



# CITY OF CONCORD

## REPORT TO MAYOR AND CITY COUNCIL

**DATE:** July 23, 2018

**TO:** Mayor and City Council

**FROM:** Brian G. LeBrun, Deputy City Manager - Finance

**SUBJECT:** Supplemental Appropriation and Beaver Meadow Golf Course General Overhead Adjustment Request

### **Recommendation**

Approve the attached supplemental appropriation request for the Inspection Fund and the General Fund, and accept this report to reverse the Golf Fund overhead transfer to the General Fund.

### **Background**

Annually at the end of the fiscal year, administration reviews total expenditures in each fund and provides a supplemental appropriation request if needed for funds that have exceeded budgeted expenditures.

Inspection Fund - For FY18 the preliminary results for the Inspection Fund exceeded budget expenditures by \$56,100. This amount is entirely made up by excess inspection revenues collected to support the inspection efforts.

Golf Fund - For FY18, the preliminary results for the Golf Fund exceeded budget expenditures by \$10,300. This amount is entirely made up by excess league and tournament fees, \$12,800. No additional appropriation is requested for the golf fund, due to the request to reverse the Golf Fund overhead transfer to General Fund.

### **Discussion**

Inspection – the Inspection Fund is reporting excess revenue over expenses of \$26,400 and the supplemental appropriation of \$56,100 is a housekeeping issue to bring the approved budget in line with actual expenditures and is fully supported by additional revenues for inspections services.

General Fund – in addition to the reversal of the Golf Fund overhead transfer to the General Fund, this supplemental appropriation request is to transfer an additional \$48,000 to the Golf Fund to help support operations due to revenues not meeting budget expectations as described in more detail below.

Golf - The golf fund is reporting a preliminary loss of \$124,300 for Fiscal Year 2018. Overall revenues in the fund were lower than Fiscal Year 2017 by \$9,000, and short of Fiscal Year 2018 budget by \$133,000. Compared to budget, the following are the significant revenue differences:

	<u>Compared to Budget</u>	<u>Compared to FY17</u>
1. Camps	(\$18,500)	\$700
2. Season Passes	(\$66,100)	\$1,900
3. Daily Fees	(\$1,000)	\$11,900
4. Cart Rentals	(\$5,500)	\$5,100
5. Driving Range	(\$3,700)	\$5,200
6. League & Tournament Fees	\$12,800	\$9,800
7. Golf Simulator	(\$3,000)	(\$1,400)
8. Pro Shop Sales	(\$26,200)	(\$23,200)
9. Concession Income	(\$6,500)	\$1,700
10. Advertising Revenue	(\$15,000)	\$0
11. Transfer in General Fund	\$0	(\$19,800)
12. Other	<u>(\$300)</u>	<u>(\$900)</u>
	(\$133,000)	(\$9,000)

Year over year comparison for revenues are positive after accounting for the transfer in from General Fund in 2017 and none to date in 2018. Revenues for FY2018 are short of budget projections, as detailed above.

Membership comparisons for the past four years are detailed below:

	<u>FY18</u>	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
Senior M-F	65	79	90	96
90 +	0	0	0	2
Adult 7-day	41	60	83	74
Family 7-day	12	9	13	9
Weekday	5	0	0	0
Weekday Family	5	0	0	0
Junior	36	26	12	32
Collegiate	7	8	6	7
Twilight	13	16	12	18
Young Adult	<u>35</u>	<u>16</u>	<u>6</u>	<u>12</u>
Total	219	214	222	250

- a) As presented, the reduction in memberships is a factor on many of the revenue categories including Season Passes, Cart Rentals, Driving Range and Pro Shop Sales.
- b) Pro shop sales are down compared to FY17 and also short of budget. Gross margin for 2018 is 26.1%, for FY17 gross margin was 23.1%, a 3% improvement in FY2018, although approximately \$2,000 less than in 2017 due to slower overall sales.
- c) Concession income is down compared to budget due to the timing of signing the most recent agreement and projections when the FY2018 budget was approved.
- d) Advertising revenue for signs on the tee boxes has been very slow. Only two tee signs have been sold to date and that revenue will be reported in Fiscal Year 2019.
- e) Compared to FY17, there was no budgeted transfer from general fund in FY2018 since the clubhouse debt service was exhausted in 2017.

Expenses budget to actual are overspent by \$10,300 of which \$12,800 is due to league and tournament fees being greater than budget and directly offset by additional revenues in that category. Also an additional \$5,100 was spent, more than budgeted, on cart rentals due to strong golf outings. The course also realized unexpected expenditures in Building Services and Repairs and Business and Technical Repairs due to: \$2,400 unexpected plumbing repairs; \$4,700 unanticipated dishwasher repairs and replacement; \$6,800 pond fountain repairs, \$1,300 electrical repairs to cart barn and clubhouse; \$500 septic repair for the cart barn, \$5,100 for repairs to walk in cooler and water damage; and \$1,500 for sewage clog issues in clubhouse.

Overall:

Total revenues	\$992,800
Total Expenses	<u>1,117,100</u>
Operating Loss	124,300
Less:	76,350 (Requested forgiveness of Overhead Charges)
Additional General Fund Transfer	<u>47,950</u> (To keep the golf fund from being in negative working capital position)
	\$0

This request and the attached resolution is to forgive the overhead charges charged to the Golf Fund by the General Fund (\$76,350) and to provide an additional transfer from the General Fund (\$48,000) to keep the golf fund from reporting a negative fund balance position.

The Fiscal Policy Advisory Committee (FPAC) is planning to discuss enterprise and special revenue funds, and general overhead charges to those funds in the fall of 2018. From these discussions, it is anticipated that FPAC will make a recommendation to City Council on how to best address these funds long term solvency when additional support is needed to maintain operations in the positive.

On a positive note, 2018 playing conditions at Beaver Meadow Golf Course continue to be excellent, greens fee play continues to be strong, outings are very well received and the golf pro and pro shop operations provide excellent customer services to golfers and the general public. Membership numbers are still lower than expected/desired and other

revenue items have not met budget expectations. The golf simulator program continues to be a positive addition to the operation and is very close to budget expectations for the fiscal year.

Beaver Meadow strives to earn its fair share of the local golf market and be the best course it can be in terms of course conditions, overall customer experience, and a great food and beverage service, and we believe we are hitting these marks.