

PROS COMMITTEE REPORT TO GGPNC BOARD
Presented February 16, 2010
Submitted by Bernadette Soter, Committee Chair

A. Bullet Points for GGPNC Response Letter

Re: The Three-Year Plan to Fiscal Sustainability

Containing CAO Recommendations Impacting Recreation and Parks, in the City Budget Fiscal Year 2010-2011

CAO File No. 0590-00098-3842

Council File No. 09-0600-S159

The Recreation and Parks Department's 2009-2010 Operations Budget was approximately \$140 million down from \$177 million in 2008-2009.

Currently in hearing mode at City Hall, the CAO's "Three-Year Plan to Fiscal Sustainability" proposes steeper and more substantial cuts, the levying of new fees for water and power used by park properties, new liability for pension costs, and privatization of revenue-producing assets such as golf courses. In combination, these proposals will drastically reduce recreation and services in the City's parks to levels that that will have long term consequences for the maintenance of parks as viable public resources.

The PROS Committee proposes that these specific impacts be communicated in letter form to the Mayor, City Council Budget & Finance, Arts, Parks, Health & Aging Committees, all City Council Members, the Recreation and Parks Commission, and GM of Recreation and Parks.

1. THE GGPNC OPPOSES all recommendations in the section entitled:

CITY RESTRUCTURING PROPOSALS
DEPARTMENT OF RECREATION AND PARKS
REIMBURSEMENT OF GENERAL FUND COSTS

Part one of this section proposes that the Recreation and Parks Department be required to pay fees for LADWP water and power usage at each of its more than 400 properties. This will result in the loss of an estimated \$20 million from the Department's operating budget and the equivalent cuts in public services.

This new and one-way expense recovery plan is patently unfair. Almost from the inception of the municipal park system, the parks have provided cost-free locations for the DWP infrastructure required for the acquisition, transfer, storage and delivery of water and power to the city. The DWP pays Recreation and Parks NO FEES for its use of recreational lands. In exchange for free use, the DWP has historically provided water and power free to municipal parks. If Recreation and Parks is required to pay for water and power, the DWP must be required to pay market lease rates to Recreation and Parks for the acreage they are currently using without payment.

Currently in Griffith Park, 44-acres of dedicated parkland, the Headworks, are being removed permanently from recreational use without monetary compensation and converted into a new DWP emergency water storage facility for

Northeast L.A. (replacing Silver Lake reservoir). Currently, the DWP is excavating Griffith Park to a fifty-foot depth to replace the 96" diameter River Supply Conduit pipes running its length which bring water to city areas south of the park. During this 3-year project, which began in Spring of 2009, public access, recreational events and the park itself have and will be constrained without monetary compensation. For almost a century, DWP electrical relay towers have crossed Griffith Park delivering power from the valley to the basin, a continuing DWP use of parkland without monetary compensation.

Part two proposes that the Recreation and Parks Department be required to pay its pension liabilities at the rate of 10% in 2010 ramping up to 50% in five years.

These new multi-faceted liabilities include retirement costs, Medicare and the Civilian Flex Program. They are certain to grow subtracting ever greater amounts from the operating budget and its ability to provide recreational services. In 2010-11 alone, the cost to the Department is projected at \$37.2 million – 25% of the entire department budget.

2. THE GGPNC OPPOSES all recommendations related to the Department of Recreation and Parks in the section entitled:

CITY RESTRUCTURING PROPOSALS
CONSOLIDATE DESIGN AND DELIVERY OF CAPITAL PROJECTS

This proposal removes the Advance Planning Division from the Department of Recreation and Parks, requires that it employ the Bureau of Engineering (BOE) to provide these fundamental services and pay the BOE for same. This will reduce the operating funds available for recreation services and will precipitate delays and additional expense in the planning and construction of projects that Recreation and Parks now handles internally, (such as a simple playground or drainage ditch, to the major wash-out repair of Vista del Valle mountain road in Griffith Park). The BOE is not parks-centric and will be slower to respond, delaying action in situations that may be urgent in terms of public safety.

3. THE GGPNC OPPOSES efforts to privatize the Municipal Golf Courses or to redirect any revenue from these public-owned Golf Courses away from the Department of Recreation and Parks.

CITY RESTRUCTURING PROPOSALS
PUBLIC PRIVATE PARTNERSHIP - GOLF OPERATIONS

City golf courses have comparable or better conditioned and offer more competitive rates that service a greater percentage of the population than the majority of private courses and private-public-partnership courses such as is the case with the County of Los Angeles. Revenue from the City's golf courses returns directly to the Department of Recreation and Parks. Privatization provides an opportunity for that revenue stream to be redirected elsewhere. Privatization changes the mission of the golf courses from services-centered to profit-centered and opens up these facilities to unforeseen alternate uses in the name of profit.

**B. Bullet Points for GGPNC Response Letter
Re: The Draft City of L.A. Bicycle Plan**

The City of Los Angeles is currently revising the Bicycle Element of its General Plan through the Department of Transportation. The process has been mired in controversy. It has been criticized by advocates who envision bicycling as a viable transportation alternative and who are displeased with the recommendations so far, considering them lacking in vision and not in synch with their goals. \$450,000 has been expended to date and has produced a Draft that is more than 400 pages, but is still a long way from completion. Some bicycle advocates are demanding a “do-over;” some have produced an alternative plan.

Although the preponderance of the current Draft deals with Transportation matters, the PROS Committee has heard from several stakeholder groups regarding the handful of recommendations in the Draft that affect parks. Even though the plan may be greatly changed in future months, the Committee would like to communicate its findings on these aspects to DOT now.

- The Committee supports increasing and improving bicycle connectivity to Griffith Park, specifically improving access from the L.A. River Bikeway into the Park. Currently the entrances and exits are too few and cyclists have resorted to cutting holes in the fencing to enter the park.
- The Committee supports improved maintenance of lighting along the L.A. River Bikeway. The Bikeway lights are continually vandalized for the copper wire within them, leading to dangerous riding conditions after sunset.
- The Committee opposes the recommendation that municipal law be reversed to allow mountain biking, BMX biking, dirt boarding, downhill scooters, and other mechanized sports on municipal park trails and reminds DOT that trail policies are under the jurisdiction of the Department of Recreation and Parks.*

**Joining the Committee in this recommendation are Councilmember Tom LaBonge, the Recreation and Parks Commission, the Sierra Club, ETI Corral 38, the Runners’ Coalition, the Los Feliz Improvement Association, the Debs Park Advisory Board, the Citizens Committee to Save Elysian Park, and other park advocacy groups citywide.*

Reference for recommendation 1

**CITY RESTRUCTURING PROPOSALS
DEPARTMENT OF RECREATION AND PARKS
REIMBURSEMENT OF GENERAL FUND COSTS**

OBJECTIVE:

Reduce the fiscal impact of the Department of Recreation and Parks' (RAP) operations on the General Fund by requiring reimbursement of costs funded by the General Fund.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Instruct the Department of Recreation and Parks to submit, within 60 days, a reorganization plan for 2010-11, assuming that it will be required to reimburse ten percent of the retirement costs, Medicare and the Civilian Flex Program.

Instruct the Department of Recreation and Parks to submit a 5-year reorganization plan from 2010-11 through 2014-15 with its 2011-12 budget submittal to the Mayor, assuming that it will be required to reimburse the General Fund for retirement costs, Medicare and the Civilian Flex Program. The reimbursement will be ten percent for the first year and increase by ten percent for each of the succeeding years with a cap of 50 percent on the fifth year. At such time, the City will evaluate the impact on RAP's operation of continuing to pursue full cost recovery of General Fund costs.

BACKGROUND:

Charter Section 593 requires an annual appropriation to the Recreation and Parks Fund of an amount not less than 0.0325 percent of the assessed value of all property as assessed for City taxes.

In addition to this Charter-mandated appropriation, the Mayor and Council may provide appropriations from the General Fund to the Recreation and Parks Fund. The Charter-mandated appropriation and any additional appropriations provided from the General Fund are to be used only for the financial support of RAP. The City General Fund is not obligated to pay for RAP's operating expenses, such as utilities. However, the Mayor and Council may choose to pay all or part of these expenses as they have done in previous years when resources are available. Conversely, during periods of reduced resources, it appears that the Charter does not prohibit the Mayor and Council from requiring RAP to pay for costs funded by the General Fund that are associated with RAP's operations, **provided the Board of Recreation and Park Commissioners elects to incur those costs (Charter Section 591(b))**

It should be noted that the General Fund has provided appropriations over and above the Charter-mandated amounts to RAP during years when General Fund monies are available, as follows:

**DEPARTMENT OF RECREATION AND PARKS
Charter Mandated Appropriations**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Charter Mandated Appropriation	90,303,060	97,363,386	106,565,370	118,431,449	130,226,837	140,147,292
Additional GF Appropriation	13,915,006	28,295,488	26,512,489	13,268,635	1,399,700	
Total Appropriation	104,218,066	125,658,874	133,077,859	131,700,084	131,626,537	140,147,292
Departmental Revenue	25,612,622	27,112,622	28,962,622	32,162,016	35,092,626	
Total Department Budget	129,830,688	152,771,496	162,040,481	163,862,100	166,719,163	140,147,292
Charter Mandated	90,303,060	97,363,386	106,565,370	118,431,449	130,226,837	140,147,292

Appropriation						
Annual Percentage Increase	7.82%	9.45%	11.14%	9.96%	7.62%	
Annual Increase	7,060,326	9,201,984	11,866,079	11,795,388	9,920,455	

NOTES:

1. In 2008-09, the Total Appropriation was reduced by a payment to the GF in the amount of \$3.144 million for Water and Electricity
2. In 2009-10, the Total Appropriation will be reduced by a payment to the GF in the amount of \$19.5 million for Water and Electricity and other utilities

DISCUSSION:

A. Findings/Issues

RAP has reimbursed (or is expected to reimburse) the General Fund for a portion of the total direct costs attributable to its operations, as follows:

- FY 2008-09 \$ 3.14 million for water and electricity
- FY 2009-10 \$19.50 million for water and electricity and other utilities

According to cost information provided by the General Services Department (GSD), there is approximately \$10.8 million in unreimbursed direct costs attributable to RAP's operations. GSD, with the assistance of the CAD, is currently working on a plan that will allow for direct billing of utilities to RAP.

To date, required reimbursements from RAP have been based on auditable costs from GSD, in accordance with advice from the City Attorney. RAP should be required to fully reimburse utility costs before other related costs as those costs are easily attributable to RAP's operations.

In addition to utility costs, the following costs are also easily verifiable:

- Retirement costs
- Medicare
- Civilian Flex Program

Using 2009-10 levels, RAP's costs are as follows:

- CERS \$18.1 million (19.43 percent of \$93.3 million Salaries General)
- Medicare \$ 1.4 million (1.5 percent of \$93.3 million Salaries General)
- Flex \$17.7 million (1,961 full-time positions times \$9,024/position)
- TOTAL \$37.2 million**

The \$37.2 million represents approximately a quarter of RAP's total operating budget (\$177 million less \$19.5 million utilities).

Potential benefit of General Fund cost reimbursements:

- Reduction of General Fund subsidy to the RAP

Potential issues relative to General Fund cost reimbursements:

- **Substantial reduction or potential elimination of the recreation function**
- Legal issues

B. Implementation Plan

As determined by the Mayor, the CAD will include any potential 2010-11 savings in the Proposed Budget.

c. Cost Savings:

General Fund savings for 2010-11 would be approximately \$4 million. General Fund savings are expected to increase by \$4 million, annually, up to \$20 million on the fifth year.

Reference for recommendation 2

CAO File No. 0590-00098-3842

Council File No. 09-0600

Three-Year Plan to Fiscal Sustainability

P. 186

**CITY RESTRUCTURING PROPOSALS
CONSOLIDATE DESIGN AND DELIVERY OF CAPITAL PROJECTS**

Page 3 of section

Department of Recreation and Parks (RAP): Project design and management were transferred to the BOE in 2004-05 but the department has recently started designing and managing projects. Assess whether RAP should be involved with project design and management.

Findings: There are 15 architectural and engineering positions assigned to Advanced Planning. Additional information would need to be obtained from the department on the number of positions assigned to conceptual/advanced planning, and to design and project management. The positions are all General Funded (Charter Appropriation). If these positions remain with RAP, there should be a clear distinction between the responsibilities of RAP Advanced Planning and the BOE. If the positions are to be transferred to the BOE, there would be an assessment of how many are necessary and whether the funding to the Bureau can be counted as part of the Charter Appropriation to RAP.

	Authorized Positions	Total Salary	Vacancy	Vacancy Salary Savings	Filled Positions	Filled Positions Salary
Technical	15	\$1,428,927	2	\$192,389	13	\$1,236,538
Administrative Support 0	0	0	0	0	0	
Total	15	\$1,428,927	2	\$192,389	13	\$1,236,538

Reference for recommendation 3

CITY RESTRUCTURING PROPOSALS PUBLIC PRIVATE PARTNERSHIP - GOLF OPERATIONS

OBJECTIVE:

Generate long-term savings by privatizing the entire golf operations through a concession agreement or a management contract.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Request the Board of Recreation and Park Commissioners (Board) to institute a three month moratorium on all new golf concession contracts; and,
2. Instruct the Department of Recreation and Parks to form a working group to develop a request for information or a request for proposal, subject to Board review and approval, to determine the feasibility of privatizing the entire golf operations.

BACKGROUND:

The City, through the Board of Recreation and Park Commissioners (Board) and the Department of Recreation and Parks (Department), owns and operates 13 golf courses:

- 18-hole golf courses
 - o Balboa
 - o Encino
 - o Wilson
 - o Harding
 - o Hansen Dam
 - o Rancho Park
 - o Woodley Lakes Golf Course
 - o Harbor Park
 - o Penmar
 - o Roosevelt
- Special Course
 - o Rancho Park 9-hole
 - o Los Feliz 9-hole
 - o Holmby pony course
- 9-hole golf course

Golf operations include golf course starter services and the operation of pro shops, driving ranges, food and beverage concessions, golf carts, as well as golf lessons.

The average Departmental revenue from golf operations, including concessions, is approximately \$21 million annually. The Department collects approximately \$18 million in green fees and \$3 million in concession revenues. Additionally, the Department sets aside 24 cents of every dollar in green fees (approximately \$4 million annually) for golf capital improvement. For 2009-10, the Department has 177 full-time positions, of which 152 are regular authority positions (funded through the Department's budget) and 25 are resolution authority positions (funded through the Golf Capital Improvement Account, the Golf Concessions Account or the Municipal Recreation Program Account). Currently, the Department employs 239 part-time employees. The 2009-10 Adopted Budget includes approximately \$8.9 million in appropriations for the golf operations that is fully offset by the \$18 million in golf revenue deposited into the Department's operating fund. However, the related costs for the budgeted golf positions are paid by the General Fund.

PROPOSAL:

Transfer golf services to a selected contractor. The amount of General Fund savings depends on the results of the request for proposal process.

DISCUSSION:

A. Findings/Issues

The Department primarily self-operates golf services. The Department provides the following golf services through concession agreements or permit process:

- o Electric golf carts at the 18-hole golf courses
- o Pro shops
- o Golf lessons
- o Food and beverage concessions

Currently, there are 16 golf concessions, as follows:

- 1 Electric golf cart concession
- 5 Golf professional concession (includes tennis instruction)
- 1 Golf instruction
- 19 Food and beverage concession
- 16 Total

The average annual receipts from these concessions total \$3 million, approximately 50 percent of which is generated from the electric golf cart concession. The electric golf cart concession is currently on a month-to-month basis. The Department is currently in the process of selecting a contractor. With the exception of one golf professional concession expiring in 2017 and three food and beverage concessions expiring in 2012, all concessions are either on a month-to-month basis or in the award process. It should be noted that four of the Department's seven 18-hole golf courses are located on US government property. Encino, Balboa and Woodley golf courses are located in the Sepulveda Basin flood control area leased by the Department from the Army Corps of Engineers (COE). The Hansen Dam golf course is also located on US government property leased from the COE. The Department's lease agreements with the COE require the Department to reimburse the COE for any revenues in excess of expenses.

Potential benefits of contracting out -golf operations:

- Reduction of need for additional General Fund monies to subsidize recreational programming
- Reduction of City workforce (smaller government)
- Related cost savings from reduction of City workforce

Potential issues relative to contracting out the entire golf operations:

- Four golf courses are located on property leased from the US government
- Two golf courses are located in Griffith Park, subject to the Griffith Trust Agreement

B. Service Impacts

Minimal impact is anticipated because golf services are expected to be provided by contractors at the current level.

c. Program(s)/Positions to be Transferred

To be determined.

D. Program(s)/Positions to be Eliminated

To be determined.

E. Implementation Plan

Immediately

The CAO will form a working group comprised of the Department, Mayor, CLA and CAO to develop a request for information or a request for proposal and will request the Board to institute a three-month moratorium on all new golf concession contracts.

Three Months

The working group will conclude its analysis and present to the Board

April 2010

As determined by the Mayor, the CAO will include any potential short-term savings in the 2010-11 Proposed Budget.

Fiscal Year 2011-12 and beyond

Any potential long-term savings from contracting out will be incorporated into future year budgets.

F. Cost Savings

The amount of General Fund savings depends on the results of the request for proposal process.