

RESPONSE TO QUESTIONS POSED BY ALDERMAN LITTMANN
REGARDING THE PROPOSED SALE OF THE EISENHOWER GOLF COURSE

December 8, 2016

1. *What does the State say about how the City can use Open Space funds? How much POS money is available? To what can it be applied and in what amounts? Who are the experts on these topics; they should be providing public answers to the entire council.*

Both the County through testimony before the City Council and the Maryland Department of Natural Resources via email attached (Attachment I), confirm the City's position that the two Open Space fund usage categories, development and acquisition, are separate accounts. That is, the acquisition portion may only be used for acquiring open space property; the development portion may be used for development of recreational facilities and acquisition.

2. *What is the financial state of the City? Is the City selling this asset because it needs the funds? Because it can't afford its Capital Improvement projects without it? If the City needs the money, then shouldn't it explore the maximum amount it can receive? If the City isn't desperate for the funds, then why sell an asset for a one-time injection of funds? Can the City take out additional bonds to fund improvements to the course? To what amount? What impact would that have on the City's ability to issue bonds for other projects? Who are the experts on these topics; they should be providing public answers to the entire council.*

The City does not need to sell the golf course for the revenue. The question of whether or not to sell this asset has always been a management issue, not a financial one. Who is better equipped to invest in and manage a golf course? Is maintaining and managing a golf course a core value of City government? And, yes, could the incidental proceeds of a sale of the asset as a source of pay-go be invested in manner that benefits more of the City's residents?

The City's financial condition is solid as evidenced by the recent rating agency reports which point to the strengths of the City including, low debt burden, budgetary flexibility and continued discipline to improve financial policies and procedures.

The City has capacity to issue bonds since its current budgetary debt service ratio is approximately 9.5% thereby providing a margin of an additional debt service of 2.5%, or \$1.8 million in annual debt service- not to be confused with the bond amount. Depending upon the amount of bond proceeds borrowed to facilitate a golf course capitalization requirement, each one million of borrowing increases the City's annual debt service by approximately \$70K, depending upon level payment vs. level principal, at 4% and a twenty year amortization period. The capital improvement estimates that the City currently has range between \$5 million and over \$8 million, which equates to an increase in annual debt service between \$350,000 and \$600,000. The City issued bonds on December 6th which will also add annual debt service to the above analysis by approximately \$800,000.

3. What is the net present value (NPV) and financial analysis of the viability of various alternatives that do not include selling the property? For example, (1) issuing \$5M or \$8M in bonds now and doing all repairs at once; (2) not issuing bonds but improving the property over time from revenues; (3) increase fees for usage. If the City retained ownership, what are the practical steps the City can do to maximize revenues over the long run? How can the City best utilize its existing management and an outside golf management company? Who are the experts on this topics; they should be providing public answers to the entire council.

See Attachment II

4. What are the impacts to (1) the environmental and (2) to the water treatment plant or other City services of the various options, including maintaining the current use of the property, transforming it into a forested habitat, and selling it for the purposes of development at various scales? What money is available for the forested option or the like? What value does it have as a forest mitigation bank? What is the viability of having the County change the zoning to allow for more development? If development was allowed, how well can the development control storm water and runoff; what are the impacts to the City facilities in the area? Who are the experts on these topics; they should be providing public answers to the entire council.

If the City were to entertain maximizing revenue from the golf course and retain the property for development, county zoning becomes a determining factor. The golf course is currently zoned Open Space and is surrounded by other Open Space properties as well as RA (one DU per 20 acres) zoned areas.

In order to rationalize a change in zoning before the next round of county Comprehensive Rezoning, a mistake or change in character of the neighborhood would have to be demonstrated. The golf course has been in open space for over 50 years, so a justification for rezoning now is highly unlikely. The next county Comprehensive Rezoning takes place in 2020; again, there is little likelihood that a change in zoning would be entertained given the zoning of the surrounding areas.

With regard to alternative passive uses of the golf course (such as a forest mitigation bank) to enhance revenues, an examination of the value of raw farmland in the county was researched. The average asking price for nearby farmland, for example, is approximately \$8700.00 per acre. So by extrapolation, the City, if it desired to do so, could purchase 208 acres of farmland to develop passive uses for \$1.8 million. So, using the \$3.1 million proceeds from the sale of Eisenhower for this purpose, the City would come out ahead by \$1.3 million. The point being that selling the golf course is still a better deal under this scenario as opposed to using it for some passive purposes other than a golf course.

Assuming that the golf course property would remain in some type of open space usage regardless of ownership, the environmental impact question becomes moot. Nevertheless, it would be prudent, if nothing else, to espouse an extra level of protection for the City's down gradient recourses and facilities by keeping the property in perpetual passive open space use.

The golf course is located north of the City's water treatment plant on land that was acquired in 1904 to protect the City's water supply. While the City's wells are drilled deep into underground aquifers, it is important to protect the drainage area as much as possible. The golf course and the City's water treatment plant are both located in the Broad Creek Watershed. Stormwater from the golf course flows southward toward the City's water treatment plant and into the Chesapeake Bay.

As a golf course, the property has a far less intense use than the property would if it were developed as a residential development. A golf course with its large grassy and wooded areas provides more pervious surface for stormwater to infiltrate into the ground. A residential development with its increased impervious surface from buildings and roadways produces stormwater runoff that requires treatment to improve water quality and to prevent flooding.

Any future development of the golf course, including changes to the grading of the golf course itself, will require the installation of stormwater management practices that meet State requirements. State law requires stormwater management practices to treat both the runoff quantity or volume, and the runoff quality or cleanliness of the first inch of rainfall.

Grading projects can be designed to treat to higher standards than required by law. If a project is going to treat to a higher standard, more land area of the project will be devoted to stormwater management, making the project less profitable. As this property is located in Anne Arundel County, the County would be responsible for reviewing and approving any plans for grading on this property.

Finally, the county proposes to convert the golf course to Bermuda grass which requires less fertilizer and irrigation than the current ground cover.

5. If the sale were to go through, what the is the financial analysis of the options for using the funds? Why would funds be committed to one particular project now when it has a Capital Improvements and Projects budget and committee that explores all options each year? What are the pros and cons of using these funds for general CIP projects versus another revenue generating operation?

Pursuant to City Code, the use of the proceeds from the sale of City assets can only be used to reduce debt or for a capital purpose. That decision and a decision of what, if any, capital project is worthy of such consideration is strictly a matter for City Council deliberation regardless of past practices.

6. What is the analysis of the argument about whether the City is providing a benefit to all of the City versus a subsection of the City? Why is the City better suited to provide swimming or other recreation services than golf courses? If it isn't, then shouldn't the same argument being used (it should get out of the golf business) apply to getting out of the tennis, swimming, or other recreation business?

Absent a definitive nose count of golf course users, it is not illogical to assume that more City residents use the recreation facilities located in the City such as the Truxtun Park pool, tennis courts, summer camps, basketball courts, etc. than play golf at Eisenhower. The foregoing are traditional local government provided recreation amenities. A golf course is not. The basic policy question remains: should the City be in the golf course business? Again, this is essentially a management question: who is better equipped and financially able to manage Eisenhower and for whom?