BUDGET SUPPLEMENT NO: 12

May 23, 2006

SUBJECT: Community Recreation Fund Budget Imbalance

BUDGET SUPPLEMENT REQUEST SUMMARY

As of January 30, 2006, the Community Recreation Fund projected a $650,000 fiscal imbalance beginning in FY2006/2007. As noted in the Budget Transmittal Letter for the FY2005/2006 Resource Allocation Plan, staff conducted a comprehensive review of the purpose, quality and requirements of the City's Recreation programs and facilities, including prioritizing services and developing fiscal strategies to address the structural imbalance in the Fund. This has been a complex process; however, staff has made every effort to maximize the number of options available to Council to address the imbalance, while at the same time minimizing the potential impact on the public.

Staff is recommending that City Council take no further action on the Family Day concept that was considered in June 2005. As part of the City Manager's recommended budget, staff proposes that Council accept the new revenue strategies, revenue from increased fees and service level cost efficiencies as detailed in Attachment A: Recommended Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007. These strategies combined with the reorganization of the Recreation Division that was approved by Council in August 2005, amount to a net improvement to the Community Recreation Fund of $349,570.

Council may recall that when this list was reviewed at the January 30, 2006, Fiscal Issues Workshop, a total of $412,986 in revenue enhancements and efficiencies were proposed. Since that time, staff has learned that Community Development Block Grant funds may not be used for existing programs as was proposed for the mobile recreation program and other after school activities at school sites north of Highway 101.

While this alternative leaves a $300,434 fiscal imbalance in the Community Recreation Fund, which is the difference between the original $650,000 imbalance and the $349,570 of fiscal strategies that have already been implemented or will be implemented in FY 2006/2007, these strategies significantly reduce the fiscal imbalance in the Community Recreation Fund. At the same time, the impact on the community is minimized and the overall provision of Recreation services and operation of Recreation facilities is not adversely impacted. However, should City Council want to implement a *Family Day* celebration or to address the full $650,000 imbalance, a list of additional revenue enhancements and service level reduction concepts is provided in Attachment B: Potential Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007. From this list, Council could choose to decrease the overall subsidy to the Community Recreation fund by as much as $1.4 million. As

a reminder, Council has already approved a 2006 Study Issue to consider the effectiveness of the Recreation Fee Waiver Program. (Please refer to Attachment C: 2006 Study Issue Paper - Consider the Effectiveness of the Recreation Fee Waiver Program.) A report will be brought back to Council on September 19, 2006. Depending on the action taken by Council at that time there may be additional savings or increased cost to the Community Recreation Fund.

Several changes are proposed in FY 2006/2007 to better define and allow more control over the services and activities that are provided through the Community Recreation Fund, independent of those provided by the General Fund. These changes will realign the services and activities with the most appropriate fund (the Community Recreation Fund or the General Fund) that supports those services. The realignment also provides the incentive to Parks and Recreation staff to be as efficient as possible, since the subsidy will be held to a fixed amount plus inflation. In future years, any added services, including those provided to other organizations by Council approved agreements, will require a corresponding increase to the General Fund subsidy. The Fund will be allowed to retain any fund balance generated from cost savings, revenue initiatives, etc. to assist in keeping service levels stable during slower economic periods.

The 20-Year RAP Reserve gradually diminishes from approximately $1.4 million to about $29,000 in FY 2010/2011 and then builds up to a modest level throughout the Plan. The Community Recreation Fund will be allowed to keep any revenues above projections and savings from service level efficiencies in a given year to help stabilize economic cycles and maintain service levels.

BACKGROUND

In the Budget Letter of Transmittal for the FY2005/2006 Resource Allocation Plan, City Council was advised of a $650,000 structural imbalance in the Community Recreation Fund. The structural imbalance was primarily attributed to a significant decrease in revenue from the City's two golf courses. As several new up-scale courses have been developed or renovated in the surrounding region and golf play as a whole has decreased, some of these up-scale courses are now competing for a market share in Sunnyvale. The general decline in the golf market place, as well as the local and state economy has had a negative effect on planned golf revenues. As a result of the decline in play, related revenue streams such as merchandise and golf cart rentals have also decreased. Approximately $500,000 has been lost due to reduced golf play and there has been another $150,000 decrease in revenue from other Recreation programs and services.

The fact that the Community Recreation Fund requires a subsidy and is dependent upon the General Fund necessitates that it be examined during times of fiscal crisis or retrenchment. A fundamental tenet of this Fund is that it can always reduce costs to the point of becoming self-sufficient by reducing or eliminating services that are subsidized. The dilemma, of course, is that the services that need to be eliminated to achieve a reduction in the subsidy are those that are the least attractive to reduce from a public policy perspective. They are

those programs that serve youth, seniors, disabled and low-income populations in the community.

In the Budget Letter of Transmittal for the FY2005/2006 Resource Allocation Plan, staff identified five fiscal strategies to address the imbalance so quality services may be sustained in future years. These strategies included:

- Manage demand so as not to increase services unless they are self-sufficient
- Maximize Golf revenues
- Explore alternate ways of providing subsidized services at a lower cost
- Continue creative partnerships with outside groups to reduce costs
- Maximize other Community Recreation Fund revenues by charging market based fees wherever possible

These strategies served as a foundation for the development of a proposal to reduce the structural imbalance in the Community Recreation Fund. Over the past several months, staff has conducted a comprehensive review of the purpose, quality and requirements of the City's Recreation programs and facilities, including prioritizing services and developing fiscal strategies to address the structural imbalance in the Fund.

EXISTING POLICY

Sunnyvale General Plan, Recreation Sub-Element:

POLICY C.1. Strengthen the use of the Community Recreation Fund as a means to increase financial self-sufficiency and to decrease dependence upon the City's General Fund.

DISCUSSION

A. OVERVIEW OF THE COMMUNITY RECREATION FUND

1. History of the Community Recreation Fund

The Community Recreation Fund was established in FY1991/1992. Since that time the General Fund has provided a subsidy to the Community Recreation Fund, which contains the leisure service activities of the City. These activities include the two City-operated golf courses, the tennis center, recreation classes, services and facilities. Prior to the creation of the Community Recreation Fund leisure services was part of the General Fund. Combining the City's Golf and Tennis Center operations with the remainder of all other leisure service activities, as well as the adoption of new, entrepreneurial approaches to service delivery resulted in a significant reduction in the General Fund subsidy.

At the time the Community Recreation Fund was established in FY1991/1992, the General Fund subsidy was approximately $2 million with $91,000 returned to the General Fund for administrative in-lieu charges. When converted to today's dollars, the same level of subsidy would be $3 million and the in-lieu charges would be $138,000 for a net subsidy of $2.9 million. The adopted budget for FY2005/2006 provides $11 million worth of diverse leisure and recreation services to the community with a total subsidy from the General Fund of $3.2 million. Approximately $966,000 of this subsidy is returned to the General Fund to cover administrative in-lieu costs, making the net subsidy $2.2 million. The remaining $7.8 million of cost is paid primarily by the direct beneficiaries of the programs in the form of user fees. As this information indicates, over the intervening years the subsidy has held constant and in fact reduced slightly. This has occurred in spite of the fact that the service level approved by the City Council has increased (e.g. teen services, Fremont High School Pool, new Senior Center and the mobile recreation program) and that personnel-related costs including salaries and benefits have increased faster than the rate of inflation.

The subsidy level for the current fiscal year (FY 2005/2006) has been held to the same amount that it has been for the past two years. However, due to the significant decreases in golf and recreation revenues and increased personnel costs, there is a structural imbalance of approximately $650,000 in the Community Recreation Fund.

2. Composition of the Community Recreation Fund

Major financial components of the Community Recreation Fund include revenue and expenditures related to the City's recreation programs and facilities.

Revenue for the Community Recreation Fund is generated from:

- Recreation class and activity fees
- Rentals and concessions including recreation facility rentals, the tennis center contract, picnic reservations, vending machines and the contractor agreement for operation of the Fremont High School Pool
- Golf course revenues

Expenditures in the Community Recreation Fund include:

- Recreation program costs such as staffing, materials and supplies
- Costs associated with scheduling and renting recreation facilities to the public such as staffing and supplies
- Golf course operations, maintenance and repair
- Facility and equipment maintenance and replacement costs (internal City rental rates)

- Payment to the General Fund of in-lieu charges for other City departments

3. Why is there a Structural Imbalance in the Community Recreation Fund?

The structural imbalance in the Community Recreation Fund can be attributed primarily to user fees for recreation programs and facilities, and in particular, decreased golf revenue. Golf operations continue to be the greatest single source of revenue for this Fund. However, the general decline in the golf market place, as well as the local and state economy has continued to have a negative effect on planned golf revenues. This was reflected at the end of FY2004/2005 when golf revenues came in $504,343 below the planned amount. Revenue from recreation programs and facility user fees came in approximately $150,000 below plan at the end of the fiscal year.

4. Which Recreation Programs are Subsidized by the General Fund?

The subsidy from the General Fund primarily supports those programs and services that are the least attractive to reduce from a public policy perspective. They are those that serve youth, seniors, disabled and low-income populations in the community.

B. THE PROPOSAL TO ADDRESS THE STRUCTURAL IMBALANCE

1. What was the process used by staff to develop the proposal to address the structural imbalance?

Staff utilized the following strategies in the development of the proposal to address the structural imbalance in the Community Recreation Fund:

- Manage demand so as not to increase services unless they are self-sufficient
- Maximize golf revenues
- Explore alternate ways of providing subsidized services at a lower cost
- Continue creative partnerships with outside groups to reduce costs
- Maximize other Community Recreation Fund revenues by charging market based fees wherever possible

Specific strategies in eight categories were developed for consideration:

- Create new income producing programs and activities
- Increase or create new program fees
- Efficiencies within existing service levels
- Reduce or eliminate specific services

- Reduction packages for specific program areas
- Reduce or eliminate operating hours of recreation facilities
- Reduce or eliminate Regular Part-time and Regular Full-time positions in the Recreation Division in association with service level reductions
- Recreation Division reorganization

Overall, staff identified potential strategies in these eight categories that added up to approximately $1.4 million. Approximately $350,000 of these actions are based on increased revenue and efficiencies that will have minimal impact on Recreation service levels. (Please refer to Attachment A: Recommended Budget Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007.) Based on Council's review of these items at the January Fiscal Issues Workshop, staff has incorporated the revenue enhancements and cost saving strategies described in Items 2, 3, 4 and 5 into the City Manager's recommended budget for FY2006/2007 and the Ten-Year Resource Allocation Plan.

2. <u>Revenue Improvements from New Income Producing Activities Proposed for the FY2006/2007 Resource Allocation Plan</u>

   a. Revenue from placement of Cell towers in Sunnyvale parks will generate approximately $70,000 in new revenue in FY2006/2007 and $100,000 in FY2007/2008.
   b. Collection of a small percent of revenue from vendors providing services at the Senior Center (e.g. massage and podiatry) will contribute approximately $500 in new revenue.
   c. Installation of vending machines and/or concession carts in various City parks, recreation facilities and other public areas such as the Library Plaza may generate up to $20,000 in new revenue.

   Strategies in this category total $90,500 in increased revenue.

3. <u>Revenue Improvements from Increased or New Program Fees Proposed for the FY2006/2007 Resource Allocation Plan</u>

   a. The Senior Center billiard and fitness rooms are open only to seniors during regular business hours. This option opens these facilities to the general public in the evenings and may generate up to $5,760 in new revenue. Currently, the Senior Center is available for public rentals and is used for classes and programs that are open to the general public weekday evenings after 6:00 p.m. and on weekends.
   b. Families often look for unique and fun activities for birthday parties. By renting the gymnastics area in the Recreation Building for

supervised birthday parties, an additional $5,000 in new revenue may be generated.

c. By designating a greater number of park picnic site tables as "reservable," an additional $10,000 in new revenue may be generated. At the same time, a small number of picnic tables would remain available for drop-in use at each City park.
d. The senior trip program is very popular and offering an increased number of two and three day trips will bring in approximately $15,600 in new revenue.
e. A new senior center fee structure has been developed that allows for short term memberships and non-member rates for receiving information about Senior Center activities through the mail and drop-in programs (e.g. fitness room, billiards, table tennis, etc.). Staff projects a $10,000 increase in Senior Center fees based on these recently adopted changes.
f. A recently completed market survey indicated that fees for various programs including science camps and drivers' education classes may be increased above the current revenue projections, which will generate an additional $3,320 if registrations remain consistent with previous years.
g. The rental agreements for the four Raynor Artist Studios have been increased based on a recent survey of comparable facilities. This change will bring in $1,278 in increased revenue over a twelve month period.
h. The minimum rental period for public use of the Sunnyvale Community Center Theatre has been increased from two hours to three hours and will generate approximately $800 in new revenue.
i. The revenue projections for theatre rental fees will be increased by $75,240 in FY2006/2007 and FY2007/2008 based on a signed agreement with the California Theatre Center for this period. There is the potential of continuing the projected increase into future years pending a $21,695 Capital Improvement Project to fund the development of a Business Plan for the Sunnyvale Community Center Theatre FY2006/2007.
j. Based on the increase in rounds of golf played during the first quarter of FY 2005/2006, it is projected that golf rounds played per year are increasing. This increased base of rounds played is projected to increase golf revenues by approximately $57,000 in FY 2006/2007.

Strategies in this category total $183,998 in increased revenue.

4. Efficiencies Within Existing Service levels

   a. An agreement has been negotiated with the California Sports Center to take over the City's gymnastics program. The new agreement results in a $12,000 savings for the City.
   b. The Friday night excursion program for middle school students was significantly reduced in FY2005/2006 so that dances for middle school students could be offered periodically throughout the school year. There is a high per participant cost for the excursion program primarily due to transportation costs. Dances require significantly less resources and serve a much greater number of young teens. Staff anticipates that the subsidy to this program will be reduced by almost $6,000 by year-end.
   c. Restructuring High School activities to eliminate excursions, which have had minimal participation, and replace them with SAT Preparedness Classes will generate up to $3,000 in new income.
   d. The Summer Express enrichment program has enjoyed increasing participation over the past three years. Restructuring this program to provide both a morning and afternoon session within the existing budget for this activity and increasing participant fees is anticipated to reduce the General Fund subsidy by $12,900. The impact of this change will not be fully realized until FY2007/2008 because revenue is generally collected in one fiscal year and the majority of expenses are generated in the following fiscal year.
   e. Staff has recently completed an in-depth evaluation and restructure of summer camp activities. These changes will be put in place for summer 2006 and it is expected that the General Fund subsidy will be reduced by $14,960. The impact of this change will not be fully realized until FY2007/2008 because revenue is generally collected in one fiscal year and the majority of expenses are generated in the following fiscal year.

   Strategies in this category total $48,860 in increased revenue.

5. Reorganization of Recreation Division

   City Council's action to eliminate the Superintendent of Cultural Arts and Recreation Manager classifications in August 2005, the creation of a new Superintendent of Recreation position, and the addition of an Administrative Analyst position in the Recreation Division will result in a net reduction of $26,208 in the General Fund subsidy to the Community Recreation Fund.

   This action results in a net savings of $26,208.

6. Reduction or Elimination of Specific Recreation Service Levels in the Community Recreation Fund

   Staff also considered additional options for addressing the fiscal imbalance in the Community Recreation Fund. These included proposals for reducing or eliminating service levels in the Recreation program. As has been stated previously though, the most significant savings only come from the elimination of subsidized programs.

   a. Terminate the agreement with the contractor providing the Senior Lunch Program and eliminating the program would result in a net savings of $23,789.
   b. Eliminate Recreation Fee Waiver reimbursements to youth sports leagues or clubs for fee waivers would result in a savings of $44,829 based on reimbursements in FY2004/2005.
   c. Restrict Recreation Fee Waiver Program to youth under the age of 18 would save an estimated $18,407.
   d. Eliminating the *Fun on the Run* mobile recreation program would reduce costs by $58,031.
   e. Eliminating the *Hands on the Arts* Festival would result in a net savings of $24,306.

   This action results in a net savings of $169,362.

   A complete listing of all of the potential service level reductions considered by staff is included in this report as Attachment B: Potential Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007.

7. Reduction or Elimination of Specific Service Levels in the Community Recreation Fund

   Staff developed several program reduction packages that would result in a reduction in workforce and service levels in the Recreation Division:

   a. Senior Center Reduction Package:

      This proposal includes the following strategies:
      - Reduce the Senior Center hours of operation to Monday through Friday, 9:00am-4:00pm and it would be closed evenings and weekends except for rentals.
      - Eliminate or reduce appointment services such as assistance with taxes, notary services and Health Care Directives.
      - Reduce the number of lectures and game/movie days.

- Change lunch program from reservations to drop-in only, with a first come-first served policy.
- Change use by outside adult education groups to rental only and eliminate publicity efforts on their behalf.
- Eliminate dances and all special events (including the senior volunteer recognition event).

By acting on this proposal, a reduction in workload would be achieved and one Recreation Coordinator II, one regular part-time Office Assistant and one regular part-time Facility Attendant I position would be eliminated. The total net savings would be $201,000.

b. Youth and Teen Services Reduction Package:

This proposal includes the following strategies:

- Eliminate after school enrichment and recreation programs for elementary school students with the exception of the mobile recreation program and the KLAS programs at Columbia Middle, Lakewood Elementary and Bishop Elementary Schools.
- Eliminate programs for high school aged teens including BBQs, the annual teen special event and the Saturday night entertainment program (*The Crash).*
- Eliminate the Summer Teen Volunteer Program and Teen Advisory Committee.

By acting on this proposal a reduction in workload would be achieved and one Recreation Coordinator II position and one third of a regular part-time Staff Office Assistant would be eliminated. The total net savings would be $203,780.

c. Arts (Visual and Performing) Reduction Package:

This proposal includes the following strategies:

- Eliminate the adult pottery program and resources for visual arts classes and activities for adults.
- Eliminate the multi-cultural Evenings of Cultural Arts Performance Series.

By acting on this proposal a reduction in workload would be achieved and one Recreation Coordinator I position, one third of a regular part-time Staff Office Assistant and a Casual Intermittent Recreation Worker would be eliminated. The total net savings would be $45,861.

d. Sports and Aquatics Reduction Package:

This proposal includes the following strategies:

- Reduce the Sunnyvale Youth Basketball League program by 50%.
- Close Lakewood Pool.
- Do not use Peterson Pool and eliminate the rental fee paid to the Santa Clara School District.

By acting on this proposal a reduction in workload would be achieved and one Recreation Coordinator II position and one third of a regular part-time Staff Office Assistant would be eliminated. The total net savings would be $136,000.

e. Net Impact of Combined Reduction Packages:

If all of the reduction packages described in Section 7 of the Discussion Section of this report were to be implemented, three Regular Part-Time, four Regular Full-Time and one Casual position would be eliminated in the Recreation Division. The combined net savings from service level and staff reductions would be $586,641.

8. Eliminate One Recreation Management Position

If all of the service level reductions in Section 7 were implemented, a Recreation Supervisor position could also be eliminated due to the reduced workload. This would result in an additional savings of $146,328.

9. Reduce or Eliminate Operating Hours of Recreation Facilities

- Close Sunnyvale Middle School Pool, November through February. This would result in a net savings of $800

10. Related Issues

A. Family Day

In June 2005, City Council considered Report to Council #05-164: Explore Costs and Benefits of Declaring the Second Saturday in August as "Family Day" and Open Recreation Facilities to the Entire Community. Although the origin of this Study Issue came from the India Community Center, it was Council's intent that there would be a community-wide effort aimed at benefiting all cultures equally.

Council determined the scope of the study to include:

- Benefits and potential impact (fiscal and other) of waiving reservation and rental fee requirements for park facilities including picnic areas, park buildings and athletic fields;
- Potential impacts (fiscal and other) of providing free reservations for use of Community Center facilities for community sponsored *Family Day* activities;
- Feasibility of providing a window of time up to four hours for free access to pools open on *Family Day*, and;
- Potential ways to publicize *Family Day* and the estimated costs to do so.

At their meeting on June 7, 2005, Council accepted the concept of *Family Day*; however, a decision was made not to implement the celebration in 2005 due to the cost and corresponding loss of revenue in the Community Recreation Fund. Council decided to consider implementation of *Family Day* in calendar year 2006 within the larger budgetary context of the Community Recreation Fund and at the same time City Council considers fiscal strategies to address the structural imbalance in the Fund.

If City Council approves and implements the *Family Day* concept as described in the Discussion Section of June 2005 report, there will be an added net cost to the Community Recreation Fund of approximately $8,000 - $12,000. If these costs are not offset by a transfer from the General Fund, they must be absorbed within the Community Recreation Fund. In that event, other subsidized recreation programs would need to be reduced or eliminated.

The following is a summary of the major elements of RTC #05-164: Explore Costs and Benefits of Declaring the Second Saturday in August as "Family Day" and Open Recreation Facilities to the Entire Community:

1. <u>Benefits and Potential Impact of Waiving Reservation Requirements for Park Facilities Including Picnic Areas, Parks Buildings and Athletic Fields</u>

   <u>Picnic Areas</u>

   Additional staffing for supervision of these sites would not be required, but is recommended as the usual reservations practices tend to limit the conflicts that tend to occur as two or more groups intend to use one picnic site. If all sites were offered free and without

reservation, three Recreation Division Facility Attendants could be assigned that day to visit the various parks to ensure that things are going smoothly and to identify any potential problems quickly. The cost for the three Facility Attendants would be approximately $550.

Parks Division staff members would provide park clean-up services before non-reserved, free use of picnic areas. This staff would be on-duty as a regular course of business, there would be no additional staff costs, with the exception of Baylands Park. Because of the large number and size of the picnic areas, an additional seasonal worker would be scheduled for *Family Day* at a cost of approximately $96. Any activities requiring additional staffing after 2:30 p.m. would require additional staff at similar costs.

Should City Council also decide to waive gate fees ($4.50 per vehicle) and activity fees for jumpers ($25.00 per jumper) at Baylands Park, there would be an approximately $1,700 loss of revenue based on an average of the fees collected in 2004 and 2003. This amount would be partially offset by $180 because a gatekeeper would not need to be on duty that day.

Park Buildings

The fiscal impact of waiving reservation requirements and thus the $350 damage deposit requirement cannot be estimated as the City has not allowed unreserved use of park buildings. There would be no opportunity to protect City property from potential damage or any way to recover the costs for additional maintenance or repair after damage occurred. Additionally, the Recreation Division does not have enough Facility Attendants available to staff every park building even if City Council were to allocate the resources to cover this cost.

As shown in Attachment B (Park Facility Revenue Analysis), historically, park buildings are not rented on a frequent basis on the second Saturday in August. It is difficult to project potential loss of revenue as the buildings are rented by the hour. Rentals run from two hours to eight hours depending on the activity. Based on historical data, staff estimates a loss of $250 - $800 in rental revenue.

Field Use

Historically, City park and school fields are not rented on a frequent basis on the second Saturday in August. It is difficult to project potential loss of revenue as the fields are rented by the hour and

rental rates vary depending on the type of group reserving the fields. Rentals generally run from four to eight hours depending on the activity. Based on historical data, staff estimates a loss of $200 - $300 in rental revenue with an increase in staff costs to open, close and monitor park building use.

Maximum Potential Fiscal Impact

The projection for the *maximum* amount of revenue that may be lost if all picnic areas, athletic fields and park buildings that are generally reserved and paid for during the summer months are opened for free use on *Family Day* is $21,035. The projections for picnic areas are based on the maximum occupancy of each permitted picnic area multiplied by $1 per person. The projections for athletic fields are based on the $25 per hour rate with a maximum fee of $175 per day. Projections for the park buildings are based on an hourly rate of $60 per hour multiplied by fifteen hours a day, which is the period of time the parks are open to the public. In addition to the potential loss of revenue, there would be $646 in increased staff costs for trash pick-up and general maintenance on *Family Day* and an estimated $1,700 loss if Baylands Gate Fees are also waived.

The preceding estimates represent the *maximum potential revenue* loss for these amenities; however it does not reflect average daily use on a Saturday during summer months. Staff also analyzed the average daily use on a summer Saturday and estimates the actual total loss of revenue from park buildings, picnic areas and athletic fields would be approximately $6,285. The actual increase in staff costs would be a net of $550. $646 less $84 for the gatekeeper if entrance fees are waived at Baylands Park.

If Baylands Park is excluded as an option for unreserved, free use and gate fees continue to be charged, the estimates change to $3,341 for lost revenue from park buildings, picnic areas and athletic fields and $646 in increased staff costs.

2. Potential Impact of Providing Free Reservations for Use of Community Center Facilities for Community Sponsored *Family Day* Activities.

Community Center Meeting Rooms

The fiscal impact of providing free reservations for use of Community Center facilities for community sponsored "*Family Day*" activities would be nominal. Since there was only one Community Center meeting room rental in 2003 and no rentals in 2004, staff does not

anticipate any significant impact on the Community Recreation Fund from allowing free, reserved use of the meeting rooms for *Family Day.* There would be an additional $400 staff cost for facility supervision, set-up and clean-up of the four meeting rooms in the Recreation Building at the Community Center. They generally rent from $100 to $60 per hour depending on the type of rental and day of the week.

The *maximum potential revenue* loss for four meeting rooms at the Community Center would be $3,900 plus additional staff costs of $400 to monitor the facility. The combined net impact on the Community Recreation Fund would be $4,300.

Free Access to Open Gym

Although this was not requested specifically in the study, in the June report to Council staff suggested that Council may want to consider the possibility of providing free access to the 3:30-7:30pm open gym program in the Indoor Sports Center at the Community Center. The fiscal impact of providing free access to the open gym program to support *Family Day* activities would cost $135 to staff the program and result in a loss of approximately $250 from waived participant fees based on data from previous years.

3. Feasibility of Providing a Window of Time Up to Four Hours for Free Access to Pools Open on *Family Day.*

The staff cost to provide lifeguards for four hours of open recreation swim at Lakewood and Washington pools for *Family Day* would be an additional $300 and an estimated loss of revenue of $250 based on participation levels in previous summers.

The staff cost to keep Columbia and Lakewood School pools open an additional day to provide lifeguards for four hours of open recreation swim would be approximately $800. This is due to the fact that staff is not regularly scheduled to work at these pools on Saturdays, so their hours will be at overtime rates. There is no potential loss of revenue from providing free access to the recreation open swim program because the program is not regularly scheduled on Saturdays at these two pools.

Staff estimates that the total loss of revenue from opening four pools for four hours of free open recreation swim will be approximately $250. There will also be a total increase in staff costs of approximately $1,100.

4. Potential Ways to Publicize *Family Day* and the Estimate Costs to Do So.

Many of the avenues that are used to promote recreation activities and special events in the City require several months lead time.

Promotional Strategies

Banner: A standard 3' x 40' banner may be fabricated and installed on the banner frame at the intersection of Wolfe & El Camino by mid-July. The estimated cost is $1,270, which includes fabrication and installation costs. While this banner could be reused, staff estimates that it would need to be replaced every two to three years because of wear and tear on the canvas.

Flyers: 1,500, 8.5" x 11" one color flyers may be produced and distributed to all contact points in the City for an estimated cost of $150. Primary distribution points include the Community Center, Library, City Hall and posted at park buildings.

KSUN Slide: A slide or two could be produced within two weeks of Council action on this item and put into rotation on KSUN. There is no cost to produce a simple KSUN slide.

News Releases and PSAs: Recreation staff would work with the Communications Division staff to produce press releases for distribution to the local press. This is a routine service provided by the Communications Division and any staff or distribution costs would be absorbed into their operating budget.

City Web Page: The news releases can be linked to the City's home Web page and an ad placed in the Recreation Division section of the City of Sunnyvale Web site. The recreation Web page could include all of the pertinent information for *Family Day* and the URL would be included on all advertising. Again, there is no cost for this action. Additionally, *Family Day* could be posted on the City's special event calendar.

Neighborhood Associations: Recreation staff would work with the Neighborhood and Community Resources Manager to notify Neighborhood Associations about *Family Day* via email, and encourage the associations to host a *Family Day* event in a local park building. Additionally, a brief article could be prepared and distributed to those neighborhood associations that produce

newsletters. Both of these activities could be completed at no cost to the City.

Information about *Family Day* would be mailed to the members of the "Friends of Parks and Recreation" mailing list, which currently has 165 names on it. The cost for this mailing would be approximately $100 including preparation of the notice, printing and mailing.

Quarterly Report and *Harbinger* Newsletter: Articles explaining the purpose and opportunity for *Family Day* activities would be published in the summer (July 1) of the *Quarterly Report* and the July - August *Harbinger*. These articles would not increase existing costs for producing the Quarterly Report or Harbinger Newsletter.

Activity Guide Ads: A ¼ to ½ page sized ad could be placed in both the spring Youth and Adult Recreation Activity Guide and spring Senior Activity Guide. These ads would not increase existing costs for producing either of the Activity Guides.

Other Community Newsletters: Recreation staff and Community Relations staff would establish contact with citywide cultural groups to disseminate information about *Family Day* and encourage participation in promoting this celebration of family. Presumably there would be no cost other than staff time to identify and contact local cultural groups to share information about *Family Day*.

Newsprint Advertising: An ad could be purchased in *The Sunnyvale Sun*. Approximate cost for a ¼ page ad is $732.

The total cost to promote *Family Day* as described above would be approximately $2,252. Banners may be reused depending on the type of information that is included on them and how many changes need to be made from year to year. On average, recreation banners generally last approximately two to three years before new ones must be fabricated.

B. Proposed 2006 Study Issue Regarding the Recreation Fee Waiver Program

The City's Recreation Fee Waiver Program serves as a safety net for low income families. In April 2005, City Council considered Report to Council #05-090: Fee Waiver Program - Budget Issue. The purpose of the report was to notify City Council that use of the Recreation Fee Waiver Program had increased dramatically in FY2004/2005 and that staff projections indicated that unless some action was taken, the

$113,022 budget for this program would be exceeded by as much as $76,000. In FY2004/2005 fee waiver use exceeded demand over any of the previous nine years.

Rather than restrict use of the Recreation Fee Waiver Program once the $113,022 budget was expended, Council approved a Budget Modification in the amount of $76,000. Council directed staff to use the proceeds or interest income of approximately $10,000 - $12,000 from the Swirsky Fund towards the Recreation Fee Waiver Program to be used for anyone under 18 years of age for the remainder of the year, to reduce the maximum amount of fee waiver allowed per individual from $250 to $180, to limit the eligibility income criteria to "very low" and "very, very low" income, and to fund the remaining deficit balance in the fiscal year from fee waivers for all eligible residents from the non-recurring event funds.

In July 2005, the maximum amount of fee waiver allowed per individual returned to $250 and the income eligibility criteria again included the "low" income category.

In February 2006, a report was prepared for Council consideration because staff was again projecting that the Recreation Fee Waiver budget would be exceeded if spending continued at the current pace. As of Period 5, which ended November 19, 2005, $69,102 of the $113,195 budget has been expended. This rate of expenditure was already ahead of last year by 3%. Council approved a Budget Modification to offset the potential $76,000 over-expenditure from continuing the Recreation Fee Waiver Program. Resources for the Budget Modification came from the Non-Recurring Event Fund. Council directed that staff immediately change the eligibility criteria for the Recreation Fee Waiver Program to reduce the maximum amount of fee waiver allowed per individual from $250 to $180 and to limit income criteria to "very low" and "very, very, low" income categories as was done last fiscal year. Direction was also given to require participants to pay $1.00 to the Senior Lunch Program (per person-per meal) for both income categories.; approval of a Budget Modification of $76,000 to be taken from the Non-recurring Event Fund; These changes are to be left in place until completion of the 2006 Study Issue to Consider the Effectiveness and Efficiency of the Recreation Fee Waiver Program.

Council recently approved a Study Issue Paper for 2006 to consider the efficacy of the Recreation Fee Waiver Program and to determine if the program should be modified in any way. (Please refer to Attachment C: Consider Effectiveness of the Recreation Fee Waiver Program.) This item was ranked #1 on the Study Issue list for the Department of Parks and

recreation and a report will be brought back to Council on September 19, 2006.

SERVICE LEVEL IMPACT

As mentioned earlier in this report, approximately $350,000 in increased revenue and service level efficiencies will have minimal impact on Recreation service levels. However, should City Council want to implement a *Family Day* celebration or to address the full $650,000 imbalance, a combination of revenue enhancements and service level reduction concepts adding up to approximately $1.4 million are outlined in Attachment B: Potential Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007. The strategies outlined in Attachment B will have significant impact on recreation service levels and the community.

FISCAL IMPACT

1. Revenue Improvements from New Income Producing Activities Proposed for the FY2006/2007 Resource Allocation Plan

   - Fees from placement of Cell towers in Sunnyvale Parks - ***IN PROGRESS*** - $70,000
   - Charge % to venders providing services at the Senior Center (e.g. massage and podiatry) – ***IN PROGRESS*** - $500
   - Install vending machines and/or concession carts in various parks, recreation facilities and other City areas such as the Library Plaza - $20,000

Total Increase in Revenue from Items in Section 1:	$90,500

2. Revenue Improvements from Increased or New Program Fees Proposed for the FY2006/2007 Resource Allocation Plan

   - Open senior billiard & fitness rooms to public in the evenings - $5,760
   - Rent gymnastics area for supervised birthday parties - ***COMPLETED*** - $5,000
   - Designate more reservable picnic site tables - ***IN PROGRESS*** - $10,000
   - Offer more extended senior trips and more - 2 or 3 day trips - ***IN PROGRESS*** - $15,600
   - Offer new senior center fee structure with short term memberships and non-member rates for drop-in programs (fitness room, billiards, table tennis, etc) and information mail list – ***COMPLETED*** - $10,000
   - Increase fees above plan for science camps - ***COMPLETED*** - $1,870
   - Increase fees above plan for Drivers' Education - ***IN PROGRESS*** - $1,450

- Adjust Raynor Artist Studio rental agreements to market, based on recent survey of comparable facilities - FY06/07 - ***COMPLETED*** - $1,278
- Change minimum rental period in theatre from 2 to 3 hours – ***COMPLETED*** - $800
- Increase revenue projection for theatre rentals based on new (signed) 2-year agreement with the California Theatre Center (FY06/07 and FY07/08 only) – ***COMPLETED*** - $75,240 (There is the potential of continuing projected increase into future years pending completion of proposed CIP for Theatre Business Plan)
- Increase Golf revenue projections above current Plan based on increase in play during first quarter of FY2005/2006 - $57,000

Total Increase in Revenue from Items in Section 2:	$183,998

3. Efficiencies Within Existing Service levels

- Gymnastics – contract with Cal Sports to operate City's program – ***COMPLETED*** - $12,000
- Eliminate Friday night excursion program for middle school students and replace with dances for middle school students – ***IN PROGRESS*** - $6,000
- Restructure High School Activities to eliminate excursions and some BBQs and replace with SAT Preparedness Classes - ***IN PROGRESS*** - $3,000
- Restructure Summer Express program to morning and afternoon staying within existing budget for 642290 and increasing fees - ***IN PROGRESS*** - $12,900
- Restructure summer activities using resources in 642280 and create additional specialty camp - ***IN PROGRESS*** - $6,960
- Restructure Visual Arts and Performing Arts Activities for Youth to reduce the number of classes in order to offer a performing arts camp during winter and spring school breaks and additional performing arts and visual arts camps during the summer - ***IN PROGRESS*** - $8,000

Total Increase in Revenue from Items in Section 3:	$48,860

4. Reorganization of Recreation Division

- Eliminate Recreation Manager and Supt. of Cultural Arts positions - ***COMPLETED*** - ($336,544)
- Add new Superintendent of Recreation position - ***COMPLETED*** - $193,502
- Add new Administrative Analyst position - ***IN PROGRESS*** - $116,834

Net Improvement (Cost Savings) to Community Recreation Fund, which has been included in the City Manager's recommended budget for FY2006/2007:	($26,208)

TOTAL NET IMPROVEMENT (reduction in tax payer subsidy to Community Recreation Fund) for Sections 1, 2, 3 and 4 combined	$349,566

5. Reduce or Eliminate Specific Recreation Services

- Eliminate Senior Lunch Program - ($23,789)
- Discontinue pottery program and issue RFP to solicit independent operator for pottery program - See Section 5, page 4
- Eliminate reimbursement to youth sports leagues or clubs for fee waivers (based on reimbursements in FY04/05) - ($44,829)
- Restrict Recreation Fee Waiver Program to youth under the age of 18 - ($18,407)
- Eliminate Fun on the Run mobile recreation program - ($58,031)
- Eliminate Hands on the Arts Festival - ($24,306)

Total Net Cost Reductions from Items in Section 5:	($169,362)

6. Reduction Packages for Specific Program Areas

a. Senior Center – Reduction Package

- Reduce Sr. Center hours to M-F, 9 to 4, closed evenings & weekends except for rentals (workload reduction)
- Eliminate or reduce appointment services like Tax, Notary, Health Care Directive, etc. – (workload reduction)
- Reduce number of lectures and game/movie days (workload reduction) Change lunch program from reservations to drop-in only (first come, first served) (workload reduction)
- Change use by outside adult education groups to rental only and eliminate publicity efforts (workload reduction)
- Eliminate dances and all special events (including volunteer recognition event and have that done through City's Volunteer Office)
- *By doing the reductions listed above the following savings in staff costs would be realized:*
  - Eliminate one (1) SEA Recreation Coordinator II position -
  - Eliminate one (1) SEIU Regular Part-Time Clerical Position
  - Eliminate one (1) SEIU Regular Part-Time Facility Attendant I

Total Net Savings from Service Level Reductions in the Senior Center Program:	($201,000)

b. Youth and Teen Services – Reduction Package

- Eliminate after school enrichment and recreation programs for elementary school students (except partnership with SESD for KLAS and Fun on the Run
- Eliminate programs for high school aged teens including BBQs, the annual teen special event and the Saturday night entertainment program (The Crash)
- Eliminate summer volunteer program and Teen Advisory Committee
- By doing the reductions listed above the following savings in staff costs would be realized:
  - Eliminate one third (1/3) SEIU Regular P/T Staff Office Assistant
  - Eliminate one (1) SEA Recreation Coordinator II position

Total Net Savings from Service Level Reductions in Youth and Teen Services:	($203,780)

c. Arts (Visual and Performing) – Reduction Package

- Eliminate adult pottery program, visual arts classes and activities for adults
- Eliminate youth visual arts classes at Community Center
- Eliminate Evenings of Cultural Arts Performance Series and use coordinator time to increase rentals of theatre
- By doing the reductions listed above the following savings in staff costs would be realized:
  - Eliminate one (1) Casual Intermittent Recreation Worker
  - Eliminate one third (1/3) SEIU Regular P/T Staff Office Assistant
  - Eliminate one (1) SEA Recreation Coordinator I position

Total Net Savings from Service Level Reductions in the Arts Programs for Adults:	($45,861)

d. Sports and Aquatics – Reduction Package

- Eliminate 50% of SYBL for workload reduction (loss of positive net value)
- Close Lakewood Pool – Savings from maintenance & program costs
- Do not use Peterson Pool – Cost savings is rental fee paid to district
- By doing the reductions listed above the following savings in staff costs would be realized:
  - Eliminate one third (1/3) SEIU Regular P/T Staff Office Assistant
  - Eliminate one (1) SEA Recreation Coordinator position

Total Net Savings from Service Level Reductions in Sports and Aquatics:	($136,000)

7. Reduce or Eliminate Operating Hours for Specific Recreation Facilities

- Close Sunnyvale Middle School Pool, November – February - ($800)
- Initiate RFP process to contract for operations of all aquatic programs - TBD

Total Net Savings from Service Level Reduction in Section 7:	($800)

8. Reduce or Eliminate a Recreation Management Position

If all of the service level reductions in Fiscal Impact Section 6 were implemented, a Recreation Supervisor position could also be eliminated due to the reduced workload.

- Eliminate Recreation Supervisor Management position (accompanied by reduction in equivalent of four coordinator workloads) - ($146,328)

Total Net Savings from Elimination of Management Position as Described in Section 8:	($146,328)

9. "Family Day"

If City Council decides to implement the *Family Day* concept as described in the Report to Council #05-164, and summarized on pages 11-18 in the Discussion Section of this report there will be an added cost to the Community Recreation Fund of approximately $8,000 - $12,000. If these costs are not offset by a transfer from the General Fund, the costs must be absorbed within the Community Recreation Fund. If it is approved, the taxpayer subsidy to the Community Recreation Fund would need to be increased.

Total Net Increase in Tax Payer Subsidy to the Community Recreation Fund:	$8,000- $12,000

10. Recreation Fee Waiver Program

Use of the Recreation Fee Waiver Program is again at a record high. As of Period 5, which ended November 19, 2005, $69,102 of the $113,195 budget has been expended. This rate of expenditure is already ahead of last year by 3%. If use of the Recreation Fee Waiver Program continues at a similar rate to last fiscal year, a Budget Modification will be required or use of fee waivers be restricted once the $113,195 has been reached.

Although a comprehensive analysis of the Recreation Fee Waiver Program is pending City Council approval of the proposed 2006 Study Issue, in preparing

strategies for addressing the imbalance, staff calculated that as much as $63,200 could be saved simply by limiting eligibility for the Recreation Fee Waiver Program to those eligible Sunnyvale residents under the age of 18 and by eliminating fee waiver reimbursements for youth sports leagues. Discontinuing the acceptance of Recreation Fee Waivers in the Senior Lunch Program could potentially save as much as $49,000.

Range of Net Reduction in Tax Payer Subsidy to the Community Recreation Fund	($0 - $114,000)

The total fiscal impact from all of the new revenue, revenue enhancements and service level efficiencies that are currently budgeted in the City Manager's recommended budget for FY2006/2007 is $349,566. Please refer to Attachment A for details.

The total fiscal impact from potential service level reductions and revenue enhancements included in this report that are not part of the City Manager's recommended budget ranges from a low of $1,046,205 to a high of $1,160,205 depending on changes made to the Recreation Fee Waiver Program. Please refer to Attachment B for details.

Tax payer support of the Community Recreation Fund can be reduced by approximately $1.4 million if all revenue increases, service level efficiencies and service level reductions were to be approved by City Council.

CONCLUSION

As City Council is already aware, there is a $650,000 structural imbalance in the Community Recreation Fund as of FY2006/2007. Staff has undertaken a comprehensive review of the City's Recreation programs and services. As staff conducted the review, the focus was placed on identifying strategies that would maximize use of the City's existing resources while minimizing the impact on the public. In other words, staff looked for reasonable and realistic options to addressing the structural imbalance that would to the degree possible, avoid reducing existing service levels.

The focus of this report has been to outline those strategies that increase revenue to the Community Recreation Fund, improve the efficiency of various programs and avoid significant service level reductions in subsidized programs such as those serving youth, seniors, disabled and low-income members of the community.

With the passing of the ballot measures related to Business License Fees and the Transit Occupancy Tax, an additional $1.4 million annually in revenue is anticipated for the General Fund. A $400,000 budget gap still remains. Given the

status of the General Fund, resources are not readily available to supplement the Community Recreation Fund. If the Community Recreation Fund is to be balanced without an increase in General Fund support, $300,434 in service level reductions will be required. Any service level reductions must come from those activities in the Community Recreation Fund that are subsidized. These include programs for youth, seniors, the disabled and low-income members of the community. Introducing new service levels with costs that are not offset by revenue, such as implementation of *Family Day* and approval of additional Special Use Agreements, would make it even more difficult for the Community Recreation Fund to stay within the budgeted $2.2 million subsidy from the General Fund. Additionally, if changes are not made to the existing Recreation Fee Waiver policies and eligibility criteria, the demand for this program will continue to exceed the budgeted resources. Given fee waiver use to date in FY2005/2006, it is anticipated that left un-checked, the cost for this program will exceed last year's total of $148,861, which was $36,741 above the original budget for the Recreation Fee Waiver Program in FY2004/2005.

PUBLIC CONTACT

Public contact was made through posting of the Commissions and Council agenda and report on the City's official notice bulletin board, posting of the agenda and report on the City's web page, and the availability of the report in the City Clerk's office, Library, Parks and Recreation Administration office, Corporation Yard, Community Center and Senior Center.

Prepared by:

_____
Nancy Bolgard Steward
Superintendent of Recreation

Reviewed by:

_____
David A. Lewis
Director of Parks and Recreation

Reviewed by:

_____

Mary J. Bradley
Director of Finance

City Manager's Recommendation

[ ] Approve Budget Supplement for funding
[ ] Do Not Approve Budget Supplement for funding

_____
Amy Chan
City Manager

Attachments

Attachment A: Recommended Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007.

Attachment B: Potential Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007.

Attachment C: 2006 Study Issue Paper to Consider the Effectiveness of the Recreation Fee Waiver Program.

ATTACHMENT A

Recommended Adjustments to Address Community Recreation Fund Imbalance in FY2006/2007

ATTACHMENT A

RECOMMENDED ADJUSTMENTS TO ADDRESS THE STRUCTURAL IMBALANCE IN THE COMMUNITY RECREATION FUND IN FY2006/2007 (BASED ON FY2005/2006 BUDGET)

1. CREATE NEW INCOME PRODUCING PROGRAMS OR ACTIVITIES

Fees from placement of Cell towers in Sunnyvale Parks - ***IN PROGRESS***	$70,000
Charge % to venders providing services at the Senior Center (e.g. massage and podiatry) - ***IN PROGRESS***	$500
Install vending machines and/or concession carts in various parks, recreation facilities and other City areas such as the Library Plaza	$20,000
TOTAL IMPROVEMENT	**$90,500**

2. INCREASE or CREATE NEW PROGRAM FEES (beyond currently budgeted and scheduled increases)

Open senior billiard & fitness rooms to public in the evenings	$5,760
Rent gymnastics area for supervised birthday parties - ***COMPLETED***	$5,000
Designate more reservable picnic site tables - ***IN PROGRESS***	$10,000
Offer more extended senior trips and more - 2 or 3 day trips - ***IN PROGRESS***	$15,600
Offer new senior center fee structure with short term memberships and non-member rates for drop-in programs (fitness room, billiards, table tennis, etc) and information mail list - ***COMPLETED***	$10,000
SUB-TOTAL: SENIOR ACTIVITIES	**$46,360**
Increase fees above plan for science camps - ***COMPLETED***	$1,870
Increase fees above plan for Drivers' Education - ***IN PROGRESS***	$1,450
SUB-TOTAL: YOUTH AND TEEN SERVICES	**$3,320**
Adjust Raynor Artist Studio rental agreements to market, based on recent survey of comparable facilities - FY06/07 - ***COMPLETED***	$1,278
Change minimum rental period in theatre from 2 to 3 hours - ***COMPLETED***	$800
Increase revenue projection for theatre rentals based on new (signed) 2-year agreement with the California Theatre Center (FY06/07 and FY07/08 only) - ***COMPLETED*** (There is the potential of continuing projected increase into future years pending completion of proposed CIP for Theatre Business Plan)	$75,240
SUB-TOTAL: ARTS	**$77,318**
Increase Golf revenue projections above current Plan based on increase in play during first quarter of FY2005/2006	$57,000
SUB-TOTAL: GOLF	**$57,000**

TOTAL IMPROVEMENT IN SECTION 2 - COMBINED	$183,998

3. EFFICIENCIES WITHIN EXISTING SERVICE LEVELS

Gymnastics – contract with Cal Sports to operate City's program - ***COMPLETED***	$12,000
Eliminate Friday night excursion program for middle school students and replace with dances for middle school students – ***IN PROGRESS***	$6,000
Restructure High School Activities to eliminate excursions and some BBQs and replace with SAT Preparedness Classes - ***IN PROGRESS***	$3,000
Restructure Summer Express program to morning and afternoon staying within existing budget for 642290 and increasing fees - ***IN PROGRESS***	$12,900
Restructure summer activities using resources in 642280 and create additional specialty camp - ***IN PROGRESS***	$6,960
Restructure Visual Arts and Performing Arts Activities for Youth to reduce the number of classes in order to offer a performing arts camp during winter and spring school breaks and additional performing arts and visual arts camps during the summer - ***IN PROGRESS***	$8,000
TOTAL EFFICIENCIES	**$48,860**

4. RECREATION DIVISION REORGANIZATION (Reflected in Proposed Budget for FY 06/07)

Eliminate Recreation Manager and Supt. of Cultural Arts positions	($336,544)
Add new Superintendent of Recreation position	$193,502
Add new Administrative Analyst position	$116,834
NET IMPROVEMENT TO CRF	**($26,208)**

TOTAL IMPROVEMENT TO COMMUNITY RECREATION FUND THROUGH EFFICIENCIES AND INCREASED REVENUE GENERATION	**$349,566**

ATTACHMENT B

Potential Adjustments to Address the Community Recreation Fund Imbalance in FY2006/2007

ATTACHMENT B

POTENTIAL ADJUSTMENTS TO ADDRESS COMMUNITY RECREATION FUND IMBALANCE IN FY2006/2007

(Based on FY2005/2006)

Community Recreation Fund - This fund is comprised of expenses and revenue associated with recreation activities and facilities. Major financial components include:

FY 2005/2006 Revenue from:

Recreation Classes and Activity Fees (youth, teen, adult and seniors)	$2,340,620
Rentals and Concessions (facility rentals, tennis, picnic reservations including Baylands, vending and FHS Pool)	$1,100,338
Golf Course Revenues	$4,375,054
Art in Private Development Fees	$5,376
TOTAL REVENUE	**$7,821,388**

FY 2005/2006 Expenditures for:

Recreation program costs (staff, supplies, materials)	$4,562,516
Facility rental & reservation costs (staff, supplies & materials)	$599,729
Facility and Equipment Maintenance & Replacement Costs (City rental rates)	$495,953
Golf Course Operations, Maintenance & replacement Costs	$2,958,837
In-Lieu charges for other City Departments	$966,830
Providing facilities for other City Departments	$129,685
TOTAL EXPENDITURES	**$9,713,550**

A $650,000 negative fiscal imbalance now exists in the Community Recreation Fund budget beginning in FY2006/2007. The major contributing factor to this imbalance is a decline in golf revenue of over $500,000 per year.

Program areas of significant subsidy are:

SDP	SDP Description	Direct Costs Only
SDP 64201	Seniors	$443,061
SDP 64203	Therapeutic	$76,218
SDP 64204	Pre-School	$19,333
SDP 64206	Youth	$454,459
SDP 64207	Teens	$356,937
SDP 64208	Fee Waivers	$114,031
SDP 64401	Cultural Arts for Adults	$101,990
SDP 64402	Swim Lessons for Adults	$39,410

DRAFT

Estimated budget impact can be given for the reduction or elimination of each specific activity or program based on the direct cost of these programs; however, reductions in supervisory and support costs will only come from significant service level reductions. In other words, a full-time Recreation Supervisor position would be eliminated once service levels and staff workload have been reduced accordingly.

To correct the $650,000+ imbalance, a number of options are presented in the following categories:

1. Create new income producing programs and activities.
2. Increase or create new program fees.
3. Efficiencies within existing service levels.
4. Reduce or eliminate specific services.
5. Reduction packages for specific program areas.
6. Reduce or eliminate operating hours of recreation facilities.
7. Reduce or eliminate positions in association with items #4, #5 and #6.
8. Recreation Division reorganization.

Please note: Items highlighted in yellow blocks below have been incorporated into the City Manager's recommended budget and are listed in Attachment A.

1. CREATE NEW INCOME PRODUCING PROGRAMS OR ACTIVITIES

Cell tower placement revenue – Estimate	$70,000
Charge % to venders providing services at the Sr. Center (massage and podiatry)	$500
Fundraising for specific items, such as fitness equipment.	$3,000
Solicit "co-sponsors" for recreation events and programs	$5,000
Explore potential of creating a *Friends of Parks and Recreation* group to conduct fundraising efforts on behalf of arts and recreation programs	To Be Determined (TBD)
Sell advertising space in Activity Guides	TBD
Install vending machines and/or concession carts in various parks, recreation facilities and other City areas like the Library Plaza (RFP)	$20,000
Approach Ford Dealership for sponsorship of a recreation program in exchange for allowing their employees parking (check city codes)	TBD
TOTAL IMPROVEMENT	**$98,500**

2. INCREASE or CREATE NEW PROGRAM FEES (beyond currently budgeted and scheduled increases) and RESTRUCTURE PROGRAMS

Offer new revenue producing classes (assumes staff availability)	$2,000
Open senior billiard & fitness rooms to public in the evenings	$5,760
Rent gymnastics area for supervised birthday parties	$5,000
Designate more reservable picnic site tables	$10,000
Offer more extended senior trips and more 2 or 3 day trips	$15,600
Offer new senior center fee structure with short term memberships and non-member rates for drop-in programs (fitness room, billiards, table tennis, etc) (assumes staff availability) and information mail list	$10,000

DRAFT

Charge Proven People rental and cost for supplies, copies	$6,000
TOTAL IMPROVEMENT - SENIOR ACTIVITIES	**$54,360**

Eliminate Friday night excursion program for middle school students and replace with dances for middle school students - **COMPLETED**	$6,000
Explore replacing highly subsidized after school recreation programs with after school enrichment program with fees set to recover direct costs of the program	TBD
Restructure High School Activities to eliminate excursions and some BBQs and replace with SAT Preparedness Classes	$5,000
Restructure Summer Express program to morning and afternoon staying within existing budget for 642290 and increasing fees – ***IN PROGRESS***	$12,900
Restructure summer activities using resources in 642280 and create additional specialty camp - ***IN PROGRESS***	$6,960
Increase fees above plan for science camp - ***IN PROGRESS***	$1,870
Increase fees above plan for Drivers' Education - ***IN PROGRESS***	$1,450
TOTAL IMPROVEMENT - YOUTH AND TEEN SERVICES	**$34,180**
Restructure activities in 642380 Performing Arts Activities for Youth and 642340 Visual Arts Activities for Youth to: • Offer more performing arts camps in the summer • Offer performing arts camps during winter & spring school breaks • Offer a cultural arts camp • Offer visual arts camps during the summer	$8,000
Adjust Raynor Artist Studio rental agreements to market, based on recent survey of comparable facilities - FY06/07 - ***IN PROGRESS***	$1,278
Change minimum rental period in theatre from 2 to 3 hours - ***COMPLETED***	$800
Increase revenue projection for theatre rentals based on new (signed) 2-year agreement with the California Theatre Center (FY06/07 and FY07/08 only) – ***COMPLETED*** (There is the potential of continuing projected increase into future years pending completion of proposed CIP for Theatre Business Plan)	$75,240
TOTAL IMPROVEMENT - ARTS	**$85,318**
Increase Golf revenue projections above current Plan based on increase in play during first quarter of FY2005/2006	$57,000
TOTAL IMPROVEMENT IN SECTION 2 - COMBINED	**$230,585**

3. EFFICIENCIES WITHIN EXISTING SERVICE LEVELS

Move CDGB funds from church to City for senior lunch program	$22,555
Leave administration of Recreation Fee Waiver Program with Sunnyvale Community Services and eliminate one SEIU Regular Part-Time Office Assistant in CBS. Reduce front counter hours in Recreation Building to be open from 11am-6pm on weekdays. *Must have on-line registration capability to implement this option - current timeline is to go live with on-line registration function Fall 2006.*	$47,515

Gymnastics – contract with Cal Sports to operate City's program - ***COMPLETED***	$12,000
Explore use of an outside contractor for production of the Recreation and Senior Activity Guides	Potential savings of $37,000
Eliminate after school programs, such as *Fun on the Run* mobile recreation program, which primarily serves children in lower income areas of the City.	$70,420
TOTAL EFFICIENCIES	**$189,490**

4 REDUCE OR ELIMINATE SPECIFIC SERVICES

Eliminate Senior Lunch Program	($23,789)
Discontinue pottery program and issue RFP to solicit independent operator for pottery program	See Section 5, page 4
Eliminate reimbursement to youth sports leagues or clubs for fee waivers (based on reimbursements in FY04/05)	($44,829)
Restrict Recreation Fee Waiver Program to youth under the age of 18	($18,407)
Explore potential of having a non-profit organization such as the YMCA take over operations of Lakewood pool and some subsidized recreation programs for youth	TBD
Eliminate *Fun on the Run* mobile recreation program	($58,031)
Eliminate *Hands on the Arts* Festival	($24,306)
TOTAL REDUCTIONS - COMBINED	**($169,362)**

5. REDUCTION PACKAGES FOR SPECIFIC PROGRAM AREAS

Senior Center – REDUCTION PACKAGE	
Reduce Sr. Center hours to M-F, 9 to 4, closed evenings & weekends except for rentals (workload reduction)	N/A
Eliminate or reduce appointment services like Tax, Notary, Health Care Directive, etc. – (workload reduction)	N/A
Reduce number of lectures and game/movie days (workload reduction)	N/A
Change lunch program from reservations to drop-in only (first come, first served) (workload reduction)	N/A
Change use by outside adult education groups to rental only and eliminate publicity efforts (workload reduction)	N/A
Eliminate dances and all special events (including volunteer recognition event and have that done through City's Volunteer Office)	N/A
By doing the reductions listed above the following savings in staff costs would be realized:	
• Eliminate one (1) SEA Recreation Coordinator II position	N/A
• Eliminate one (1) SEIU Regular Part-Time Clerical Position	N/A
• Eliminate one (1) SEIU Regular Part-Time Facility Attendant I	N/A
TOTAL (NET) BUDGET IMPROVEMENT	**($201,000)**

DRAFT

Youth and Teen Services – REDUCTION PACKAGE	
Eliminate after school enrichment and recreation programs for elementary school students (except partnership with SESD for KLAS and Fun on the Run)	N/A
Eliminate programs for high school aged teens including BBQs, the annual teen special event and the Saturday night entertainment program (*The Crash)*	N/A
Eliminate summer volunteer program and Teen Advisory Committee	N/A
By doing the reductions listed above the following savings in staff costs would be realized:	
• Eliminate one third (1/3) SEIU Regular P/T Staff Office Assistant	N/A
• Eliminate one (1) SEA Recreation Coordinator II position	N/A
TOTAL (NET) BUDGET IMPROVEMENT	**($203,780)**
Arts (Visual and Performing) – REDUCTION PACKAGE	
Eliminate adult pottery program, visual arts classes and activities for adults	N/A
Eliminate youth visual arts classes at Community Center	N/A
Eliminate Evenings of Cultural Arts Performance Series and use coordinator time to increase rentals of theatre	N/A
By doing the reductions listed above the following savings in staff costs would be realized:	
• Eliminate one (1) Casual Intermittent Recreation Worker	N/A
• Eliminate one third (1/3) SEIU Regular P/T Staff Office Assistant	N/A
• Eliminate one (1) SEA Recreation Coordinator I position	N/A
TOTAL (NET) BUDGET IMPROVEMENT	**($45,861)**
Sports and Aquatics – REDUCTION PACKAGE	
Eliminate 50% of SYBL for workload reduction (loss of positive net value)	N/A
Close Lakewood Pool – Savings from maintenance & program costs	N/A
Do not use Peterson Pool – Cost savings is rental fee paid to district	N/A
By doing the reductions listed above the following savings in staff costs would be realized:	
• Eliminate one third (1/3) SEIU Regular P/T Staff Office Assistant	N/A
• Eliminate one (1) SEA Recreation Coordinator position	N/A
TOTAL (NET) BUDGET IMPROVEMENT	**($136,000)**
TOTAL NET BUDGET IMPROVEMENT - COMBINED FROM ALL 4 PACKAGES IN SECTION 5	**(586,641)**

REDUCE OR ELIMINATE OPERATING HOURS OF RECREATION FACILITIES

Close Sunnyvale Middle School Pool, November - February	($800)
Initiate RFP process to contract for operations of all aquatic programs	TBD

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TOTAL BUDGET IMPROVEMENT	**($800)**

7. REDUCE OR ELIMINATE MANAGEMENT POSITION – (Elimination of a management position will be a by-product of service level reductions from Sections 4, 5 and 6 combined.)

Eliminate Recreation Supervisor Management position (accompanied by reduction in equivalent of three coordinator workloads)	($146,328)
TOTAL BUDGET IMPROVEMENT	**($146,328)**

8. RECREATION DIVISION REORGANIZATION (Will be reflected in FY06/07 budget)

Eliminate Recreation Manager and Supt. of Cultural Arts positions	($336,544)
Add new Superintendent of Recreation position	$193,502
Add new Administrative Analyst position	$116,834
NET IMPROVEMENT TO CRF	**($26,208)**

SUB-TOTAL FOR SECTIONS 1, 2 and 3 ***(Does not reflect the $349,566 that is already incorporated into the recommended budget.)***	**$169,282**
New revenue, revenue enhancements and service level efficiencies incorporated into the recommended budget and shown as Attachment A.	**$349,566**
SUB-TOTAL FOR SECTIONS 4, 5, 6 and 7	**$903,131**
SUB-TOTAL FOR SECTION 8 ***(Is not included in total on next line because it has been included in the City Manager's recommended budget.)***	***$26,208***
TOTAL OF ALL PROPOSED OPTIONS TO ADDRESS CRF IMBALANCE	**$1,421,979***

*There are some minor duplications – for example, Fun on the Run is listed in both Sections 3 and 4.

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ATTACHMENT C

2006 Study Issue Paper - Consider the Effectiveness of the Recreation Fee Waiver Program

Proposed New Council Study Issue

Number	PRD-03
Status	Above the line
Calendar Year	2006
New or Old	New
Title	Consider the Effectiveness and Efficiency of the Recreation Fee Waiver Program
Lead Department	Parks and Recreation
Element or SubElement	Recreation Sub-Element

1. What are the key elements of the issue? What precipitated it?

On April 5, 2005, City Council reviewed RTC 05-090 that considered options to address a shortfall in the Recreation Fee Waiver Program budget in FY 2004/2005. Council asked if the criteria for the program could be modified so that fee waivers could be directed to specific customer groups. Staff indicated that a Study Issue was being developed to evaluate the effectiveness of the Recreation Fee Waiver Program and that these criteria could also be considered. The key elements of this study will include the following:

- Examine the purpose and cost benefit of the Recreation Fee Waiver Program.
- Consider limiting the Recreation Fee Waiver Program to specific segments of the Sunnyvale population, rather than the population at large. For example, the program could be limited to youth, developmentally disabled persons, seniors and/or other groups or combinations of groups.
- Review existing family income criteria used to establish eligibility for the Recreation Fee Waiver Program and consider additional eligibility criteria that may be more efficiently managed.
- Review the annual maximum fee waiver amount given to eligible Sunnyvale residents and discuss whether or not the amount should be adjusted.
- Consider whether or not the annual amount should be adjusted yearly for inflation or to address years of positive or negative economy of Sunnyvale.
- Consider Sunnyvale residency requirements and appropriate documents used to ensure that only residents are served by the Recreation Fee Waiver Program.
- Consider types of programs and activities eligible for fee waivers.
- Consider whether this can be administered more efficiently and effectively.

2. How does this relate to the General Plan or existing City Policy?

Sunnyvale General Plan, Recreation Sub-Element:

Policy 6.1C4: Provide a system to allow persons who are economically disadvantaged to participate and use programs, facilities, and services.

Policy 6.1C.4a: Evaluate the effectiveness of the Fee Waiver Program and the criteria to determine eligibility, and make appropriate adjustments.

Policy 6.1C.4b: Provide pricing advantages to economically disadvantaged individuals for

programs, facilities and services.

3. **Origin of issue**

Council Member(s)	
General Plan	
City Staff	Parks and Recreation Department
Public	
Board or Commission	none

Board or Commission ranked this study issue ____ of ____
See below.

Board or Commission ranking comments
At their October 12, 2005, meeting, the Parks and Recreation Commission ranked this study issue No. 1 out of 5 study issues ranked for Council consideration in calendar year 2006.

At their October 19, 2005, meeting, the Arts Commission ranked this study issue No. 1 out of 2 study issues ranked for Council consideration in calendar year 2006.

4. **Multiple Year Project?** No **Planned Complete Date** 2006

5. **Estimated work hours for completion of the study issue (use 5 or 8-hour increments)**

Consultants	0
Finance	20
Office of the City Attorney	10
Parks and Recreation	160
Total Hours	190

6. **Expected participation involved in the study issue process?**

Does Council need to approve a work plan? No
Does this issue require review by a Board/Commission? Yes
If so, which?
Arts Commission, Parks and Recreation Commission
Is a Council Study Session anticipated? No
What is the public participation process?
Both the Parks and Recreation Commission and the Arts Commission will conduct public hearings on this item.

7. **Cost of Study**

Operating Budget Program covering costs
642 Recreation & 601 P&R Management
Project Budget covering costs
Budget modification $ amount needed for study
Explain below what the additional funding will be used for

8. **Potential fiscal impact to implement recommendations in the Study approved by Council**

Capital expenditure range	None
Operating expenditure range	None
New revenues/savings range	$51K - $100K

Explain impact briefly
The primary purpose of the study is to reexamine the criteria used to determine eligibility for the Recreation Fee Waiver Program. A great deal of information will be made available for Council's use in providing direction for the future policy of Recreation fee waiver qualifications and distribution. Depending on the criteria that are approved, costs could increase, remain the same or decrease.

9. Staff Recommendation for this calendar year

Recommendation For Study

If 'For Study' or 'Against Study', explain

For many years the City's Recreation Fee Waiver Program has been an important safety net for low income families. Currently the majority of fee waivers are issued to allow Sunnyvale children and teens the opportunity to participate in a wide variety of recreation, enrichment, sports and arts classes and activities. However, many adults and seniors also receive waivers.

Use of the Recreation Fee Waiver Program fluctuates widely from year to year and does not appear to follow any particular trend. Given the City's current fiscal situation and status of the Community Recreation Fund, there is a possibility that the City may not have the resources available to continue the Recreation Fee Waiver Program at its current level. It appears to be an appropriate time to review the existing program and examine related criteria and expenditures so that appropriate future levels of support may be provided for the community.

Note: If staff's recommendation is 'For Study' or 'Against Study', the Director should note the relative importance of this Study to other major projects that the department is currently working on or that are soon to begin, and the impact on existing services/priorities.

Reviewed by

Department Director **Date**

Approved by

City Manager **Date**