

TO: John Szerlag, City Manager

FROM: John M. Lamerato, Ass't. City Manager/Finance and Administration
James A. Nash, Financial Services Director

DATE: December 15, 2005

RE: Agenda Item – Brownfield Redevelopment Authority and Sanctuary Lake Golf Course Deficit Elimination Plans

It is a requirement of the State of Michigan that any fund or component unit of a municipality reporting a negative fund balance shall file a Deficit Elimination Plan (DEP) with the Department of Treasury after approval by the local legislative body. For the fiscal year ending June 30, 2005 the Brownfield Redevelopment Authority component unit and Sanctuary Lake Golf Course fund meet this criteria. Their respective plans are as follows:

Brownfield Redevelopment Authority

One recommendation arising from the Government Finance Officers Association (GFOA) review of our June 30, 2003 Comprehensive Annual Financial Report (CAFR) was to report the Brownfield Redevelopment Authority (BRA) as a discretely presented component unit. This GFOA recommendation was implemented with the June 30, 2004 CAFR and created a deficit fund balance in the BRA. A DEP was approved by City Council January 24, 2005 (#2005-01-041-E-6) and subsequently approved by the Michigan Department of Treasury February 8, 2005. The update to that plan is as follows:

BRA Fund Balance, June 30, 2005	\$	(681,449)
Budgeted expenditures, FY 05-06		(35,000)
Budgeted revenue, FY 05-06		<u>792,000</u>
Estimated Fund Balance, June 30, 2006	\$	75,551

As originally forecast, the deficit should be eliminated by June 30, 2006.

Sanctuary Lake Golf Course

A number of factors contributed to this deficit, the most significant being the delay in opening Sanctuary Lake Golf Course (SLGC). The debt service payment schedule was based upon the course being in full operation prior to July 1, 2004. That not being the case, first year revenue was well below projections while fixed costs remained in place. No league play and only a handful of outings were able to be booked at SLGC in 2004. With the playing surface being new, and trying to ensure golfers had an enjoyable time playing a new course, tee times were intentionally spread out, lowering rounds played. As a new entity with no fund

balance reserve available, the revenue shortfall immediately created the deficit situation.

The course is now in full operation. Tee times have been shortened, leagues and outings are reserving for 2006 and increased marketing efforts are underway. With the current industry wide softness in golf sales it is anticipated that the deficit elimination will be a multi-year effort, as indicated in the following plan:

SLGC Fund Balance, June 30, 2005	\$	(799,649)
Budgeted expenditures, FY 05-06		(1,736,940)
Budgeted revenue, FY 05-06		<u>1,965,380</u>
Estimated Fund Balance, June 30, 2006	\$	(571,209)
Estimated expenditures, FY 06-07		(1,716,000)
Estimated revenue, FY 06-07		<u>2,000,000</u>
Estimated Fund Balance, June 30, 2007	\$	(287,209)
Estimated expenditures, FY 07-08		(1,767,480)
Estimated revenue, FY 07-08		<u>2,080,000</u>
Estimated Fund Balance, June 30, 2008	\$	25,311

Under this plan the deficit will be eliminated by June 30, 2008. Please advise if further information is requested.