

**Carson City
Agenda Report**

Date Submitted: April 23, 2013

Agenda Date Requested: May 2, 2013

Time Requested: 30 minutes

To: Mayor and Supervisors

From: City Manager

Subject Title: For possible action. Action to approve an Amended and Restated Golf Course Lease Agreement for the Carson City Municipal Golf Corporation for the operation and maintenance of the two golf courses known as Eagle Valley East and Eagle Valley West changing the lease payment from an annual payment of \$120,000 to a monthly payment of 6% of gross revenues and making other modifications thereto.

Staff Summary: Staff is recommending that the Board of Supervisors continue its relationship with the Carson City Municipal Golf Corporation to operate the two golf courses through a modified lease where the annual lease payment is changed from a fixed amount to a monthly 6% of gross revenue payment. In addition to modifications of the lease payment, there are modifications to the lease agreement to reflect current distribution of responsibility for maintenance.

Type of Action Requested: (check one)

() Resolution () Ordinance
() Formal Action/Motion () Other (Specify)

Does This Action Require A Business Impact Statement: () Yes () No

Recommended Board Action: I move to approve an Amended and Restated Golf Course Lease Agreement for the Carson City Municipal Golf Corporation for the operation and maintenance of the two golf courses known as Eagle Valley East and Eagle Valley West changing the lease payment from an annual payment of \$120,000 to a monthly payment of 6% of gross revenues and making other modifications thereto.

Explanation for Recommended Board Action: Over the last several years, the Carson City Municipal Golf Corporation (CCMGC) has not been able to meet all the conditions of their lease, mainly related to the amount of cash reserve at the end of the fiscal year and in making lease payments. There are several reasons for the non-compliance with the major cause being the lack of golfing due to poor weather and the down economy and with the condition of the golf courses when the current management assumed control.

The City commissioned a performance audit that was completed October 3, 2012 and presented to the Board of Supervisors shortly thereafter (the Moss-Adams Report). Although the report was presented to the Board and the Board accepted the report, no direction was provided regarding the recommendations. The City Manager and the Finance Director reviewed the

situation and felt it was in the best interest of the City to renegotiate a lease that reflected current operation realities and, at the same time, addressed some of the recommendations in the Moss-Adams Report. Attached is a memorandum showing the status of the recommended actions. Most are either completed, on-going, in process, or on hold pending a Board decision.

The amended and restated lease has been reviewed and modified by the City's Public Works Department and the Parks and Recreation Department to reflect current and projected maintenance responsibilities of the City and of the CCMGC. The major change is eliminating the fixed lease payment and going to a percentage of gross revenue. After evaluating the estimated revenues and looking at the payment needs for the City, it was determined that 6% of the gross revenues was appropriate and reasonable (see attached memorandum).

Applicable Statute, Code, Policy, Rule or Regulation: None

Fiscal Impact: See attached memorandum.

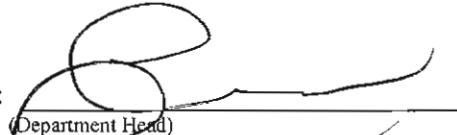
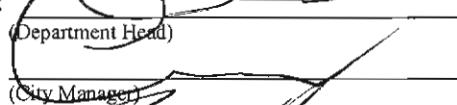
Explanation of Impact: See attached memorandum.

Funding Source: See attached memorandum.

Alternatives: Modify the proposed lease terms or do not approve the proposed lease.

Supporting Material: Proposed lease, red-lined version of proposed lease, Moss-Adams Report, Memorandum from City Manager on Status of Moss-Adams Report and Memorandum from City Manager on fiscal impact.

Prepared By: Lawrence A. Werner, P.E., P.L.S.

Reviewed By: 
(Department Head) Date: 4/27/13

(City Manager) Date: 4/23/13

(District Attorney) Date: 4/23/13

(Finance Director) Date: 4/23/13

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay _____
2) _____ _____

(Vote Recorded By)

AMENDED AND RESTATED
GOLF COURSE LEASE AGREEMENT

THIS AMENDED AND RESTATED GOLF COURSE LEASE AGREEMENT made as of the _____ day of _____, 2013, by and between CARSON CITY, a municipal corporation of the state of Nevada (the "City"), and CARSON CITY MUNICIPAL GOLF CORPORATION, a non-profit corporation of the state of Nevada ("CCMGC").

W I T N E S S E T H:

WHEREAS, the City financed and built two (2) golf courses known as EAGLE VALLEY EAST and EAGLE VALLEY WEST, with a club house and maintenance facility ("Golf Course Properties."); and

WHEREAS, the City values the contribution the Golf Course Properties make to the recreational opportunities available to the citizens of the City; and

WHEREAS, the City believes that it is in the best interests of the public if the Golf Course Properties were managed and operated in the most, efficient manner possible; and

WHEREAS, CCMGC has expertise in the management of operating golf course properties; and

WHEREAS, the Golf Course Properties are located on land owned by the City and by Bureau of Land Management (BLM) and patented or leased to the City; and

WHEREAS, the Golf Course Properties have been leased to CCMGC since 1997; and

WHEREAS, the Lease Agreement entered into in 1997 has been renewed and amended several times; and

WHEREAS, City and CCMGC wish to amend and restate the lease effective _____, 1, 2013 as set forth hereinafter.

NOW, THEREFORE, in consideration of the mutual covenants and promises, the City and CCMGC hereby agree as follows:

I

THE LEASE

1.1 The City hereby leases and subleases to CCMGC the real property with all improvements and fixtures thereon identified in Exhibit "A" attached hereto and incorporated herein by this reference, known as the "Golf Course Properties," all in an "as is" condition and CCMGC accepts said lease subject to the terms and conditions stated herein "Agreement".

1.2 The effective date of this Agreement shall be deemed _____ 1, 2013 ("Effective Date"). The initial term of this Agreement shall be until December 31, 2017. Commencing on December, 31, 2017, the Agreement shall be renewed annually with an effective date of the following January 1st on the same terms and conditions for additional terms of five (5) years each, unless terminated in accordance herewith (Five Year Rolling Renewal). The first Five Year Rolling Renewal shall have an effective date of January 1, 2018.

1.3 It is understood and agreed that Centennial Drive crosses the Golf Course Properties and that Centennial Drive is patented to City by BLM, and that City shall continue to be responsible for the regulation and maintenance of Centennial Drive, unless damaged due to the negligence of CCMGC, its employees or agents which damage shall be the responsibility of CCMGC to promptly repair. CCMGC shall not have the right to close Centennial Drive. All private roads not dedicated to public use on the Golf Course Properties shall be controlled, regulated, and

maintained by CCMGC. City and its agencies and departments shall have the right to use such private roads as necessary.

1.4 CCMGC shall, at its own cost and expense, keep and maintain the Golf Course Properties throughout the term of this Agreement in good, substantial and sufficient condition, repair and order, ordinary wear and tear excepted, including any and all improvements, expansions and replacements made, except as provided in Section VI of this Agreement.

1.5 It is understood and agreed that CCMGC shall have the right to buy, sell or otherwise dispose of any and all personal property or equipment used at the Golf Course Properties and any replacements thereto so long as any net proceeds of any such sale or disposal are applied to the acquisition of additional or replacement personal property or equipment or to be used solely for the benefit and improvement of the Golf Course Properties. The sale of any fixtures or appurtenances by CCMGC is subject to the prior approval of the City. All such improvements, expansions, replacements and fixtures shall be used at the Golf Course Properties.

1.6 The City agrees that CCMGC has the right to maintain and operate on the Golf Course Properties, through lease arrangements or otherwise, restaurant, convenience and fast food facilities, merchandise sales, golf driving ranges, cart rental, and other concessions and other recreational facilities, all of which shall be open to the public on reasonable terms and conditions to be determined by CCMGC. Subject to the approval of the City, CCMGC may from time to time, rent all or part of the Golf Course Properties for appropriate types of events consistent with a public golf course, some of which may be catered, pursuant to a fee schedule set by CCMGC for the operation of the Golf Course Properties and that all such rental payments and all residual income, e.g., from promotions, advertising, tournaments, TV and radio benefits, sponsorships, programs, and

license fees, shall accrue to CCMGC.

1.7 CCMGC agrees to maintain programs to improve the condition and operation of the Golf Course Properties and whenever documentation is required by the terms hereof, to submit such documentation to the City. To this end, CCMGC agrees as promptly as possible:

1.7.1 To provide access to the Golf Course Properties for charitable events (as defined in CCMGC's policy and procedures), and assist in providing such events on reasonable terms and conditions;

1.7.2 To maintain and document a program in coordination with the City for the physical improvement of the Golf Course Properties;

1.7.3 To maintain and document a program for the maintenance of the Golf Course Properties;

1.7.4 To maintain and document a program to teach, introduce, promote and make the game of golf available to the citizens of the Carson City area, including working with public and private schools to advance their opportunity to play and with a primary emphasis on juniors;

1.7.5 To maintain and publicly post in the club house rules and regulations regarding the use and operation of that golf course, including such matters as starting methods, starting times, use of carts, trespassing, vandalism, greens fees, rain delays and rainouts, group functions, charity events, hours of operation, and the like.

1.7.6 To maintain and document a written marketing plan for the Golf Course Properties to promote play on the Golf Course Properties.

1.7.7 To maintain and document policies and procedures for charitable

events.

1.7.8 To submit to City's Board of Supervisors for prior approval by the City of any changes in green, practice range or cart fees which exceed an overall ten percent (10%) change (either higher or lower) in any one calendar year.

1.7.9 To notify the City in writing thirty (30) days prior to the effective date of any and all rate or rate-related changes that affect local citizens' recreational play.

1.8 CCMGC agrees that the City shall appoint one ex-officio non-voting member to CCMGC's Board.

II

ASSIGNMENT OF CONTRACTS; ASSUMPTION OF LIABILITIES

2.1 City represents that it is self-insured for the first \$100,000.00 of a loss. CCMGC shall reimburse City any uninsured amount and City will handle claims for which CCMGC may ultimately be responsible with the City's normal claims procedure. City agrees that before it increases its self-insurance level it will meet and confer with CCMGC concerning CCMGC's liability under the increased limits.

III

PERSONNEL

3.1 CCMGC realizes that operating the Golf Course Properties will require a multiplicity of knowledge and skills. CCMGC, therefore, agrees to hire qualified personnel available to operate and maintain the entire physical plant of the Golf Course Properties at a high level of efficiency. CCMGC shall be solely responsible for the employment and supervision of personnel

hired by CCMGC required for the management, utilization, maintenance, promotion and operation of the Golf Course Properties and for the negotiation of any contracts that may be involved in the employment of such personnel. All employees of CCMGC shall be its employees only and shall not be deemed to be employees of the City.

IV

CITY FUNDING

4.1 It is understood and agreed that if CCMGC projects and/or incurs an operating deficit, CCMGC may apply for a loan, according to City's procedures.

V

ACCOUNTING OBLIGATIONS

5.1 All records of CCMGC pertaining to the performance of its obligations, duties and services hereunder shall be kept in accordance with generally accepted accounting principles, where applicable, and shall be available for inspection by the City or its authorized representatives at all reasonable times. Beginning with the 2013 calendar year, CCMGC shall have prepared by a certified public accountant licensed in the state of Nevada, at its expense, an annual review report to be delivered to the City. The report must be delivered to the city no later than May 31, 2014. CCMGC shall have annual review reports prepared for calendar years 2014, 2015, and 2016 as well. For the 2017 calendar year, and every fifth year thereafter, CCMGC shall have prepared by a certified public accountant licensed in the State of Nevada, at its expense, an audit report to be delivered to the City. The audit report must be delivered to the City no later than May 31st. During the four year interim periods, a review report shall be prepared by a certified public account licensed in the State of Nevada, at its expense. The annual review report must be delivered no later than May

31st each year. The City shall have the right to review all books and records of CCMGC at CCMGC offices. CCMGC shall keep its books and records at its principal office and shall maintain them for the term of this Agreement and any extensions.

5.2 Before January 1 of each year, CCMGC shall submit a line item budget to the City for the coming year. This budget shall be presented to the Carson City Board of Supervisors for their approval.

5.3 CCMGC shall submit to the City monthly financial statements to include budget to actual numbers and the number of rounds by rate category.

5.4 CCMGC shall employ at a minimum the City's accounting control procedures. CCMGC may adopt more stringent accounting controls.

5.5 CCMGC shall provide to City monthly and quarterly financial statements of the financial activities derived from the Golf Course Properties. CCMGC must use generally accepted accounting principles for all accounting practices. CCMGC must use at a minimum the City's accounting controls.

5.6 Any CCMGC employees handling cash or written checks must be bonded.

5.7 CCMGC shall owe commencing _____ six percent (6%) of its gross revenue to the City's Golf Revenue Account in the General Fund to be used for purposes as determined by the Carson City Board of Supervisors including but not limited to payments of current bonded indebtedness, repayment of prior fund balance amounts, capital improvements and infrastructure repair and expansion. "Gross Revenue" shall for purposes of this paragraph mean all revenue received from the Golf Course, including but not limited to green fees, punch card revenues, pass revenues, pro shop sales and food and beverage sales. Payment shall be made monthly within

forty-five (45) days of the last day of the calendar month commencing on the 15th of _____, 2013. For example, the January rent shall be paid on or before March 15th. The February rent shall be due on or before April 15th and so on.

VI

CITY REPAIRS AND MAINTENANCE

6.1 City shall be responsible for repairing and maintaining at City's expense:

(a) Buildings - to include roof, foundation, exterior walls, underground plumbing, water and sewer service lines, HVAC systems and annual fire equipment inspections and maintenance; and

(b) Reclaimed Water System – to include reclaimed transmission lines, mechanical equipment and electrical equipment used to deliver reclaimed water to and throughout the Golf Course properties including but not limited to the main pump station, diversion vaults, valves, check valves, reservoir level controllers, and the maintenance of the pond and reservoir structures; and

(c) All parts and services needed for the maintenance of the irrigation system but not including labor, such as air releases, aerators, pond level controllers, secondary pump stations, filters, water quality monitoring and testing, irrigation supplies, groundwater permit fees; and

(d) Cart Paths, Parking lots, and sidewalks.

VII

PURCHASING

7.1 If CCMGC believes that one or more capital expenditures is needed or

desirable, the following procedures shall be followed if it is determined that the provisions of NRS 332.005, et seq., apply to the purchase. The City agrees to reasonably cooperate with CCMGC in following the required procedures:

(a) City must approve any and all infrastructure improvements the cost of which is over the minimum set in NRS 332.039(a), \$50,000 including, but not limited to, improvements to any building or fixtures therein, irrigation system, or golf course. City retains ownership of any such improvements made and will carry insurance for them and such shall be subject to this Agreement.

(b) For all other purchases or leases, CCMGC shall make all reasonable, good-faith efforts to acquire equipment and services at the lowest prices consistent with sound business practices and in the best interests of CCMGC and the City.

(c) Any improvement, repair or fixture to the Golf Course Properties shall be the property of the City and shall be considered a part of said Golf Course Properties and leased to CCMGC hereunder. CCMGC shall submit to the City plans for any and all buildings or major improvements to buildings, fixtures, irrigation or the Golf Course Properties and shall obtain the prior approval of the City for such.

7.2 CCMGC shall not enter into any lease or contract beyond the term of this Agreement without the City's prior written approval unless such lease provides specifically for its termination upon the termination of this Agreement.

VIII

INSURANCE: INDEMNIFICATION

8.1 Before the effective date of the Agreement, CCMGC shall, at its own

expense, obtain a commercial general property and casualty package of insurance, issued by a financially sound company, licensed to provide insurance in Nevada, which will protect all parties to this Agreement against any claims for personal injuries, including death, and against claims for property damage which may arise out of, or in connection with, any operation or activities of the CCMGC in the exercise of any of the privileges or duties granted herein. The amount of such insurance shall be as follows: insurance in an amount of not less than One Million Dollars (\$1,000,000.00) per occurrence for injuries, including death, an amount of not less than Two Million Dollars (\$2,000,000.00) in the aggregate. This policy shall include coverage for Liquor Liability. City shall be named as additional insured in such a policy. CCMGC shall provide, at its own expense, Auto Liability Insurance in the amount of \$1,000,000 per accident. City shall be named as additional insured in such a policy.

CCMGC shall provide, at its own expense, Excess Liability or Umbrella Liability in an amount of not less than \$1,000,000. This coverage shall provide additional liability of \$1,000,000 of coverage above the General Liability and Auto Liability. The City shall be named as an additional insured in such a policy. In the event CCMGC purchases additional coverage limits of Excess Liability or Umbrella Liability. The City will be named as an additional insured or all insurance policies.

CCMGC shall provide, at its own expense Pollution Liability Insurance in the amount of \$2,000,000 for each Pollution Incident and \$2,000,000 aggregate limit.

8.2 CCMGC shall provide, at its own expense, Workers Compensation Insurance as required by law.

8.3 CCMGC shall provide, at its own expense, Directors and Officers Liability

Insurance.

8.4 CCMGC shall provide, at its own expense, a fidelity bond, which shall cover all parties who handle funds pursuant to this Agreement.

8.5 For each of the above policies, there shall be an endorsement stating that the policies shall not be terminated or reduced, for any cause, without at a minimum of thirty (30) days prior written notice to all insured parties and holders of certificates of insurance.

8.6 All of the above policies shall be kept in force at all times. CCMGC shall provide to the City, prior to the effective date of this Agreement, Certificates' of Insurance for each of the above coverages. Additionally, at the request of the City, or its designated representative, actual copies of the policies shall be provided for review. A policy endorsement will be provided to the City showing the City as an additional insured on the General Liability, Pollution Liability, Auto Liability and Excess Liability or Umbrella policies as requested above.

8.7 The City shall maintain fire or other casualty insurance in respect of the Golf Course Properties on all improvements and fixtures, including without limitation the irrigation systems, in such amount as was provided for the golf courses immediately prior to the date of this Agreement. This section does not obligate the City to expend City funds for the purpose of obtaining such insurance in excess of the amount heretofore appropriated by the Board. This section does not obligate an appropriation in future years.

8.8 CCMGC shall be liable for, and shall indemnify, defend and hold City harmless from and against any and all claims, damages, judgments suits, causes of action, losses, liabilities and expenses, including attorneys' fees and court costs (collectively, "Indemnified Claims"), arising or resulting from (a) any act or omission of CCMGC or any of CCMGC's agents,

employees, contractors, subtenants, assignees, licensees or invitees (collectively, "CCMGC Parties"); (b) the use of the Golf Course Property and conduct of CCMGC'S business by CCMGC or any CCMGC Parties, or any other activity, work or act done, permitted or suffered by CCMGC or any CCMGC Parties, in or about the Golf Course Property; and/or (c) any default by CCMGC of any obligations on CCMGC's part to be performed under the terms of this Agreement. In case any action or proceeding is brought against City or any City Indemnified Parties by reason of any such indemnified Claims, CCMGC, upon notice from City, shall defend the same at CCMGC's expense by counsel approved in writing by City, which approval shall not be unreasonably withheld. Such indemnification shall not be limited to the amounts of insurance provided herein. The City may, at its sole option, decline to accept the defense offered by CCMGC and defend at its own expense. Such defense shall be coordinated with any defense representation available through the auspices of any of the CCMGC's insurers. The defense services provided herein shall not mean or intend that the City shall be responsible for any judgment, liability, obligation or affirmative relief obtained against CCMGC, its trustees, officers or employees, which shall be the responsibility of CCMGC.

8.9 City shall be liable for, and shall indemnify, defend and hold CCMGC and CCMGC's partners, officers, directors, employees, agents, successors and assigns (collectively, "CCMGC Indemnified Parties") harmless from and against, any injury to persons or damage to property located on the Premises or Site (but not for injury to, or interference with, CCMGC's or any CCMGC Indemnified Parties' business or for consequential damages), to the extent such damage or injury arises or results from (a) the gross negligence or willful misconduct of City, its agents or employees and/or (b) the default by City of any obligations on City's part to be performed under the terms of this Agreement; provided, however, that City's indemnity shall not apply or extend to any

such damage or injury which is covered by any insurance maintained by CCMGC or any CCMGC Indemnified Parties (or would have been covered had CCMGC obtained the insurance as required under this Agreement). In case any action or proceeding is brought against CCMGC or any CCMGC Indemnified Parties by reason of any such injury or damage indemnified by City as set forth hereinabove, City, upon notice from CCMGC, shall defend the same at City's expense by counsel approved in writing by CCMGC, which approval shall not be unreasonably withheld. Such indemnification shall not be limited to the amounts of insurance provided herein. CCMGC may, at its sole option, decline to accept the defense offered by City and defend at its own expense. Such defense shall be coordinated with any defense representation available through the auspices of any of the City's insurers. The defense services provided herein shall not mean or intend that CCMGC shall be responsible for any judgment, liability, obligation or affirmative relief obtained against City, its trustees, officers or employees, which shall be the responsibility of City. This section does not obligate the City to expend City funds for the purpose of the indemnification of this section in excess of the amount appropriated by the Board and does not obligate an appropriation in future years.

8.10 CCMGC's and City's indemnification obligations hereunder, respectively, shall survive the expiration or earlier termination of this Agreement. City and CCMGC waive the right to subrogation under their respective insurance policies. CCMGC's covenants, agreements and indemnification above, and City's indemnification above, are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried by City or CCMGC, respectively, pursuant to the provisions of this Agreement.

8.11 For purposes of this paragraph VIII, "City" shall include its trustees, officers and employees and "CCMGC" shall include its directors, officers and employees.

IX

DAMAGE OR DESTRUCTION

9.1 CCMGC shall notify the City promptly of any fire or other damage to the Golf Course Properties.

9.2 With respect to any damage or destruction to the Improvements at the Golf Course Properties by fire or other cause at any time during the term of the Agreement, the City shall promptly restore the damaged or destroyed premises or in a good and workmanlike manner. Within thirty (30) days of the occurrence, the City shall give CCMGC a schedule of completion for such restoration. If such schedule contemplates a period of completion in excess of one (1) year from the date of the occurrence, CCMGC shall have the right to terminate this Agreement by written notice given to the City within twenty (20) days of delivery of the schedule of completion. This section does not obligate the City to expend City funds for the purpose of restoring the damaged or destroyed premises in excess of the amount appropriated by the Board and does not obligate an appropriation in future years.

X

FORCE MAJEURE

10.1 Except as otherwise provided, neither party shall, be obligated to perform hereunder and neither shall be deemed to be in default if performance is prevented by a fire, earthquake, flood, act of God, riot, civil commotion, or other matter or condition of nature, including the unavailability of sufficient water, fuel or energy to operate the Golf Course Properties, or of any law, ordinance, rule, regulation or order of any public or military authority stemming from the existence of economic controls, riot, hostilities, war, or governmental law and regulation. In the

event of a labor dispute which results in a strike, picket or boycott affecting CCMGC operation of one or more of the Golf Course Properties or any services described in this Agreement, CCMGC shall not be deemed to be in default or breach of any part of this Agreement, and CCMGC shall continue to be responsible for operating the Golf Course Properties. The foregoing provisions of this covenant do not apply to CCMGC's obligations to make payments to the City pursuant to section 5.7 of this Agreement or to comply with section 14.9 of this Agreement. Payments required by section 5.7 and the covenants relating to the status of the City's outstanding indebtedness in Section 14.9 are absolute and unconditional.

XI

DEFAULT

11.1 Any one or more of the following shall be declared an "Event of Default" or "Events of Default" under this Agreement by City:

11.1.1 CCMGC shall fail to make any payment due to the City pursuant to section 5.7 of this Agreement when due and further fails to cure the non-payment within five (5) days after receipt of a written notice of the failure to pay.

11.1.2 CCMGC shall fail to perform or observe any obligation of CCMGC under any provision of this Agreement, and such failure shall continue and shall not be remedied within thirty (30) days after notice, from the City specifying the same; unless in the event of a non-monetary default for causes beyond the reasonable control of CCMGC, such failure cannot be cured within thirty (30) days, and CCMGC advises the City in writing promptly after the City's notice that CCMGC intends to take all steps necessary to remedy such default with due diligence; duly institutes and diligently prosecutes to completion the steps necessary to remedy the same; and

remedies the same within a reasonable time after advising the City of CCMGC's intention to do so;

or

11.1.3 CCMGC abandons the Golf Course Properties; or

11.1.4 this Agreement or the Golf Course Properties, any part thereof or estate therein, shall be taken upon execution or by other process of law directed against CCMGC, or shall be taken upon or subject to any attachment at the instance of any creditor of or claimant against CCMGC, and said attachment shall not be discharged or disposed of within thirty (30) days after levy thereof. City shall be reimbursed by CCMGC for any cost or expenses incurred by it, if City pays any such claim; or

11.1.5 The occurrence of one of the following:

(a) Its trustees or directors have been found guilty in a court of law of fraud or collusion or gross mismanagement in the conduct or control of its affairs pertaining to this Agreement and the corporation has failed to terminate said director from the board;

(b) Its trustees or directors have been found guilty in a court of law of misfeasance, malfeasance or nonfeasance in performance of its duties pertaining to this Agreement and the corporation has failed to terminate said director from the board.

11.2 Any one or more of the following may be declared an "Event of Default" or "Events of Default" under this Agreement by CCMGC:

11.2.1 City shall fail to perform or observe any obligation of the City under any provision of this Agreement, and such failure shall continue and shall not be remedied within thirty (30) days after written notice from CCMGC specifying the same; unless for causes beyond the reasonable control of the City, such failure cannot be cured within thirty (30) days, and the City

advises CCMGC in writing promptly after CCMGC's notice that the City intends to take all steps necessary to remedy such default with due diligence; duly institutes and diligently prosecutes to completion the steps necessary to remedy the same; and remedies the same within a reasonable time after advising CCMGC of the City's intention to do so.

11.3 After an Event of Default on the part of CCMGC, the City shall have the right, at the City's sole discretion, to elect to terminate this Agreement by notice to CCMGC as provided in Section 12.1. After an Event of Default on the part of the City, CCMGC shall have the right, at CCMGC's sole discretion, to elect to terminate this Agreement by notice to the City as provided in Section 12.1. The failure of either the City or CCMGC to seek redress for any Event of Default, or to insist upon the strict performance of any provision of this Agreement, shall not prevent either party from thereafter seeking redress, insisting upon the strict performance of any provision of the Agreement, nor prevent a subsequent act which would have originally constituted an Event of Default from having all the force and effect of any original Event of Default or from requiring performance of any provision herein.

11.4 Where by the terms of this Agreement the City needs to make appropriations to perform an act agreed upon, even if the failure to perform the act would not be an Event of Default because of the City's inability to commit to future appropriations at the time this Agreement was signed, the City's failure to make the appropriation and to perform the act shall give rise to a right in CCMGC to terminate the Agreement.

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TERMINATION

12.1 If the City elects to terminate pursuant to this Agreement, for cause as specified above, it shall give CCMGC written notice of its election to so terminate, specifying in such notice a termination date, which may be immediately or on any other specified date in the case of an Event of Default as specified in section 11.1.1 or section 11.1.3, and which is at least ninety (90) days subsequent to the date of the giving of such notice in the case of any other event of default and on such date this Agreement shall terminate in all respects and, on or before such termination date CCMGC shall vacate the Golf Course Properties and all facilities therein. If CCMGC elects to terminate pursuant to this Agreement, for cause as specified above, it shall give the City written notice of its election to so terminate, specifying in such notice a termination date which is at least ninety (90) days subsequent to the date of the giving of such notice, and on such date this Agreement shall terminate in all respects and on or before such termination date shall vacate the Golf Course Properties.

12.2 Upon termination of this Agreement, the City and CCMGC shall have no further responsibility or liability under or in respect of this Agreement, except for acts and events occurring prior to, and amounts owed with respect to periods of time prior to, the termination of this Agreement, and except that within sixty (60) days of the receipt or giving of any notice of termination of this Agreement or of the last day of the Term, as the case may be, CCMGC shall deliver to the City an accounting setting forth for the particular fiscal year its Revenues and Operating Expenses to the termination date.

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12.3 Upon termination (whether for cause or as a result of the expiration of the term hereof pursuant to section 1.2), CCMGC shall immediately transfer to the City:

12.3.1 all cash accumulated from Golf Course operations;

12.3.2 any funds previously paid to CCMGC by the City and unexpended to the date of termination;

12.3.3 the equipment and personal property owned by CCMGC used in the operation of the Golf Course Properties, in the condition existing, i.e., "AS IS" at the time of transfer back to the City;

12.3.4 ownership of all specification, plans, drawings and related documents prepared by any architect, consulting engineer or contractor for any facilities at the Golf Course Properties;

12.3.5 copies of all existing books, records, statements pertaining to the Golf Course Properties and its finances since the date of operation; and

12.3.6 all buildings, personally, exhibits, manuals, supplies and fixtures located in and about the Golf Course Properties owned by and used by CCMGC whenever obtained or purchased, for purposes of the Golf Course Properties as stated herein.

12.4 Upon termination (whether for cause or as a result of the expiration of the term hereof pursuant to section 1.2) of this Agreement, CCMGC shall have the right to retain any unexpended grants, bequests, contributions and funds raised or received by it for the benefit of the Golf Course Properties, subject to any restrictions placed thereon by the applicable gift instrument unless such restrictions are released by the donor, and CCMGC may use any such funds for general charitable and educational purposes or return such funds to the donors, if such is the donors' request.

All accrued income from admissions, concessions, etc., shall be the property of the City.

XIII

NOTICES

13.1 All notices, requests, demands, elections, consents, approvals, designations and other communications of any kind hereunder ("Notices") must be in writing and addressed to the parties as follows:

If to the City:

City Manager
201 N. Carson Street, Suite 2
Carson City, NV 89703

and

District Attorney
885 E. Musser Street, Suite 2030
Carson City, NV 89701

If to CCMGC:

President
CARSON CITY MUNICIPAL
GOLF CORPORATION
3999 Centennial Drive
Carson City, NV 89706

13.2 Any Notice required by this Agreement to be given or made within a specified period of time, or on or before a date certain, shall be deemed given or made only if sent by certified mail, return receipt requested and postage and registry fees prepaid. A Notice so sent by certified mail shall be deemed given on the date of mailing. All other Notices shall be deemed given when received.

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MISCELLANEOUS

14.1 This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the state of Nevada.

14.2 Except as otherwise specifically permitted hereunder, CCMGC shall not assign or otherwise encumber this Agreement, or sublet the Golf Course Properties (or any portion thereof), or permit the Golf Course Properties to be used by others in violation of this Agreement, without the prior written consent of the City and any attempted assignment, encumbering, subletting or unauthorized use shall be void and of no effect as against the City. Subject to the foregoing, all the provisions of this Agreement, whether so expressed or not, shall be binding upon the respective successors, assigns and legal representatives as stated herein, of the parties hereto and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns and legal representatives.

14.3 If any lien is filed against the Golf Course Properties by reason of taxes, assessments, work, labor, services or materials supplied or allegedly supplied to CCMGC or anyone claiming through or under CCMGC or by reason of CCMGC's failure to comply with Law, CCMGC shall cause the same to be discharged by payment or otherwise within ninety (90) days after the earlier of (1) notice to CCMGC of the filing or assertion of such lien or (2) notice to CCMGC from the City to the same effect. If CCMGC fails to do so, in addition to any other right or remedy hereunder, the City may (but shall not be obligated to) discharge such lien by bonding or otherwise, and CCMGC shall promptly repay City for such cost. Nothing in this Agreement shall be deemed or construed in any way as constituting the consent or request of the City, express or implied, to any

contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any material for any alteration of the Golf Course Properties.

14.4 Upon observing the provisions of this Agreement, CCMGC shall and may lawfully occupy and enjoy the Golf Course Properties during the Term without hindrance, molestation or interruption.

14.5 Nothing herein shall be deemed to create any joint venture or principal-agent relationship between the parties, and neither party is authorized to, and neither party shall act toward third parties or the public in any manner which would indicate any such relationship with the other. CCMGC is an independent contractor in terms of managing and operating the Golf Course Properties.

14.6 If any subsection, sentence, clause, phrase, or portion of this Agreement is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions of this Agreement.

14.7 CCMGC shall perform all services hereunder in compliance with all applicable laws and regulations of the United States of America and agencies thereof, and of the state of Nevada, and in compliance with all applicable provisions of the Charter and local laws of the City. CCMGC agrees to comply with City law, rules, and regulations pertaining to minority business opportunities and minority employment.

14.8 CCMGC agrees to take no action that would place the City in a position of being in violation of the BLM patent and lease issued pursuant to the Recreation and Public Purpose Act (R&PPA), 43 U.S.C. § 869 to 869-4.

14.9 CCMGC agrees to take no action that would jeopardize the tax exempt status of the City's bonds and notes. CCMGC agrees that it will not make any use of the (Golf Course Properties or any portion thereof which would, or take any other action with respect to those properties which would, or omit to take any action which, if omitted, would, cause interest on any bonds and notes the City has issued for the golf course to lose its exemption from gross income or alternative minimum taxable income for federal income tax purposes. CCMGC shall consult with the City and, if necessary, its bond counsel in complying with this covenant. Without limiting the foregoing, CCMGC will consult with the City and its bond counsel prior to entering into any lease, management contract, or other arrangement which would allow a person other than a governmental entity or an entity described in Section 501(c)(3) of the Internal Revenue Code to use any of the Golf Course Properties on a basis other than that generally available to any member of the general public. CCMGC agrees to maintain its status as a corporation exempt from federal income taxation under Section 501(c)(3) of the Tax Code and to operate the golf course as part of its business that is not an "unrelated trade or business" under the Tax Code. This agreement is subject to, and CCMGC agrees not to interfere with the City complying with, all applicable covenants and representations contained in the ordinances and resolutions of the City authorizing the issuance of bonds and notes for the golf course.

14.10 CCMGC for itself and its successors and/or assigns, agrees that in the performance of its duties hereunder, it will fully comply with the applicable provision of R&PP Act and Title V of the Civil Rights Act of 1964, as well as the applicable provisions of all Ordinances, Executive Orders, Laws of Carson City, state of Nevada, or United States of America relating to non-discrimination and equal opportunity.

14.11 No member of the governing body of the City, and no other officer, employee, or agent of the City who exercises any functions or responsibility in connection with the services to be performed under this Agreement, shall have any personal financial interest, direct or\ indirect, in this Agreement, or in the Golf Course Properties or in CCMGC.

14.12 If the whole or any part of the Golf Course Properties is taken under power of eminent domain, then City and CCMGC at each party's option shall have the right to terminate pursuant to this Agreement. If the parties elect to continue this Agreement, then City, at its sole option, may make such repairs, alterations, or replacements in order to restore the part of the Golf Course Properties not taken to useful condition. City shall not be obligated to replace any of the land within the Golf Course Properties boundaries if taken by eminent domain.

14.13 All compensation awarded for any taking of the Golf Course Properties or any interest in them shall belong to and be the property of City, CCMGC hereby assigns to City all rights with respect thereto; provided, however, nothing contained herein shall prevent CCMGC from applying for reimbursement from the condemning authority (if permitted by law) but only if such action shall not reduce the amount of the award or other compensation otherwise recoverable from the condemning authority by City.

14.14 This Agreement embodies the entire agreement and understanding between CCMGC and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement may not be modified or amended or any provision hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The Table of Contents and headings of this Agreement are for purposes of convenience only and shall not limit or otherwise affect the meaning of any provision of this Agreement. This Agreement may be executed in several counterparts, each of which

shall be deemed an original, but all of which together shall constitute one and the same instrument.

WITNESS, the hands and seals of the parties hereto as of this day and year above written.

“City”
CARSON CITY
By: _____, MAYOR

“CCMGC”
CARSON CITY MUNICIPAL
GOLF CORPORATION

By: _____
STEVE McINTYRE, CHAIRMAN

AMENDED AND RESTATED
GOLF COURSE LEASE AGREEMENT

THIS **AMENDED AND RESTATED GOLF COURSE LEASE** AGREEMENT
made as of the _____ day of _____, 200213, by and
between ~~Carson City~~**CARSON CITY**, a municipal corporation of the state of Nevada (the "City"),
and CARSON CITY MUNICIPAL GOLF CORPORATION, a non-profit corporation of the state
of Nevada ("CCMGC").

W I T N E S S E T H:

WHEREAS, the City financed, ~~and~~ built and currently operates two (2) golf courses
known as EAGLE VALLEY EAST; and EAGLE VALLEY WEST, with a club house and
maintenance facility ("Golf Course Properties,"); and

WHEREAS, the City values the contribution the Golf Course Properties make to the
recreational opportunities available to the citizens of the City; and

WHEREAS, the City believes that it is in the best interests of the public if the Golf
Course Properties were managed and operated in the most, efficient manner possible; and

WHEREAS, CCMGC has expertise in the management of operating golf course
properties; and

WHEREAS, the Golf Course Properties are located on land owned by the City and
by Bureau of Land Management (BLM) and patented or leased to the City.

; and

WHEREAS, the Golf Course Properties have been leased to CCMGC since 1997;

and

WHEREAS, the Lease Agreement entered into in 1997 has been renewed and amended several times; and

WHEREAS, City and CCMGC wish to amend and restate the lease effective 1, 2013 as set forth hereinafter.

NOW, THEREFORE, in consideration of the mutual covenants and promises, the City and CCMGC hereby agree as follows:

I

THE LEASE

1.1 The City hereby leases and subleases to CCMGC the real property with all improvements and fixtures thereon identified in Exhibit "A" attached hereto and incorporated herein by this reference, known as the "Golf Course Properties," all in an "as is" condition and CCMGC accepts said ~~lease~~ subject to the terms and conditions stated herein "Agreement".

1.2 The effective date of this ~~lease~~Agreement shall be deemed August 1, 1997~~2013~~ ("Effective Date"). The initial term of this ~~lease~~Agreement shall be ~~five (5) years~~until December 31, 2017. Commencing ~~in~~on December, ~~2001~~31, 2017, the ~~lease~~Agreement shall be renewed annually ~~in December~~ with an effective date of the following January 1st on the same terms and conditions for additional terms of five (5) years each, unless terminated in accordance herewith (Five Year Rolling Renewal). The first Five Year Rolling Renewal shall have an effective date of January 1, ~~2002~~18.

1.3 It is understood and agreed that Centennial Drive crosses the Golf Course Properties and that Centennial Drive is patented to City by BLM, and that City shall continue to be responsible for the regulation and maintenance of Centennial Drive, unless damaged due to the negligence of CCMGC, its employees or agents which damage shall be the responsibility of CCMGC to promptly repair. CCMGC shall not have the right to close Centennial Drive. All private roads not dedicated to public use on the Golf Course Properties shall be controlled, regulated, and maintained by CCMGC. City and its agencies and departments shall have the right to use such private roads as necessary.

1.4 CCMGC shall, at its own cost and expense, keep and maintain the Golf Course Properties throughout the term of this Agreement in good, substantial and sufficient condition, repair and order, ~~for ordinary~~ wear and tear excepted, including any and all improvements, expansions and replacements made ~~by CCMGC. CCMGC agrees to use its best efforts to improve or cause to be improved the Golf Course Properties, including the buildings and concession areas, golf carts, maintenance, equipment and golfing areas. CCMGC shall maintain the golf courses in accordance with good industry practices CCMGC has developed a written plan for maintenance, which plan may be amended from time to time by CCMGC. A copy of the written plan and any subsequent amendments thereto shall be submitted to City for review and approval, except as provided in Section VI of this Agreement.~~

1.5 It is understood and agreed that CCMGC shall have the right to ~~buy~~ sell or otherwise dispose of any and all personal property or equipment used at the Golf Course Properties and any replacements thereto so long as any net proceeds of any such sale or disposal are applied to the acquisition of additional or replacement personal property or equipment for or to be used solely

for the benefit and improvement of the Golf Course Properties. The sale of any fixtures or appurtenances by CCMGC is subject to the prior approval of the City. All such improvements, expansions, replacements and fixtures shall be used at the Golf Course Properties.

1.6 The City agrees that CCMGC has the right to maintain and operate on the Golf Course Properties, through lease arrangements or otherwise, restaurant, convenience and fast food facilities, merchandise sales, golf driving ranges, cart rental, and other concessions and other recreational facilities, subject to existing contracts being assumed, all of which shall be open to the public on reasonable terms and conditions to be determined by CCMGC. Subject to the approval of the City, CCMGC may from time to time, rent all or part of the Golf Course Properties for ~~all~~ appropriate types of events consistent with a public golf course, some of which may be catered, pursuant to a fee schedule set by CCMGC for the operation of the Golf Course Properties and that all such rental payments and all residual income, e.g., from promotions, advertising, tournaments, TV and radio benefits, sponsorships, programs, and license fees, shall accrue to CCMGC.

1.7 CCMGC agrees to maintain programs to improve the condition and operation of the Golf Course Properties and whenever documentation is required by the terms hereof, to submit such documentation to the City. To this end, CCMGC agrees as promptly as possible:

1.7.1 To provide access to the Golf Course Properties for charitable events (as defined in CCMGC's policy and procedures), and assist in providing such events on reasonable terms and conditions;

1.7.2 To maintain and document a program in coordination with the City for the physical improvement of the Golf Course Properties;

1.7.3 To maintain and document a program for the maintenance of the Golf

Course Properties;

1.7.4 To maintain and document a program to teach, introduce, promote and make the game of golf available to the citizens of the Carson City area, including working with public and private schools to advance their opportunity to play and with a primary emphasis on juniors;

1.7.5 To maintain and publicly post in the club house rules and regulations regarding the use and operation of that golf course, including such matters as starting methods, starting times, use of carts, trespassing, vandalism, greens fees, rain delays and rainouts, group functions, charity events, hours of operation, and the like.

1.7.6 To maintain and document a written marketing plan for the Golf Course Properties to promote play on the Golf Course Properties.

1.7.7 To maintain and document policies and procedures for charitable events.

1.7.8 To submit to City's Board of Supervisors for prior approval by the City of any ~~increases~~changes in green, practice range or cart fees which exceed an overall ten percent (10%) ~~increase in revenues~~change (either higher or lower) in any one calendar year.

1.7.9 To notify the City in writing thirty (30) days prior to the effective date of any and all rate or rate-related changes that affect local citizens' recreational play.

1.8 CCMGC agrees that the ~~City's City Manager~~City shall be an appoint one ex-officio non-voting member to CCMGC's Board.

II

ASSIGNMENT OF CONTRACTS;

ASSUMPTION OF LIABILITIES

2.1 City represents that it is self-insured for the first \$100,000.00 of a loss. CCMGC shall reimburse City any uninsured amount and City will handle claims for which CCMGC may ultimately be responsible with the City's normal claims procedure. City agrees that before it increases its self-insurance level it will meet and confer with CCMGC concerning CCMGC's liability under the increased limits.

III

PERSONNEL

3.1 CCMGC realizes that operating the Golf Course Properties will require a multiplicity of knowledge and skills. CCMGC, therefore, agrees to hire qualified personnel available to operate and maintain the entire physical plant of the Golf Course Properties at a high level of efficiency. CCMGC shall be solely responsible for the employment and supervision of personnel hired by CCMGC required for the management, utilization, maintenance, promotion and operation of the Golf Course Properties and for the negotiation of any contracts that may be involved in the employment of such personnel. All employees of CCMGC shall be its employees only and shall not be deemed to be employees of the City.

IV

CITY FUNDING

4.1 It is understood and agreed that if CCMGC projects and/or incurs an operating deficit, CCMGC may apply for a loan, according to City's procedures, ~~a loan, but City has no obligation to grant any such application.~~

V

ACCOUNTING OBLIGATIONS

5.1 All records of CCMGC pertaining to the performance of its obligations, duties and services hereunder shall be kept in accordance with generally accepted accounting principles, where applicable, and shall be available for inspection by the City or its authorized representatives at all reasonable times. Beginning with the 2008~~13~~ calendar year, CCMGC shall have prepared by a certified public accountant licensed in the state of Nevada, at its expense, an annual review report to be delivered to the City. The report must be delivered to the city no later than May 31, 2009~~14~~. CCMGC shall have annual review reports prepared for calendar years 2009~~14~~, 2010~~05~~, and 2011~~06~~ as well. For the 2012~~17~~ calendar year, and every fifth year thereafter, CCMGC shall have prepared by a certified public accountant licensed in the State of Nevada, at its expense, an audit report to be delivered to the City. The audit report must be delivered to the City no later than May 31st. During the four year interim periods, a review report shall be prepared by a certified public account licensed in the State of Nevada, at its expense. The annual review report must be delivered no later than May 31st each year. The City shall have the right to review all books and records of CCMGC at CCMGC offices. CCMGC shall keep its books and records at its principal office and shall maintain them for the term of this Agreement and any extensions.

5.2 Before January 1 of each year, CCMGC shall submit a line item budget to the City for the coming year. This budget shall be presented to the Carson City Board of Supervisors for their approval.

5.3 CCMGC shall submit to the City monthly financial statements to include budget to actual numbers and the number of rounds by rate category.

5.4 CCMGC shall employ at a minimum the City's accounting control procedures. CCMGC may adopt more stringent accounting controls.

5.5 CCMGC shall provide to City monthly and quarterly financial statements of the financial activities derived from the Golf Course Properties. ~~CCMGC must submit to City year-end Certified Public Accountant audited financial statements for all Eagle Valley Golf Course activities. CCMGC must use generally accepted accounting principles for all accounting practices. CCMGC must use at a minimum the City's accounting controls.~~

5.6 Any CCMGC employees handling cash or written checks must be bonded.

5.7 CCMGC shall ~~pay by June 30, 2011: \$3,333.33 totaling \$30,000.00 for Fiscal Year (FY) 2011. CCMGC shall pay by June 30, 2012: \$30,000.00 for FY 2012. CCMCG shall pay by June 30, 2013: \$60,000.00 for FY 2013. CCMCG shall pay by June 30, 2014: \$120,000.00 for FY 2014. CCMCG shall pay thereafter by June 30th of each subsequent year: \$120,000.00 for each fiscal year, FY 2015 through FY 2029. And in the last fiscal year, CCMCG shall pay by June 30, 2030: \$78,866.95 for its final payment in FY 2030.~~

5.7 CCMGC shall ~~pay for all Golf Course employees' accrued sick, annual and comp time liabilities as of the date each such employee terminates or is transferred~~ ~~owe~~ ~~commencing~~ ~~six percent (6%) of its gross revenue to the City's Golf Revenue Account~~ ~~in the General Fund to be used for purposes as determined by the Carson City Board of Supervisors~~ ~~including but not limited to payments of current bonded indebtedness, repayment of prior fund balance amounts, capital improvements and infrastructure repair and expansion. "Gross Revenue"~~ ~~shall for purposes of this paragraph mean all revenue received from the Golf Course. CCMGC shall pay their liability thereunder as defined in Schedule "A" incorporated herein by this reference;~~

within one month of the termination of the employee from City service.

5.8 CCMGC shall make reasonable efforts to keep no less than \$300,000.00 cash on hand at all times. CCMGC shall have no less than \$250,000.00 cash on hand on July 1st of each year. If CCMGC has less than \$300,000.00 cash on hand for more than any 14 consecutive day period, the City may treat such failure to keep adequate cash on hand as a default hereunder.

VI

USE OF REVENUES

6.1 It is CCMGC's intention to operate Course, including but not limited to green fees, punch card revenues, pass revenues, pro shop sales and food and beverage sales. Payment shall be made monthly within forty-five (45) days of the last day of the calendar month commencing on the 15th of , 2013. For example, the January rent shall be paid on or before March 15th. The February rent shall be due on or before April 15th and so on.

VI

CITY REPAIRS AND MAINTENANCE

6.1 City shall be responsible for repairing and maintaining at City's expense:

(a) Buildings - to include roof, foundation, exterior walls, underground plumbing, water and sewer service lines, HVAC systems and annual fire equipment inspections and maintenance; and

(b) Reclaimed Water System – to include reclaimed transmission lines, mechanical equipment and electrical equipment used to deliver reclaimed water to and throughout the Golf Course Properties on at least a self-sustaining basis. CCMGC shall use all revenues (as determined in accordance with generally accepted accounting principles) which accrue in excess of

operating expenses for capital expenditures, course and facility expansions, additions, replacement, debt service, equipment, lease/purchase payments, renovation and to meet the goals set forth in this Agreement:

properties including but not limited to the main pump station, diversion vaults, valves, check valves, reservoir level controllers, and the maintenance of the pond and reservoir structures; and

(c) All parts and services needed for the maintenance of the irrigation system but not including labor, such as air releases, aerators, pond level controllers, secondary pump stations, filters, water quality monitoring and testing, irrigation supplies, groundwater permit fees; and

(d) Cart Paths, Parking lots, and sidewalks.

VII

PURCHASING

7.1 If CCMGC believes that one or more capital expenditures is needed or desirable, the following procedures shall be followed if it is determined that the provisions of NRS 332.005, et seq., apply to the purchase. The City agrees to reasonably cooperate with CCMGC in following the required procedures:

(a) City must approve any and all infrastructure improvements the cost of which is over the minimum set in NRS 332.0359(a), \$25,550,000 including, but not limited to, improvements to any building or fixtures therein, irrigation system, or golf course. City retains ownership of any such improvements made and will carry insurance for them and such shall be subject to this Lease Agreement.

(b) For all other purchases or leases, CCMGC shall make all reasonable,

good-faith efforts to acquire equipment and services at the lowest prices consistent with sound business practices and in the best interests of CCMGC and the City.

(c) Any improvement, repair or fixture to the Golf Course Properties shall be the property of the City and shall be considered a part of said Golf Course Properties and leased to CCMGC hereunder. CCMGC shall submit to the City plans for any and all buildings or major improvements to buildings, fixtures, irrigation on the Golf Course Properties and shall obtain the prior approval of the City for such.

capital projects:

7.2 CCMGC shall not enter into any lease or contract beyond the term of this Agreement without the City's prior written approval unless such lease provides specifically for its termination upon the termination of this Agreement.

VIII

INSURANCE: INDEMNIFICATION

8.1 Before the effective date of the lease Agreement, CCMGC shall, at its own expense, obtain a commercial general property and casualty package of insurance, issued by a financially sound company, licensed to provide insurance in Nevada, which will protect all parties to this Agreement against any claims for personal injuries, including death, and against claims for property damage which may arise out of, or in connection with, any operation or activities of the CCMGC in the exercise of any of the privileges or duties granted herein. The amount of such insurance shall be as follows: insurance in an amount of not less than One Million Dollars (\$1,000,000.00) per occurrence for injuries, including death, an amount of not less than Two Million Dollars (\$2,000,000.00) in the aggregate. This policy shall include coverage for Liquor Liability.

City shall be named as additional insured in such a policy. CCMGC shall provide, at its own expense, Auto Liability Insurance in the amount of \$1,000,000 per accident. City shall be named as additional insured in such a policy.

CCMGC shall provide, at its own expense, Excess Liability or Umbrella Liability in an amount of not less than \$1,000,000. This coverage shall provide additional liability of \$1,000,000 of coverage above the General Liability and Auto Liability. The City shall be named as an additional insured in such a policy. In the event CCMGC purchases additional ~~coverage limiteds~~ of Excess Liability or Umbrella Liability, ~~t~~ The City will be named as an additional insured ~~for these excess limits or all insurance policies.~~

CCMGC shall provide, at its own expense Pollution Liability Insurance in the amount of \$2,000,000 for each Pollution Incident and \$2,000,000 aggregate limit.

8.2 CCMGC shall provide, at its own expense, Workers Compensation Insurance as required by law.

8.3 CCMGC shall provide, at its own expense, Directors and Officers Liability Insurance.

8.4 CCMGC shall provide, at its own expense, a fidelity bond, which shall cover all parties who handle funds pursuant to this Agreement.

8.5 For each of the above policies, there shall be an endorsement stating that the policies shall not be terminated or reduced, for any cause, without at ~~least a minimum of~~ thirty (30) days prior written notice to all insured parties and holders of certificates of insurance.

8.6 All of the above policies shall be kept in force at all times. CCMGC shall provide to the City, prior to the effective date of ~~the lease~~this Agreement, Certificates' of Insurance

for each of the above coverages. Additionally, at the request of the City, or its designated representative, actual copies of the policies shall be provided for review. A policy endorsement will be provided to the City showing the City as an additional insured on the General Liability, Pollution Liability, Auto Liability and Excess Liability or Umbrella policies as requested above.

8.7 The City shall maintain fire or other casualty insurance in respect of the Golf Course Properties on all improvements and fixtures, including without limitation the irrigation systems, in such amount as was provided for the golf courses immediately prior to the date of this Agreement. This section does not obligate the City to expend City funds for the purpose of obtaining such insurance in excess of the amount heretofore appropriated by the Board. This section does not obligate an appropriation in future years.

8.8 CCMGC shall be liable for, and shall indemnify, defend and hold City harmless from and against any and all claims, damages, judgments suits, causes of action, losses, liabilities and expenses, including attorneys' fees and court costs (collectively, "Indemnified Claims"), arising or resulting from (a) any act or omission of CCMGC or any of CCMGC's agents, employees, contractors, subtenants, assignees, licensees or invitees (collectively, "CCMGC Parties"); (b) the use of the Golf Course Property and conduct of CCMGC'S business by CCMGC or any CCMGC Parties, or any other activity, work or ~~thing~~act done, permitted or suffered by CCMGC or any CCMGC Parties, in or about the Golf Course Property; and/or (c) any default by CCMGC of any obligations on CCMGC's part to be performed under the terms of this Lease Agreement. In case any action or proceeding is brought against City or any City Indemnified Parties by reason of any such indemnified Claims, CCMGC, upon notice from City, shall defend the same at CCMGC's expense by counsel approved in writing by City, which approval shall not be unreasonably withheld. Such

indemnification shall not be limited to the amounts of insurance provided herein. The City may, at its sole option, decline to accept the defense offered by CCMGC and defend at its own expense. Such defense shall be coordinated with ~~any~~ defense representation available through the auspices of any of the CCMGC's insurers. The defense services provided herein shall not mean or intend that the City shall be responsible for any judgment, liability, obligation or affirmative relief obtained against CCMGC, its trustees, officers or employees, which shall be the responsibility of CCMGC.

8.9 City shall be liable for, and shall indemnify, defend and hold CCMGC and CCMGC's partners, officers, directors, employees, agents, successors and assigns (collectively, "CCMGC Indemnified Parties") harmless from and against, any injury to persons or damage to property located on the Premises or Site (but not for injury to, or interference with, CCMGC's or any CCMGC Indemnified Parties' business or for consequential damages), to the extent such damage or injury arises or results from (a) the gross negligence or willful misconduct of City, its agents or employees and/or (b) the default by City of any obligations on City's ~~past or part to~~ be performed under the terms of this Lease Agreement; provided, however, that City's indemnity shall not apply or extend to any such damage or injury which is covered by any insurance maintained by CCMGC or any CCMGC Indemnified Parties (or would have been covered had CCMGC obtained the insurance as required under this Lease Agreement). In case any action or proceeding is brought against CCMGC or any CCMGC Indemnified Parties by reason of any such injury or damage indemnified by City as set forth hereinabove, City, upon notice from CCMGC, shall defend the same at City's expense by counsel approved in writing by CCMGC, which approval shall not be unreasonably withheld. Such indemnification shall not be limited to the amounts of insurance provided herein. CCMGC may, at its sole option, decline to accept the defense offered by City and

defend at its own expense. Such defense shall be coordinated with any defense representation available through the auspices of any of the City's insurers. The defense services provided herein shall not mean or intend that CCMGC shall be responsible for any judgment, liability, obligation or affirmative relief obtained against City, its trustees, officers or employees, which shall be the responsibility of City. This section does not obligate the City to expend City funds for the purpose of the indemnification of this section in excess of the amount appropriated by the Board and does not obligate an appropriation in future years.

8.10 CCMGC's and City's indemnification obligations hereunder, respectively, shall survive the expiration or earlier termination of this ~~Lease Agreement~~. City and CCMGC waive the right to subrogation under their respective insurance policies. CCMGC's covenants, agreements and indemnification above, and City's indemnification above, are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried by City or CCMGC, respectively, pursuant to the provisions of this ~~Lease~~

Agreement.

8.11 For purposes of this paragraph VIII, "City" shall include its trustees, officers and employees and "CCMGC" shall include its directors, officers and employees.

IX

DAMAGE OR DESTRUCTION

9.1 CCMGC shall notify the City promptly of any fire or other damage to the Golf Course Properties.

9.2 With respect to any damage or destruction to the Improvements at the Golf Course Properties by fire or other cause at any time during the term of the ~~Lease Agreement~~, the City

shall promptly restore the damaged or destroyed premises or in a good and workmanlike manner. Within thirty (30) days of the occurrence, the City shall give CCMGC a schedule of completion for such restoration. If such schedule contemplates a period of completion in excess of one (1) year from the date of the occurrence, CCMGC shall have the right to terminate this Agreement by written notice given to the City within twenty (20) days of delivery of the schedule of completion. This section does not obligate the City to expend City funds for the purpose of restoring the damaged or destroyed premises in excess of the amount appropriated by the Board and does not obligate an appropriation in future years.

X

FORCE MAJEURE

10.1 Except as otherwise provided, neither party shall, be obligated to perform hereunder and neither shall be deemed to be in default if performance is prevented by a fire, earthquake, flood, act of God, riot, civil commotion, or other matter or condition of nature, including the unavailability of sufficient water, fuel or energy to operate the Golf Course Properties, or of any law, ordinance, rule, regulation or order of any public or military authority stemming from the existence of economic controls, riot, hostilities, war, or governmental law and regulation. In the event of a labor dispute which results in a strike, picket or boycott affecting CCMGC operation of one or more of the Golf Course Properties or any services described in this Agreement, CCMGC shall not be deemed to be in default or breach of any part of this Agreement, and CCMGC shall continue to be responsible for operating the Golf Course Properties. The foregoing provisions of this covenant do not apply to CCMGC's obligations to make payments to the ~~City pursuant~~ City pursuant to section 5.67 of this Agreement or to comply with section 14.9 of this Agreement. Payments

required by section 5.67 and the covenants relating to the status of the City's outstanding indebtedness in Section 14.9 are absolute and unconditional.

XI

DEFAULT

11.1 Any one or more of the following shall be declared an "Event of Default" or "Events of Default" under this Agreement by City:

11.1.1 CCMGC shall fail to make any payment due to the City pursuant to section 5.67 of this Agreement when due and further fails to cure the non-payment within five (5) days after receipt of a written notice of the failure to pay ~~given to CCMGC by the City~~.

11.1.2 CCMGC shall fail to perform or observe any obligation of CCMGC under any provision of this Agreement, ~~including failure to timely make a lease payment~~, and such failure shall continue and shall not be remedied within thirty (30) days after notice, from the City specifying the same; unless in the event of a non-monetary default for causes beyond the reasonable control of CCMGC, such failure cannot be cured within thirty (30) days, and CCMGC advises the City in writing promptly after the City's notice that CCMGC intends to take all steps necessary to remedy such default with due diligence; duly institutes and diligently prosecutes to completion the steps necessary to remedy the same; and remedies the same within a reasonable time after advising the City of CCMGC's intention to do so; or

11.1.3 CCMGC abandons the Golf Course Properties; or

11.1.4 this Agreement or the Golf Course Properties, any part thereof or estate therein, shall be taken ~~upon~~ execution or by other process of law directed against CCMGC, or shall be taken upon or subject to any attachment at the instance of any creditor or claimant against

CCMGC, and said attachment shall not be discharged or disposed of within thirty (30) days after levy thereof. City shall be reimbursed by CCMGC for any cost or expenses incurred by it, if City pays any such claim; or

~~11.1.5 CCMGC has a decline in its working capital over a period of five (5) consecutive calendar quarters and the City notifies CCMGC of this Event of Default within sixty (60) days of the close of the fifth consecutive quarter in which such a decline occurs and after meeting and conferring with the City CCMGC cannot demonstrate to City's satisfaction that there will not be a sixth (6th) consecutive quarter of decline:~~

11.1.5 The occurrence of one of the following:

(a) Its trustees or directors have been found guilty in a court of law of fraud or collusion or gross mismanagement in the conduct or control of its affairs pertaining to this Agreement and the corporation has failed to terminate said director from the board;

(b) Its trustees or directors have been found guilty in a court of law of misfeasance, malfeasance or nonfeasance in performance of its duties pertaining to this Agreement and the corporation has failed to terminate said director from the board.

11.2 Any one or more of the following may be declared an "Event of Default" or "Events of Default" under this Agreement by CCMGC:

11.2.1 City shall fail to perform or observe any obligation of the City under any provision of this Agreement, and such failure shall continue and shall not be remedied within thirty (30) days after written notice from CCMGC specifying the same; unless for causes beyond the reasonable control of the City, such failure cannot be cured within thirty (30) days, and the City advises CCMGC in writing ~~promptly~~ after CCMGC's notice that the City intends to take all steps

necessary to remedy such default with ~~due~~ diligence; duly institutes and diligently prosecutes to completion the steps necessary to remedy the same; and remedies the same within a reasonable time after advising CCMGC of the City's intention to do so.

11.3 After an Event of Default on the part of CCMGC, the City shall have the right, at the City's sole discretion, to elect to terminate this Agreement by notice to CCMGC as provided ~~below~~in Section 12.1. After an Event of Default on the part of the City, CCMGC shall have the right, at CCMGC's sole discretion, to elect to terminate this Agreement by notice to the City as provided in Section 12.1. The failure of either the City or CCMGC to seek redress for any Event of Default, or to insist upon the strict performance of any provision of this Agreement, shall not prevent either party from thereafter seeking redress, insisting upon the strict performance of any provision of the Agreement, nor prevent a subsequent act which would have originally constituted an Event of Default from having all the force and effect of any original Event of Default or from requiring performance of any provision herein.

11.4 Where by the terms of this Agreement the City needs to make appropriations to perform an act agreed upon, even if the failure to perform the act would not be an ~~Event of~~ ~~Default~~ because of the City's inability to commit to future appropriations at the time this Agreement was signed, the City's failure to make the appropriation and to perform the act shall give rise to a right in CCMGC to terminate the ~~agreement~~.

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XII

TERMINATION

12.1 If the City elects to terminate pursuant to this Agreement, for cause as specified above, it shall give ~~EMG~~ ~~CCMGC~~ written notice of its election to so terminate, specifying in such notice a termination date, which may be immediately or on any other specified date in the case of an Event of Default as specified in section 11.1.1 or section 11.1.3, and which is at least ~~threeninety (390) monthsdays~~ subsequent to the date of the giving of such notice in the case of any other event of default and on such date this Agreement shall terminate in all respects and. on or before such termination date CCMGC shall vacate the ~~Golf Course~~ Properties and all facilities therein. If CCMGC elects to terminate pursuant to this Agreement, for cause as specified above, it shall give the City written notice of its election ~~so to do so~~ terminate, specifying in such notice a termination date which is at least ~~threeninety (390) monthsdays~~ subsequent to the date of the giving of such notice, and on such date this Agreement shall terminate in all respects and on or before such termination date shall vacate the Golf Course Properties.

12.2 Upon termination (~~whether for cause or as a result of the expiration of the term hereof pursuant to section 1.2~~) of this Agreement, the City and CCMGC shall have no further responsibility or liability under or in respect of this Agreement, except for acts and events occurring prior to, and amounts owed with respect to periods of time prior to, the termination of this Agreement, and except that within sixty (60) days of the receipt or giving of any notice of termination of this Agreement or of the last day of the Term, as the case may be, CCMGC shall deliver to the City an accounting setting forth for the particular fiscal year its Revenues and Operating Expenses to the termination date.

III

12.3 Upon termination (whether for cause or as a result of the expiration of the term hereof pursuant to section 1.2), CCMGC shall immediately transfer to the City:

12.3.1 all cash accumulated from Golf Course operations;

12.3.2 any funds previously paid to CCMGC by the City and unexpended to the date of termination;

12.3.3 the equipment and personal property owned by CCMGC used in the operation of the Golf Course Properties, in the condition existing, i.e., "AS IS" at the time of transfer back to the City;

12.3.4 ownership of all specification, plans, drawings and related documents prepared by any architect, consulting engineer or contractor for any facilities at the Golf Course Properties;

12.3.5 copies of all existing books, records, statements pertaining to the Golf Course Properties and its finances since the date of operation; and

12.3.6 all buildings, personally, exhibits, manuals, supplies and fixtures located in and about the Golf Course Properties owned by and used by CCMGC whenever obtained or purchased, for purposes of the Golf Course Properties as stated herein.

12.4 Upon termination (whether for cause or as a result of the expiration of the term hereof pursuant to section 1.2) of this Agreement, CCMGC shall have the right to retain any unexpended grants, bequests, contributions and funds raised or received by it for the benefit of the Golf Course Properties, subject to any restrictions placed thereon by the applicable gift instrument unless such restrictions are released by the donor, and CCMGC may use any such ~~fluids~~ funds for

general charitable and ~~educational~~educational purposes or return such funds to the donors, if such is the donors' request. All accrued income from admissions, concessions, etc., shall be the property of the City.

XIII

NOTICES

13.1 All notices, requests, demands, elections, consents, approvals, designations and other communications of any kind hereunder ("Notices") must be in writing and addressed to the parties as follows:

If to the City:

City Manager
201 N. Carson Street, Suite 2
Carson City, NV 89703

and

District Attorney
~~333 North Curry~~885 E. Musser Street, Suite 2030
Carson City, NV 89703

If to CCMGC:

President
CARSON CITY MUNICIPAL
GOLF CORPORATION
3999 Centennial Drive
Carson City, NV 89706

13.2 Any Notice required by this Agreement to be given or made within a specified period of time, or on or before a date certain, shall be deemed given or made only if sent by certified mail, return receipt requested and postage and registry fees prepaid. A Notice so sent by certified mail shall be deemed given on the date of mailing. All other Notices shall be deemed given when received.

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XIV

MISCELLANEOUS

14.1 This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the state of Nevada.

14.2 Except as otherwise specifically permitted hereunder, CCMGC shall not assign or otherwise encumber this Agreement, or sublet the Golf Course Properties (or any portion thereof), or permit the Golf Course Properties to be used by others in violation of this Agreement, without the prior written consent of the City and any attempted assignment, encumbering, subletting or unauthorized use shall be void and ~~of no~~ effect as against the City. Subject to the foregoing, all the provisions of this Agreement, whether so expressed or not, shall be binding upon the respective successors, assigns and legal representatives as stated herein, of the parties hereto and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns and legal representatives.

14.3 If any lien is filed against the Golf Course Properties by reason of taxes, assessments, work, labor, services or materials supplied or allegedly supplied to CCMGC or anyone claiming through or under CCMGC or by reason of ~~CCMGC's~~ ~~of CCMGC's~~ failure to comply with Law, CCMGC shall cause the same to be discharged by payment or otherwise within ninety (90) days after the earlier of (1) notice to CCMGC of the filing or assertion of such lien or (2) notice to CCMGC from the City to the same effect. If CCMGC fails to do so, in addition to any other right

or remedy hereunder, the City may (but shall not be obligated to) discharge such lien by bonding or otherwise, and CCMGC shall promptly repay City for such cost. Nothing in this Agreement shall be deemed or construed in any way as constituting the consent or request of the City, express or implied, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any material for any alteration of the Golf Course Properties.

14.4 Upon observing the provisions of this Agreement, CCMGC shall and may lawfully occupy and enjoy the Golf Course Properties during the Term without hindrance, molestation or interruption.

14.5 Nothing herein shall be deemed to create any joint venture or principal-agent relationship between the parties, and neither party is authorized to, and neither party shall act toward third parties or the public in any manner which would indicate any such relationship with the other. CCMGC is an independent contractor in terms of managing and operating the Golf Course Properties.

14.6 If any subsection, sentence, clause, phrase, or portion of this Agreement is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions of this Agreement.

14.7 CCMGC shall perform all services hereunder in compliance with all applicable laws and regulations of the United States ~~of America~~ and agencies thereof, and of the state of Nevada, and in compliance with all applicable provisions of the Charter and local laws of the City. CCMGC agrees to comply with City law, rules, and regulations pertaining to minority business opportunities and minority employment.

14.8 CCMGC agrees to take no action that would place the City in a position of

being in violation of the BLM patent and lease issued pursuant to the Recreation and Public Purpose Act (R&PPA), 43 U.S.C. § 869 to 869-4.

14.9 CCMGC agrees to take no action that would jeopardize the tax exempt status of the City's bonds and notes. CCMGC agrees that it will not make any use of the (Golf Course Properties or any portion thereof which would, or take any other action with respect to those properties which would, or omit to take any action which, if omitted, would, cause interest on any bonds and notes the City has issued for the golf course to lose its exemption from gross income or alternative minimum taxable income for federal income tax purposes. CCMGC shall consult with the City and, if necessary, its bond counsel in complying with this covenant. Without limiting the foregoing, CCMGC will consult with the City and its bond counsel prior to entering into any lease, management contract, or other arrangement which would allow a person other than a governmental entity or an entity described in Section 501(c)(3) of the Internal Revenue Code to use any of the Golf Course Properties on a basis other than that generally available to any member of the general public. CCMGC agrees to maintain its status as a corporation exempt from federal income taxation under Section 501(c)(3) of the Tax Code and to operate the golf course as part of its business that is not an "unrelated trade or business" under the Tax Code. This agreement is subject to, and CCMGC agrees not to interfere with the City complying with, all applicable covenants and representations contained in the ordinances and resolutions of the City authorizing the issuance of bonds and notes for the golf course.

14.10 CCMGC for itself and its successors and/or assigns, agrees that in the performance of its duties hereunder, it will fully comply with the applicable provision of R&PP Act and Title V of the Civil Rights Act of 1964, as well as the applicable provisions of all Ordinances, Executive Orders, Laws of Carson City, state of Nevada, or United States ~~of America~~of America

relating to non-discrimination and equal opportunity.

14.11 No member of the governing body of the City, and no other officer, employee, or agent of the City who exercises any functions or responsibility in connection with the services to be performed under this Agreement, shall have any personal financial interest, direct or indirect, in this Agreement, or in the Golf Course Properties or in CCMGC.

14.12 If the whole or any part of the Golf Course Properties is taken under power of eminent domain, then City and CCMGC at each party's option shall have the right to terminate pursuant to this ~~Lease Agreement~~. If the parties elect to continue ~~the Lease this Agreement~~, then City, at its sole option, may make such repairs, alterations, or replacements in order to restore the part of the Golf Course Properties not taken to useful condition. City shall not be obligated to replace any of the land within the Golf Course Properties boundaries if taken by eminent domain.

14.13 All compensation awarded for any taking of the Golf Course Properties or any interest in them shall belong to and be the property of City, CCMGC hereby ~~assigning assigns~~ to City all rights with respect thereto; provided, however, nothing contained herein shall prevent CCMGC from applying for reimbursement from the condemning authority (if permitted by law) but only if such action shall not reduce the amount of the award or other compensation otherwise recoverable from the condemning authority by City.

14.14 This Agreement embodies the entire agreement and understanding between CCMGC and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement may not be modified or amended or any provision hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The Table of Contents and headings of this Agreement are for purposes of convenience only and shall not limit or otherwise affect the meaning of any

provision of this Agreement. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

WITNESS, the hands and seals of the parties hereto as of this day and year above written.

“City”
CARSON CITY
By: _____, MAYOR

“CCMGC”
CARSON CITY MUNICIPAL
GOLF CORPORATION
By: _____

MARK SATTLER, CHAIRMAN

~~GOLF COURSE LEASE AGREEMENT~~

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STEVE McINTYRE, CHAIRMAN

MOSS ADAMS LLP

FINAL REPORT

Carson City
Community Facility Cost Recovery Study
Eagle Valley Golf Course

October 3, 2012

Moss Adams LLP

999 Third Ave, Suite 2800

Seattle, WA 98104

(206) 302-6500

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I. EXECUTIVE SUMMARY

The objective of this study is to determine opportunities for cost recovery and operational improvements at the Eagle Valley golf courses. The study considers Carson City Municipal Golf Corporation's (CCMGC) revenues and expenditures over the past three years, land and water use requirements, and external factors that impact CCMGC's operations.

One of the primary benefits of the Eagle Valley golf courses is its function as a resource for the disposition of treated wastewater effluent. The City constructed the Eagle Valley East Course in 1974 in response to an EPA mandate restricting effluent discharge into the Carson River. Over time, the West Course was constructed, and other areas in Carson City were developed to irrigate with the effluent.

Since 1997, the courses at Eagle Valley have been managed by CCMGC, which was established expressly for this purpose. Golf course operations have generally been profitable since 1997, and CCMGC has regularly invested in course improvements. From FY 08-09 through FY 11-12, CCMGC has had difficulty making its required lease payment and only made \$70,000 of the total \$480,000 in required payments. However, the Carson City Board of Supervisors deferred \$210,000 of the \$480,000 in payments between FY 08-09 and FY 11-12. The CCMGC has not paid \$200,000 of the non-deferred payments.

CCMGC should be able to increase its ability to meet its lease obligations through enhanced oversight by the City, marketing and operations collaboration between the City and CCMGC, and added CCMGC focus on increasing revenues and decreasing operating costs. For instance, through fee adjustments and expenditure prioritization, the CCMGC could improve bottom line performance by \$50,000 to \$100,000 per year.

The tables below provide a summary of recommendations resulting from this study.

City Oversight Recommendations
The City should hold a voting seat on CCMGC's Board.
CCMGC should develop an operating budget against which the City can evaluate operations.
The City should integrate Eagle Valley into Parks and Recreation marketing, maintenance, and operations, where beneficial.
The City should enforce lease terms, renegotiate the terms of the lease, or re-bid the Eagle Valley lease.

Golf Operations Recommendations

CCMGC should continue to set rates at a competitive level and pursue opportunities to generate additional revenue.

CCMGC should recover some costs from complimentary rounds.

CCMGC should continue to pursue efficiencies in operations.

CCMGC should fully develop and implement the Eagle Valley marketing plan.

City Policy Consideration Recommendations

The City should develop alternative areas as contingency for additional wastewater effluent.

The City should evaluate alternative land use scenarios for the Eagle Valley East Course.

This review is not a financial audit. It is not intended to be an assessment of internal controls, compliance, compensation, or policies and procedures.

II. BACKGROUND, OBJECTIVE AND SCOPE, AND METHODOLOGY

A. BACKGROUND

Carson City Municipal Golf Corporation (CCMGC) has managed and operated the two City-owned golf courses in Carson City—Eagle Valley East and West—since 1997. As part of the agreement between CCMGC and the City, CCMGC is required to pay golf course-related debt service, incurred for capital projects in the 1980s and 1990s, to the City semiannually.

CCMGC's ability to make the debt service payments has been impacted by the recession beginning in 2008 and, additionally, by adverse weather conditions in 2011. From FY 08-09 through FY 11-12, CCMGC has had difficulty making its required lease payment and only made \$70,000 of the total \$480,000 in required payments. However, the Carson City Board of Supervisors deferred \$210,000 of the \$480,000 in payments between FY 08-09 and FY 11-12. The CCMGC has not paid \$200,000 of the non-deferred payments.

Based on the debt service, as well as the inability to maintain a \$300,000 minimum cash balance, CCMGC is in breach of the lease agreement with the City. However, both parties understand that external economic factors have impacted CCMGC's ability to meet the requirements, and they wish to work toward a solution that is satisfactory to both sides.

B. OBJECTIVE AND SCOPE

The objective of this study is to determine opportunities for cost recovery and operational improvements at the Eagle Valley golf courses. The study considers CCMGC's revenues and expenditures over the past three years, land- and water-use requirements, and external factors that impact CCMGC's operations.

This review is not a financial audit. It is not intended to be an assessment of internal controls, compliance, compensation, or policies and procedures.

C. METHODOLOGY

Interviews

Moss Adams conducted a series of interviews with City and CCMGC staff and management in June and July 2012.

Analysis

Moss Adams reviewed more than 25 documents during the course of the study. These included historical and current budgets and fiscal documents, CCMGC marketing plans, and relevant City

MOSS ADAMS LLP

policies and procedures. In addition, industry sources were researched to determine relevant standards for municipal golf course operations.

Deliverables

Moss Adams provided preliminary findings to Carson City and CCMGC to validate facts and verify the practicality of recommendations.

We based our work upon, and used the practice guidance promulgated by, The Institute of Internal Auditors, Inc. Accordingly, in so doing, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based.

III. HISTORY OF EAGLE VALLEY GOLF COURSE

A. 1970s: CONSTRUCTION OF GOLF COURSE

In 1974, Carson City acquired land and began construction on what is now Eagle Valley's East Course. The course was developed in response to an Environmental Protection Agency (EPA) mandate prohibiting the City from discharging treated wastewater effluent to the Carson River. The City chose to establish a municipal golf course and irrigate the course with the effluent. Construction of Eagle Valley East was funded by EPA grants.

The land on which Eagle Valley East is located was deeded to the City with the condition that it be used for open space and public use.

B. 1976-1997: CITY OPERATIONS AND CAPITAL FINANCING

For 20 years, Eagle Valley operated as a division of Carson City Parks and Recreation. Operations were structured as an enterprise fund. In 1985, Carson City took out \$4 million in bonds to fund the construction of another 18 holes, known as Eagle Valley West. Construction of the West course was driven both by the growing popularity of recreational and tournament golf in Carson City and the need to find more uses for the increasing amount of City-generated treated wastewater effluent. The land used for Eagle Valley West was deeded to the City with golf as its express purpose.

Eagle Valley undertook several capital improvement projects in the late 1980s and early 1990s. In 1989, Carson City took out \$3.8 million in bonds to fund golf-related capital projects and to retire the 1985 bond debt for West course construction. Also in 1989, the City took out a \$1.15 million loan for Eagle Valley, followed by a \$300,000 loan in 1992. The 1989 bonds were retired through a new bond taken out in 1997 for \$2.9 million. While a portion of these bonds and loans were almost certainly spent on infrastructure to irrigate the courses with wastewater, no monies were pledged from the sewer fund to pay down the debt. The current balance of CCMGC's debt-based lease payments is \$2.06 million, and lease payments are scheduled through 2030.

C. 1997-PRESENT: OUTSOURCED OPERATIONS TO CCMGC

In 1997, Carson City outsourced operations of Eagle Valley to a non-profit, the Carson City Municipal Golf Corporation (CCMGC). CCMGC was formed to manage the two courses and to promote youth golf education. CCMGC is governed by a seven-member Board of Directors, and the City Finance Director serves on the board as an ex-officio, non-voting member.

The current lease structure is a typical facility lease. In CCMGC's case, the lease payment level is determined by the existing golf-related annual debt service. Typical facility lease agreements base payments on a minimum rental payment plus some percentage of gross revenues. The lessee generates revenues to fund operating expenses, capital improvements, and a reserve. Because CCMGC is a non-profit, its mandate is to cover costs and reinvest profits in the business.

In 1999, additional bonds were purchased by the City to lower CCMGC's lease payment. The cash received from these bonds contributed to the Debt Service Fund, which sets aside money to retire the City's debts. The FY 11-12 ending balance of the Debt Service Fund was \$707,000.

CCMGC leases Eagle Valley's land, infrastructure, and equipment from the City in five-year rolling increments, renewed annually since 2002. Through the terms of its lease with the City, CCMGC is required to pay the annual debt service on the capital bonds and loans discussed above. The terms of the 2002 lease require CCMGC to develop and maintain:

- Policies and procedures for charitable events, club house rules and regulations, and a written marketing plan;
- Programs for the physical improvement and maintenance of the property; and
- A program to teach, introduce, promote, and make the game of golf available to Carson City residents, with an emphasis on youth outreach and education.

The lease also requires that CCMGC make reasonable efforts to keep no less than a \$300,000 cash reserve on hand at all times. CCMGC is required to provide to the City:

- Annual lease payments of \$240,000;
- Monthly financial statements and number of rounds played by rate category; and
- Quarterly financial statements and annually-audited financial statements.

The lease has been amended several times since the 2002 renewal. These amendments changed the lease payment structure as follows:

- Amendment 1, January 2008: Payment reduced to \$200,000 to reflect the reduced debt service amount after 1997 bonds were retired.
- Amendment 2, December 2008: FY 08-09 lease payment deferred to the end of the lease, extending the repayment period to 2021.
- Amendment 3, May 2009: Payment reduced to \$120,000 based on poor economy and CCMGC's inability to make full payment. The sinking fund established by the 1999 bond purchase made up the difference in debt service. The debt repayment period was extended to 2028.
- Amendment 4, June 2011: FY 10-11 payment reduced to \$30,000, extending the repayment period to 2030.

Both Eagle Valley courses continue to be irrigated by wastewater effluent under a permit with the Nevada Department of Environmental Protection. City parks and athletic fields are also irrigated with the effluent. In addition to Eagle Valley, the City irrigates at no charge the other two privately-owned golf courses in Carson City (Empire Ranch built in 1997 and Silver Oak built in 1999), as well as the prison farm, with wastewater effluent. Currently, the City is nearing capacity at existing sites for the amount of effluent generated, and alternative sites would be expensive to develop.

IV. CURRENT PERFORMANCE

A. GOLF COURSE OPERATIONS

CCMGC operates two 18-hole courses, a pro shop, and a bar and grill. In 2011, total expenses exceeded total revenues by \$82,021. Supporting services include management, fundraising, and general expenses. The table below shows CCMGC's cost recovery in 2011.

Category	Revenues	Expenditures	Net Revenues
Golf	\$1,225,824	\$1,255,048	(\$29,224)
Golf Maint. and Ops.	\$1,225,824	\$800,279	
Supporting Services	\$0	\$454,769	
Pro Shop	\$110,767	\$26,463	\$84,304
Bar & Grill	\$271,470	\$221,173	\$50,297
Other	\$4,203	\$0	\$4,203
Depreciation		\$53,911	(\$53,911)
Outside Service		\$10,464	(\$10,464)
Admin. Staff and Expenses		\$127,226	(\$127,226)
Total	\$1,612,264	\$1,694,285	(\$82,021)

CCMGC's revenues have declined 12% in recent years, from \$1.86 million in 2009 to \$1.64 million in 2011. Over that time, rates have not been increased, although membership fees were raised. These changes are detailed below.

Rate	2009	2012	% Change
East Course, Walking, Summer Weekday	\$22	\$22	0%
West Course, Riding, Summer Weekend	\$50	\$50	0%
Gold Membership	\$1,400	\$1,600	14%
Silver Membership (seniors only)	\$700	\$750	7%
Bronze Membership	\$700	\$750	7%
Cart Fees, 18 Holes	\$14	\$15	7%

Despite decreases in revenues since 2009, CCMGC appears to be performing well compared to other municipal courses with respect to cost recovery. A recent survey of 11 municipal golf courses conducted by the City of Phoenix reported that only two courses achieved 100% cost recovery. Even during its worst year, Eagle Valley's golf operations were sufficient to invest in course improvements.

During peak season, CCMGC employs 19 maintenance staff. This is in line with the national average; according to the NGF, the average course employs 9.5 maintenance staff per course. CCMGC also employs 12 non-maintenance staff, for which the national average is 18.

A total of 58,530 rounds of golf were played at the Eagle Valley courses in 2011. There were 7,615 customers at Eagle Valley's two courses in 2011, a 23% increase over the 6,177 customers who played rounds in 2010. Thirty-four percent (34%) of the customers live in Carson City, and 70% live within 50 miles of Eagle Valley. The geographic breakdown is shown below:

Place of Residence	Number	Percentage
Carson City	2,560	34%
*Carson City 80+ free customers	78	1%
Within 50 mile radius, excluding Carson City	2,740	36%
Total within 50 miles	5,300	70%
Outside 50 mile radius	2,315	30%
Total	7,615	

B. FACILITY ENHANCEMENTS

Since 2007, CCMGC has made significant efforts to improve the quality of play at the Eagle Valley courses. Examples include irrigation improvements, installation of new tee boxes and landscaping, clubhouse restroom and kitchen upgrades, bar remodel, conversion of the cart barn for electric golf carts, pavilion improvements, and a new point of sale system. However, these improvements have come at the expense of the debt service payments. According to CCMGC's General Manager, the debt service could have been paid, but CCMGC instead chose to invest in course improvements.

CCMGC's most recent presentation to the Board of Supervisors includes a list of potential short- and long-term capital improvements to the courses. These improvements would require City investment to implement; however, cost estimates have not been developed. Proposed improvements include:

Five-year capital improvement plan:

- West course: Construct permanent starter shack, snack shack, and restrooms
- Driving range renovation
- Complete sprinkler system repair and replacement on both courses
- Construct teaching center (to lease to instructors)
- Construct chipping and putting practice areas
- Install solar panels in club house and cart barn

Fifteen-year capital improvement plan:

- Replace irrigation systems
- Remodel or replace club house
- Reconstruct asphalt cart paths

C. MARKETING AND PROMOTIONS

CCMGC is required to maintain a marketing plan for the Eagle Valley courses. The current marketing plan is focused on increasing tournament play and events, daily play through leagues and promotions, and Eagle Valley's profile in the community. Some of these activities and events are promoted through the Carson City Visitors and Convention Bureau. CCMGC maintains a website for Eagle Valley, but is not listed on the Carson City Parks & Recreation website, and has not historically been included in City Parks & Recreation programming or marketing materials.

In accordance with several Carson City Board of Supervisors resolutions, CCMGC offers discounts to senior citizens. Seniors pay approximately 15% less for cart fees. Senior walking rates for both 10- and 30-play punch cards are less than half the full-price riding punch cards. The Silver Membership offers unlimited weekday walking play for senior citizens. Carson City citizens aged 80 and older play for free on the East Course. In 2011, 78 eligible individuals played 1,079 free rounds, at an approximate value of \$24,000.

CCMGC offers golfing at Eagle Valley through several types of memberships and a discount club. Membership and discount card sales increased from 1,280 in 2008 to 1,715 in 2011. About 20% of golf revenues were generated by memberships and club cards in 2011. There are three membership types, including:

- Gold Membership, offers unlimited play, including the use of a golf cart, for \$1,600 for individuals or \$2,350 for couples. Only 100 of these memberships are available, and 61 single and nine couple memberships were sold in 2011. Gold members also receive a 20% discount on pro shop purchases and a range token discount.
- Silver Membership, available only to senior citizens, is \$750 for individuals or \$1,350 for couples. Silver members receive unlimited weekday walking play and a 20% discount on pro shop purchases. Seven individual Silver memberships were sold in 2011.
- Bronze Membership, at a cost of \$750 for individuals or \$1,350 for couples, provides unlimited play on either course after 12:30 PM. Two couple and 31 individual Bronze memberships were sold in 2011.

In addition to memberships, CCMGC offers 10- and 30-round passes and a discount club. The 50 Mile Club, for a cost of \$65 per person, offers a range of discounts to individuals who live within 50 miles of Eagle Valley. These discounts include pro shop merchandise, driving range tokens, and lessons. In addition, members receive a free round of golf for every ten rounds played, two free

rounds on enrollment, four drink tokens, and two free lunches. Members of the 50 Mile Club also receive free lunch with every paid round. In 2011, 1,605 50 Mile Club cards were sold to 5,300 eligible customers.

CCMGC also pursues low-cost marketing and promotions opportunities. CCMGC is a member of the Divine Nine, a consortium of nine Northern Nevada golf courses that promote golf tourism in the Carson City area. An annual press tour is organized of the Divine Nine, and a limited number of passes are sold annually for one round of golf at each course. Eagle Valley also hosts youth golf events in conjunction with The First Tee Northern Nevada.

The facilities at Eagle Valley can be rented for meetings and events. Community groups are the most frequent Eagle Valley event customers. The facilities would require upgrades to be competitive with the privately-owned courses or other venues for weddings or special events.

D. DEBT SERVICE PAYMENTS

Between FY 96-97 and FY 07-08, CCMGC consistently made semi-annual debt service payments to the City. From FY 08-09 through FY 11-12, CCMGC has had difficulty making its required lease payment and only made \$70,000 of the total \$480,000 in required payments. However, the Carson City Board of Supervisors deferred \$210,000 of the \$480,000 in payments between FY 08-09 and FY 11-12. The CCMGC has not paid \$200,000 of the non-deferred payments. There have been no consequences to CCMGC for being in default of the lease by not making the debt service payments.

Fiscal Year	Debt Service Paid by City	Lease Payment Amount	Board-Approved Payment Amount	Payment Made
2008-2009	\$200,000	\$120,000	*\$0	\$0
2009-2010	\$200,000	\$120,000	\$120,000	\$40,000
2010-2011	\$200,000	\$120,000	**\$30,000	\$30,000
2011-2012	\$200,000	\$120,000	\$0	\$0

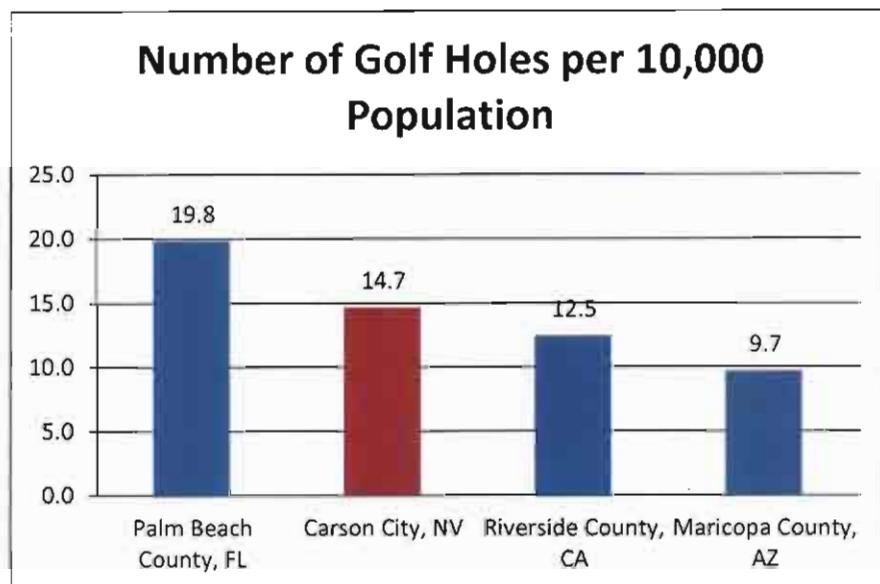
* The Board of Supervisors approved lease addenda in 2009 and 2011 to defer payments.

In June 2012, the Carson City Board of Supervisors approved deferral of payments for FY 12-13 until this study is complete. In a letter to the City dated August 24, 2012, CCMGC stated that it plans to pay \$5,000 per month over the next fiscal year, excluding the months of December and January. CCMGC provided a \$10,000 payment with this letter. This would equate to total payments for FY 12-13 of \$50,000.

Since FY 08-09, when the annual debt service payment was lowered to \$120,000, the difference between the debt service paid by the City and the payment made by CCMGC was covered by money from the Debt Service Fund established with funds from the 1999 bonds. The current balance of this fund is \$707,000. Eventually, this fund will be spent and the City will have to find other means of paying the debt service, thereby representing a risk to the City.

E. EXTERNAL FACTORS IMPACTING REVENUES

Three golf courses in Carson City provide 81 holes of golf to the City's 55,000 residents, or 14.7 holes per 10,000 residents. This is higher than most other areas, including those counties that are national golf tourism destinations. The chart below shows the number of golf holes per 10,000 residents in Carson City compared to the three counties in the United States with the highest number of golf courses:



Sources: National Golf Foundation, US Census Bureau

In addition to the over-abundance of golf available in Carson City, interest in golf has declined in recent years. According to the NGF, there has been a national decline in golf participation in recent years. Since 2000, the number of rounds played in the United States has fallen by six percent. Additionally, the NGF reports that more than 350 golf courses across the nation have closed since 2006. The closures were disproportionately represented by public-fee courses (privately-owned courses open to the public) with greens fees of less than \$40.

The global recession that began in 2008 has also impacted golf revenues nationwide. According to the NGF, disposable income is a major driver of golf rounds played. Carson City has been particularly hard-hit by the recession, with unemployment nearly doubling from 7.8% in January 2008 to 14.5% in January 2011. The decline in disposable income among Carson City residents has almost certainly impacted revenues for CCMGC and the other courses in Carson City.

Revenues have declined at all three courses in Carson City, and there is concern that one or more of the courses, including Eagle Valley, may go out of business in the near future. Economic studies of the golf industry conducted in recent years indicate that the current golf market does not appear to be cyclical, but rather a long-term trend of declining demand for golf. No current evidence suggests that the golf market will rebound significantly when economic conditions improve.

V. FINDINGS AND RECOMMENDATIONS

A. CITY OVERSIGHT

1. Finding: The City does not have voting representation on CCMGC's Board.

The City has outsourced operations and management of Eagle Valley Golf to CCMGC since 1997. The lease is structured as a typical operating lease, with a rental payment made to the City, while the lessee receives 100 percent of the revenue. Under a typical operating lease, the financial risk is largely borne by the lessee. However, the lease payment for Eagle Valley Golf is in the amount of existing debt service, and CCMGC has not been making full lease payments. As a result, the City bears more risk than in a typical operating lease agreement.

CCMGC's Board does not have a formal reporting relationship with the City. As in a typical non-profit, the CCMGC General Manager reports to a Board of Directors. The General Manager makes an annual presentation to the Carson City Board of Supervisors, and appears before the Board of Supervisors when requested. The City's Finance Director serves as an ex-officio member of the CCMGC Board of Directors. No City staff member has been formally assigned to oversee budget decisions as they apply to golf operations, and the CCMGC Board does not report operations or budget decisions to the City.

Recommendation: The City should hold a voting seat on CCMGC's Board.

Because of the additional risk associated with CCMGC's debt service payment, it is in the City's best interest to require a formal reporting relationship between the CCMGC Board and the City. First, a Director-level City staff member should sit as a voting member on CCMGC's Board of Directors. This would give the City a formal voice in CCMGC's budget and operational decision-making.

Second, CCMGC's Board members have a fiduciary responsibility to ensure the financial accountability of the organization. Because the City is responsible for CCMGC's debt service payment, a representative from CCMGC's Board, either the Treasurer or President, should report to the City any operational applications of funds that would affect the City. Any proposed expenditures that would impact CCMGC's ability to make its lease payment should be communicated to the City. Other examples of operational applications of funds include major capital improvements and short- and long-term capital investment plans.

2. Finding: The City does not provide input to CCGMC's budget.

Management and operations of the Eagle Valley golf courses were outsourced to CCMGC in 1997. As noted above, the structure of the lease with CCMGC is such that the City assumes none of the financial or operational risk associated with running the two golf courses. In exchange, CCGMC has sole authority over operational and financial decision-making. Monthly cash flow statements that

compare year-to-date performance to the prior year are provided to the City via Board of Directors meetings, as well as annual audited financial statements.

CCMGC does not currently develop annual operating budgets; rather, cash flow is compared to the prior year. A letter to the City sent in August 2012 stated CCMGC's intent to develop a line item operating budget for presentation to the Board of Supervisors in October.

The aforementioned increased level of risk associated with golf course debt has caused concern among City Supervisors and management. For example, if CCMGC is investing in capital improvements to the courses rather than making lease payments, the City should be part of that decision-making process. There are some cost controls built into the lease. The terms of the lease stipulate that the City must approve any capital improvements over \$25,000, in compliance with Nevada State Law. None of the improvements made between 2009 and 2012 were over this threshold. Historically, the City has paid for major improvements or repairs.

Recommendation: CCMGC should develop an operating budget against which the City can evaluate operations.

While the City does not have formal oversight of CCMGC's budget, it is advantageous for both parties to develop CCMGC's annual budget in coordination with the City's annual operating budget process. The City should amend the lease to require annual operating budget development. This would strengthen the working relationship between CCMGC and the City. Budget familiarity will also give CCMGC and the City the opportunity to develop a long-term capital budget for golf facilities.

In addition, it is sound business practice for CCMGC to develop and manage to an operating budget. At its most basic level, an operating budget gives management authority to allocate resources and expenditures among activities. The budget will allow CCMGC's Board and the City to analyze performance over time against what was planned, rather than the current model, which compares against the prior year. Non-profit budgets also frequently include mission statements, goals, and objectives that convey to stakeholders the vision for the upcoming year and give management the opportunity to communicate the reasons behind the allocation of resources.

If the City wishes to have additional input in CCMGC's expenditures, it should also amend the lease to include controls and approvals of expenses over an accepted threshold.

3. Finding: CCMGC and the City marketing and operations are not highly coordinated.

While CCMGC was previously part of the City Parks and Recreation Department, the golf courses are not currently highly coordinated with Parks and Recreation marketing or operations. For example, Eagle Valley is not listed on the Parks and Recreation website, and it has not historically been included in Parks & Recreation programming or marketing materials. CCMGC and the City sometimes share use of equipment, such as lawnmowers, on an as-needed basis.

As noted above, CCMGC's most recent presentation to the Board of Supervisors includes a list of potential short- and long-term capital improvements to the courses that would require City investment. Cost estimates have not been developed for these improvements, and they are not integrated in the City's budgeting process or Parks Master Plan.

Recommendation: Where beneficial, City Parks and Recreation and Eagle Valley should collaborate on marketing, maintenance, and operations.

The City should be marketing and promoting the Eagle Valley courses and events as it does other City assets and programs. CCMGC's marketing personnel should work closely with Parks and Recreation's marketing and promotions personnel to develop a plan to market golf as part of Parks and Recreation's comprehensive community recreation services. The Eagle Valley website should be linked to the Parks and Recreation website and included in promotional materials developed by Parks and Recreation. For example, Eagle Valley's courses should be listed and the website linked on the "sports facilities" page of the Parks and Recreation website, and the clubhouse should be listed and the website linked on the "facility rentals" page. In addition, Parks and Recreation's online activity registration tool could be used for golf course lessons, clinics, and other events.

Both CCGMC and the City could benefit from the economies of scale gained by sharing maintenance and operations resources. CCMGC and the Parks and Recreation Department should undertake an equipment and maintenance task analysis to determine where resources could be shared for cost savings. Any plans for capital improvements to the golf courses that require City investment should also be integrated in the Parks Master Plan. Likewise, the improvements should be considered part of the City's budgeting process.

4. Finding: CCMGC is unable to meet the terms of the facility lease.

The current lease structure was established to minimize the financial risk to the City, while also minimizing the City's oversight of day-to-day operations of the courses. However, the lease also minimizes the City's ability to exercise operational or quality control. It can also create conflicts over who has responsibility for capital improvements.

Since the lease payment was lowered to \$120,000 per year in FY 08-09, CCGMC has only paid \$70,000 of \$480,000 in total required payments, although the Carson City Board of Supervisors has approved deferral of \$210,000 in payments from FY 08-09 to FY 11-12. Over that period of time, the City has made \$800,000 in debt service payments. As noted above, CCMGC could have made payments, but it chose to make course improvements. Based on this payment history, CCMGC is in default of the lease. In addition, the lease specifies that CCMGC must have \$300,000 cash in reserve at all times. CCMGC has been unable to meet the reserve requirement since at least 2009, which also places CCMGC in default.

The inability of CCMGC to make lease payments has been a recurring issue at Board of Supervisors meetings and with the public. In a letter to the City dated August 24, 2012, CCMGC stated plans to pay \$5,000 per month over the next fiscal year, excluding the months of December and January.

CCMGC attached a \$10,000 payment to this letter. This would result in total payments for FY 12-13 of \$50,000.

Recommendation: The City should enforce lease terms, renegotiate the terms of the lease, or re-bid the Eagle Valley lease.

The City should enforce the terms of the lease with CCMGC. The Board of Supervisors should declare an event of default based on lack of payment and determine whether to terminate the lease. If the lease is terminated, the City should renegotiate or re-bid the Eagle Valley lease. If the lease is re-bid, even if CCMGC is the only potential vendor, it would be advantageous to the City and CCMGC to enter into a new lease based on new terms that reflect the current operating environment, including a revised lease payment and additional City controls.

If the lease is not terminated and renegotiated, then, at a minimum, it should be amended to prioritize use of funds. For example, it appears unrealistic for CCMGC to have \$300,000 cash in reserve in the current economic climate. However, it appears that CCMGC can meet annual debt service payments. A clause could be added to the lease establishing the priority of lease payments over the reserve requirement and other uses of funds. The City may also consider lowering the reserve requirement. The lease could also be structured to include a percentage of revenues payment to the City, additionally benefiting the City if economic conditions improve.

If the City wishes to have more control over CCMGC operations, then it could restructure the outsourcing agreement to a fee-for-service management agreement with CCGMC or another operator. Under a management agreement, the City would receive all revenues and be responsible for funding operations, capital improvements, and reserves. The City would pay the operator a fee for course management, and may include incentive payments for performance. Generally, incentive payments are based on gross revenue growth or cost reductions beyond established targets.

Public agencies are increasingly moving to this model for operations and maintenance, which would provide a high level of City control, quality assurance, and potential financial return. This model is also more compatible with multiple operators; for example, one vendor could manage the restaurant while another manages golf operations. Under this scenario, the City could still take advantage of a private sector compensation structure. However, this approach requires more City involvement than the current lease structure, minimizes the opportunity for private investment in the courses, and increases the City's level of financial risk.

Another option would be to shift CCMGC operations to the City. In this scenario, the golf courses could again be a division of the Parks and Recreation Department. The City would have complete control over finances and operations at the courses, but it would also assume the maximum amount of financial risk. This option also would require additional City employees and could result in loss of some of the current course operations expertise. Furthermore, this option constrains the ability of golf operations to respond to market conditions as quickly as a private sector operator.

B. GOLF OPERATIONS

1. Finding: Eagle Valley's rates are generally consistent with local competition, but opportunities exist to generate additional revenue.

Compared to the two privately-owned golf courses in town, Empire Ranch and Silver Oak, the two Eagle Valley courses are competitively priced. Greens fees for 18 holes of golf at all times of the year are consistent across the four courses. Empire Ranch and Eagle Valley East, which offer the easiest play in Carson City, are less expensive than Silver Oak and Eagle Valley West, which are more difficult. Silver Oak and Eagle Valley West also require players to use a cart, due to the terrain. The table below compares the least expensive (winter, weekday) and most expensive rates (summer, weekend) for an 18-hole round, including cart, at the two Eagle Valley courses versus those at the other golf courses in Carson City.

Course	Cost of 18 Holes + Cart	
	Off-Season Weekday	Peak Season Weekend
Eagle Valley East	\$30	\$45
Eagle Valley West	\$35	\$50
Silver Oak	\$30	\$50
Empire Ranch	\$30	\$40

According to the NGF, the national median cost to play 18 holes at municipal courses, including cart, is \$36. Eagle Valley East and Empire Ranch also allow players to walk the course at a discounted rate. On peak-season weekdays, this cost is \$22 at Eagle Valley East and \$23 at Empire Ranch.

CCMGC must offer senior citizen discounts, per Board of Supervisors resolutions. For example, Carson City citizens aged 80 and up play for free. In 2011, 78 customers played 1,071 free rounds, which is approximately a \$24,000 value. These players paid \$5,241 in cart fees in 2011. The Senior discount offered with the Silver Club membership provides unlimited play on the East Course, plus additional discounts at a cost of \$750 a year for individuals. Senior cart fees generated a total of approximately \$19,000 in 2011. Senior citizens do not get a per-round discount at Eagle Valley. Empire Ranch and Silver Oak offer seniors 15% and 20% discounts per round, respectively.

Empire Ranch offers memberships similar to those offered at Eagle Valley. Empire Ranch offers several other membership types that are not comparable to any of Eagle Valley's current memberships. The cost of comparable memberships is detailed below; Silver Oak does not sell memberships at this time.

Course	Membership	Individual Cost
Eagle Valley	Gold Membership	\$1,600
	Bronze Membership	\$750
Empire Ranch	Premium Ranch Pass	\$1,650
	Afternoon Ranch Pass	\$900

MOSS ADAMS LLP

Each course also offers a discount loyalty club similar to the 50 Mile Club at Eagle Valley. Each club offers about 30% off peak season green fees for members. Eagle Valley's loyalty club card appears to be the most generous of the three clubs, with more free amenities upon purchase and free lunch with every paid round. The 50 Mile Club is also the least expensive of the three clubs. Members of the 50 Mile Club represented 21% of total customers in 2011, and 30% of customers who lived within 50 miles of Eagle Valley. The costs and amenities associated with each discount card are detailed below.

Discount Card	Benefits
Eagle Valley 50 Mile Club \$65 (1.3 rounds)	<p>Free upon purchase:</p> <ul style="list-style-type: none"> 2 rounds of golf 4 drink coupons 2 lunches <p>Ongoing discounts:</p> <ul style="list-style-type: none"> Every 11th round of golf is free 30% discounted peak season green fees Free lunch with every paid round 10% discount on all non-sale merchandise 20% discount at driving range Discount on lessons Twilight rates begin at 12:30 rather than 2 PM
Empire Ranch Card \$150 (3.25 rounds)	<p>Free upon purchase:</p> <ul style="list-style-type: none"> 4 rounds of golf <p>Ongoing discounts:</p> <ul style="list-style-type: none"> Every 11th round of golf is free 30% discounted peak season green fees Free carts
Silver Oak Acorn Club \$75 (1.5 rounds)	<p>Free upon purchase:</p> <ul style="list-style-type: none"> 1 round of golf 2 lunches 3 buckets of balls <p>Ongoing discounts:</p> <ul style="list-style-type: none"> 30% discounted peak season green fees \$1 off buckets of balls 15% discounted range card 20% discount on apparel 20% discount on lessons

Eagle Valley sold 1,605 50 Mile Club cards in 2011, representing earnings of approximately \$104,000. However, the free benefits offered with each card are valued at a range of \$70 to \$150, depending on the course played (assuming a meal cost of \$5, drink cost of \$5, and green fees of \$20

to \$55) for a minimum loss of \$5 on the sale of each club card. It appears that there is an opportunity to recover additional revenues on 50 Mile Club cards.

Recommendation: CCMGC should continue to set rates at a competitive level and pursue opportunities to generate additional revenue.

CCMGC should continue to set course rates and membership costs at Eagle Valley consistent with local competition. Each year, green fees, membership rates, and discount clubs should be set based on recovering golf course costs, with the consideration of competitor rates in order to remain competitive in the local marketplace. Rates and memberships are currently competitive, while there are may be increased revenue generation opportunities with the 50 Mile Club and senior citizen discounts.

CCMGC should re-evaluate the cost of the 50 Mile Club to remain competitive. As noted above, 1,605 50 Mile Club cards were sold in 2011 and it is questionable whether the card recovers its value given all the benefits it offers. Compared to competitors, the 50 Mile Club is both more generous and less costly. Neither Silver Oak nor Empire Ranch, for example, offers free lunch with paid rounds to their club members. The club benefits that most impact revenues, free and discounted rounds, offered with the 50 Mile Club are similar to those offered by the Empire Ranch Card, which is more than twice as expensive as the 50 Mile Club card.

At a minimum the 50 Mile Club card should recover the cost of the free benefits it offers. As shown above, the value of the free benefits upon purchase is \$70 to \$150. Increasing the cost of joining the 50 Mile Club to \$80 would generate an additional \$25,000 in revenues for CCMGC. Increasing the cost to \$150, which would be consistent with the Empire Ranch loyalty club, would generate \$145,000 in additional revenues.

Given the current economic climate and CCMGC's inability to make its lease payments, the City should consider lifting the requirement for free golf to citizens aged 80+. As noted above, these customers received approximately \$24,000 in free golf in 2011. Senior citizens could receive per-round discounts instead, which would allow CCMGC to align rates with competitors and generate additional revenues.

2. Finding: Nine percent (9%) of total rounds played at Eagle Valley in 2011 were complimentary.

Complimentary rounds in 2011 played by employees, volunteers, Board members, Carson City residents aged 80 and up, and winners of donated rounds totaled 5,162, or 9% of total rounds played. CCMGC's Board members and employees are eligible to play golf for free with no limitations. In 2011, CCMGC Board members played 534 and employees played 223 complimentary rounds. Neither group pays cart fees. Carson City residents aged 80 and above played 1,079 free rounds of golf in 2011, but must pay cart fees. An additional 526 rounds of golf were donated to other local organizations for their fundraising efforts in 2011. These rounds included cart rental fees.

Volunteers played 2,800 complimentary rounds in 2011. In the summer, volunteers who work two or more five-hour shifts per week are eligible for unlimited golf with no cart fee. Volunteers who work one shift per week can play unlimited rounds Monday-Thursday all day and Friday-Sunday after 12:30 PM. Once-a-week volunteers who play before 12:30 PM Friday-Sunday must pay a \$15 cart fee. During the winter season, volunteers earn two rounds of golf for every shift worked. These rounds expire at the end of the season. CCMGC's General Manager reports the volunteer agreement will be changed for 2013. The practice of providing employees and volunteers with free rounds of golf is typical at golf courses. Because CCMGC is a non-profit, it is permissible for volunteers to be compensated with in-kind services. Volunteer rangers and starters are particularly important to smooth operations at both Eagle Valley courses. All paying customers take priority over complimentary rounds.

Recommendation: CCMGC should recover some costs from complimentary rounds.

As noted above, it is typical industry practice for golf courses to provide free rounds of golf to employees and volunteers. CCMGC should continue this practice. However, CCMGC should attempt to recover some costs from these rounds by charging a discounted cart fee to volunteers, including Board members, as well as on donated rounds. For example, seniors aged 80 and up are eligible for free golf on the East Course, but must pay cart fees. These individuals paid \$5,241 in cart fees in 2011, recovering about 22% of the cost of free rounds played. Current adult cart fees are \$9 for nine holes and \$15 for 18 holes. A CCMGC cost recovery analysis showed that the actual cost of operating a cart is \$8-10 per round. By charging discounted cart fees to volunteers and Board members, CCMGC could generate up to \$33,000 in additional revenues. Donated rounds should be charged full cart fees, which could generate revenues up to \$8,000. Employees should remain eligible for free carts as available, which is consistent with typical industry practices.

3. Finding: Operating expenses decreased 12% between 2009 and 2011.

CCMGC evaluates expenses regularly to identify efficiency opportunities. CCMGC's operating expenses declined 12%, from \$1.82 million in 2009 to \$1.61 million in 2011. Over that time, CCMGC has pursued cost-cutting measures in areas including insurance, utilities, and fuel. In CCMGC's six largest expense categories, costs decreased 11% between 2009 and 2011. These changes are detailed in the table below.

Largest Expense Categories	2009	2011	Percent Change
Payroll (incl. bonus)	\$754,008	\$676,858	-10%
Utilities	\$176,892	\$120,300	-32%
Equipment Lease	\$156,371	\$160,967	3%
Bar & Grill	\$135,102	\$121,140	-10%
Pro Shop	\$109,497	\$87,700	-2.0%
Maintenance	\$99,203	\$102,596	3%
Total	\$1,431,073	\$1,269,001	-11%

Recommendation: CCMGC should continue to pursue efficiencies in operations.

CCMGC should continue to pursue cutting overhead costs in order to meet its lease payment to the City. Payroll is the single largest expense category, representing 40% of 2011 expenditures, and staffing can continue to be analyzed for efficiencies. Other smaller expense areas beyond those listed above that could be reviewed for efficiencies, such as fuel, bonuses, and administrative and promotional expenditures. However, it is important to recognize that some cuts, as in the maintenance budget and in revenue-generating areas such as the bar and grill, may deteriorate the customer experience.

4. Finding: The Eagle Valley marketing plan is not fully developed.

CCMGC relies primarily on memberships and the 50 Mile Club to promote the Eagle Valley courses. The 110 memberships sold in 2011 generated \$150,000. The 50 Mile Club is popular; with 30% of eligible customers purchasing a 50 Mile Club card in 2011, generating \$104,000. While these loyalty programs are popular, they focus on existing customers rather than expanding the customer base.

The lease requires CCMGC to develop and maintain a marketing plan for the Eagle Valley courses. This plan is presented to the Board of Supervisors annually. The marketing plan is limited, since it focuses on improving the customer experience and does not include implementation steps or cost estimates for marketing and promotional initiatives. For example, the marketing plan states that "specific programs and events can be implemented to improve play and increase the bottom line once new customer service attitudes and awareness have been established."

Recommendation: CCMGC should fully develop and implement the Eagle Valley marketing plan.

CCMGC should develop a comprehensive marketing plan for Eagle Valley Golf. At a minimum, the plan should identify marketing initiatives; detail the steps necessary for implementation of the programs; and state estimated costs, timelines, and revenue generation potential for each program. The marketing plan should be updated as part of the annual budget development process.

As a non-profit organization, CCMGC can take advantage of external resources that may not be available to the City or the private sector. Low-cost options for marketing expertise are available to CCMGC. For example, professional associations may offer marketing assistance to members; consultants or non-profit organizations may provide services at discounted or pro-bono rates; a marketing class at a local college could take on the plan as a class project; or an internship could be developed.

A robust marketing plan should have the following key elements:

- Mission or purpose statement
- Description of services and products

- Advertising and promotions strategy and budget
- Overview of the marketplace in which CCMGC operates
 - a. Competitor analysis
 - b. Customer analysis
- Identification of target market segments
- Pricing strategy and analysis
- Marketing and sales objectives
- Goals and key performance metrics

Revenue generating low-cost operational and capital improvements could be pursued where feasible. However, the City may have to assist CCMGC with capital improvements. Capital improvements, particularly clubhouse upgrades to facilitate banquet rentals and constructing restrooms and a snack bar at the driving range, are estimated to annually generate \$30,000 and \$25,000, respectively.

C. CITY POLICY CONSIDERATIONS

1. Finding: It is in the City's best interest for the Eagle Valley courses to remain operational to absorb wastewater effluent.

Carson City is nearing the current capacity of sites available to be irrigated with wastewater effluent. The system's capacity is 6.8 million gallons per day, and the flow is currently 5 million gallons per day. It is likely that the need for additional capacity will rise in future years, especially if the City's population grows.

There are concerns that at least one golf course in Carson City will close. If that were to occur, then the City could have to determine how to dispose of wastewater quickly, at a high cost. Upgrading the wastewater treatment plant to tertiary treatment capabilities would give the City additional disbursement options; however, the current estimated cost for the upgrade is \$20 million.

Recommendation: The City should develop alternative areas as contingency for additional wastewater effluent.

Regardless of whether the all courses in the City remain open, Carson City should begin to develop alternative areas for wastewater effluent irrigation. The most feasible current option is reported to be increasing the amount of land irrigated at the prison farm. It would cost the City approximately \$1 million to upgrade the infrastructure at the prison farm to retain and distribute additional water.

2. Finding: There are alternative uses for the Eagle Valley East Course land.

As shown in section IV, there is an oversupply of golf in Carson City. Given the current economic climate and the declining national interest in golf, the City could decide to close the Eagle Valley East Course.

The land on which Eagle Valley West was constructed was deeded to the City for the specific purpose of public golf, so it cannot be converted to other uses. Eagle Valley East must be used for recreation and open space. It is adjacent to Centennial Park and could be transitioned to other uses, such as soccer, softball, and/or baseball fields.

Recommendation: The City should evaluate alternative land use scenarios for the Eagle Valley East Course.

In the event that the City determines that it is not feasible to operate two municipal golf courses in Carson City, the City should develop a comprehensive list of alternative scenarios for the Eagle Valley East land. A detailed cost-benefit analysis should be conducted for each scenario. In each case, the City should consider the cost of closing Eagle Valley East, including the impacts to CCMGC's total revenues and whether CCMGC could meet lease payments. In addition, if the land is no longer a golf course, the City would assume operations, maintenance, and management responsibility of the land, as well as the cost to convert it to alternate uses.

A number of alternative scenarios have been suggested during the course of this study. Examples include converting to baseball fields, soccer fields, and a park.

MEMORANDUM

TO: Mayor and Board of Supervisors

FROM: Lawrence A. Werner, P.E., P.L.S.
City Manager

DATE: April 19, 2013

SUBJECT: Moss-Adams Report on Cost Recovery for Eagle Valley Golf Course

I've been asked to summarize the recommendations contained in the above referenced report and indicate which ones we are suggesting in our revision of the amended and restated golf course lease agreement and which ones the Carson City Municipal Golf Corporation has implemented as of this date.

Recommendation	Status
City have voting seat on board	On-hold pending BOS decision
CCMG should develop operating budget	Contained in amended lease
Integrate into Parks and Rec marketing plan	In process
Enforce or renegotiate lease terms	Renegotiated lease
Set rates at competitive levels	Completed
Recover some cost from complimentary rounds	Completed
Pursue efficiency in operations	On-going
Develop and implement marketing plan	On-going
City should develop alternative for effluent	On-going
City should evaluate alternative land use	On-hold pending BOS decision

MEMORANDUM

TO: Mayor and Board of Supervisors

FROM: Lawrence A. Werner, P.E., P.L.S.
City Manager

DATE: April 19, 2013

SUBJECT: Fiscal Impact of Proposed Amended and Restated Golf Course Lease

This memorandum is prepared based on having an effective date of January 1, 2013.

When Carson City leased the Eagle Valley Golf Course to the Carson City Municipal Golf Corporation (CCMGC), there was an outstanding bond of roughly two million dollars. In the original agreement, the lease payment was set around \$600,000 annually to pay principal and interest on the bond. After about half of the debt was paid, golf rounds at the Eagle Valley Golf Course began to decline, either from competition, weather, or the economy or a combination of all to the point that the CCMGC could not generate enough revenue to make the payments. Because the bond payments were fairly large, excess cash from the City's General Fund was used to pay off the bond and the projects that would have been funded with the cash were funded with a new bond with bond payments of around \$200,000 per year.

This new bond was to be paid by the lease payment from the CCMGC but it soon became apparent that the \$200,000 per year was out of reach so the City chose to couple the CCMGC lease payments with funds from the Debt Service fund to make the bond payments. The current program would use up the entire reserve in the Debt Service fund before the bond would be paid off.

The change that we are proposing is to change the current lease payment of a uniform \$120,000 per year (\$80,000 in July and \$40,000 in January) to a monthly lease payment of 6% of gross revenue. 6% was chosen as it appears that the revenue for the golf course should be able to get to \$2,000,000 within the next 3 to 4 years which would get us back to the \$120,000 per year. The advantage of the percent of gross revenue approach is that we would not need to continually modify the payment if rounds of golf fall off and we would get a larger payment should the rounds of golf increase. We are also proposing that the 6% payment would be collected as long as CCMGC was operating the golf course.

In summary, the fund balance in the Debt Service fund is \$511,605. We are projecting that CY 2013 will see enough golf that the 6% will generate around \$107,600 for the City

and that with growth the revenue will increase to \$120,000 per year by CY 2017. However, even with the growth in golf rounds, to keep the Debt Service Fund reserve balance from getting too low, \$320,000 will be needed to make all the necessary payments between CY 2017 and CY 2020 at which time the bond will be paid off. At CY 2020, the Debt Service reserve balance will be around \$260,000 so the next two years of CCMGC payments should be put into the Debt Service fund to raise the reserve to \$510,000.

The City will continue to collect the CCMGC lease payments with the next three payments being used to repay the General Fund the \$320,000 used to help make bond payments. After that, since we will be basically collecting the 6% forever, the Board can choose how to use the lease payments – to continue to fund the Debt Fund reserve until it is completely restored; - to place the payments into an account to fund future maintenance and repair at the golf course or any combination in between.