



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: BC 24-058

May 22, 2024

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Current Status: Agenda Ready

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Matter Type: Budget Committee

Receive Lake Nacimiento Resort and Operations Enterprise Fund Year-end Financial Reports for Fiscal Year 2022-23 and for Mid-Year Financial Report for Fiscal Year 2023-24.

RECOMMENDATION:

It is recommended that the Budget Committee receive Lake Nacimiento Resort and Operations Enterprise Fund Year-end Financial Report for Fiscal Year 2022-23 and Mid-Year Financial Report for Fiscal Year 2023-24.

SUMMARY:

Public Works, Facilities and Parks (PWFP) is presenting the Year-end Financial Report for Fiscal Year (FY) 2022-23 and Mid-Year Financial Report for FY 2023-24 for Lake Nacimiento Resort and Operations Enterprise Fund.

Attachment A shows two sets of comparative financial reports. The first set shows budget vs actual for the last FY 2022-23. The second set provides budget vs current year estimate for FY 2023-24, and actual revenues and expenses for the 8-month period, July 1, 2023, through February 28, 2024.

In FY 2022-23, Lake Nacimiento (Lake) began the year with a net position of \$2,323,809 and ended with \$2,488,244, an increase of \$164,435 from the prior fiscal year's net income. This net position amount comprises a restricted portion of \$913,531, net investment in capital assets of \$819,201, and unrestricted net position of \$755,512. Restricted net position amount is for Zebra/Quagga Mussel Program - \$518,535, for 2018 trailer fire insurance proceeds - \$263,633 and for Winter Storm 2023 pending projects - \$131,363. Net investment in Capital Assets represents the Lake's spending on Capital assets, minus the depreciation expense.

In FY 2023-24, the Lake's net position is estimated to increase further by \$452,903, that will result in an ending net position of \$2,941,147. This estimated ending net position amount assumes the same restricted net position amount for Zebra/Quagga Mussel Program and for 2018 trailer fire insurance proceeds as the amounts last fiscal year. While restricted net position for Winter Storm 2023 projects will be used for the operating transfer out to General Fund to return Strategic reserve funding no longer needed for the storm projects. Meanwhile, the Investment in Capital Assets balance is anticipated to be lower by the depreciation cost in FY 2023-24, estimated to be approximately \$213,723, bringing the Investment in Capital Assets down to \$605,478.

DISCUSSION:

The Resort at Lake Nacimiento is operated under an agreement with a third-party management company, Vista Recreation (formerly Basecamp). The agreement allows for reimbursement of the operator's expenses that exceed revenues, in addition to a monthly management fee and annual incentive fee. The management fee for FY 2023-24 is \$345,684 and increases annually by the June Consumer Price Index for the San Francisco Area. The annual incentive fee is ten percent (10%) of adjusted net income. The adjusted net income excludes specific costs, such as administrative staff costs, ranger surface patrol, County insurance, depreciation, and capital expenses. The County is responsible for capital expenses such as repairs to infrastructure. The estimated annual incentive fee for FY 2023-24 is \$48,759, with a net income estimate of almost \$0.5 million.

The FY 2023-24 adopted budget, as modified, for operating expenses was anticipated to exceed revenues by \$286,663. The current year's estimate is now anticipating a positive net operating income of \$32,499, with projected operating revenues at \$4,456,163 and operating expenses of \$4,423,665. This is in anticipation of stronger profits in the remaining months of the fiscal year.

Operating expenses include an estimated depreciation expense of \$213,723 and cost plan charge of \$21,714.

Non-operating revenues and expenses include estimated interest income of \$40,000 and interest expense on long-term debt from the Water World Resort, Inc. settlement of \$13,793. The long-term debt interest payment is offset by an operating transfer-in from the General Fund together with the principal portion of the long-term debt (\$505,412). The final settlement debt payment will be made in FY 2023-24.

Meanwhile, current-year estimate includes an operating transfer out to the General Fund of \$125,007 to return unused Strategic Reserve funding for storm damages last fiscal year. All projects have been completed and paid for, except one project which staff decided it was in the County's best interest to terminate.

Overall, transfers in and other non-operating revenues exceed transfers out and non-operating expenses by \$420,405. Combined with the estimated net operating income of \$32,499, total expected increase in net position will be \$452,903. This will bring the Lake's net position up to \$2,941,147 by end of FY 2023-24.

Although Lake Nacimiento's budget anticipated a net operating loss of \$286,663 in FY 2023-24, the high-water levels, ten new boats, and seven new RV trailers contributed to boosting revenues that will turn FY 2023-24 into a profitable year. With the new rental boats Vista purchased, the County receives fifteen percent (15%) of the gross rental revenues, as well as ancillary revenues from marina services, admissions, fuel, camping, and lodging revenues. The new RV trailers and the current Lodge renovation projects anticipate increased occupancy and higher lodging revenues.

OTHER AGENCY INVOLVEMENT:

None.

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FINANCING:

Accepting the Year-end Reports for FY 2022-23 and the Mid-Year Report for FY 2023-24 has no financial impact.

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Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities & Parks

DocuSigned by:

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Attachment:

Attachment A - Lake Nacimiento Financial Reports for Fiscal Years 2022-23 and 2023-24

(Attachments are on file with the Clerk of the Board)