

REPORT OF GENERAL MANAGER

NO. 05-327


DATE December 14, 2005

CD Various

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: CONCESSION IMPROVEMENT ACCOUNT - TRANSFERS OF FUNDS TO GOLF CONCESSION IMPROVEMENT ACCOUNT AND FOR COMPLETION OF SHERMAN OAKS CASTLE AMERICANS WITH DISABILITIES ACT IMPROVEMENT PROJECT

J. Combs _____	H. Fujita _____
K. Regan _____	J. Kolb _____
*F. Mok <u>F.M.</u>	M. Shull _____
B. Jensen _____	S. Huntley _____


General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve the transfer of \$489,857.18 from Department 89, Fund 302, Account 070K-00, to Department 89, Fund 302, Account 400K-00 (Golf Concession Improvement Account),
2. Approve the transfer of \$145,000 from Department 89, Fund 302, Account 070K-00, to Appropriation Account W140, General Services Department;
3. Authorize the Chief Accounting Employee to make above transfers and to make any additional technical corrections between the two accounts necessary so that 10% of golf concession generated deposits are properly credited to Account 400K-00;
4. Request Mayoral and Council approval for the appropriation of \$145,000 into the General Services Department account, by authorizing staff to request the City Administrative Officer (CAO) to include the appropriation in the Monthly Financial Status Report to the City Council; and,
5. Authorize staff to deposit 10% of concession rental revenue from concessions at golf courses to the Golf Concession Improvement Account instead of the Concession Improvement Account, effective immediately and applied to rents due by December 15, 2005, for revenue in November or previous months.

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SUMMARY:

The Department's Concession Improvement Account (070K) provides funds to maintain and improve Department concession facilities and to administer and monitor concession operations. This account is funded by a 10% surcharge on all concession rentals and requires Board approval for expenditures in excess of \$10,000.00. From the time established, funds generated from both golf and non-golf concessions were managed from a single improvement account, but with the creation of the Department's Golf Division and the development of a master plan for golf course improvements underway, it was appropriate to separate golf and non-golf concession revenues so that funds generated exclusively from golf-related concessions could be monitored and managed more easily in cooperation with the Golf Manager. Accordingly, by action of the Board on June 18, 2003 (Board Report No. 03-211), staff was directed to establish a separate Golf Concession Improvement Account (400K), and to receive a start-up transfer of \$123,251.65. Although the account was so established, and has been used for golf concession-related work since that time, a companion direction to staff to deposit the 10% of golf concession revenue into the new account was not given. Except for the one-time transfer, golf funds have not been deposited into this account, but were still deposited to the original Concession Improvement Account (070K). This recommended action by the Board resolves that omission and transfers another total sum (\$489,8547.18), representing the golf concessions' portion of payments to the Concession Improvement Account as of March 2005, into the Golf Concession Improvement Account. As reports become available to verify expenditures made for golf concessions from Concession Improvement Account, inasmuch as all 10% of revenue was being deposited there, further reconciliation and transfer may be necessary as technical corrections.

Further, staff recommends a transfer of additional funds to the account of the Sherman Oaks Castle in the Sepulveda Basin Recreation Area, which is currently being charged by the General Services Department (GSD) for an on-going construction project to build a ramp to meet Americans with Disabilities Act (ADA) requirements. The Sherman Oaks Castle has been self-operated by the Department, in cooperation with our food, arcade, and batting cage concession partners, since 1993. Immediately upon assuming this operation, the constrictive restrooms, with limited commodes and sinks, were identified as an element of infrastructure needing major renovation and expansion, along with the need to make the facility ADA accessible, where access to mini-golf courses and all party areas was only by a long staircase. After several years of self-operation, funds had accumulated for the work, but attempts to place the original project out to bid faltered when the design, which required pilings, far exceeded any available Municipal Recreation Program or Concession Improvement Account funding combination.

Ultimately, the Department identified alternative design options, and through use of GSD as a contractor, launched first the restroom project, which is almost finished, and more recently the second improvement phase, the ADA ramp, which should be complete in February of next year. Originally, funds meeting GSD's project estimate of \$394,637.00 were appropriated for the project from the Sherman Oaks Castle Municipal Recreation Program Account (Board Report 03-321).

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About \$255,000.00 has been charged by GSD for the nearly-completed restrooms. Surplus funds were available at that time. However, a number of other substantial draws on the Castle accounts occurred simultaneous to the planned start of the restrooms, namely: sewer failure and need for complete replacement to the main; roof failure and need for tear-off and replacement; significant additional costs for staffing and for the Department's overhead for the Castle. Immediate steps were taken to keep expenses and revenues in balance, including the increase of concession rent retained to offset expenses (Board Report 05-64). Despite these efforts, the Castle account does not have a sufficient financial balance in the MRP account to pay the remaining approximately \$145,000.00 cost for the ramp.

Recently, a series of justifiable cost overruns increased the estimated total cost of the ramp project, and the Board approved a supplement to the project budget of \$105,000.00 from the Concession Improvement Account (Board Report No. 05-239). Since Concession Improvement is the appropriate account to fund such premises improvements, that will result in increases revenues directly to the Department and through increased concessionaire revenues and rent, it is likewise appropriate to transfer additional funds of \$145,000.00 from the Concession Improvement Account to cover the potential shortfall in the Castle accounts. GSD will be instructed to charge all additional project costs to the Concession Improvement Account funds authorized and set aside in their account for this project. In essence, at the end of the project, the Castle revenue account and the Concession Improvement Account will have funded the project equally.

FISCAL IMPACT STATEMENT:

Approval of these transfers will have no impact on the Department's General Fund, although use of the fund for repairs and improvements results in maintenance savings and modest revenue increases in coming years as patronage increases.

This report was prepared by Linda J. Barth, Administrative Resources Division