



Legislation Text

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Resolution to Approve Deficit Elimination Plan as of June 30, 2007

On February 5th Tom Crawford received the attached letter from the State of Michigan Department of Treasury expressing concern regarding the deficit position in the City's Golf Enterprise Fund and requiring a Council approved Deficit Elimination Plan within 30 days of the January 29 date of the letter.

Follow-up conversations with Michigan's Department of Treasury indicated they use three criteria in assessing the deficit position of a fund. A fund is permitted to have a deficit in one of the three following criteria but if two or more criteria are negative a Deficit Elimination Plan is required. The three criteria are Net Assets, Working Capital, and Cash Flow. At June 30, 2007, the City's Golf Enterprise Fund had net assets of \$601,000, a negative working capital position of \$1.2 million, and negative cash flow of \$257,000.

The City has been evaluating options to improve the operations of the Golf Fund as evidenced by the independent report prepared for the City by Golf Convergence, Inc. in December 2007. The consultant's report includes a large number of potential improvement items. The Parks Advisory Commission has considered the report and suggested a plan to improve the performance of the golf courses. Our staff recommendations regarding the golf courses will be submitted with the new budget, but cannot be completed within the State Treasurer's 30 day period.

Staff considered which immediate actions would provide the greatest opportunity to eliminate the Golf Fund deficit while delaying for further consideration actions that involve direct investment of cash until the City's FY 2009 Budget adoption in May 2008.

After discussions with staff, the Budget and Labor Committee recommends the attached Deficit Elimination Plan which includes the following three actions:

- Implement fee reductions and a revised marketing plan as recommended by Golf Convergence, Inc. to increase the number of customers and rounds played.
- Recommend the State transfer an existing Class C liquor license be issued to the City's Leslie Park Golf Course to increase food and beverage sales as well as the number of rounds played.
- Council direct Staff to return with recommendations for additional actions to improve the Golf Fund for consideration to incorporate in the FY 2009 City Budget.

The Committee recommends immediate approval of the attached Deficit Reduction Plan since February 19th is the only regular City Council meeting scheduled prior to the expiration of the 30 day period. Failure to file a Deficit Elimination Plan with the State Treasurer could result in the State withholding 25% of the City's state-shared revenue.

Sponsored by: Stephen Rapundalo, Marcia Higgins, Leigh Greden, Mayor Hieftje

Prepared by: Tom Crawford, Chief Financial Officer, Jayne Miller, Community Services Administrator

Approved by: Roger Fraser, City Administrator

Whereas, The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007 indicated the presence of a negative financial condition (deficit) in the City's Golf Course enterprise fund;

Whereas, The City is required under MCL 141.921 to submit to the Department of Treasury a City Council approved plan for the elimination of any such deficit; and

Whereas, The Deficit Elimination Plan (on file in the City Clerk's Office) has been prepared to comply with the directions of the Department of Treasury;

RESOLVED, That the Deficit Elimination Plan for the City of Ann Arbor for the fiscal year ended June 30, 2007 be hereby approved;

RESOLVED, That staff prepare for Council their recommendations for additional actions to improve the Golf Fund performance in time to incorporate those recommendations in the City's FY 2009 Budget; and

RESOLVED, That a certified copy of this resolution be forwarded to the Michigan Department of Treasury.