

Park and Recreation Department

Anticipated Changes to Recreation Council Operations

Park and Recreation Board
Meeting of October 19, 2017





Recreation Councils

Historical Background

- Originally established advisory role in 1950s
- Financial partner with the Park and Recreation Department since 1978
- Recreation councils started to accept revenues and pay for programs
- Council Policy 700-42 (created 1981, last modified 2005) – provides indemnification to recreation councils
- The Special Use Permit with recreation councils has been amended on a recurring basis, and most recently in 2015
- There are 52 Recreation Councils and 46 have 501(c)(3) non-profit status; of these, most currently have an executed Special Use Permit

Recreation Councils

Roles and Responsibilities

- The Department needs recreation councils, which play vital roles:
 - Promote recreational activities in the community (*CP 700-42*)
 - Provide support for operations, classes and events that the Department does not offer (*CP 700-42*)
 - ✓ Manage independent contractor agreements
 - ✓ Co-sponsor special events that are free or low-cost
 - Fund enhanced maintenance projects
 - Provide funding to minor public works projects
 - Advise City of public input for park projects, placement of wireless facilities, and decorations (*CP 600-33, 200-14, 700-06, 700-36*)
 - Work with user groups to identify field usage and permitting strategy (*DI 8.3*)



Recreation Councils

Funding Sources

- Recreation council funds held in its bank account
- City's on-line registration collects funds and transmits a portion of eligible fees directly to the City and to the recreation council
- Typical sources of funds for recreation councils include:
 - Collected via on-line registration system:
 - Surcharges authorized in the Department Fee Schedule for activities, classes, and permits
 - Recreation council-approved contractual program revenue (usually a percentage; may vary by community)
 - Directly collected by recreation council:
 - Special agreements and permits for City facility use in which funds are paid to recreation councils
 - Fund raising and donations

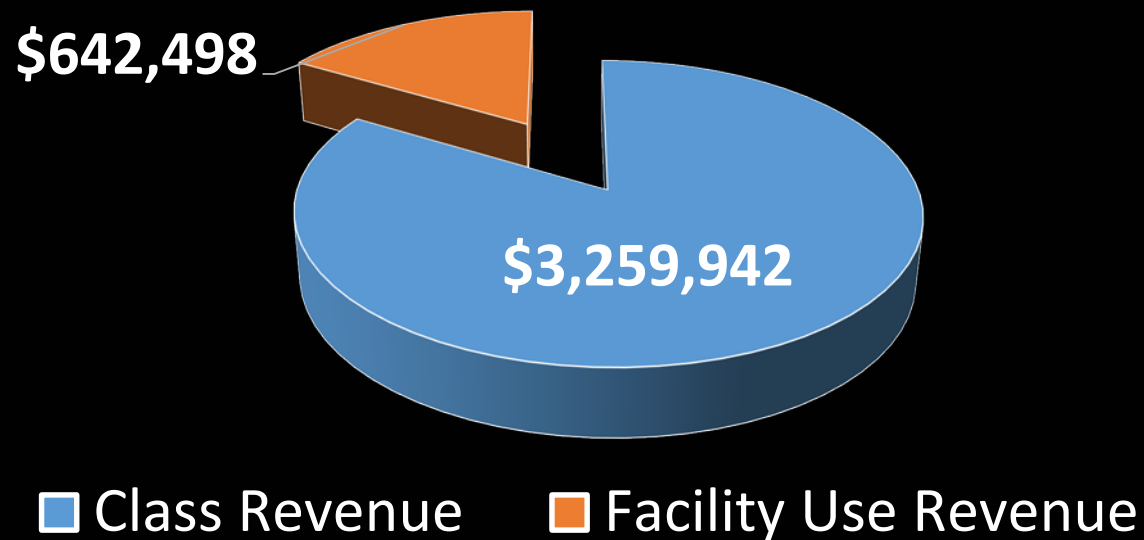


Recreation Councils

Funding Sources

- \$3,902,440 total revenue Fiscal Year 2016
- \$3,259,942 gross revenue from classes
- \$642,498 revenue from permits

FY 2016 Recreation Council Revenue



Reason for Proposed Change

City Attorney Legal Opinion

- September 8, 2017 memo (LO-2017-20) from the City Attorney concludes “all funds collected by recreation councils are City funds, and therefore subject to Charter and Municipal Code requirements governing the use of City funds”
- The Department has identified a need to change established protocols involving receipt and expenditure of these funds
- Existing Special Use Permit (SUP) expires December 31, 2017
- Current SUP provisions are inconsistent with legal requirements applicable to the use of City funds
- Unlikely the City Attorney’s Office will approve an extension to the existing SUP’s held by most recreation councils



Reason for Proposed Change

City Attorney Legal Opinion

- During development of 2015 special use permits, City Attorney's Office identified certain risks, some of which were incorporated into the updated permit
- A right of entry permit planned for Doyle Recreation Council to construct a new 5 to 12 year old playground was not approved by the City Attorney since the planned funding source was from the recreation council, and the proposed permit would have not followed City processes and procedures for City funds
- Department requested City Attorney elaborate on why special use permits presented risks to the City and why the right of entry permit was not approved

Reason for Proposed Change

City Attorney Legal Opinion

- The determination in Legal Opinion LO-2017-20 means that the current relationship between the City and recreation councils is in conflict with City Charter and Municipal Code
- The City Charter governs methods by which City funds are received and accounted
- All funds designated as City funds must be received into the City Treasury prior to expenditure
- Expenditure of City funds are subject to Charter, Municipal Code, and other regulatory guidelines, including:
 - ✓ State and local conflict of interest laws
 - ✓ Competitive procurement
 - ✓ Equal employment opportunity
 - ✓ Living wage, prevailing wage, and equal benefits



Options

Need to Ensure Continuity of Services

- Department goal was to retain existing recreation council structure if legally possible
- Benchmarking with other comparable agencies (Cities of Los Angeles, Portland, Seattle, and others) yielded no model comparable to City of San Diego recreation council structure
- Department staff discussed multiple options that could not be implemented in the limited time available, including development of:
 - A new contract for recreation councils that provides reimbursement
 - A new non-profit foundation to receive City funds and replace financial role of recreation councils
- Staff must implement any change before current special use permit expires on December 31 and due to variation of 501(c)3 status and signature status of special use permits, the only viable option was to approach City Council to change how recreation council funds are handled



Potential Changes

Proposed City Council Resolutions

- Authorize an amendment to the Park and Recreation Department Fee Schedule to remove all references to “Recreation Council” and replace all of those references with “City of San Diego”
- Amend the Fee Schedule to authorize the Park and Recreation Director to establish a category for and set programming fees for individual recreation programs
- Authorize appropriation and expenditure of recreation center funds
- Ensure recreation center funds are:
 - Only expended in the geographical area where revenue is collected
 - Used for the continuation of recreation programs, activities, and events
- Authorize execution of assumption agreements between the City and independent contractors currently providing recreation classes and programs



Potential Changes

Impact of Proposed City Council Resolutions

- If this action is approved by the City Council:
 - Revenue from permit surcharges would be deposited into City special revenue funds
 - ✓ Special revenue funds would not be part of the General Fund
 - ✓ Each Recreation Center would have a unique fund
 - Funds raised through special interest classes would be deposited into special revenue funds
- Recreation councils will continue to serve an advisory role in the execution of programs and services
- Staff will facilitate workshops with recreation councils to develop the center's programming budget for the following Fiscal Year
- Recreation councils with 501(c)(3) status can operate independently to raise funds and partner with the City



Potential Changes

Impact of Proposed City Council Resolutions

- Unaffected by this action are any recreation council functions authorized by various Council Policies and Department Instructions, including:
 - Advice on recreation programs and activities
 - Field usage
 - Input on capital projects and general development plans
 - Indemnification as outlined in Council Policy 700-42
- Council Policy 700-42 will require amendment to create a process to continue to receive recreation council input on receipt and expenditure of recreation center area funds, including:
 - Annual budget process, likely to occur each fall for following fiscal year
 - List of planned contract service classes and special events
 - Planned minor repairs, such as turf fertilization, field leveling, and gym floor plank replacement
 - Additional hours of recreation center operation beyond General Fund baseline



Public Outreach

Recent and Upcoming Meetings/Workshops

- Department management team attempted to contact each Recreation Council Presidents upon release of the memo
- Director and Deputy Directors hosted meetings with Recreation Council Presidents by Department Districts on September 19 and 20
- Director presented changes to the Park and Recreation Board on September 21 and again on October 19
- After the Board meeting, Department management team continued to reach out to recreation council presidents
- Director issued a letter to all recreation council members on October 16
- Department management team will address the changes at Area Committee meetings scheduled on October 25 and 26
- City Council meeting is scheduled tentatively for October 31
- If this action is approved, Department staff will facilitate transition of contracts with independent contractors following Council action



Status Quo

What Happens if City Council Declines Changes

- Special Use Permits will expire December 31
- Recreation councils will be unable to collect any City funds after contractual relationship via the permit ends
 - Room rental and permit surcharge would no longer be collected after December 31
 - Contract service classes initiated under recreation council contract for the winter class schedule would remain in effect until the conclusion of the winter period in February
 - New contract service classes via the recreation council would not be authorized after December 31 due to loss of special use permit, although other contractual arrangements such as a permit or co-sponsorship could be made
 - Contract service class providers unable to work through recreation councils may need to seek permits for room and field space directly from the City
- Due to lack of authority to receive and expend funds not in the Department's operating budget or the fee schedule, staff would be unable to execute certain recreational programs



Future of Recreation in San Diego

Partnership with Communities

- Our intentions in this process are:
 - Continue recreation programming with no service interruptions at all locations
 - Continue partnership with recreation councils and volunteers to receive needed input on recreation programming, activities, field use, and upcoming capital projects
 - Create a foundation to develop a framework to ensure recreation councils are not disenfranchised and feel valued in the process to promote and publicize recreation programs in each community
 - Bring recreation programming into compliance with City Charter and Municipal Code requirements, including funds to be placed in City Treasury
- This effort continues to evolve and may see more changes; the Department will do its best to keep the Board informed
- We thank and appreciate the good work all recreation councils do for kids and adults