



Office of the City Manager

WORKSESSION
March 5, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: Scott Ferris, Acting Director, Parks Recreation & Waterfront
Subject: Parks, Recreation and Waterfront Department Budget Presentation

INTRODUCTION

This report provides Council with an overview of the issues, opportunities and challenges in the Parks Recreation & Waterfront Department's operational, programmatic and capital budget for FY 2014 and FY 2015. In addition to the anticipated 2% target reduction in General Fund, the department has structural deficits in three key special funds that support core programs and services: the Camps Fund, the Parks Tax Fund and the Marina Fund. To address the deficits, the department is in the process of developing a series of balancing strategies intended to reduce General Fund spending and limit the expenditure of special fund reserves, while maintaining a 10% reserve for each special fund.

Department Overview

Capital Improvement Program

This unit oversees the department's capital improvement program for the City's parks, resident camps and waterfront areas. The work of this unit includes strategic planning, grants management, environmental review, project design, and construction management. Upcoming park improvements focus on safety and accessibility and include projects that replace deteriorated play equipment, repair and replace site furnishings, and provide improvements to existing playing fields and other basic recreation infrastructure needs. The Marina capital funding focuses on replacing aging infrastructure and facilities such as roads, parking facilities, restrooms and Marina docks.

2020 Vision

The department plays a significant role in the oversight and coordination of the 2020 Vision Initiative for Berkeley's Children and Youth, which is a City Council priority. The 2020 Vision is a strategic, community-wide, multi-agency initiative to close the achievement gap in Berkeley public schools and is solidly grounded in the knowledge that creativity and intellect are evenly distributed at birth regardless of race or gender. City staff participate in 2020 Vision planning, implementation, and evaluation activities. Staff also provides recommendations related to reporting outcomes, best practices, and

training needs for City of Berkeley and City funded youth programs. On June 24, 2008, Council adopted a Resolution (No. 64,113-N.S.) authorizing the City Manager to develop plans and models for internal and cross-jurisdictional collaboration to remove barriers to learning and to promote healthy development for all Berkeley children and youth. Council has received status update reports on December 14, 2010 and March 6, 2012. Council will be provided with another update at a June 2013 work session.

Parks Division

The Parks division is comprised of the Urban Forestry, Landscape Maintenance and Building Maintenance units. It operates, maintains and manages the City's 52 parks, 45,000 street trees, 124 street medians, 15 park buildings, 263 potable water and irrigation systems, 51 play areas, 19 public restrooms, 15 sports fields, 4 recreation centers and 2 pools.

Marina Division

This division operates and maintains the Berkeley Marina and its related facilities. The scope of this division includes the negotiation and management of the agreements/leases with Marina businesses, the maintenance of docks and other infrastructure, the management of over 1000 boats and berth rentals, as well as the operation and maintenance of Cesar Chavez Park, the Shorebird Nature Center, and the Adventure Playground.

Recreation Division

This division provides a wide variety of unique and traditional recreational opportunities for all Berkeley citizens, with a concentration on youth. The division administers its programs in City parks and facilities and operates the City's recreation centers, swimming pools and resident camps. The division also manages more than 400 part-time and seasonal personnel, which are not included in the division's FTE count. The following is summary list of programs:

- Aquatic programs for youth, adults and elderly
- Recreation programs for all ages, focusing on youth and teens
- Sports for youth and adults
- Teen programs
- Camp programs for youth and teens
- Resident family camps
- Pre K/Tots Programs
- Marina Recreation & Education Programs

Budget Issues and Challenges

The department is facing a number of fiscal challenges over the next several years. Two of the department's back-bone funds – the Parks Tax Fund and the Marina Fund – are in structural deficit and have been slowly spending down fund reserves for several years. As a result, without implementing measures to balance these funds, each will be in deficit by the end of FY 2015.

General Fund Issues:

- The department has a General Fund target reduction for FY 2014 of 2%, or \$108,000.

Special Funds Issues:

- The Parks Tax Fund has a structural deficit of \$850,000 and a substantial backlog of deferred maintenance and capital work.
- The Marina Fund has a structural deficit of \$500,000 and a substantial backlog of deferred maintenance and capital work.
- The Camps Fund has a strong - but shrinking – reserve and a backlog of deferred maintenance and major capital needs at the resident camps.

Capital Program Issues:

In March 2011, the department presented Council with an overview of the capital improvement program, which described planned and completed projects and provided a then-current estimate of unfunded capital and major maintenance needs totaling \$78 million. The department currently allocates \$1.2 million on an annual basis to address capital needs.

The department's capital program has historically been underfunded. A comprehensive assessment on the condition of existing camp, parks and marina facilities is needed in order to develop a plan for capital improvements and major maintenance programs. The total annual funding in FY 2014 and FY 2015 for capital projects (exclusive of grants and loans) is proposed to be \$1.2 million per year.

The current estimate of unfunded capital needs is shown below:

Capital Program Type	FY 14	FY 15	FY 16	FY 17	FY 18	Totals
(figures in millions)						
Marina Bldgs & Infrastructure						
Available Funding	0.25	0.25	0.25	0.25	0.25	1.25
Projected Expenditures	1.06	3.58	0.75	4.45	3.38	13.22
Unfunded Liability	(0.81)	(3.33)	(0.50)	(4.20)	(3.13)	(11.97)
Pool Bldgs & Equipment						
Available Funding	0.05	0.05	0.05	0.10	0.10	0.35
Projected Expenditures	0.12	0.08	0.25	1.85	1.85	4.15
Unfunded Liability	(0.07)	(0.03)	(0.20)	(1.75)	(1.75)	(3.80)
Parks Bldgs, Equip. & Infrastructure						
Available Funding	3.66	1.32	1.09	0.65	0.65	7.37
Projected Expenditures	6.11	5.54	4.30	3.18	2.34	21.47
Unfunded Liability	(2.45)	(4.22)	(3.21)	(2.53)	(1.69)	(14.10)
Camps Bldgs & Infrastructure						
Available Funding	0.20	0.20	0.20	0.20	0.20	1.00
Projected Expenditures	0.46	0.36	1.03	1.02	1.27	4.14
Unfunded Liability	(0.26)	(0.16)	(0.83)	(0.82)	(1.07)	(3.14)
Total Unfunded Liability	(3.59)	(7.74)	(4.74)	(9.30)	(7.64)	(33.01)

Note: Available funding shown above includes discretionary capital funds, Parks Tax funds, Measure WW funds, Marina funds, and Camps funds.

The PRW Department is working closely with the Department of Public Works to develop a detailed needs assessment of parks and waterfront physical structures. The results of this assessment will inform decisions about the nature of department's capital program in the years to come. To-date, the department has successfully secured a number of federal, state and local grants to fund some of the priority capital improvements at the Marina and in over a dozen City parks. Funding sources include the Metropolitan Transportation Commission, the East Bay Regional Park District (Measure WW allocations), the State Department of Boating and Waterways (both grants and loans), the Coastal Conservancy, Bayer (Miles Lab) and most recently, funding from the National Fish and Wildlife Foundation Cosco Busan program for capital projects at the Marina.

Recreation Program Grant:

The department has been fortunate in the receipt of grants for recreation and youth services programs as well. The department's Recreation Division received a capacity grant from Alameda County as start-up funding for the 0 – 5 / Pre-K Tots program. This is an extremely successful program provided at our Frances Albrier Community Center. Unfortunately, as it was a "capacity" grant, the funding will end this fiscal year. The

department has made sustaining this program a priority, and will propose measures to continue the funding on a recurring basis.

2020 Vision Initiative:

To support the 2020 Vision Initiative, the City currently allocates 1 FTE and provides funding for the Berkeley Alliance, a non-profit organization in Berkeley. This commitment has provided the 2020 Vision Initiative with the initial staff support for developing a framework, convening the stakeholder partners, and developing and implementing work plans for Phase I through Phase III of the program. More information on the progress of this initiative will be provided at a Council Work Session tentatively scheduled for June 2013

Status of Key Department Funds

There are three key funds that support the majority of the department's baseline programs and services: the Camps Fund, the Parks Tax Fund and the Marina Fund. All three funds have been operating at a loss in recent years, but the Camps Fund still projects a healthy reserve through FY 2017.

Camps Fund

This fund supports both day camp programs offered within the City throughout the year, as well as resident camps at Cazadero, Echo Lake and Tuolumne. This fund has a strong reserve, but in recent years, expenditures from that reserve have been necessary to cover increasing costs, primarily for staffing and for needed major maintenance and capital repairs. The table below summarizes the fund's current status and provides projections through Fiscal Year 2017.

Camps Fund	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
<i>(figures in millions)</i>						
Beginning Balance	1.24	1.22	1.12	0.97	0.85	0.73
Revenues	2.02	2.12	2.19	2.24	2.29	2.29
Expenditures	2.04	2.22	2.34	2.36	2.41	2.45
Operating Income / (Loss)	(0.02)	(0.10)	(0.15)	(0.12)	(0.12)	(0.16)
Ending Balance	1.22	1.12	0.97	0.85	0.73	0.57
Reserve	60%	53%	44%	38%	32%	25%

Parks Tax Fund

The Parks Tax Fund has been operating at a deficit for several years, using fund reserves annually to cover increasing operational costs. Annual revenue increases from property assessments are tied to increases in the Consumer Price Index (CPI), and in recent years, costs have continued to outpace the CPI. In addition, there is a backlog of deferred maintenance for Parks facilities and infrastructure that places an additional, recurring burden on the fund. The fund has a structural deficit of approximately \$850,000. The table below summarizes the fund's current status and

provides projections through Fiscal Year 2017. If balancing strategies are not implemented for this fund, the reserve will be depleted by the end of FY 2015. Unfortunately, there is a substantial amount of capital work needed, but funds allocated for the capital projects have been insufficient to complete all but the highest priority work. The FY 2014 proposed annual allocation for capital projects is \$500,000, and the FY 2015 proposed annual allocation for capital projects is \$350,000. The current estimate of unfunded parks infrastructure and parks building work is \$42 million.

Parks Tax Fund	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
(figures in millions)						
Beginning Balance	2.40	1.78	0.87	0.02	(0.68)	(1.39)
Revenues	9.25	9.38	9.57	9.76	9.95	10.15
Expenditures	9.87	10.29	10.42	10.46	10.66	10.87
Operating Income / (Loss)	(0.62)	(0.91)	(0.85)	(0.70)	(0.71)	(0.72)
Ending Balance	1.78	0.87	0.02	(0.68)	(1.39)	(2.11)
Reserve	19%	9%	0%	-7%	-14%	-21%

Marina Fund

The Marina Fund has been operating at a deficit for several years, and has been spending down the fund reserve annually to cover increasing operations costs and to fund needed capital and major maintenance work. The Marina relies primarily on revenues from berth rentals and leases to cover both operations and some capital costs. The City has previously obtained loans from the State Department of Boating and Waterways (DBAW) for approximately \$11 million to cover major capital work including dock and ramp repairs and replacements, channel dredging, and repair and replacement of land-side facilities such as restrooms and parking areas. The Marina Fund pays all debt service on these loans. The current annual debt service from two existing loans is approximately \$646,432, which is approximately 11% of annual revenues to the fund. One loan will be fully paid in FY 2016, but there is a substantial amount of capital work remaining at the Marina, and the Department is pursuing a new capital loan from DBAW in order to initiate work in FY 2017. The estimated debt service on a new \$3.7 million loan for major dock replacement is approximately \$229,828 annually, which will bring the total debt service payments to \$715,187 beginning FY 2018.

The current estimate of unfunded capital work in the Marina is approximately \$12 million. Given existing funding levels, the department is only able to allocate \$250,000 annually to complete some of the highest priority work. If balancing strategies are not implemented for this fund, the reserve will be depleted by the end of FY 2015. In evaluating the options for addressing the structural deficit in this fund the department has closely examined trends in berth revenues for like facilities, and will be bringing a fee increase proposal to Council for consideration in May. The possible fee increase

combined with restructuring of Marina operations will reduce the current structural deficit but will not solve it.

The table below summarizes the fund's current status and provides projections through Fiscal Year 2017.

Marina Fund	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
(figures in millions)						
Beginning Balance	2.26	1.36	0.72	0.21	(0.32)	(0.88)
Revenues	5.34	5.18	5.21	5.25	5.29	5.34
Expenditures	6.24	5.82	5.72	5.78	5.85	5.76
Operating Income / (Loss)	(0.90)	(0.64)	(0.51)	(0.53)	(0.56)	(0.42)
Ending Balance	1.36	0.72	0.21	(0.32)	(0.88)	(1.30)
Reserve	25%	14%	4%	-6%	-17%	-24%

Balancing Strategies

General Fund

The department receives approximately \$5.3 million in General Funds annually, the bulk of which supports the Recreation Division (65% of the Division budget is from General Fund). A portion of the costs of programs and services is offset by revenues generated by the programs offered. To keep programs and services accessible to the community, a portion of costs have historically been covered by the General Fund. For the FY 2014 and FY 2015 budget cycle, the department's target reduction of 2% (or approximately \$108,000) is being met through a combination of restructuring in the Recreation Division and not filling vacant positions.

Camps Fund

The department is proposing to increase operations costs by approximately \$126,000 to allow us to restructure and strengthen the staffing of both our Day Camps and our resident camps. The proposed budgets for FY 2014 and FY 2015 also include a capital component to provide funding for needed repairs and replacements at the Echo Lake Camp and the Tuolumne Camp. A Berkeley Tuolumne Family Camp Master Plan will be completed shortly, which will provide direction and phasing for camp upgrades and improvements.

Parks Tax Fund

To address the \$850,000 structural deficit in this fund, the department has developed a series of balancing strategies for this budget cycle. The strategies include restructuring proposals for the Parks Division to achieve greater efficiencies and reduce recurring costs. This approach addresses a portion of the structural deficit. The remainder of the structural deficit could be addressed through an increase in the Parks Tax. Such an increase would require voter approval. The Council could consider a ballot measure for

the November 2014 election which, if approved, would result in additional revenue in FY 2016.

Marina Fund

To address the \$500,000 structural deficit in this fund, the department is proposing a combination of reorganization within the Marina Division and generation of additional revenues from existing programs and events. The department is also proposing certain fee increases and will bring a proposal to Council in May of this year.

Conclusion

While the key department funds still have reserve balances, they must be carefully managed to keep positive balances. Increasing costs will likely continue to outstrip program revenues for the foreseeable future. We will continue to develop strategies to make existing programs and services sustainable, which will include program and division restructuring proposals, fee increases and potential consideration by Council of an increase in the Parks Tax rate. A critical focus in the coming year will be on assessing facility conditions to further inform our understanding of the unfunded capital needs of the department.

CONTACT PERSON

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