

REPORT OF GENERAL MANAGER

NO. 03-211

DATE June 18, 2003

CD. _____

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: RECONCILIATION OF THE CONCESSION IMPROVEMENT ACCOUNT FOR COMPLETED PROJECTS, TRANSFER OF AMORTIZED REVENUE TO THE DEPARTMENT'S GENERAL FUND, CREATION OF GOLF CONCESSION IMPROVEMENT ACCOUNT, AND INCREASE LIMIT OF STAFF APPROVAL FOR EXPENDITURES.

J. Combs _____ H. Fujita _____
*T. Corrales TC J. Kolb _____
J. Duggan _____ B. Lukehart _____


General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Instruct the Chief Accounting employee to make adjustments among sub-accounts to the existing Account No. 907 (Concession Improvements) as described in the body of this report, and;
2. Direct the Chief Accounting employee to transfer \$695,777.30 from Account No. 907 (Dept. 89 Appr. Account No. 9070, Sub-Account 907-00) to the Department's General Revenue Account (Dept. 88 Rev. Source 4150) to compensate for allowed amortizations from rent;
3. Authorize the Chief Accounting employee to establish a new 900 series account, entitled "Golf Concession Improvements," and transfer \$123,251.65 from Account No. 907-00 (Unallocated) to the unallocated sub-account of the new fund; and;
4. Increase the ceiling of individual expenditures requiring Board approval from \$5,000.00 to \$10,000.00.

SUMMARY:

The Department's Concession Improvement Account (No. 907) provides funds to maintain and improve Department concession facilities and to administer and monitor concession operations.

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This account is funded by a 10% surcharge on all concession rentals and requires Board approval for expenditures in excess of \$5,000.00. Currently, those funds generated from both golf and non-golf concessions are managed from a single improvement account. With the creation of the Department's Golf Division and the development of a master plan for golf course improvements underway, it is now timely to fully reconcile this account and to separate and manage those funds generated exclusively from Golf-related concessions from a separate Golf Concession Improvement Account.

The Improvement account is divided into 87 sub-accounts into which funds are allocated to complete Board approved projects, and one sub-account for unallocated funds. Of these projects, 83 have been completed or are no longer are needed. Thirty-eight of the completed projects currently have a zero balance and do not require adjustments. To close out the remaining 49 projects, staff recommends that these sub-accounts be reconciled and made inactive, as necessary, and that the remaining balance (both positive and negative) be transferred to or from the unallocated sub-account (907-00) as detailed in Exhibit A. Certain sub-accounts are on-going projects that require annual funding allotments: Audits and Consulting (907-AC), Miscellaneous Concession Expenditures (907-CM), Removal of Illegal Vendors (907-RE), and Management Analyst II Salaries (907-SA). These accounts are also included in Exhibit A with the recommended allocation amounts for fiscal year 2003-2004.

Additionally, under current policy, concessionaires can perform staff-approved repairs and upgrades to their facilities that would otherwise be the responsibility of the Department and offset the cost of these improvements through rent amortization. Since these amortizations reduce the concession revenue deposited into the Department's general revenue account, the policy calls for the transfer of funds from the Concession Improvement Account to the General Fund to make up the revenue decrease. Exhibit B contains a list of amortized improvements that have been completed, and the recommended amounts to be transferred from the existing Concession Improvement Account (Dept. 89 Appr. Account No. 9070, Sub Account 907-00) to the General Revenue Account, Leases and Concessions (Dept. 88 Rev. Source 4150).

Once these transactions are completed, staff recommends that a prorated share of the remaining uncommitted funds in the existing Concession Improvement Account be transferred to the new Golf Concession Improvement Account. Golf concession rentals have historically accounted for approximately 60% of the income to the Concession Improvement Account. The current uncommitted balance is \$205,419.41 after adjustments, and the amount to be transferred to the Golf Concession Improvement Account will be \$123,251.65.

Accordingly, it is recommended that as of July 1, 2003, the 10% surcharge on golf concession rental income be deposited in the new, separate Golf Improvement account for the use in managing and improving the existing golf concessions. Based on historical golf concession rentals paid to the Department, it is anticipated that approximately \$300,000.00 will accrue in this account annually.

In conjunction with the above adjustments and creation of separate improvement accounts, staff recommends increasing the threshold for Board approval for repairs and improvements to

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\$10,000.00. The current \$5,000.00 approval threshold limits staff's ability to quickly respond to emergencies, as well as routine needs, as the cost of materials and labor have increased significantly since the account and policy was established in 1987. An example is Board Report No. 03-199, requesting approval for the allocation of funds for the labor to install two new sewage pumps in the amount of \$5,464.00; this was emergency work to meet health and safety concerns, by a City vendor, but was delayed awaiting Board approval.

Report prepared by Michael Honan.