



**CITY OF PACIFIC GROVE**  
300 Forest Avenue, Pacific Grove, California 93950

**AGENDA REPORT**

**TO:** HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** Director of Management and Budget James L. Becklenberg  
**MEETING DATE:** May 21, 2008  
**SUBJECT:** RECEIVE GOLF FUND FINANCIAL REPORT FOR THE  
QUARTER ENDED MARCH 31, 2008

**RECOMMENDATION:**

Receive the report.

**DISCUSSION:**

Please see attached report.

**FISCAL IMPACT:**

None

**ATTACHMENTS:**

Golf Fund Report for the Quarter ended March 31, 2008

RESPECTFULLY SUBMITTED:

Jim Becklenberg  
DIRECTOR OF MANAGEMENT AND BUDGET

REVIEWED BY:

Digitally signed: I have reviewed this document

James J. Colangelo  
CITY MANAGER



**City of Pacific Grove**  
*Golf Fund Report*  
Quarter Ending March 31, 2008

**May 5, 2008**

**Overview**

For the period ending March 31, 2008, the ending fund balance for the Golf Fund was \$ 3,495,358. This amount represents a decrease of (\$5,386) from the beginning fund balance as of July 1, 2007 and a decrease of (\$ 141, 239) from the previous quarter ending Dec 31, 2007. The following is a summary of the changes in fund balance based on recorded value of all Golf Fund activities as of March 31, 2008 compared with the beginning fund balance as of July 1, 2007.

	<u>July 1, 2007</u>	<u>December 31, 2007</u>	<u>March 31, 2008</u>
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	3,020,358	2,930,537	2,910,640
Restricted			
Debt service	278,870	278,300	274,847
<b>Unrestricted</b>	<b><u>201,516</u></b>	<b><u>519,241</u></b>	<b><u>309,871</u></b>
Total Net Assets	<u>3,500,744</u>	<u>3,728,078</u>	<u>3,495,358</u>

The decrease in Invested in Capital Assets, net of related debt fund balance is the cumulative result of debt service principal payments of \$ 65,000 plus current year capital expenditures of \$ 43,371 minus three quarters of depreciation of \$ 218,089. The decrease in Restricted – Debt Service fund balance is due to the use of surplus interest earnings in the reserve account to offset some of the total debt service requirement of \$ 268,935. Although overall fund balance has decreased from the beginning of the year, Unrestricted Fund Balance has increased \$108,355. Unrestricted Fund Balance allows for more discretionary spending within the Golf Fund.

**Assets**

The following summarizes the change in asset balances based on recorded value as of March 31, 2008 compared with the beginning asset balances as of July 1, 2007.



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	<b>July 1, 2007</b>	<b>March 31, 2008</b>	<b>\$ Change</b>
<u>Assets</u>			
Cash and Investments - avail for operations	480,280	430,763	(49,517)
Cash and Investments - restricted for debt service	278,870	274,847	(4,023)
Receivables			
Accounts	-	4,965	4,965
Loans	136,295	126,031	(10,264)
Inventory	32,026	65,309	33,283
Capital Assets			
Land	362,953	362,953	-
Building	5,384,187	5,384,187	-
Improvements	2,428,575	2,471,946	43,371
Machinery and Equipment	860,216	860,216	-
Accumulated Depreciation	(2,185,574)	(2,403,662)	(218,088)
Total Assets	<u>7,777,828</u>	<u>7,577,555</u>	<u>(200,273)</u>

The decrease in Total Assets is primarily due to the increase in accumulated depreciation of \$218,088.

### Liabilities

The following summarizes the change in liability balances based on recorded value as of March 31, 2008 compared with the beginning balances as of July 1, 2007.

	<b>July 1, 2007</b>	<b>March 31, 2008</b>	<b>\$ Change</b>
<u>Liabilities</u>			
Accounts Payable	36,648	1477	(35,171)
Interest Payable	85,447	85447	-
Deferred Revenue	42,647	51113	8,466
Accrued Wages and Benefits	40,955	0	(40,955)
Due within one year			
Long-term debt	65,000	0	(65,000)
Due beyond one year			
Compensated absences	241,387	179160	(62,227)
Long-term debt	3,765,000	3765000	-
Total Liabilities	<u>4,277,084</u>	<u>4,082,197</u>	<u>(194,887)</u>

The decrease in Total Liabilities is primarily due to the payment of items accrued at June 30, 2007 particularly in accounts payable, wages and benefits, the principal portion of the long-term debt service and payouts to employees separating from the City as a result of the reorganization plan instituted in the first half of fiscal year 2007-2008.

### Revenues



**City of Pacific Grove**  
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The following displays a variance analysis of actual to budgeted revenues for all Golf Course activities based on recorded value as of March 31, 2008.

	Actuals	Budget	\$ +/-	% +/-
Green Fees	1,428,716	1,623,750	(195,034)	-12.0%
Merchandise	242,453	225,000	17,453	7.8%
Rentals	424,428	292,500	131,928	45.1%
Driving Range	41,552	37,500	4,052	10.8%
Interest	7,091	11,250	(4,159)	-37.0%
Other	14,045	33,750	(19,705)	-58.4%
<b>Total</b>	<u>2,158,285</u>	<u>2,223,750</u>	<u>(65,465)</u>	<u>-2.9%</u>

Historically, 75% of the actual revenue that the Golf Course receives annually is received by the end of March. For comparison purposes, the amounts in the budget column have been adjusted to reflect 75% of the annual revenue budget of \$ 2,965,000. For the period ending March 31, 2008 revenue for the golf course fund totaled \$ 2,158,285 missing the budgeted revenue target by (\$ 65, 465), or -2.9%. Even though cart rental and merchandise revenue continue to exceed expectations there is cause for concern in meeting the targeted green fee revenue budget going forward. Green fee revenue is off 12% due to the Golf Course being closed for a week after the Jan 5<sup>th</sup> storm due to fallen trees on the front nine as well as a power outage. Staff estimates that while the course was closed 1,350 total rounds were lost, or \$ 27,000, in lost revenue during this time.

The following table illustrates a comparison between the numbers of rounds played and the amount of green fees generated for the period ending March 31, 2008 to the comparable period last year.

**Green Fee Revenue Analysis**

	Rounds Played			Amount
	9 Holes	18 Holes	Total	
Period Ending March 31, 2007	13,923	42,644	56,567	1,285,180
Period Ending March 31, 2008	<u>12,094</u>	<u>42,018</u>	<u>54,112</u>	<u>1,428,716</u>
Variance	(1,829)	(626)	(2,455)	143,536
Percentage Variance	<u>-13.1%</u>	<u>-1.5%</u>	<u>-4.3%</u>	<u>11.2%</u>

Rounds played decreased 2,455, or 4.3%, over the same period last year. However, green fee revenue increased \$ 143,536, or 11.2%. Changes in the restrictions of resident card holders from making tee times during the hours of 10:00am and 2:00pm and an increase in the green fees rate has brought in more revenue from the prior year.



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The following table illustrates a comparison between the numbers of Carts rented and the revenue generated for the period ending March 31, 2008 to the comparable period last year.

**Cart Rental Revenue Analysis**

	<b>Cart Rentals</b>			<b>Amount</b>
	9 Holes	18 Holes	Total	
Period Ending March 31, 2007	812	4,626	5,438	85,810
Period Ending March 31, 2008	748	4,524	5,272	83,166
Variance	(64)	(102)	(166)	(2,644)
Percentage Variance	-7.9%	-2.2%	-3.1%	-3.1%

\* Includes only cart rentals from Jan - Mar

The number of Cart Rentals decreased 166, or (3.1%), over the same period last year. Cart Rental revenue decreased (\$2,644), or (3.1%). Since a concessionaire controlled the Pro Shop operations from July through December and the City did not acquire control until January 1, 2007, the comparison period has been adjusted to only include the months of January through March 2007. The primary reason for the decrease in cart rentals and revenue was due to the golf course being closed for one week in the month of January due to storm damage and a power outage. Staff estimates that while the course was closed after the storm, 450 cart rentals were lost for an estimated loss in revenues of \$ 6,750.

**Pro Shop Operations**

The following table illustrates the performance of the Pro Shop for the three months ending March 31, 2008 with the comparable period from last year. This is the first period where a comparable analysis can be performed and represents a true “apples-to-apples” comparison.



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	<u>Prior Year</u>	<u>Current Year</u>	<u>Variance</u>	
	<u>Jan - Mar</u>	<u>Jan - Mar</u>	<u>\$</u>	<u>%</u>
<u>Revenues</u>				
Sales	\$ 162,320	\$ 171,430	\$ 9,110	5.6%
Cost of sales	(26,529)	(37,464)	(10,935)	41.2%
Gross profit	135,791	133,966	(1,825)	-1.3%
<u>Expenses</u>				
Salaries	79,075	69,740	(9,335)	-11.8%
Retirement expenses (PERS)	2,947	7,471	4,524	153.5%
Other employee benefits	7,121	4,710	(2,411)	-33.9%
Cart rental and equipment	22,933	10,350	(12,583)	-54.9%
Utilities	-	2,504	2,504	-2504.0%
Office and other supplies	-	428	428	-428.0%
Telephone	-	-	-	0.0%
Other expenses	-	20,481	20,481	-20841.0%
Depreciation	653	653	-	0.0%
Total expenses before indirect cost allocation	112,729	116,337	3,608	3.2%
Net profit before indirect cost allocation	\$ 23,062	\$ 17,629	\$ (5,433)	-23.6%
<u>Other Financing Sources (Uses)</u>				
General Fund Revenue Share	-	34,000		
Indirect Cost Allocation to General Fund	22,415	11,107	(11,308)	-50.4%
Total other financing sources (uses)	22,415	45,107	22,692	101.2%
Net Income (Loss) from Pro Shop activities	647	(27,478)	(28,125)	-4347.0%

Although Net Income for the quarter ending March 31 decreased (\$ 27,478), Net Income for the year is \$ 112,875. Net Income decreased for the quarter due to lost revenue in merchandise, cart rentals, and driving range due to the course being closed for a week due to storm damage.

**Expenses**

The following illustrates a variance analysis of all Golf Course expenditures based on recorded value as of March 31, 2008.



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	Actuals	Budget	\$ +/-	% +/-
Personnel	778,684	848,106	(69,422)	-8.2%
Services	262,266	325,125	(62,859)	-19.3%
Supplies/Materials	62,548	61,800	748	1.2%
Purchases (Inventory)	142,142	150,000	(7,858)	-5.2%
Debt Service	203,935	203,935	-	0.0%
Depreciation	218,089	218,089	-	0.0%
General Fund Revenue Share	300,000	300,000	-	0.0%
Indirect Cost Allocation	196,007	196,007	-	0.0%
	<u>2,163,671</u>	<u>2,303,062</u>	<u>(139,391)</u>	<u>-6.1%</u>

For the quarter ending March 31, year-to-date actual expenditures were less than budgeted expenditures by (\$139,391), or (6.1%). As was the same for the revenue analysis, the amounts represented in the budget are 75% of the yearly budget of \$ . The Golf Course has managed to keep expenditures under control during a period of declining revenues.

**Debt Service**

The following represents the Debt Service Schedule for the outstanding amount for the Certificates of Participation Bonds that were issued for the construction of the clubhouse in Fiscal Year 2004.

<u>Year Ended June 30, 2008</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 70,000	\$ 201,485	\$ 271,485
2010	\$ 70,000	\$ 198,773	\$ 268,773
2011	\$ 75,000	\$ 195,779	\$ 270,779
2012	\$ 75,000	\$ 192,516	\$ 267,516
2013-2017	\$ 450,000	\$ 902,441	\$ 1,352,441
2018-2022	\$ 570,000	\$ 771,001	\$ 1,341,001
2023-2027	\$ 745,000	\$ 590,606	\$ 1,335,606
2028-2032	\$ 980,000	\$ 350,865	\$ 1,330,865
2033-2035	\$ 730,000	\$ 63,280	\$ 793,280
Totals	<u>\$ 3,765,000</u>	<u>\$ 3,466,746</u>	<u>\$ 7,231,746</u>



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## **Conclusion**

Historically, the months of October through March are the slowest months for golf course operations due to shorter days and inclement weather. The results of operations for the quarter ending March 31 were to be expected especially considering the impact on operations due to the extenuating circumstance of the course being closed for one week during the month of January because of storm related damages. Other factors to consider having a negative impact on operations are the rising cost of fuel and the downturn of the economy related to the housing crisis and the credit crunch. These factors will continue to have an impact on operations looking forward to the next quarter and into the next fiscal year especially since the months of May through September are considered to be the busiest time of the year for the golf course due to longer days and more agreeable weather. Positive factors to consider is that the raise in green fees and the change in the restriction on when resident card holders can make tee times has increased overall green fee revenue from the prior year. Cart rental revenue continues to exceed expectations. Other positives to highlight include a significant cash balance to meet current obligations. Debt service requirements and General Fund revenue share obligations have been or will be met and the increase in Unrestricted Fund Balance which the Golf Course can use for further capital improvements.



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*Golf Fund Report*  
Quarter Ending March 31, 2008

**City of Pacific Grove**  
**Statement of Net Assets**  
**For Year-to-Date through March 31, 2008**

	<u>Operations</u>	<u>Pro Shop</u>	<u>Total</u>
<u>Assets</u>			
Cash and Investments - avail for operations	299,177	131,586	430,763
Cash and Investments - restricted for debt service	274,847	-	274,847
Receivables			
Accounts	-	4,965	4,965
Loans	126,031	-	126,031
Inventory	-	65,309	65,309
Capital Assets			
Land	362,953		362,953
Building	5,384,187		5,384,187
Improvements	2,471,946		2,471,946
Machinery and Equipment	840,271	19,945	860,216
Accumulated Depreciation	(2,400,984)	(2,678)	(2,403,662)
Total Assets	<u>7,358,428</u>	<u>219,127</u>	<u>7,577,555</u>
<u>Liabilities</u>			
Accounts Payable	55	1,422	1,477
Interest Payable			
Deferred Revenue	-	51,113	51,113
Due beyond one year	85,447	-	85,447
Compensated absences	168,976	10,184	179,160
Long-term debt	<u>3,765,000</u>	<u>-</u>	<u>3,765,000</u>
Total Liabilities	<u>4,019,478</u>	<u>62,719</u>	<u>4,082,197</u>
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	2,893,373	17,267	2,910,640
Restricted			
Debt service	274,847	-	274,847
Unrestricted	<u>170,730</u>	<u>139,141</u>	<u>309,871</u>
Total Net Assets	<u>3,338,950</u>	<u>156,408</u>	<u>3,495,358</u>
Total Liabilities and Net Assets	<u>7,358,428</u>	<u>219,127</u>	<u>7,577,555</u>



**City of Pacific Grove**  
*Golf Fund Report*  
Quarter Ending March 31, 2008

**City of Pacific Grove**  
**Statement of Revenues, Expenses and Changes in Fund Balance**  
**For Year-to-Date through March 31, 2008**

	<u>Operations</u>	<u>Pro Shop</u>	<u>Total</u>
<u>Revenues</u>			
Fees	1,428,716	-	1,428,716
Merchandise	-	242,453	242,453
Use of money and property	7,091	465,980	473,071
Other	14,000	45	14,045
Total Revenues	<u>1,449,807</u>	<u>708,478</u>	<u>2,158,285</u>
<u>Expenditures</u>			
Current			
Personnel	545,868	232,816	778,684
Operating	241,449	225,506	466,955
Depreciation	216,130	1,960	218,090
Debt Service			
Interest and fiscal charges	203,935	-	203,935
Total Expenditures	<u>1,207,382</u>	<u>460,282</u>	<u>1,667,664</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>242,425</u>	<u>248,196</u>	<u>490,621</u>
<u>Other Financing Sources (Uses)</u>			
General Fund Support	(198,000)	(102,000)	(300,000)
Indirect Cost Allocation	(162,686)	(33,321)	(196,007)
Net other financing sources (uses)	<u>(360,686)</u>	<u>(135,321)</u>	<u>(496,007)</u>
Net Change in Fund Balance	<u>(118,261)</u>	<u>112,875</u>	<u>(5,386)</u>
Fund Balance, Beginning	<u>3,457,211</u>	<u>43,533</u>	<u>3,500,744</u>
Fund Balance, Ending	<u>3,338,950</u>	<u>156,408</u>	<u>3,495,358</u>



**City of Pacific Grove**  
*Golf Fund Report*  
 Quarter Ending March 31, 2008

**City of Pacific Grove**  
**Pro Shop Income Statement**  
**For Year-to-Date through March 31, 2008**

	Year-to-Date		Variance	Variance
	Actuals	Budget	Favorable	as a Percent
			<Unfavorable>	of Budget
<u>Revenues</u>				
Sales	\$ 708,478	\$ 577,500 <sup>2</sup>	\$ 130,978	22.7%
Cost of sales	\$ (142,142)	(135,000) <sup>3</sup>	(7,142)	-5.3%
Gross profit	566,336	442,500	123,836	28.0%
<u>Expenses</u>				
Salaries	217,492	249,390	31,898	12.8%
Other employee benefits	15,324	5,632	(9,692)	-172.1%
Cart rental and equipment	50,347	50,000	(347)	-0.7%
Utilities	8,911	17,550	8,639	49.2%
Office and other supplies	1,709	1,575	(134)	-8.5%
Telephone	1,485	-	(1,485)	-100.0%
Other expenses	20,912	5,925	(14,987)	-252.9%
Depreciation	1,960 <sup>4</sup>	2,009 <sup>5</sup>	49	2.4%
Total expenses before indirect cost allocation	318,140	332,081	13,941	4.2%
Net profit before indirect cost allocation	\$ 248,196	\$ 110,419	\$ 137,777	124.8%
<u>Other Financing Sources (Uses)</u>				
General Fund Revenue Share	102,000 <sup>8</sup>			
Indirect Cost Allocation to General Fund	33,321 <sup>6</sup>			
Total other financing sources (uses)	135,321			
Net Income (Loss) from Pro Shop activities	112,875			

**FOOTNOTES:**

- <sup>2</sup> Sales budget based on historical activity of 3/4 of annual sales collected during first nine months of fiscal year
- <sup>3</sup> A conservative estimate of \$135,000 has been used as the estimated cost of sales amount budgeted for the nine months
- <sup>4</sup> three quarters of annual depreciation is projected to be \$1,960 for the nine months ended March 31, 2008
- <sup>5</sup> Depreciation is bugeted for \$2,009
- <sup>6</sup> Three Quarters pro-rata allocation of indirect cost, \$44,428 times .75%
- <sup>7</sup> Half of indirect cost allocation, \$47,800, attributable to Pro Shop operations
- <sup>8</sup> General Fund Revenue Share allocated to Pro Shop Revenue



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*Golf Fund Report*  
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**City of Pacific Grove**  
**Statement of Cash Flows – Golf Fund**  
**For Year-to-Date through March 31, 2008**



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CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	2,146,184
(Payments) to suppliers	(533,932)
(Payments) to employees	(874,879)
Other receipts (payments)	<u>10,309</u>
Cash Flows from Operating Activities	<u>747,682</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating subsidies and transfers to other funds	<u>(496,007)</u>
Cash Flows from Noncapital Financing Activities	<u>(496,007)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(43,371)
Principal paid on capital debt	(65,000)
Interest paid on capital debt	<u>(203,935)</u>
Cash Flows from Capital and Related Financing Activities	<u>(312,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>7,091</u>
Cash Flows from Investing Activities	<u>7,091</u>
Net Cash Flows	(53,540)
Cash and cash equivalents at beginning of year	<u>759,150</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>705,610</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating Income (loss)	490,621
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation and amortization	218,088
Change in assets and liabilities	
Accounts receivable	(4,965)
Loans receivable	10,264
Other assets	(33,283)
Accounts Payable	(35,171)
Other Liabilities	8,466
Wages payable	40,955
Compensated absences	<u>52,707</u>
Cash Flows from Operating Activities	<u><u>747,682</u></u>