



Town of Apple Valley

Park and Recreation Financial Analysis

Executive Summary

Background

On March 26, 2001, the Town of Apple Valley assumed the operation of Apple Valley Recreation and Park District. Some of the Town's stated objectives in assuming this operation was to enhance and expand parks and enhance the recreation program available to residents. Immediately the Town contacted the State Department of Parks and Recreation regarding various grant and revenue generating opportunities. We applied for and were successful in receiving State Land and Water Conservation Funds, Proposition 12 – Roberti Z'berg Harris Grant Funds and Per Capita Funds as well as Economic Development Initiative funds and Department of Conservation Funds. The Town also directed various Community Development Block Grant Funds to parks and recreation.

In March 2004, the Citygate study recommended: "The Town should consider requiring: 1) Maintenance Assessment Districts in all new development to fully fund park maintenance, street lights, median maintenance and storm drainage; 2) Community Facility Districts in all new developments to fully fund public safety; 3) fees that recover not only the direct cost of providing services, but also all support and overhead expenses; 4) recovering support and overhead expenses from all capital project funds; and 5) frequent revision of new development capital facility fees (AB 1600 fees) and the addition of development fees to help fund the public works, police and Town Hall buildings and facilities." In addition, they recommended "The Town should either conduct with its own staff or contract for a comprehensive fee study to determine the actual cost of providing fee-supported services."

As a result of those recommendations, the Town contracted with Revenue and Cost Specialists, LLC to perform a Development Impact Fee Calculation and Nexus Report, a Master Facilities Plan and a Cost of Services Study. The Cost of Services Study identified \$2 million in subsidies across all funds. Of the total \$2 million in subsidies, over \$900,000 were subsidies in parks, recreation and leisure programs. These studies were completed in March 2005 and, as a result, numerous increases in fees were proposed to the Council. Following a review and discussion of the fees with the community, building industry

representatives, park and recreation commission and others, increases in fees were recommended and approved by the Council. Some development fee increases were phased in over a span of time to allow the development community to adjust to the fees. Various other fees that were recommended for increase were not increased including some planning related activities and various recreation related activities such as ball field rental, ball field preparation and ball field lighting fees. (Exhibit A)

During the first six years under the Town's direction, we have spent over \$5.5 million on park improvements using State Land and Water Conservation Funds, Proposition 12 - Roberti Z'Berg Harris Grant Funds, Per Capita Funds, Economic Development Initiative funds and Department of Conservation Funds. In addition, we have spent over \$4.8 million worth of Quimby Funds on park projects at Civic Center Park, Brewster Park, Horseman's Center, James Woody and other parks. Although we generated a considerable amount of money for capital projects, funds for operation and maintenance have only increased slightly over the same period.

On February 16, 2007, Town staff provided the Council with an update on the Park and Recreation Subsidy and effect of this subsidy on the General Fund at the Annual Council-Staff Workshop. A Powerpoint presentation highlighted the success of our capital improvement program and the various park expansions and improvements. It also highlighted the increased subsidy for Park and Recreation which has grown from no subsidy in 2003-2004, to 3.5% in 2004-2005 and reached 6.6% in 2007-2008.

On May 8, 2007 the Town Council approved a Professional Services Agreement with Tramutola LLC for determining the feasibility and process of placing a measure on a future ballot to raise revenues to fund Town Parks and Recreation. (Exhibit B) This was a two phase project. Phase one included an in-depth feasibility analysis, in conjunction with a public opinion survey that assess the viability of a revenue measure to provide operational funding for Apple Valley's Parks and Recreation Department. Based on the results of the feasibility analysis, the Council could choose to begin phase two which would provide an overall strategy, guidance and support to work with the Council and staff to develop the details and key components for a ballot measure.

On May 22, 2007 during the Special Council Meeting - Budget Workshop, the Council unanimously selected Councilmember Scott Nassif and Councilmember Bob Sagona to serve on the Park and Recreation Ad Hoc Committee to review this issue and make recommendations to the Council. Ad Hoc Committee Meetings with staff

were held on June 27, 2007, July 11, 2007, July 18, 2007 and July 31, 2007.

On September 11, 2007, Councilmember Scott Nassif provided a report to the Town Council on behalf of the Committee. The report included three recommendations:

1. Recommend the Council adopt guidelines for limits on subsidies to Park and Recreation and Law Enforcement of 2% of the overall General Fund for Park and Recreation and 50% for Law Enforcement.
2. Form an Ad Hoc Committee and request the School District appoint two members to meet with the Town Ad Hoc Committee to negotiate school and park multiple joint use agreements on all appropriate school and park facilities.
3. Determine a solution to raise revenue or cut services depending on the results of the Community Outreach Survey.

Also on September 11, 2007, Tramutola LLC provided their report on Phase one of the project which included a PowerPoint presentation of the results of the feasibility study. The Council was not encouraged by the report on the Community Survey regarding the potential success of a ballot measure. It was the decision of the Council not to proceed with Phase two of the project at that time and to provide additional study of the matter. (Minutes of this discussion are provided in Exhibit C)

On February 15, 2008, I provided the Council with an update on the status of the Park and Recreation Analysis at the annual Council-Staff Workshop. The Finance Director has estimated a 6% growth in the General Fund. (Exhibit D) The current contract for Law Enforcement which is currently 48.2% of the General Fund Budget will grow at a minimum of 6% which doesn't include new sworn position which will be needed as the community grows. (Exhibit E) Unlike many communities that are suffering decreases in sales tax revenues, we are projecting a 3% increase in sales tax revenues due to new commercial projects that have opened and many more that are in construction. (Exhibit F)

Methodology

In order to analyze the expenditures of the Parks and Recreation Budget further, I asked the Finance Department to assist with an analysis of each position in the represented departments to determine where their time was spent. Kaye Reynolds, Assistant Director of Finance worked closely with parks, facilities, recreation and events to allocate all time included in the budget including benefits since these costs are included in the total costs. Although we do not have the manpower to perform a time and motion study, the information provided by this analysis

provided a reasonable approximation of the time. Ms. Reynolds ensured that all budgeted expenditures were captured during the analysis.

Next, I created a form for the revenue and cost summary of each individual activity or facility by modifying a format that was previously used by our consultant. (Exhibit G) These forms were provided to each of the department managers to complete for their activities using the actual budgeted number for the activity. This analysis provided us with the total cost to provide a service and included direct costs of staffing, operation, supplies, etc. as well as indirect costs such as management, supervision and support staff such as secretarial and office staff.

Also included on each of the Revenue and Cost Summary pages is the park or facility that is used for the activity, the days and time of use and the number of users. On each of the park pages, we have identified the user groups that utilize the facility. Of course, these parks have any number of individuals or groups that use the facility; however, we do not have a way of quantifying such use.

Finally, I created a category of recommendations that are labeled A, B and C. Recommendations in the Category A include efficiencies in operations, reductions in budget that do not affect the level of service and increases in costs where our costs were lower than competing cities. Recommendations in the Category B include all the recommendations in Category A as well as recommendations that are slightly more aggressive and may impact the level of service or eliminate an ineffective program or activity. Category C recommendations include both A and B and have a significant impact on reducing the level of service and represent serious policy decision for the Town Council.

Analysis

The analysis at this level of detail has encompassed hundreds of hours of staff time by numerous employees at various levels in the organization. Through this process we have been able to optimize the operation to reduce costs. Included in this binder under the tab titled "Total Cost Summary" is a report prepared by Kaye Reynolds that summarizes the total savings from each Category of recommendation. It also provides a calculation of the total effect on the subsidy from the General Fund for Park and Recreation services.

The total savings from Category A recommendations is \$612,028. This includes a reduction in expenditures for 1) parks facilities by \$17,096, 2) Parks by \$327,891, 3) Aquatics by \$90,758 and 4) Recreation and Events by \$176,283. This will reduce the overall subsidy to Parks and Recreation to 3.43%.

The total savings from Category B recommendations is \$738,783. The majority of the additional savings from Category A to Category B are in the parks grounds recommendations that went from a savings of \$327,891 to \$443,704. This level of reduction will reduce the overall subsidy to Parks and Recreation to 2.78%.

The total savings from Category C recommendations is \$878,857 which completely reduces the subsidy and provides a contribution to fund balance. This is the most aggressive category which includes the closure of all parks which is not a recommendation. However, there may be an opportunity to consider either the closure or change in how we maintain some facilities not currently owned by the Town.

It is important to note that in order to achieve a salary savings from a park closure or change in maintenance; we must eliminate a full time equivalent (FTE) which is equal to 2080 hours. Positions such as Maintenance Aides are part-time positions which can be reduced regardless of the totals.

Results of Meeting with School District

On April 15, 2008, Mayor Pro-Tem Sagona and Town Staff met with Apple Valley Unified School District Board Member Wilson So and staff to discuss a variety of issues of mutual concern. We discussed the status of existing joint use agreements and the need to update existing agreements and identify opportunities for additional joint use agreements among the agencies.

We also discussed the Town Council's action in 2004 to sell a portion of Don Ferrarese Park to the Apple Valley Unified School District (AVUSD). From a review of the documents, it appears that when Merrill-Johnson Engineering prepared the documents for the transfer, the map that was included in the recording document showed the Town owned park. However, the Grant Deed that was included inadvertently transferred ownership of the entire parcel to the Apple Valley Unified School District. (Exhibit H)

Superintendent Seevers and Board Member So expressed an interest in retaining ownership of the parcel, discontinuing the park at that location and paying the Town for the portion of land. Since the costs associated with the maintenance of this park exceed \$50,000, this would also be beneficial to the Town.

We also discussed the possibility of contracting with the School District to maintain Town park sites located on School District Property. These

sites include Thunderbird Park, Yucca Loma Park and Sycamore Rocks Park. Since the School District already maintains turf at these locations, we suggested they may be able to provide these services and reduce the expenditure to the Town thus creating a win-win situation. The School District has agreed to review the possibility and cost of doing this and provide the Town with a proposal if it seems viable.

Finally, we discussed the cost associated with the winter operation of the swimming pool for AVUSD water polo and swim team. We asked them if their current plan for the 2008-2009 School Year included these activities. They stated that at the current time they do plan to continue these sports programs provided the Town doesn't increase the contribution requirement to the School District. We advised them that we would be meeting with the Town Council at a Special Meeting on April 22nd and that initial staff recommendations were to approve only Category A recommendations. Closure of the swimming pool for winter use is a Category C recommendation as long as the school district continues the same level of contribution toward the operating expenses associated with the activity.

We also discussed investigating alternative sources of energy to heat the swimming pool during the winter. Staff has already contacted solar energy consultants to investigate the possibility of installing solar panels to heat the pool. This process is underway and we will continue to pursue these options.

Summary of Recommendations

At this time, staff is recommending approval of all Category A savings provided in the report. This will reduce the subsidy to the General Fund to 3.43% for this fiscal year. We will continue to optimize operations in an attempt to reduce costs. Included in the 2008-2009 budget will be an entire year of operation and maintenance of the turf at Civic Center Park. This is a 21 acre park and will require considerable staff time to maintain this park. If we are able to achieve some savings by partnering with the AVUSD for the maintenance of the three parks operated on school property, we may be able to minimize the impact of this new park on next years budget.

It is important to note that Vision 2010 includes Item #5 Recreation and Park Facilities and Programs – Enhance and expand diverse recreational opportunities for youth and adults, and continue to improve park facilities.” (Exhibit I) The Council may want to take a step back and evaluate the viability of this Goal at this time. Since 2001, we have enhanced and expanded park facilities and recreation programs. These include significant improvements to Brewster Park including an

additional twenty acres of turf bringing the total park to a forty acre sports complex including state of the art lighting. We have also installed a new water tank, tot lot, enhanced turf and a tent camping area at Horseman's Center. Several improvements including new lighting, fencing, turf, refurbishing the gymnasium and auditorium have been completed at James Woody Community Center. Finally, Civic Center Park, a 21 acre complex adjacent to the Town Hall is operational and includes a swimming pool, amphitheater and walking paths.

All of this growth has exhausted available revenues for operation and maintenance. Through the strategies contained in this report, I believe we are able to contain the General Fund subsidy to Park and Recreation in a manageable fashion. However, subsequent growth must be matched with an identifiable and sustainable revenue source for operation and maintenance. We must continue to maximize revenues wherever possible. This will include strategies to review and consider increases in fees wherever necessary, encourage fundraising programs and increase sponsorship for sports programs and community events wherever possible.

Acknowledgements

As stated previously in this report, hundreds of hours have been invested in preparing this detailed analysis for the Council. I would like to thank Kaye Reynolds, Assistant Director of Finance for her outstanding effort in calculating and balancing all of the various components of this analysis. Kaye has provided the expertise to ensure this project was balanced and reconciled with the amended fiscal year budget. I would also like to recognize and thank the following individuals for their hard work on this project: Ralph Wright, Community Services Manager, Dennis Cron, Public Services Director, Bill Pattison, Finance Director, Kathie Martin, Public Information Officer, and all the support staff.

Conclusions

The recommendations of the Park and Recreation Ad-Hoc Committee on September 11, 2007 are still viable planning goals today. It is helpful to establish guidelines for fiscal year budget preparation. Many communities subsidize their park and recreation programs as we do at the Town of Apple Valley. However, it is important to achieve growth at a manageable pace to ensure that there are sufficient identifiable revenues to cover the operation and management.

Increased Law Enforcement was one of two major reasons for the incorporation drive in 1988. It continues to be one of the top issues for most residents today. Therefore it is logical that almost 50% of the

General Fund budget is committed to Law Enforcement. This number will continue to grow as our community grows.

It is important to partner with the Apple Valley Unified School District to establish viable and mutually beneficial joint use agreements for the good of the community. We will continue to work with the staff of AVUSD to identify opportunities for growth in our recreation programs utilizing school facilities that are vacant after school hours. We will continue to seek energy efficient ways to reduce operational costs.

We will continue to look for ways to reduce costs and increase revenues through sponsorships, volunteerism and fee generation wherever possible. Recreation staff is required to establish minimum levels of participation and identification of breakeven points for any new program creation. New viable recreation programs reduce the impact of indirect costs on each individual program.

Implementation of Category A recommendations are essential to the reduction in subsidy from the General Fund. Additional reductions in Categories B and C may be considered by the Town Council and staff will be available to provide the Council with information on the effect of the change.

Hopefully this detailed review will provide the Town Council with the necessary information to make the policy decisions necessary to reduce the subsidy from the General Fund. Staff will be available to answer questions regarding the analysis at the Special Meeting on April 22, 2008. If you have questions or require additional information prior to the Special Meeting, please do not hesitate to call me.

Submitted: April 16, 2008



Patty Saady
Deputy Town Manager