MEMORANDUM

9-4-87

From: Fred Smith
To: Distribution

Subject: Coast Guard Financial Statement Reporting for Golf Course and Lighthouse under Licensing Agreements

1. We are required to report annually to the Coast Guard in the form of a financial statement which itemizes operational expenses and revenue's from the city's use of the properties.

2. Unless we formally levy a fee, there will be no requirement for making a report in connection with the Point Pinos Lighthouse Agreement.

3. Golf Course

   A. Revenues- (1) Golf fees
   (2) Pro Concession (not applicable to USCG property)
   (3) Snack Bar Concession (not applicable to USCG property)

   B. Expenditures- (1) Operations and maintenance
   (2) Special funds
   (3) Depreciation (not presently recorded)

4. Overhead. We can allocate general and administrative overhead in addition to expenses generally noted above.

5. We have to be able to show expenses in excess of revenues to insure that we do not pay the "profits" to the Coast Guard. The Golf revenues were $525,299 (fees only) and the total expenses including special funds were $384,962. For a difference of $140,337 for the entire fiscal year of 1986-87. We will report for the final six months of that year. For fiscal year 1987-88 we estimate an excess of expenditures over revenues of $73,998.

6. In preparing the financial report, it will be neccesary to be able to have the report tie to the annual audit. Because we are on an accrual basis, we should now look to formalizing the enterprise nature of the golf course operation. This was recommended by our Gann Limit consultant, DWG at the time of their initial Gann study. It should be obvious that we have the same problem with Gann that we do with the USCG. To that end, I will be developing accounting alternatives in an effort to zero out any "profits" under forseeable conditions.

Fred Smith

Distribution: City Manager
City Attorney
Golf Superintendant
Museum Director

Folder finance
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9-16-87

LICENSE NO. DTCG-271112-87-RP-0076
UNITED STATES OF AMERICA AND CITY OF PACIFIC GROVE

FINANCIAL STATEMENT
REVENUES AND EXPENSES FOR PERIOD
JANUARY 1987 through 30 JUNE 1987 *
(IN DOLLARS)

REVENUES:				
GOLF FEES	132,648	605,323	132,648	
EXPENSES:				
SALARIES	39,721	178,821		
FRINGE BENEFITS	13,971	58,771		
PROFFESSIONAL EXPENSE	5,003	20,100		
TELEPHONE	,853	2,991		
MEETINGS AND TRAVEL	,249	1,084		
ADVERTISING	,826	1,864		
UTILITIES	14,982	20,357		
BUILDING REPAIRS	,578	4580		
MISCELLANEOUS REPAIRS	1,087	4,733		
INSURANCE	2,318	1,802		
AGRICULTURAL SUPPLIES	3,993	11,272		
JANITORIAL SUPPLIES	,362	1721		
GASOLINE AND OIL	,763	3012		
VEHICLE REPAIRS	1,182	6,643		
OFFICE SUPPLIES	, 47	127		
HAND TOOLS	,156	927		
CONSTRUCTION MATERIALS	1,097	7002		
MISCELLANEOUS SUPPLIES	3,126	7135		
DEPRECIATION	13,133	5063 ~~96~~ 18,400		
CAPITAL OUTLAY	7,316	315[illegible] ~~110,763~~	418547	
GENERAL AND ADMINISTRATIVE EXPENSE @ 32%		~~227,130~~ 193,703	~~135,953~~	630,950
NET LOSS			~~(3,305)~~	25,627

Equipment
Improvement
Depreciation

*ONE HALF OF GOLF FEES AND EXPENSES ATTRIBUTABLE TO FEDERAL GOVERNMENT PROPERTY.

G/A	Police	10 %
	Fire	2 %
	Government	20%
		32%

Replacement Value

Maint Bldg	100,000
Club house	750,000
Cart Storage	70,000
	920,000

50 year life

18,400

Referred –

Fred:

I have reviewed your note regarding [illegible] requirements to the Coast Guard.

1. When and for what reporting period is our report due to Coast Guard?

2. You note that we have a gap of direct revenues over direct expenditures for the 1987-88 period of $186,476. I would suggest the following be reported:

   A. The asset depreciation amount of $25,ØØØ seems reasonable.

   B. I believe a 1Ø% G&A expenses of $41,885 is reasonable.

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   C. We did budget $11Ø,ØØØ last year for the new cart garage, the new maintenance building, and the replacement gasoline tanks. This money was not expended in 1987-88, but was carried forward in the General Fund for future expenditues. I believe the establishing of this reserve amount would qualify as an expenditure in terms of our accounting for the golf course.

   D. Let's include the amount Bill paid for glass breakage claims from the liability insurance account. $2,467.

   E. I think we can realistically allocate additional liability insurance costs to the golf course. Perhaps another $1Ø,ØØØ as we did this year.

It seems reasonable to me that these expenditures are certainly defensible should there be any question. If further explanation is needed, I think we can indicate we are looking at a detailed cost accounting system for the golf course to better identify expenditures.

In regards to my memo to Council, I think we need to start the discussion on the enterprise concept. We can certainly allocate in the future if we don't go to a detailed cost accounting system. However, my interest at this point is in taking a detailed look at a cost accounting system for the golf course. I believe that if we tried to set up an allocation system, it would be subject to more public skepticism than if we have an outside consultant develop a full cost accounting under guidelines of Prop. 4.

Please try to complete Coast Guard report on above basis. I would like to review before we submitt.

Gary

Gary