



County of Monterey

Item No.6

Monterey Room
168 W. Alisal St., 2nd Floor
Salinas, CA 93901

Staff Report

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Receive the Laguna Seca Recreation Area (LSRA) Enterprise Fund Year-End Financial Report for Fiscal Year's (FY) 2023-2024 and 2024-25 and the Budget Comparison for FY 2025-26.

RECOMMENDATION:

It is recommended that the Parks Commission receive the Laguna Seca Recreation Area (LSRA) Enterprise Fund Year-End Financial Report for Fiscal Year's (FY) 2023-2024 and 2024-25 and the Budget Comparison for FY 2025-26.

SUMMARY:

Public Works, Facilities and Parks (PWFP) is submitting the Year-End Financial Reports for Fiscal Years 2023-24 and 2024-25, along with a budget comparison that includes the current Fiscal Year 2025-26. The reports reflect major financial impacts from the transition of Laguna Seca's operations to the new Concessionaire, Friends of Laguna Seca (FLS), under an agreement that took effect in August 2024. This shift significantly changed the structure of revenues and expenditures, and these changes are reflected in the most recent financials and current-year budget.

DISCUSSION:

Laguna Seca Recreation Area (LSRA) transitioned to new operational management under Friends of Laguna Seca (FLS), effective August 1, 2024. Prior to this date, LSRA was managed by A&D Narigi, LLC, under which both revenues and expenditures were directly recorded by the County.

Attachment A presents the year-end results for the most recently completed fiscal years. In Fiscal Year 2023-24, LSRA reported a net operating income of \$2.8 million. After accounting for non-operating revenue of \$19.5 million and an operating transfer out of \$0.4 million, the total net change in position was \$21.9 million. A significant portion of the non-operating revenue came from the transfer of capitalized project costs for the Track and Bridge Rehabilitation project from the Governmental Fund to the Enterprise Fund. This transfer increased the LSRA's net position from \$9.2 million at the beginning of the year to \$31.1 million at year-end.

In contrast, Fiscal Year 2024-25 included only one month of operations under the new concession agreement. This year resulted in a net operating loss of \$1.9 million. After accounting for \$0.5 million in non-operating revenue and \$0.4 million in transfers out, the final net loss was \$1.7 million, reducing the LSRA's net position to \$29.4 million.

As of the end of Fiscal Year 2024-25, LSRA's total net position is divided into three categories. The net investment in capital assets is reported at \$26.5 million, representing the value of capital assets less depreciation and any related debt. The restricted net position is \$0.4 million, designated for storm-related project costs. The unrestricted net position stands at \$2.5 million, representing funds available for general operations.

Attachment B provides a comparison of budget amounts for Fiscal Years 2023-24, 2024-25, and the current 2025-26. Budgets for the prior two years were prepared without anticipating the transition to FLS. The budget for Fiscal Year 2025-26, however, reflects a projected net loss of \$2.5 million. This projected deficit is primarily due to the fact that under the current agreement, all operating revenues and expenditures are now handled by FLS and no longer flow through the County's financials. Despite this shift, the County continues to incur fixed overhead expenses, including insurance costs, depreciation, and cost plan allocations. Of these, only the cost plan allocation is reimbursable by FLS.

Under the current agreement, the County receives only one source of revenue—a sponsorship payment designated to reimburse the General Fund for its advance funding of the Track and Bridge Rehabilitation project. Additional revenue from concession fees is not expected until sixty days after December 31, 2029, at which point FLS will begin making annual payments to the County equal to 10 percent of its Net Operating Income.

FINANCING:

Accepting the Year-End Financials and Budget Comparison for the Fiscal Years 2024 to 2026 has no financial impact.

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

Attachment:

Attachment A - Laguna Seca Financial Reports for Fiscal Years 2023-24 and 2024-25

Attachment B - Laguna Seca Budget Comparison for Fiscal Years 2024 to 2026