



Analysis on the Lake Resorts

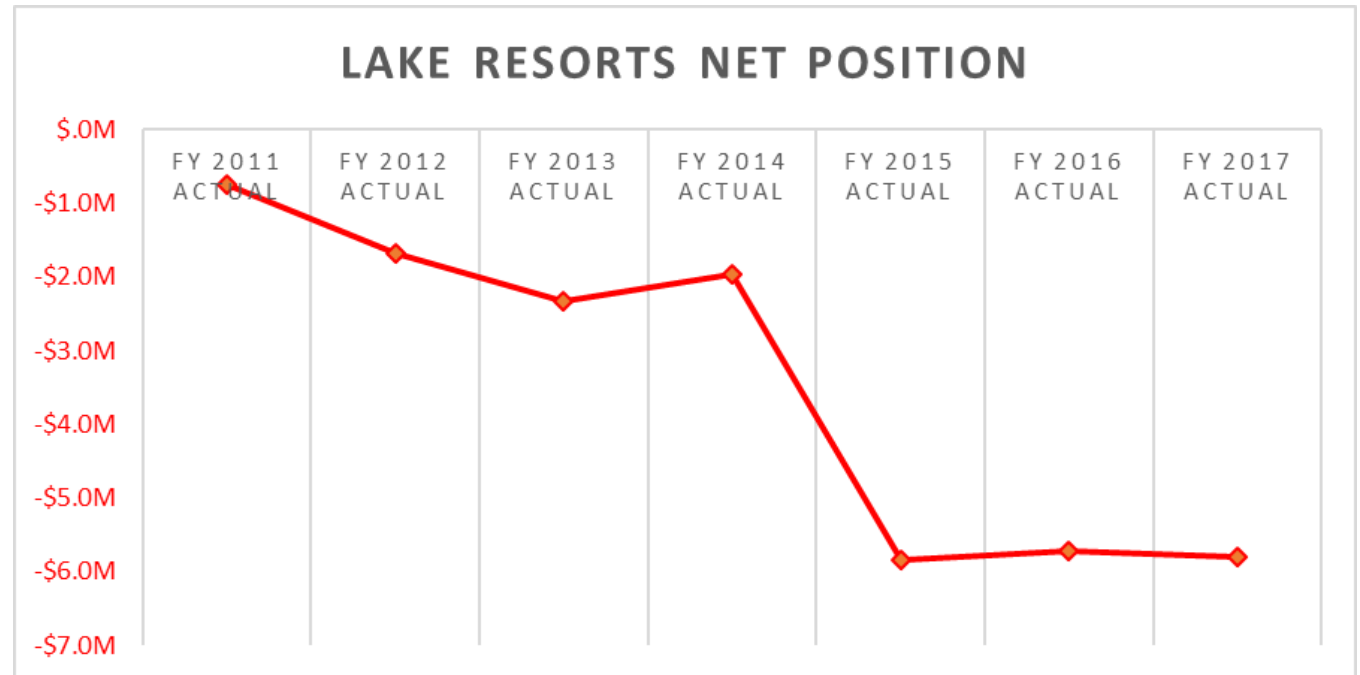
October 16, 2018

The Lake Resorts Enterprise Fund

- The enterprise fund was established to maintain a high-quality resort and recreational area that generates sufficient revenue through user fees to recover operational and infrastructure costs.
- Previously, the Parks Department and now the Resource Management Agency contract out the resort operations (marinas, camping, fueling facilities, lodging and boat rentals).
- The County provides maintenance, park ranger, and administrative services.

Financial Status of the Lake Operations

- The balance sheet has a \$5.5 million negative net position as of the FY 2016-17 CAFR.
- The fund has had a negative net position every year since operating as an enterprise.
- Factors impacting the balance sheet:
 - Insufficient cash generated from operations.
 - Long-term liabilities: ISF loan and pension liabilities.
 - Short-term liabilities: temporary loans from the general fund.

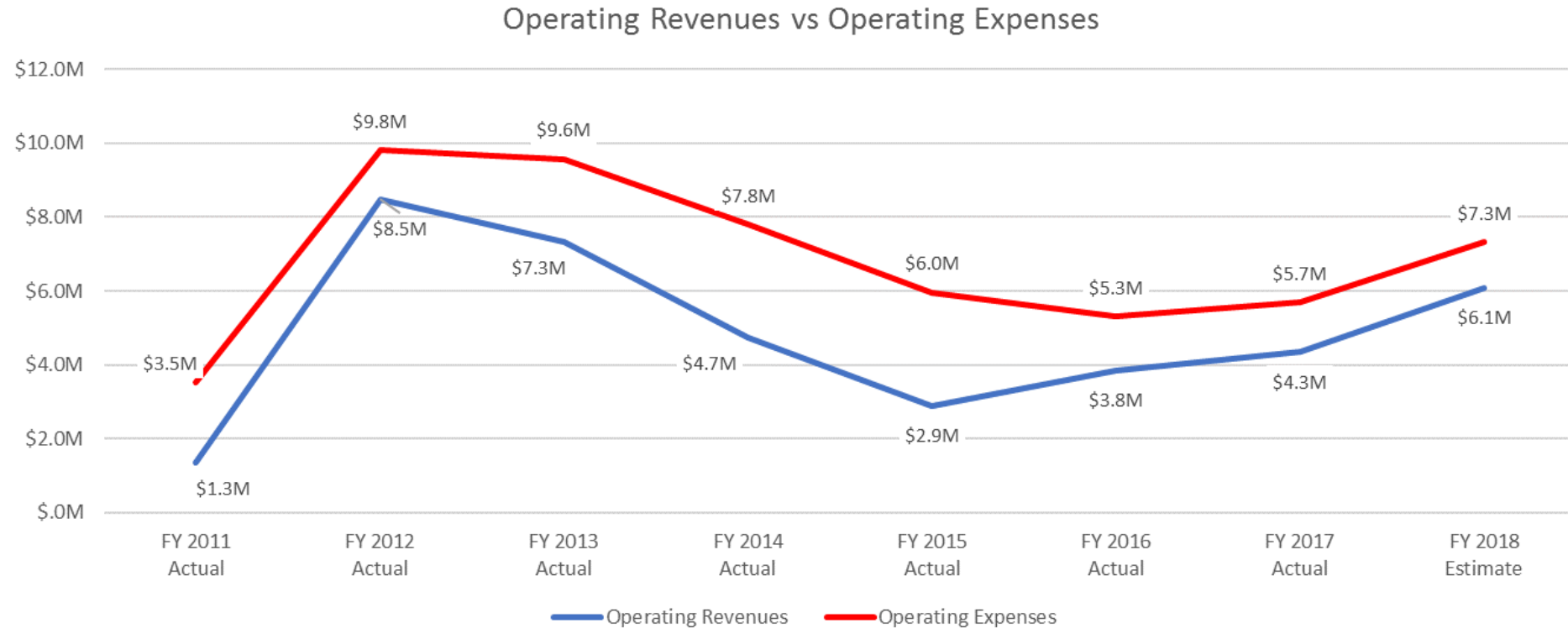


Temporary Interfund Loans

- The fund has received loans from the general fund.
- Temporary interfund loans are to resolve cash flow issues relating to the timing of revenues and are to be repaid immediately at the beginning of the next fiscal year.
- In the lakes' case, the loans did not resolve the operating deficits.

Fiscal Year	Amount	Repaid in Fiscal Year
FY 2009-10	\$ 160,141	FY 2011-12
FY 2011-12	\$ 580,000	FY 2013-14
FY 2012-13	\$ 282,762	FY 2013-14
FY 2014-15	\$ 1,271,143	FY 2017-18
FY 2017-18	\$ 2,089,244	FY 2018-19
Total	\$ 4,383,290	

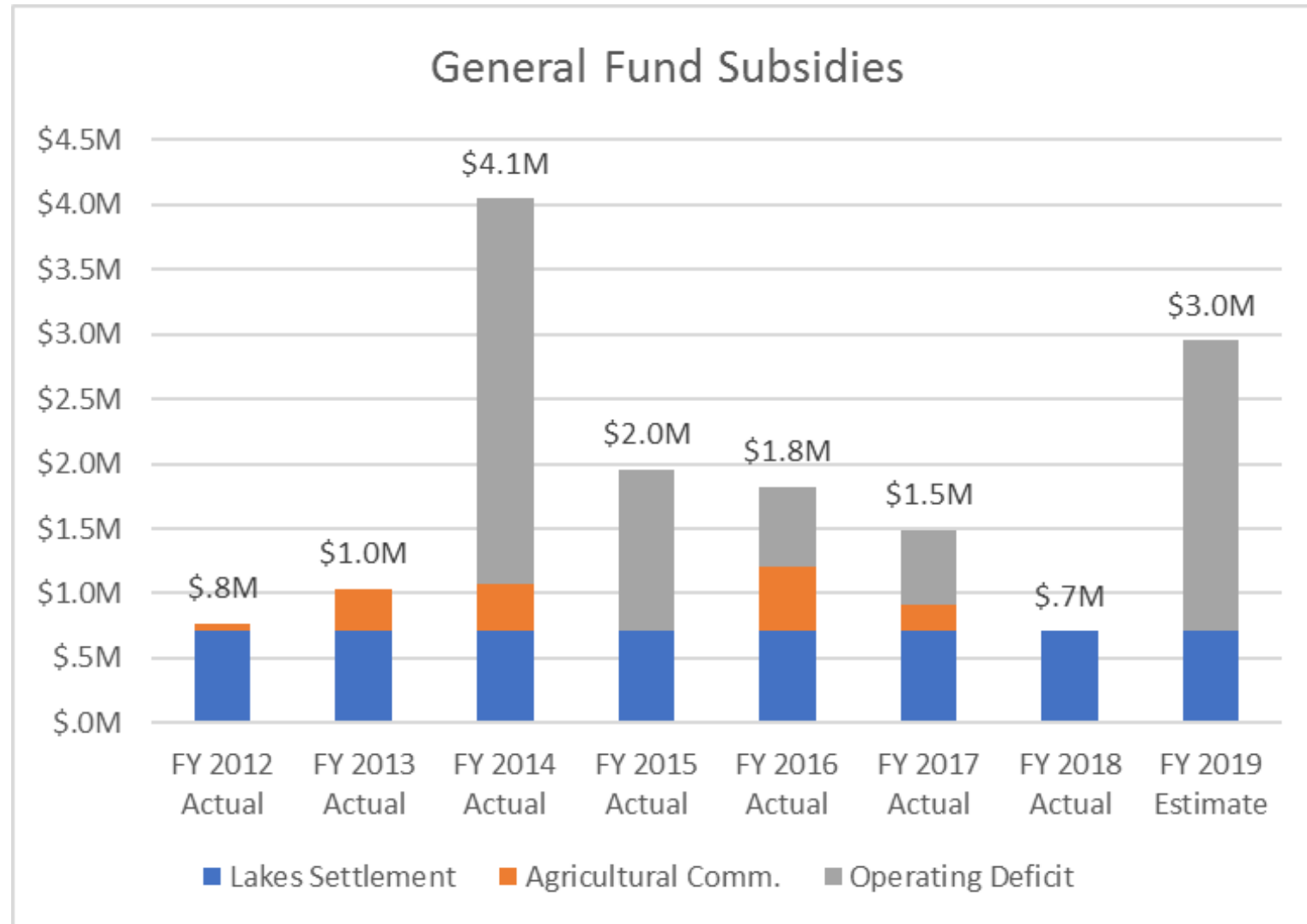
Operating Deficiencies



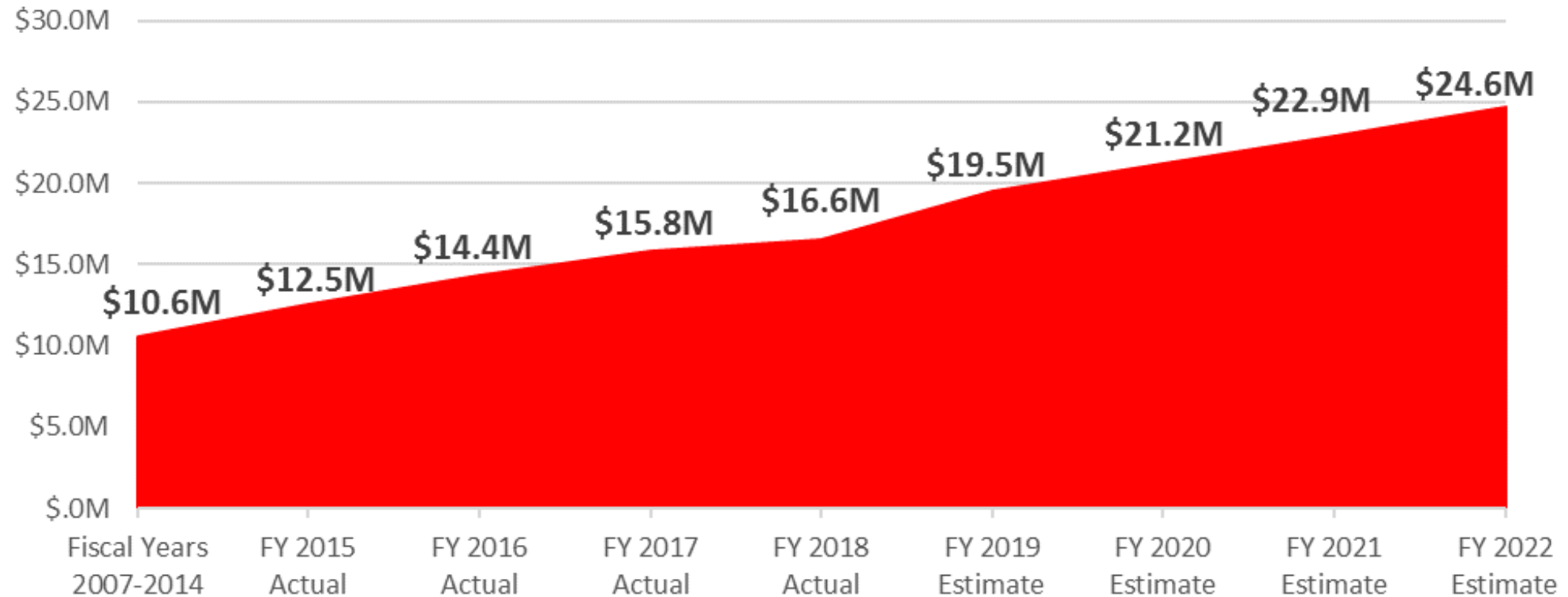
- Operating activities refer to core business functions such as camping, lodging, and marina operations.
- In the past eight fiscal years, operating expenses surpassed operating revenues by an average of \$2.0 million.
- General fund subsidies were needed to cover the operating deficits.

General Fund Subsidies

- Since FY 2006-07, the general fund subsidized the lake resorts fund with \$16.6 million.
- If status quo operations remain in place, it is estimated that the fund would require at least \$1 to \$2 million in general fund subsidies every year.



General Fund Subsidies-Cumulative (Projected)



Short and Long-Term Impacts of Subsidizing the Lake Resorts

- Short-term: Allow lake resorts to continue to operate.
- Long-term: Subsidies diminish the County's capacity to build reserves, fund other operational priorities, and leverage state and federal monies.

Risks Associated with Operating Resort Activities

- The agreement with the current concessionaire results in a net loss to the County.
- The concessionaire contract does not allow the County to generate a positive income.
- The investment in infrastructure required is substantial and the current operations are not sufficient to fund this investment.
- One of the major financial variables is that water levels at the lakes are unpredictable.



FY 2017-18 deficit (cumulative)	1,993,149
Cash flow for FY 2018-19	250,000
Lake San Antonio Fuel Mitigation	515,000
Total Use of Contingencies	\$ 2,758,149
Contingencies Balance	\$ 1,013,703

Recommendation



Questions, Comments, Direction