City of Rockville

MEMORANDUM

March 26, 2010

TO: Mayor and Council

VIA: Scott Ullery, City Manager

FROM: Gavin Cohen, Chief Financial Officer

SUBJECT: RedGate revenues and costs compared to other recreation facilities

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During Mayor and Council deliberations on RedGate Golf Course, the Mayor and Council requested operating comparison data between RedGate, that utilizes full accrual accounting in an Enterprise fund, and other recreation facilities that utilize modified accrual accounting in the City's General fund.

The attached sheet (Attachment A) contains a comparison of the revenues and expenditures for the Golf Course, the Senior center, the Swim center, Lincoln Park recreation center and Twinbrook recreation center.

The first section contains the comparable FY 2009 operating results. In order to make them comparable, I utilized the RedGate Statement of Cash Flows, cash from operations and adjusted out the administrative charge from the City which the other facilities don't expressly pay. In other words despite the two different bases of accounting utilized, a cash basis is the most easily comparable to the centers that operate in the General Fund.

The Operating Statistics section reflects the Mayor and Council Policy for cost recovery, the general fund cost per capita and the general taxpayer contribution per capita.

The Additional Cost Comparison Factors section shows those items that are generally accounted for in an Enterprise fund, and not in the General Fund programs. I utilized some accounting artistic license to recreate what depreciation and debt service payments would be for the General Fund centers. The administrative charges line i.e. indirect costs charged to these programs, reflect why a cost allocation plan is needed. As the smaller centers do not pay for utilities and most maintenance costs directly within the cost center, but rather through general facilities maintenance, a large part of this charge is from facility maintenance that is being allocated to each center for maintenance. In contrast, the larger facilities like the Swim center and the Senior center pay all of their utility costs and most of their maintenance costs within their respective budgets.

I've also attached (Attachment B) a 10-year RedGate comparison sheet that reflects the results from the golf course as if it was a General Fund operation along with the % recovery goals of the Mayor and Council.

Finally attached is the FY 2011 Five-Year Forecast for the Golf Fund.

Comparing Golf Fund to Other General Fund Programs

	Fiscal Year 2009				
	Golf	Senior Center	Swim Center***	Lincoln Park**	Twinbrook**
Operating Revenues	$1,076,337	$261,404	$1,445,732	$41,596	$139,673
Operating Expenses *	$1,319,857	$1,408,301	$1,602,887	$274,020	$273,548
Income / (Loss)	($243,520)	($1,146,897)	($157,155)	($232,424)	($133,875)

** Golf operating expenses do not include an administrative charge of $95,000.*

*** These facilities did not pay for water, sewer, electricity, heating fuel in FY2009 directly. This will change with FY 2011 budget.*

*** The utility costs during FY 2009 were LP(569+775+36,331+7,715=$45,390): TB(537+700+66,983+9,242=$77,462), Not adjusted.*

**** Does not include main water meter.*

(a) By Policy the $95,000 has been added back in for cost recovery for the Golf Course.

Operating Statistics					
M&C Policy on Recovery	100%	25%-100% Direct Costs and up to 25% of Indirect Costs			
Cost Recovery (Rev / Exp) (a)	76.07%	18.56%	90.20%	15.18%	51.06%
$ Subsidy per Capita (Loss / 63,059)	$3.86	$18.19	$2.49	$3.69	$2.12
Cost Per Capita (Exp / 63,059)	$20.93	$22.33	$25.42	$4.35	$4.34

Additional Cost Comparison Factors					
Debt Service Payments ****	$36,747	$61,831	$169,762	$81,883	$192,336
Depreciation *****	$110,139	$23,607	$70,745	$25,883	$55,637
Admin based on 2010 Study Ver 5	$331,498	$548,399	$398,386	$310,092	$353,140
Additional Costs	**$478,384**	**$633,837**	**$638,893**	**$417,858**	**$601,113**
Income / (Loss) less Additional Costs	($721,904)	($1,780,734)	($796,048)	($650,282)	($734,988)

Total Cost Statistics					
Total Cost Recovery (Rev / Exp)	59.85%	12.80%	64.49%	6.01%	15.97%
$ Subsidy per Capita (Loss / 63,059)	$11.45	$28.24	$12.62	$10.31	$11.66
Cost Per Capita (Exp / 63,059)	$28.52	$32.38	$35.55	$10.97	$13.87

***** 20 Year Debt at 4%.*

****** Based on Fixed Asset Depreciation Schedule.*

Golf Fund - History of Cash Operating Revenues and Expenses
Golf Operations as if they were in the General Fund

	Fiscal Year										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
Revenues *	**$963,957**	**$1,008,127**	**$1,167,382**	**$952,545**	**$1,153,758**	**$1,106,155**	**$1,083,059**	**$1,147,649**	**$1,170,654**	**$1,076,337**	**$10,829,623**
** Revenues do not include transfers in from the General Fund.*											
Expenses **	$803,404	$913,484	$949,417	$1,069,926	$1,043,883	$923,412	$876,835	$1,046,153	$1,204,395	$1,319,857	$10,150,766
*** Expenses have been adjusted to exclude admin, and do not include payments for debt service or depreciation.*											
Income / (Loss)	**$160,553**	**$94,643**	**$217,965**	**($117,381)**	**$109,875**	**$182,743**	**$206,224**	**$101,496**	**($33,741)**	**($243,520)**	**$678,857**
% Recovery	119.98%	110.36%	122.96%	89.03%	110.53%	119.79%	123.52%	109.70%	97.20%	81.55%	106.69%

Source: Audited CAFR, Statement of Cash Flows, Proprietary Funds, Cash Flows from operating activities.

	Fiscal Year										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
Revenues *	**$963,957**	**$1,008,127**	**$1,167,382**	**$952,545**	**$1,153,758**	**$1,106,155**	**$1,083,059**	**$1,147,649**	**$1,170,654**	**$1,076,337**	**$10,829,623**
** Revenues do not include transfers in from the General Fund.*											
Direct Expenses **	$803,404	$913,484	$949,417	$1,069,926	$1,043,883	$923,412	$876,835	$1,046,153	$1,204,395	$1,319,857	$10,150,766
Indirect Costs	$122,230	$149,557	$154,044	$158,665	$163,427	$168,330	$173,380	$89,500	$92,200	$95,000	$1,366,333
	$925,634	$1,063,041	$1,103,461	$1,228,591	$1,207,310	$1,091,742	$1,050,215	$1,135,653	$1,296,595	$1,414,857	$11,517,099
*** Expenses do not include payments for debt service or depreciation.*											
Income / (Loss)	**$38,323**	**($54,914)**	**$63,921**	**($276,046)**	**($53,552)**	**$14,413**	**$32,844**	**$11,996**	**($125,941)**	**($338,520)**	**($687,476)**

M&C Policy, in competitive environment, Redgate to recover all direct operating and indirect costs.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
% Recovery	104.14%	94.83%	105.79%	77.53%	95.56%	101.32%	103.13%	101.06%	90.29%	76.07%	94.03%
Indirect %	*15.21%*	*16.37%*	*16.23%*	*14.83%*	*15.66%*	*18.23%*	*19.77%*	*8.56%*	*7.66%*	*7.20%*	*13.46%*

Source: Audited CAFR, Statement of Cash Flows, Proprietary Funds, Cash Flows from operating activities.

ATTACHMENT B
City of Rockville, Maryland
March 2010

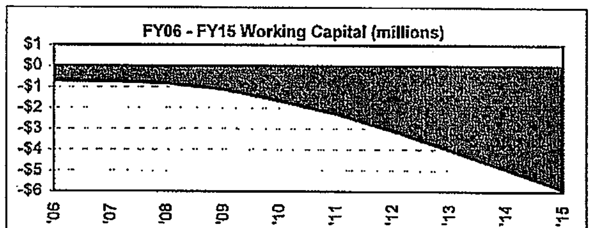
RedGate Golf Fund Five-Year Forecast

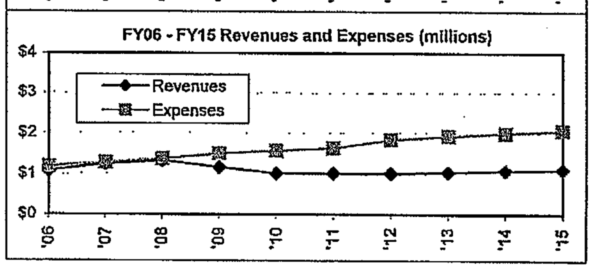
Revenues / Sources	Note	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Modified FY10	Proposed FY11	Estimated FY12	Estimated FY13	Estimated FY14	Estimated FY15
Golf Course Fees	A	846,338	869,521	887,553	827,324	779,576	779,580	779,580	802,967	827,056	851,868
Cart Rentals	A	217,988	252,324	265,553	230,766	219,832	219,830	219,830	226,425	233,218	240,214
Driving Range Fee	A	1,327	1,480	1,635	1,651	1,605	1,600	1,600	1,648	1,697	1,748
Concessions / Other	A	13,156	20,073	11,664	12,159	13,910	13,910	13,910	14,327	14,757	15,200
Pro Shop Rental		4,250	4,250	4,250	4,250	4,250	2,790	2,790	2,790	2,790	2,790
Transfers In	B	-	114,500	165,000	93,000	-	-	-	-	-	-
Total Revenues / Sources		**1,083,059**	**1,262,148**	**1,335,655**	**1,169,150**	**1,019,173**	**1,017,710**	**1,017,710**	**1,048,158**	**1,079,519**	**1,111,820**
Percent Increase		**-1.7%**	**16.5%**	**5.8%**	**-12.5%**	**-12.8%**	**-0.1%**	**0.0%**	**3.0%**	**3.0%**	**3.0%**

Expenses	Note	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Modified FY10	Proposed FY11	Estimated FY12	Estimated FY13	Estimated FY14	Estimated FY15
Personnel	C	639,884	664,098	732,933	805,091	818,092	873,200	908,128	953,534	1,001,211	1,051,272
Contract Services	D	85,628	127,751	136,022	138,743	163,223	157,690	159,267	160,860	162,468	164,093
Commodities	D	190,500	226,227	240,513	261,032	281,785	286,170	294,755	303,598	312,706	322,087
Capital Outlay	D	22,015	33,210	42,404	86,239	81,700	95,700	95,700	95,700	95,700	95,700
Admin. Charge	E	173,380	89,500	92,200	95,000	97,900	118,140	276,772	317,258	326,776	336,579
Debt Service	F	10,106	12,330	12,208	11,944	11,600	10,900	10,162	9,418	8,674	7,930
Other	G	71,237	139,190	125,791	110,139	120,100	100,100	100,100	100,100	100,100	100,100
Total Operating Expenses		**1,192,750**	**1,292,306**	**1,382,071**	**1,508,188**	**1,574,400**	**1,641,900**	**1,844,884**	**1,940,468**	**2,007,635**	**2,077,760**
Percent Increase		**-4.0%**	**8.3%**	**6.9%**	**9.1%**	**4.4%**	**4.3%**	**12.4%**	**5.2%**	**3.5%**	**3.5%**

		FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Working Capital, Beginning						(1,108,828)	(1,664,055)	(2,288,245)	(3,115,419)	(4,007,729)	(4,935,845)
Net Change						(555,227)	(624,190)	(827,174)	(892,310)	(928,116)	(965,940)
Working Capital, Ending		**(713,432)**	**(749,503)**	**(827,807)**	**(1,108,828)**	**(1,664,055)**	**(2,288,245)**	**(3,115,419)**	**(4,007,729)**	**(4,935,845)**	**(5,901,785)**

In 2006, the Mayor and Council adopted a five-year business plan intended to help RedGate achieve sufficient revenues in order to pay for course operations, capital outlay, and infrastructure improvements. Recognizing that the financial situation of the Fund is not improving, the Mayor and Council directed staff to research alternative management options. Pending completion of that research, FY 2011 will continue with the business plan, which allows for the administrative charge to be reduced by half.





NOTES:

A. Revenues are projected to increase by 3% each year starting in FY 2013 due to overall improvements in the economy.

B. Refers to the transfer from the General Fund to support capital improvements to the course. The General Fund transferred $372,500 over a three year period in accordance with the business plan.

C. Personnel expenses are estimated to increase by approximately 4% in FY 2012, and 5% each year after that, mainly due to increases in employee benefits.

D. Contract Services and Commodity expenses are estimated to increase each year by approximately 1% and 3% respectively, while Capital Outlay remains flat over the projection period.

E. Refers to the transfer to the General Fund, which was increased for FY 2011 per the updated Cost Allocation Plan, and assumes a three-year phase in with 3% increases after the phase in period. (*Note: as part of the five-year business plan this charge was reduced by half from FY 2007 through FY 2011 for a total RedGate savings of $475,000. Starting in FY 2012, the full amount will be charged).

F. Debt Service amounts represent interest payments based on current debt schedules. No additional debt is anticipated.