

TOWN OF PALM BEACH

Information for Town Council Meeting on: September 13, 2018

To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Jane Le Clainche, Finance Director

Re: Adoption of Financial Policies for the Town Dock and Golf Course Enterprise Fund
Resolution No. 172-2018

Date: August 28, 2018

STAFF RECOMMENDATION

Staff recommends that the Town Council approve Resolution No. 172-2018 adopting financial policies for the Town Dock and Golf Course Enterprise Funds.

GENERAL INFORMATION

At the July 9, 2018, Special Town Council meeting the Town Council approved the reorganization of the enterprise funds. The Recreation Enterprise Fund will be split into separate Town Docks and Golf Course Enterprise funds and the Recreation and Tennis activities will be transferred to the General Fund. Due to these changes the Recreation Enterprise Fund Policies will no longer be applicable and new financial policies need to be adopted for the Town Docks and Golf Course funds. The following policies are proposed for adoption with this Resolution:

1. Enterprise Funds – Contingency Reserve – Funded annually in an amount of 5% of the proposed Town Docks and Golf Course operating expense budgets.
2. Town Docks Enterprise Fund – Repair and Replacement Reserve – Funded at the accumulated depreciation based upon the estimated replacement cost.
3. Golf Course Enterprise Fund – Equipment Replacement Reserve – Funded at the accumulated depreciation based on the estimated replacement cost.
4. Golf Course Enterprise Fund – Repair and Replacement Reserve – Funded with the Maintenance and Improvement Fee Revenues and ½ of the annual depreciation on the clubhouse and golf course.
5. Town Docks Enterprise Fund Unrestricted Net Position – Equal to 25% of the proposed budgeted revenues in the Town Dock Enterprise Fund.

At this time, we are not proposing an Unrestricted Net Position policy for the Golf Course. This fund will be established with reserves equaling the Equipment Replacement Reserve and the Repair and Replacement Reserve, which will be effective as of September 30th in order to use the calculation established within the reserve for FY18. We do not anticipate any Unrestricted Net Position as of the end of FY18. We will reevaluate the Unrestricted Net Position policy as this fund matures with a goal of between 2 – 3 months of revenues as a minimum (16% – 25%).

Requests for the use of these reserves will be made annually through the budget process. In such a situation when the use of these reserves may be unexpectedly needed during the fiscal year, approval from the Town Council shall be required.

FUNDING/FISCAL IMPACT

The contingency reserves for FY19 will be funded at 5% of operating expenses equal to \$55,679 for the Town Docks and \$89,630 for the Golf Course.

The Town Docks Enterprise Fund Repair and Replacement Reserve as of September 30, 2018 will have a balance of approximately \$4.3 million. A portion of these funds will be used for the design, engineering and permitting for the Town Docks Replacement project (\$1.7 million). We are proposing to increase the funding of this reserve from original cost depreciation to replacement cost depreciation and plan to initiate the new calculation in FY19. The new calculation will increase the transfer from the FY18 amount of \$453,699 to \$1,060,000 based on the Baird Master Plan estimates. The additional funds accumulated until construction begins will be used to reduce the amount of the loan needed for the project.

The Golf Course Enterprise Fund – Equipment Replacement Reserve will be the same calculation as before. At the end of September 30, 2018, the balance is expected to be approximately \$566,000.

The Golf Course Enterprise Fund – Repair and Replacement Reserve has been modified from two separate reserves to one repair and replacement reserve for both the golf course and the clubhouse. The calculation for funding which will begin in FY18 will include the Maintenance and Improvement fee revenue and ½ of the accumulated depreciation which is estimated to be \$183,458 per year for a total annual funding of approximately \$300,000 per year. The balance in this fund is expected to be approximately \$830,000 as of September 30, 2018.

The Town Docks Enterprise Fund Unrestricted Net Position is proposed to be equal to 25% of the proposed budgeted revenues in the Town Docks Enterprise Fund. This amount for FY19 would be \$1,171,821.

TOWN ATTORNEY REVIEW

The Town Attorney has reviewed and approved Resolution No. 172-2018 for legal form and sufficiency.

cc: Jay Boodheshwar, Deputy Town Manager
Mike Horn, Dockmaster
Tony Chateauvert, Golf Manager