

Special Meeting of the Town of St. Paul Council in the St. Paul Town Council Chambers on Wednesday October 28<sup>th</sup>, 2015 at 16:00 Hours.

**MEMBERS PRESENT:**

Mayor Glenn Andersen, Edna Gervais, Ken Kwiatkowski, Norm Noel, Dwight Wiebe, Judy Bogdan, Harvey Filger CAO, Gary Ward assistant CAO and recording secretary Cindy Litwinski

**MEMBERS ABSENT:**

Don Padlesky

**PRESENTATION:** St. Paul Golf Course

- This meeting has been called due to the concerns Council has regarding the fiscal operation of the Golf Course.
- In September, Maurice Brousseau made a presentation to Council regarding their finances. What was reported to Council was misleading.
- Claude Dion (accountant), distributed the St. Paul Golf Club financial information as shown below:

**St. Paul Golf Club**

**For the Years Ending September 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Shortfall for the year</b>	(28,475)	(129,870)	(39,615)	(42,263)
Add (Deduct) items not impacting cash				
Amortization	0	104,626	99,244	109,966
Amortization of deferred capital contributions	0	(27,138)	(30,488)	(33,756)
Gain on disposal of assets	0	(11,213)	0	0
Deferred Revenue	(20,531)	(27,586)	(18,582)	(13,788)
<b>Cash flow from Operations</b>	(49,006)	(91,181)	10,559	20,159
Capital Lease repayments	(34,092)	New leases	(6,983)	New leases
Mortgage repayment	(42,745)	(41,881)	(26,256)	Refinanced
<b>Impact on Working Capital</b>	(125,843)	(133,062)	(22,680)	20,159

**WORKING CAPITAL BALANCE**

Bank	0	1,647	1,553	3,774
Accounts Receivable	15,835	25,012	79,063	32,586
Inventory	83,996	84,246	70,001	61,889
Prepays	15,156	2,873	2,766	2,836
	114,987	113,778	153,383	101,085
Bank Overdraft	(133,870)	(134,661)	(70,133)	(87,249)
Accounts Payable	(299,054)	(154,024)	(127,043)	(95,289)
Member Loans	(55,000)	(77,500)	(70,000)	(10,000)
<b>Working Capital Deficit</b>	(372,937)	(252,407)	(113,793)	(91,453)

- The top, shortfall for the year, is the profit/ (loss) for the year.
- Added back amortization (non cash item)
- Deferred revenue is pre-paid memberships and green fees.

- Real cash flow from operations: current year is better than last year but it is still not good.
- The Club house was built in 2010. When the Clubhouse was built they were \$60,000-\$70,000 over budget. As the mortgage was maxed out, the Clubhouse started out with a deficit. In 2012 the mortgage was refinanced to the set limit.
- They are using next year's revenue to pay prior expenses.
- Members have made personal loans to the Golf Club.
- At the annual meeting in the fall Claude made notes regarding the going concern, which is the entities ability to continue operating and carry out its commitments. Obligations, etc. At that time they had a \$252,000 working capital deficit. It would be challenging to make payments unless there was a turnaround in operations. They tried to generate more revenue to offset the costs while budgeting. This year's numbers were favorable until about July when the issues with economy kicked in.
- The Accounts Payables have doubled since last year.
- The Golf Club has no documentation on their short term loans.
- Will not be able to continue, as they are using 2016 revenue to pay prior years expenses.
- If the cash flow from operations is not equal to principle requirements, they can't continue to sustain operations.
- Main source of income is from green fees, memberships and cart rentals. Memberships and green fees never achieved what was expected.
- When green fees are paid in cash, they are entered into the POS system and then the figures are put into simply accounting.
- The \$20,000.00 the Town gave to the Golf Course for the irrigation system is listed under grants.
- Mayor Andersen mentioned that Receiver General was not being paid. This is troubling.
- The Pro Shop Manager receives a yearly bonus based on the profits made by the pro shop. He receives a percentage of the profits.
- Grounds wages increased from \$127,000 in 2014 to \$167,000.00 in 2015. This is due to not having a superintendent in 2014.
- The financial information is reviewed; however, they are not audited and accountants are not required to prepare a management review letter.
- As the financials deteriorated, how often did the manger meet to put structural plans in place? They met every six weeks; however, no concrete structural plans were made. A finance committee was formed; however, they only met once.

Dale Drummond and Danny Gadowski discussions

- The manager has been laid off effective Saturday. As part of his agreement he is owed six months' salary. They have currently paid one month and the remaining five months will have to be added to their Accounts Payables.
- Would like the Town of St. Paul to work with them and assume the Golf Clubs payables or they will have to liquidate their assets to pay off their payables. If the Golf Club does not receive assurance from Council tonight that the Town will be assuming their payables they will have to lay off all the staff tomorrow, as they do not have the funds to operate past the end of the month.
- Golf Club Assets: Golf Carts, equipment, pro shop equipment, tables and chairs, food in the coolers etc. Whatever could be sold would be. If they liquidate, the Town would end up with an empty building.
- Receiver General not being paid is a serious issue.
- Council noted that when Maurice was here in September to report the financial information it raised, some flags.
- As Claude reported, their financial situation was critical last year; and he informed them that if they have another year like they did in 2014, they would not be able to continue to operate. The board should have considered this and be concerned about their future. It shouldn't have taken the Town to question the financials for all of this to be brought forward.
- The Board probably did not do its due diligence. If we want a golf course next year, the Golf Club needs to work together with the Town or else they will have to liquidate.

- The board needs to review the bills and prioritize payments. Not sure what will happen if they liquidate all of their assets and there is a shortfall for what they owe in Accounts Payables.
- The Golf Club had a Casino last year. They get a casino every 1.5 years. The next one is in the spring. If the board dissolves, they would lose their Casino. Their Casino is currently in Fort McMurray. If they lose their place, they will not get Fort McMurray once they reapply for another Casino.
- The board does have Directors Insurance. However, they would prefer not to use it as it would mean getting lawyers involved.
- They formed a Finance Committee in December after the AGM. This was the first time a formal finance committee was formed.
- Councilor Kwiatkowski mentioned that the board is putting the Town in a tough position; asking Council to commit to assuming the payables today. Council needs to be allowed time to see what is best for our community.
- If you look back at the big picture, there is value in the Club House and the 18 hole golf course. There is still equity. The biggest issue is cash flow.
- The Town would be liable for the mortgage on the Club House, as they guaranteed the loan. As the Golf Club does not own the property, they cannot remortgage the loan.
- Council previously questioned if the Club House was making money staying open through the winter. The Board did discuss this and the biggest issue was keeping staff and avoiding the startup costs in the spring. The Club House barely breaks even in the winter. Was previously reported that the Club House holds its own through the winter.

Mayor Andersen called the special meeting to order at 16:55 Hours.

- 1) Moved by Dwight Wiebe  
That, the Agenda be adopted as read.

“CARRIED”

- 2) Moved by Edna Gervais  
That, we move into Cameral to discuss a land issue at 16:56 Hours

“CARRIED”

- 3) Moved by Judy Bogdan  
That, we move out of Camera at 17:50 Hours

“CARRIED”

- After lots of debate, Council has taken a lot into consideration. We feel this is a precedent setting case. There are lots of non-profit organizations in the Community. Due to a lack of confidence in the St. Paul Golf Course being run in an efficient manner, Council has decided to terminate the lease with the St. Paul Golf Club immediately.

- 4) Moved by Ken Kwiatkowski  
That, we terminate the lease of the St. Paul Golf Club effective immediately.

“CARRIED”

- This means that there is no more lease. The Golf Club still owns the assets but the lease to run the Golf Club/Course is terminated.

- Council has the option to terminate the lease as per the agreement. There is lots of work to do in the future.

5) Moved by Norm Noel  
That, we Adjourn at 17:55 Hours.

“CARRIED”

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Glenn Andersen Mayor

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Cindy Litwinski Recording Secretary