



Monterey County

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Board Report

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Matter Type: General Agenda Item

- a. Receive a report on the financial conditions of the lake resorts operations.
- b. Authorize the Auditor-Controller to transfer \$1,993,149 from General Fund (001) contingencies to the Lake Resorts Fund (Fund 452, Appropriation Unit RMA102), where funding is a decrease in appropriations by \$1,993,149 in Appropriation Unit CAO020-001-8034-7811 and increase appropriations in CAO017-001-8038-7614 by \$1,993,149 (4/5ths vote).
- c. Authorize the Auditor-Controller to transfer \$250,000 from General Fund (001) contingencies to the Lake Resorts Fund (Fund 452, Appropriation Unit RMA102), where funding is a decrease in appropriations by \$250,000 in CAO020-001-8034-7811 and increase appropriations in CAO017-001-8038-7614 by \$250,000 (4/5ths vote).
- d. Authorize the Auditor-Controller to decrease appropriations by \$515,000 in Appropriation Unit CAO020-001-8034-7811 and increase appropriations in COU006-001-8429-6613 to fund fuel spill remediation at the Lakes (4/5ths vote).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report on the financial conditions of the lake resorts operations.
- b. Authorize the Auditor-Controller to transfer \$1,993,149 from General Fund (001) contingencies to the Lake Resorts Fund (Fund 452, Appropriation Unit RMA102), where funding is a decrease in appropriations by \$1,993,149 in Appropriation Unit CAO020-001-8034-7811 and increase appropriations in CAO017-001-8038-7614 by \$1,993,149 (4/5ths vote).
- c. Authorize the Auditor-Controller to transfer \$250,000 from General Fund (001) contingencies to the Lake Resorts Fund (Fund 452, Appropriation Unit RMA102), where funding is a decrease in appropriations by \$250,000 in CAO020-001-8034-7811 and increase appropriations in CAO017-001-8038-7614 by \$250,000 (4/5ths vote).
- d. Authorize the Auditor-Controller to decrease appropriations by \$515,000 in Appropriation Unit CAO020-001-8034-7811 and increase appropriations in COU006-001-8429-6613 to fund fuel spill remediation at the Lakes (4/5ths vote).

SUMMARY/DISCUSSION:

The County Administrative Office (CAO) reviewed the financial condition of the lake resorts enterprise (fund 452) as a result of the fund having a negative cash balance at the end of the 2017-18 fiscal year. On August 31, 2018, the CAO issued a memorandum to notify the Board of Supervisors (Board) that the lake resorts fund required a temporary interfund loan to cover the negative cash balance of \$2.1 million. The interfund loan covered the cash deficit temporarily but the fund has a remaining budget deficit of \$2.0 million and a negative net position of \$5,465,290 as reported in the FY 2016-17 Comprehensive Annual Financial Statement (CAFR). Our analysis shows the deficit is part of an ongoing annual operating deficit which has required general fund subsidies over many years.

Even with the General Fund providing subsidies exceeding \$16.6 million since the County assumed full operational responsibility the fund still has a \$2.0 million deficit at the end of FY 2017-18. These subsidies have drained funding from the general fund and in the long-run will continue to diminish the capacity of the County to fund other priorities and rebuild reserves. Refer to the CAO report for a comprehensive analysis, Attachment A.

The CAO recommends the reduction of General Fund Contingencies by \$2.8 million to fund the FY 2017-18 operating deficit, provide operating capital in the current year, and cover one-time fuel mitigation costs. The CAO and the Resource Management Agency (RMA) will continue to collaborate on the financial sustainability of the lake resorts.

OTHER AGENCY INVOLVEMENT:

The Budget Committee reviewed and supported this recommendation.

FINANCING:

The above actions will reduce General Fund Contingencies by \$2,758,149 leaving a contingency balance for the remainder of FY 2018-19 of \$1,892,532.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the administration and health & human reserves strategic initiatives as funding will allow Risk Management to continue its fuel mitigation program at the lakes and allow the lakes fund to have enough cash to continue operations.

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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Attachment: Analysis on Fiscal Status of the Lake Resorts