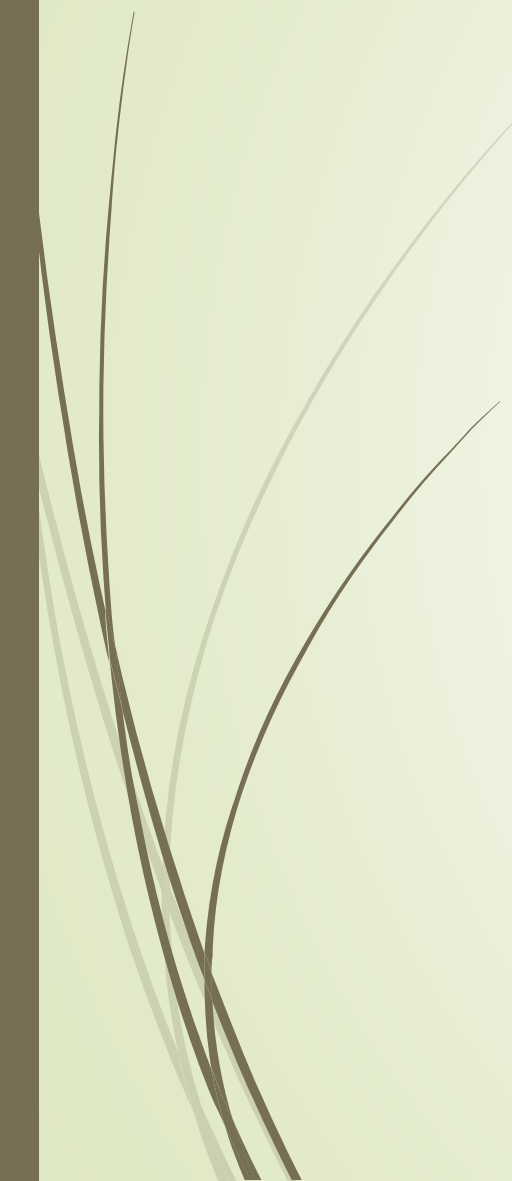
John A. Granger
Township Secretary



Reading Country Club



Matters to be Discussed

- History of Financial and Operational Challenges
 - Lessons Learned
 - Strategic Plan
 - Risk/Reward Analysis
 - Solutions
- 



*Is the Reading Country Club A Core Function
of Government?*




Why Did Township Purchase Reading Country Club?

- ▶ *To Prevent a Residential Development:*

- Golf course, restaurant, catering was result of acquisition not purpose of the acquisition



***HISTORY OF FINANCIAL AND
OPERATIONAL CHALLENGES***



Financial

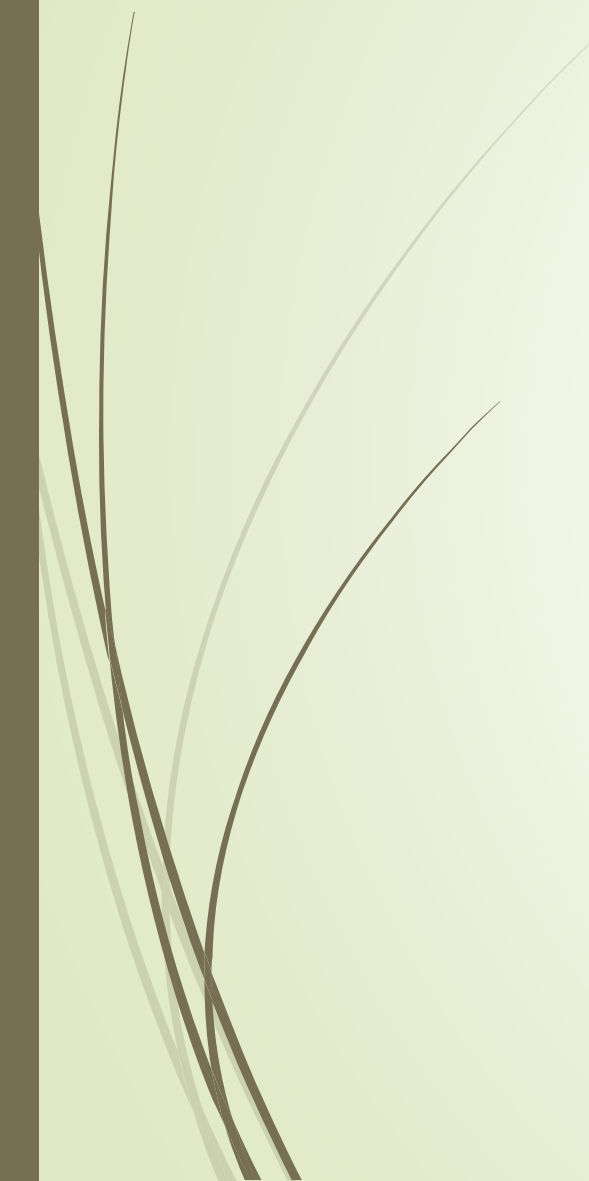
- Acquired in 2005 by Eminent Domain
- Series of borrowings through 2015 totaled \$18,558,084
- Forensic audit determined unallowable costs of \$2,749,105
- \$1,000,000 additional in questionable bond expenses
- \$2,750,000 of tax free bonds were defeased in 2018 by taxable bonds at an additional cost of \$300,000
- Township expended \$245,097 from General Fund for Reading Country Club operations
- \$1,228,543 in additional capital expenses since acquisition

Operational

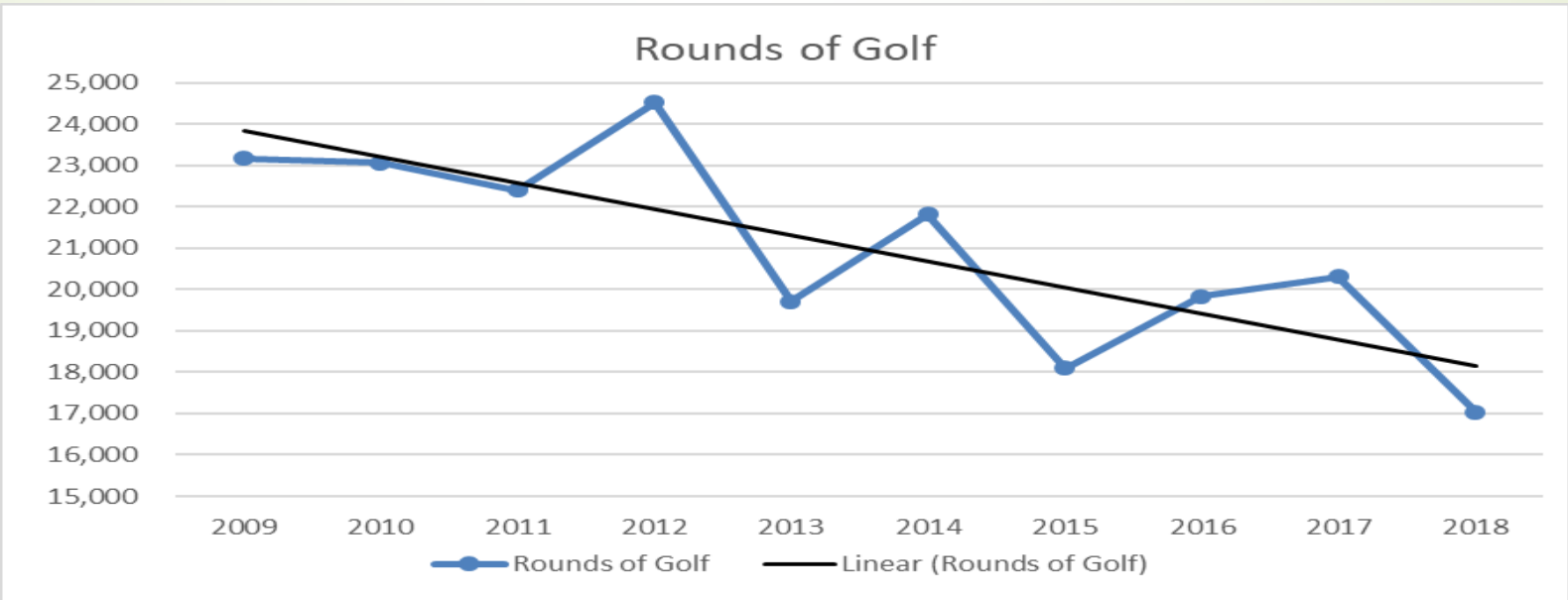
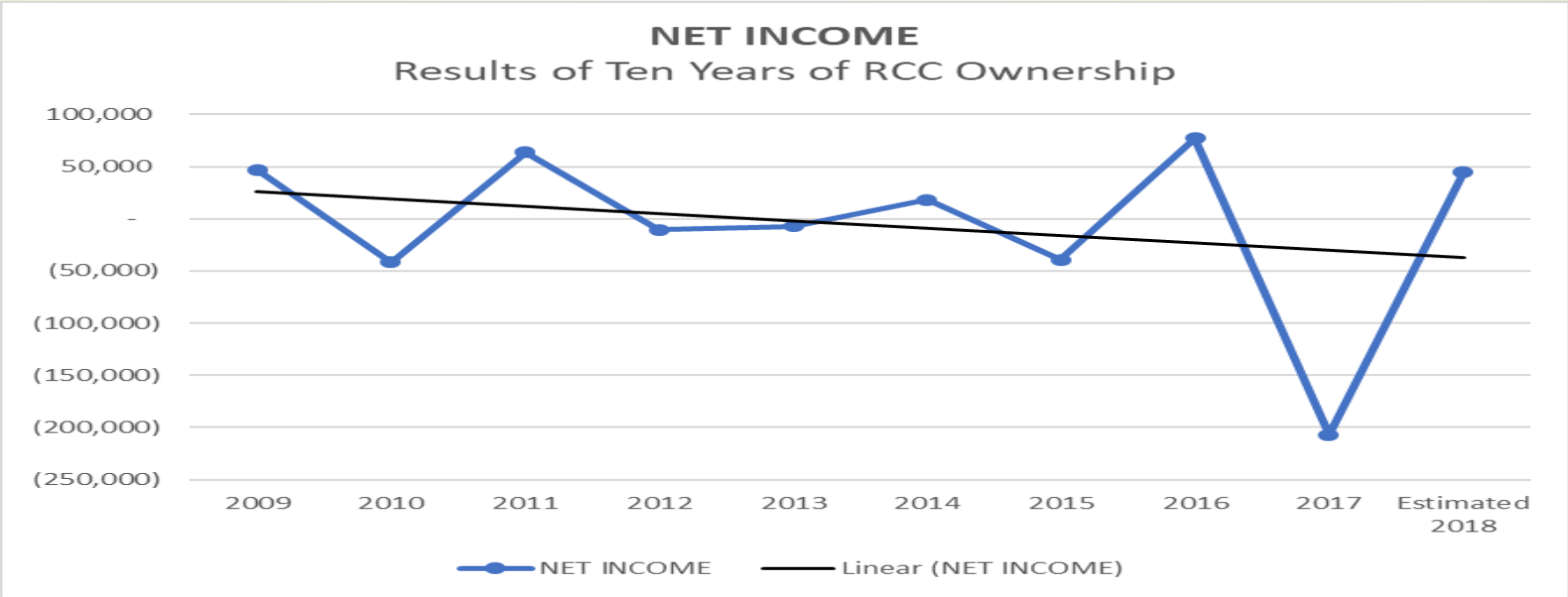
- | | |
|------------------|--|
| * 2005 – 2009 | Billy Casper Golf Inc. (total site) |
| * 2009 - 2016 | A&M Golf Management (golf course management) |
| * 2009 – 2016 | Chef Alan Inc. (food/beverage management) |
| * 2016 - 2017 | JMH (food/beverage management) |
| * 2017 – Present | Exeter Township (golf course management) |
| * 2018 – Present | Exeter Township (total site) |



Cumulative Operational Profit/Loss 2006-2017



➤ Operational Profit/Loss	\$	(856,569)
➤ Unallowable Operating Expenses Paid by Bond Proceeds	\$	(1,111,484)
➤ Capital Expenses for Golf Operations	\$	<u>(1,228,543)</u>
Total Profit/Loss	\$	(3,196,596)
Average Annual Profit/Loss	\$	(266,383)





EXISTING MODEL OF OPERATIONS



Golf Course



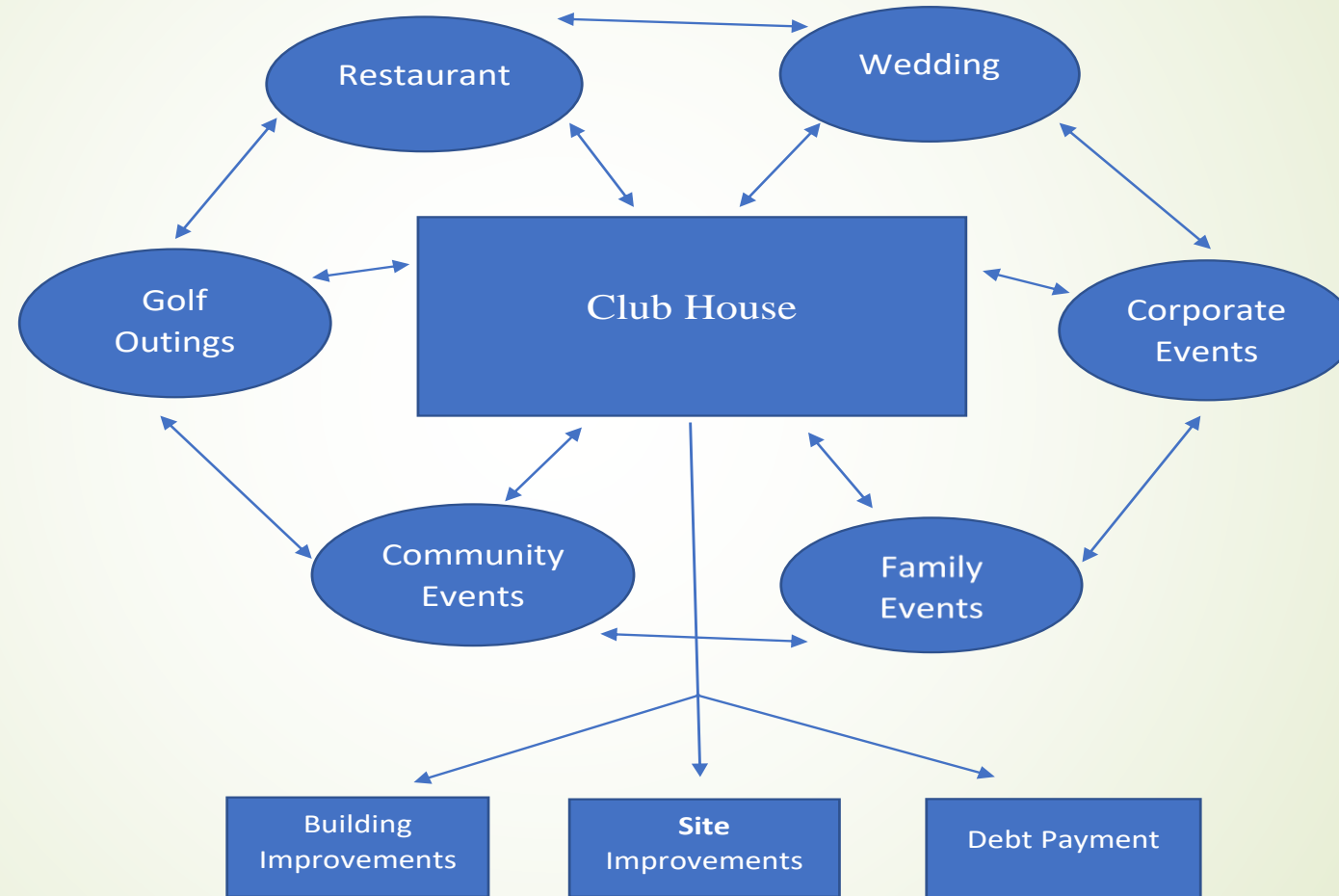
Restaurant



Catering

- INDEPENDENT OPERATION
- NO COOPERATION

IDEAL MODEL OF OPERATIONS



- INTERRELATED OPERATION
- ENHANCED COOPERATION



LESSONS LEARNED



Lessons Learned


- No strategic goal/plan for the entire site
- Operator of food/beverage sacrifices quality/quantity of restaurant for benefit of catering
- Lack of cooperation between food/beverage and golf operations
- Township involvement at Reading Country Club minimized leading to:
 - * Lack of general public use of site
 - * Additional expenses for Township
 - * Lack of additional revenue to fund future capital needs
- Significant amount of administration staff time to oversee operations, impacting time required for attending to economic development, infrastructure needs and other core function issues

Application of Lessons Learned

- Develop Strategic Plan
- Recognize limitation of golf as significant revenue generator
- Recognize clubhouse potential as revenue generator
- Recognize synergy between catering, restaurant and community events
- Emphasize general public use of site
- Recognize significant additional personnel expenses to adequately staff site for it to be successful



STRATEGIC PLAN



Strategic Plan

- Foster symbiotic relationship between site, clubhouse, and township residents
- Reading Country Club managed for the benefit of all township residents

Management Plan

- Manage golf course
- Manage upstairs catering facility to maximize use (third party)
- Manage downstairs to maximize opportunities (lease restaurant)
- Maximize public use of site for community/family events




Investment Plan

- **Site Improvements:**
 - * Second access
 - * Expand parking
 - * Connect golf paths
 - * Stream restoration
- **Investment to Clubhouse:**
 - * Enhance energy management improvements to clubhouse
 - * Enhance internal presentation of clubhouse
- **Golf Investment**
 - * Replacement of golf carts
 - * Replacement of mowers
 - * Drainage improvements for sand traps
 - * Tree removal to improve play



RISK/REWARD ANALYSIS

- 
- Can Township manage golf course operations and yield ten percent return of income
 - Is ten percent return of income acceptable
 - Can Township select restaurant operator
 - Can Township manage catering operations
 - Can third party caterer sustain operations
 - Can Township manage community events
 - * Drive-in Movie (2-3 per year)
 - * Easter Egg Hunt
 - * BBB (Bacon, Barbeque, Beer)
 - * Wine/Cheese Movie (inside/winter)
 - * Bingo
 - * Walk for Literacy
 - * Exeter Township Volunteer Fire Company Car/Motorcycle Show
 - * Sly Fox 5k series
 - * Walking Trails throughout
 - * Festival of Lights
 - How much Township resources will be required to manage all three (3) operations

Anticipated Costs Associated with Implementation of Strategic Plan

Operating Expenses:

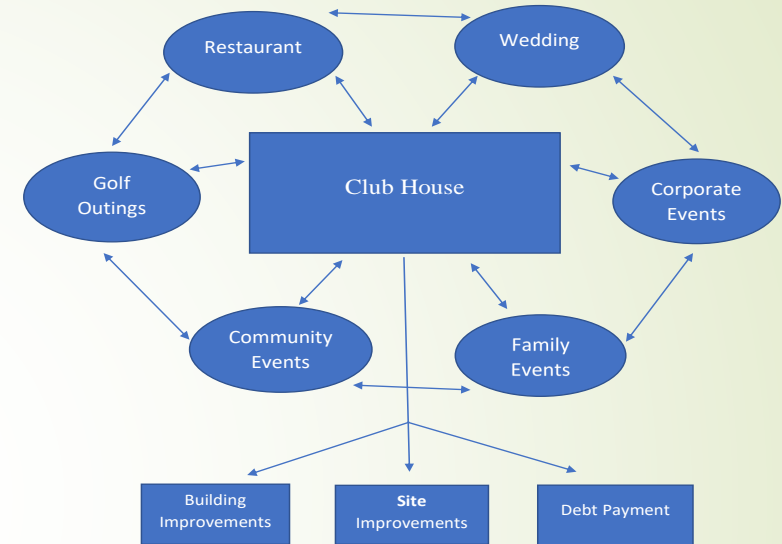
Management of Reading Country Club

- Golf
- Restaurant
- Catering
- Event

Part Time

- Site Maintenance/Landscaping
- Facility Maintenance

Estimated Annual Personnel Cost \$375,000-450,000



Capital Expenses:

Golf

- Replacement of carts
- Replacement of mowers
- Golf cart path expansion/maintenance
- Bridge replacement
- Course improvements
 - * Sand traps
 - * Tree removal

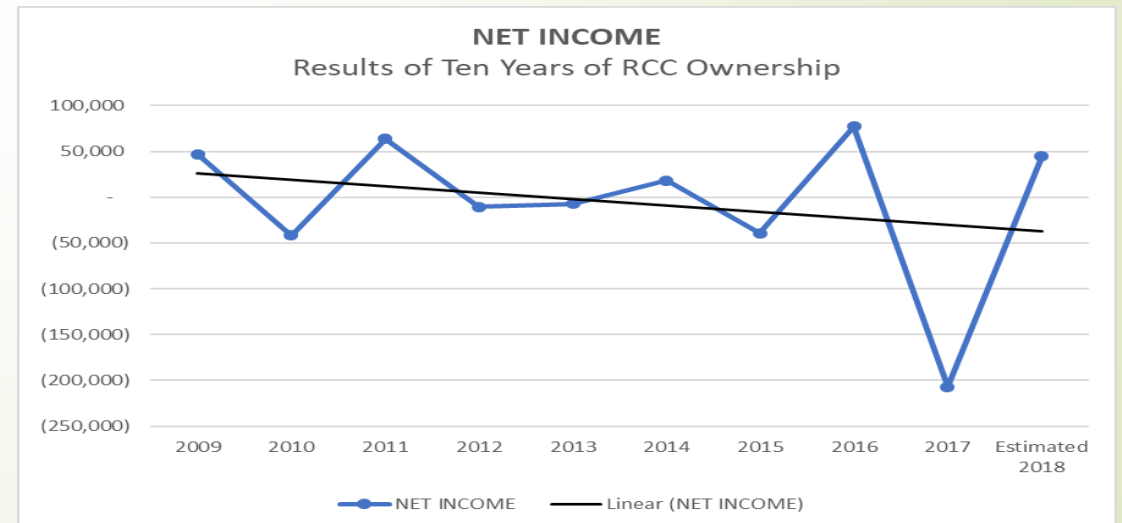
Site

- Additional Site Access
- Expand Parking Lot
- Stream Bank Restoration

Clubhouse

- Energy Audit Improvements
- Interior Upgrades

Estimated Expenses \$3-8 Million





Solutions



Option 1

➤ *Keep Golf Course Open*

- Additional staff resources required to manage site and clubhouse resulting in additional revenue
- Capital investment required for site and clubhouse
- Significant financial risk remains



Option 2

➤ *Close Golf Course*


- Financial risk of negative operational expenses reduced
- Site maintenance costs remain
- Loss of liquor license – impacts clubhouse operations
- Capital investment required for clubhouse
- Additional staff resources required to manage site and clubhouse



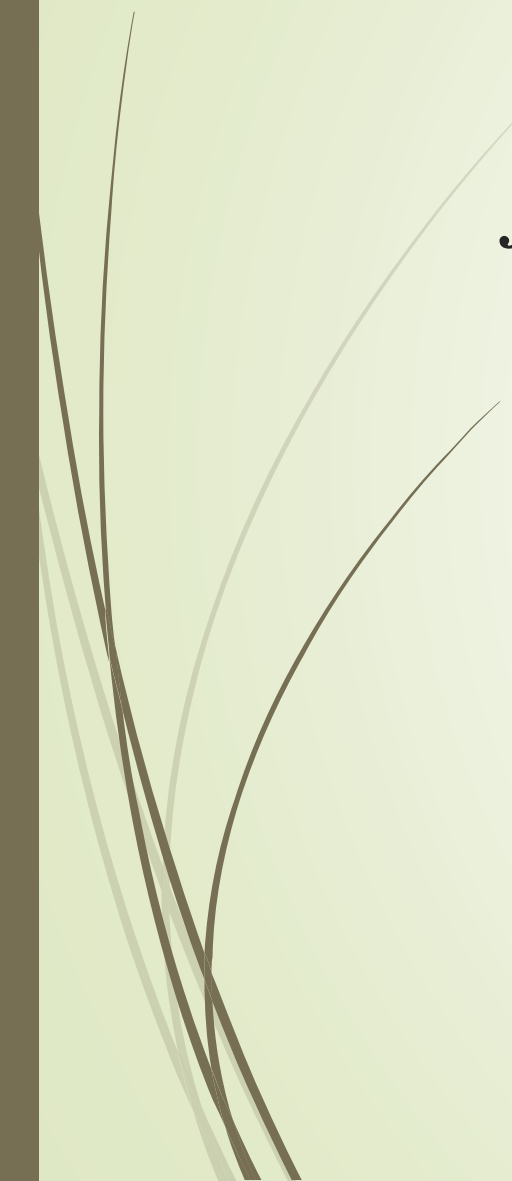
Option 3

➤ *Close Entire Site*

- No golf course
- No restaurant
- No catering operation
- Site to remain passive recreation
- Expenses remain
 - * Site maintenance
 - * Building
- Potential loss of building due to it becoming vacant



Can Township still realize the original purpose to acquire the site and, to better manage any future development, while eliminating the risk and financial costs to Township?





Theory of the Universe of Ideas:

- Place Conservation Easement on property
 - * Township can determine any possible future development opportunities
 - * Certain site limitations will most likely be imposed
 - Environmental
 - Lot coverage (pavilions, amphitheater, parking lot, road)
- Require Conservation Partner



Option 4

➤ *Place Conservation Easement on site and sell the entire site, subject to:*

- Property preserved from development
- Conservation Easement
- Township debt free (with sale of wastewater system)
- Staff to focus on core functions
- Golf can remain at site subject to new owners' economic analysis
- New owner assumes all financial risk of operations

➤ *Savings if debt is defeased:*

➤ Cost if Paid to Maturity	\$31,375,490
➤ Cost if Defeased	<u>\$21,188,063</u>
➤ Total Savings	\$10,187,427