

Reading Country Club

Where We Are and How We Got There

On December 20, 2005, Exeter Township filed a Declaration of Taking on the Reading Country Club property. On February 9, 2006, the Township amended its taking to include all tangible and intangible property owned by the club (Personality). The parties stipulated that possession of the Realty in all instances and all Personality was tendered from the club to the Township effective January 15, 2006. The parties were not able to agree on a set price. This necessitated a hearing before the Board of View.

In anticipation of the Board of View decision, on November 9th, 2005, the Township issued \$15,250,000.00 of General Obligation Variable Rate Demand Bonds (“Series 2005”). This was required by law as evidence of the Township’s ability to pay and served as temporary financing until a decision by the Board of View was rendered.

<http://www.exetertownship.com/Administration/RCC%20Jury%20of%20View%20Decision.pdf>

On June 5, 2007, the Board of View determined the following values:

Realty:	\$11,500,000.00
Golf Course Equipment	\$200,000.00
Golf Course Chemicals	\$3,000.00
Liquor Inventory	\$12,940.00
Clubhouse Equipment	\$110,000.00
Kitchen Equipment	\$27,000.00
<u>Food Inventory</u>	<u>\$13,208.00</u>

Total: \$11,866,148.00

On November 15, 2007, the Township issued \$17,810,000.00 of General Obligation Notes (“Series 2007”). This was permanent financing for the property.

On September 30, 2015, the Township issued \$1,808,000.00 in General Obligation Bonds (“Series 2015”). This was to carve out the Club structure and refinance tax free bonds to taxable bonds as necessitated by the leasing of the building to a for-profit business.

On December 30th, 2015, the Township issued \$9,755,000.00 in General Obligation Bonds (“Series A 2015”). This was Part One of a refinancing to take advantage of lower interest rates.

On April 20th, 2016, the Township issued \$7,005,000.00 in General Obligation Bonds (“Series 2016”) this was the second, and final, part of the refinancing to take advantage of lower interest rates. (The two above bond issues resulted in a net savings to the Township of \$3.1 million in interest.) <http://www.exetertownship.com/Administration/RCC%20Bond%20Documents.pdf>

Current status:

Purchase Price	\$11,866,148.00
Fees Associated with Financing	\$1,053,778.48
Project Expenses	\$3,371,116.22
<u>Transactions under review by Solicitor</u>	<u>\$2,267,041.58</u>

Total \$18,558,084.28

To date:

Interest and principal paid	\$7,080,378.51
Principal due	\$18,344,000.00
<u>Interest due</u>	<u>\$11,387,336.02</u>

Total cost of RCC \$36,811,714.53

While attempting to unwind the complicated history of the financial transactions related to the RCC we discovered that bond proceeds were used to make interest, principal, and arbitrage payments. These transactions are being reviewed to ensure they complied with IRS regulations.

Since the Reading Country Club was acquired, the Township has relied on real estate taxes to pay the overwhelming majority of the debt service. While the revenue from golf operations has paid for part of the course maintenance, no more than \$30,000.00 per year or less than 5% of the golf course revenue has been contributed to the retirement of the debt.

The most relevant fact after reviewing the annual data for revenues of both the golf course operations and the lease of the Country Club is that there has been little or no growth in net revenues from either. In fact, with the decrease in the number of rounds played on the golf course over the past several years, the only explanation for the increase in revenue is an increase in golf rates. Prior to 2017 there were no initiatives taken to increase the play of the golf course nor to substantially reduce operating costs. Without increased play or new nongolf activities on the golf course, the status quo will be maintained. With the anticipated increase in debt service requirements in 2025, additional burdens will be placed on Township residents potentially necessitating a tax increase.